United States International Trade Commission

Andean Trade Preference Act:

Impact on U.S. Industries and Consumers and on Drug Crop Eradication and Crop Substitution, 2007

Thirteenth Report

Investigation No. 332-352
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NOTE TO THE READER

Shortly after the Commission delivered this report to the Congress and to the President on September 30, 2008, Congress passed and the President signed legislation that extends the President's authority to provide preferential treatment under the Andean Trade Preference Act (ATPA) by 1 year, through December 31, 2009, subject to certain country-specific exceptions for Bolivia and Ecuador. The legislation, which was contained in H.R. 7222, "To Extend the Andean Trade Preference Act, and for Other Purposes," passed the Senate and House in final form on October 2 and 3 , 2008, respectively, and was signed into law by the President on October 16, 2008. The legislation amended section 208 of ATPA (19 U.S.C. 3206).

PREFACE

The submission of this study to Congress continues a series of reports by the U.S. International Trade Commission ("the Commission" or "USITC") on the impact of the Andean Trade Preference Act (ATPA) on U.S. industries and consumers. The current study fulfills the Commission's reporting requirement for calendar year 2007 and represents the 13th in the series.

ATPA, enacted on December 4, 1991, authorized the President to proclaim duty-free treatment for eligible articles from Bolivia, Colombia, Ecuador, and Peru. ATPA has been amended and the authority to provide preferential treatment has been extended several times, most recently by the Trade Preference Extension Act of 2008. The authority to provide preferential treatment is scheduled to expire on December 31, 2008. Section 206 of ATPA requires the Commission to assess the economic impact of the Act "on United States industries and consumers, and in conjunction with other agencies, the effectiveness of this Act in promoting drug-related crop eradication and crop substitution efforts of beneficiary countries." The Commission is required to submit its report to Congress biennially by September 30 of the year following the period covered in each report.

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List of Frequently Used Abbreviations and Acronyms

ATPA	Andean Trade Preference Act (original 1991 legislation)
ATPDEA	Andean Trade Promotion and Drug Eradication Act (2002 amendments)
ATPEA	Andean Trade Preferences Extension Act (2006 amendments)
CBERA	Caribbean Basin Economic Recovery Act
c.i.f.	cost, insurance, and freight
CNC	Crime and Narcotics Center, Central Intelligence Agency
Commission, the	U.S. International Trade Commission
FDI	foreign direct investment
FTA	free trade agreement
FY	fiscal year
GDP	gross domestic product
GSP	Generalized System of Preferences
ha	hectare
HS	Harmonized System
HTS	Harmonized Tariff Schedule of the United States
INCSR	International Narcotics Control Strategy Report
IPR	intellectual property rights
NAFTA	North American Free Trade Agreement
n.e.s.o.i.	not elsewhere specified or otherwise included
NTR	normal trade relations (commonly and historically called most-favored-nation)
ONDCP	Office of National Drug Control Policy
OTEXA	Office of Textiles and Apparel, U.S. Department of Commerce
SME	square meter equivalents
TPA	Trade Promotion Agreement (term for U.S. FTAs with the Andean countries)
TRQ	tariff-rate quota
UNODC	United Nations Office on Drugs and Crime
USAID	United States Agency for International Development
USDOC	U.S. Department of Commerce
USDOS	U.S. Department of State
USITC	U.S. International Trade Commission
USTR	United States Trade Representative
WTO	World Trade Organization

EXECUTIVE SUMMARY

The Andean Trade Preference Act (ATPA) was enacted in 1991 to promote the development of viable economic alternatives to coca cultivation and cocaine production by offering duty-free or other preferential treatment to imports of eligible goods from Bolivia, Colombia, Ecuador, and Peru.[1] Section 206 of ATPA requires the U.S. International Trade Commission (the Commission) to prepare a biennial report assessing the actual and the probable future effects of ATPA on the U.S. economy generally, on U.S. industries, and on U.S. consumers, as well as the estimated effect of ATPA on drug-related crop eradication and crop substitution efforts of the beneficiary countries. ATPA has been amended, and the President's authority to provide preferential treatment has been extended, several times.[2] The authority to provide preferential treatment under ATPA is currently set to expire on December 31, 2008. This report, the 13th in this series, provides the estimated impact of ATPA during the calendar year 2007.[3]

ATPA tariff preferences can potentially affect (1) U.S. consumers by providing lower prices and increased product variety; (2) the U.S. Treasury by reducing tariff revenue; and (3) U.S. producers by displacing potential U.S. production of competing products, or by increasing the demand for U.S. inputs into the production of goods produced in Andean countries that receive preferential treatment under ATPA (e.g., use of U.S. cotton in the production of Andean textiles exported to the United States). In addition, ATPA potentially provides alternatives to illicit coca production by increasing U.S. market access for Andean countries' exports. This report assesses the impact of ATPA by examining the effect on the U.S. economy as a whole, U.S. consumers, including the U.S. Treasury, and U.S. producers. The quantitative analysis focuses on the 20 leading products that benefited exclusively from ATPA, which accounted for 94 percent of imports that benefited exclusively from ATPA in 2007.

Since ATPA was enacted in 1991, it has had a minimal economic impact on the U.S. economy as a whole, and on all but a limited number of U.S. industries and consumers. This trend continued through 2007. Similar to prior years, imports under ATPA of knitted cotton tops and fresh or chilled asparagus provided the most significant impact on U.S. consumers through lower prices (as a result of duty free treatment). The most significant impact of ATPA tariff preferences for U.S. producers occurred as a result of reduced domestic production in industries producing fresh or chilled asparagus and fresh cut flowers (roses and chrysanthemums).

The probable future effects of ATPA are likely to be minimal, as investor uncertainty over ATPA renewal and concerns about the impact of recently negotiated U.S. bilateral free trade agreements (FTAs) with Colombia and Peru have dampened regional interest in investment to produce ATPA-eligible exports, particularly in Bolivia and Ecuador. Moreover, according

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[1] Coca leaves are the raw material used in the production of cocaine. Essentially all cocaine originates in Bolivia, Colombia, and Peru. Ecuador has no significant coca cultivation, but serves as a major transit country for illegal drugs.

[2] Throughout this report, the term "ATPA" refers to ATPA as amended by subsequent legislation. Also for the purpose of this report, the term "Andean" refers only to the countries Bolivia, Colombia, Ecuador, and Peru.

[3] The analysis in this report generally focuses on developments during 2007 (or the most recent year for which data are available), or on changes during the 2003–07 period.

to U.S. and Andean industry sources, the recent short-term extensions of ATPA do not coincide with business planning cycles and, as a result, discourage investment in the production of ATPA-eligible products.

In 2007, the effectiveness of ATPA in reducing illicit coca cultivation and promoting crop substitution efforts in the Andean countries continued to be small and mostly indirect. Despite an increase in the land area under coca cultivation in Bolivia, Colombia, and Peru during 2006 (the most recent year for which data are available), various U.S. and foreign government agencies report that ATPA remains a key component of U.S. counternarcotics efforts to provide economic incentives to stimulate economic development and the growth of licit alternative economic activities in the Andean countries.

On September 25, 2008, President Bush announced that he proposed to suspend Bolivia's designation as a beneficiary country under ATPA and as an Andean Trade Promotion and Drug Eradication Act beneficiary country.[4]

Key Findings

- **Imports under ATPA:** Of the $12.3 billion in U.S. imports entered under ATPA in 2007, $11.5 billion, or 93 percent, could not have received tariff preferences under any other program. The five leading products benefiting exclusively from ATPA in 2007 were heavy crude oil; light crude oil; copper cathodes from Peru[5]; heavy fuel oil; and fresh-cut roses. The U.S. duties on copper cathodes and on petroleum products such as crude and heavy fuel oil are low (1 percent ad valorem or less) and, as a result, ATPA tariff preferences likely had little impact on total U.S. imports of those products.

- **Impact on U.S. economy as a whole:** The Andean countries collectively accounted for 1.1 percent of total U.S. imports in 2007. The value of duty-free imports that benefited exclusively from ATPA in 2007 accounted for about 0.6 percent of total U.S. imports, or 0.09 percent of the U.S. GDP. Hence, the overall impact of ATPA-exclusive imports on the U.S. economy continued to be negligible in 2007.

- **Impact on U.S. consumers:** Commission analysis found that imports of knitted cotton tops provided the largest benefit, and fresh or chilled asparagus the second-largest benefit, to U.S. consumers through lower prices, increased product variety, and higher consumption ($40 to $44 million, and $31 to $33 million, respectively). U.S. imports of the 20 leading ATPA-exclusive products produced net consumer

[4] This announcement followed the President's identification of Bolivia as a major drug transit or major illicit drug producing country. Presidential Determination No. 2008-28 of Sept. 15, 2008, "Major Drug Transit or Major Illicit Drug Producing Countries for Fiscal Year 2009: Memorandum for the Secretary of State," 73 Fed. Reg. 54927 (Sept. 24, 2008). The U.S. Trade Representative (USTR) subsequently announced that it would publish a notice in the *Federal Register* inviting public comment on the President's proposed action and scheduling a public hearing. USTR, "U.S. Trade Representative Schwab Announces Proposed Suspension of Bolivia's Tariff Benefits," Sept. 26, 2008; and 73 Fed. Reg. 57158 (Oct. 1, 2008).

[5] Copper cathodes are also eligible for duty-free entry under the U.S. Generalized System of Preferences (GSP). However, copper cathodes from Peru exceeded the GSP competitive need limit, and therefore were eligible for duty-free entry only under ATPA.

gains (benefits to consumers net of U.S. Treasury losses due to lower ATPA tariffs) for U.S. consumers in 2007. Cotton tops yielded the largest net benefit to U.S. consumers (valued at $4.5 million to $7.8 million), followed by knitted cotton T-shirts (valued at $2.4 million to $4.0 million), and fresh or chilled asparagus (valued at $1.2 million to $2.8 million).

- **Impact on U.S. industries:** Imports of certain products entered under ATPA may have displaced 5 percent or more of the value of U.S. production in certain industries in 2007. This displacement is a result of the very high share of the U.S. market accounted for by these ATPA imports. These industries included: fresh or chilled asparagus (56.1 percent of U.S. market share with a 4.5–17.1 percent displacement, valued at $0.3 million to $1.9 million)[6]; fresh-cut roses (91.9 percent of U.S. market share with a 1.1–6.6 percent displacement, valued at $0.3 million to $1.9 million); and chrysanthemums (84.6 percent U.S. market share with a 1.1–6.5 percent displacement, valued at $0.1 million to $0.8 million).

- **The probable future effect of ATPA on the United States:** Future effects of ATPA are expected to be minimal on the U.S. economy overall and in most economic sectors, even if ATPA preferences were extended. Information provided in public testimony and written statements cited ATPA's economic benefits for U.S. consumers and for the Andean countries, but also reported that the uncertainties related to the scheduled December 2008 expiration of ATPA and the recently negotiated bilateral FTAs with Peru and Colombia were dampening investment. Several industry representatives stated that new investment in ATPA-eligible exports would require an extension of ATPA benefits for a much longer period of time. Despite these uncertainties, the Commission identified ATPA-related investments during 2006–07 in apparel, jewelry, wood furniture, tuna, and some agricultural products.

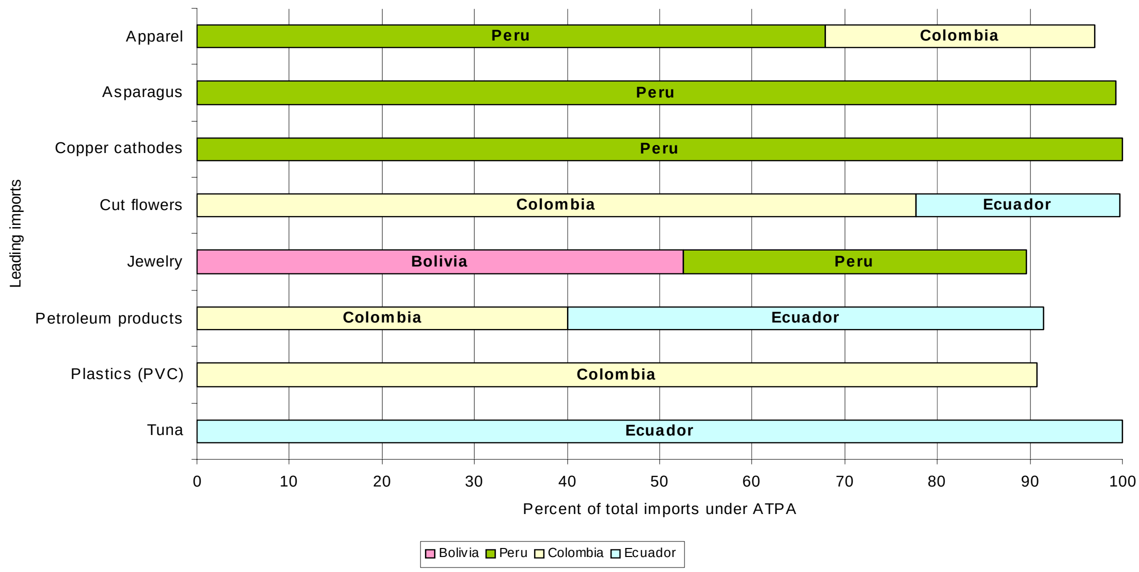
- **Impact on drug crop eradication and crop substitution efforts:** In 2007, ATPA continued to have a small, indirect effect in support of illicit coca eradication and crop substitution efforts in the Andean region. According to U.S. government data, net land area under coca cultivation increased in Bolivia, Colombia, and Peru in 2005 and 2006 (the most recent year for which such data are available). However, growth in the Andean flower and asparagus industries in 2006–07 as a result of ATPA reportedly expanded job opportunities to individuals who otherwise might have engaged in illicit drug crop production and related activities.

U.S.-Andean Trade in 2007

- **U.S. imports from the Andean countries:** Since ATPA was enacted in 1991, U.S. trade with the Andean countries has grown significantly. Total U.S. imports from the Andean countries have quadrupled, growing from $5.0 billion in 1991 to $20.9 billion in 2007. Leading imports under ATPA and the leading suppliers of these products are shown in figure ES.1.

[6] In the case of asparagus, displacement is likely the result of both the high share of the U.S. market and the high normal trade relations duty rate of 21.3 percent ad valorem.

Figure ES.1 Share of selected imports entered under ATPA by leading suppliers, 2007



Source: Compiled from official statistics of the U.S. Department of Commerce.

Note: Bars shown may not total 100 percent because figure shows only leading suppliers.

- **Leading imports entered under ATPA:** In 2007, U.S. imports entered under ATPA totaled $12.3 billion, down from $13.5 billion in 2006. This decline was driven largely by a $913 million decrease in imports of petroleum products.

  - Petroleum products (mostly crude oil) were the leading ATPA import category in 2007, with imports valued at $8.2 billion, or 66.8 percent of total imports under ATPA. Colombia and Ecuador were the main suppliers, and U.S. imports from both countries declined both in terms of value and in volume during 2006–07.

  - Copper cathodes were the second-leading ATPA import category in 2007, with imports valued at $989 million, or 24.2 percent of non-oil ATPA imports. Peru was the sole supplier.

  - Apparel was the third-leading ATPA import category in 2007, with imports valued at $922 million or 22.6 percent of non-oil ATPA imports. Peru and Colombia were the leading suppliers.

  - Several categories of cut flowers combined (including roses, chrysanthemums, alstroemeria, and carnations) made up the fourth-leading ATPA import category, with imports valued at $652 million in 2007, or 16 percent of non-oil ATPA imports. Colombia and Ecuador were the main suppliers.

- **ATPA imports by suppling country in 2007:**

  - ATPA imports from Ecuador were valued at $4.6 billion, or 37.5 percent of the total. Petroleum products made up 91.8 percent of ATPA imports from Ecuador in 2007. Other leading ATPA imports from Ecuador included cut flowers (roses, chrysanthemums, and carnations) and tuna. Virtually all tuna imports entered under ATPA were shipped from Ecuador.

  - ATPA imports from Colombia were valued at $4.5 billion, or 36.8 percent of the total. Petroleum products made up 72.7 percent of ATPA imports from Colombia. Other leading ATPA imports from Colombia included cut flowers (roses, chrysanthemums, and carnations), apparel, and plastic products (largely industrial plastics such as polyvinyl chloride (PVC)). Colombia was the second-largest global supplier of PVC for the U.S. market in 2007.

  - ATPA imports from Peru were valued at $3.0 billion, or 24.5 percent of the total. Leading ATPA imports from Peru included copper cathodes (Peru was the only supplier of imports entered under ATPA), knitted apparel, petroleum products (mostly crude oil), and fresh or chilled asparagus. Peru was the leading global supplier of asparagus for the U.S. market in 2007.

  - ATPA imports from Bolivia were valued at $148 million, or 1.2 percent of the total. Leading ATPA imports from Bolivia included jewelry (mostly gold jewelry), petroleum products (mostly crude oil), tungsten, and knitted apparel. Bolivia was the leading source of jewelry imports entered under ATPA in 2007.

- **U.S. exports to the Andean countries:** U.S. exports to the Andean countries have more than tripled since ATPA was enacted, growing from $3.8 billion in 1991 to $14.6 billion in 2007. The United States is the leading supplier to each individual Andean country, with the exception of Bolivia. Economic growth in the Andean countries has led to increased demand for U.S. capital and consumer goods, resulting in growth of U.S. exports to the region that has outpaced import growth, thereby reducing the U.S. trade deficit with the Andean countries. The United States is also an important supplier of inputs used by Andean apparel and jewelry manufacturers to produce ATPA-eligible exports.

Positions of Interested Parties

The Commission held a public hearing in connection with this investigation on July 22, 2008, in Washington, D.C. The Commission also received written public submissions in connection with this investigation in response to a *Federal Register* notice.[7] The testimony and the submissions generally related to one of four topics:

- **ATPA has had a minimal effect on the overall U.S. economy, but mixed effects on specific U.S. sectors:** Several parties provided information to show that ATPA has had a small impact on the U.S. economy because of the small share of total U.S. imports that come from the Andean countries. Several industry and foreign government representatives stated that U.S. consumers benefit from ATPA through greater availability of Andean products in the U.S. market. They also reported that

[7] Appendix A reproduces the *Federal Register* notice by which the Commission provided notice of a public hearing and solicited public comment, and app. B contains summaries of submissions received by the Commission in response to the *Federal Register* notice.

the positive effects of ATPA on U.S. industries include increased U.S. exports of capital equipment and inputs used in the production of the ATPA-eligible products, such as fertilizers and chemicals used by Andean flower exporters, and fabrics, yarn, and trim used by Andean apparel exporters. Representatives of the California cut flower industry and U.S. ceramic tile producers asserted that ATPA has had a negative economic impact on those sectors. Representatives of U.S. copyright based industries reported that U.S. companies suffer losses due to copyright piracy in the Andean countries.

- **ATPA has had a positive effect on beneficiary countries:** Interested parties stated that ATPA has promoted investment and export-oriented production in the Andean countries that, in turn, has generated economic growth and employment in the beneficiary countries. They said that ATPA has supported export diversification in the Andean countries, and has promoted the development of regional supply chain integration. Several parties stated that the economic opportunities created by ATPA also indirectly benefited workers' families.

- **ATPA has had a positive effect on drug crop eradication and crop substitution:** Foreign government and industry representatives stated that ATPA has created employment opportunities for workers who might otherwise engage in illicit drug crop production, by promoting increased export-oriented production, encouraging the development of new industries, and providing incentives for investment in the Andean countries.

- **Uncertainties regarding the future of ATPA have adversely affected investment and trade:** Several parties expressed the concern that the short-term extensions of ATPA preferential treatment authority since 2006 were acting as disincentives to ATPA-related investment and trade. Other parties also expressed the concern that implementation of bilateral FTAs with Peru and Colombia would erode ATPA benefits for the beneficiary countries that do not have bilateral FTAs with the United States.

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CHAPTER 1
Introduction

The United States enacted the Andean Trade Preference Act (ATPA) in 1991 to encourage the Andean countries of Bolivia, Colombia, Ecuador, and Peru to "expand economic alternatives for those countries to help halt the production, processing, and shipment of illegal drugs."[1] ATPA authorizes the President to provide duty-free treatment or other preferential treatment to eligible Andean products.[2] ATPA has been amended and the authority to provide preferential treatment extended by subsequent legislation since ATPA was originally enacted. This report, the 13th in the series, fulfills a statutory mandate under ATPA that the U.S. International Trade Commission (the Commission) report biennially on the economic impact of ATPA on U.S. industries, consumers, and the economy in general, as well as on the estimated effect of ATPA on drug-related crop eradication and crop substitution efforts of the beneficiary countries.[3] The report assesses the impact of ATPA during calendar years 2006 and 2007.[4]

Overview of ATPA-Related Legislation

ATPA was enacted in 1991 and became fully operative for all four beneficiary countries by 1993.[5] ATPA preferential treatment authority expired on December 4, 2001, but was renewed retroactively on August 6, 2002, under the Andean Trade Promotion and Drug Eradication Act (ATPDEA), part of the Trade Act of 2002.[6] ATPA preferential treatment authority was scheduled to expire on December 31, 2006, but was extended for six months by the Andean Trade Preferences Extension Act (ATPEA) for all four ATPA beneficiaries, and for one year for beneficiary countries that meet certain milestones for completing a trade agreement with the United States by June 30, 2007.[7] Preferential treatment authority was extended prior to its expiration for all four beneficiary countries until February 29, 2008,[8]

[1] President George H.W. Bush, "Statement on Signing Legislation on Trade and Unemployment Benefits," Dec. 4, 1991, George Bush Presidential Library and Museum, public papers, *http://bushlibrary.tamu.edu.*

[2] 19 U.S.C. 3201 et seq.

[3] The reporting requirement is set forth in sec. 206(a)–(c) of ATPA (19 U.S.C. 3204(a)–(c)).

[4] This report generally focuses on the impact of ATPA during calendar year 2007, the most recent year for which data are available. To the extent that significant developments occurred during 2006, those trends are noted in the report.

[5] ATPA was passed by Congress on Nov. 26, 1991, and signed into law on Dec. 4, 1991 (Public Law 102-182, title II; 105 Stat. 1236, 19 U.S.C. 3201 et seq.). Minor amendments to ATPA were made by Public Law 102-583. ATPA became effective for Colombia and Bolivia on July 22, 1992 (Presidential Proclamation 6455, 57 Fed. Reg. 30069, and Presidential Proclamation 6456, 57 Fed. Reg. 30087, respectively); for Ecuador on April 30, 1993 (Presidential Proclamation 6544, 58 Fed. Reg. 19547); and for Peru on Aug. 31, 1993 (Presidential Proclamation 6585, 58 Fed. Reg. 43239).

[6] Public Law 107-210, Title XXXI.

[7] Public Law 109-432, section 7001 et seq., enacted Dec. 20, 2006.

[8] Public Law 110-42, enacted June 30, 2007. The conditional extensions were also repealed.

and was extended again prior to its expiration for all four beneficiaries until December 31, 2008.[9]

Throughout this report, the term "ATPA" refers to ATPA as amended by ATPDEA, ATPEA, and subsequent legislation. The term "original ATPA" will be used to identify the original ATPA program that expired in December 2001, so that the specific scope and requirements of that statute can be discussed separately when needed. Also, for the purpose of this report, the term "Andean" refers only to the countries Bolivia, Colombia, Ecuador, and Peru. Table 1.1 summarizes key ATPA-related events.

In November 2003, the United States announced its intention to initiate negotiations for bilateral free trade agreements (FTAs) with the ATPA countries to enhance the U.S. trade relationship with the region.[10] Once the bilateral commitments of the FTAs (referred to as trade promotion agreements) are implemented, the parties would no longer be designated as beneficiary countries for the U.S. Generalized System of Preferences (GSP).[11] The United States launched TPA negotiations with Colombia, Ecuador,[12] and Peru in May 2004; negotiations were not initiated with Bolivia, although Bolivia participated as an observer that could join an agreement at a later date.[13] The United States and Colombia concluded TPA negotiations in February 2006; the agreement was signed in November 2006, and certain amendments were made to the agreement in June 2007.[14] The U.S.-Colombia TPA is currently awaiting approval by the U.S. Congress. The United States and Peru concluded TPA negotiations in December 2005, and the agreement was signed in April 2006.[15] After certain amendments were made to the agreement in June 2007, the United States enacted legislation in December 2007 approving the U.S.-Peru TPA and making the changes in U.S.

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[9] Public Law 110-191, enacted Feb. 29, 2008.

[10] USTR, "USTR Notifies Congress of Intent to Negotiate Free Trade Talks with Andean Countries," press release, Nov. 18, 2003.

[11] Sec. 201(a)(2) of the U.S.-Peru Trade Promotion Implementation Act (Public Law 110-138). GSP is described in more detail below. Sec. 201(b) authorizes the President to proclaim such modifications or continuation of any duty and continuation of duty-free treatment as the President determines to be necessary or appropriate with respect to Peru. Concerns about the loss of ATPA tariff preferences for countries that implement FTAs with the United States, and the implications that the loss of ATPA designation, and the ability to regionally aggregate production for the purposes of rules of origin, would have for co-production arrangements in place among the Andean countries, were expressed in testimony before the Commission, July 22, 2008. See Ambassador Freddy Ehlers, Secretary General, Comunidad Andina; Steve Lamar, executive vice president, American Apparel & Footwear Association; and John Strasburger, vice president and managing director, VF Americas Sourcing, USITC transcript, 55–56 and 243–44.

[12] TPA negotiations with Ecuador took place through March 2006. The United States suspended negotiations with Ecuador in May 2006 after Ecuador cancelled its operating contract with U.S.-based Occidental Petroleum and took control of the company's operations. Occidental filed a request to institute arbitration proceedings on the matter with the World Bank International Center for the Settlement of Investment Disputes (ICSID) on May 17, 2006, where proceedings remain pending. ICSID, "Case Information: Occidental," and U.S. Department of State, Bureau of International Information Programs, "United States Suspends Trade Negotiations with Ecuador."

[13] USTR, "Peru and Ecuador to Join with Colombia in May 18–19 Launch of FTA Negotiations with the United States," press release, May 3, 2004, and U.S. Department of Commerce, "U.S.-Andean Free Trade Agreement Negotiations," *http://www.export.gov/fta/fta_negotiation_andean.asp*.

[14] USTR, "United States and Colombia Conclude Free Trade Agreement," press release, Feb. 27, 2006, and "Schwab Statement on Amendments to U.S.-Colombia Trade Promotion Agreement," press release, June 28, 2007.

[15] USTR, "United States and Peru Sign Trade Promotion Agreement," press release, Apr. 12, 2006. See also USITC, *U.S.-Peru Trade Promotion Agreement*. A copy of the full text of the agreement is available at *http://www.ustr.gov/Trade_Agreements/Bilateral/Peru_TPA/Final_Texts/Section_Index.html*.

