

**Remarks of Ambassador Susan Schwab  
Deputy United States Trade Representative  
Conference Call on the Conclusion  
of Trade Negotiations with  
Columbia  
February 27, 2006**

**Ambassador Schwab:** Good afternoon everyone. We set up this conversation, as you will have noticed, to talk about the successful conclusion of our negotiation of a bilateral free trade agreement between the United States and Colombia. The agreement was concluded this morning in the wee hours of the morning and announced by Ambassador Portman and Colombia's Minister of Trade, Jorge Botero.

I'm going to briefly summarize the characteristics, the elements of the FTA agreement. We'll be posting on the web site summaries of various aspects, but I thought what I would do is do a quick summary here and see if I can answer any of your questions.

The agreement is a comprehensive free trade agreement with multiple market access benefits for US consumers in consumer industrial products. We're talking about 80 percent of US industrial goods exports going to Colombia immediately receiving duty free treatment, for example, upon entry into force. A lot of new opportunities for American farmers, ranchers, in terms of agricultural exports. [Some] protections for US investors for intellectual property rights holders, expanded market access for services exporters, strong protection for worker rights, for the environment, and as with all of our FTAs, increased transparency, emphasis on rule of law and procedures and policies to facilitate trade in both directions, obviously.

In the case of the FTA that was just completed with Colombia, as you know, Colombia currently benefits from the Andean Trade Preference Act so much of Colombian exports, many of Colombia's exports to the United States, virtually all as a matter of fact, come in duty free. Therefore, with this agreement we will be seeing a leveling of the playing field for US products and a consolidation and a permanence and stability that will be of asset to Colombia producers and exporters, knowing that their access to this market is locked in.

As most of you know, the Andean Trade Preference Act is scheduled to expire at the end of this year.

The agreement also supports Colombia's reform-minded government. In a region of the world where democracy can be a fundamental stabilizing force, Colombian President Uribe was very much involved in this negotiation and he has consistently promoted policies to combat narco-trafficking, to reinforce democratic institutions, and to generate development.

Colombia and President Uribe have been good partners of the United States in this and we support his efforts to wipe out drug trafficking. Again, it's another reason why we're very pleased to be able to announce this agreement that we'll be strengthening our economic ties with Colombia.

In terms of the timing of this agreement, as you know, we reached a free trade agreement with Peru in December. We notified the United States Congress of our intent to sign that agreement in January, and would anticipate signing it after the 90 day statutory timeframe is concluded. That takes us into April. We would then expect to see input from the International Trade Commission and movement on the Peru agreement this summer. That was the first step in what, ultimately we hope, will be a regional Andean trade agreement. Colombia is the largest of the countries in the Andean pact and this obviously is a very, very important next step in pulling together this Andean free trade agreement.

So the process with Colombia begins and we anticipate negotiations with Ecuador continuing and resuming in the next month.

Perhaps I'll stop there and see if I can field specific questions.

**Question:** Can you give us any specifics on the tariff reduction and schedule of tariff reductions for agriculture in this agreement? And how far does this agreement go in leveling the playing field, specifically reducing the trade deficit that we have with Colombia?

**Ambassador Schwab:** The most important thing to realize about this agreement is that it is a comprehensive agreement in that 100 percent of the tariffs and quotas in Colombia that have an impact on US exports will disappear over time, so you're talking about tariffs ultimately going to zero. The longest phase-in time is 19 years, but very significant portions of US exports and potential US exports would be receiving duty-free treatment immediately. Examples of some of those products: high quality beef; cotton; wheat; soybeans; soybean meal; horticultural products including some key fruits and vegetables -- apples, pears, peaches, cherries; processed food products including, for example, frozen French fries. So those would all receive immediate duty free treatment and as I said before, at present Colombia's exports to the United States receive by and large duty free treatment in terms of the one-way preference program.

In the case of other US agricultural exports to Colombia and potential exports, obviously we anticipate that this agreement will result in a growth in trade. Most tariffs on US farm exports to Colombia will be phased out within 15 years and as I said in the case of one line item, the maximum is 19 years.

