

**AGRICULTURAL OUTLOOK FORUM 2008
TRADE OPPORTUNITIES WITH LATIN AMERICA
FEBRUARY 21, 2008**

Carolina Barco, Ambassador of Colombia

Good morning and thank you for inviting me to participate in this panel on Trade Opportunities with Latin America. Unfortunately Minister Andres Arias was unable to accompany us. He sends his apologies.

As you may know, Colombia and the US are currently working to approve the Free Trade Agreement. I'm going to take this opportunity to talk to you about the positive impact and benefits that the approval of the Colombia FTA will bring to both countries.

I will first give a general assessment of the situation and will later focus on the agricultural sector:

Introduction:

- Many products from Colombia already enter the U.S. market duty-free under the Andean Trade Preference Act (ATPA). The FTA between Colombia and the US signed in 2006 will "level the playing field" and will provide preferential access to US goods and services into Colombia. Building on ATPA, the FTA will ensure that U.S. products exported to Colombia, including Agricultural ones will benefit from duty-free.

- Allow me to expand on this:

1. Trade agreements are a key element of U.S. foreign policy and hemispheric security.

- The trade agreements signed by the U.S. with Perú, Colombia and Panama, together with those already in force with Mexico, the Central American countries, the Dominican Republic and Chile, create a corridor of friendship throughout the Americas, from Alaska to the Patagonia. They go beyond free market policies and actively strengthen democracies and deepen the relationship between the U.S. and its allies in the region, bringing greater security to all.
- As the Costa Rican President and peace Nobel laureate Oscar Arias expressed in a letter to Speaker Pelosi last year, “To Latin American nations, free trade agreements are a powerful tool to combat poverty and to create opportunities. Chile, the most open economy of Latin America and one that has free trade agreements with many countries in the world, has been able to reduce poverty to almost one third within the last 17 years. This is an example that many wish to follow...”
- The Presidents of Canada, Chile, Mexico and several Central American countries, in letters to the US Congress in support of the approval of the Colombia, Peru and Panama FTAs, have also expressed the same view.

2. Colombia is a changed country in part because of support from the US. It would be a tragedy to reverse that course now.

- You have touched the lives of 44 million Colombians that less than a decade ago lived in one of the most violent countries in the world, plagued by the violence and corruption that resulted from the illegal drugs trade, and was coupled with illegally armed groups fueled by the income of these drugs.
- Today, although we still have many challenges, Colombia's main cities and rural areas are safer than Baltimore or Washington, D.C. Our economy is growing thanks to the increased confidence that comes from being on a firm road towards peace, and the creation and consolidation of strong institutions.
- Plan Colombia and ATPA (and hopefully soon the FTA) have been key elements in the Colombian efforts to fight terrorism, regain national territorial control, and to achieve economic and social recovery, institutional strengthening, demobilization and disarmament of combatants, and the reintegration of members of illegally armed groups as means to reaching a lasting peace.
- The numbers show a completely different Colombia five years later, with greater security, and unprecedented social and economic development. Homicides have fallen by 50% and kidnappings by 90%. Local and foreign investment is blooming (investment growth of 27% in 2006), and economic growth reached almost 7% last year. At the same time, poverty has fallen by 10%, the minimum wage has appreciated by 10%, and the number of people covered by the subsidized social security system has doubled since 2002.

- In the rural areas the government has strengthened the budget to Colombia's agricultural sector with an increase of 45.6% from 2002 to 2007. From USD\$442 millions to USD\$644 millions.
- As a result of these investments, together with increased security, the area cultivated has grown 7.5%. Unemployment in rural areas has also decreased to 7.8%.
- Colombia is a proven partner of the U.S. in the Western Hemisphere, a growing trade partner (\$25 billion exports in 2006, approx 36% to USA), an attractive destiny for foreign investment (\$6.3 billion in 2006), the third largest country in Latin America (44 million people), with strong democratic institutions, respectful of free market values, and unwavering in the fight against illegal drugs and terrorism. For more than a decade, both countries have embarked on a cooperative effort to defeat terrorism and narco-trafficking, to achieve a peaceful and prosperous Colombia, and by extension to help to enhance stability and security across the Western Hemisphere.
- This is the moment to strengthen this positive trend with the stable rules and investment opportunities of an FTA. The support of our friends is vital to consolidate the progress made in security and social and economic development. The agreement is a key instrument to encourage economic progress, stability and security in Colombia precisely at this moment, when the country is experiencing the "tipping point" to leave behind decades of horror.
- Benefits to the Agricultural sector include small and medium farmers specializing in seasonal crops will not be damaged as a result of the FTA with the U.S.