TABLE 1.1 Andean Trade Preference Act: Timeline of selected events

Year	Date and event
1991	• Nov. 26: Congress passes ATPA. • Dec. 4: President signs ATPA into law, with preferential treatment authority scheduled to expire Dec. 4, 2001.[a]
1992	• Jul. 22: ATPA enters into force with respect to Bolivia and Colombia.
1993	• Apr. 30: ATPA enters into force with respect to Ecuador. • Aug. 31: ATPA enters into force with respect to Peru.
2001	• Dec. 4: ATPA authority expires. GSP also lapses during this period, making ATPA-eligible goods subject to U.S. duties.
2002	• Aug. 6: ATPDEA renews ATPA authority retroactively to Dec. 4, 2001 (duties paid on ATPA-eligible goods are eligible for refund), extending ATPA through Dec. 31, 2006.[b] ATPDEA also amends ATPA to authorize duty-free treatment for certain products previously excluded from ATPA preferences. • Oct. 31: President designates all ATPA beneficiaries as ATPDEA beneficiaries. ATPDEA enters into force.
2003	• Nov. 18: U.S. Administration notifies Congress of its intention to initiate free trade negotiations with Bolivia, Colombia, Ecuador, and Peru.
2005	• Dec. 7: The United States and Peru conclude FTA negotiations.
2006	• Feb. 27: The United States and Colombia conclude FTA negotiations. • Apr. 12: U.S. and Peruvian trade ministers sign FTA, the U.S.-Peru Trade Promotion Agreement (TPA). • Nov. 22: U.S. and Colombian trade ministers sign the U.S.-Colombia TPA. • Dec. 20: ATPEA signed into law, extending ATPA through June 30, 2007.[c] The act also grants an additional 6 months to any beneficiary country that concludes a TPA with the United States, provided the Congress and that country's legislature both approve the TPA by June 30, 2007.
2007	• Jun. 27: Peru's congress ratifies the amended TPA.[d] • Jun. 30: President signs into law an act extending ATPA authority through Feb. 29, 2008.[e] • Oct. 30: Colombia's congress ratifies the amended TPA.d • Dec. 14: President signs U.S.-Peru TPA into law.[f]
2008	• Feb. 29: Trade Preference Extension Act of 2008 signed into law, extending ATPA preferential treatment authority through Dec. 31, 2008.[g]

Sources: Compiled by the staff of the U.S. International Trade Commission from multiple sources.

[a] Public Law 102-182. Minor amendments to ATPA were made by Pubic Law 102-583.
[b] Public Law 107-210.
[c] Public Law 109-432.
[d] The amendments pertain to a protocol reflecting the "Bipartisan Trade Deal" of May 10, 2007, between Congress and the U.S. Administration that calls for the inclusion of core labor and environmental standards, among other things, in the text of pending and future trade agreements.
[e] Public Law 110-42.
[f] The House of Representatives voted to approve the U.S.-Peru TPA on Nov. 2, 2007. The Senate voted to approve the TPA on Dec. 4, 2007. The TPA is to enter into force once Peru takes the necessary steps to implement it.
[g] Public Law 110-191.

law that would allow U.S. implementation.[16] The agreement is currently awaiting approval and implementation by Peru.[17]

Summary of the ATPA Program

ATPA authorizes the President to provide duty-free treatment or other preferential treatment to imports of eligible goods from Bolivia, Colombia, Ecuador, and Peru, based on importer claims for this treatment.[18] ATPDEA amended the original ATPA to authorize duty-free treatment for certain products previously excluded from ATPA trade preferences (see "Eligible Articles" below for a discussion of eligible products). The following sections summarize ATPA provisions concerning beneficiaries, trade benefits, and qualifying rules, and the relationship between ATPA and GSP.

Beneficiaries

Under the statute as originally enacted and as amended in 2002, only Bolivia, Colombia, Ecuador, and Peru are eligible to be designated as beneficiary countries. Designations are made by the President, subject to certain statutory limitations and after taking into account certain statutory factors. Under the original APTA, the President determined that all four countries met the eligibility requirements of the statute and all were designated as beneficiary countries. All four designations remained in effect until 2002, when the APTA provisions were amended by ATPDEA. Among other things, ATPDEA amended the list of limitations and factors in section 203(c)–(d) of ATPA, and this required the President to make new determinations of eligibility for each of the four countries under the expanded list of

[16] Public Law 110-138, enacted Dec. 14, 2007.

[17] Peru is a member of the Andean Community, a regional customs union whose other full members currently include Bolivia, Colombia, and Ecuador. In addition to having in place a regional free trade area and common external tariff, the Andean Community members have harmonized many of their policies, including policies on intellectual property rights (IPR). The Andean common IPR regime is generally referred to as Decision 486. In January 2007, Peru requested that Decision 486 be modified with respect to certain areas. These modifications would be necessary for Peru to strengthen its domestic IPR legislation in order to implement the IPR provisions of the U.S.-Peru TPA. On Aug. 14, 2008, the Andean Community members voted to approve Decision 689, a new law that amends Decision 486 to allow each member country to pass its own IPR laws. Andean Community, "Normativa Andina: Decisiones: Decisión 689," *http://www.comunidadandina.org/normativa/dec/D689.htm*; "Andean Community Approves Reform Without Bolivia—Peru-US Free Trade Deal to Move Forward," *Living in Peru*, *http://www.livinginperu.com/news/7139*; and "Andean IP Changes Allow Peru to Sign US FTA," *Weekly News*, Aug. 27, 2008, *http://www.managingip.com/Article/2001721/Andean-IP-changes-allow-Peru-to-sign-US-FTA.html*.

[18] A WTO waiver is required because benefits are not extended on a most-favored-nation (MFN) basis. The WTO waiver for the original ATPA program expired on Dec. 4, 2001. The United States requested a waiver for ATPA, as amended by ATPDEA, in Feb. 2005 for the period ending Dec. 31, 2006; a decision on the request remains pending. The United States submitted a revised draft for a WTO waiver for ATPA as amended in 2007, reflecting the new ATPA statutory expiration date. This waiver request was discussed in the WTO Council on Trade in Goods during meetings in 2007, but a decision remains pending. WTO, *Report (2007)*, and "Request for a Waiver."

limitations and factors.[19] The President subsequently redesignated each of the four countries in 2002.[20]

On September 25, 2008, the President announced that he proposed to suspend Bolivia's designation as a beneficiary country under ATPA and as an ATPDEA beneficiary country.[21] This announcement followed the President's identification of Bolivia as a major drug transit or major illicit drug producing country in his report issued on September 15, 2008, pursuant to section 706(1) of the Foreign Relations Authorization Act, Fiscal Year 2003 (Public Law 107-228).[22] Section 203(e)(2)(A) of ATPA[23] requires that the President provide at least 30 days notice before suspending (or withdrawing) ATPDEA beneficiary country designation. It also requires that the USTR accept written comments from the public concerning the proposed action and hold a public hearing during the 30-day period. The USTR, in a news release issued on September 26, 2008, announced that it would publish a notice in the *Federal Register* inviting public comment on the President's proposed action and scheduling a public hearing. In noting the President's September 15, 2008, report, the USTR's news release said that Bolivia's recent actions expelling U.S. Agency for International Development personnel and removing U.S. Drug Enforcement Administration officials from the main areas of Bolivia's illegal coca production, a marked increase in cocaine production, the government's failure to close illegal coca markets, and publicly stated policies that increase government-sanctioned coca cultivation "placed in doubt the Bolivian government's commitment to cooperate in the fight against drug trafficking."[24]

Eligible Articles

The original ATPA made eligible for duty-free treatment all qualifying ATPA country goods that were eligible for duty-free treatment under the U.S. GSP[25] and certain additional products. It made certain additional products eligible for reduced rates of duty (including certain leather handbags, luggage, flat goods such as wallets and portfolios, work gloves, and leather wearing apparel). It specifically excluded from eligibility most apparel and textiles, certain footwear, canned tuna, petroleum and petroleum derivatives, certain watches and

[19] 19 U.S.C. 3202(c)-(d).

[20] Proclamation 7616 of Oct. 31, 2002, 67 Fed. Reg. 67283 (Nov. 5, 2002).

[21] "Memorandum of September 25, 2008, Assignment of Function Under Section 203(e)(2)(A) of the Andean Trade Preference Act, as Amended," 73 Fed. Reg. 56701 (Sept. 29, 2008).

[22] Presidential Determination No. 2008-28 of Sept. 15, 2008, "Major Drug Transit or Major Illicit Drug Producing Countries for Fiscal Year 2009: Memorandum for the Secretary of State," 73 Fed. Reg. 54927 (Sept. 24, 2008).

[23] 19 U.S.C. 3202(e)(2)(A).

[24] USTR, "U.S. Trade Representative Schwab Announces Proposed Suspension of Bolivia's Tariff Benefits," news release, Sept. 26, 2008; and 73 Fed. Reg. 57158 (Oct. 1, 2008).

[25] GSP is described in the section "ATPA and GSP" below.

watch parts, certain sugar products, and rum and tafia.[26] ATPA does not cover trade in services.

ATPDEA amended section 204 of ATPA to authorize the President to extend duty-free treatment to certain footwear, petroleum and petroleum products, watches and watch parts, and handbags, luggage, flat goods, work gloves, and leather wearing apparel, provided that he determines that such articles are not import-sensitive and subject to certain other limitations. It continued to exclude certain textile and apparel articles, rum and tafia, sugars, syrups, and sugar-containing products, and tuna (except certain tuna in foil or other flexible airtight containers). When ATPDEA was implemented, the President extended ATPDEA duty-free treatment to most newly eligible products. However, he did not include 17 footwear tariff lines on the basis of their import sensitivity in the context of imports from ATPDEA countries.[27]

ATPA tariff preferences cover nearly 6,300 tariff rate lines, of which about 700 were added by ATPDEA.[28] The following product categories continue to be excluded by statute from receiving preferential treatment: apparel and textile articles not otherwise eligible for preferential treatment under ATPDEA; canned tuna; above-quota imports of certain agricultural products subject to TRQs, including sugars, syrups, and sugar-containing products; and rum and tafia.

Qualifying Rules

To be eligible for ATPA treatment, ATPA products must either be wholly grown, produced, or manufactured in a designated ATPA country or be "new or different" articles made from substantially transformed non-ATPA inputs.[29] The cost or value of the local (ATPA region) materials and the direct costs of processing in one or more ATPA countries must total at least 35 percent of the appraised customs value of the product at the time of entry. ATPA countries are permitted to pool their resources to meet the value-content requirement and to count inputs from Puerto Rico, the U.S. Virgin Islands, and countries designated under the

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[26] For some products, duty-free entry under ATPA is subject to certain conditions in addition to basic preference eligibility rules. Imports of sugar, like those of some other agricultural products, remain subject to any applicable and generally imposed U.S. tariff-rate quotas (TRQs) and food-safety requirements. These U.S. measures include TRQs on imports of sugar, dairy products, beef, certain food preparations, and cotton fibers established pursuant to sections 401 and 404 of the Uruguay Round Agreements Act (URAA), with the exception of quotas on sugar, which had already been converted to TRQs in 1990 as a result of a General Agreement on Tariffs and Trade (GATT) ruling. The TRQs replaced absolute quotas on imports of certain agricultural products; U.S. quotas had been imposed under section 22 of the Agricultural Adjustment Act of 1933 (7 U.S.C. 624) and under the Meat Import Act of 1979 (Public Law 88-482). The URAA also amended ATPA by excluding from tariff preferences any imports from beneficiary countries in quantities exceeding the new TRQ global trigger levels. Imports of agricultural products from beneficiary countries remain subject to sanitary and phytosanitary restrictions, such as those administered by the U.S. Animal and Plant Health Inspection Service. In-quota shipments of such products subject to TRQs are eligible to enter free of duty under ATPA.

[27] Presidential Proclamation 7616, 67 Fed. Reg. 67283 (Nov. 5, 2002), and USTR, *First Report*, 6.

[28] USTR, "New Andean Trade Benefits," fact sheet, Sept. 25, 2002. Accordingly, approximately 90 percent of tariff lines provide duty-free treatment to U.S. imports from ATPA countries (60 percent fall under ATPA and 30 percent have normal trade relations (NTR) rates of free). Approximately 10 percent of tariff lines remain subject to duties.

[29] Products undergoing the following operations do not qualify: simple combining or packaging operations, dilution with water, or dilution with another substance that does not materially alter the characteristics of the article (19 U.S.C. 3203(a)(2)).

Caribbean Basin Economic Recovery Act[30] toward the value threshold. In addition, goods with an ATPA content of 20 percent of the customs value and the remaining 15 percent attributable to U.S.-made (excluding Puerto Rican) materials or components,[31] as well as goods containing third-country inputs that undergo double substantial transformation within the ATPA countries and are counted with other qualifying inputs to total 35 percent, are deemed to meet the 35 percent value-content requirement.[32]

ATPDEA extended for the first time duty-free treatment to certain apparel and textile articles imported from designated ATPDEA beneficiary countries. ATPDEA authorized unlimited duty-free and quota-free treatment for imports of apparel and textile articles made in beneficiary countries from fabrics or fabric components wholly formed, or components knit-to-shape, in the United States from yarns produced in the United States or one or more ATPDEA beneficiary countries, provided the fabrics are also dyed, printed, and finished in the United States.[33] ATPDEA also includes unlimited preferential treatment for apparel assembled from ATPDEA-country fabrics or fabric components formed, or components knit-to-shape, of llama, alpaca, or vicuña.

Apparel items assembled in ATPDEA countries from regional fabrics or regional components formed or knit-to-shape from yarns produced in the United States or one or more ATPDEA beneficiary countries are also eligible to enter free of duty but are subject to a cap.[34] The principal ATPDEA apparel and textile provisions are summarized in table 1.2.

Annual Reviews

ATPDEA provides for the USTR to conduct an annual review of the eligibility of articles and countries for ATPA benefits similar to the annual reviews performed for GSP.[35] The USTR initiated its 2007 ATPA review, the fourth such review, on August 15, 2007.[36] The results of that review were announced on January 11, 2008.[37] One petition was filed for review, by Bumble Bee Foods, LLC, concerning Ecuador. The Trade Policy Staff Committee

[30] As of Sept. 1, 2008, those countries are: Antigua and Barbuda, Aruba, The Bahamas, Barbados, Belize, British Virgin Islands, Costa Rica, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Netherlands Antilles, Panama, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago.

[31] 19 U.S.C. 3203(a).

[32] Double substantial transformation involves transforming foreign material into a new or different product that, in turn, becomes the constituent material used to produce a second new or different article in the beneficiary country. Thus, ATPA countries can import inputs from non-ATPA countries, transform the inputs into intermediate material, and transform the intermediate material into ATPA-eligible articles. The cost or value of the constituent intermediate material can be counted toward the 35 percent ATPA content requirement. For additional information, see USDOC and USAID, *Guidebook*, 5.

[33] The dyeing, printing, and finishing requirement does not refer to post-assembly and other operations such as garment dyeing and stone washing.

[34] This provision is one of the most important for apparel in ATPDEA. The cap on U.S. imports of apparel made in the ATPA countries from regionally knit or woven fabrics was set at 2 percent of the aggregate square meters equivalents (SME) of total U.S. imports of apparel from the world for the one-year period beginning on Oct. 1, 2002, increasing in each of the four succeeding one-year periods by equal increments up to its current maximum of 5 percent. For the one-year period from Oct. 1, 2006, through Sept. 30, 2007, the fill rate was just 1.47 percent or 17.1 million SME. USDOC, OTEXA, "Trade Data."

[35] Sec. 3103(d) of ATPDEA.

[36] 72 Fed. Reg. 45833 (Aug. 15, 2007). USTR has initiated the fifth ATPA review. 73 Fed. Reg. 47633 (Aug. 14, 2008).

[37] 73 Fed. Reg. 2069 (Jan. 11, 2008).

TABLE 1.2 ATPDEA: Key apparel and textile provisions

Articles eligible to enter free of duty and quota	Criteria
Apparel assembled in one or more ATPDEA beneficiary countries from fabrics or fabric components wholly formed, or components knit-to-shape, in the United States	• Apparel must be made from U.S. or Andean yarn. • Knit and woven fabrics must be dyed, printed, and finished in the United States.
Apparel assembled from Andean fabrics or fabric components formed, or components knit-to-shape, of llama, alpaca, or vicuña	• Apparel must be made from Andean yarn. • Fabrics or components must be in chief value of llama, alpaca, or vicuña.
Apparel cut and assembled from fabrics or yarns identified in Annex 401 of NAFTA as being not available in commercial quantities (in "short supply") in the United States (HTS 9820.11.24)	• The fabrics and yarns include fine-count cotton knitted fabrics for certain apparel; linen; silk; cotton velveteen; fine-wale corduroy; Harris Tweed; certain woven fabrics made with animal hairs; certain lightweight, high-thread count polyester-cotton woven fabrics; and certain lightweight, high-thread count broadwoven fabrics for use in men's and boys' shirts[a]
Apparel assembled in ATPDEA countries from fabrics or yarns deemed not available in commercial quantities at the request of any interested party	• President must determine that such fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner based upon advice from the appropriate advisory committee and the USITC within 60 days after the request.
Apparel assembled in ATPDEA countries from regional fabrics or regional components formed or knit-to-shape in the region	• Apparel must be made from U.S. or Andean yarn. • Apparel is subject to cap.[b]
Certified hand loomed, handmade, and folklore articles	• Articles must originate in ATPDEA countries.
Certain brassieres cut and sewn or otherwise assembled in the United States, or one or more ATPDEA countries, or both	• Producer must satisfy rule that, in each of four one-year periods starting on Oct. 1, 2003, at least 75 percent of the value of the fabric contained in the firm's brassieres in the preceding year was attributable to fabric components formed in the United States (the 75-percent standard rises to 85 percent for a producer found by Customs not to have met the 75-percent standard in the preceding year).
Apparel assembled in ATPDEA countries from qualifying fabrics that contain findings or trimmings of foreign origin	• If such findings or trimmings do not exceed 25 percent of the cost of the components of the assembled product.
Apparel assembled in ATPDEA countries from qualifying fabrics that contain certain interlinings of foreign origin	• If the value of such interlinings (and any findings and trimmings) does not exceed 25 percent of the cost of the components of the assembled article.
Apparel assembled in ATPDEA countries from qualifying fabrics that contain yarns not wholly formed in the United States or in one or more ATPDEA countries	• If the total weight of such yarns does not exceed 7 percent of the total weight of the good.
Textile luggage assembled in ATPDEA countries from U.S. fabrics	• Luggage must be of U.S. yarn.

Source: Compiled by USITC staff from ATPDEA statute.

[a] As described in General Note 12(t), chapter rule 2 to Chapter 62 of the Harmonized Tariff Schedule.
[b] Maximum 2 percent of the aggregate SME of all apparel articles imported into the United States in the preceding 12-month period for which data are available, increased in equal increments in each succeeding 1-year period to a maximum of 5 percent for the 3-month period beginning Oct. 1, 2006. The 5 percent limit is still in effect.

(TPSC), an interagency committee of executive branch agencies, announced that it had conducted a preliminary review of this petition, and determined that the petition did not require further action and subsequently terminated the review. The USTR also received updated information on a petition concerning worker rights in Ecuador, which has been under consideration since the 2003 ATPA review. The TPSC announced that it was terminating its review of a petition filed in 2003 concerning a tax dispute with the Peruvian government because the petitioning company was no longer majority U.S.-owned. The TPSC also announced that it was terminating its review of a petition filed by Parsons Corporation in 2004 regarding a payment dispute with the Peruvian government, because that matter had since been resolved through arbitration.[38]

The USTR submits biennial reports to Congress on the operation of ATPA, including the results of its annual reviews.[39] The most recent USTR report on the operation of the ATPA program was in April 2007.[40] No actions have been taken to withdraw, suspend, or limit ATPDEA benefits on the basis of the USTR reviews.[41]

ATPA and GSP

The four ATPA beneficiaries also are GSP beneficiaries.[42] ATPA and GSP provisions are similar in many ways, and many products can enter the United States free of duty under either program. Both programs offer increased access to the U.S. market. Like ATPA, GSP requires that eligible imports: (1) be imported directly from beneficiaries into the customs territory of the United States, (2) meet the (usually double) substantial transformation requirement for any foreign inputs, and (3) contain a minimum of 35 percent qualifying value content. The documentary requirements necessary to claim either ATPA or GSP duty-free entry are identical—a Certificate of Origin Form A has to be presented at the time the qualifying products enter the United States, although the value-related information required under the two programs differs slightly.[43]

However, the two programs differ in several ways that tend to make producers in the Andean countries prefer the more comprehensive and liberal ATPA. First, ATPA authorizes duty-free treatment on more tariff categories than GSP, including some apparel and textile articles that are ineligible for GSP treatment. Unless specifically excluded, all products under ATPA can be designated as having a tariff preference. Second, unlike under the U.S. GSP law, U.S. imports under ATPA are not subject to competitive-need and country-income restrictions. This means that imports of a product under ATPA will not lose their preferential treatment when they exceed a certain threshold, either in absolute terms or as a percentage of U.S.

[38] The TPSC also provided a list of all petitions from prior years that were to remain under review through February 29, 2008: Ecuador (Human Rights Watch); Ecuador (U.S.-Labor Education in the Americas Project); Ecuador (AFL/CIO); Ecuador (Chevron Texaco); Peru (Princeton Dover); and Peru (Duke Energy). Ibid.

[39] The USTR reporting requirement is pursuant to section 203(f) of ATPA, as amended. See also 72 Fed. Reg. 6622 (Feb. 12, 2007).

[40] USTR, *Third Report*.

[41] Ibid.

[42] The U.S. GSP program originally was enacted for 10 years pursuant to title V of the Trade Act of 1974 (Public Law 93-618, 88 Stat. 2066 et seq.) and was renewed for an additional 10 years pursuant to title V of the Trade and Tariff Act of 1984 (Public Law 98-573, 98 Stat. 3018 et seq.), as amended (19 U.S.C. 2461 et seq.). Since that time, the GSP program has expired and been renewed several times.

[43] Separate Certificate of Origin forms are required for ATPDEA-eligible textile and non-textile articles. For further information, see U.S. Customs and Border Protection, “Andean.”

imports (the competitive-need limit under GSP), nor will ATPA countries lose preferential treatment if their national incomes exceed a specified amount. Third, ATPA qualifying rules of origin for products are more liberal than those of GSP. GSP requires that 35 percent of the value of the product be added in a single beneficiary or in a specified association of GSP-eligible countries, whereas ATPA allows regional aggregation within ATPA plus U.S. and Caribbean content.

Analytical Approach

The core of ATPA is the duty-free treatment importers can claim when entering qualifying products of designated beneficiary countries. The duty elimination for almost all eligible products occurred in single actions (rather than staged duty reductions) when countries were designated as beneficiaries, first under original ATPA and later under ATPDEA. Direct effects of such a one-time duty elimination can be expected to consist primarily of increased U.S. imports from beneficiary countries resulting from trade and resource diversion to take advantage of lower duties in the U.S. market, including (1) a diversion of beneficiary-country production away from sales to domestic and non-U.S. foreign markets, and (2) a diversion of variable resources (such as labor and materials) away from production of other nonqualifying products for domestic and non-U.S. foreign markets. These direct effects likely occurred within a short time (probably one or two years) after the duty elimination, or by about 1992–93 for the original ATPA, and by about the end of 2004 for ATPDEA.

Over a longer period, the effects of ATPA will likely flow mostly from investment in industries in beneficiary countries that benefit from the U.S. duty elimination. Both the short-term and long-term effects on the United States are limited by the small size of the ATPA beneficiary-country economies relative to the U.S. economy. In addition, the long-term effects of ATPA on the U.S. economy are likely to be difficult to distinguish from other market forces in play, including the expiration—or anticipated expiration—of ATPA benefits and the negotiation of FTAs with two of the Andean countries. Investment data, therefore, were collected to examine the trends in, and composition of, export-oriented investment in the Andean region to assess the probable future effects of ATPA.

The effects of ATPA on the U.S. economy, industries, and consumers are assessed through (1) an analysis of imports entered under the program that benefited exclusively from ATPA, and trends in U.S. consumption of those imports; (2) estimates of gains to U.S. consumers due to lower prices or greater availability of goods; (3) losses to the U.S. Treasury resulting from reduced tariff revenues; and (4) potential displacement in U.S. industries competing with the leading U.S. imports that benefited exclusively from ATPA in 2007.[44] The likely future effects of ATPA on the U.S. economy are assessed through examination of trends in investment, production, and other economic factors in those domestic industries producing ATPA-eligible goods identified as likely to be particularly affected by such imports.

As in previous reports in this series, the effects of ATPA are analyzed by estimating the differences in benefits to U.S. consumers, levels of U.S. tariff revenues, and U.S. industry

[44] That is, those that are not excluded or do not receive unconditional column 1-general duty-free treatment or duty-free treatment under other preference programs such as GSP.

production that probably would have occurred if normal trade relations (NTR) tariffs[45] had been in place for beneficiary countries in 2007. Actual 2007 market conditions are compared with a hypothetical case in which NTR duties are imposed for the year. The effects of ATPA duty preferences for 2007 are estimated by using a standard economic approach for measuring the impact of a change in the prices of one or more goods. Specifically, a partial-equilibrium model (i.e., a sector-based analysis) is used to estimate the gains to consumers, losses in tariff revenues, and industry displacement for each of the 20 leading U.S. imports that benefited exclusively from ATPA during 2007.[46] Previous analyses in this series have shown that since ATPA went into effect, U.S. consumers have benefited from lower prices and higher consumption, competing U.S. producers have experienced lower sales, and tariff revenues to the U.S. Treasury have been lower.

Generally, the net welfare effect is measured by adding three components: (1) the change in consumer surplus, (2) the change in tariff revenues to the U.S. Treasury resulting from the ATPA duty reduction, and (3) the change in producer surplus.[47] The model used in this analysis assumes that the supply of U.S. domestic production is perfectly elastic; that is, U.S. domestic prices do not fall in response to ATPA duty reductions. Thus, price-related decreases in U.S. producer surplus are not captured in this analysis. However, the effects of ATPA duty reductions on most U.S. industries are expected to be small.

This analysis estimates potential net welfare effects and industry displacement, and these estimates reflect a range of assumed substitutabilities between ATPA products and competing U.S. output. The upper estimates reflect the assumption of high substitution elasticities,[48] whereas the lower estimates reflect the assumption of low substitution elasticities. Upper estimates are used to identify items that could be most affected by ATPA.

The Commission's analysis covers the 20 leading items that benefited exclusively from ATPA tariff preferences.[49] The analysis provides estimates of welfare and potential U.S. industry displacement. Industries for which estimated upper potential displacement is more than 5 percent of the value of U.S. production were selected for further analysis.

Commission analysis of the probable future effects of ATPA is based on a qualitative analysis of economic trends and investment patterns in beneficiary countries and in competing U.S. industries. The primary sources for information on investment in ATPA-

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[45] This is nondiscriminatory tariff treatment, which is commonly and historically called "most-favored-nation" (MFN) status but is officially called "normal trade relations" (NTR) status in the United States.

[46] A more detailed explanation of the approach can be found in app. C of this report.

[47] Consumer surplus is defined as the difference between the total value consumers receive from the consumption of a particular good and the total amount they pay for the good. The change in consumer surplus is a dollar measure of the total net gain to U.S. consumers from lower prices. Producer surplus is defined as the return to entrepreneurs and owners of capital that exceeds earnings for their next-best opportunities. The change in producer surplus is a dollar measure of the total net loss to competing U.S. producers from increased competition with imports. The welfare effects do not include adjustment costs to the economy from reallocating resources among different industries. These topics are discussed in more detail in app. C of this report.

[48] Commission industry analysts provided evaluations of the substitutability of ATPA products and competing U.S. products, which were translated into a range of substitution elasticities. A more detailed discussion of the elasticities used in the model is provided in app C of this report.

[49] See table 3.2 in chap. 3 of this report. Commission industry analysts provided estimates of U.S. production and exports for the 20 leading items that benefited exclusively from ATPA, as well as evaluations of the substitutability of ATPA-exclusive imports and competing U.S. products. Items were ranked at the 8-digit level of HTS tariff classification.

related production facilities are U.S. embassies in the region, hearing testimony and written submissions, and published sources.