**Question:** What is that product?

**Ambassador Schwab:** That product is rice.

**Mary Latimer:** It's one TRQ, it's four rice line items and the phase-out is on the over quarter tariff, it's a TRQ.

**Ambassador Schwab:** In any event, it is rice that will have the longest phase out. That was the most sensitive of the products.  
The tariff rate quota for rice would be 79,000 metric tons.

Other examples of key products that will benefit from this agreement, chicken supporters where the United States is a very competitive exporter. You're talking about a 26,000 metric ton TRQ with an 18 year phase out. In the case of corn, we're talking about a two million metric ton tariff rate quota with a 12 year phase out. That's a major, major plus as well. In the case of pork, there are no TRQs and that's a five year phase out; also very nice. I mentioned immediate duty free entry for high quality beef and processed beef. Dairy products, there's a 9,000 metric ton quota with a maximum phase out. Obviously in all of these, the point Mary Latimer was making, in all of these you've got multiple line items. Maximum phase out in the case of dairy is 15 years, which for those of you who follow agricultural trade issues is a very impressive set up.

**Mary Latimer:** Susan, on the dairy, the 9,000 metric tons is the overall tonnage, if you add up all the TRQs for our side on one hand and their side on the other. The access for the United States into Colombia's market and for Colombia into the US market is perfectly symmetrical on an overall tonnage of 9,000 metric tons.

**Question:** How is sugar handled in this agreement?

**Ambassador Schwab:** In this agreement Colombia will be receiving a 50,000 metric ton TRQ in sugar. Coming into this market with a 1.5 percent simple growth rate. That is --

**Mary Latimer:** -- simple growth rate in the deal. It's the only simple growth rate.

**Question:** The 50,000 tons will grow 1.5 percent annually? Will you be phasing out the above tariff quotas, the above quota tariffs over time?

**Ambassador Schwab:** The tariff will not, the only tariff that will not go to zero in this FTA is the sugar tariff.

**Mary Latimer:** And it is not reduced at all.

**Question:** How come the US doesn't have to phase out all its tariffs to zero but Colombia has to phase out all its tariffs?

**Ambassador Schwab:** It is a negotiation and if you look, all of our FTA agreements you will discover, as well you know, that the sugar line never goes to zero.

**Question:** Colombia's been trying to get imports into the US on various fruits and vegetables that have been blocked because of residue levels from pesticide treatments that they provide in Colombia. Was there any progress on this issue? Does this FTA give them more of an opportunity to advance these exports?

**Ambassador Schwab:** One of the very significant elements of this agreement is the SPS, Sanitary-Phytosanitary element. It addresses two-way trade and also with special provisions related to BSE and Avian Influenza. In the case of US exports to Colombia, we are receiving from Colombia what is our standard FTA requirement, namely the recognition of equivalents of the US SPS system as equivalent to Colombia's system.

In the case of Colombia's exports to the United States, Colombia has spent a significant amount of time with our regulators. We have, as you know, a very sophisticated science-based process here for assessing these issues. FDA is involved, EPA is involved, APHIS obviously in a lot of these products, FSIS. So what Colombia was interested in doing is finding out what more they need to know and how they can go about helping their producers be more sophisticated in accessing our process and going through our process. I think there is a consultative mechanism they can use to help their producers move through the SPS process we have here.

**Question:** In what ways does this agreement differ from the Peru FTA, and what were the final sticking points that got resolved?

**Ambassador Schwab:** It is very hard to compare across FTAs. Let me give you a couple of examples.

The most sensitive product at the end of the day with both countries: rice, chicken leg quarters, corn, that kind of thing. And what you find is in the case of both countries in chicken leg quarters, and in rice, you've got a fairly comparable phase out period. In the case of Peru, 17 years; in the case of Colombia, 19 years, rice, 18 years for chicken leg quarters. However in the case of Colombia you have larger TRQ levels. It's a larger market, you've got larger quotas. So that's a for example.

