

Breaking Barriers

*An analysis of U.S. Free Trade Agreements with
South Korea, Colombia, and Panama.*



Table of Contents

- 2 **Introduction** *(The goal of this report and the report/data note)*
- 3 **A Closer Look at Free Trade Agreements** *(Descriptions of each agreement and government links)*
- 4 **Zepol Survey Results** *(Online-survey responses polling people's opinions/use of the new FTAs)*
- 5 **Zepol Survey Results** *(Continued)*
- 6 **South Korea** *(South Korea specific Survey Results and Zepol Data)*
- 7 **South Korea Free Trade Agreement** *(Zepol and World Trade 100 Insights on the agreement)*
- 8 **Colombia** *(Colombia specific Survey Results and Zepol Data)*
- 9 **Colombia Free Trade Agreement** *(Zepol and World Trade 100 Insights on the agreement)*
- 10 **Panama** *(Panama specific Survey Results and Zepol Data)*
- 11 **Panama Free Trade Agreement** *(Zepol and World Trade 100 Insights on the agreement)*
- 12 **What do the New Free Trade Agreements Mean for Your Company?**
- 13 **About Zepol**
- 14 **About World Trade 100**

Introduction

Many professionals in the international trade industry monitored the progress of the Free Trade Agreements over the past five years with South Korea, Colombia, and Panama. The long-awaited signing of the agreements seemed like a ‘win’ for everybody. With the implementation of the agreements well underway, this report will take a look at what progress has been made with each agreement and include the overall thoughts from trade professionals like you.

Particularly, we wanted to get opinions from actual importers in the United States. How many will benefit from these agreements? Are the benefits great enough that importers will shift who they source from? What is their overall perception of each agreement? This report will shed light upon these answers and more.

The report combines the results of our survey along with Zepol’s data on U.S. imports and exports. In addition, we have included expert analysis from *World Trade 100*, a leading supply chain publication. The goal of this report is to provide critical and useful information that helps trade professionals better understand the United States’ most recent Free Trade Agreements.

We would like to thank our survey participants for their responses and feedback; it makes this report a very powerful analysis. We also offer thanks to *World Trade 100* for their partnership and insights.

Report Note

Statistics for U.S. imports and exports are derived from Zepol’s online tools, TradeIQ™ and TradeView™. These products are subscription-based services for the international trade arena. Subscribers have access to even more detailed information for U.S. importers, overseas suppliers, and products imported and exported.

Data is reported as it is released by government sources. In many cases, multiple sources will not show data that correlates. Most of these cases are accounted for based on how products arrive in the United States and the manner in which the U.S. government records the shipment data.

TEUs (Twenty-foot Equivalent Units) are derived from U.S. Customs trade data. TEUs include all containerized shipments released via U.S. Customs’ Automated Manifest System (AMS), excluding empty containers and shipments with freight remaining on board (FROB). Values of trade are the total imports for 2011 from U.S. Census trade statistics.

Free Trade Agreements

A Closer Look

A free trade agreement (FTA) is an agreement involving two or more trading partners under which tariffs and trade barriers are reduced or eliminated. The signing and implementation of the trade agreements between the United States and South Korea, Colombia, and Panama have been an effort under the Obama administration. The agreements coincide with their [goal to double U.S. exports](#) in order boost our local and global economies. All three agreements were signed on October 21, 2011, but their timeline for full implementation differs.

South Korea

According to the Office of United States Trade Representatives, the [U.S.-South Korea Free Trade Agreement](#) (KFTA or KORUS) went into full implementation on March 15, 2012. The agreement immediately makes 80% of U.S. exports (consumer and industrial products) duty free and almost 95% of exports (bilateral trade in consumer and industrial products) duty free within five years.

South Korea is the world's 15th-largest economy and, according to our research, is the most popular of the United States new free trade agreements. To see a list of industries covered and potential benefits of the new agreement [click here](#).

Colombia

The [U.S.-Colombia Trade Promotion Agreement](#) (TPA) went into force on May 15, 2012 and makes 80% of U.S. exports (consumer and industrial products) to Colombia free immediately. The agreement will phase out the remaining tariffs within a ten-year-span.