To assess the estimated effect of ATPA on the drug-crop eradication and crop substitution efforts of the beneficiary countries, the Commission relied primarily on information from other U.S. Government agencies, such as the U.S. Department of State and the Office of National Drug Control Policy.[50]

Organization of the Report

This chapter summarizes the provisions of ATPA and describes the analytical approach used in the report. Chapter 2 analyzes U.S. merchandise trade with Bolivia, Colombia, Ecuador, and Peru during 2007, and general changes in trends since 2003; it also provides information on total U.S. imports from Andean countries, ATPA imports,[51] and U.S. exports to the Andean countries. Chapter 3 analyzes imports that benefit exclusively from ATPA to estimate the impact of ATPA in 2007 on the U.S. economy generally, as well as on U.S. industries and consumers. Chapter 3 also examines the probable future effects of ATPA. Chapter 4 assesses the estimated effect of ATPA on the drug-crop eradication and crop substitution efforts of the Andean countries. Chapter 5 summarizes the positions of interested parties who appeared as witnesses at the July 22, 2008, public hearing or who provided written submissions in connection with this investigation.

Appendix A reproduces the *Federal Register* notice by which the Commission provided notice of a public hearing and solicited public comments. Appendix B provides the calendar of the public hearing held in connection with this investigation on July 22, 2008. Appendix C explains the economic model used to derive the findings presented in chapter 3. Appendix D provides additional statistical tables.

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[50] On Sept. 10, 2008, the U.S. Ambassador to Bolivia was declared *persona non grata* in the course of a meeting called to discuss the previous day's failure of the Government of Bolivia to address security threats to U.S. Drug Enforcement Administration personnel involved in counternarcotics operations in the Chapare region. As a related consequence, USAID personnel involved in alternative development and crop substitution programs were also forced to withdraw from the Chapare region. USDOS, "Bolivia: President Morales Declares Ambassador Goldberg PNG," press release 2008/712, Sept. 11, 2008; Embassy of the United States, La Paz, Bolivia, "Embassy Highlights—What Is the USG reaction to President Morales' Decision to Declare Ambassador Goldberg Persona Non Grata?" (undated), *http://bolivia.usembassy.gov/* (accessed Sept. 22, 2008). On Sept. 16, 2008, the President of the United States issued a determination that Bolivia, among others, had "failed demonstrably" in the previous 12 months to adhere to its obligations under international counternarcotics agreements, an annual determination by the President required under the U.S. Foreign Assistance Act to allow continuation of U.S. aid programs to countries considered major drug producing or transit areas. Failure to comply with such obligations typically results in withholding of U.S. assistance programs until compliance is restored; however, in the case of Bolivia, the President signed a waiver of possible sanctions in the U.S. national interest so as to permit U.S. counternarcotics and crop substitution programs to continue where possible. White House, Office of the Press Secretary, "Memorandum for the Secretary of State: Major Drug Transit or Major Illicit Drug Producing Countries for Fiscal Year 2009—Presidential Determination No. 2008-28," press release, Sept. 16, 2008.

[51] As discussed elsewhere in this report, ATPA imports include some articles that are also eligible for GSP duty-free entry. Imports that benefit exclusively from ATPA are discussed in chap. 3 of this report.

Data Sources

General economic and trade data come from official statistics of the U.S. Department of Commerce and from relevant information developed by country/regional and industry analysts of the Commission. Other primary sources of information include U.S. embassies in the Andean countries and other published sources for information on ATPA-related investment and production; and other U.S. Government departments and offices, including the U.S. Department of State and the White House Office of National Drug Control Policy, for information on drug-crop eradication and crop substitution efforts The report also incorporates testimony presented at the Commission's July 22, 2008, public hearing for this investigation as well as written public comments received in response to the Commission's *Federal Register* notice regarding the investigation.[52]

[52] A copy of the notice appears in app. A of this report.

CHAPTER 2
U.S. Trade with the Andean Region

Introduction

This chapter describes and analyzes U.S. imports under ATPA.[1] Total U.S. imports from the Andean countries[2] and U.S. exports to the Andean countries are also examined. As indicated in chapter 1, calendar year 2007 was the fifth full year that ATPDEA was in effect. As 2007 imports under ATPA can now be compared with such imports from four previous years, this chapter will focus primarily on the 2003–07 period. Given the predominance of oil imports under ATPA and the relatively small preference margin provided by ATPA to imports of oil products, most of the ATPA-related discussion includes both total and non-oil shares of imports under ATPA.

The chapter is organized as follows. First, the chapter presents trends in overall U.S. imports from the Andean countries and the dutiable share of total imports from these countries. That section is followed by an analysis of the leading U.S. imports under ATPA (which include imports eligible under the original ATPA, under ATPDEA, and under GSP but entered under ATPA). Finally, the chapter examines the composition and trends of U.S. exports to the Andean countries. Data are also presented for U.S. trade with individual beneficiary countries. Data on imports that are covered exclusively under ATPA are examined in chapter 3.

Trade Overview

Since ATPA was enacted in 1991, U.S. trade with the Andean countries has grown significantly. Total U.S. imports from the Andean countries have quadrupled, growing from $5.0 billion in 1991 to $20.9 billion in 2007 (table 2.1), or at a 1991–2007 compound annual growth rate of 9.4 percent. U.S. imports from the Andean countries doubled in value during the nine years from 1991 to 2000, increasing from $5.0 billion to $11.1 billion. After the October 2002 implementation of ATPDEA, which significantly enhanced ATPA, U.S. imports nearly doubled again in value during the three years from 2003 to 2006, increasing from $11.6 billion to $22.5 billion before declining 7.1 percent in 2006-07. The Andean countries collectively accounted for 1.1 percent of U.S. imports in 2007.

U.S. exports to the Andean countries have more than tripled since 1991, growing from $3.8 billion in 1991 to $14.6 billion in 2007. The Andean countries collectively accounted for 1.4 percent of total U.S. exports in 2007. The U.S. merchandise trade deficit with the

[1] As discussed in chap. 1, the term “original ATPA” refers to the original ATPA program that expired in December 2001, and the term “ATPA” refers to ATPA as amended by ATPDEA, ATPEA, and subsequent legislation.

[2] The term “Andean” countries refers to Bolivia, Colombia, Ecuador, and Peru.

TABLE 2.1 U.S. trade with Andean countries, 1991-2007

Year	U.S. exports	U.S. imports	Trade balance	Andean countries share of total U.S. exports	Andean countries share of total U.S. imports	Average U.S. tariff[a] for Andean countries
	Value (million dollars)			Percent		
1991	3,798	4,969	-1,171	0.9	1.0	1.9
1992	5,320	5,059	261	1.3	1.0	1.7
1993	5,359	5,282	77	1.2	0.9	1.5
1994	6,445	5,880	566	1.3	0.9	1.5
1995	7,820	6,969	851	1.4	0.9	1.2
1996	7,719	7,868	-149	1.3	1.0	1.1
1997	8,682	8,674	8	1.3	1.0	1.1
1998	8,670	8,361	309	1.4	0.9	1.3
1999	6,263	9,830	-3,567	1.0	1.0	1.3
2000	6,295	11,117	-4,822	0.9	0.9	1.3
2001	6,363	9,569	-3,205	1.0	0.8	1.5
2002	6,464	9,611	-3,148	1.0	0.8	1.8
2003	6,526	11,639	-5,114	1.0	0.9	0.6
2004	7,664	15,490	-7,826	1.1	1.1	0.3
2005	8,919	20,060	-11,141	1.1	1.2	0.2
2006	11,637	22,511	-10,874	1.3	1.2	0.1
2007	14,621	20,923	-6,302	1.4	1.1	0.1

Source: Compiled from official statistics of the U.S. Department of Commerce.

[a] Trade weighted average duty (total duties/total imports).

Andean countries in 2007 of $6.3 billion shrank significantly compared to the two previous years (table 2.1 and figure 2.1)[3] due to declining imports from Andean countries and increasing U.S. exports to the Andean countries. Lower U.S. oil imports from the Andean countries[4] and continued economic growth in the Andean countries that led to increased demand for capital and consumer goods, caused the growth of U.S. exports to the region to outpace import growth.

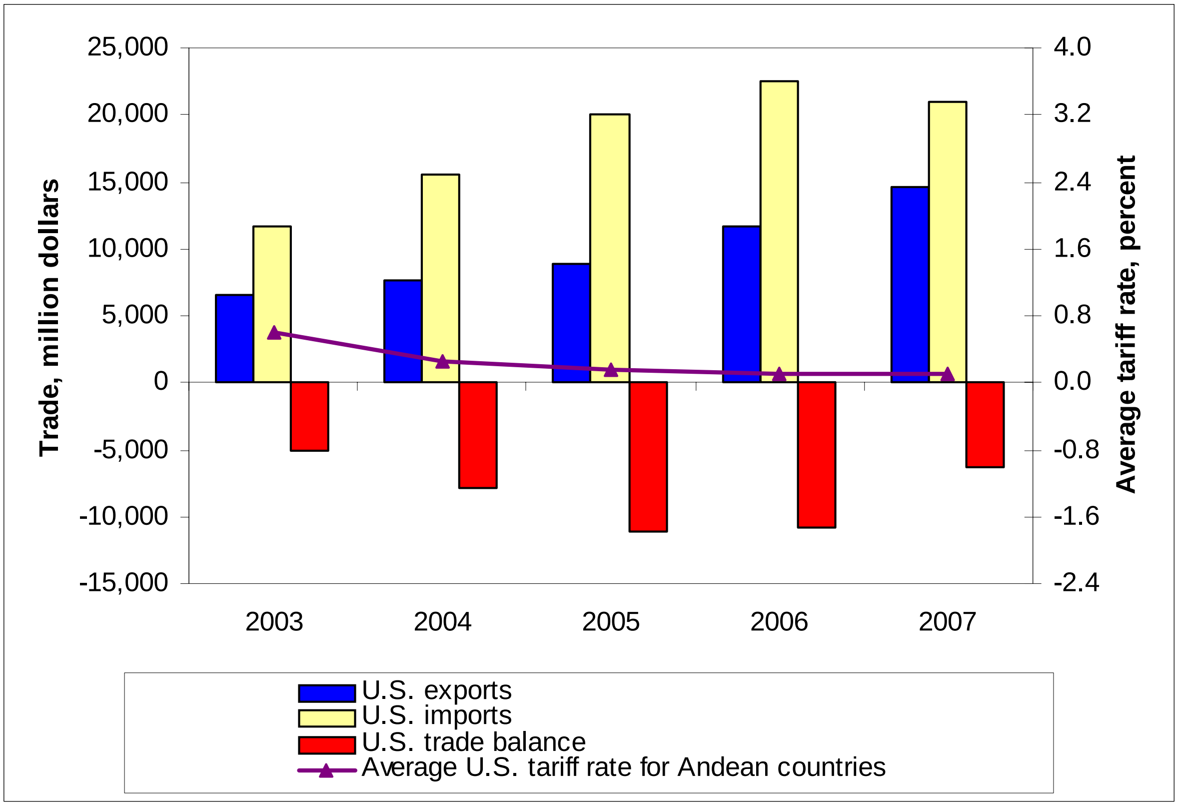
U.S. Imports from the Andean Countries

In 2007, total U.S. imports from the Andean countries collectively were $20.9 billion. With the exception of Bolivia, the United States continued to be the leading destination for each Andean country's exports. U.S. imports from the Andean countries consisted primarily of raw materials and their derivatives, agricultural and horticultural products, seafood, and apparel. Table 2.2 shows the composition of total U.S. imports from the Andean countries by major HS product categories during the years 2003–07. Most imports from the Andean countries were natural resources and derivatives of natural resources. Mineral fuels and

[3] Exports, imports, and trade balances are defined as merchandise trade given in current U.S. dollars. Services trade is not included in this study.

[4] Energy Information Administration (EIA), "Official Energy Statistics."

FIGURE 2.1 U.S. trade with and average U.S. tariff rate for Andean countries, 2003-07



Source: Compiled from official statistics of the U.S. Department of Commerce.

TABLE 2.2 Leading U.S. imports for consumption from Andean countries, by major product categories, in value and share, 2003–07

HS Chapter	Description	2003	2004	2005	2006	2007	Change 2006–07
		Value (million dollars)					*Percent*
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	4,823.4	6,960.3	10,053.8	11,355.8	10,410.3	-8.3
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal-clad metals, articles thereof; imitation jewelry; coin	1,128.2	1,856.9	2,317.5	2,261.4	1,533.9	-32.2
74	Copper and articles thereof	468.2	470.9	593.9	1,050.8	1,073.4	2.2
61	Articles of apparel and clothing accessories, knitted or crocheted	688.7	902.6	978.8	1,024.7	949.0	-7.4
09	Coffee, tea, mate, and spices	452.8	505.8	738.2	788.8	890.4	12.9
06	Live trees and other plants; bulbs, roots, and the like; cut flowers and ornamental foliage	456.6	558.7	557.2	601.5	668.1	11.1
08	Edible fruit and nuts; peel of citrus fruit or melons	519.9	513.9	575.9	646.1	597.1	-7.6
03	Fish and crustaceans, molluscs, and other aquatic invertebrates	399.1	407.6	483.1	537.2	574.2	6.9
80	Tin and articles thereof	124.0	211.8	195.9	270.8	326.7	20.6
62	Articles of apparel and clothing accessories, not knitted or crocheted	363.1	419.0	449.6	368.0	282.0	-23.4
	Subtotal	9,424.1	12,807.5	16,943.8	18,905.2	17,305.0	-8.5
	All other	2,215.4	2,682.3	3,116.3	3,605.4	3,618.0	0.3
	Total	11,639.5	15,489.8	20,060.1	22,510.6	20,922.9	-7.1
		Percent of total imports					*Percentage points*
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	41.4	44.9	50.1	50.4	49.8	-0.7
		Percent of non-oil imports					
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal-clad metals, articles thereof; imitation jewelry; coin	16.6	21.8	23.2	20.3	14.6	-5.7
74	Copper and articles thereof	6.9	5.5	5.9	9.4	10.2	0.8
61	Articles of apparel and clothing accessories, knitted or crocheted	10.1	10.6	9.8	9.2	9.0	-0.2
09	Coffee, tea, mate and spices	6.6	5.9	7.4	7.1	8.5	1.4
06	Live trees and other plants; bulbs, roots, and the like; cut flowers and ornamental foliage	6.7	6.5	5.6	5.4	6.4	1.0
08	Edible fruit and nuts; peel of citrus fruit or melons	7.6	6.0	5.8	5.8	5.7	-0.1
03	Fish and crustaceans, molluscs, and other aquatic invertebrates	5.9	4.8	4.8	4.8	5.5	0.6
80	Tin and articles thereof	1.8	2.5	2.0	2.4	3.1	0.7
62	Articles of apparel and clothing accessories, not knitted or crocheted	5.3	4.9	4.5	3.3	2.7	-0.6
	Subtotal	67.5	68.6	68.9	67.7	65.6	-2.1
	All other	32.5	31.4	31.1	32.3	34.4	2.1
	Total	100.0	100.0	100.0	100.0	100.0	

Source: Compiled from official statistics of the U.S. Department of Commerce.

oils (HS Chapter 27), precious stones and metals (HS 71), and copper (HS 74) represented more than 60 percent of total U.S. imports from the Andean countries. Mineral fuels and oils—mostly petroleum and coal—have accounted for at least 40 percent of total imports in each of the last five years. This share was 49.8 percent in 2007, mainly because of continued increases in energy prices. Precious stones and metals, which consist mostly of gold bullion but also includes precious stones, metals, and jewelry, accounted for 7.3 percent of total imports from the Andean countries in 2007 (or 14.6 percent of non-oil imports). Imports of copper products more than doubled in value since 2003, accounting for $1.1 billion in imports or 5.1 percent of total imports in 2007 (or 10.2 percent of non-oil imports). Imports of knitted apparel decreased 7.4 percent during 2006–07 to $949 million, and represented less than 5 percent of total imports in 2007 (or 9.0 percent of non-oil imports). This decline reflects the continued increase in competition from China and other lower-cost Asian suppliers since the elimination of quotas on January 1, 2005.

Table 2.3 lists the leading U.S. imports from the Andean countries in 2007 on an 8-digit HTS subheading basis. Since ATPDEA entered into effect in 2002, all of these products from the Andean countries have been eligible for duty-free entry under ATPA or GSP, or at NTR duty rates. Products that have NTR duty rates of free include many traditional imports from the Andean countries: gold and silver bullion, coffee, coal, bananas, shrimp,[5] and unalloyed tin. Similar to overall imports from the Andean countries, many of the products in table 2.3 decreased in import value during 2006–07.

Duty Treatment

Since the expansion of ATPA under ATPDEA in 2002, the share of dutiable imports from the Andean countries has steadily declined to 6.3 percent in 2007 (table 2.4).[6] In 2007, the remaining dutiable imports from the region included principally those petroleum and apparel products that were not eligible or did not enter under ATPA preferences. Duty-free imports from the Andean countries entered in one of the following ways in 2007: (1) conditionally free of duty under ATPA (59.6 percent of all imports from the Andean countries); (2) unconditionally free of duty under NTR tariff rates (31.3 percent); and (3) conditionally free of duty under GSP or other special programs (2.9 percent). Prior to 2003, the majority of duty-free imports entered free of duty under NTR duty rates. Starting in 2003, following the implementation of ATPDEA, imports under ATPA represented the majority of duty-free imports.

Imports under ATPA

U.S. imports under ATPA in 2007 were $12.3 billion compared to $13.5 billion in 2006. It was the first time since the ATPDEA provisions went into effect in 2002 that U.S. imports entered under ATPA decreased. Despite this year-over-year decline, the value of imports under ATPA in 2007 nevertheless was more than double the value of imports under ATPA in 2003.

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[5] However, on Jan. 21, 2005, the Commission determined that an industry in the United States was materially injured by reason of imports of certain frozen or canned warm-water shrimp from Ecuador, among other countries. An antidumping duty order on imports from Ecuador became effective on Feb. 1, 2005 (70 F.R. 5156, Feb. 1, 2005). This order was revoked in August 2007 (72 Fed. Reg. 48257, Aug. 23, 2007).

[6] For country-specific duty treatment, see table D.1.

TABLE 2.3 Leading U.S. imports for consumption from Andean countries, by HTS provisions, 2003–07

HTS provision	Description	2003	2004	2005	2006	2007	Change 2006–07
		Million dollars					*Percent*
2709.00.10	Petroleum oils and oils from bituminous minerals, crude, testing under 25 degrees a.p.i.	1,666.5	3,301.0	5,584.4	6,193.4	5,999.1	-3.1
2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees a.p.i. or more	1,926.1	2,055.4	1,961.7	2,416.5	1,819.3	-24.7
7403.11.00	Refined copper cathodes and sections of cathodes	447.7	422.4	556.4	993.0	989.1	-0.4
2701.12.00	Coal, bituminous, whether or not pulverized, but not agglomerated	395.5	515.8	637.9	769.4	771.7	0.3
0901.11.00	Coffee, not roasted, not decaffeinated	390.2	434.1	638.0	678.5	766.1	12.9
2710.19.05	Distillate and residual fuel oil (including blends) derived from petroleum or oils from bituminous minerals, testing under 25 degrees a.p.i.	468.8	521.9	797.2	602.0	712.8	18.4
7108.12.10	Gold, nonmonetary, bullion and dore	812.2	1,498.7	1,856.0	1,565.9	632.1	-59.6
2701.19.00	Coal, other than anthracite or bituminous, whether or not pulverized, but not agglomerated	6.0	65.5	313.0	414.3	467.7	12.9
2710.11.25	Naphthas (exc. motor fuel/mtr fuel blend. stock) fr petroleum oils & bitumin minerals (o/than crude) or preps 70%+ by wt. fr petroleum oils	234.4	371.4	553.2	723.0	466.7	-35.4
0803.00.20	Bananas, fresh or dried	388.4	359.0	394.2	445.6	385.8	-13.4
0306.13.00	Shrimps and prawns, cooked in shell or uncooked, dried, salted or in brine, frozen	230.6	241.0	309.4	365.0	355.9	-2.5
7106.91.10	Silver bullion and dore	88.8	113.0	151.7	180.9	340.5	88.2
0603.11.00	Sweetheart, spray, and other roses, fresh cut[a]	204.6	239.1	263.3	288.6	327.6	13.5
8001.10.00	Tin (o/than alloy), unwrought	117.6	201.8	181.7	255.0	324.8	27.4
6110.20.20	Sweaters, pullovers, and similar articles, knitted or crocheted, of cotton, n.e.s.o.i.	223.8	301.7	297.4	320.9	302.1	-5.9
0603.19.00	Fresh cut, anthuriums, alstroemeria, gypsophilia, lilies, snapdragons, and flowers, n.e.s.o.i.[b]	124.8	182.0	159.8	172.3	191.0	10.8
6105.10.00	Men’s or boys’ shirts, knitted or crocheted, of cotton	127.3	157.1	195.3	195.7	172.0	-12.1
0709.20.90	Asparagus n.e.s.o.i., fresh or chilled	60.5	79.5	87.4	126.8	159.4	25.8
6109.10.00	T-shirts, singlets, tank tops, and similar garments, knitted or crocheted, of cotton	99.1	132.8	165.9	172.6	158.0	-8.4
7112.91.00	Gold waste and scrap, including metal clad with gold but excluding sweepings containing other precious metals	9.9	12.4	26.0	164.8	133.4	-19.1
	Subtotal	8,022.4	11,205.6	15,129.8	17,044.2	15,474.9	-9.2
	All other	3,617.0	4,284.2	4,930.3	5,466.4	5,448.0	-0.3
	Total	11,639.5	15,489.8	20,060.1	22,510.6	20,922.9	-7.1

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note: The abbreviation “n.e.s.o.i.” stands for “not elsewhere specified or otherwise included.”

[a] Imports for HTS provision 0603.11.00 were reported under HTS 0603.10.60 during 2003-06.
[b] Imports for HTS provision 0603.19.00 were reported under HTS 0603.10.7040 and 0603.10.80 during 2003-06.

TABLE 2.4 U.S. imports for consumption from Andean countries, by duty treatment, 2003–07

Duty treatment	2003	2004	2005	2006	2007
			Million dollars		
Dutiable imports	1,642	1,477	1,562	1,345	1,293
Duty-free value:					
NTR duty-free	3,732	5,039	6,380	6,959	6,463
ATPA:					
Exclusive	5,230	7,586	10,648	12,531	11,488
Non-exclusive	606	773	816	953	819
Total ATPA	5,836	8,359	11,464	13,484	12,307
GSP	331	360	448	454	599
Other duty-free	([a])	([a])	([a])	([a])	1
Total duty-free	9,900	13,758	18,292	20,897	19,370
Total imports[b]	11,542	15,235	19,854	22,242	20,663
			Percent of total		
Dutiable imports	14.2	9.7	7.9	6.0	6.3
Duty-free value:					
NTR duty-free	32.4	33.1	32.1	31.3	31.3
ATPA:					
Exclusive	45.3	49.8	53.6	56.3	55.6
Non-exclusive	5.3	5.1	4.1	4.3	4.0
Total ATPA	50.6	54.9	57.7	60.6	59.6
GSP	2.8	2.4	2.3	2.0	2.9
Other duty-free	([c])	([c])	([c])	([c])	([c])
Total duty-free	85.8	90.3	92.1	94.0	93.7
Total imports	100.0	100.0	100.0	100.0	100.0

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note: Data by country are presented in appendix table D.1.

[a] Value is less than 500,000.
[b] The U.S. Virgin Islands has its own tariff policy separate from the rest of the United States; therefore, imports that enter the U.S. Virgin Islands are not included in this table.
[c] Value is less than 0.05 percent.

Product Composition and Leading Import Categories

In 2007, imports under ATPA were primarily in three broad categories: natural resources, apparel, and agricultural and fisheries products.[7] Natural resources included mineral fuels and oils (HS 27[8], hereafter also referred to as "oil") and copper cathodes (HTS provision 7403.11.00). Apparel products consisted mostly of knitted (HS 61) and nonknitted apparel (HS 62). Agricultural products included primarily cut flowers (HS heading 0603); asparagus (HS 0709.20); prepared vegetables, fruits, and nuts (HS 20); and tuna (HS subheading 1604.14). Jewelry (HS 7113.19) and plastics (HS 39) also represented significant import products. Taken together, these goods accounted for about 95 percent of total imports under ATPA in 2007, and are analyzed in more detail below.

Table 2.5 and figure 2.2 illustrate the dominance of oil (HS 27) in imports under ATPA from 2003 to 2007. In 2007, imports of mineral fuels and oils under ATPA were $8.2 billion and accounted for 66.8 percent of imports under ATPA. This represents a decrease of $913 million or a 10.0 percent decline compared to 2006 and more than three-quarters of the total decrease in imports under ATPA. Imports of oil under ATPA have, however, more than doubled since 2003, when the import value was $3.4 billion and less than 60 percent of total imports under ATPA.

In addition to the generally steady increase in the value of oil imports, the value and structure of non-oil imports under ATPA has changed since 2003. For example, the value of imports of copper products (HS 74) has more than doubled since 2003 from $464 million to more than $1.0 billion, or 25.3 percent of non-oil imports under ATPA in 2007 (table D.2 and figure 2.2). Compared to 2003, knitted or crocheted apparel (HS 61) imports under ATPA increased 60.9 percent to $922 million in 2007, although they retained about the same share of non-oil imports under ATPA in 2003 and 2007. During 2003–07, imports under ATPA of live trees and plants (HS 06) increased 44.7 percent to $653 million or 16.0 percent of non-oil imports under ATPA. Although imports under ATPA of nonknitted apparel (HS 62) declined between 2006–07, such imports increased by 31.9 percent to $244 million in 2007 compared to 2003, accounting for 6.0 percent of non-oil imports under ATPA in 2007, down from 7.6 percent in 2003. Imports under ATPA of vegetables (HS 07), prepared fruits and vegetables (HS 20), plastics (HS 39), and edible fruits and nuts (HS 08) also increased both their import values and shares of non-oil imports during 2003–07. In general, however, there were few major shifts in product shares of non-oil imports under ATPA during 2003–07.

[7] For the leading 20 U.S. imports under ATPA by 8-digit HTS provisions, see appendix table D.3.

[8] All imports under ATPA within HS chapter 27 are in the two headings 2709 and 2710, petroleum and petroleum products, which is mostly oil. For ease of reading and presentation, these will be referred to as "oil" in the text, tables, and figures.