In the case of corn, the corn provision of the Colombia agreement is significantly larger than the initial TRQ in the case of Peru. In the case of the Colombia agreement there will be the first increment of virtually all of the TRQs, the first growth increment, to take place upon entry into the force. In the case of the Peru agreement, that first growth increment would take place at the end of the first year, beginning of the second year.

Let me think of other differences.

**Mary Latimer:** I think, Susan, this is not directly on point but I think it relates to the way the industries look at the agreement.

Colombia, of course is a much much larger market for US agricultural exports. It's among the top markets in the world for US corn, for example. So I think there is a difference in that respect as well. Again, that's not directly on point to your question but I think it is relevant for purposes of looking at the reception the agreement would receive from the ag community.

**Ambassador Schwab:** Really, each agreement is different. There are some almost identical provisions. I think pork is identical. It's a five year phase out. Very strong in both cases. But you can't describe one as better than the other. They are different, and both of them, as I said, both of them are very, very strong benefits and potential benefits to American farmers and ranchers.

**Question:** Can you give us the totals for the TRQs for chicken quarters and the other parts, rice? Where they are now so what the increase would be. Also on labor, was there anything in particular you wrote into this agreement because of the problems with labor down there?

**Ambassador Schwab:** Let me start first with the labor issue. Under the trade promotion agreement, the free trade agreements negotiated under TPA authority, the focus is on each country enforcing its own labor laws. In the case of Colombia, a significant amount of progress has been made by Colombia in terms of its labor rates, in terms of assessing violence against trade unionists. As you may or may not know there has been a lot of investment by President Uribe and with more technical and financial support, for example from the US Department of Justice and USAID in reforming the criminal justice system in terms of improving the prosecution of criminals, drafting and implementing of new criminal justice procedures, and the efficiency of the system. So a lot of those issues have been under discussion and if you're familiar with what's been going on in Colombia under the presidency of President Uribe, you will know this has been a very, very strong focus of his and that they have made major strides.

**Question:** Could you tell us how long this last round of negotiations had been going on? Also you didn't address what the final sticking points were.

**Ambassador Schwab:** You're absolutely right, I'm sorry.

**Question:** Also if you can, in terms of timing. You talked about when Peru would be signed in April, and that you hoped to have a vote in the summer. Does that mean that you're not going to get Colombia done this year?

**Ambassador Schwab:** All good questions. Let me address them one at a time.

In terms of the pacing of this agreement, this negotiation was launched, I believe in 2004. You asked for the most recent negotiations. This particular round started a month ago. The Colombians were here for a week. We recessed for a week. We didn't close the negotiation, we recessed for a week. They came back two weeks ago. President Uribe was here one week ago, and his presence really accelerated the process, added some momentum to the process. And this past week has been a very intensive round of negotiations. This past weekend we had basically two back-to-back, round-the-clock negotiating sessions. I had 45 minutes of sleep today and two hours of sleep yesterday. My Colombian counterpart is in not much better shape, so all of us, Ambassador Portman, all of us have been burning the midnight oil on this.

In terms of the final sticking points, all of the non-agricultural issues were wrapped up by last Thursday. Some of them including intellectual property rights protection were wrapped up while President Uribe was here and he was personally involved in that. But the closing issues were the ones that you would imagine. Sugar on our side, chicken leg quarters, rice, corn, high fructose corn syrup. That's basically it. And those were – you start grinding through the toughest issues once you've cleared the decks of some of the others. At some point you step back and say do we have a package or do we not have a package, and we did. We had a package.

The last question you asked was timing?

**Question:** Timing. You mentioned how Peru was going to go through this year but I didn't get whether you were linking Colombia or not.

**Ambassador Schwab:** Maybe I didn't finish the thought. That's quite possible under the circumstances, forgive me.

In the case of the Colombia agreement the pacing is similar to Peru except that we're starting several months later. In the case of Colombia we have our handshake on the 27<sup>th</sup> of February. We now need several weeks to finalize schedules and compare schedules and that's a very very tedious, very specific, labor intensive process. That then takes us, once that's done we would launch the 90 day intent to sign. That would take us about 90 days out.

