IDENTIFYING AND TAKING ADVANTAGE OF EXPORT OPPORTUNITIES IN COLOMBIA

NASBITE Conference 04-19-2012
Portland, Oregon
Presented by:

Anthony Cambas CCS, CGBP, LCB
International Trade Specialist
Center for International Trade and Development at
Oklahoma State University

&

Mickey Conway
Area Manager and Business Consultant
SBDC of South Carolina at Clemson University
OBJECTIVES

- Use Colombia as an example of how SBDC-ITC counselors and SMEs may approach international trade issues
- Emphasize that there is no single “cookie cutter” model or approach to export market development
- Emphasize problem solving skills and techniques
US-COLOMBIA
TRADE PROMOTION AGREEMENT

- Long and winding road to becoming reality
- About much more than trade in goods
- Passed by the U.S. House and Senate on 10/12/2011 after renegotiation
- May 15th 2012 implementation

http://www.ustr.gov/trade-agreements/free-trade-agreements
“This agreement will provide American businesses, farmers and ranchers with significantly improved access to the third largest economy in South America. One month from today, the value of the U.S.-Colombia trade agreement will begin to be seen in lower tariffs on autos, consumer goods, agricultural commodities, machinery, and other exports from the United States, which will make our goods more competitive in the Colombian market. That means support for well-paying jobs at home,” said Ambassador Kirk.

“Taking this next step toward entry into force of this agreement is recognition that Colombia has met the milestones of, and continues to demonstrate its strong commitment to, the Action Plan Related to Labor Rights. We will continue working with the Santos Administration to help it continue to meet its long-term commitments to improve its labor practices and deter violence against labor leaders. We are making good on President Obama’s promise to use a new approach to trade and stand up for the protection of workers in the U.S. and around the world.”
Why Colombia?

- According to the USTR, Colombia’s economy is diversifying and is the 4th largest in Latin America
- The “Made in USA” label has strong appeal in Colombia
- Strong people to people, cultural, business and political ties between the USA and Colombia
- Cobbling FTAA together one agreement at a time?
- According to USTR, about 80% of **qualifying** U.S. exports will immediately gain duty-free access to Colombia, including: agriculture and construction equipment, aircraft and parts, auto parts, fertilizers and agro-chemicals, information technology equipment, medical and scientific equipment, and wood.
International Trade Requires Knowledge

- Art as well as a science
- Cultural
- INCOTERMS
- Export and Import Compliance
- Rules of Origin and Free Trade Agreement qualification
- Shipping and logistics
- International payment options
- Piecing together a puzzle
- Relevance of CGBP training and credential
CULTURAL ISSUES FOR COLOMBIA

- Colombia as a distinct Latin American country
- Regionalism
- Spanish language
- Societal Issues
- Educational levels
- Personal and professional connections
- Emphasis on relation building
- Formalities
- Professional titles
- Communication
- Family centered
IDENTIFYING OPPORTUNITIES IN COLOMBIA

- SBDC International Trade Centers
- State International Trade Offices
- U.S. Department of Commerce- U.S. Commercial Service
- Trade Missions
- Trade Shows/Fairs
- Competitive Intelligence data ex. PIERs
ASSESSING FOREIGN MARKET POTENTIAL

- UN Comtrade
- USA Trade Online (HS and NAICS codes)
- P IERS
- Internet Research
- International Trade Administration (ITA)
Oklahoma Exported an Average of $62 Million in Goods to Colombia from 2008-2010

- Machinery, Except Electrical: 38%
- Electrical Equipment, Appliances & Components: 19%
- Agricultural Products: 10%
- Computer & Electronic Products: 17%
- All Others: 17%
EXAMPLE

- A manufacturer of a uniquely scented body lotion wants to take advantage of opportunities created by the free trade agreement
- Need to devise comprehensive strategies such as sourcing of materials to increase competitiveness
- Identify foreign market opportunities for product

Where to start?
GLOBAL SOURCING

- Increase competitiveness and quality of product
- Citric acid is an ingredient in our body lotion
- Search the Colombian market for sourcing opportunities (FTA cumulation concept)
- Sourcing from free trade partner allows for cumulation
- Admissibility of citric acid into USA- Customs and other agencies that regulate the product
- True landed cost
- Antidumping or Intellectual Property concerns?
- Determine HS number - Citric acid from Colombia classifiable under 2918.14
- Does FTA apply to reduce or eliminate duties?
EXPORTING BODY LOTION TO COLOMBIA

- US Export Compliance – BIS Lists to Check
- Regulations and requirements to import product into Colombia
- New National Single Window system
- IPR Considerations?
- Does product qualify for reduced or duty free treatment?
- Apply rules of origin to HS heading 3304.99
- Record keeping requirements
- Post entry audits and verifications
QUALIFYING FOR PREFERENTIAL TARIFFS

- Preference Criteria
- Rules of Origin
- Analysis
- Certification
- Direct Shipment requirement
- Supporting Documentation
**Specific Rule of Origin**

3304.99

3304.10 – 3307.90

“A change to subheading 3304.10 through 3307.90 from any other subheading.”
APPLYING RULKES OF ORIGIN

3304.10 – 3307.90

“A change to subheading 3304.10 through 3307.90 from any other subheading.”