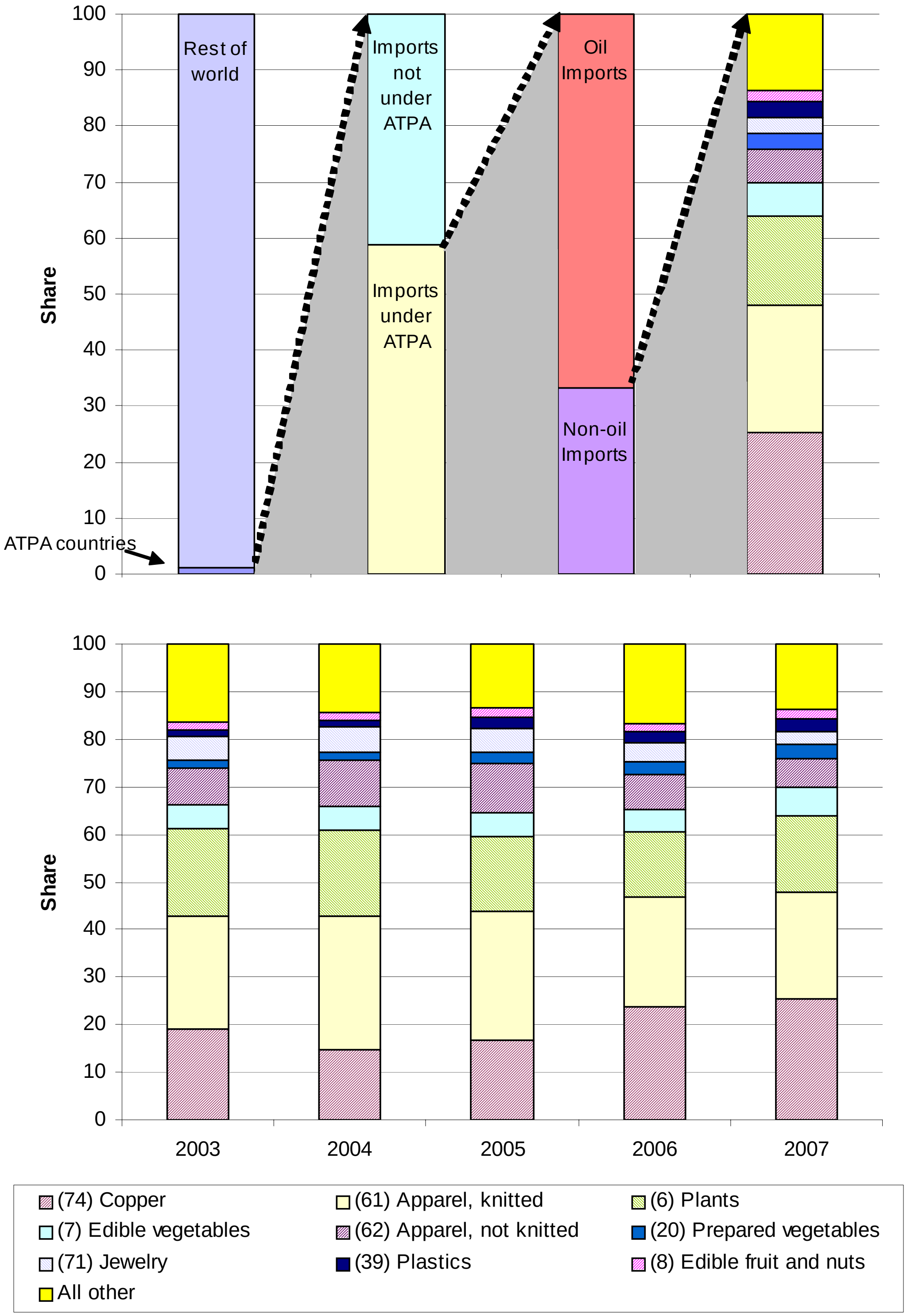
TABLE 2.5 Leading U.S. imports entered under ATPA, by major product categories,[a] by value and share of non-oil imports, 2003–07

Product Category (HS/HTS code)	2003	2004	2005	2006	2007	Change 2006–07
	Value (million dollars)					
Mineral fuels, mineral oils, and products of their distillation; bituminous substances; mineral waxes (HS 27)	3,405.8	5,306.6	7,951.8	9,138.4	8,224.9	-10.0
Refined copper cathodes and sections of cathodes (HTS 7403.11.00)	447.4	422.4	556.4	993.0	989.1	-0.4
Articles of apparel and clothing accessories, knitted or crocheted (HS 61)	573.0	858.3	953.6	1,000.0	922.0	-7.8
Cut flowers and buds suitable for bouquets or ornamental purposes, fresh, dried, dyed, bleached, impregnated, or otherwise prepared (HS 0603)	450.9	550.9	548.7	593.0	651.7	9.9
Articles of apparel and clothing accessories, not knitted or crocheted (HS 62)	184.8	297.8	364.7	321.3	243.7	-24.2
Asparagus, fresh or chilled (HS 0709.20)	79.9	99.4	110.7	131.0	162.5	24.0
Preparations of vegetables, fruit, nuts, or other parts of plants (HS 20)	37.8	54.4	80.4	115.4	118.9	3.0
Plastics and articles thereof (HS 39)	29.8	46.1	93.3	93.2	111.0	19.1
Jewelry and parts thereof, of precious metal other than silver (HS 7113.19)	119.8	148.0	161.4	170.2	109.1	-35.9
Tunas, skipjack, and bonito (sarda spp), prepared or preserved, whole or in pieces, but not minced (HS 1604.14)	45.4	53.7	68.2	81.5	76.7	-5.9
Subtotal	5,374.6	7,837.7	10,889.3	12,637.0	11,609.7	-8.1
Other	461.4	521.5	574.7	847.4	697.1	-17.7
Total	5,836.0	8,359.3	11,463.9	13,484.4	12,306.8	-8.7
	Percent of total imports					*Percentage points*
Mineral fuels, mineral oils, and products of their distillation; bituminous substances; mineral waxes (HS 27)	58.4	63.5	69.4	67.8	66.8	-0.9
	Percent of non-oil imports					
Refined copper cathodes and sections of cathodes (HTS 7403.11.00)	18.4	13.8	15.8	22.8	24.2	1.4
Articles of apparel and clothing accessories, knitted or crocheted (HS 61)	23.6	28.1	27.2	23.0	22.6	-0.4
Cut flowers and buds suitable for bouquets or ornamental purposes, fresh, dried, dyed, bleached, impregnated, or otherwise prepared (HS 0603)	18.6	18.0	15.6	13.6	16.0	2.3
Articles of apparel and clothing accessories, not knitted or crocheted (HS 62)	7.6	9.8	10.4	7.4	6.0	-1.4
Asparagus, fresh or chilled (HS 0709.20)	3.3	3.3	3.2	3.0	4.0	1.0
Preparations of vegetables, fruit, nuts, or other parts of plants (HS 20)	1.6	1.8	2.3	2.7	2.9	0.3
Plastics and articles thereof (HS 39)	1.2	1.5	2.7	2.1	2.7	0.6
Jewelry and parts thereof, of precious metal other than silver (HS 7113.19)	4.9	4.8	4.6	3.9	2.7	-1.2
Tunas, skipjack, and bonito (sarda spp), prepared or preserved, whole or in pieces, but not minced (HS 1604.14)	1.9	1.8	1.9	1.9	1.9	0.0
Subtotal	81.0	82.9	83.6	80.5	82.9	2.4
Other	19.0	17.1	16.4	19.5	17.1	-2.4
Total	100.0	100.0	100.0	100.0	100.0	

Source: Compiled of official statistics of the U.S. Department of Commerce.

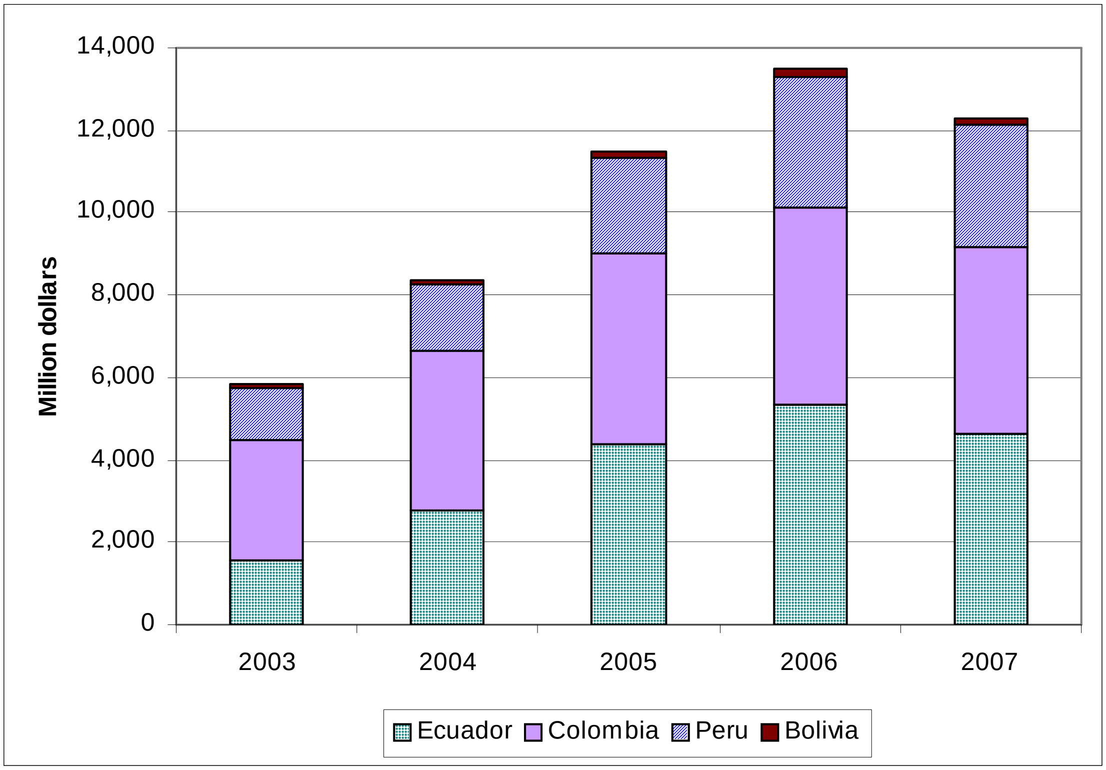
[a] Major product categories determined based on HS level providing the most appropriate aggregation of imports.

FIGURE 2.2 U.S. imports for consumption from the world and Andean countries as shares, 2007, and U.S. non-oil imports for consumption under ATPA as shares, 2003-2007



Source: Compiled from official statistics of the U.S. Department of Commerce.

FIGURE 2.3 U.S. imports under ATPA by country, 2003-2007



Source: Compiled from official statistics of the U.S. Department of Commerce.

Imports under ATPA by Country

The value of total U.S. imports under ATPA was $12.3 billion in 2007, a decrease of 8.7 percent from 2006. The share of imports under ATPA by country has shifted in the last five years, driven primarily by changes in the main import product under ATPA—oil.[9] Ecuador's share of U.S. imports under the program increased from 26.6 percent in 2003 to 37.5 percent in 2007 due to Ecuador's increased share of oil imports under ATPA, from 37.4 percent to 51.5 percent (figure 2.3). Conversely, Colombia's share of U.S. imports under ATPA decreased from 49.8 percent in 2003 to 36.8 percent in 2007 mainly because Colombia's share of oil imports under ATPA dropped from 59.1 percent to 40.0 percent. Peru's share of imports under ATPA increased from 21.9 percent of total U.S. imports under ATPA in 2003 to 24.5 percent in 2007, due to increased imports of oil and copper cathodes. Bolivia's share of imports under ATPA remained relatively small, decreasing from 1.6 percent in 2003 to 1.2 percent in 2007.

[9] Between 2003 and 2007, increases in the value of crude oil imports generally have been largely a result of increasing prices. For example, over this period, heavy crude petroleum imports (HTS 2709.00.10), which represent the majority of oil imports from the Andean countries in 2007, increased by 307.1 percent by value, but 79.6 percent by quantity. There are three main factors that drove the decrease in imports of crude oil from the Andean countries during 2006–07. First, crude oil production in the region has been relatively flat recently, while domestic Andean country consumption has been increasing, reducing the amount available for export. Second, the combination of an increase in U.S. oil production and relatively unchanged U.S. oil consumption has reduced overall U.S. quantity demand for imports. Third, world consumption has been growing faster than U.S. consumption, potentially shifting Andean country exports to other countries. Based on data from EIA, "Official Energy Statistics."

Peru's share of U.S. non-oil imports under ATPA increased from 47.7 in 2003 to 57.8 in 2007 mainly due to increases in imports of copper cathodes and asparagus. Colombia's share of non-oil imports under ATPA decreased from 36.8 percent in 2003 to 30.2 percent in 2007 in part because of reduced imports of apparel products. Ecuador's share of non-oil imports under ATPA decreased from 11.6 percent in 2003 to 9.3 percent in 2007, and Bolivia's share decreased from 3.9 percent to 2.7 percent. The country-specific sections below provide additional information regarding selected imports under ATPA, but do not discuss every major imported product. Leading U.S. imports entered under ATPA, by country, are shown in table 2.6. Leading imports entered under ATPA by major product categories are shown in table 2.7.

Ecuador

U.S. imports from Ecuador under ATPA were $4.6 billion in 2007, down from $5.3 billion in 2006, but still nearly three times the 2003 value. Imports under ATPA in 2007 consisted primarily of mineral fuels and oils, cut flowers, tuna, and raw and prepared fruits and vegetables (tables 2.6 and 2.7). Petroleum products accounted for 91.8 percent of all imports under ATPA from Ecuador in 2007. In 2007, Ecuador was the fourth largest U.S. source of heavy crude, accounting for 6.2 percent of U.S. imports. Heavy crude petroleum imports decreased 11.9 percent compared to 2006 to $4.1 billion and accounted for 97.6 percent of Ecuadorian mineral fuel and oil exports under ATPA. In terms of volume, imports of heavy crude petroleum under ATPA from Ecuador decreased by 16.0 million barrels or 18.8 percent in 2007. This decline is due in part to diversion of petroleum to Venezuela because of a mid-2006 agreement under which Venezuela agreed to refine 100,000 barrels a day of Ecuadorian crude at discounted prices.[10]

Cut flowers (HS 0603) constituted the largest non-oil import category from Ecuador under ATPA.[11] Cut flowers accounted for $143 million in U.S. imports under ATPA in 2007, an increase of 1.4 percent over 2006. Although cut flowers were only 3.1 percent of U.S. imports under ATPA from Ecuador in 2007, they represented 37.9 percent of non-oil imports under ATPA from Ecuador. Roses were 57.7 percent of imports of cut flowers under ATPA from Ecuador in 2007.

Although the value of imports of tuna (HS 1604.14) under ATPA from Ecuador decreased 5.9 percent during 2006–07 to $76.7 million, or 1.7 percent of imports under ATPA from Ecuador (20.3 percent of the non-oil imports under ATPA), they have increased 68.8 percent since 2003. Imports of tuna in flexible airtight containers (HTS 1604.14.1010, HTS 1604.14.3051, and HTS 1604.14.3091, referred to as "pouched tuna") from Ecuador have increased every year since ATPDEA made pouched tuna eligible for duty-free, quota-free treatment. In 2007, imports of pouched tuna were valued at $72.4 million, compared to $28.2 million in 2003. Imports of tuna not packed in airtight containers (HTS 1604.14.40, referred to as "loins") from Ecuador decreased in value from $15.8 million to $4.3 million during 2003–07. After Thailand, Ecuador is the second-largest source of U.S. tuna imports. Ecuador's global exports of tuna have grown every year since 2003.[12]

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[10] Alvarez, "Venezuela's Oil-Based Economy."
[11] See chap. 3 for additional analysis of the cut flower industry.
[12] Global Trade Atlas database.

TABLE 2.6 Leading U.S. imports entered under ATPA, by country, 2003–07

Country	Product Category (HS/HTS code)	2003	2004	2005	2006	2007	Change 2006–07
		Million dollars					*Percent*
Bolivia	Jewelry and parts thereof, of precious metal other than silver (HS 7113.19)	49.1	59.8	62.7	71.4	57.3	-19.8
	Mineral fuels, mineral oils, and products of their distillation; bituminous substances; mineral waxes (HS 27)	0.0	9.3	44.5	27.1	37.3	37.3
	Tungsten concentrates (HTS 2611.00.60)	0.1	0.0	0.6	17.0	22.9	34.8
	Articles of apparel and clothing accessories, knitted or crocheted (HS 61)	29.3	33.0	33.9	29.7	17.2	-42.1
	Wood and articles of wood; wood charcoal (HS 44)	9.5	5.2	7.0	6.5	5.3	-18.3
	Subtotal	88.0	107.3	148.7	151.8	140.0	-7.8
	All other	6.5	13.1	8.7	14.4	8.1	-43.7
	Total	94.5	120.4	157.4	166.2	148.1	-10.9
Colombia	Mineral fuels, mineral oils, and products of their distillation; bituminous substances; mineral waxes (HS 27)	2,014.1	2,705.2	3,351.7	3,386.2	3,293.8	-2.7
	Cut flowers and buds suitable for bouquets or ornamental purposes, fresh, dried, dyed, bleached, impregnated, or otherwise prepared (HS 0603)	343.1	414.4	417.5	448.1	506.3	13.0
	Articles of apparel and clothing accessories, not knitted or crocheted (HS 62)	155.6	255.0	311.4	271.2	196.1	-27.7
	Articles of apparel and clothing accessories, knitted or crocheted (HS 61)	107.4	188.3	166.3	181.3	143.4	-20.9
	Plastics and articles thereof (HS 39)	29.6	44.6	89.8	85.3	100.8	18.2
	Subtotal	2,649.7	3,607.6	4,336.7	4,372.1	4,240.3	-3.0
	All other	259.0	281.3	316.5	419.1	287.4	-31.4
	Total	2,908.7	3,888.9	4,653.2	4,791.2	4,527.7	-5.5
Ecuador	Mineral fuels, mineral oils, and products of their distillation; bituminous substances; mineral waxes (HS 27)	1,272.3	2,424.3	4,025.9	4,916.7	4,235.6	-13.9
	Cut flowers and buds suitable for bouquets or ornamental purposes, fresh, dried, dyed, bleached, impregnated, or otherwise prepared (HS 0603)	105.3	134.0	129.1	141.1	143.2	1.4
	Tunas, skipjack and bonito (sarda spp), prepared or preserved, whole or in pieces, but not minced (HS 1604.14)	45.4	53.7	68.2	81.5	76.7	-5.9
	Edible fruit and nuts; peel of citrus fruit or melons (HS 08)	25.1	25.9	26.3	30.3	31.6	4.4
	Preparations of vegetables, fruit, nuts, or other parts of plants (HS 20)	14.8	19.5	20.9	24.4	23.0	-5.9
	Subtotal	1,463.0	2,657.4	4,270.4	5,194.1	4,510.1	-13.2
	All other	90.6	90.0	100.3	131.1	103.7	-20.9
	Total	1,553.6	2,747.3	4,370.7	5,325.2	4,613.8	-13.4
Peru	Refined copper cathodes and sections of cathodes (HTS 7403.11.00)	447.4	422.4	556.4	993.0	989.1	-0.4
	Articles of apparel and clothing accessories, knitted or crocheted (HS 61)	426.1	623.4	738.9	777.4	746.2	-4.0
	Mineral fuels, mineral oils, and products of their distillation; bituminous substances; mineral waxes (HS 27)	119.4	167.8	529.7	808.3	658.3	-18.6
	Asparagus, fresh or chilled (HS 0709.20)	78.7	98.3	109.7	129.9	161.3	24.2
	Preparations of vegetables, fruit, nuts, or other parts of plants (HS 20)	14.4	26.9	50.2	77.1	81.3	5.5
	Subtotal	1,086.0	1,338.8	1,984.8	2,785.6	2,636.1	-5.4
	All other	193.3	263.9	297.8	416.3	381.1	-8.4
	Total	1,279.3	1,602.7	2,282.7	3,201.9	3,017.2	-5.8

Source: Compiled from official statistics of the U.S. Department of Commerce.

TABLE 2.7 Leading U.S. imports entered under ATPA, by major product categories,[a] in value and share, by country, 2007

Product Category (HS/HTS code)	Bolivia	Colombia	Ecuador	Peru	ATPA
	Value (million dollars)				
Mineral fuels, mineral oils, and products of their distillation; bituminous substances; mineral waxes (HS 27)	37.3	3,293.8	4,235.6	658.3	8,224.9
Refined copper cathodes and sections of cathodes (HTS 7403.11.00)	0.0	0.0	0.0	989.1	989.1
Articles of apparel and clothing accessories, knitted or crocheted (HS 61)	17.2	143.4	15.2	746.2	922.0
Cut flowers and buds suitable for bouquets or ornamental purposes, fresh, dried, dyed, bleached, impregnated, or otherwise prepared (HS 0603)	([b])	506.3	143.2	2.2	651.7
Articles of apparel and clothing accessories, not knitted or crocheted (HS 62)	1.2	196.1	0.9	45.6	243.7
Asparagus, fresh or chilled (HS 0709.20)	0.0	0.7	0.6	161.3	162.5
Preparations of vegetables, fruit, nuts, or other parts of plants (HS 20)	([b])	14.6	23.0	81.3	118.9
Plastics and articles thereof (HS 39)	0.1	100.8	1.0	9.2	111.0
Jewelry and parts thereof, of precious metal other than silver (HS 7113.19)	57.3	4.6	6.6	40.5	109.1
Tunas, skipjack, and bonito (sarda spp), prepared or preserved, whole or in pieces, but not minced (HS 1604.14)	0.0	0.0	76.7	0.0	76.7
Subtotal	13.1	4,260.1	4,502.9	2,733.6	11,609.7
Other	35.1	267.5	110.9	283.7	697.1
Total	148.1	4,527.7	4,613.8	3,017.2	12,306.8
	Percent of total imports				
Mineral fuels, mineral oils, and products of their distillation; bituminous substances; mineral waxes (HS 27)	25.2	72.7	91.8	21.8	66.8
	Percent of non-oil imports				
Refined copper cathodes and sections of cathodes (HTS 7403.11.00)	0.0	0.0	0.0	41.9	24.2
Articles of apparel and clothing accessories, knitted or crocheted (HS 61)	15.5	11.6	4.0	31.6	22.6
Cut flowers and buds suitable for bouquets or ornamental purposes, fresh, dried, dyed, bleached, impregnated, or otherwise prepared (HS 0603)	([c])	41.0	37.9	0.1	16.0
Articles of apparel and clothing accessories, not knitted or crocheted (HS 62)	1.0	15.9	0.2	1.9	6.0
Asparagus, fresh or chilled (HS 0709.20)	0.0	0.1	0.2	6.8	4.0
Preparations of vegetables, fruit, nuts, or other parts of plants (HS 20)	([c])	1.2	6.1	3.4	2.9
Plastics and articles thereof (HS 39)	0.1	8.2	0.3	0.4	2.7
Jewelry and parts thereof, of precious metal other than silver (HS 7113.19)	51.7	0.4	1.8	1.7	2.7
Tunas, skipjack, and bonito (sarda spp), prepared or preserved, whole or in pieces, but not minced (HS 1604.14)	0.0	0.0	20.3	0.0	1.9
Subtotal	68.4	78.3	70.7	88.0	82.9
Other	31.6	21.7	29.3	12.0	17.1
Total	100.0	100.0	100.0	100.0	100.0

Source: Compiled of official statistics of the U.S. Department of Commerce.

[a] Major product categories determined based on HS level providing the most appropriate aggregation of imports.
[b] Value is less than 50,000.
[c] Value is less than 0.05 percent.

Colombia

U.S. imports from Colombia under ATPA were $4.5 billion in 2007, down from $4.8 billion in 2006 but still 50 percent larger than in 2003. Imports from Colombia under ATPA in 2007 consisted primarily of mineral fuels and oils, cut flowers, apparel, plastics, and aluminum (tables 2.6 and 2.7). Mineral fuels and oils (HS 27) accounted for 72.7 percent of all imports under ATPA from Colombia in 2007. In 2007, Colombia was the seventh largest U.S. source of heavy crude petroleum, accounting for 2.3 percent of total U.S. imports by value. Colombia was the 11th largest U.S. source of light crude petroleum and accounted for 1.5 percent of U.S. imports by value. Light crude imports accounted for $1.6 billion or 49.1 percent of mineral fuel and oil imports under ATPA, but decreased 21.7 percent by value compared to 2006. Heavy crude imports accounted for $1.5 billion or 46.6 percent of mineral fuel and oil imports under ATPA, an increase of 37.4 percent by value compared to 2006. In terms of volume, imports of light crude from Colombia under ATPA fell by 8.8 million barrels or 27.4 percent compared to 2006, whereas heavy crude from Colombia under ATPA increased by 2.4 million barrels or 11.8 percent.

Cut flowers (HS 0603) made up the second-largest category of imports under ATPA from Colombia.[13] Imports of cut flowers under ATPA were $506 million in 2007, an increase of 13.0 percent over 2006. Cut flowers were 11.2 percent of U.S. imports from Colombia under ATPA in 2007 (41.0 percent of non-oil imports under ATPA) compared to 9.4 percent (31.9 percent of non-oil imports under ATPA) in 2006. Colombian cut flower varieties include roses, chrysanthemums, and carnations.

After several years of expansion, imports of knitted apparel (HS 61) decreased 20.9 percent in 2007 to $143 million or 3.2 percent of total imports under ATPA (11.6 percent of the non-oil imports under ATPA). Imports of nonknitted apparel (HS 62) decreased for the second consecutive year in 2007 to $196 million or 4.3 percent of imports under ATPA from Colombia (15.9 percent of non-oil imports under ATPA) after peaking at $311 million in 2005. The decline in imports of apparel from Colombia accounted for most of the decline in total imports of apparel from the Andean countries. Several factors contributed to this decrease:[14] the appreciation of the Colombian peso and rising production costs (making Colombian goods more expensive), increased competition from China and other low-cost Asian suppliers, and uncertainty about the renewal of ATPA and the pending FTA with Colombia.

Imports of plastic products (HS 39) under ATPA accounted for $101 million in 2007 or 2.2 percent of imports under ATPA from Colombia (8.2 percent of non-oil imports under ATPA), compared to 3.3 percent in 2003. Colombia is the largest Andean country source of U.S. plastic imports, with a total of $161 million in 2007. While its global share of U.S. imports of plastic products is small, just 0.5 percent, U.S. imports from Colombia provide a significant portion of U.S. imports in specific industrial plastics, such as polyvinyl chloride, also known as PVC (HS 3904.10). With 21.5 percent of total U.S. PVC imports in 2007, Colombia was the second largest source of PVC imports for the United States.

[13] See chap. 3 for additional analysis of the cut flower industry.

[14] See chap. 3 of this report for additional information of the effects of ATPA legislation and pending FTA uncertainties, as well as currency appreciation, on U.S. imports from the Andean countries.

Peru

In 2007, imports under ATPA from Peru amounted to $3.0 billion, down 5.8 percent compared to 2006 but still more than double the total for 2003. Of these imports, $989 million or 32.8 percent (41.9 percent of non-oil imports under ATPA) were copper cathodes (HTS 7403.11.00; tables 2.6 and 2.7). Peru is the only supplier of refined copper cathodes to the United States from among the Andean countries, and all imports of copper cathodes from Peru were entered under ATPA. Imports of copper cathodes (HTS 7403.11.00) under ATPA decreased slightly from $993 million in 2006 to $989 million in 2007 (tables 2.6 and 2.7). Refined copper cathode imports have more than doubled by value since 2003, although import quantities are nearly 50 percent lower (figure 2.4). The increase in value is a result of a three-fold increase in the price of copper cathodes since 2003.

Imports of asparagus (HS 0709.20) from Peru increased 24.2 percent in 2007 to $161 million or 5.3 percent of the imports under ATPA (6.8 percent of non-oil imports under ATPA).[15] Peru was the primary source of imports under ATPA of asparagus, accounting for $161 million or 99.2 percent of asparagus imports under ATPA. Asparagus imports from Peru accounted for 58.3 percent of total U.S. asparagus imports in 2007; Mexico was the second-largest U.S. supplier of asparagus with 40.3 percent of U.S. imports in 2007. Imports of asparagus under ATPA have consistently increased over the last five years and are among the fastest-growing ATPA-eligible products. In 2007, nearly all asparagus imports from the Andean countries came in under ATPA provisions.