Following that we're required, following signature we're required to get the International Trade Commission to do a report. It does a report that it presents to Congress. That takes I think a minimum of 45 days, a maximum of 90 days. So it would take us through, at the earliest, the middle of August into September to complete this process I think. So you're talking about several months behind. And as I think I said, we anticipate Ecuador coming up soon and [inaudible], and they would then be on a track that is again a month, two months, whatever, behind Peru and then behind Colombia.

**Question:** I was just wondering, does that mean you're going to bundle them together, or you're going to send them all separately?

**Ambassador Schwab:** Ultimately they would be a part of a complete Andean regional trade agreement. That is what we have in mind and we see ourselves, unlike CAFTA where it all moved together, we see the submissions being staggered and building to that point. So presumably – Let me offer the following caveat. Unless and until we have the conversation with the key committees, we don't know. But clearly the Peru legislation will be ready first; the Colombia legislation would be ready next; and my guess is it will move separately, but that's not my decision to make.

**Question:** I was hoping you could just talk a little bit about textile rules of origin.

**Ambassador Schwab:** Yes. In terms of the textile rules of origin, very similar to the way the Peru language, the Peru FTA language is written. I have Scott Quesenberry is here who is our chief textile negotiator if you want to get into the specifics in that.

**Question:** Yes. Is it yarn forward?

**Scott Quesenberry:** Yes, it is yarn forward.

**Question:** Are there any TPLs?

**Scott Quesenberry:** There are no TPLs. There is single transformation for bras. That's the big change. It follows the CAFTA rule of origin, but other than that, it's basically the same as the Peru text.

**Question:** Can you spell out what's happening on the intellectual property provisions?

**Ambassador Schwab:** In terms of intellectual property rights, again this language is pretty similar, virtually identical to the language in the Peru agreement except that Colombia has committed to sign the Madrid protocol.

**Question:** What does that mean on data protection?

**Ambassador Schwab:** The standard data protection language is there. Karen Hauda is here from our intellectual property rights office and can get into whatever level of detail you care to get into.

**Karen Hauda:** The data protection language is identical to the Peru agreement with the exception of a side letter that we signed, agreed upon with Colombia regarding the Lincoln Provision which is when marketing approval won't be granted during the term of the patent. We did a side letter with Colombia indicating that this would be implemented in a variety of ways.

**Ambassador Schwab:** Let me note in connection with this too, two items. One, I think I mentioned, this is an area where President Uribe when he was here was personally and directly involved and was working with Catholic Church officials from Colombia who had expressed some concerns about the potential intellectual property provisions impact on access to medicines, for example, and worked through with them the reassurances that they were seeking, the assurances they were seeking that this would be a benefit and not a detriment. It was a really fantastic experience watching this brilliant thinker and politician working on this issue and working with his constituents to make sure they were comfortable with the FTA provisions.

The other thought I would share, and this is a characteristic of free trade agreements. What we have in these free trade agreements is significantly deeper and broader than other agreements that we reached, for example, in a multilateral context. When it comes to areas like intellectual property rights, investments, services. These are areas where depending on your multilateral context you can make progress, but rarely progress this profound. So it's one of the hallmarks of the free trade agreements the United States negotiates in that we are able to set precedents and to really create markets that would not exist otherwise.

**Question:** I'm sorry, I didn't quite understand what the side letter on IPR does, it provides for an exception? Is it just an exception to the data exclusivity rules?

**Karen Hauda:** It's not an exception at all. It's actually, the flexibility, emphasizing flexibility that already existed within the text. It was a side letter we entered into with Colombia indicating that that flexibility was there to give them some comfort.

**Ambassador Schwab:** It's basically clarifying language.

**Question:** I was wondering if there may be problems in the future implementing these trade agreements like there have been in Central America because Colombia might not have the laws in place or the rules in place? Do you know if they've already done what they had to do to get ready for a trade agreement?