3304.99.0000

33 = Chapter
3304 = Heading
3304.99 = Subheading
3304.99.0000 = Tariff Number
**Bill of Materials for Body Lotion Originating Product?**

<table>
<thead>
<tr>
<th>Desc.</th>
<th>HS Code</th>
<th>C/O</th>
<th>Cost</th>
<th>Orig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mint Oil</td>
<td>3301.25</td>
<td>IT</td>
<td>.75</td>
<td>N</td>
</tr>
<tr>
<td>Mint Leaves</td>
<td>1211.90</td>
<td>JP</td>
<td>.20</td>
<td>N</td>
</tr>
<tr>
<td>Citric Acid</td>
<td>2918.14</td>
<td>CO</td>
<td>.05</td>
<td>Y</td>
</tr>
</tbody>
</table>
Shipping, Logistics and International Payments

- Research carefully
- Use SBDC ITCs to help with research
- A good solution for another country may not be best one for Colombia
- Conduct due diligence on finance and payment issues
- Check OFAC and other restrictions on payments
- Contract should stipulate dispute resolution in USA
A little more to using free trade agreements than just using them

Article 4.15 of US-Colombia FTA:
Claims for Preferential Treatment

1. Each Party shall provide that an importer may make a claim for preferential tariff treatment based on either:
   (a) a written or electronic certification by the importer, exporter, or producer; or
   (b) the importer’s knowledge that the good is an originating good, including reasonable reliance on information in the importer’s possession that the good is an originating good.
Recordkeeping and Verifications

- Importers and exporters must retain records and make available upon request documentation substantiating the claim for 5 years.
- Colombian and US Customs can request information and conduct origin verification.
- Potential liability for providing incorrect or unsubstantiated information to customer and government officials.
<table>
<thead>
<tr>
<th>Period</th>
<th>Trade Flow</th>
<th>Reporter</th>
<th>Partner</th>
<th>Code</th>
<th>Trade Value</th>
<th>NetWeight (kg)</th>
<th>Quantity Unit</th>
<th>Trade Quantity</th>
<th>Flag</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>Import</td>
<td>Colombia</td>
<td>World</td>
<td>220210</td>
<td>$1,381,599</td>
<td>1,083,817</td>
<td>Z</td>
<td>1,083,817</td>
<td>2</td>
</tr>
<tr>
<td>2008</td>
<td>Import</td>
<td>Colombia</td>
<td>World</td>
<td>220210</td>
<td>$2,431,526</td>
<td>1,413,510</td>
<td>Z</td>
<td>1,413,510</td>
<td>2</td>
</tr>
<tr>
<td>2009</td>
<td>Import</td>
<td>Colombia</td>
<td>World</td>
<td>220210</td>
<td>$846,081</td>
<td>985,107</td>
<td>Z</td>
<td>985,107</td>
<td>2</td>
</tr>
<tr>
<td>2010</td>
<td>Import</td>
<td>Colombia</td>
<td>World</td>
<td>220210</td>
<td>$4,898,048</td>
<td>14,813,371</td>
<td>Z</td>
<td>14,813,371</td>
<td>2</td>
</tr>
<tr>
<td>2011</td>
<td>Import</td>
<td>Colombia</td>
<td>World</td>
<td>220210</td>
<td>$1,588,529</td>
<td>1,795,836</td>
<td>Z</td>
<td>2,207,252</td>
<td>0</td>
</tr>
</tbody>
</table>

Estimated quantity/netweight shown in italics
Flag refers to quantity/netweight estimation:
0 = no estimation, 2 = quantity, 4 = netweight, 6 = both quantity and netweight

These data are copyrighted by the United Nations and are provided for your internal use only. They may not be re-disseminated in any form without written permission of the United Nations Statistics Division.
<table>
<thead>
<tr>
<th>Shipper</th>
<th>Commodity</th>
</tr>
</thead>
<tbody>
<tr>
<td>SUCROMILES S.A. NIT 891.300.959-8</td>
<td>760 SACOS X 25 KG CONTENIENDO: 19000 KG EXTRAFINE CITRIC ACID - 25 KG</td>
</tr>
<tr>
<td></td>
<td>HOUSE TO HOUSE FREIGHT PREPAID  INVOICE NO 24097 EXP 20455 SAE NO 6027516619901</td>
</tr>
<tr>
<td></td>
<td>FDA 18909225086 PA 29.18.14.00.00 APZU3785513</td>
</tr>
<tr>
<td>SUCROMILES S.A. NIT 891.300.959-8</td>
<td>CITRIC ACID 800 BAGS X22.7 KGS CONTAINING: 18160.00 KG GRANULAR</td>
</tr>
<tr>
<td></td>
<td>CITRIC ACID 50 LB HOUSE TO HOUSE FREIGHT PREPAID US$1153 INVOICE 23840 EXP</td>
</tr>
<tr>
<td></td>
<td>20201 SAE:6027514101931 ASUNTO:201001850100070100 FDA 18909225086 RIA:29.18.14 GLDU3884040</td>
</tr>
<tr>
<td></td>
<td>CITRIC ACID 800 BAGS X22.7 KGS CONTAINING: 18160.00 KG FINE CITRIC ACID 50 LB</td>
</tr>
<tr>
<td></td>
<td>HOUSE TO HOUSE FREIGHT PREPAID US$1153 INVOICE 23841 EXP 20202 SAE:6027514103406 ASUNTO:201001850100070081 SAE:6027514062290 FDA 18909225086 RIA:29.18.14 HLXU2268709</td>
</tr>
<tr>
<td>WORLDBEST BIOCHEMICALS (THAILAND)</td>
<td>CITRIC ACID OOLU3696477</td>
</tr>
<tr>
<td>WORLDBEST BIOCHEMICALS (THAILAND)</td>
<td>CITRIC ACID OOLU1484421</td>
</tr>
</tbody>
</table>
One parting thought . . .

Have the

**MOXIE**

To consider exporting to Colombia
MUCHAS GRACIAS Y MUCHA SUERTE