

# Private Sector *Trade Note*

## CARICOM-Colombia Trade<sup>1</sup>



### ► COLOMBIA TRADE OVERVIEW

Colombia is a South American country and a member of the Andean Community (a customs union<sup>2</sup> comprising Bolivia, Colombia, Ecuador and Peru). Colombia is a considerable market with various growth prospects in areas which could be of interest to CARICOM firms. In 2010, Colombian importers spent US\$41bn on global merchandise imports. Colombia also represents a dynamic global market with import spending expanding by approximately 14% annually between 2001 and 2010. Colombia therefore represents a higher growth market compared to global merchandise import spending trends, as between 2001 and 2009, global import spending expanded by 9.2% annually.

Colombia's top merchandise imports in 2010 included light petroleum distillates (US\$1.6bn); aircraft of an unladen weight exceeding 15,000 kg (US\$1.4bn); Automobiles with engines between 1500cc to 3000cc (US\$1.3bn); and Maize

(US\$797mn). Between 2005 and 2009, some of the most dynamic merchandise imports into Colombia included milk powder; liquefied propane; wheat or meslin flour; corks, crown of base metal; electrical apparatus for line telephony; gold in unwrought forms non monetary; swine carcasses and half carcasses frozen; raw cane sugar; mens/boys suits of other textile materials knitted; crabs frozen including boiled in shell; tobacco extracts and essences; and bitumen and asphalt. These trends represent trade opportunities for CARICOM exporters.

<sup>1</sup> All data from the International Trade Centre (ITC) tradeMAP database. [www.trademap.org](http://www.trademap.org) . Retrieved December 1, 2010

<sup>2</sup> A customs union is an intergovernmental trading area amongst a group of countries that have agreed to eliminate tariffs, quotas and preferences on most goods and services along with an arrangement where the same customs duties will apply to all goods entering the area.

Colombia also represents a dynamic exporting market capable of supplying some of the import needs of the region, including various non-competing capital imports. In 2010, Colombia exporters generated US\$40bn in merchandise export sales. Some of the top merchandise exports from Colombia in 2010 included crude petroleum oils and oils obtained from bituminous minerals; bituminous coal; and light petroleum distillates<sup>3</sup>.

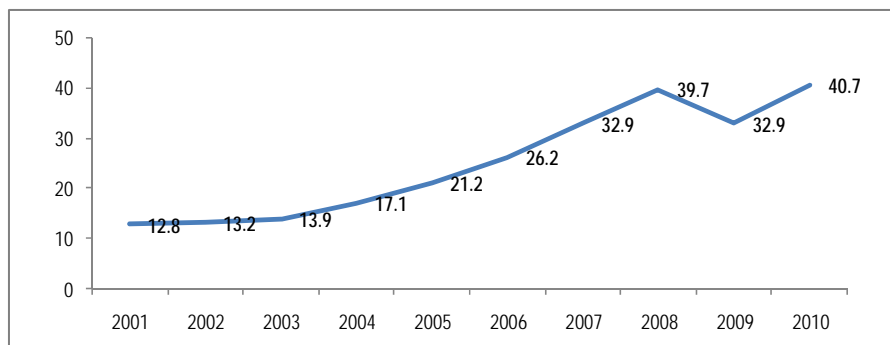
In 2010, the top markets from which Colombian importers purchased goods included the USA (US\$10.5bn); China (US\$5.5bn); Mexico (US\$3.9bn); Brazil (US\$2.4bn); Germany (US\$1.7bn); and Argentina (US\$1.5bn). The top markets in which Colombian exporters generated export sales in 2010 included The USA (US\$16.9bn); China (US\$2bn); Ecuador (US\$1.8bn); The Netherlands (US\$1.6bn); Venezuela (US\$1.4bn) and Peru (US\$1.1bn).

#### ► CARICOM-COLOMBIA TRADE OVERVIEW

CARICOM and Colombia have an interesting trade relationship. The first bilateral trade agreement between CARICOM and Colombia was secured in July 1994. The CARICOM/Colombia Agreement began as a non-reciprocal agreement but had to provide for a level of reciprocity to Colombia after a period – four years. CARICOM has also negotiated some reciprocity in the trade elements of the Agreement on Trade and Technical Cooperation with the Government of the Republic of Colombia, through a Protocol amending the original Agreement, ratified in May 1998. Therefore, some CARICOM Member States (namely, Barbados, Guyana, Jamaica and Trinidad & Tobago) agreed to eliminate tariffs on specific products while Colombia agreed to liberalize trade on specific products for all CARICOM Member States.