**Ambassador Schwab:** In the case of Peru and the Colombia agreements, a lot of the issues that we have been dealing with in the context of CAFTA implementation are actually already taken care of in the initial agreement or in advance of the agreement. Part of the process, this is I believe the 14<sup>th</sup> FTA that the United States will sign. As we go along there is a learning experience, a learning curve that we are on here. And as we move along these become more and more sophisticated. So some of the implementing issues that we came across in earlier FTAs are being addressed up front rather than at the end.

In the case of CAFTA implementation, in fact CAFTA is being implemented as quickly as any FTA. When you look at sort of the average time for implementing FTAs, it's usually six to eight months. For example, January 1 the Morocco FTA entered into force. That was more than a year after it had been enacted into law here. So frequently the process that individual countries need to go through to change their domestic laws and regulations to come into compliance takes a while.

In this particular case there are issues such as sanitary and phytosanitary that, the SPS recognition issue, where we're dealing with those issues in the implementation stage in CAFTA. Those issues have been dealt with in the Peru FTA and now in the Colombia FTA even in advance of signature. So it's just a different pacing.

**Question:** Just as a broad question, with the other FTAs that are in the works do you guys have any updates on where you might think those are? Korea was the latest one. What you're looking at before FTA expiration.

**Ambassador Schwab:** Are you talking about the timing of trade promotion authority

**Question:** Right, and how that all comes in to get things done prior to the expiration.

**Ambassador Schwab:** As you know, TPA expires the end of June of 2007. We have a number, as you indicated, a number of FTAs under negotiation at this point. The idea would be to complete those FTAs in advance or in time for them to receive a trade promotion authority fast track treatment under this TPA legislation and that's what we're driving for. That's what the negotiators are driving for.

We have identified a number of countries that could be new FTA partners. Those decisions would have to be made and announced in the next several months to make that deadline. Then after that I don't think you'll see – Any FTA negotiation we would announce subsequent to that point we would not expect to be enacted through the current delegation of authority under TPA, under the 2002 law.

**Question:** Is there a specific date for kind of the close all?

**Ambassador Schwab:** There is legally, legally if you take the July 1, 2007 date and you work backwards because we have, as I indicated, a 90 day requirement in advance of signing. If you work backwards from that you would need to have virtually everything wrapped up by March, 2007.

But as you know in the case of the Doha Round, when you think about the due diligence process, the verification of schedules process that will be entailed with a major multilateral round, our assessment is that has to be done by the end of 2006, so it really depends on the complexity of the agreement.

**Question:** I don't know if I missed it along the way, but do you have the current TRQs for rice and chicken quarters?

**Ambassador Schwab:** I don't think we have TRQs. Mary?

**Question:** Going from zero to what these amounts are?

**Mary Latimer:** The end quota quantity for the leg quarter TRQ is 26,000 metric tons and for the rice TRQ is 79,000.

**Ambassador Schwab:** Mary, the question is what is the current trade in those products, and I don't believe there is current trade in those products.

**Mary Latimer:** Oh, there isn't. On poultry, Colombia's basically been blocking imports of poultry through all kinds of means including through SPS measures which we addressed in a letter exchange on SPS issues including its AI restrictions, Avian Influenza restrictions, as well as the letter also addresses their BSE restrictions which have been blocking our beef. As well as an equivalence issue which has been something we wanted to nail down in writing.

So on poultry there have not been a lot of imports into Colombia of chicken leg quarters themselves.

On rice, the in quota quantity of 75,000 metric tons is far in excess of Colombia's imports of rice from the United States. I don't have the exact figure.

**Chuck Bertsch:** This is Chuck Bertsch from the US Department of Agriculture. I will try to get that figure and cut back in at some point. I don't have it right now, but I can get it fairly quickly.

**Mary Latimer:** But needless to say, the imports of 79,000 metric tons of rice at zero duty is far in excess of Colombia's imports on the United States of rice. They've been importing from other suppliers including Ecuador which enjoys a duty free entry treatment. The Colombian 79,000 metric ton QRT on rice for US exporters is not very significant.