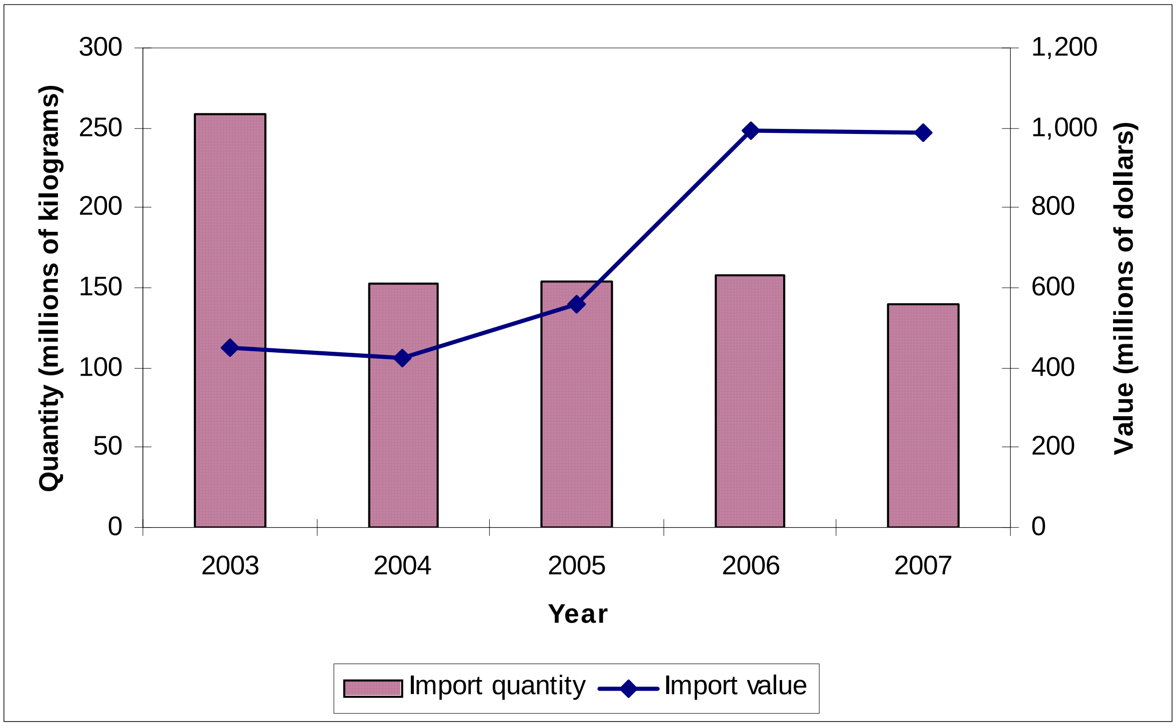
Prepared vegetables, fruits, and nuts (HS 20), mostly prepared asparagus and artichokes accounted for $81 million in 2007 or 2.7 percent of imports under ATPA from Peru (3.4 percent of non-oil imports under ATPA), compared to just 1.1 percent of imports under ATPA in 2003 (1.2 percent of non-oil imports under ATPA). The increase in imports of prepared vegetable, fruit, and nuts from Peru was supported by USAID programs in the Junin region that have been encouraging farmers to grow artichokes and establish processing capacity.[16] Peru ranked 12th globally in terms of total U.S. imports of prepared vegetables, fruits, and nuts with 2.0 percent in 2007. Comparatively, Peru provided 0.6 percent of total U.S. imports of prepared vegetables, fruits, and nuts in 2003.

Bolivia

In 2007, U.S. imports under ATPA from Bolivia amounted to $148 million, or 1.2 percent of all U.S. imports under the program (tables 2.6 and 2.7). Articles of jewelry (HS 7113), mostly gold jewelry, accounted for $57 million or 38.7 percent of all U.S. imports under ATPA from Bolivia (51.7 percent of non-oil imports under ATPA). Bolivia was the leading supplier of imports of jewelry under ATPA in 2007. Bolivia saw its share of imports of jewelry under ATPA increase from 41.0 percent in 2003 to 52.5 percent in 2007. Several indigenous and foreign-based firms in Bolivia manufacture gold jewelry for export, virtually

[15] See chap. 3 for additional analysis of the asparagus industry.
[16] USAID, "Success Story: Artichokes Hit Export Markets."

FIGURE 2.4 U.S imports of refined copper cathodes under ATPA, 2003-07



Source: Compiled of official statistics of the U.S. Department of Commerce.

all for the U.S. market.[17] Notably, U.S. exports of jewelry inputs to Bolivia also increased significantly during 2007, indicating production sharing.[18]

U.S. Exports to the Andean Countries

The Andean countries were a growth market for most U.S. merchandise exports in 2007. U.S. exports to the region totaled $14.6 billion in 2007, 25.6 percent more than in 2006 and more than double compared to 2003 exports (table 2.8).[19] The Andean countries collectively accounted for 1.4 percent of total U.S. exports in 2007, which was up from 1.3 percent in 2006 and 1.0 percent in 2003. The United States continued to be the leading supplier to each individual Andean country, with the exception of Bolivia. More than one-half of U.S. exports to the Andean countries in 2007 went to Colombia and over one-quarter to Peru. Exports to Bolivia represented less than 2 percent of total U.S. exports to the Andean countries.

[17] US&FCS, "Economic Trends and Outlook," 5. In April 2003, the Bolivian Government identified precious metal jewelry, along with textiles, wood, and leather products, for export promotion to capitalize on the trade preferences offered by ATPA. Also see "Bolivia" under U.S. Exports to the Andean Countries," later in this chapter.

[18] See section on U.S. exports later in this chapter.

[19] In the United States, export data are reported under Schedule B, the separate U.S. export schedule based on the HS nomenclature. For purposes of this report, and for ease of comparison with the analysis on imports, Schedule B numbers are referred to here as HS numbers. All Schedule B numbers mirror the HS or aggregate to HS numbers, except as noted in the HS Notice to Exporters, which enumerates unique Schedule B categories that must be used for reporting covered exports.

TABLE 2.8 U.S. exports to Andean countries, by market, 2003–07

Market	2003	2004	2005	2006	2007	Change, 2006–07
						Percent
Colombia	3,496	4,145	4,962	6,236	7,884	26.4
Peru	1,552	1,858	2,038	2,655	3,764	41.8
Ecuador	1,306	1,484	1,733	2,548	2,709	6.3
Bolivia	172	177	186	197	263	33.0
Total	6,526	7,664	8,919	11,637	14,621	25.6
						Percentage points
Colombia	53.6	54.1	55.6	53.6	53.9	0.3
Peru	23.8	24.2	22.9	22.8	25.7	2.9
Ecuador	20.0	19.4	19.4	21.9	18.5	-3.4
Bolivia	2.6	2.3	2.1	1.7	1.8	0.1
Total	100.0	100.0	100.0	100.0	100.0	

Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. exports of primarily reactors, boilers, machinery and mechanical appliances, and parts thereof (primarily non-electrical machinery and parts) (HS 84) to the Andean countries amounted to $3.1 billion in 2007, accounting for 21.1 percent of total U.S. exports to the Andean countries. This sector consists mostly of machinery intended for use in oil and gas fields, construction, and data processing. Parts for boring or sinking machinery (HS 8431.43), parts and attachments for heavy equipment (HS 8431.49), and parts for computers (HS 8473.30) were the leading product categories in 2007 (table 2.9). The Andean countries received 1.8 percent of all U.S. exports of non-electrical machinery and parts in 2007.

U.S. exports of mineral fuels and oils (HS 27), mostly refined petroleum products (HS 2710), to the Andean countries totaled $1.4 billion in 2007, accounting for 9.4 percent of total U.S. exports to the Andean countries in 2007 (table 2.9). The Andean countries received 3.3 percent of all U.S. exports of mineral fuels and oils in 2007.

U.S. exports of electrical machinery and parts (HS 85) to the Andean countries totaled $1.2 billion in 2007, accounting for 8.3 percent of total U.S. exports to the Andean countries in 2007. These exports consisted mostly of telecommunications equipment. Parts of telecommunications apparatus (HS 8517.70), cellular phones (HS 8517.12), and routers and switches (HS 8517.62) were the leading product categories in 2007 (table 2.9). The Andean countries received 1.1 percent of all U.S. exports of electrical machinery and parts in 2007.

U.S. exports of plastics (HS 39) to the Andean countries totaled $1.2 billion in 2007, accounting for 7.9 percent of total U.S. exports to the Andean countries in 2007. Polymers of ethylene (HS 3901), polyacetals (HS 3907), and polymers of propylene (HS 3902) were the leading products within plastics in 2007 (table 2.9). The Andean countries received 2.5 percent of all U.S. exports of plastics in 2007.

U.S. exports of organic chemicals (HS 29) to the Andean countries amounted to $1.1 billion in 2007, accounting for 7.5 percent of total U.S. exports to the Andean countries in 2007. Vinyl chloride (HS 2903.21), propylene (HS 2901.22), and styrene (HS 2902.50) were the leading organic chemicals products exported in 2007 (table 2.9). The Andean countries received 3.0 percent of all U.S. exports of organic chemicals in 2007.

TABLE 2.9 Leading U.S. exports to Andean countries, 2003–07

HS number	Description	2003	2004	2005	2006	2007	Change 2006–07
		Million dollars					*Percent*
2710.19	Petroleum oils & oils (not light) from bituminous minerals or preps nesoi 70%+ by wt. from petroleum oils or bitum. min.	213.0	309.1	639.1	1,247.7	1,181.7	-5.3
1005.90	Corn (maize), other than seed corn	200.1	267.0	279.2	461.4	679.1	47.2
8431.43	Parts for boring or sinking machinery, n.e.s.o.i.	252.3	261.3	249.5	305.8	424.8	38.9
1001.90	Wheat (other than durum wheat) and meslin	226.7	284.6	222.9	114.1	396.0	247.2
3100.00	Fertilizers (exports only; includes crude fertilizers from other areas)	95.0	119.8	121.2	174.3	227.1	30.3
2901.22	Propene (propylene)	52.6	94.1	108.5	146.0	216.9	48.6
3901.20	Polyethylene having a specific gravity of 0.94 or more, in primary forms	26.1	58.1	37.8	72.0	206.7	187.2
2903.21	Vinyl chloride (chloroethylene)	126.5	183.0	214.9	230.0	199.2	-13.4
3901.10	Polyethylene having a specific gravity of less than 0.94, in primary forms	63.1	99.1	75.7	104.8	190.9	82.2
8431.49	Parts and attachments, n.e.s.o.i., for derricks, cranes, self-propelled bulldozers, graders, etc., and other grading, scraping, etc., machinery	71.9	93.0	148.8	182.0	182.9	0.5
8517.70	Parts of telecommunications apparatus	([a])	([a])	([a])	([a])	172.5	na
4804.11	Kraftliner, uncoated, unbleached, in rolls or sheets	106.8	130.0	127.2	167.2	163.3	-2.3
5201.00	Cotton, not carded or combed	107.1	127.4	113.3	127.8	160.3	25.4
2710.11	Light oils and preparations from petroleum oils & oils from bituminous min. or preps 70%+ by wt. from petro. oils or bitum. min.	33.0	39.0	33.3	63.7	149.1	134.1
8473.30	Parts and accessories for automatic data processing machines and units thereof, magnetic or optical readers, transcribing machines, etc., n.e.s.o.i.	137.3	152.6	159.5	255.8	146.2	-42.8
8803.30	Parts of airplanes or helicopters, n.e.s.o.i.	60.0	67.6	69.1	95.2	129.2	35.7
2902.50	Styrene (vinylbenzene; phenylethylene)	59.2	86.8	83.8	97.7	121.7	24.5
8517.12	Telephones for cellular networks or for other wireless networks	([b])	([b])	([b])	([b])	114.7	na
8517.62	Machines for the reception, conversion, and transmission, or regeneration of voice, images, or other data, including switching and routing apparatus	([c])	([c])	([c])	([c])	102.8	na
8704.10	Dumpers (dump trucks) designed for off-highway use	19.8	83.9	35.6	132.7	98.7	-25.6
	Subtotal	1,850.3	2,456.5	2,719.2	3,978.3	5,263.8	32.3
	All other	4,675.3	5,207.1	6,200.0	7,658.2	9,356.7	22.2
	Total	6,525.7	7,663.6	8,919.1	11,636.5	14,620.5	25.6

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note: na=not applicable.

[a] Exports for Schedule B subheading 8517.72 were reported under parts of items contained in Schedule B chapters 84, 85, and 90 during 2003–06.
[b] Exports for Schedule B subheading 8517.70 were reported under parts of items contained in Schedule B subheading 8525.20 during 2003–06.
[c] Exports for Schedule B subheading 8517.72 were reported under parts of items contained in Schedule B subheadings 8517.30 and 8517.50 during 2003–06.

U.S. exports of cereals (HS 10) to the Andean countries totaled $1.1 billion in 2007, accounting for 7.4 percent of total U.S. exports to the Andean countries in 2007. U.S. exports of corn (HS 1005), the leading cereal product, to the region were $681 million in 2007. Wheat (HS 1001) exports were $402 million in 2007 (table 2.9). The Andean countries received 5.1 percent of all U.S. exports of cereals in 2007.

Although not a leading export sector, U.S. exports of textiles and apparel play an important role in U.S. exports to the Andean countries because of special provisions under ATPA. ATPDEA provides duty-free and quota-free treatment for certain apparel imports using designated U.S. inputs. This provision provides an incentive for the use of U.S. inputs, contributing to U.S. exports of textile and apparel inputs to the Andean counties. Despite steady increases in U.S. exports of textiles and apparel to the Andean countries since ATPDEA went into effect in 2002, U.S. sector exports to these countries fell 13.4 percent in 2007 to $190 million as a result of the decline of U.S. apparel imports from the Andean countries.[20]

[20] USITC, DataWeb, *http://dataweb.usitc.gov/*. See textile and apparel sections in chap. 3 for additional information on U.S. exports of inputs into textile and apparel products.

CHAPTER 3
Economic Impact of ATPA on the United States and Probable Future Effects

This chapter addresses two issues: the economic impact of the Andean Trade Preference Act (ATPA) on the U.S. economy, industries, and consumers in 2007 and the probable future effects of the program.[1] The impact analysis identifies those items most affected by ATPA preferences and examines U.S. industries that are potentially most affected. The chapter also provides an assessment of the probable future effects based on information regarding the country-specific investment environment and ATPA-related investment in the countries collected from U.S. embassies in the region and from other public sources, as well as information provided at the Commission's July 22, 2008, hearing and written submissions to the Commission.

Impact of ATPA on the United States in 2007

Since its implementation, ATPA has had a minimal effect on the overall economy of the United States. In each year from 1992 through 2002, the value of ATPA duty-free U.S. imports was 0.02 percent or less of U.S. gross domestic product (GDP). Following implementation of expanded trade preferences under the Andean Trade Promotion and Drug Eradication Act (ATPDEA), imports under ATPA rose to 0.05 percent of U.S. GDP in 2003, peaked at 0.1 percent in 2006 and fell to 0.09 percent in 2007. Furthermore, the total value of U.S. imports from ATPA countries remained small in 2007, amounting to 1.08 percent of total U.S. imports, while imports under ATPA provisions totaled 0.63 percent of total U.S. imports.

ATPDEA has sharply increased the number of products and value of imports benefiting from ATPA, especially apparel and petroleum and petroleum products. However, the value of the ATPA program to beneficiary countries and its potential to affect the U.S. economy, consumers, and industries has declined since implementation because the margin of preference for many products has eroded as normal trade relations (NTR) duty rates have fallen (to free in some instances) on many products produced in the region. In addition, the advantages of preferential access to the U.S. market have been diluted as more U.S. trading partners have received preferential access under other programs or free trade agreements (FTAs), and as apparel quotas under the Agreement on Textiles and Clothing (ATC) ended in 2005.[2]

To evaluate the impact of ATPA, the Commission considered only that portion of U.S. imports that can receive preferential treatment only under ATPA, that is, imports that benefit exclusively from ATPA. Some ATPA-eligible products are also eligible for duty-free entry under the Generalized System of Preferences (GSP) and therefore are not included in the

[1] As discussed in chap. 1 of this report, "ATPA" refers to ATPA as amended by subsequent legislation, and "original ATPA" is used to identify the original ATPA program that expired in Dec. 2001.

[2] For most intents and purposes, ATPA countries were not subject to apparel quotas. For a more detailed analysis of the erosion of the margin of preference, see USITC, *ATPA, Fifth Report, 1997*, 132.

analysis. Some luggage and apparel articles that became eligible for ATPA duty-free entry as a result of ATPDEA contain U.S. cut parts that are not dutiable under production-sharing arrangements (under HTS heading 9802.00.80). The U.S. value of such articles therefore does not benefit exclusively from ATPA and is not included in the analysis.[3]

Because the original ATPA preferences were enacted for a longer time period (the initial program was for the 10 years from 1991 to 2001) and GSP lapsed several times during this period, ATPA provided greater assurance than the GSP program that GSP-eligible products from ATPA countries would enter the United States free of duty. The greater stability of the ATPA program in this period made investment related to such products more attractive than would have been the case in the absence of ATPA. Since 2001, both ATPA and GSP have been subject to short extensions, especially ATPA. There is a great deal of uncertainty about the extension of ATPA for countries without pending FTAs with the United States.[4] Uncertainty with respect to continuation is probably greater now for ATPA than for GSP. Estimating the impact of such uncertainties is beyond the scope of the analysis conducted in ths study. However, qualitative assessment is provided in the section below addressing the probable future effects of ATPA.

The material that follows in this section defines products that benefit exclusively from ATPA; presents quantitative estimates of the impact of ATPA on U.S. consumers, the U.S. Treasury, and U.S. industries whose goods compete with U.S. imports under ATPA; and describes the U.S. imports that benefited exclusively from ATPA in 2007 and had the largest potential impact on competing U.S. industries.

Products That Benefited Exclusively from ATPA in 2007

U.S. imports of products benefiting exclusively from ATPA in 2007 are defined as those that entered free of duty under ATPA[5] and were not eligible to enter free of duty under NTR rates or under other programs, such as GSP.[6] Consistent with this definition, GSP-eligible products imported from ATPA countries that were entered under ATPA preferences were considered to benefit exclusively from ATPA only if imports of the product from a designated beneficiary country had exceeded GSP competitive need limits and had therefore lost GSP eligibility.[7]

After more than doubling from $5.2 billion in 2003 to $12.5 billion in 2006, the value of U.S. imports that benefited exclusively from ATPA decreased 8.3 percent to $11.5 billion in 2007, accounting for 54.9 percent of total U.S. imports from ATPA countries (table 3.1). From the implementation of the ATPA program in 1992 until 2002, U.S. imports that

[3] The U.S. value of imports from ATPA countries under production-sharing arrangements has never been large. In 2007, just over $270,000 of U.S. value was recorded for imports of products benefiting exclusively from ATPA.

[4] For example see testimony of Steven Lamar, USITC hearing transcript, 161.

[5] As mentioned in chap. 1, reduced-duty preferences under the original ATPA were terminated by ATPDEA, and those products previously eligible for reduced duties are now eligible for duty-free treatment.

[6] Because ATPDEA amended ATPA, imports under ATPA and imports benefiting exclusively from ATPA include imports made eligible for preferential treatment by ATPDEA.

[7] Thus, eligible products that are excluded from duty-free entry under GSP because their competitive need limits have been exceeded can still receive duty-free entry under ATPA. For additional information, see "ATPA and GSP" in chap. 1 of this report.

TABLE 3.1 Total imports from Andean countries, imports entered under ATPA, and imports that benefited exclusively from ATPA, 2003–07

Item	2003	2004	2005	2006	2007
Total imports from Andean countries:					
Value (*million dollars*[a])	11,639	15,490	20,060	22,511	20,923
Imports entered under ATPA:[b]					
Value (*million dollars*[a])	5,836	8,359	11,464	13,484	12,307
Percentage of total	50.1	54.0	57.1	59.9	58.8
Imports that benefited exclusively from ATPA:					
Value (*million dollars*[a])	5,230	7,586	10,648	12,531	11,488
Percentage of total	44.9	49.0	53.1	55.7	54.9

Source: Estimated by the U.S. International Trade Commission from official statistics of the U.S. Department of Commerce.

[a] Customs value.
[b] Includes articles entered free of duty under ATPA provisions. Those provisions are discussed in chap. 1.

benefited exclusively from ATPA accounted for a relatively small portion of total U.S. imports from ATPA countries, ranging from around 5 percent in 1993 and 1994 to a high of around 13 percent in 1996.[8] The exclusively benefiting share ranged between 10 percent and 12 percent during 1998-2001, but fell to 7.7 percent in 2002 when the program lapsed. Since petroleum and petroleum products and apparel became eligible for duty-free entry under ATPDEA, the exclusively benefiting share has risen sharply, to nearly 45 percent in 2003 and around 55 percent in 2006 and 2007.

In the years immediately preceding the implementation of ATPDEA, imports of refined copper cathodes from Peru (HTS 7403.11.00) came to dominate this category, accounting for around 40 percent of imports benefiting exclusively from ATPA in 2000 and 2001.[9] Two sectors, both newly eligible under ATPDEA, have come to dominate the list of leading imports that benefit exclusively from ATPA in recent years—petroleum and petroleum products, accounting for 75.8 percent of the value of the 20 leading items in 2007; and apparel, accounting for 7.1 percent.

[8] The exclusively benefiting shares were markedly higher in 1995 and 1996, mainly because of the lapse in the GSP program from Aug. 1, 1995, through Sept. 30, 1996, and subsequent increased use of ATPA provisions to ensure duty-free entry. See USITC, *ATPA, Fourth Report, 1996*, 71–72, for further explanation of the assumptions and analysis used to address the lapse in GSP. Because of the assumptions about GSP made in the 1995 and 1996 ATPA reports, the findings derived from the analysis in those reports are not strictly comparable to the findings in subsequent reports in this series or in reports previous to the 1995 report, despite the similar analytical approach used.

[9] The share of imports benefiting exclusively from ATPA accounted for by copper cathodes dropped to 23 percent in 2002, and fell as low as 5 percent in 2005 before recovering to 8 percent in 2006 and 9 percent in 2007. For a more detailed discussion of copper cathodes see Walker Pollard, "Renewal and Expansion of ATPA," *International Economic Review*, July/Aug. 2001, 17–22.

The 20 leading imports that benefited exclusively from ATPA in 2007 are shown in table 3.2. The most notable change in the value of such imports relative to 2006 was for three petroleum items—light crude oil (HTS 2709.00.20), down $529 million (24 percent); naphthas (HTS 2710.11.25), down $319 million (52 percent); and heavy fuel oil (HTS 2710.19.05), down $50 million (11 percent). Other notable changes include men's or boys' woven cotton trousers and shorts (HTS 6203.42.40), down $42 million (30 percent); fresh cut roses (HTS 0603.11.00), up $39 million (13 percent); and fresh or chilled asparagus (HTS 0709.20.90), up $32.8 million (26 percent).[10] Decreases in the value of petroleum and petroleum products and men's or boys' woven cotton trousers and shorts reflect decreases in the volume of imports in the face of increased unit values. Increases in the value of fresh-cut roses and fresh asparagus mostly reflect increases in unit values with small increases in import volumes.

Three products appear in the list of 20 leading imports benefiting exclusively from ATPA in 2007 that were not in the list in the 12th ATPA report (covering 2005)—frozen vegetables (HTS 0710.80.97), canned artichokes (HTS 2005.99.80), and molybdenum ores (HTS 2613.90.00).[11] As shown in appendix D, 18 of the 20 leading imports benefiting exclusively in 2007 were among the 20 leading imports under ATPA in 2007 (see table D.3).

Several leading imports that were identified in previous annual ATPA reports as benefiting exclusively from ATPA between 1992 and 2002 under the original ATPA continued to rank among the leading U.S. imports in 2007. Those are fresh-cut roses (HTS 0603.11.00, HTS 0603.10.60 before 2007), chrysanthemums (HTS 0603.14.00) from Colombia, and standard carnations (HTS 0603.12.70) from Colombia (both chrysanthemums and standard carnations entered under HTS 0603.10.70 before 2007), which have consistently ranked among the leading imports benefiting exclusively from ATPA since the implementation of the program. Refined copper cathodes from Peru and fresh or chilled asparagus have also consistently remained on the list since 1995.

Welfare and Displacement Effects of ATPA on U.S. Industries and Consumers in 2007

The analytical approach for estimating the welfare and displacement effects of ATPA was described in the introduction to this report and is discussed in more detail in appendix C. Upper estimates and lower estimates are reported, reflecting the assumption of higher substitution elasticities and lower substitution elasticities, respectively.

The Commission focused its analysis on the 20 leading imports that benefited exclusively from ATPA in 2007 (table 3.2).[12] Estimates of welfare and potential U.S. industry displacement effects were made. Industries for which estimated displacement was more than 5 percent of the value of U.S. production, based on upper estimates, were selected for

[10] For the list of items benefiting exclusively from ATPA in 2006, see table D.4.

[11] The HTS numbers for fresh-cut flowers are all new in this year's list of imports benefiting exclusively, but do not represent new products in the listing, since fresh-cut flowers were given new HTS numbers starting in 2007.

[12] USITC industry analysts provided estimates of U.S. production and exports for the 20 leading items that benefited exclusively from ATPA, as well as evaluations of the substitutability of ATPA-exclusive imports and competing U.S. products.

TABLE 3.2 Leading imports that benefited exclusively from ATPA, 2007
(*1,000 dollars*)

HTS number	Description	Customs value	C.i.f. value
2709.00.10	Petroleum oils and oils from bituminous minerals, crude, testing under 25 degrees A.P.I.	5,840,322	6,093,102
2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more	1,644,871	1,685,836
7403.11.00[a]	Refined copper cathodes and sections of cathodes	989,089	997,680
2710.19.05	Distillate and residual fuel oil (including blends) derived from petroleum or oils from bituminous minerals, testing under 25 degrees A.P.I.	408,703	431,745
0603.11.00[b]	Sweetheart, spray, and other roses, fresh cut	327,248	409,960
6110.20.20	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton n.e.s.o.i.	297,381	311,559
2710.11.25	Naphthas (exc. motor fuel/mtr fuel blend. stock) fr petroleum oils & bitumin minerals (o/than crude) or preps 70%+ by wt. fr petroleum oils	294,139	305,377
0709.20.90	Asparagus n.e.s.o.i., fresh or chilled	159,325	236,079
6105.10.00	Men's or boys' shirts, knitted or crocheted, of cotton	165,419	170,382
6109.10.00	T-shirts, singlets, tank tops, and similar garments, knitted or crocheted, of cotton	155,480	162,749
6203.42.40	Men's or boys' trousers and shorts, not bibs, not knitted or crocheted, of cotton, not containing 15% or more by weight of down, etc.	98,636	100,533
0603.19.00[c]	Fresh-cut, anthuriums, alstroemeria, gypsophilia, lilies, snapdragons, and flowers n.e.s.o.i.	67,607	83,383
0603.14.00[d]	Chrysanthemums, fresh cut	65,008	82,513
1604.14.30	Tunas and skipjack, not in oil, in airtight containers, n/o 7 kg, not of U.S. possessions, over quota	67,868	69,338
6106.10.00	Women's or girls' blouses and shirts, knitted or crocheted, of cotton	52,365	54,528
0603.12.70[e]	Other carnations, fresh cut	41,629	51,741
2005.99.80	Artichokes, prepared or preserved otherwise than by vinegar or acetic acid, not frozen	39,092	41,385
0710.80.97	Vegetables n.e.s.o.i., uncooked or cooked by steaming or boiling in water, frozen, reduced in size	34,826	41,217
2613.90.00	Molybdenum ores and concentrates, not roasted	38,791	38,985
6908.90.00	Glazed ceramic flags and paving, hearth or wall tiles; glazed ceramic mosaic cubes, and the like n.e.s.o.i.	21,333	27,974
	Subtotal	10,809,134	11,396,065
	Other	678,885	720,110
	Total	11,488,019	12,116,176

Source: Estimated by the U.S. International Trade Commission from official statistics of the U.S. Department of Commerce.

Notes: The abbreviation, n.e.s.o.i., stands for "not elsewhere specified or otherwise included." Data for 2006 are shown in appendix table D.4.

[a] Includes only imports from Peru. Item is GSP-eligible, but imports from Peru exceeded the competitive need limit and thus were eligible for duty-free entry only under ATPA.

[b] Formerly HTS 0603.10.60 (fresh-cut roses).