This agreement experienced controversy with its enforcement date because of some of Colombia's labor laws which needed to be addressed. To see a list of industries and the potential TPA benefits to each, [click here](#).

Panama

The [U.S.-Panama Trade Promotion Agreement](#) (TPA) has not yet been implemented in the United States, as of August 2012. The agreement will, however, make 87% of U.S. exports (consumer and industrial products) immediately duty-free and the remainder of tariffs will be gradually eradicated within ten years.

This new agreement is said to improve trade and increase jobs in a variety of industries. To see a list of industries covered and potential benefits of the Panama FTA [click here](#).

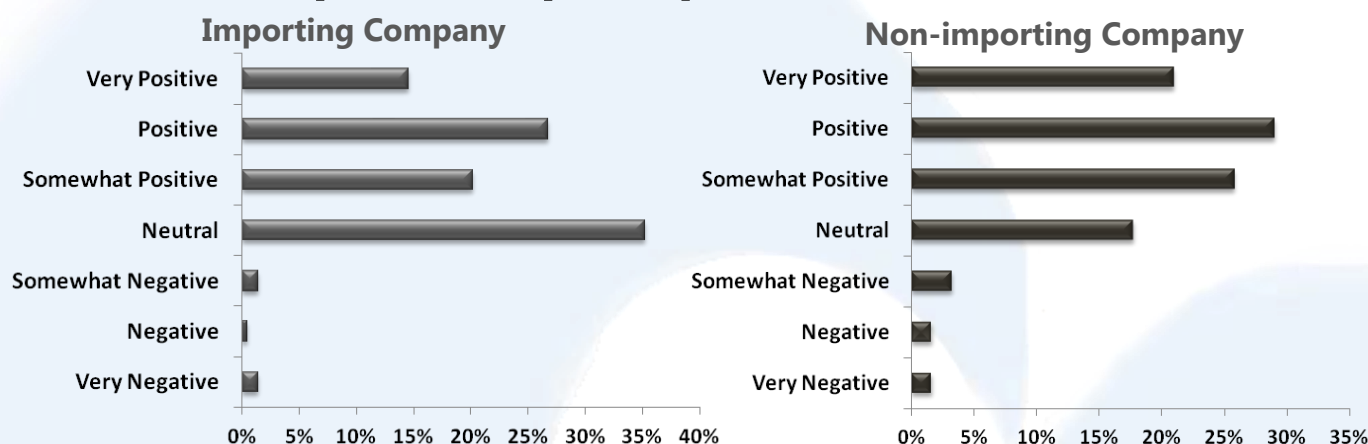
Survey Results

The Data

Quick Facts

275 unique respondents took this survey whose businesses are involved in international trade in some way
77% of respondents' companies directly import products into the United States

Overall respondent perception of the United States' new FTAs



Below are the Top Countries
 which respondent companies import from, in terms
 of product quantity, visualized by text size