- As part of the negotiations, the Colombian and U.S. Governments established protective mechanisms for highly trade-sensitive products such as rice, corn, sorghum and beans. These mechanisms include long term phase-out schedules, grace periods and quotas, and will help prepare all farmers for the challenges and opportunities arising from the trade agreement.
- Even more, due to the current high international prices of commodities, many of the seasonal crops today face a zero tariff in Colombia as a result of the price band mechanism – which is like experiencing the FTA's impact.
- The impact of an increased international demand for food and protein and the effect of biofuels, have produced a structural change on world's agriculture, not only in terms of increased international prices, but also in the composition of rural land's use.

3. The FTA benefits both Colombia and the USA.

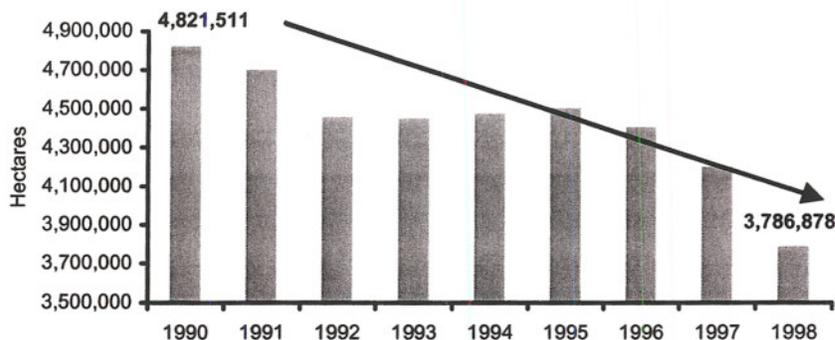
- Many see the FTA as a positive step in consolidating our trade relationship. The agreement will deepen and strengthen our trade ties by providing new opportunities for U.S. businesses, manufacturers, farmers and ranchers to export their goods and services to one of Latin America's most robust economies. These opportunities, with no doubt, will translate into more jobs for U.S. workers and greater choices for U.S. consumers.
- Companies, trade associations and industries throughout the US, from agriculture to services to manufacturing, consistently express the same view. In over 300 meetings that I have had with members of Congress this year, I have never had to answer concerns about the agreement itself. Everybody recognizes that it makes sound economic sense for both countries.
- Furthermore over 40 of America's leading agricultural organizations - representing growers of everything from apples to zucchini - sent a letter to Congress on January 28, 2008, calling for approval of the U.S.-Colombia Trade Promotion Agreement.
- Economically, our economies are largely complementary. The studies on our Agreement show that enhancing our trade and economic ties is of mutual benefit to the both our countries. For Colombia, most studies show that the FTA can bring an increase of at least 1% to our yearly economic growth. That, of course, brings with it additional economic activity, jobs in the formal sector, and wellbeing in general.
- In fact, According to an analysis by the American Farm Bureau Federation, U.S. agricultural exports to Colombia are expected to grow by more than \$690 million dollars a year upon full implementation of the U.S.-Colombia Trade Promotion Agreement.

- Since the U.S. and Colombian economies are highly complementary, the agreement provides very significant opportunities for both countries. U.S. producers will benefit from a preferential access to one of the largest markets in the Hemisphere, where they compete against other world players.
- The economic gains are particularly clear for the U.S., since most Colombian products have entered this country duty free for several years, while U.S. products still pay tariffs in Colombia.
- Colombia is also a top market for U.S. wheat, soybean cake and meal, and cotton despite its high tariffs (67%, 18%, and 11%, respectively).
- Because U.S. and Colombian farming conditions - from climate and soil to growing seasons - are so different, the two agricultural sectors are largely complementary.
- The trade agreement will usher in dynamic growth for U.S. farm sales!
- Colombia has one of the highest tariff structures for agricultural goods in South America, while most Colombian agricultural goods enter the U.S. market duty free.
- Most key U.S. agricultural exports will enjoy immediate duty-free access to the Colombian market upon entry-into-force of the U.S.-Colombia Trade Promotion Agreement. It will allow U.S. farmers and ranchers to access Colombia's market on terms equal to or better than South American suppliers, who currently face lower tariffs when they sell to Colombia.