[c] Formerly HTS 0603.10.7040 (anthuriums) and 0603.10.80 (alstroemeria, gypsophilia, lilies, snapdragons, and flowers n.e.s.o.i.). Includes only imports from Colombia for the first half of 2007. Item is GSP-eligible, but imports from Colombia exceeded the competitive need limit and thus were eligible for duty-free entry only under ATPA in the first half of the year.

[d] Formerly HTS 0603.10.7010 (pom-pom chrysanthemums) and HTS 0603.10.7020 (other chrysanthemums). Includes only imports from Colombia. Item is GSP-eligible, but imports from Colombia exceeded the competitive need limit and thus were eligible for duty-free entry only under ATPA.

[e] Formerly HTS 0603.10.7030 (standard carnations). Includes only imports from Colombia. Item is GSP-eligible, but imports from Colombia exceeded the competitive need limit and thus were eligible for duty-free entry only under ATPA.

further analysis. A limited number of U.S. producers benefited from ATPA preferences because they supplied inputs to apparel assembled in ATPA countries. Those prodecers supplying fabric are not explicitly analyzed because of data limitations,[13] but U.S. exports of textiles to ATPA countries rose from $100 million in 2002 to $203 million in 2006 before decreasing to $183 million in 2007.[14] The 2006–07 decrease roughly parallels the decrease in U.S. imports of apparel from ATPA countries in 2007.

Items Analyzed

Although a large number of products are eligible for tariff preferences under ATPA, a relatively small group accounts for most of the imports that benefit exclusively from ATPA. Table 3.2 presents the 20 leading products that benefited exclusively from ATPA in 2007; they are ranked on the basis of their cost, insurance, and freight (c.i.f.) import values.[15] Those products totaled $10.8 billion (94 percent) of the $11.5 billion in imports that benefited exclusively from ATPA during 2007.[16] The five leading ATPA-exclusive imports in 2007 were (1) heavy crude oil (HTS 2709.00.10), (2) light crude oil, (3) copper cathodes from Peru (which exceeded its GSP competitive need limit), (4) heavy fuel oil, and (5) fresh-cut roses. As shown in chapter 2, Ecuador was the leading supplier of heavy crude oil, Colombia was the leading supplier of light crude oil and fresh-cut roses, and Peru was the leading supplier of copper cathodes and heavy fuel oil.[17] In 2006, just as in 2007, heavy crude oil ranked first among ATPA-exclusive imports, and light crude oil ranked second.[18]

For any particular product, the U.S. market share accounted for by ATPA-exclusive imports (value of imports benefiting exclusively from ATPA relative to apparent consumption) was a major factor in determining the estimated impact on competing domestic producers.[19] These market shares varied considerably in 2007 (table 3.3). For instance, the market share of ATPA-exclusive imports of fresh-cut roses was approximately 92 percent, whereas the market share of ATPA-exclusive imports of heavy fuel oil was 0.7 percent.

[13] To make estimates of the impact of ATPA on U.S. textile producers, it would be necessary to separate imports of apparel made with U.S. fabric from imports made from regional fabric. Data available to the Commission do not allow this distinction to be made.

[14] Based on Standard International Trade Classification code 65

[15] In the analysis, U.S. market expenditure shares were used to compute estimates of welfare and domestic production displacement effects. Because U.S. expenditures on imports necessarily include freight and insurance charges and duties, when applicable, the analysis used c.i.f. values for duty-free products benefiting exclusively from ATPA, and landed, duty-paid values for the remaining imports. Landed, duty-paid values are equal to c.i.f. values for products entering free of duty.

[16] The import values reported in tables 3.2 and 3.3 reflect only that portion of imports under each HTS number that entered free of duty under ATPA. Even though all of these items were eligible for ATPA tariff preferences, full duties were paid on a certain portion of imports under each HTS provision for a variety of reasons, such as failure to claim preferences, insufficient documentation, and indirect shipment patterns.

[17] Leading ATPA suppliers are shown in table D.3.

[18] For the list of items benefiting exclusively from ATPA in 2006, see table D.4.

[19] Other factors include the ad valorem equivalent tariff rate; the substitutability among beneficiary imports, nonbeneficiary imports, and domestic production; and the overall demand elasticity for the product category.

Estimated Effects on Consumers and Producers

Tables 3.4 and 3.5 present the estimated impact of ATPA tariff preferences related to leading imports that benefited exclusively from ATPA in 2007.[20] Estimates of the gains in consumer surplus and the losses in tariff revenue, as well as measures of the potential displacement of U.S. production, are discussed next.

Effects on U.S. consumers

Knitted cotton tops (HTS 6110.20.20) provided the largest estimated gain in consumer surplus resulting exclusively from ATPA tariff preferences in 2007, from $40 million to $44 million (table 3.4). Without ATPA, the price that U.S. consumers (importers) would have paid for imports of knitted cotton tops from ATPA countries would have been as much as 15.7 percent higher (the ad valorem duty rate, adjusted for freight and insurance charges).

Fresh or chilled asparagus (HTS 0709.20.90) provided the second-largest estimated gain in consumer surplus, from $31 million to $33 million. Without ATPA, the price of imports of such asparagus from ATPA countries would have been as much as 14.4 percent higher. In general, products providing the largest gains in consumer surplus also have either some of the highest NTR tariff rates or the largest volumes of imports, or both. ATPA preferences also reduced U.S. tariff revenues, offsetting much of the gain in consumer surplus. For example, for tuna in airtight containers[21] (HTS 1604.14.30), lower tariff revenues offset 76 percent to 85 percent of the gain in consumer surplus; for women's or girls' knitted cotton shirts (HTS 6106.10.00), the offset was about 77 percent to 88 percent; and for knitted cotton T-shirts (HTS 6109.10.00), the offset was about 81 percent to 90 percent. For many of the other products listed in table 3.4, reduced tariff revenues offset nearly all of the gain in consumer surplus; this situation typically occurs when NTR duty rates are relatively low, as is the case with many ATPA-exclusive products. Overall, the estimated net welfare effects of ATPA were small. The gain in consumer surplus (column A of table 3.4) was greater than the corresponding decline in tariff revenue (column B) for all of the products analyzed for which data were available. Of the resulting estimated net welfare gains, the largest were for knitted cotton tops ($4.5 million to $7.8 million), knitted cotton T-shirts ($2.4 million to $4.0 million), and fresh or chilled asparagus ($1.2 million to $2.8 million). Men's or boys' knitted cotton shirts (HTS 6105.10.00), knitted cotton T-shirts, and men's or boys' woven cotton trousers and shorts (HTS 6203.42.40) had the largest estimated net welfare gains in 2005.[22]

[20] The methodology used is described in app. C.
[21] All of the tuna benefiting exclusively from ATPA under HTS 1604.14.30 was entered in flexible foil containers under HTS 1604.14.3051 and 1604.14.3091. For more information, see chap. 2.
[22] See USITC, *ATPA, Twelfth Report, 2005*, 2006, table 3-4, 3-8.

TABLE 3.3 Leading imports that benefited exclusively from ATPA, apparent U.S. consumption, and ATPA exclusive market share, 2007

HTS number	Description	Imports from ATPA countries (c.i.f. value) (A)	Apparent U.S. consumption (B)[a]	Market share (A/B)
		-----------*1,000 dollars*----------		*Percent*
2709.00.10	Petroleum oils and oils from bituminous minerals, crude, testing under 25 degrees A.P.I.	6,093,102	113,781,357	5.4
2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more	1,685,836	199,844,673	0.8
7403.11.00	Refined copper cathodes and sections of cathodes	997,680	15,539,748	6.4
2710.19.05	Distillate and residual fuel oil (including blends) derived from petroleum or oils from bituminous minerals, testing under 25 degrees A.P.I.	431,745	66,703,390	0.7
0603.11.00	Sweetheart, spray, and other roses, fresh cut	409,960	445,960	91.9
6110.20.20	Sweaters, pullovers, and similar articles, knitted or crocheted, of cotton n.e.s.o.i.	311,559	10,605,057	2.9
2710.11.25	Naphthas (exc. motor fuel/mtr fuel blend. stock) fr petroleum oils & bitumin minerals (o/than crude) or preps 70%+ by wt. fr petroleum oils	305,377	7,164,368	4.3
0709.20.90	Asparagus n.e.s.o.i., fresh or chilled	236,079	420,959	56.1
6105.10.00	Men's or boys' shirts, knitted or crocheted, of cotton	170,382	([b])	([b])
6109.10.00	T-shirts, singlets, tank tops, and similar garments, knitted or crocheted, of cotton	162,749	4,482,800	3.6
6203.42.40	Men's or boys' trousers and shorts, not bibs, not knitted or crocheted, of cotton, not containing 15% or more by weight of down, etc.	100,533	([b])	([b])
0603.19.00	Fresh-cut anthuriums, alstroemeria, gypsophilia, lilies, snapdragons, and flowers n.e.s.o.i.	83,383	761,556	11.0
0603.14.00	Chrysanthemums, fresh cut	82,513	97,584	84.6
1604.14.30	Tunas and skipjack, not in oil, in airtight containers, n/o 7 kg, not of U.S. possessions, over quota	69,338	1,133,702	6.1
6106.10.00	Women's or girls' blouses and shirts, knitted or crocheted, of cotton	54,528	1,369,686	4.0
0603.12.70[c]	Other carnations, fresh cut	51,741	([b])	([b])
2005.99.80	Artichokes, prepared or preserved otherwise than by vinegar or acetic acid, not frozen	41,385	93,078	44.5
0710.80.97	Vegetables n.e.s.o.i., uncooked or cooked by steaming or boiling in water, frozen, reduced in size	41,217	([b])	([b])
2613.90.00	Molybdenum ores and concentrates, not roasted	38,985	3,977,098	1.0
6908.90.00	Glazed ceramic flags and paving, hearth, or wall tiles; glazed ceramic mosaic cubes and the like n.e.s.o.i.	27,974	2,204,585	1.3

Source: Estimated by the U.S. International Trade Commission from official statistics of the U.S. Department of Commerce.

Note: The abbreviation n.e.s.o.i. stands for “not elsewhere specified or otherwise included.”

[a] Apparent U.S. consumption defined as U.S. production plus total imports (landed, duty-paid basis) minus exports.
[b] U.S. production and/or export data not available.
[c] Exports of other carnations not available separately. ATPA-exclusive market share is at least 96 percent.

TABLE 3.4 Estimated welfare effects on the United States of leading imports that benefited exclusively from ATPA, 2007
(*1,000 dollars*)

HTS number	Description	Gain in consumer surplus (A)		Loss in tariff revenue (B)		Net welfare effect (A-B)	
		Upper estimate	Lower estimate	Upper estimate	Lower estimate	Upper estimate	Lower estimate
2709.00.10	Petroleum oils and oils from bituminous minerals, crude, testing under 25 degrees A.P.I.	5,827	5,832	5,814	5,824	13	8
2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more	3,274	3,280	3,258	3,271	16	10
7403.11.00	Refined copper cathodes and sections of cathodes	9,663	9,752	9,439	9,615	224	137
2710.19.05	Distillate and residual fuel oil (including blends) derived from petroleum or oils from bituminous minerals, testing under 25 degrees A.P.I.	408	408	407	408	1	1
0603.11.00	Sweetheart, spray, and other roses, fresh cut	21,473	21,542	20,725	20,858	748	684
6110.20.20	Sweaters, pullovers, and similar articles, knitted or crocheted, of cotton n.e.s.o.i.	39,665	43,982	31,905	39,477	7,759	4,505
2710.11.25	Naphthas (exc. motor fuel/mtr fuel blend. stock) fr petroleum oils & bitumin minerals (o/than crude) or preps 70%+ by wt. fr petroleum oils	293	294	293	293	1	([a])
0709.20.90	Asparagus n.e.s.o.i., fresh or chilled	30,811	32,683	28,007	31,514	2,804	1,169
6105.10.00	Men's or boys' shirts, knitted or crocheted, of cotton	([b])	([b])	([b])	([b])	([b])	([b])
6109.10.00	T-shirts, singlets, tank tops, and similar garments, knitted or crocheted, of cotton	20,754	22,998	16,708	20,645	4,046	2,353
6203.42.40	Men's or boys' trousers and shorts, not bibs, not knitted or crocheted, of cotton, not containing 15% or more by weight of down, etc.	([b])	([b])	([b])	([b])	([b])	([b])
0603.19.00	Fresh-cut anthuriums, alstroemeria, gypsophilia, lilies, snapdragons, and flowers n.e.s.o.i.	4,032	4,169	3,755	4,017	277	152
0603.14.00	Chrysanthemums, fresh cut	4,012	4,035	3,869	3,913	143	121
1604.14.30	Tunas and skipjack, not in oil, in airtight containers, n/o 7 kg, not of U.S. possessions, over quota	6,509	7,213	4,924	6,116	1,585	1,097
6106.10.00	Women's or girls' blouses and shirts, knitted or crocheted, of cotton	8,035	9,064	6,217	7,979	1,818	1,085
0603.12.70	Other carnations, fresh cut	([b])	([b])	([b])	([b])	([b])	([b])
2005.99.80	Artichokes, prepared or preserved otherwise than by vinegar or acetic acid, not frozen	5,187	5,579	4,623	5,351	565	228
0710.80.97	Vegetables n.e.s.o.i., uncooked or cooked by steaming or boiling in water, frozen, reduced in size	([b])	([b])	([b])	([b])	([b])	([b])
2613.90.00	Molybdenum ores and concentrates, not roasted	116	116	115	115	1	1
6908.90.00	Glazed ceramic flags and paving, hearth, or wall tiles; glazed ceramic mosaic cubes, and the like n.e.s.o.i.	1,604	1,704	1,414	1,601	189	103

Source: Estimated by the U.S. International Trade Commission from official statistics of the U.S. Department of Commerce.

Note: The abbreviation n.e.s.o.i. stands for "not elsewhere specified or otherwise included."

[a] Less than $500.
[b] Welfare and displacement effects were not calculated because of unavailability of U.S. production and/or export data.

TABLE 3.5 Estimated displacement effects on production in the United States of leading imports that benefited exclusively from ATPA, 2007

HTS number	Description	U.S. production	Reduction in U.S. production: Value, Upper estimate	Value, Lower estimate	Share, Upper estimate	Share, Lower estimate
		------------1,000 dollars		*------------*	*Percent*	
2709.00.10	Petroleum oils and oils from bituminous minerals, crude, testing under 25 degrees A.P.I.	43,022,387	9,227	4,812	0.02	0.01
2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more	79,898,719	5,424	2,829	0.01	([a])
7403.11.00	Refined copper cathodes and sections of cathodes	9,994,725	25,007	12,496	0.25	0.13
2710.19.05	Distillate and residual fuel oil (including blends) derived from petroleum or oils from bituminous minerals, testing under 25 degrees A.P.I.	42,928,557	884	461	([a])	([a])
0603.11.00	Sweetheart, spray, and other roses, fresh cut	28,798	1,886	303	6.55	1.05
6110.20.20	Sweaters, pullovers, and similar articles, knitted or crocheted, of cotton, n.e.s.o.i.	([b])	([b])	([b])	([b])	([b])
2710.11.25	Naphthas (exc. motor fuel/mtr fuel blend. stock) fr petroleum oils & bitumin minerals (o/than crude) or preps 70%+ by wt. fr petroleum oils	1,066,520	110	58	0.01	0.01
0709.20.90	Asparagus n.e.s.o.i., fresh or chilled	90,967	15,550	4,113	17.09	4.52
6105.10.00	Men's or boys' shirts, knitted or crocheted, of cotton	([b])	([b])	([b])	([b])	([b])
6109.10.00	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton	790,900	6,177	1,395	0.78	0.18
6203.42.40	Men's or boys' trousers and shorts, not bibs, not knitted or crocheted, of cotton, not containing 15% or more by weight of down, etc	([b])	([b])	([b])	([b])	([b])
0603.19.00	Fresh-cut anthuriums, alstroemeria, gypsophilia, lilies, snapdragons, and flowers n.e.s.o.i.	359,700	3,423	568	0.95	0.16
0603.14.00	Chrysanthemums, fresh cut	12,899	840	136	6.51	1.05
1604.14.30	Tunas and skipjack, not in oil, in airtight containers, n/o 7 kg, not of U.S. possessions, over quota	550,000	18,454	10,526	3.36	1.91
6106.10.00	Women's or girls' blouses and shirts, knitted or crocheted, of cotton	102,000	1,058	239	1.04	0.23
0603.12.70	Other carnations, fresh cut	649	([b])	([b])	([b])	([b])
2005.99.80	Artichokes, prepared or preserved otherwise than by vinegar or acetic acid, not frozen	0	0	0	0.00	0.00
0710.80.97	Vegetables n.e.s.o.i., uncooked or cooked by steaming or boiling in water, frozen, reduced in size	([b])	([b])	([b])	([b])	([b])
2613.90.00	Molybdenum ores and concentrates, not roasted	4,334,963	421	211	0.01	([a])
6908.90.00	Glazed ceramic flags and paving, hearth, or wall tiles; glazed ceramic mosaic cubes, and the like n.e.s.o.i.	585,000	1,545	662	0.26	0.11

Source: Estimated by the U.S. International Trade Commission from official statistics of the U.S. Department of Commerce.

Note: The abbreviation n.e.s.o.i. stands for "not elsewhere specified or otherwise included."

[a] Less than 0.005 percent.
[b] Welfare and displacement effects were not calculated because of unavailability of U.S. production and/or export data.

Effects on U.S. producers[23]

Estimates of the potential displacement of domestic production (table 3.5) were small for most of the individual sectors.[24] The analysis indicates that the largest potential relative displacement effects were for asparagus (4.5 percent to 17.1 percent displaced, valued at $4.1 million to $15.6 million); fresh-cut roses (1.1 percent to 6.6 percent displaced, valued at $0.3 million to $1.9 million); and chrysanthemums (1.1 percent to 6.5 percent of U.S. domestic production displaced, valued at $0.1 million to $0.8 million), mainly because of the very high U.S. market shares enjoyed by these products (see table 3.3). However, even the upper estimates of the displacement share for the majority of the products benefiting exclusively from ATPA were less than 1 percent.

Highlights of U.S. Industries Most Affected by ATPA

Industries having estimated displacements of 5 percent or more, based on upper estimates, were chosen for further analysis. In 2007, three products that benefited exclusively from ATPA met this criterion: asparagus, fresh-cut roses, and chrysanthemums. Asparagus and cut flowers likewise were identified as having an estimated displacement of 5 percent or more in 2005.[25] Asparagus and cut flowers are discussed in greater detail in the following sections.

Fresh or Chilled Asparagus

U.S. imports of fresh or chilled asparagus in 2007 were entered principally under HTS 0709.20.90 (other fresh or chilled asparagus),[26] dutiable at 21.3 percent ad valorem.[27] These imports were eligible for duty-free or reduced-duty treatment under several preferential

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[23] As noted in chap. 1 and app. C, the Commission's analysis assumes that the domestic supply is perfectly elastic. This assumption means that any change in the demand for domestic production (such as that resulting from a drop in the price of imports from ATPA country suppliers) results in quantity changes and not price changes.

[24] U.S. market share, ad valorem equivalent tariff rate, and elasticity of substitution between beneficiary imports and competing U.S. production are the main factors that affect the estimated displacement of U.S. domestic shipments. In general, the larger the ATPA share of the U.S. market, ad valorem equivalent tariff rate, and substitution elasticity, the larger the displacement of domestic shipments.

[25] See USITC, *ATPA, Twelfth Report, 2005*, 3-10.

[26] Imports of fresh asparagus under HTS 0709.20.90 accounted for 99 percent by value of total fresh asparagus imports and 98 percent of total fresh asparagus imports under ATPA in 2007. Unless otherwise noted, the product described throughout this section of the report is that covered under that HTS number.

[27] Imports of fresh asparagus also were entered under HTS 0709.20.10 (fresh or chilled asparagus not reduced in size, entered during the period from September 15 to November 15, inclusive, in any year, and transported by air), dutiable at the rate of 5 percent ad valorem. Such imports were eligible for duty-free treatment under GSP (from all designated beneficiary developing countries except Peru, which had exceeded the competitive need limit and thus was ineligible in 2007), ATPA, CBERA, NAFTA, CAFTA-DR, and FTAs with Bahrain, Chile, Israel, Jordan, Morocco, and Singapore, and were eligible for reduced-duty treatment under an FTA with Australia. Duties on imports of fresh or chilled asparagus from Mexico under HTS 0709.20.10 were eliminated in 1999. Imports under 0709.20.10 from ATPA countries dropped sharply to $4.5 million in 2006 and $3.2 million in 2007 from $23.6 million in 2005, but this change has made virtually no difference in total imports of fresh asparagus from ATPA countries.

programs and FTAs, including duty-free treatment under ATPA.[28] Total U.S. imports of fresh or chilled asparagus[29] amounted to $275.3 million in 2007, up by 10 percent from 2006, with rising imports from Peru accounting for nearly all of the increase. Peru and Mexico are the major foreign suppliers to the U.S. market, together accounting for 98 percent of imports by value in 2007; other suppliers of note include Canada, Colombia, and Ecuador. U.S. imports of fresh asparagus from ATPA countries have risen dramatically since the implementation of ATPA, to account for 67 percent of total U.S. fresh-asparagus consumption volume in 2007.[30] Imports from ATPA countries amounted to $159.4 million in 2007, up 26 percent from 2006. Peru was by far the major Andean supplier of fresh asparagus to the U.S. market in 2007,[31] supplying nearly all imports under ATPA and 57 percent of all U.S. fresh-asparagus imports by customs value (66 percent by c.i.f. value).

U.S. production of fresh-market asparagus amounted to 91.8 million pounds in 2007, up by 1 percent from 91.1 million pounds in 2006 but down by 20 percent from 114.4 million pounds in 2005.[32] Fresh-market asparagus production value rose by 12 percent from $81.0 million in 2006 to $91.0 million in 2007, but was down by 9 percent from 2005 to 2007.[33] The leading state in the production of fresh-market asparagus in 2007 was California, which sells nearly all of its production in the fresh market—mostly in the Western and Southwestern United States.[34] The leading states in the production of asparagus for processing (canning and freezing) were Michigan and Washington, although some asparagus produced in those states was sold in the fresh market. Michigan asparagus growers have reported lower overall sales of asparagus for all uses and a greater share of sales to the fresh market in recent years. They report that any decline in prices of asparagus for processing forces more asparagus to be sold to the fresh market already supplied by imports.[35] Annual U.S. per capita consumption of fresh-market asparagus amounted to 1.5 pounds in 2007, up negligibly from 1.4 pounds in 2006 but about 50 percent higher than per capita consumption

[28] Imports entered under HTS 0709.20.90 were eligible for duty-free treatment under GSP from all designated least-developed beneficiary developing countries (no ATPA country qualifies as a least-developed beneficiary developing country), ATPA, the African Growth and Opportunity Act (AGOA), CBERA, NAFTA (Canada only), CAFTA-DR, and FTAs with Israel and Jordan. Imports under FTAs with Chile, Singapore, Morocco, Bahrain, and Australia were eligible for entry at reduced rates. Under NAFTA, the duty on eligible imports from Mexico under HTS 0709.20.90 was reduced to free in 2008. In 2007, eligible imports from Mexico under HTS 0709.20.90 of fresh or chilled white asparagus entered any time during the year (HTS 9906.07.31) were free of duty. Eligible imports of other fresh or chilled asparagus from Mexico under HTS 0709.20.90 were dutiable at a rate of 1.1 percent ad valorem if entered during the month of January (HTS 9906.07.32), 1.6 percent ad valorem if entered during the period from February 1 to June 30, inclusive (HTS 9906.07.33), and were free of duty if entered from July 1 to December 31, inclusive (HTS 9906.07.34)

[29] Includes only HTS 0709.20.90. Except where noted, import values and market shares referred to in this section are calculated on Customs value basis and therefore may not be comparable with tab. 3.3.

[30] Calculated by Commission staff combining U.S. fresh-market production quantity with U.S. fresh-asparagus imports from ATPA countries quantity and removing U.S. fresh-asparagus export quantity.

[31] Mexico was supplanted by Peru as the most important foreign supplier of all fresh asparagus to the U.S. market in 2003 and Peru has maintained its lead over Mexico each year since. Nonetheless, Mexico still accounts for about 40 percent annually of total U.S. fresh asparagus imports and, with the domestic Mexican market principally a residual market for fresh-market asparagus sales, the United States continues to be a major market for Mexican asparagus exports. See USDA, FAS, *Mexico Asparagus Annual*, July 10, 2006, 4.

[32] USDA, NASS, *Vegetables*, 35.

[33] Ibid.

[34] Written statement on behalf of the Peruvian Asparagus Importers Association, June 2008, 9.

[35] Industry official, telephone interview by Commission staff, June 19, 2008.

in the 1990s.[36] Annual per capita consumption of canned and frozen asparagus has been stagnant at 0.2 and 0.1 pounds, respectively, for a number of years.[37]

Historically, the season for U.S. production differed substantially from that of most imports from ATPA countries. Production in California typically starts in February, peaks in April, and continues through June, whereas production in Washington and Michigan starts in April and ends in June (see figure 3.1). About two-thirds of imports from Mexico in recent years entered during January–March, just prior to and at the start of the California season. The bulk of fresh asparagus imports from ATPA countries enters from July through the following January, when overall U.S. production is low. According to USDA data on product availability (i.e., domestic production plus imports) by months, the share of total imports from Peru and their respective market share rose from 62 percent of the total in July 2007 to greater than 80 percent each month during August through December (figure 3.1). In recent years, imports from ATPA countries (mainly Peru) have entered in significant amounts during most other months as well but especially during May and June, coinciding with those months when California production is still in the market and production in Washington and Michigan would normally be at their peak, but account for a small market share in these months. In May and June 2007, imports from Peru accounted for 86 and 62 percent, respectively, of total imports, but only 16 and 38 percent, respectively, of market share during those months.

According to USDA statistics, average monthly prices for fresh-market asparagus have trended downward from January through March as domestic production increases annually.[38] With U.S. production highest during the period of mid-February through mid-May and with substantial supplies from Mexico also available during January-March, the price of fresh asparagus during these months may approach a level where it is not as profitable for importers to handle supplies of foreign producers, resulting in a drop in imports from Peru and other suppliers.

According to the Peruvian Asparagus Importers Association, U.S. consumers have benefited from imports of Peruvian fresh-market asparagus under ATPA because, together with Mexican exports and U.S. production, there is now greater availability of fresh asparagus throughout the year.[39] The Association also states that the bulk of imports from Peru enter through the Port of Miami for sale predominantly in the Eastern United States in areas where local production is minimal.[40]

Peru's exports to the world of fresh asparagus increased by 119 percent in value from 2003 to 2007, and by 26 percent from 2006 to 2007.[41] The United States has been the major export market for Peruvian asparagus, principally green asparagus, for a number of years, accounting for 67 percent of Peruvian fresh asparagus exports in 2007.[42] There is no official Peruvian government policy encouraging asparagus production.[43] The Peruvian asparagus

[36] USDA, ERS, *Vegetables and Melons Situation and Outlook Yearbook*, table 1, 13–14.
[37] Ibid.
[38] Ibid., table 27, 38.
[39] Written statement on behalf of the Peruvian Asparagus Importers Association, June 2008, 11.
[40] Ibid.
[41] Global Trade Atlas database.
[42] Ibid.
[43] USDA, FAS, *Peru Asparagus Annual 2007*, 6.

industry provides jobs for an estimated 60,000 workers,[44] and has become an important part of overall economic development in Peru.[45] The Peruvian government has recently begun to promote exports through Prompex (the export promotion committee). The Peruvian Asparagus and Horticulture Institute, a non-profit association financed through an industry-wide exporters check-off system, provides assistance to growers and exporters in the areas of foreign-market promotion and development.[46]

USDA projects U.S. fresh-asparagus imports from ATPA countries will continue rising in the near future,[47] despite Peruvian industry comments that growth of the global market for fresh asparagus has slowed.[48] Peruvian fresh-asparagus production fell 1 percent from 2006 to 2007 but was forecast to rise 2 percent from 2007 to 2008.[49] Peru is still one of the largest global producers of asparagus, with annual production levels greater than those in the United States and Mexico combined,[50] and asparagus currently is the second-leading agricultural export from Peru.[51]

Changes in land tenure are attracting greater amounts of investment capital to the production of highly profitable crops, such as asparagus, with a stable foreign demand.[52] Growers in Peru, benefiting from a favorable climate and relying more on wells and drip irrigation systems,[53] achieve the highest global asparagus crop yields and are located in one of only a few countries able to produce high-quality asparagus year round.[54] Although production costs are rising, asparagus is still considered a profitable crop to grow in Peru.[55]

Fresh-Cut Flowers

Fresh-cut flowers have been a major component of U.S. imports from ATPA countries since the 1980s, and they continue to represent an important economic activity of ATPA beneficiary countries. ATPA countries supplied 96 percent of the total value of U.S. imports of fresh-cut roses (HTS 0603.11) and 96 percent of the total value of U.S. imports of chrysanthemums (HTS 0603.14) in 2007.[56] Virtually all U.S. imports of these fresh-cut flower categories from beneficiary countries entered free of duty under ATPA. U.S. imports of fresh-cut flowers from ATPA countries are primarily sourced from Colombia and Ecuador, with Colombia dominating the trade, particularly in chrysanthemums.