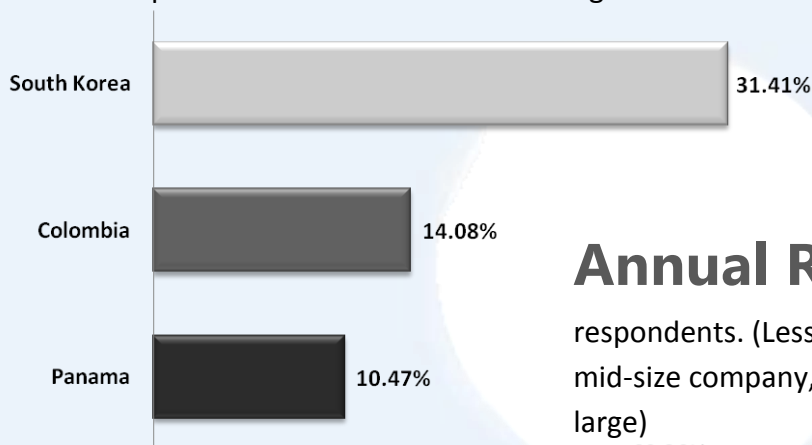


The Data

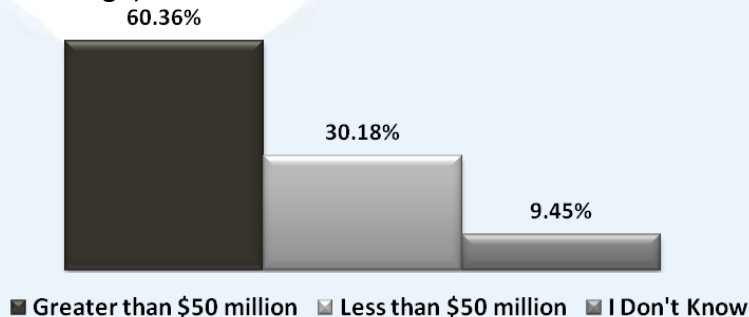
(Survey Results Continued)



The percent of respondents that currently import products from these Free Trade Agreement countries



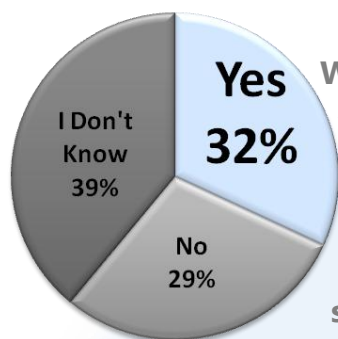
Annual Revenue of survey respondents. (Less than \$50 million is a small to mid-size company, over \$50 million is mid-size to large)



Survey Note: This survey was administered by Zepol Corporation. It was conducted online-only and was sent to a prequalified list of companies that deal with international trade. The data in this survey is not conclusive to all U.S. importers. The data is presented exactly as Zepol received it and was not altered in any way. For further inquiries of this survey, please contact media@zepol.com.

South Korea Survey Results

31% of respondents currently import from South Korea



Will the company you work for utilize the **U.S.-Korea Trade Agreement** (KORUS Agreement) in some way?

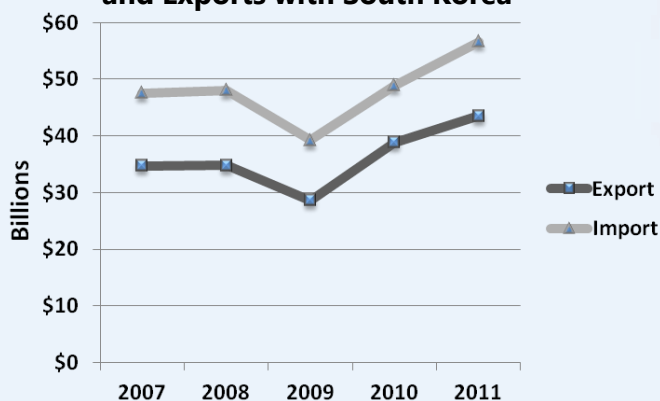
Why?

Respondents Comments:

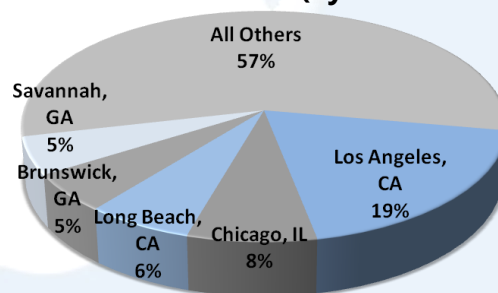
- **YES**- "Currently starting negotiations with a supplier in South Korea"
- **NO**- "No current suppliers or potential customers"
- **I Don't Know**- "Still learning how we might export"

Zepol Data

Total Value of U.S. Imports and Exports with South Korea



Top 5 U.S. Ports Importing from South Korea (by total value)



5 Key U.S. Companies Importing from South Korea in 2012 (Jan-May)

1. LG Electronics
2. Samsung Electronics
3. Nexen Tire America
4. Hankook Tire America
5. Global Fibres

% of Total Goods with Import Duties



South Korea Insights

Unbound Opportunities

By Perry A. Trunick, Editor-in-Chief at World Trade 100

How are FTAs Impacting U.S. Trade?

With a stated purpose to stimulate job growth, the Obama Administration set a goal to double U.S. exports by the end of 2014. Among the initiatives undertaken are the three free trade agreements that are the subject of this Zepol survey.

