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Group 8

Trade Specialist

Country: Colombia

Company: URBN Outfitters

Product: Women's Denim

Introduction:

Urban Outfitters is a popular retail company that offers a wide range of clothing, accessories, and home decor products. The company sources materials and labor from different countries, to produce their products. This paper provides an overview of Colombia's involvement in world trade, types of products exported and imported, trends in import and export, major trading partners, trade history and relationships with the US, trade restrictions or special agreements with the United States that may be in effect, information on tariff rate for women's denim products, estimate freight rate and shipping time in comparison to other geographic regions that Urban Outfitters can consider for sourcing, availability and location of major ports and airports.

Colombia is known as the third-largest economy in Central and South America, which strategically located with easy access to the Panama Canal, connecting with countries in North and South America, as well as the East Coast of the United States and Asia. Colombia's skilled workforce is a key asset, and the country has made significant progress in stabilizing its business environment, including signing a peace deal with the main rebel group, Revolutionary Armed Forces of Colombia, or FARC, in the late 2010s.

The textile and apparel sector in Colombia is concentrated in two major cities, with Medellín and apparel production and Bogotá specializes in textiles, particularly knit. The country has developed capabilities for producing technical and other high value-added textiles for apparel production. The availability of domestic textiles is a significant advantage for global sourcing as most apparel made domestically can be produced with local materials. Most companies offer full-package services, and these vertically integrated manufacturers can produce fabrics and garments within a lead time of 30 to 45 days.

The textile and apparel industry in Colombia supports more than 200,000 direct jobs and 700,000 indirect jobs, with local manufacturers specializing in various areas of expertise including denim. Colombia is the top exporter of control/shape wear in the Americas and the third largest in the world. Colombia leads Latin America in textile and apparel sustainable and ethical practices. Over 50 percent of Colombian-produced clothing is sold to the international market, and the country has become one of the main fashion centers in Latin America, hosting successful trade shows such as Colombiatex and Colombiamoda.

1. **Colombia's Involvement in World Trade:**

- **Participation in global trade organizations**

Colombia is an important player involved in the world's trade with having a diversified economy. In terms of global trade, the country has been active in promoting free trade and has signed several trade agreements, to be a member of several global trade organizations, including the World Trade Organization (WTO), the Pacific Alliance, a Latin American trade bloc, the United Nations Conference on Trade and Development (UNCTAD), and the Union of South American Nations (UNASUR),the CFTA with the US, the Andean Community of Nations (CAN), the World Bank, and the International Monetary Fund (IMF).

- **Colombia's main exports and import:**

Colombia's economy is heavily dependent on exports, which account for around 20% of its GDP. According to the World Bank, with a diverse range of products being exported and imported, Colombia's top exports in 2021 were petroleum oils, coal briquettes, gold, coffee, cut flowers, and bananas. The country also imports a wide range of goods, including machinery, transportation equipment, chemicals, and manufactured goods, refined petroleum, telephones, broadcasting equipment, and medicines. Colombia's total merchandise exports in 2020 amounted to $28.8 billion, while its merchandise imports amounted to $38.9 billion. The country's major trading partners include the United States, China, Mexico, Brazil, and the European Union. However, Colombia's top export destinations are the US (25.5%), Panama (8.8%), and China (5.7%), while its top import sources are the US (26.7%), China (18.1%), and Mexico (5.2%).

- **Trends in Import and Export:**

Colombia has experienced a significant increase in exports over the last decade. According to data from the International Trade Centre (ITC), Colombia's exports increased from $36.4 billion in 2010 to $57.6 billion in 2020, representing a compound annual growth rate (CAGR) of 4.9%. During the same period, Colombia's imports decreased from $44.2 billion to $42.3 billion, representing a CAGR of -0.4%. The increase in exports can be attributed to several factors, including the signing of several free trade agreements and the diversification of the country's export base.

- **Major Trading Partners:**

The United States is Colombia's largest and key trading partner, accounting for around 25% of the country's total trade. Other major trading partners include China, Mexico, Brazil, and

Panama. Colombia has also signed several free trade agreements with countries such as Canada, Chile, and the European Union.

- **Trade History and Relationships with the US**:

The trading relationship between Colombia and its northern neighbor, the US, dates back to 1824 when the US recognized Colombia as an independent nation. Colombia has had a long-standing trade relationship with the US. In 2006, the two countries signed the US-Colombia Trade Promotion Agreement (CTPA), this agreement has significantly reduced trade barriers between the two countries and has increased trade in both goods and services. The Office of the United States Trade Representative notes that the CTPA has helped to increase U.S. exports to Colombia by over 40% since its implementation. CTPA was later replaced by the CFTA in 2012. The CFTA is a comprehensive trade agreement that aims to increase bilateral trade between the two countries by reducing trade barriers and improving market access. The agreement eliminates tariffs on most goods traded between the US and Colombia, including clothing and textiles. Under this agreement, most textile and apparel products can enter the United States duty-free. This means that when Urban Outfitters imports their women's denim products from Colombia, they may be able to do so without paying any tariffs. The elimination of tariffs can help Urban Outfitters reduce their costs, which can ultimately benefit consumers in both countries. However, some products may still be subject to non-tariff barriers, such as quotas, technical regulations, and sanitary and phytosanitary measures.

- **Sourcing Materials and Labor from Colombia:**

To produce their women's denim products, Urban Outfitters can potentially source materials from different countries, including Colombia. Colombia is known for its high-quality cotton, which is used to make denim fabric. Urban Outfitters may also source labor from Colombia, where the cost of labor is relatively low compared to the US. However, sourcing materials and labor from Colombia can also pose some challenges, such as differences in quality standards, language barriers, and cultural differences.