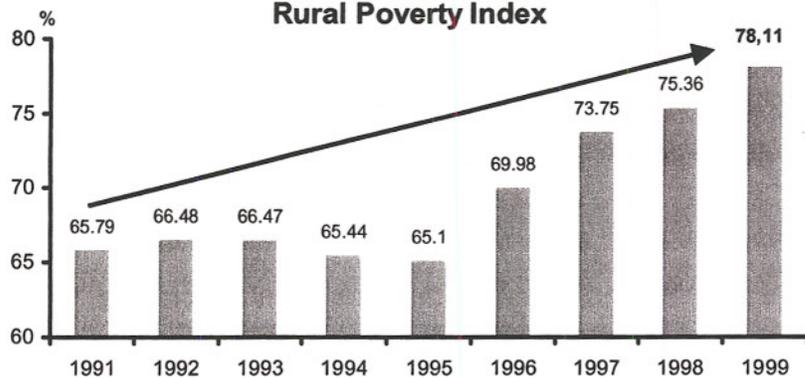
4. Agriculture

- In order to appreciate the progress Colombia has made in the agricultural sector, one must review the country's recent history:
- In 1990, 4,821,511 hectares were cultivated in Colombia. Eight years later this amount was reduced to 78% of its original total to 3,786,878 hectares, i.e., a loss of 1,034,000 hectares of legal agriculture. This sharp decline hit rural areas hardest and caused the rural poverty index to rise from 66% in 1991 to 78% in 1999, the highest in the last 17 years.

Area (Hectares) of Legal Agriculture

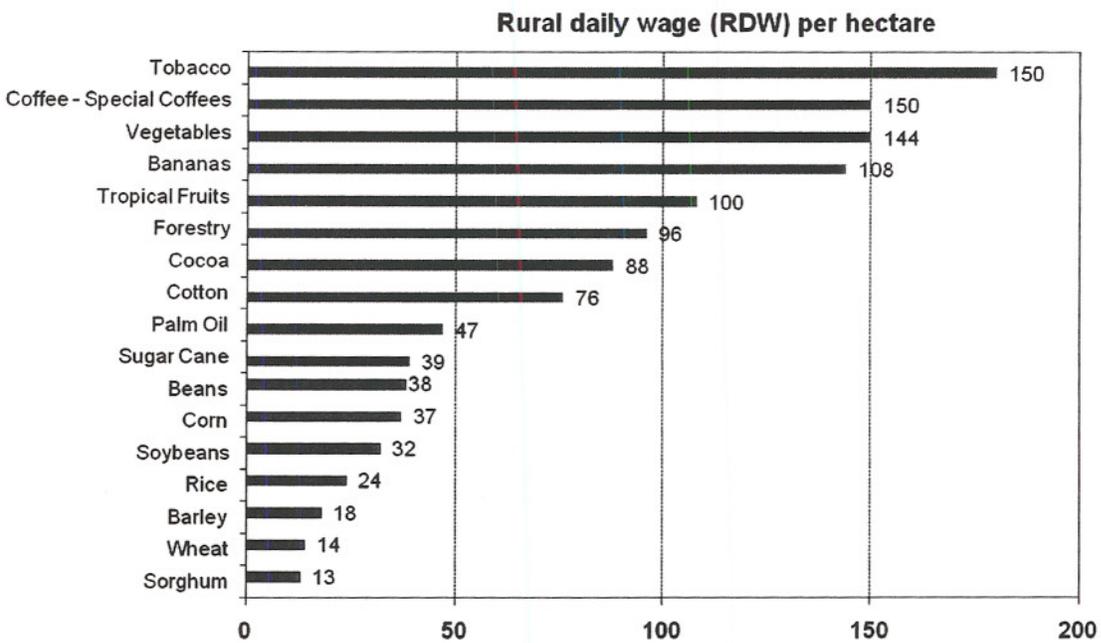


Rural Poverty Index



- During this same time, illegal crops progressively grew in size, moving from 37,500 hectares in 1990 to 163,300 hectares in 2000, a 335% growth.
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- World Agriculture is facing a threat due to biofuels, growth in food demand of India and China, high oil prices, supply shortages in fertilizers and climate change. This has caused food prices to reach levels never seen before and affected food safety in many countries throughout the world.
- Therefore what it's threat for food safety in many countries, is an opportunity in Colombia. To benefit from this fact, we have put in place five strategies:
 - Opening markets: market diversification
 - “Agro, Ingreso Seguro”: boost competitiveness
 - Promotion of biofuels
 - Forestry L
 - and distribution
- In agriculture, Colombia grows tropical crops that have great demand in other countries such as cut flowers, coffee, fruits, vegetables, tobacco, cocoa, palm oil, rubber, fish, dairy products, etc.
- These sectors generate more than **1,6 million jobs** in Colombian rural areas. Jobs that are better paid than those in seasonal crops.