As Undersecretary of Commerce for International Trade Francisco Sanchez has noted, despite the fact that 95 percent of the world's consumers live outside the United States and roughly 80 percent of the world's economic growth over the next few years will occur outside the United States, only one percent of American businesses export— and 58 percent of them export to only one market.

Zepol Summary

South Korea is the most popular Free Trade Agreement country that our survey respondents trade with. 32% say their company will utilize the agreement in some way. Zepol's U.S. Census data shows that the dutiable value for U.S. imports from South Korea dropped from 52% to 38% within the first month after the agreement went into force on March 15, 2012.

The implementation of charging minimal to zero duties on most products seemed to have had the highest and most immediate effect on Electrical Machinery (HS Code 85). The dutiable value for U.S. imports of electrical machinery from South Korea dropped by almost 54% from March to April of 2012 and dropped another 5% from April to May. The total value of goods imported from South Korea has stayed roughly the same, so the giant drop in duties can likely be attributed to the South Korea FTA.

Record exports of \$2.1 trillion in 2011, supported 10 million jobs and, since 2009, created 1.2 million new jobs, according to Sanchez. Clearly, the opportunity to increase U.S. exports is great and the potential to fuel job growth is also strong.

Opening trade opportunities by reducing and eliminating tariffs and providing other incentives doesn't mean an automatic increase in demand. U.S. goods may be more affordable for Korean consumers, but for U.S.-based businesses to take advantage of the free trade agreements, they will need to develop the markets for U.S. goods and services. U.S. companies seeking to export to Korea will face competition from other regions which have negotiated their own trade agreements – including the European Union and, more recently, Turkey.

Why is Korea so Popular?

Free trade agreements do cut both ways, and the U.S.-Korea free trade agreement, for instance, includes incentives for Korean exporters. As the Zepol survey indicates, more of the respondents currently import from Korea than the other two countries combined.

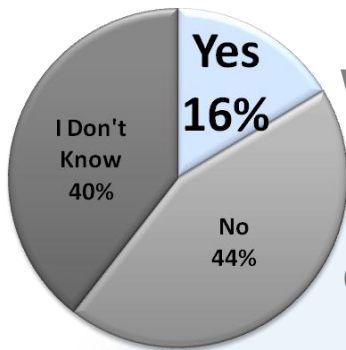
Despite cultural and geographic factors, the comfort level with Korea appears to be greater than with either Panama or Colombia. This may be due in part to the fact Korea already serves as a source for many components and finished goods while both Panama and Colombia are more associated with petroleum or agricultural exports.

In fact, the French-Japanese collaboration between Renault and Nissan is investing in production facilities that will make Nissan automobiles for the U.S. market, using the U.S.-Korea agreement to advantage on its exports.

(Continues on Page 9)

Colombia Survey Results

14% of respondents currently import from Colombia



Will the company you work for utilize the **U.S.-Colombia Trade Promotion Agreement** (CTPA) in some way?

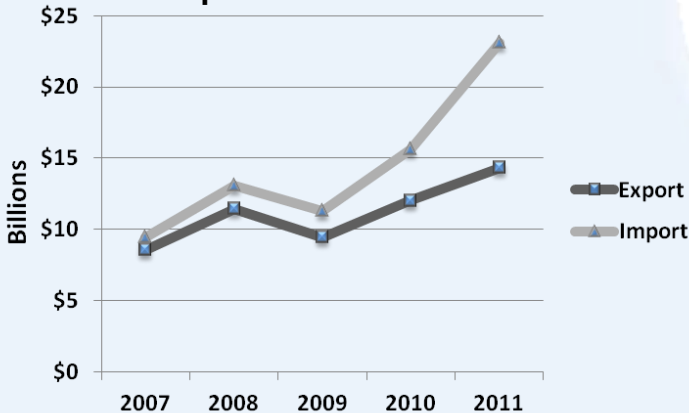
Why?