2. Trade Restrictions or Special Agreements with the US:

It is important to note that there are certain trade restrictions and special agreements in effect between Colombia and the United States that may affect the import and export of certain goods. For example, the United States has imposed antidumping duties on certain Colombian textile and apparel products, such as men's and boy's cotton trousers. Additionally, the United

States and Colombia have an agreement in place to promote environmental and labor rights, which could impact trade in certain industries.

Although it seems there are currently no trade restrictions or special agreements between Colombia and the US that affect Urban Outfitters' women's denim products, the company would need to check these regulations carefully before engaging in any trade with Colombia. For example, the U.S. International Trade Commission's Harmonized Tariff Schedule lists specific tariff rates for various textile products, including women's denim. Urban Outfitters would need to determine the applicable tariff rate for their products before exporting to Colombia.

3. Tariff Rates for Women's Denim Products:

The tariff rate for women's denim products imported from Colombia into the US depends on the specific product category. According to the Harmonized Tariff Schedule (HTS), most women's denim products fall under category 6204.62, which has a duty rate of 4.4%. However, some products may fall under other categories, which may have different duty rates. In general, the United States imposes a tariff rate of around 14% on women's denim products. Regarding tariff rates for women's denim products, Colombia imposes a 15 percent tariff on these products. However, under the US-Colombia free trade agreement, most textile and apparel products can enter the United States duty-free. This means that Urban Outfitters would not have to pay any duties on women's denim products imported from Colombia.

4. Freight Rate and Shipping Time Comparison:

Considering Colombia as a sourcing option, Urban Outfitters would need to estimate freight rates and shipping times compared to other geographic regions. The cost of shipping can vary depending on the location of the port of departure and arrival, the route, as well as the mode of transportation used. According to the World Bank, Colombia's logistics performance index (LPI) in 2018 was 2.88, which is above the average for Latin America and the Caribbean (2.62) but below the average for high-income countries (3.46).

In terms of freight rates and shipping times, Colombia is well-positioned for trade with the United States. Hence, Colombia's location and proximity to the Panama Canal make it an attractive importing option for Urban Outfitters. Shipping times will also depend on the specific location of Urban Outfitters' production facility origin in Colombia, but in general, shipping times from Colombia to the United States are relatively short compared to other regions. According to the Sea-Distances.com, for instance, shipping time from the port Barranquilla to

Philadelphia with a vessel speed of 24 would take 3 days and 2 hours. Furthermore, most companies in Colombia offer full-package services. With being vertically integrated manufacturers, they are capable of producing fabrics and shipping out garments on the 30- to 45-day lead time.

5. Availability and Location of Major Ports and Airports:

In terms of shipping, Colombia has several major ports and airports that are used for international trade, which are all accessible to U.S. shippers. The U.S. Commercial Service notes that Colombia's ports are some of the most efficient in the region, with modern facilities and streamlined processes. The Port of Cartagena, the Port of Buenaventura, and the El Dorado International Airport in Bogotá. The Port of Cartagena is one of the busiest ports in the country and is located on the Caribbean coast. The Port of Buenaventura is the largest port on the Pacific coast and is located near the city of Cali. Colombia also has several international airports, including El Dorado International Airport in Bogota, which is the busiest airport in the country. Other major airports include Jose Maria Cordova International Airport in Medellin and Rafael Nunez International Airport in Cartagena.

Conclusion:

According to the WTO, Colombia is one of the largest textile and clothing producers in the Latin American region. Colombia's involvement in international trade, major trading partners, long trade history and the economic tie with the United States make it a potential sourcing option for Urban Outfitters. However, factors such as trade restrictions or special trade agreements, tariff rates for women's denim products, freight rates, and shipping times needs to be taken into final consideration on sourcing women’s denim for Urban Outfitters. In addition, the company should consider the availability and location of major ports and airports when planning for shipping and logistics. Overall, the trading relationship between Colombia and the US can benefit companies like Urban Outfitters by reducing their cost when sourcing materials and labor from Colombia.

However, there are still some challenges associated with sourcing materials and labor from Colombia, such as differences in quality standards and cultural differences.
In conclusion, Colombia is an important player in the world's trade, with a diverse range of products being exported and imported.

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Executive Summary of Colombia's Involvement in World Trade:

Participation in global trade organizations: WTO, Pacific Alliance, UNCTAD, UNASUR, CFTA, CAN, World Bank, IMF

Top exports: petroleum oils, coal briquettes, gold, coffee, cut flowers, bananas.

Top imports: machinery, transportation equipment, chemicals, manufactured goods, refined petroleum, telephones, broadcasting equipment, medicines

Major trading partners: US, China, Mexico, Brazil, EU

Trends in import and export: exports increased by $20.0 billion from 2010 to 2020; imports decreased by $2.0 billion during the same period.

Textile and Apparel Industry in Colombia:

Specializes in various areas of expertise including denim.

Leads Latin America in textile and apparel sustainable and ethical practices.

Over 50% of Colombian-produced clothing is sold to the international market.

Colombia's Trade History and Relationship with the US:

Long-standing trade relationship with the US dating back to 1824.

US-Colombia Trade Promotion Agreement (CTPA) signed in 2006.

CTPA replaced by the CFTA in 2012, aims to increase bilateral trade and investment.

US is Colombia's key trading partner, accounting for around 25% of the total trade.

Tariff Rates and Freight Information:

Estimated freight rate and shipping time will depend on the mode of transportation, destination, and other variables with minimum of 3 days.

Availability and location of major ports and airports in Colombia:

Major ports include Buenaventura, Cartagena, and Barranquilla, while major airports include El Dorado International Airport in Bogotá and José María Córdova International Airport in Medellín.