The Colombian market has tremendous opportunity based on the level of, and dynamism in, import expenditure observed since 2001. In 2010, CARICOM exporters generated US\$408.4mn in international sales from Colombia, whilst CARICOM economies spent US\$581.2mn to import goods from

**Figure 1: Colombia Import Spending (US\$bn).**

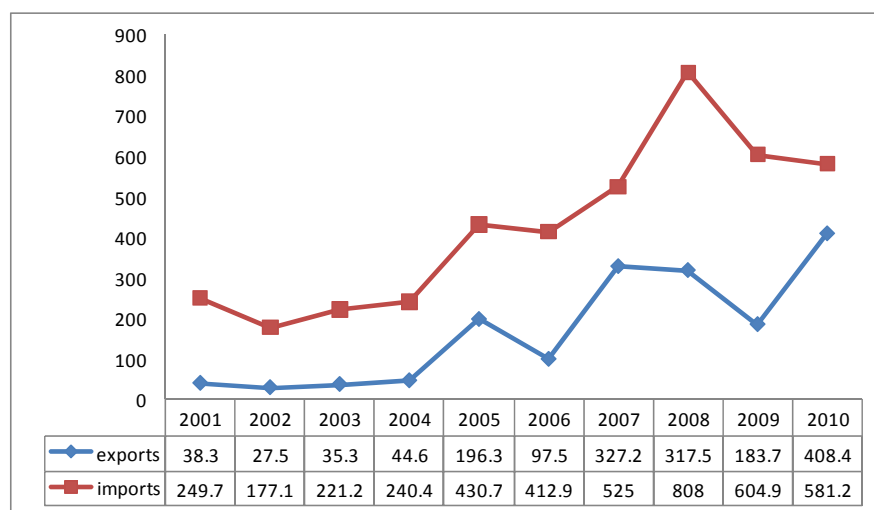


Source: TradeMAP. [http://www.trademap.org/Country\\_SelProductCountry\\_TS.aspx](http://www.trademap.org/Country_SelProductCountry_TS.aspx) Retrieved April 21, 2011.

Colombia. CARICOM Member States' export sales from Colombia expanded by more than triple the growth in CARICOM's import expenditure on Colombian goods between 2001 and 2010. Between 2001 and 2010, CARICOM exporters expanded their export sales generated in Colombia by an average of 30%, whilst Colombian exporters to CARICOM expanded their export sales by 10%.

This implied that the region gained some international competitiveness which was reflected in a reduction of the merchandise trade deficit from US\$211.5mn in 2001

**Figure 2: CARICOM-Colombia Trade (US\$bn).**



Source: TradeMAP. Retrieved April 28, 2011.

to US\$173mn in 2010. Between 2001 and 2010, CARICOM's export sales in Colombia grew by 30% annually, which was more than double the rate at which Colombia grew their import spending from the rest of the world during this period.

<sup>3</sup> However, some competing importing opportunities include gold in unwrought forms non monetary; coffee not roasted or decaffeinated; ferro-nickel; bananas including plantains fresh or dried; aviation spirit; fresh cut flowers; refined sugar; and waste and scrap of copper or copper alloy.

Ultimately, the region gained trade share in Colombia, albeit from a negligible base. In 2001, CARICOM accounted for 0.0003% of Colombia's global import spending, and this increased to 0.001% in 2010.

Trinidad & Tobago was the top exporting Member State in 2010, generating 92% of the region's total export sales (i.e. domestic exports and re-exports) from Colombia. Other top exporters to Colombia in 2010 included St. Lucia (US\$24mn), Barbados (US\$6.7mn), Guyana (US\$2mn), Jamaica (US\$965,000) and Antigua & Barbuda (US\$ 125,000) who jointly accounted for the "lion's share" of regional merchandise export sales generated in Colombia. St. Lucia was the most dynamic

CARICOM exporter to Colombia between 2001 and 2010 with significant export sales generated from sales of light petroleum distillates (HS 271019) in 2010 (possibly from re-exports of refined products)<sup>4</sup>. Trinidad & Tobago, Barbados and Guyana also exhibited some dynamism, with Jamaica retreating from exporting to Colombia mainly because of a collapse of gypsum anhydrite sales.

Interestingly, the top exports are resource based and concentrated in the energy sector. In 2010 CARICOM mainly exported aviation spirit (HS 271011) which accounted for 58% of total exports to Colombia from the region. Other dominant exports in 2010 are detailed in table 1 below and included urea; anhydrous ammonia; and methanol.

CARICOM exporters are sending new shipments (i.e. exports in 2010 which were not observed in 2001) to Colombia in a number of areas including Aviation spirit; methanol; light petroleum distillates; tunas; liquefied propane; iron bars and rods; and rum and tafia. It appears that these items also have a significant tariff preference in favour of CARICOM's exporters. For example, Colombia's

**Table 2: CARICOM's Exports to Colombia**

Product code	Product label	Colombia's imports from CARICOM		
		Value in 2010 (US\$'000)	AGR 2001/2010	Tariff preference <sup>5</sup>
TOTAL	All products	408,427	30.2%	
'271011	Aviation spirit	235,863	-	0%
'310210	Urea, in packages weighg more than 10 kg	39,737	47.5%	5%
'281410	Anhydrous ammonia	31,278	10.6%	5%
'290511	Methanol (methyl alcohol)	25,240	-	5%
'271019	Light petroleum distillates nes	24,789	-	8.5%
'030341	Tunas,albacore or longfinned,frozen,excl headg No 03.04,livers & roes	11,590	-	20%
'271112	Propane, liquefied	9,686	-	5%
'722790	Bars&rods,alloy steel,o/t stainless	9,052	79.3%	0%
'382490	Chemical/allied industry preparations/prods nes	5,082	128.5%	0%
'721310	Bars&rods,i/nas,hr,in irreg wound coils,cntg indent,ribs,etc	3,774	-	15%
'220840	Rum and tafia	3,094	-	20%
'260600	Aluminium ores and concentrates	1,995	29.2%	5%
'250300	Sulphur, except sublimated, precipitated, colloidal	1,885	13.7%	0%
'220210	Waters incl mineral& aerated,containg sugar/flavourd	880	74.5%	20%
'252010	Gypsum; anhydrite	878	-8.0%	5%

Source: TradeMAP. Retrieved April 28, 2011.