Respondents Comments:

- **YES-** "We are a logistic transportation company, so yes; our end customers will utilize this CTPA in some way"
- **NO-** "Currently, we see the risk too high in Colombia"
- **I Don't Know-** "If we find a supplier there, or if we start manufacturing products in the U.S then, yes"

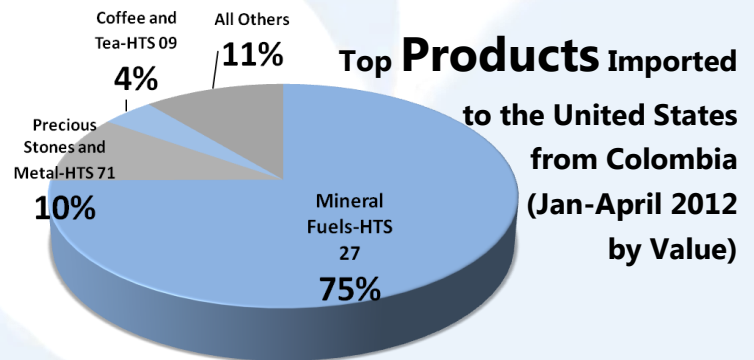
Zepol Data

Total Value of U.S. Imports and Exports with Colombia

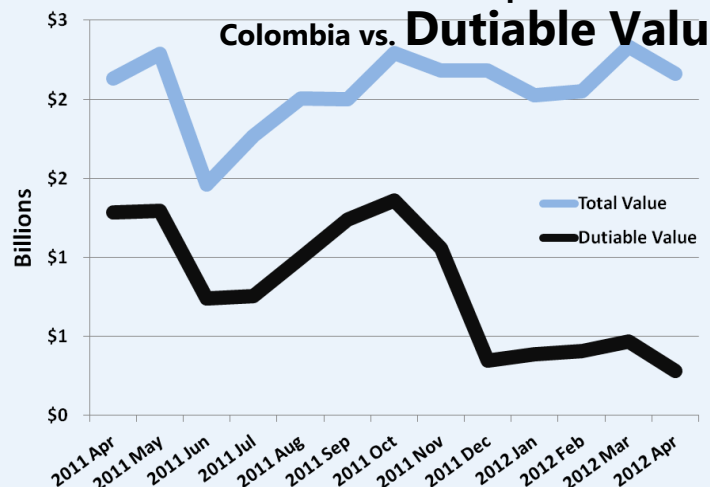


5 Key U.S. Companies Importing from Colombia in 2012 (Jan-May)

1. Turbana
2. Opa International
3. Mexichem America
4. Banana International
5. Nestle



Total Value of Imports from Colombia vs. Dutiable Value



Colombia Insights

Unbound Opportunities

By Perry A. Trunick, Editor-in-Chief at World Trade 100

Accessing Colombia

In addition to reducing and eliminating tariffs on U.S. imports into Colombia, the Colombia free trade agreement includes important disciplines relating to customs administration and trade facilitation, technical barriers to trade, government procurement, investment, telecommunications, electronic commerce, intellectual property rights, and labor and environmental protection, according to the U.S. Department of Commerce.

U.S. firms will have better access to Colombia's services sector than other World Trade Organization (WTO) members have under the General Agreement on Tariffs and Trade (GATT), said Commerce. All service sectors are covered except where Colombia has made specific exceptions.

Zepol Summary

Colombia's Trade Promotion Agreement was signed on October 21, 2011 and looking at the sharp drop in dutiable value from then, it appears to be when facets of the agreement were implemented.

The plunge in dutiable value for U.S. imports from Colombia was seen from one main product...oil. Mineral fuels in general make up 75% of the imports the United States receives from Colombia (HS 27). The dutiable value of mineral fuels has shifted from the billions to the millions since October. However, most recently, the dutiable value for oil imports (specifically HTS code 270900) actually increased in May of 2012.

As Undersecretary Sanchez acknowledges, Colombia is the third largest economy in South America.

"I think it's a tremendous opportunity. Overall it's estimated that it will increase about \$2 billion in U.S. exports. It opens up the services market, about a \$66 billion market. It eliminates tariffs on 80 percent of all merchandise that goes in today, both consumer and industrial, and eliminates the rest, the remaining 20 percent in the next three to 10 years."

Are there Stability Issues?