- With the FTA **high quality jobs** in rural areas will be increased significantly.
- Tropical products generate more and better paid jobs than traditional seasonal crops
 - Cutflowers have the highest employment ratio: 15 direct jobs per hectare (4.320 rdw/ha.).
 - Tobacco generates 1 direct job per hectare (150 rdw/ha.)

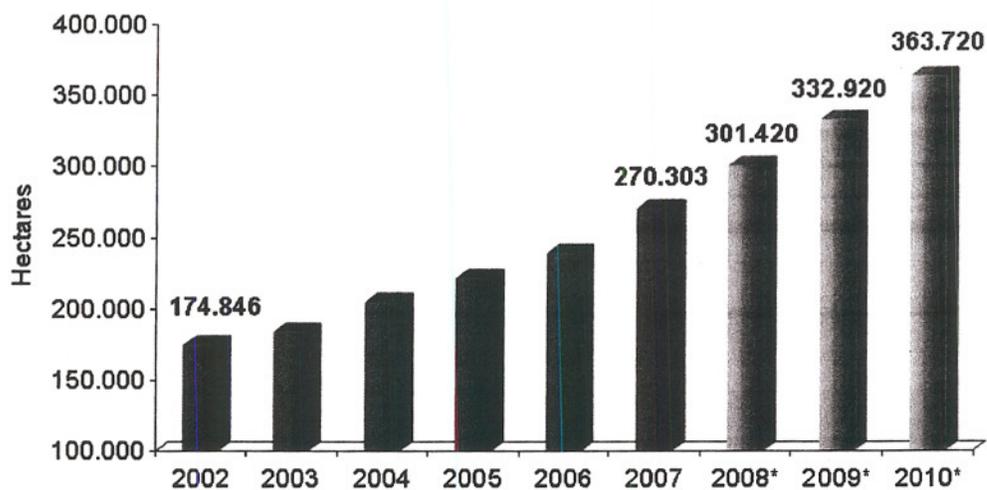


- The FTA creates enormous opportunities for Colombian small and medium size farmers linked to the production of:

Product	Direct Jobs	Hectares
Panela	333,777	283,056
Tropical Fruits	171,794	275,188
Cut Flowers	112,260	7,432
Vegetables	97,296	112,215
Cocoa	60,027	118,007
Palm Oil	54,062	328,973
Dairy Products	51,554	N/A
Bananas	37,016	44,471
Sugar Cane	36,784	214,609
Fique	14,129	24,444
Plantain	13,449	21,543
Rubber	5,529	27,327
Tobacco	1,968	1,891
TOTAL	989,643	1,459,156

- Biofuels policies introduced by the Colombian Government have triggered the country as the first biodiesel producer and the second bioethanol producer in Latin America
- Colombia shows high competitiveness in biofuels production
 - Stands as fifth in the ranking of nations with the lowest palm oil production costs.
 - Palm oil's productivity has increased 54% between 1992 and 2005 (13 ton/ha to 20 ton/ha), over passing countries like Malaysia.
 - Produces 97 tons of sugar cane per hectare per year, beating countries like USA (79), Mexico (67), Brazil (63), China (59).
- Colombian Government offers different incentives to promote biofuels production; Tax, Credit and Price Incentives

- Thanks to the government policies, expropriation and land distribution is now a reality, allowing small farmers to become owners and producers on their land
- Environmentally responsible forestry policies added to entrepreneurial criteria will ensure a sustainable development of timberland in the country



- Consequently, we are sure the following projections in terms of area, production, productivity, unemployment rate and rural poverty index will be true for Colombia's Ag sector

Thanks

- To conclude, I would like to take this opportunity to thank all of you for your support. Special thanks to my fellow speakers:
 - Mark Keenum, Under Secretary for Farm and Foreign Agricultural Services, USDA
 - Jeffrey Jones, Under Secretary of Agribusiness, Ministry of Agriculture and Mexican Agricultural Secretariat
 - Edilson Guimares, Secretary of Agricultural Policy, Brazilian Ministry of Agriculture
- The Colombian government is deeply committed with the agricultural sector and is aware that challenges still remain but we are confident we are in the right track to achieve our goals and guarantee a better future for our farmers and their products.
- As you reach out please help us in conveying the messages I have laid out here today: the importance of getting the agreement with Colombia passed now. It is important for our countries and for the stability of the region, as a continuing positive message of cooperation. A message of U.S. interest and productive involvement in their neighborhood.