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The door is still open: why Colombia remains a strong sourcing bet under the new tariff

Six of every ten dollars Colombia ships to the United States were exempted, and the exclusion lists run far longer than the coverage suggests. The 2012 Free Trade Agreement, which no competitor in Colombia's tariff bracket holds, remains in force. The regulatory gap behind the differential closes in weeks, and six economies already proved it. Meanwhile, the strongest emerging market currency in the world has made imported inputs cheaper. This is an uncomfortable moment, not a closed one.

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Since July 24, 2026, Colombian goods entering the United States that are not expressly excluded carry an additional 12.5 percent duty under Section 301 of the Trade Act of 1974. Most coverage framed this as straightforwardly bad news for Colombia. It is not good news. But after two weeks reading the final notice line by line, and after conversations with Colombian manufacturers and U.S. buyers on both sides of the transaction, the picture that emerges is different from the headline: this measure leaves more doors open than it closes, and several of them have an expiration date.

For U.S. companies sourcing from Latin America, and for Colombian exporters selling into this market, the sequence below is what actually matters.

First: 60 percent of the basket pays nothing

Coffee, crude petroleum, gold and other precious metals were expressly exempted, on the grounds that they are raw materials for which domestic U.S. supply would be insufficient if taxed. Together they account for roughly 60 percent of Colombia's export value to the United States. Colombian coffee, which exceeded 5.5 billion dollars in exports during 2025, enters with no surcharge at all.

The exclusion lists go well beyond that headline, and this is the first useful finding. The annexes exempt entire categories that carry real weight in the Colombian basket: tropical fruits, vegetables and spices, including bananas, cocoa, mango, pineapple, papaya, vanilla and cinnamon; oil, gas and coal; and a broad set of chemicals, minerals and metals covering copper, nickel, cobalt, aluminum, zinc and tin. Part A of Annex II, which applies equally to all 60 investigated economies, covers 2,120 tariff codes.

In other words, the tariff reaches the remaining 40 percent of the basket, and inside that 40 percent there are further exclusions by subheading. Analdex, the Colombian foreign trade association, estimates that roughly one third of total exports is effectively exposed. AmCham Colombia puts the figure closer to one fifth. The real size of the problem sits between those two numbers, and it is a contained problem rather than a systemic one.

Second: check the tariff subheading before redesigning anything

This is the most immediate recommendation and the one most companies are skipping. The final notice runs 431 pages across three blocks. The notice body occupies the first 72 pages. Annex I writes the action into the U.S. tariff schedule through 101 new Chapter 99 headings and U.S. Note 52. Annex II, running from page 137 to the end, contains fifteen exclusion lists identified as Parts A through O.

Part A applies to every investigated economy. Parts B through O are economy specific. And there is a technical wrinkle that changes the arithmetic: of the 2,120 codes in Part A, not all are exempt as entered, which means classification and entry practice determine whether a shipment pays.

Translated into business decisions: before assuming your product is covered, verify the subheading against the annexes. The difference between sitting inside or outside an exclusion list is worth twelve and a half points, far more than any price concession either side is likely to negotiate. It is a two hour exercise with a customs broker. In several cases we reviewed this month, the answer was that the goods were never covered at all.

Third: the advantage Brazil, Vietnam and China do not have

This is the point most often missed, and the one that matters most at the negotiating table. Colombia has held a Free Trade Agreement with the United States since 2012, an instrument that eliminates or reduces to zero the most favored nation duty on the large majority of bilateral tariff lines. Brazil, Vietnam, China and India have no equivalent.

The 12.5 percent Section 301 duty stacks on top of whatever ordinary or preferential rate applies to the good. For Colombian merchandise, that means stacking on a base of zero or close to zero. For Brazilian or Vietnamese merchandise, the same 12.5 percent sits on top of a general rate that is materially higher across many lines. The practical result is that in categories where they compete head to head, such as certain fruits, cut flowers and apparel, the total landed cost of a Colombian product remains lower than the Brazilian equivalent even though both sit in the same tariff bracket.

That is a concrete, defensible advantage in a sourcing conversation, and very few Colombian exporters are currently putting it on the table. The argument is not that the tariff does not hurt. It is that buyers compare total cost of access across suppliers, and in that comparison Colombia performs better than the isolated number suggests.

Fourth: against much of its competition, Colombia lost nothing

This point has gone almost unmentioned and it should drive where commercial effort goes. Colombia shares the 12.5 percent bracket with Brazil, Chile, Peru, Costa Rica, the Dominican Republic, Uruguay, China, Vietnam, South Korea and Switzerland, among others. Against all of them, Colombia's relative position did not deteriorate by a single point. Against China and Vietnam it improved, because Colombia adds the surcharge to a zero base under the FTA and they do not.