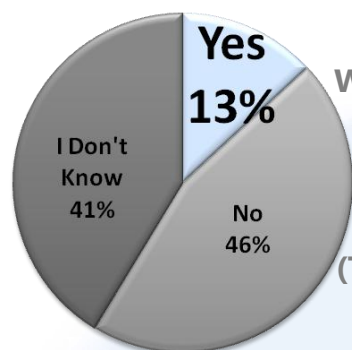
One legacy issue that may concern U.S. companies looking at Colombia is security. To that, Sanchez responds that Colombia is a much different place, much safer and more stable, than it was when he first went there 18 years ago. U.S. and Colombia trade officials are conducting public events and trade missions to promote the Free Trade Agreement and help companies in both countries develop business opportunities.

Just two and a half months after the free trade agreement went into effect, one ocean carrier, Crowley, has expanded its less-than-container-load ocean service and air cargo services to Colombia. This includes additional calls in Panama and Puerto Rico.

(Continues on Page 11)

Panama Survey Results

10.5% of respondents currently import from Panama



Will the company you work for utilize the **U.S.-Panama Trade Promotion Agreement (TPA)** in some way?

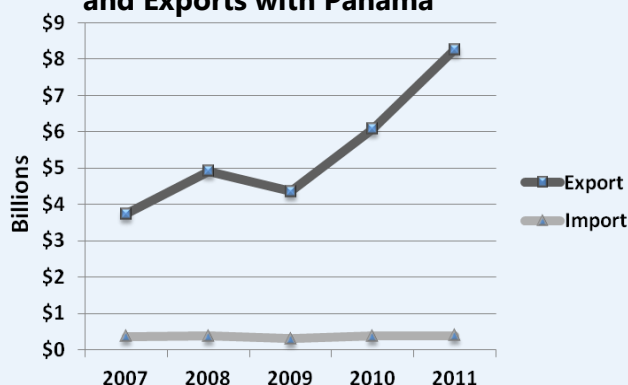
Why?

Respondents Comments:

- **YES**- "We handle clients that buy from this country, so our business will increase"
- **NO**- "We have never worked with companies in Panama, so we will most likely not make any changes based on the new legislation"
- **I Don't Know**- "I know we ship product to Latin America, but I am not sure what ports of entry we use. Certainly our shipping strategy may change once these new policies are implemented"

Zepol Data

Total Value of U.S. Imports and Exports with Panama

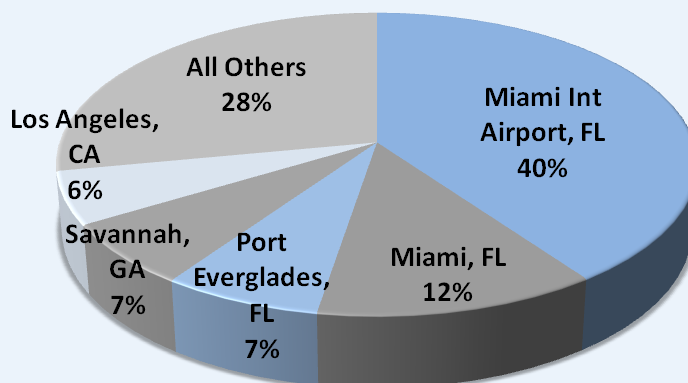


5 Key U.S. Companies Importing

from Panama in 2012 (Jan-May)

1. Fyffes Tropical Products
2. General Mills
3. Chiquita
4. Mitsui
5. Mark Anthony Group

Top 5 U.S. Ports Importing from Panama (by total value)



Panama Insights

Unbound Opportunities

By Perry A. Trunick, Editor-in-Chief at World Trade 100

Expanding Canal, Expanding Trade

Panama is a smaller market but one of the fastest growing opportunities in the Western Hemisphere, according to Sanchez. Much of the current focus is on infrastructure development with the Panama Canal expansion in full swing.

Not only is the canal undergoing a transformation, but more logistics capabilities are developing around using Panama as a transit point for goods that move through the canal. While some goods will remain in Panama for local consumption, there is an opportunity to transship from Panama to North American and other regional destinations.

Zepol Summary

Panama is a unique Trade Promotion Agreement because the United States does not import nearly the amount that it exports to the country. In fact, Panama is one of the few countries that the United States exports more to, than it imports from.