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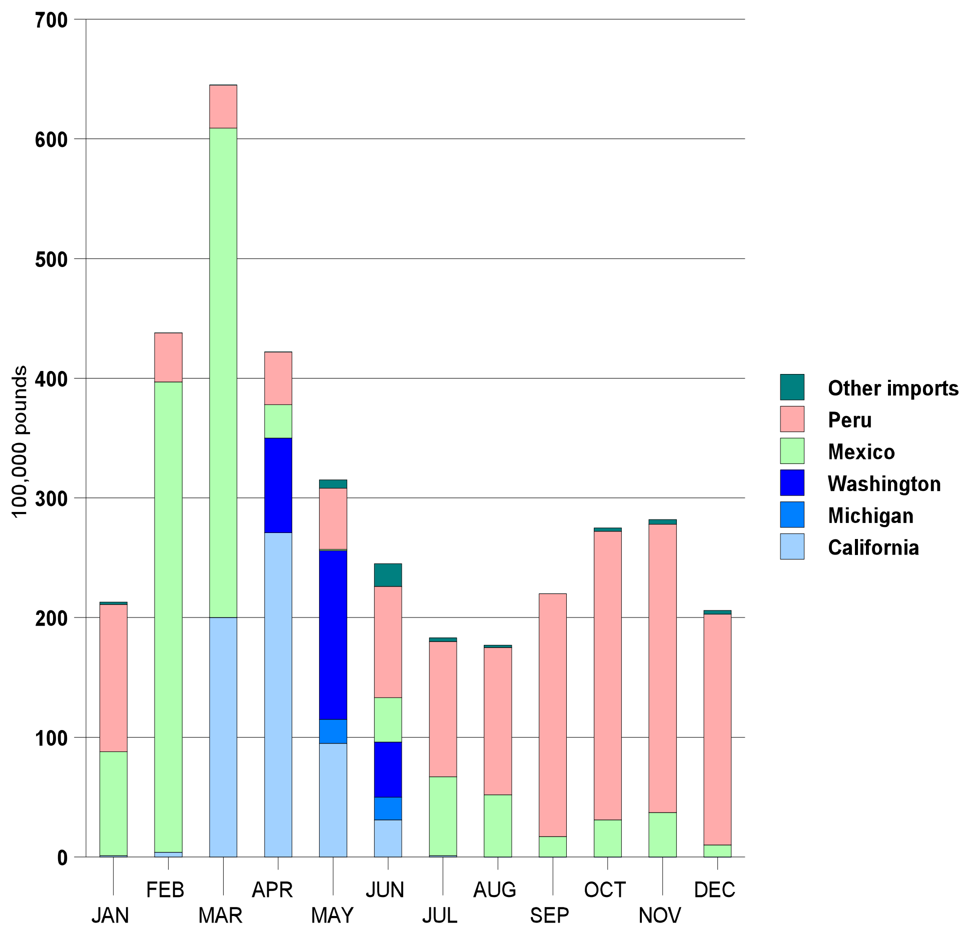
[44] Written statement on behalf of the Peruvian Asparagus Importers Association, June 2008, 5.
[45] USDA, FAS, *Peru Asparagus Annual 2007*, 6.
[46] Ibid.
[47] Ibid., 2.
[48] Ibid., 4.
[49] Ibid., 3–4.
[50] USDA, FAS, *World Horticultural Trade and U.S. Export Opportunities*, August 2005, and "World Asparagus Situation and Outlook," 1-5.
[51] USDA, FAS, *Peru Asparagus Annual 2007*, 2.
[52] Ibid., 4.
[53] Ibid., 4.
[54] Written statement on behalf of the Peruvian Asparagus Importers Association, June 2008, 4.
[55] USDA, FAS, *Peru Asparagus Annual 2007*, 4.
[56] The imports and market shares referred to in this section are calculated on a Customs value basis and therefore may not be comparable with table 3.3.

Figure 3.1 Fresh asparagus shipments in the United States, by source, 2007



Source: USDA, Agricultural Marketing Service, Fresh Fruit and Vegetable Shipment, http://www.ams.usda.gov

Fresh-cut flowers are a major nontraditional agricultural export product for both Colombia and Ecuador, which were the first- and third-largest exporters of fresh-cut flowers in the world in 2007, respectively.[57] Both countries enjoy year-round production and benefit from abundant water, labor, and high-quality land. The United States is an important fresh-cut flower export market for ATPA countries, accounting for 61 percent of the total value of Colombian exports ($832 million) and 28 percent of Ecuadorian exports ($524 million) in 2007.[58] U.S. companies have reportedly invested more than $250 million in the Colombian flower industry and own approximately 17 percent of total Colombian cut-flower production.[59]

[57] These rankings do not account for intra-EU trade. Global Trade Atlas database.
[58] Global Trade Atlas database.
[59] Christine Boldt, Executive Vice President, Association of Floral Importers of Florida, USITC hearing transcript, 120.

The wholesale value of domestically produced fresh-cut flowers was $416 million in 2007.[60] The number of commercial U.S. cut-flower growers continued to decline in 2007, falling to 349 from 380 the previous year,[61] and U.S. growers continued to face significant competition from cut-flower imports, which represented more than one-half of U.S. fresh-cut flower sales.

Import prices rose 4 percent in 2007 over 2006, continuing the trend since 2002 induced by higher freight, energy, and fertilizer costs faced by exporters, and more recently, in the case of Colombia, by the depreciation of the U.S. dollar. However, despite the steady import price rise, the relatively low-priced imports continued to place downward price pressure on all cut flowers in the U.S. market in 2007.[62] Low-priced cut flowers are a result of the trend in the industry toward large-volume production and mass marketing, reflecting increasing sales to supermarkets, home centers, and discount stores. Demand for cut flowers in the U.S. market in 2007 weakened as consumer spending was constrained by inflation and high oil prices.

U.S. cut-flower growers increasingly produce high-value, relatively fragile cut varieties with limited import competition (e.g., lilies, tulips, and gerbera daisies) as well as other nursery products such as annual and perennial flowering plants. U.S. production of roses and chrysanthemums accounted for only 10 percent of total U.S. production of cut flowers in 2007. Imports of roses and chrysanthemums accounted for 94 percent of U.S. consumption of those flowers (on a Customs value basis) and 50 percent of U.S. consumption of cut flowers of all types. Some U.S. growers have differentiated their products from imports to some extent by offering services not available from importers, such as quick turnaround times on special orders.

Increasing import volumes of roses and chrysanthemums from ATPA countries have had a beneficial impact on U.S. consumers, who are able to purchase high-quality flowers in multiple varieties at low prices. Many U.S. importers, distributors, and retail florists depend heavily on moderately priced fresh-cut flowers from overseas. According to the Association of Floral Importers of Florida, imports of cut flowers directly and indirectly contribute more than 220,000 jobs to the U.S. market[63] in areas such as transportation companies, import brokerage houses, wholesalers, retail florist shops, supermarkets, mass merchandisers, and convenience stores. The floral importing industry in the Miami area alone reportedly spends almost $20 million annually on insurance, professional fees, and office expenses.[64]

U.S. market conditions and the oversupply of flowers on the world market have reduced profit margins of cut-flower exporters in ATPA countries to levels of 2 percent to 5 percent,[65] generally less than the current tariff preference. Growers in ATPA countries report that they are limited in their cost control measures because direct labor can account for up

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[60] USDA, NASS, *Floriculture Crops, 2007 Summary*.

[61] Ibid. The number of growers includes only those with more than $100,000 in annual sales.

[62] USDA, ERS, *Floriculture and Nursery Crops Yearbook.*

[63] Bill Fernandez, Vice President, Association of Floral Importers of Florida, USITC hearing transcript, 122.

[64] South Florida Industry Statistics, Association of Floral Imports of Florida, *http://www.afifnet.org/sflstats.htm*.

[65] Dolan, "How Roses Can Brighten Mom's Day," May 1, 2008; and Wholesale Florist & Florist Supplier Association, written submission to the USITC, July 28, 2008, 1.

to 50 percent of the total cost of production.[66] In addition, transportation costs for cut flowers from ATPA countries are high, especially when transportation costs from Miami (the main port of entry) to other U.S. destinations are included.[67] When these high transportation costs are considered, the roughly 6 percent to 7 percent ad valorem U.S. tariff eliminated under ATPA makes up a much smaller portion of the final cost to consumers, somewhat mitigating the impact of the tariff preferences under ATPA. This tariff preference of 6–7 percent is, nevertheless, important to continued viability in light of the 2–5 percent profit margins.

Much of the current high market share of imports from ATPA countries was attained before ATPA was implemented. The small advantage of duty-free treatment under ATPA noted above probably has only a modest impact on U.S. growers of roses and chrysanthemums. In addition, the diversification by U.S. growers into other cut-flower varieties and nursery products probably lessens the impact of preferential duty treatment under ATPA for roses and chrysanthemums on the U.S. industry as a whole.

Fresh-cut roses

U.S. imports of fresh-cut roses (HTS 0603.11.00) in 2007 were dutiable at the NTR rate of 6.8 percent ad valorem.[68] U.S. imports of fresh-cut roses from all sources totaled $340 million in 2007, an increase of 13 percent over the previous year. Colombia and Ecuador were the leading suppliers, accounting for 72 percent and 24 percent, respectively, of the total value in 2007. U.S. imports of fresh-cut roses from all ATPA sources totaled $337 million in 2007, an increase of 17 percent from the previous year, virtually all of which entered free of duty under ATPA. Colombia supplied 75 percent of the fresh-cut rose imports under the ATPA program in 2007, and Ecuador accounted for 25 percent. Peru supplied a negligible amount of imports of roses under the ATPA program, and no imports of roses from Bolivia were entered in 2007.

In 2007, U.S. sales of domestically produced roses fell to 72 million stems, valued at $29 million, from 82 million stems, valued at $31 million, the previous year.[69] This pattern continued the downward trend in the value of U.S. domestic production of fresh-cut roses that began in the late 1980s, as imported roses entered the United States in increasing quantities. Although the price of both U.S.-grown and imported roses increased slightly in 2007 over 2006, prices of imported roses remained lower than those of U.S.-grown roses.

Imports of roses from all sources accounted for 94 percent of the value of U.S. consumption of roses in 2007, up from 93 percent the previous year. Imports from ATPA countries in 2007 supplied 93 percent of the value of U.S. consumption, compared with 90 percent of its

[66] Augusto Solano, President, Colombian Flower Exporters Association, written submission to the Commission concerning inv. Nos. TA-131-28 and TA-2104-10, *U.S.-Andean Countries Free Trade Agreement: Advice Concerning the Probable Economic Effect of Providing Duty Free Treatment for Imports*, Feb. 17, 2004.

[67] Nearly all (99.9 percent) U.S. imports of cut flowers from ATPA countries are by air.

[68] In 2007, imports of fresh-cut roses were dutiable at the rate of 4.7 percent ad valorem for Australia under its FTA with the United States. Imports of fresh-cut roses were eligible for duty-free treatment under ATPA, CBERA, CAFTA-DR, NAFTA, AGOA, and FTAs with Bahrain, Chile, Israel, Morocco, Jordan, and Singapore. Imports of fresh-cut roses are not eligible for duty-free entry under GSP.

[69] USDA, NASS, *Floriculture Crops, 2007 Summary*.

value in 2006.[70] Colombia was the leading supplier, with imports from that country accounting for 68 percent of the value of U.S. consumption in 2007. Ecuador was second, with imports accounting for 23 percent of total U.S. consumption in 2007.

Fresh-cut chrysanthemums

U.S. imports of fresh-cut chrysanthemums (HTS 0603.14.00) were dutiable in 2007 at the NTR rate of 6.4 percent ad valorem.[71] In 2007, virtually all U.S. imports of fresh-cut chrysanthemums from the Andean countries entered free of duty under ATPA. U.S. imports of fresh-cut chrysanthemums from all sources increased slightly to $68 million in 2007. Colombia was by far the leading supplier, accounting for 95 percent of the total import value from all sources in 2007. Ecuador, the next largest ATPA supplier, accounted for less than 4 percent of total imports. No imports of chrysanthemums from either Bolivia or Peru were entered in 2007.

U.S. sales of domestically produced fresh-cut chrysanthemums held steady in 2007, decreasing by less than 1 percent from $13.0 million in 2006 to $12.9 million in 2007.[72] Total U.S. consumption of fresh-cut chrysanthemums increased by 2 percent in 2007 to $79 million. Imports from all sources accounted for 86 percent of the value of consumption in 2007, roughly the same proportion as in 2006. Imports from ATPA countries, virtually all from Colombia, supplied 83 percent of the Customs value of total U.S. consumption of fresh cut chrysanthemums in 2007, up only slightly from 82 percent in 2006.

Probable Future Effects of ATPA[73]

The first part of this chapter analyzed the direct effects on the United States of the elimination of import duties under ATPA, including ATPDEA. As previously reported in this series, most of the effects on the U.S. economy and consumers of a one-time elimination of duties under a preference program such as ATPA probably occurred within two years of the program's implementation. This part of the chapter analyzes the effects that may occur over time as a result of an increase in export-oriented investment in the Andean countries.

[70] Market shares are calculated using Customs value of all imports of fresh-cut roses from ATPA countries, not exclusively those that benefit from the ATPA program.

[71] In 2007, imports of fresh-cut chrysanthemums were dutiable at the rate of 1.6 percent ad valorem for Singapore and Australia under U.S. FTAs with those countries. Imports of fresh-cut chrysanthemums were eligible for duty-free treatment under the GSP (excluding those from Colombia, which exceeded the competitive-need limit), ATPA, CBERA, CAFTA-DR, NAFTA, and FTAs with Bahrain, Chile, Israel, Jordan, and Morocco.

[72] USDA, NASS, *Floriculture Crops, 2007 Summary*.

[73] Information for this section was gathered from a variety of sources. Information on ATPA-related investment activity and trends during 2007 was drawn largely from official telegrams from U.S. Embassies in the Andean region, except as noted. All four U.S. Embassies in the Andean countries responded to the Commission's request for information regarding new or expansion investments related to ATPA-eligible products. Of the four embassies, only one (Bolivia) was able to provide specific information regarding new or expansion ATPA-related investment. Sources of information on the general investment environment in the region have also been drawn from UNCTAD's *World Investment Report*, 2007, Economic Commission for Latin America and the Caribbean's (ECLAC), *Foreign Investment in Latin America and the Caribbean Report*, 2007, and various Economist Intelligence Unit (EIU) reports (e.g., country profiles and country reports for 2007 and 2008). The Commission's public hearing on July 22, 2008, and written submissions to the Commission provided evidence of the effects of economic environment uncertainties on potential investment in the Andean countries.

For example, investment in new production facilities or in the expansion of existing facilities may occur in response to the availability of ATPA tariff preferences and may lead to increased exports under ATPA to the United States. Therefore, the Commission has, to the extent possible, identified ATPA-related investment in the Andean countries as a proxy for the future trade effects of ATPA on the United States.[74] In addition, this section also presents country-specific investment environments in order to provide context for the overall potential for investment into the Andean countries. Given the importance of ATPA for apparel imports from the Andean countries, each country-specific discussion includes analysis of the apparel industry.[75] These textile and apparel sector analyses also provide informative examples of the effects of ATPA and how the recent short-term extensions have affected the investment environment and the potential for future economic effects on the United States stemming from ATPA trade preferences.

Two main factors hamper the identification of investment primarily related to ATPA. First, the pending bilateral FTAs that the United States has negotiated with Colombia and Peru make it difficult to disentangle investments prompted in anticipation of implementation of the FTAs from those prompted by ATPA.[76] In contrast to the temporary and unilateral trade preferences under ATPA, the FTAs would provide the certainty of a permanent trade partnership with the United States through a much broader range of bilateral trade- and investment-related market access openings.[77] Second, the repeated, last-minute, and limited-duration extensions of ATPA benefits over the last two years have heightened the level of uncertainty, potentially discouraging ATPA-related investment, especially for products that require larger or longer-term investments (see below).[78]

According to Andean and U.S. industry representatives and other sources (as cited later in this chapter), during 2007, major non-oil investments in ATPA-eligible products were constrained in most Andean countries by uncertainties related to ATPA's expiration and extension, as well as uncertainties related to the ratification and implementation of bilateral FTAs with the United States. Nevertheless, because of expectations that ATPA trade preferences would be replaced by similar trade preferences under bilateral FTAs, investors in Colombia and Peru faced fewer uncertainties than those in Bolivia and Ecuador. Andean and U.S. industry sources specifically identified reduced or lost investment in textiles and apparel, pouched tuna, and cut flowers. As elaborated upon in the country-specific sections below, U.S. embassies identified a few examples of the beginnings of shifts of production from countries without pending FTAs (Bolivia and Ecuador) to those with pending FTAs (Colombia and Peru). For example, industry analysts anticipate that exports from Ecuador, including flowers, will probably decline if ATPA expires and duties are reimposed,

[74] It is assumed that increased investment increases the capital stock and therefore the production base used to produce goods for export, increasing the probable future effects of ATPA beyond the direct effects of tariff reductions. The practice of using investment to assess the probable future economic effects on the United States was developed as part of the Commission's reporting requirement on the Caribbean Basin Economic Recovery Act where similar analysis is provided for Caribbean countries. For a more detailed discussion of the methodology, see USITC, *The Impact of the Caribbean Basin Economic Recovery Act, First Report, 1984–85*, USITC publication 1907, Sept. 1986, 4-1.

[75] See chap. 1 for details regarding ATPA apparel provisions.

[76] The FTAs negotiated with Colombia and Peru are described in chap. 1 of this report.

[77] See USITC, *U.S.-Peru Trade Promotion Agreement* and *U.S.-Colombia Trade Promotion Agreement* reports for additional information.

[78] ATPA legislation and its extensions are described in chap. 1 of this report.

particularly if the U.S. FTAs with Colombia and Peru are implemented, and investors shift to these countries in order to gain preferential access to the U.S. market.[79]

Information from the Commission's public hearing and from written submissions further support the effect ATPA uncertainty has had in dampening investment in the countries. The Secretary General of the Organization of American States (OAS) stated that "Even the mere uncertainty over the extension of the ATPDEA after the December deadline [is] already having an impact on investment and employment opportunities. Though there is no comprehensive data available, a net look at evidence suggests that investment might be moving to countries with a more permanent access to the U.S. market."[80] Industry representatives, particularly in the floral and textile and apparel sectors, reiterated this concern. The Association of Floral Importers of Florida noted that "[the] short term extensions of the ATPA over the last 2 years [have] had a big impact on the flower industry. As with most businesses, long term planning is necessary for business development and sustainability. Having only 6 to 10 month extensions put a lot of strain on our 'penny' industry. . . The uncertainty of possible duties if the ATPA is not renewed makes proper cost analysis and correct pricing almost impossible."[81] The Wholesale Florist & Florist Supplier Association made the same argument, stating that the "uncertainty of the renewal of the ATPA makes it difficult for our members to do business that often requires long term commitments."[82]

The effect has been particularly pronounced in the textile and apparel industry. VF Corporation, a U.S. apparel company, stated that "as a result of the last two short-term ATPA extensions, a significant amount of apparel production has already shifted out of the Andean region. The long term uncertainty regarding duty-free status has caused apparel brands and apparel retail managers to move production to geographic regions where cost structures are more stable and more predictable."[83] Levi Strauss, also a U.S. apparel company, notes that "the uncertainty surrounding the delayed implementation of the U.S.-Colombia free trade agreement and the failure to provide a long term extension of the ATPA has caused [Levi Strauss] to begin to reduce [its] orders from the region for the 2009 buying season."[84] Ametex, a textile and apparel producer in Bolivia, added that "[u]nfortunately, since the end of 2006, short-term, last minute extensions of the program by Congress—the most recent one for 10 months and expiring at the end of this year—have created business uncertainties that have discouraged companies from sourcing Andean garments."[85] The American Apparel and Footwear Association commented that since 2006, the industry has "seen a cumulative decline in both U.S. imports of apparel from the Andean region and U.S. exports of yarns and fabrics to those countries. Although there are isolated success stories, it is clear the industry is in decline as a direct result of the great uncertainty surrounding the continued expirations of ATPA and the future of the program."[86] The United States Association of Importers of Textiles and Apparel adds that as a result of ATPA uncertainty, the pending implementation of the U.S.-Peru and U.S.-Colombia FTAs, and "threats by some Members of Congress not to support continued inclusion of Bolivia and Ecuador in the ATPA

[79] Christine Boldt, Association of Floral Importers of Florida, USITC hearing transcript, 119.
[80] Secretary General José Miguel Insulza, OAS, USITC hearing transcript, 70–71.
[81] Christine Boldt, Association of Floral Importers of Florida, hearing transcript, 119.
[82] James E. Wanko, Wholesale Florist & Florist Supplier Association, written submission, July 28, 2008.
[83] John Strasburger, V.F. Corporation, USITC hearing transcript, 136.
[84] Helga Ying, Levi Strauss & Co., written submission, July 29, 2008.
[85] Marcos Iberkleid, Ametex, written submission, July 22, 2008.
[86] Steve Lamar, American Apparel and Footwear Association, written submission, July 29, 2008.

program, fewer and fewer orders are being placed in the region."[87] Such reactions by businesses in the Andean countries imply reduced production and investment in the region that will likely reduce future exports under ATPA to the United States, thereby dampening the probable future economic effect of ATPA.

The probable future effects of ATPA on the overall U.S. economy would probably be minimal even if current U.S. trade preferences were to continue for these countries, because U.S. imports from the Andean countries represented a very small portion of total U.S. imports in 2007 (1.08 percent), and an even smaller share of U.S. imports that benefited exclusively from ATPA (0.59 percent).[88] Although the U.S. embassies were able to identify some increased investment in industries benefiting from ATPA, the investments were primarily aimed at maintaining existing operations and competitiveness. In addition, other non-ATPA-related factors were often cited as particularly important in deterring additional investment, including inhospitable domestic investment environments, depreciation of the U.S. dollar, appreciation of the local currency, dampening U.S. economy, and market saturation in the United States. U.S. embassies, nevertheless, identified investments in textile and apparel, jewelry, wood furniture, tuna, and some agricultural products. Country-specific investments are described in more detail below.

Foreign Direct Investment in the Andean Countries

The most recent official foreign direct investment (FDI) statistics show that FDI inflows to the ATPA region increased to $12.1 billion in 2006 (table 3.6). FDI inflows overall increased to Bolivia, Ecuador, and Peru, and declined to Colombia.[89] FDI in the Andean countries continued to be concentrated in natural resource-based industries such as hydrocarbons and mining, where commodity prices remained relatively high.[90] The strong demand for commodities, especially from China and other emerging economies, contributed to FDI in extractive industries throughout the region, such as minerals in Peru and oil and gas in Bolivia, Colombia, and Peru. UNCTAD notes that "[o]n the policy front, the trend towards less FDI-friendly measures continued in some countries. These policy changes—concentrated mainly in the extractive industries—are extending to other industries considered 'strategic.'"[91] For example, although Ecuador experienced an increase in total FDI inflows, it experienced net FDI outflows in the natural resources sector in 2007 due to an unstable policy environment.[92] Some of the policy changes reducing investor confidence in the region, especially in Bolivia and Ecuador, are detailed below.

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[87] Laura E. Jones, United States Association of Importers of Textiles and Apparel, written submission, July 29, 2008.

[88] The minimal impact of ATPA on the United States was echoed by the Minister of Planning for Development for Bolivia and the Secretary General of the Andean Community. See hearing transcript, 35 and 45.

[89] Preliminary statistics for 2007 show that FDI inflows to the Andean countries continued to increase—to nearly $14.7 billion—rising in Colombia and Peru, but declining in Bolivia and Ecuador. ECLAC, *Foreign Investment in Latin America and the Caribbean, 2007*, table I.2.

[90] UNCTAD, *World Investment Report 2007*, 53.

[91] Ibid.

[92] ECLAC, *Foreign Investment in Latin America and the Caribbean, 2007*, Figure I.6.

TABLE 3.6 Foreign direct investment inflows, by host regions and by economies, 2002–07

(*Million dollars*)

Host region/economy	2002	2003	2004	2005	2006	2007
World	716,128	632,599	742,143	945,795	1,305,852	1,777,183
Developing countries	155,528	166,337	283,030	314,316	379,070	442,548
Latin America and the Caribbean	50,492	46,908	94,290	75,541	83,753	116,009
Andean countries	6,223	4,880	5,908	14,241	12,089	14,719
Bolivia	677	197	65	- 239	240	164
Colombia	2,115	1,793	3,084	10,255	6,295	9,028
Ecuador	1,275	1,555	1,160	1,646	2,087	179
Peru	2,156	1,335	1,599	2,579	3,467	5,343

Source: UNCTAD, *World Investment Report 2007*, tables I.1, I.2, and Annex table B.1; and UNCTAD, *World Investment Report 2005*, Annex table B.1. Between 2005 and 2007 reports, 2004 data were updated.

Bolivia

In 2006, FDI inflows into Bolivia increased but continued to experience substantial volatility as a result of ongoing uncertainties in the country's regulatory and investment environment. During the last two to three years, the Bolivian government has embarked on a state-led economic policy model including limited application of import substitution industrialization policies to selected sectors and increasing use of interventionist policies.[93] The U.S. Embassy in La Paz reports that the business climate in Bolivia is not friendly towards investors or entrepreneurs, that the economy will likely "suffer" as a consequence of "recent political mismanagement," and that "almost all sectors of the economy are showing the effects of several years of minimal investments."[94] The U.S. Embassy adds that "hostile policies toward business, unclear legal protection, and social unrest have contributed to a negative investment rate."[95] UNCTAD notes that in Bolivia, "most companies froze new investments after a Government decree in May 2006 that changed the regulations pertaining to the oil and gas industry. However, after contracts were adapted to the new legislation at the end of 2006, enterprises resumed investments."[96] The Bolivian government has also moved to nationalize companies in other sectors or renationalize companies that had been previously privatized.For example, UNCTAD reports that "[t]he Government is also moving to take over Empresa Nacional de Telecomunicaciones (Entel), now controlled by Telecom Italia, which was privatized in 1996. Moreover, according to the Minister of Mining, reform of the mining sector's tax regime to secure a higher tax take for the Government is a priority for 2007."[97] In addition, in May 2007, Bolivia announced plans to withdraw from bilateral investment accords.[98] These policy shifts will likely continue to contribute to volatility in Bolivia's FDI inflows and reduce potential ATPA-related investment.