The relative loss is real but confined to an identifiable group: Mexico, Canada, Ecuador, Central America, the United Kingdom and the rest of the preferential bracket. And within that group the picture needs further precision, because the annexes exempt USMCA originating goods from Canada and Mexico outright, and exempt textiles and apparel entering duty free under CAFTA DR from Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua. In those categories the gap is wider than two and a half points.

The operational conclusion is about segmentation, not resignation. Where the competing supplier is Asian or South American, Colombia holds or improves its position and should be defending it actively. Where the competing supplier is Mexican under USMCA or Central American under CAFTA DR, the play is not price. It is lead time, customization capacity and order sizes those suppliers do not serve with the same flexibility. Those are two different commercial conversations, and most companies are currently having only one.

Fifth: the gap is regulatory, which is why it closes fast

On July 23, 2026, the Office of the United States Trade Representative closed 60 investigations opened on March 12 under Section 301, targeting economies that do not impose and effectively enforce a prohibition on importing goods produced with forced labor. Sixteen economies, among them Mexico, Canada, Ecuador, El Salvador, Guatemala, Honduras, India, Indonesia, Jordan, Malaysia, Pakistan, Sri Lanka, Bangladesh, Cambodia, Argentina and the United Kingdom, obtained the preferential 10 percent rate. Colombia landed in the general 12.5 percent bracket alongside Brazil, Vietnam, China, Chile, Peru, Costa Rica and the Dominican Republic, among others.

It is worth being precise about what the determination does not say, because the opportunity follows from it. Washington is not asserting that Colombian exports are produced with forced labor. What it assessed was whether each economy prohibits and effectively controls the entry of goods made under those conditions from third markets. This is a regulatory gap, not a commercial or geopolitical sanction.

Regulatory gaps close through domestic decisions. The mechanism is an Agreement on Reciprocal Trade, or ART, a bilateral instrument created within this same round through which a country formally commits to the United States that it will impose and enforce the prohibition. Critically, an ART does not require the prohibition to be already in force. A concrete and verifiable commitment is enough.

Between June 5 and July 23, 2026, that is to say in seven weeks, six countries changed brackets. Cambodia, Guatemala, Honduras, India, Sri Lanka and Trinidad and Tobago adopted formal prohibitions, and Jordan committed through an ART. The Colombian government has opened bilateral working sessions and is preparing the corresponding decree. The conclusion is encouraging and demanding at the same time: of the two variables now pressuring Colombian exporters, the tariff is the more tractable one, and it turns on a signature that is within reach.

Where to focus in the meantime

The real exposure sits in cut flowers, apparel, food preparations and certain manufactured goods. Asocolflores has been direct about it: close to 78 percent of Colombian flowers go to the United States, with annual exports between 1.905 and 2.376 billion dollars, and the sector would pay roughly 250 million dollars a year under the new duty. Ecuador and the Netherlands, direct competitors in cut flowers, landed two and a half points lower. That is the front that requires active management.

EXPOSURE BY SECTOR

Sector	Exposure to the U.S. market	Tariff status
Green coffee	About 40 % of exports to the U.S.	**Exempt**
Petroleum, gold and	About 60 % of combined export	**Exempt**

Sector	Exposure to the U.S. market	Tariff status
precious metals	value	
Cut flowers	Between 78 % and 81 % of sector exports	**12.5 %, against 10 % for Ecuador and the Netherlands**
Food preparations	About 38 % dependence on the U.S.	**12.5 %**
Apparel	About 29 % dependence on the U.S.	**12.5 %**
Plastic manufactures	About 15.5 % of exports to the U.S.	**12.5 %**

Sources: USTR, Analdex, Asocolflores and AmCham Colombia. Reference figures as of July 2026.

Even there, Colombia holds assets that depend on no decision made in Washington: geographic proximity and short transit times compared with Asia, and volume flexibility that allows it to serve mid sized and small orders directly. Larger scale competitors such as Vietnam or China route that kind of order almost exclusively through local distributors, who capture a meaningful share of the margin. For a U.S. buyer, that margin is negotiable when the supplier is three days away rather than five weeks. It is one of the most profitable conversations neither side is currently having.

The strong peso: the other side of the coin

With the reference exchange rate at 3,144.14 pesos per dollar on July 31, 2026, Colombia is recording one of the sharpest currency appreciations of the century. The gain accumulated during 2026 exceeds 17 percent, and sits between 24 and 30 percent over twelve months depending on the measure. The regional comparison shows this is not generalized dollar weakness but a distinctly Colombian case.

APPRECIATION AGAINST THE U.S. DOLLAR

Currency	Appreciation against the dollar	Reference period
Colombian peso	**29.86 %, strongest among emerging markets**	12 months to July 2026
Brazilian real	Between 9.0 % and 9.3 %	12 months to July 2026
Chilean peso	5.6 %	Year to date 2026
Mexican peso	5.0 %	Year to date 2026

Sources: Bloomberg, Banco de la República and market analysis, July 2026.