**Question:** It seems like throughout the final stages of this negotiation, maybe the entire negotiation Colombia was saying that it needed favorable agricultural terms to help it in its war on drugs, to help it against the insurgency, but it doesn't seem like it really got anything any different from any other countries in that regard. Why was that done? Was that not a persuasive argument? Did Colombia's domestic situation not make any difference in these negotiations ultimately?

**Christin Baker:** Before Susan answers that question, if I could ask everyone who's not asking a question to put their phones on mute, that would be fantastic. Susan?

**Ambassador Schwab:** Yes, we've got a fair amount of ambient noise here.

You asked a very good question and I think it's hard to measure. Begin with the following premise. Each country will negotiate in an FTA negotiation the best deal that it can for its producers, farmers, workers, consumers. That's by definition, call it the basic DNA of a trade negotiator.

In terms of which countries we're negotiating free trade agreements with, it is not an accident that Colombia is one of those FTA partners. Colombia is extremely important, a friend and ally of the United States. I mentioned up front in terms of our interest in how they are dealing with narcotics matters. So the fact that we have a preference agreement with them to begin with and to lock in that preference is something, that kind of preference, to have in the first place is something that a lot of countries would like to have and don't and won't ever. And to be able to lock that in permanently and bring about the kind of investment opportunities that Colombia is going to enjoy because of this FTA, that's attributable to the relationship between Colombia and the United States.

I don't know if that answers your question.

At no point do you say this line item is going to get special treatment for some reason other than this is the right thing to do in terms of your economic and commercial interest. On the other hand, the fact that you are engaged in this negotiation to begin with and the fact that you are able to close a negotiation where there are so many sensitive products, some may argue that Colombia [inaudible] because not everything is going to zero on the first day and there are line items that will take longer to phase in. But ultimately negotiate the best deal for your producers/consumers, and the negotiating partner has to decide is this a good deal for them. President Uribe and Minister Botero, Agriculture Minister Arias, obviously concluded that this is a very good agreement for Colombia.

**Mary Latimer:** I think it's also important to remember as Ambassador Schwab indicated, that Colombia gets what we refer to as a consolidation of their preferences under US law, that's permanent zero entry for a number of their products including things like horticultural products that the Colombians [inaudible] US alternative to coca production. So I think they have an opportunity under the agreement to export interest into the US market which I do think dovetails favorably with the broader global [inaudible] the Colombian government has with respect to narco-trafficking.

So I think you have to look at not only the import sensitivities of Colombia in addressing that question but also the export side of the picture for Colombia.

The other thing I would mention on the import side, some of the things that are in this deal lower the cost of entry for inputs for industries like the poultry industry in Colombia. Corn, yellow corn from the United States will go in in big quantities. That will make the price of poultry in Colombia more competitive, help their poultry industry. So while we're helping our corn industry they're helping our poultry industry. That helps strengthen the economy of Colombia which of course is a very good thing both economically and in terms of broader goals.

So I think free trade under the terms that we have in this agreement for Colombia is a very big thing, not only economically but in terms of broader goals that relate to the issue that Colombia faces [inaudible] production.

Also a reduction in the barriers to trade at the border in Colombia makes food less expensive for poor people. That's a very good thing in terms of this other goal, that is the non-economic portion of the picture.

**Chuck Bertsch:** This is Chuck Bertsch again. I do have the figures that were asked earlier.

The range of US exports to Colombia, and it is a range, from a low of 190 in 2002 to 22,700 tons in 2001.

**Mary Latimer:** Again, the TRQ is 79,000 metric tons.

**Question:** Could you repeat those numbers please?

**Chuck Bertsch:** Yes. About 200 tons, I said 190 the first time, but 190 tons in 2002 for a low year, and it goes up and down quite a bit, and 22,700 tons in 2001. I just looked at the last five or six years.

**Christin Baker:** We're going to need to wrap up. If you have additional questions you know where to reach us in the press office. We'll be posting fax sheets shortly and also e-mail you links to those so you'll know when they're up on our web site. Thanks, everyone.

**Question:** Thank you.