The benefit for the Panama Trade Promotion Agreement generally lies in the amount of duties Panama charges importers on goods from the United States, and particularly, what those goods are. According to Zepol's U.S. Census data, the top product exported to Panama is, once again, oil. Mineral fuels (HS 27) make up 49% of U.S. exports to Panama with the second largest export being nuclear reactors (HS 84) at 7.6%. Once implemented, the new agreement will most likely have the largest impact on the oil sector between the United States and Panama.

The development of the canal has sparked a number of agreements with U.S. Gulf Coast and East Coast ports designed to facilitate goods movement.

Others in the region see similar opportunities resulting from the canal expansion, including Jamaica which has spoken of its potential role as a transshipment hub.

Emerging Economies Control Growth

One factor economists continually refer to when trying to forecast the global economy is the rise of emerging economies. It is clear that much of the growth will be centered in emerging economies as they continue to develop their own capabilities and as they gain consumer buying power.

In many cases, those smaller emerging markets have exhibited more resilience during the global economic crisis than their larger, more developed counterparts, suffering only minor declines in economic growth or a slowed growth. And, they have recovered faster, albeit to a lower level of growth than before the crisis.

Will Companies Act on FTAs?

Taken together, the three trade agreements will spell increased activity for one sixth to one third of survey respondents.

With roughly 40 percent of respondents uncertain whether their company can benefit from the agreements, the potential for even more growth in bilateral trade with the subject countries will depend on the effectiveness of the various outreach efforts of the U.S. Department of Commerce and the counterpart agencies in each of the countries.

What do these agreements mean for **your** company?

Whether you are a direct importer or exporter, a transportation company, or government entity, these free trade agreements may have big impacts on your bottom line. Asking the right questions today and investigating potential opportunities will drive your company's growth tomorrow.

Have you thought about the following?

- Are your competitors taking advantage of the free trade agreements?
- How much is your company paying in import duties each month?
- Are there suppliers in these agreement countries that manufacture the products you import?
- Is there an opportunity to gain more vessel capacity from these countries?

If you answered "I don't know" to any of these questions, it may be worth investigating.

Zepol's tools offer insights into what your competitors are importing and exporting, trade activities for overseas suppliers, and much more. Search over 100 million import and export bills of lading and uncover opportunities to boost your business.

[Click Here](#) to Try Zepol's Tools for Free.

About Zepol

Who We Are

[Zepol](#) is a Minnesota-based company that works to be the leading provider of online international-trade tools to companies and governments involved in importing into and exporting from North America. Zepol provides competitive intelligence, market research, lead generation, sourcing, and trade compliance to *positively impact organizations' profitability*.

Zepol does all this with its four unique online subscription tools: TradeIQ™ Import, TradeIQ™ Export, TradeView™, and ComplianceIQ™.

Our Tools

TradeIQ™

See companies who are importing and exporting specific products to and from the United States. Get access to timely U.S. import and export shipments from over 200 countries, delivered via a user-friendly online database that makes finding the information you want easy.

TradeView™

Access the most effective tool in the industry for analyzing U.S. imports and exports. Specify criteria by HTS code, U.S. port, country, transportation type, and more. Metrics include U.S. dollar values and weights, and can be easily downloaded for quick analysis.

ComplianceIQ™

Search through multiple import-compliance datasets within one online interface. In just a few clicks, subscribers can use information to help classify imported products, look up duty and tariff rates for specific HTS codes, and monitor critical changes that affect your business.

[Click Here](#) to Try Zepol's Tools for Free.



Questions? Contact Us!

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World Trade 100 - The Benchmark for Global Supply Chain Business.

Who We Are

World Trade 100 is the vital source of news and information for U.S.-based senior executive manufacturers, wholesalers and retailers active in domestic and international trade. With cutting-edge coverage of every aspect of logistics and the integrated supply chain, *World Trade 100* reflects the priorities and diverse interests of its senior level and management subscribers to help them navigate today's rapidly changing and highly competitive global marketplace.

What We Cover

Each month in print and online, *World Trade 100* examines various sectors of global trade, including transportation, third party logistics, warehousing, trade finance, technology, sustainability, risk and compliance, and economic development, to assist our readers in making their businesses profitable.

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