Monetary policy explains much of it. Colombia's central bank raised its policy rate by 75 basis points to 12 percent effective July 1, its highest level in two years, and on July 31 held it, with four directors favoring the pause and three arguing for a further 50 basis point increase. BBVA Research projects the cycle could extend to 12.25 or even 13 percent before year end. In the same session the bank announced a 4 billion dollar international reserve accumulation program over two years, with the first auction on August 3, a signal that the central bank itself views the appreciation as exceeding that of comparable currencies. Bancolombia estimates fair value between 3,500 and 3,878 pesos and projects a gradual correction toward a 3,600 to 3,800 range over the next twelve months.

That projection is precisely what turns the situation into an opportunity. A strong peso squeezes exporter revenue, yes. But it also lowers the peso cost of every dollar of input, raw material, machinery or capital good imported to produce exportable goods. Against levels above 4,000 pesos two years ago, the cost of renewing productive capacity has fallen substantially. And that window, by the market's own projections, begins to close during 2027.

Two instruments built for this moment

Plan Vallejo, Colombia's temporary import regime for inward processing, allows producers, exporters and trading companies to import raw materials, inputs, intermediate goods and capital goods with full or partial exemption from duties and value added tax, provided the finished good is exported. The raw materials program requires a 100 percent export commitment, or at least 60 percent under the more flexible modality, with demonstration periods of 18 months in general and up to 36 months for agriculture and floriculture. Applied to current conditions: a Colombian company can bring in cheaper dollar denominated inputs today, transform them locally and export them without paying customs duties on that input, offsetting part of the combined effect of the tariff and the currency.

Free trade zones address the other pressure point, which is cash flow. Foreign goods entering a Colombian free trade zone pay no duty and no value added tax while they remain inside, are not treated as a formal customs importation, and may stay indefinitely, while income generated from export revenue is taxed at a single 20 percent rate, meaningfully below the general corporate rate. Colombia currently has more than 110 free trade zones operating across more than 20 departments, with accumulated investment above 54 trillion pesos and more than 150,000 associated jobs. This is consolidated infrastructure in active expansion through 2026, not a plan on paper.

Three moves, in this order

One. Use the strong peso to import capital goods and raw materials under Plan Vallejo or a free trade zone regime, improving the cost structure while the currency window stays open. The opportunity has an expiration date and the market has already set it at 2027.

Two. Use the free trade zone as a transformation and assembly platform to defer customs charges and relieve cash flow, which is where the tariff hits mid sized exporters first.

Three. Reposition the commercial argument with the U.S. buyer. Do not compete on price against the tariff. Compete on total cost of access, transit time and volume flexibility, the three variables where Colombia wins and where the FTA makes the difference against Brazil, Vietnam and China. In parallel, sustain institutional pressure to close the regulatory gap through an ART or an effective domestic prohibition, the only route back to 10 percent on a permanent basis.

FIVE QUESTIONS WORTH ANSWERING THIS WEEK

1. Have you checked every tariff subheading against the fifteen exclusion lists in Annex II, or are you assuming your product is covered?

2. Are the competing suppliers on the account you are pursuing in the 12.5 percent bracket or the 10 percent bracket? The answer changes the commercial argument entirely.

3. Does your U.S. buyer know that your total cost of access is lower than your Brazilian, Vietnamese or Chinese competitor? Have you shown them the arithmetic?

4. Have you identified the imported inputs and capital goods worth buying while the exchange rate sits below its estimated fair value?

5. Have you tested whether your operation qualifies for Plan Vallejo or a free trade zone regime, or ruled it out without running the numbers?

Tariff cycles and currency cycles move on their own. What does not move on its own is a company's competitive position in a market. Colombia enters this episode with six of every ten dollars exempt, fifteen exclusion lists almost nobody has read, a bilateral agreement its bracket competitors do not hold, two trade instruments ready to use, and a regulatory gap other countries closed in seven weeks. The door is still open. The question is who walks through it first.

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ABOUT THIS ANALYSIS

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SOURCES

Tariff framework: Office of the United States Trade Representative, Notice of Action, dockets USTR 2026 0265 and USTR 2026 0266, published July 23, 2026, including Annex I (101 Chapter 99 headings and U.S. Note 52) and Annex II (fifteen exclusion lists, Parts A through O); Presidential action of July 23, 2026; Analdex and AmCham Colombia statements and analysis.

Sectors: Asocolflores, Federación Nacional de Cafeteros and Colombian business press reporting, July 2026.

Exchange rate and monetary policy: Banco de la República press release and board minutes (July 3 and July 31, 2026); Bloomberg emerging market currency data; Bancolombia and BBVA Research projections.

Trade instruments: Colombian Ministry of Commerce, Industry and Tourism, Plan Vallejo regime (Article 173, literals b and c) and free trade zone regime, official 2026 figures.