<sup>4</sup> Where this product meets the rules of origin requirement for duty preferences under the CARICOM-Colombia Trade Agreement, Colombian importers would shave-off approximately 8.5% from their customs duty costs to import from St. Lucia versus a non-preference receiving country (see table 1).

<sup>5</sup> This refers to the difference between the tariff that an importer in Colombia would have to pay on a good imported from a CARICOM Member State and another trading partner with which they have no trade arrangement.

importers would pay 20% less import duties to purchase tuna from CARICOM than from other exporters with which Colombia has no trade arrangements. In this regard, in 2010 CARICOM tuna exporters sold US\$11.6mn in exports to Colombia growing the trade from US\$677,000 in 2007. Similarly, Colombian importers would incur 20% less customs duties importing rum and tafia from CARICOM than other exporters with which Colombia has no trade arrangements. Additionally, Colombian importers would shave off 20% in customs duties importing aerated beverages/mineral waters from CARICOM sources compared to other import sources with which they do not currently have trade arrangements. This tariff saving could have contributed to the 75% growth in exports of aerated beverages from CARICOM to Colombia between 2001 and



2010. Therefore, in some areas, the trade preferences, some of which are attributable to the CARICOM-Colombia Free Trade Agreement (FTA), seem to be associated with new and dynamic export activity.

Between 2001 and 2010, some products exhibited dynamism in export sales to Colombia even though there were no tariff preferences. These products may possess genuine price competitiveness and include aviation spirit; bars/rods of alloy iron and steel (other than stainless steel); Chemical/allied industry preparations/prods Not elsewhere specified (nes); and sulphur. The competitiveness of these products may be bolstered if their respective industries would lobby for inclusion in the FTA between CARICOM and Colombia where feasible.

The most dynamic exports from CARICOM to Colombia between 2001 and 2010 included Urea (47% growth in export sales); Chemical/allied industry preparations/prods Not elsewhere specified (nes) (128%); aerated waters (74%); chocolate and other food preparations containing chocolate (31%); essential oils (47%); and iron/steel pipes and fittings (46%). All of these products were duty free except Chemical/allied industry preparations/prods not elsewhere specified on which a 1.3% tariff is applied. Therefore, between 2001 and 2010, CARICOM exporters to Colombia seemed to show more dynamism in exporting products that are duty free.

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The main imports from Colombia in 2010 included many energy products and competing agro-processed items on which duties are applied. Top imports from Colombia included light petroleum distillates (US\$205mn); crude petroleum oils (\$174mn); refined sugar (\$63mn); raw cane sugar (\$24mn); Portland cement (\$9.3mn); sugar confectionery not containing cocoa (\$6.6mn); aviation spirit (\$6mn); and sweet biscuits (%\$3.7mn). Between 2001 and 2010, the most dynamic imports from Colombia included light petroleum distillates; aviation spirits; sweet biscuits; ceramic sinks/basins of porcelain; plastic tableware and kitchenware; refrigerators; medicaments; salt; and metal furniture.

Trinidad & Tobago was the top CARICOM importer of Colombian products in 2010, recording some US\$240mn in import spending. Other CARICOM Member States with significant imports in 2010 included The Bahamas (US\$193mn), Haiti (US\$57mn), Jamaica (US\$51mn) and Suriname (US\$13mn). The most dynamic CARICOM importers of Colombian products between 2001 and 2010 were The Bahamas (41% annual growth rate in import expenditure), Suriname (18%), St. Vincent & The Grenadines (18%) and Antigua & Barbuda (15%). It must be recalled that Barbados, Guyana, Jamaica and Trinidad & Tobago are the only CARICOM Member States that have opened their market to Colombian exports. Hence Colombia is penetrating the markets of the OECS States mentioned above, as well as The Bahamas and Suriname regardless of the customs duties being applied.

Ultimately, CARICOM's exports seem more dependent on trade preferences in the CARICOM-Colombia Trade Agreement than appears to be the case in the reverse sense. It is suggested that the firms doing business with Colombia acquaint themselves with the provisions of the FTA, and report any instances of trade barriers to their respective trade ministries. The region's private sector may also contemplate activation of a Colombia-Caribbean Business Council, which is mandated in article 20 of the FTA. Based on the opportunities for enhanced trade, this Business Council could be a suitable agenda item for the Caribbean Business Council which already has a locus standi with trade ministers.

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