[93] EIU, *Country Report: Bolivia*, May 2008, 10.

[94] USDOS telegram, "Bolivia's Macro-Economic Snapshot," message reference No. 00021, Jan. 2008; and USDOS telegram, "USITC ATPA Report For Bolivia," message reference No. 001486, July 2008.

[95] USDOS telegram, "Bolivia's Macro-Economic Snapshot," message reference No. 00021, Jan. 2008.

[96] UNCTAD, *World Investment Report 2007*, 57.

[97] Ibid., 59.

[98] ECLAC, *Foreign Investment in Latin America and the Caribbean, 2007*, 30. "Bolivia's Morales government has already unveiled plans to revise 22 bilateral deals, previously designed to strengthen investor protection, which will require an amendment of its Investment Law. Bolivian BIT partners facing reduced investor rights include several European countries such as Germany, France, Spain, and the United Kingdom alongside the United States." *Offnews.info*, "Bolivia–Ecuador: Ecuador to Follow Bolivia, Amend All Bilateral Investment Treaties," May 16, 2007.

The mining sector continues to be the main recipient of FDI in Bolivia, though these were driven primarily by "programmed" mining investments (projects in the pipeline). In addition, there has been a resurgence in investment in silver, zinc, and gold in recent years, driven in part by increasing prices for these commodities.[99] According to ECLAC, preliminary 2007 data indicate that almost 60 percent of Bolivia's FDI is concentrated in the natural resources sector.[100]

The United States is a main trading partner and one of Bolivia's largest foreign investment sources. According to the Economist Intelligence Unit (EIU), however, uncertainty with regard to ATPA preferences contributed to reduced growth in Bolivia's exports.[101] The lack of an FTA with the United States and uncertainty over future access to the U.S. market has led manufacturers in Bolivia to consider moving to either Chile or Peru. This prospect is particularly true for manufacturers in the jewelry, leather, furniture manufacturing, food products, textile and apparel articles, timber products, semi-processed agricultural products, and mineral products industries.[102]

Bolivian exports focus primarily on the apparel industry, although forestry and jewelry products also enter the United States under ATPA.[103] Exports in the textile and apparel sector have decreased significantly between 2006 and 2007, mainly due to the U.S.-Peru FTA and uncertainty about ATPA renewal. In addition, the political and economic instability has limited investment in the textile and apparel sector. Domestic companies have reinvested in their own companies, but foreign direct investment into Bolivia dropped significantly in 2006 and 2007. Given that companies consider the extensions for ATPA short for planning purposes, companies have been reluctant to invest in new products for export. The U.S. Embassy, nevertheless, identified nine businesses that claimed to have benefited from ATPA: six are in the textile and apparel sector, two in the jewelry industry, and one in the wood furniture industry. Of the nine identified, eight responded that they had new or expansion investment in 2006 or 2007 (one responded no); five responded that they would have invested in the absence of ATPA (three responded no, and one did not respond). According to one source, 210 Bolivian firms are engaged in ATPA-related production.[104] An estimated 5,000 Bolivians are employed in businesses directly engaged in ATPA-related production, and an additional 7,000 Bolivians work in businesses indirectly related to ATPA.[105] The Minister of Planning for Development for Bolivia stated that, if ATPA were renewed, she foresaw increased production in the manufacturing sector, especially wood and lumber industries that are just being developed.[106]

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[99] EIU, *Country Profile: Bolivia,* 2007, 28 and 36.

[100] ECLAC, *Foreign Investment in Latin America and the Caribbean, 2007*, Figure I.6.

[101] EIU, *Country Profile: Bolivia*, 2007, 11 and 35.

[102] EIU, *Country Report: Bolivia*, May 2008, 4 and 11; and USDOS telegram, "Bolivia's Macro-Economic Snapshot," message reference No. 00021, Jan. 2008.

[103] All information in this paragraph is from USDOS telegram, "USITC ATPA Report For Bolivia," message reference No. 01486, July 2008.

[104] "Empresas de todo el país se unen por el ATPDEA," *La Razón*, May 15, 2007, *http://www.la-razon.com*.

[105] "MAS dice que el ATPDEA sólo genera 5 mil empleos," *La Razón*, Feb. 16, 2008, *http://www.la-razon.com*.

[106] Minister of Planning for Development Garciela Toro, Government of Bolivia, hearing transcript, 39.

Reportedly, the pending U.S.-Peru FTA has had an adverse effect on export-oriented businesses in Bolivia.[107] The U.S. Embassy notes that "[m]any companies report loss of U.S. orders due to the stability implied by the [U.S.-Peru] FTA. The short-term extensions [of ATPA] have been damaging Bolivian firms, who deal with U.S. buyers that want to have a clear price set nearly a year advance. That is difficult for the Bolivian firms to do when the [ATPA] trade preferences are only extended for 8-10 months at a time." The U.S. Embassy further identified the beginning of businesses moving to other countries in the region, noting that "Bolivia has seen a rise in exports of spun cloth to Peru and Colombia for a value of $13.7 million in 2007," presumably for the production of apparel for subsequent export to the United States.

Testimony at the Commission's public hearing and written submissions to the Commission further supported the dampening effect of ATPA legislation uncertainty. For example, the Secretary General of the OAS stated that "expansion of investment in the gold jewelry sector in Bolivia is being reconsidered as a result of uncertainty over the extension of preference," and that "press reports indicate that Exportadores Bolivianos and Orbol, the biggest manufacturers of gold and silver jewelry in Bolivia, are the first Bolivian companies to move to Puno in Peru to take advantage of the Peru-U.S. Trade Promotion Agreement."[108] A representative from Ametex added that "for the last two years Congress has extended the ATPA for only short term periods. The most recent extension was for ten months and it expires at the end of this year. The resulting business uncertainties have discouraged companies from sourcing the Andean garments. During this time, U.S. apparel imports from the Andean region have decreased due to this uncertainty. At Ametex we have been forced to lay off 500 workers."[109] This decline in production and investment will probably reduce future exports from Bolivia to the United States under ATPA and, in turn, the related economic effects of ATPA on the U.S. economy.

Textile and Apparel Sector

Bolivia is a small supplier of textiles and apparel to the United States, accounting for 2 percent of total U.S. imports of textiles and apparel from the Andean region in 2007. Total sector exports to the United States in 2007 fell sharply (39 percent) from the 2006 level, to $19.8 million; exports of men's and boys' cotton knit shirts, a leading export category, fell by almost one-half. Nevertheless, textile and apparel manufacturing remains important to Bolivia's economy, especially for generating employment,[110] and has grown significantly due to preferential tariff treatment provided by ATPA.[111] Bolivia's textile and apparel sector has an estimated 74 establishments and employs about 10,000 workers.[112] Ametex, a leading Bolivian textile and apparel manufacturer with factories in La Paz and El Alto and reportedly

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[107] All information in this paragraph is from USDOS telegram, "USITC ATPA Report For Bolivia," message reference No. 01486, July 2008.

[108] Secretary General José Miguel Insulza, OAS, hearing transcript, 70–71.

[109] Marcos Iberkleid, Ametex, hearing transcript, 147.

[110] USDOS, U.S. Embassy, La Paz, "Bolivian Minister Sosa Meets with WHA and State," Dec. 7, 2007.

[111] U.S. Commercial Service, "Doing Business in Bolivia," Jan. 12, 2007.

[112] Kelly L. Diiro (economic and commercial officer, U.S. Embassy, La Paz), e-mail to Commission staff, June 25, 2008.

Bolivia's single largest employer,[113] accounts for 80 percent of Bolivia's exports in that sector.[114]

Despite steady growth in recent years, textile manufacturing in Bolivia is limited; Texturbol is the only polyester yarn producer in Bolivia. Most production is in apparel and accessories. Low labor costs are one of Bolivia's primary competitive strengths. The average monthly salary in Bolivia for an apparel worker is $200 per month compared with salaries of $400 to $600 in Colombia, Ecuador, and Peru.[115] Access to high-quality raw materials, including cotton, alpaca, angora, and llama has also made Bolivian textile products competitive in these niche international markets.[116]

The decline in Bolivia's textile and apparel exports to the United States in 2007 may be attributed to numerous factors. Uncertainties associated with the expiration and extensions of ATPA have prompted some Bolivian textile and leather producers to move their finishing operations to Peru and Chile to facilitate export to the United States.[117] In addition, since the signing of the U.S.-Peru FTA,[118] some Bolivian producers have reported that their U.S. buyers have switched to sourcing from Peru.[119] Industry sources also note that the appreciation of the boliviano in 2007 and the corresponding depreciation of the dollar made Bolivian products more expensive to U.S. importers, thereby contributing to the decline in Bolivian apparel exports to the United States.[120] The lack of an FTA with the United States has reportedly discouraged foreign investment in Bolivia's textile and apparel sector;[121] industry sources report no significant new investment in 2007.[122] Although Bolivia's textile and apparel sector experienced some export growth in South American markets,[123] which may have resulted from investments by some companies to boost exports to that region and to European markets, this growth has reportedly not been sufficient to offset declining exports to the U.S. market.[124]

Colombia

Although FDI in 2006 remained high in comparison to recent years, Colombia experienced a significant annual decline in FDI. The decline in FDI was a result of an atypical and unprecedented increase in cross-border mergers and acquisitions in 2005 following the government's privatization program as opposed to a deteriorating domestic investment

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[113] Marcos Iberkleid, chief executive officer, Ametex, América Textil, testimony before the U.S. International Trade Commission, July 22, 2008.

[114] Kelly L. Diiro (economic and commercial officer, U.S. Embassy, La Paz), e-mail to Commission staff, June 25, 2008.

[115] Ibid.

[116] U.S. Commercial Service, "Doing Business in Bolivia," Jan. 12, 2007.

[117] USDOS, U.S. Embassy, La Paz, "USITC ATPA Report for Bolivia," July 3, 2008, and "Bolivia's Macro-Economic Snapshot," Jan. 4, 2008.

[118] Kelly L. Diiro (U.S. Embassy, La Paz), e-mail to Commission staff, June 25, 2008.

[119] Ibid.

[120] USDOS, U.S. Embassy, La Paz, "USITC ATPA Report for Bolivia," July 3, 2008; and Kelly L. Diiro (U.S. Embassy, La Paz), e-mail to Commission staff, June 25, 2008.

[121] U.S. Commercial Service, "Doing Business in Bolivia," Jan. 12, 2007.

[122] Kelly L. Diiro (U.S. Embassy, La Paz), e-mail to Commission staff, June 25, 2008.

[123] USDOS, Embassy of La Paz, "USITC ATPA Report for Bolivia," July 3, 2008.

[124] Kelly L. Diiro (U.S. Embassy, La Paz), e-mail to Commission staff, June 25, 2008.

environment.[125] In contrast to some countries in the region, the Colombian government has actively encouraged FDI and has implemented market-oriented reforms designed to improve its investment and regulatory environments. For example, the Colombian government revitalize its privatization program and launched a series of sales of State assets in financial services and telecommunications.[126] ECLAC reports that the Colombian government continues to implement policy changes to improve the country's investment environment. According to ECLAC,

> a series of measures were adopted to improve the protection of investors and access to third markets: transparency requirements in transactions between associated companies; the implementation of electronic tax declarations to speed tax payments; gradual reduction of income tax and simplification of the rules of accounting; . . . the negotiation and signature of free trade agreements with chapters on reciprocal promotion and protection of investments and agreements on reciprocal promotion and protection of investments . . . ; progress in negotiating double taxation agreements; [and] efforts to promote benefits for investors, especially legal stability contracts.[127]

A significant portion of investment in 2006 has been in the petroleum sector, although manufacturing, retail, restaurants, and hotels also received substantial shares of FDI.[128] According to ECLAC, preliminary 2007 data indicate that most (approximately 50 percent) FDI continues to be concentrated in the natural resources sector.[129] UNCTAD reports that in "Colombia, foreign oil companies are increasingly interested in investing in the oil industry due to new investment incentives, including low royalty rates and the possibility of 100% ownership in some cases. The Government is also seeking to privatize 20% of State-owned Ecopetrol. FDI inflows to the oil industry increased by 57% in 2006, reaching a total of $1.8 billion."[130] Additionally, the U.S. Embassy in Bogota notes that "bolstered by external demand, domestic security gains, and pro-investment terms, Colombia's mining and hydrocarbon sector has experienced an unprecedented increase in investment and exploration activities."[131]

The U.S. Embassy in Bogota identified little investment in the cut-flower or textile and apparel sectors in recent years; no new producers entered the flower sector in 2006 and 2007.[132] The U.S. Embassy could not identify any substantial investment related to ATPA in 2006 and 2007 in the textile and apparel sector or in nontraditional[133] ATPA sectors, and

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[125] UNCTAD, *World Investment Report 2007*, 54–55.
[126] Ibid., 60.
[127] ECLAC, *Foreign Investment in Latin America and the Caribbean, 2007*, Box I.3, 29.
[128] EIU, *Country Commerce: Colombia*, Jan. 2008, 18
[129] ECLAC, *Foreign Investment in Latin America and the Caribbean, 2007*, Figure I.6.
[130] UNCTAD, *World Investment Report 2007*, 57.
[131] USDOS telegram, "Record Prices and Investment Propelling Colombian Mining Sector," message reference No. 01789, May 2008.
[132] The California Cut Flower Commission commented that "permanent duty-free treatment of these flowers could and should spur additional investment in the floral sector in Colombia. Given the tenuous position for many growers, even modest increases in import competition could drive some growers from the market. This could destroy jobs and traditions that go back generations." Kasey Cronquist, California Cut Flower Commission, hearing transcript, 130.
[133] Generally, "nontraditional" refers to new or recently increasing production or export of products.

did not identify any specifically ATPA-driven investment.[134] Existing companies are investing in their own operations primarily to remain technically competitive and to reduce costs. As in other Andean countries, the frequent short-term renewals of ATPA have created challenges for existing industries and potential investment; cut-flower and textile and apparel industry experts report "substantial injury" caused by the "frequent expiration of ATPA." Specifically, exporters commented that "uncertainty regarding what tariff will apply when the goods enter the U.S. makes it difficult to price the products." In addition, the short-term nature of the ATPA coverage "discourages companies from making long-term investments necessary to break into a competitive market like the U.S." The uncertainty over renewal of ATPA is being cited for the receding of prior years' export gains—in 2007, apparel exports fell to pre-ATPDEA levels. In addition, the Association of Colombian Flower Exporters wrote that "the recent tortured process of extending ATPA, which was achieved within days (and even hours) of its expiration on more than one occasion, and the differing lengths of its extension, have created intense anxiety in the Colombian flower industry—and many other economic sectors. In addition, this has created disruptions to normal business operations. This uncertainty has likely discouraged potential additional U.S. investment in the Colombian flower sector."[135] The U.S. Embassy noted that it could not, however, specifically identify foregone investment because of the short-term extensions of ATPA. The U.S. Embassy added that other factors have dampened investment, including market saturation in the United States and the appreciation of the Colombian peso.

In addition, industry sources have cited uncertainty related to the pending U.S.-Colombia FTA as also hampering investment. For example, three large U.S. apparel companies "have pulled out of Colombia [in part] because of the lack of a free trade agreement and frequent expiration and renewal of the ATPA."[136] Consequently, this potential decline in investment will probably reduce future exports under ATPA from Colombia to the United States and reduce the potential future economic effect of ATPA on the United States. On the other hand, industry analysts believe that other companies in the region, particularly in Ecuador, will move operations to Colombia to take advantage of the more permanent trade environment should the FTA be enacted.

Textile and Apparel Sector

The textile and apparel sector represented less than 1 percent of Colombia's gross national product ($3.7 billion in 2006—the latest available data),[137] between 21–24 percent of manufacturing jobs,[138] and 7 percent of total exports.[139] In July 2007, total direct textile and apparel employment in Colombia was 128,506, down from 129,782 in 2006.[140] Indirect employment is estimated to be between 500,000 to 600,000 workers.[141] Colombia has 10,000

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[134] Unless otherwise cited, all information in this paragraph is from USDOS telegram, "USITC–Andean Investment and Drug Crop Survey for ATPA," message reference No. 02507, July 2008.

[135] Association of Colombian Flower Exporters, written submission, July 25, 2008.

[136] Unless otherwise cited, all information in this paragraph is from USDOS telegram, "USITC–Andean Investment and Drug Crop Survey for ATPA," message reference No. Bogota 2507, July 2008.

[137] USDOS, U.S. Embassy, Bogota, "Colombia: Textile and Apparel Production Report," Nov. 19, 2007.

[138] Carlos Eduardo Botero Hoyos, director ejecutivo, Asociación Nacional de Empresarios de Colombia, e-mail to Commission staff, June 28, 2008.

[139] Ibid.

[140] USDOS, U.S. Embassy, Bogota, "Colombia: Textile and Apparel Production Report," Nov. 19, 2007.

[141] Adriana Tieck (international trade assistant, Inexmoda), e-mail to Commission staff, July 1, 2008.

textile and apparel factories, of which 450 textile mills and 1,200 apparel establishments are responsible for most of the country's exports.[142]

Colombia's exports of textiles and apparel, most of which went to the United States, totaled $428 million in 2007, a 22 percent decline from the 2006 level. Seventy-nine percent of these exports entered the United States under ATPA; leading products included cotton trousers and slacks, cotton knit shirts and blouses, wool suit-type coats and wool trousers, and hosiery of man-made fiber. Since 2002, ATPA has prompted growth in U.S. textile (primarily yarn and fabrics) and apparel (believed to be primarily cut apparel pieces) exports to the Andean countries. In addition to preferential access to the U.S. market, Colombia's textile and apparel sector has other advantages in the U.S. market, including: (1) the country's strategic geographical location midway between North and South America; (2) proximity to the U.S. market, especially Miami, with both Atlantic and Pacific ports;[143] (3) a mature, vertically integrated textile and apparel industry that produces cotton, fibers, yarns, threads, trims, fabrics,[144] and knit and woven apparel; and (4) a reputation for high-quality work, innovation, development, and design.[145] Colombian apparel producers contract with many well-known U.S. brands and retailers, including Abercrombie & Fitch, Brooks Brothers, Burlington Industries, Charter Club, DKNY, the Gap, Hanes, JC Penney, Land's End, Levi Strauus and Company, and Liz Claiborne.[146]

Colombia's textile and apparel sector, a leading source of economic activity and employment, experienced a downturn in production and employment in 2007. In addition to the frequent extensions and short-term renewals of ATPA, the closure of some leading apparel factories (e.g., CI Index, Polo) has also discouraged new foreign investment in Colombia's textile and apparel manufacturing.[147] Despite strong efforts to attract foreign interest, including from Chinese investors, sources in Colombia report no new foreign investment in textile and apparel manufacturing in 2007.[148] Although security concerns about

[142] Ibid.

[143] Inexmoda, "Colombia's Textile Industry. One U.S. apparel industry representative asserted that transportation costs for goods from the Andean region are lower compared with ASEAN or AGOA countries and that lead times are also shorter, which is important for speed to market. John Strasburger, vice president and managing director, V.F. Americas Sourcing - V.F. Corporation, testimony before the U.S. International Trade Commission, July 22, 2008. Another U.S. apparel industry representative noted, however, that the advantage of the proximity of the Andean countries is sometimes overstated. He said, "one of the ways it's overstated is, if you look at the point from when the garment is made to the point when the garment is sold or delivered to the retailer, true, you do have a proximity to market. But if you look at the point from when the garment is designed or conceived, then ordered, then made, then delivered to the retailer, you may not have that proximity to market. They might be able to do it a lot faster in Asia. So the longer lead time of shipping a product over from Asia might be compensated by a shorter lead time from when you actually place the delivery, when you get approvals for the color and things of that sort." Steve Lamar, executive vice president, AAFA, testimony before the U.S. International Trade Commission, July 22, 2008.

[144] Colombia is known for its denim and wool fabric. Steve Lamar, executive vice president, AAFA, testimony before the U.S. International Trade Commission, July 22, 2008.

[145] Inexmoda, "Colombia's Textile and Apparel Sector: Companies with Important Brands and Labels Work In Colombia," May 31, 2008; USDOS, U.S. Embassy, Bogota, "Colombia: Textile and Apparel Production Report," Nov. 19, 2007.

[146] Inexmoda, "Colombia's Textile and Apparel Sector: Companies with Important Brands and Labels Work In Colombia." May 31, 2008.

[147] USDOS, U.S. Embassy, Bogota, "Colombia Response: U.S. International Trade Commission Andean Investment and Drug Crop Survey for Report on ATPA," July 2, 2008; and Emerging Textiles, "Colombian Denim Lacks Global Players," February 28, 2008, *http://www.emergingtextiles.com*.

[148] The last major investment was a cotton yarn-spinning facility established in 2004 through a joint venture between U.S.-yarn spinner Parkdale Mills of Gastonia, NC, and Colombian firm Crystal Vestimundo. See chap. 2 for more information. The Government of Colombia, the clothing and textile

(continued...)

operating in Colombia are diminishing as conditions reportedly improve, the perception of continued danger still deters some foreign investors.[149] Colombia's textile and apparel industry also faces high energy costs, transportation infrastructure constraints posed by inadequate port access roads, and bureaucratic delays related to production, importing, and exporting.[150]

Colombia is an important producer of denim, for which it uses short-fiber cotton imported from the United States.[151] In 2007, 82 percent of Colombia's imported cotton ($58 million) came from the United States.[152] Industry sources report that uncertainty—and lost time and money—associated with the last-minute extensions of ATPA and the pending U.S. FTA with Colombia prompted retailers and sourcing managers (who source several seasons in advance) to reduce their orders from Colombia, thereby leading to decreases in U.S. fabric exports to Colombia.[153] Domestic investors nevertheless have been expanding Colombia's denim manufacturing capacities and plants. Leading denim producers Fabricato Tejicóndo and Coltejer, which together account for one-half of Colombia's denim production, recently invested in enlarging their denim production capacities.[154] Fabricato Tejicóndo has a total annual production capacity of 135 million linear meters of fabric, and opened a new $40 million denim facility near Medellín in January 2008 that will employ 200 people. The investment is expected to increase the company's total fabric production capacity by 12 million meters. Coltejer, with an annual denim production capacity of 37 million meters, invested in a new $32 million denim plant in 2006 that created 218 jobs and added 840,000 linear meters in production capacity.[155] Coltejer has also announced plans to invest $25 million over the next couple of years to boost its denim capacity by another 1 million meters per month.

Colombia's textile and apparel sector has, however, faced competitive challenges since 2005. The elimination of quotas under the Agreement on Textiles and Clothing (ATC) led to a significant decline in international prices for Colombia's apparel products.[156] Some industry sources report that Colombian apparel producers cannot compete with Chinese producers.[157] In addition, the appreciation of the Colombian peso during 2007 (from 2,239 per dollar at

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[148] (...continued)
association of Colombia (Ascoltex), a manufacturers association (ANDI) and company owners cannot identify any substantial investments related to ATPA during 2006 and 2007. USDOS, U.S. Embassy, Bogota, "Colombia Responses: U.S. International Trade Commission Andean Investment and Drug Crop Survey for Report on ATPA," July 2, 2008.

[149] International trade manager, U.S. textile producer, telephone interview with Commission staff, June 17, 2008.

[150] USDOS, U.S. Embassy, Bogota, "Colombia: Textile and Apparel Production Report," Nov. 19, 2007.

[151] USDOS and USFCS, *Doing Business in Colombia*, 64.

[152] Global Trade Atlas database.

[153] Dan Nation (president, Parkdale Mills), telephone interview with Commission staff, June 19, 2008; international trade manager, U.S. textile producer, telephone interview with Commission staff, June 17, 2008; USDOS, U.S. Embassy, Bogota, "Colombia-Textile and Apparel Production Report," Nov. 19, 2007; and David J. Lynch, "Colombia Works to Escape Its Past," Oct. 4, 2007.

[154] The information in the rest of this paragraph is from "Colombian Denim Lacks Global Players," *Emerging Textiles.*

[155] Coltejer has a total fabric production capacity of about 60 million meters, of which 90 percent is used to produce clothing and 10 percent is to make home textiles.

[156] USDOS, U.S. Embassy, Bogota, "Colombia: Textile and Apparel Production Report," Nov. 19, 2007.

[157] "Could China Revive Colombia's Apparel Industry?" Feb. 19, 2008, *http://www.just-style.com.* Asian firms tend to be larger and therefore have cost economies of scale. John Strasburger, vice president and managing director, V.F. Americas Sourcing - V.F. Corporation, testimony before the U.S. International Trade Commission, July 22, 2008.

the beginning of 2007 to 1,987 per dollar at year-end 2007)[158] prompted the rapid influx of low-cost Asian clothing imports into Colombia, which negatively affected the domestic industry and hampered efforts to boost apparel exports to the United States.[159] Some U.S. companies reportedly pulled out of Colombia in 2007 because of the lack of a fully implemented FTA and the frequent short-term extensions of ATPA. This uncertainty made costs difficult to predict and resulted in the loss of some contracts.[160] Industry sources also believe that at least one U.S. apparel company moved to Peru because of the pending implementation of the U.S.-Peru FTA.[161]

Ecuador

In 2006, FDI inflows into Ecuador increased at a relatively steady rate. Most of the investments were concentrated in natural resources, especially related to the mining sector.[162] Aside from petroleum, the principal FDI sectors are manufacturing and services.[163] However, political and economic instability have inhibited investment in nonenergy sectors.[164]

Uncertainty increased in Ecuador's investment environment as some government policy reversals reduced investor security. For example, ECLAC comments that "in February 2008 Ecuador announced its intention to withdraw from nine bilateral investment accords which allowed investors recourse to the International Centre for Settlement of Investment Disputes (ICSID) as an investment protection mechanism."[165] In addition, the government is increasing state involvement in what it considers to be "strategic" sectors, especially the petroleum sector, but also the banking, telecommunications, and cement industries.[166] The U.S. Embassy in Quito adds that "the investment situation was clearly aggravated when the windfall income tax was increased to 99% in October [2007]. Almost all the petroleum companies froze their investment plans after the announcement."[167]

The pending U.S. FTAs with Colombia and Peru, if implemented, are expected to negatively affect Ecuador's ability to compete with the other Andean countries, especially in cut flowers, tuna, pineapples, frozen vegetables, and ceramic tiles.[168] The U.S. Embassy in Quito reported that companies in the flower and textile and apparel sectors are concerned that

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[158] International Monetary Fund, "Exchange Rate Report Wizard," *International Financial Statistics*, *http://www.imf.org*.

[159] International trade manager, U.S. textile producer, e-mail message to Commission staff, June 25, 2008; and Dan Nation, president, Parkdale Mills, telephone interview with Commission staff, June 19, 2008.

[160] USDOS, U.S. Embassy, Bogota, "Colombia Response: U.S. International Trade Commission Andean Investment and Drug Crop Survey for Report on ATPA," July 2, 2008.

[161] Ibid. See chap. 1 for more information on the U.S.-Peru FTA.

[162] UNCTAD, *World Investment Report 2007*, 54. According to ECLAC, preliminary 2007 data indicate that Ecuador experienced substantial disinvestment in the natural resources sector. This decline represented more than a 40 percent decline in the sector's FDI participation and was concentrated in the petroleum sector and is in large part a result of the departure of Occidental Petroleum (U.S.). ECLAC, *Foreign Investment in Latin America and the Caribbean, 2007*, Figure I.6; and EIU, *Country Commerce: Ecuador*, 14.

[163] USDOS telegram, "Response to USITC Request: Ecuador 2006–2007 ATPA Investment," message reference No. Quito 00601, July 2008.

[164] EIU, *Country Profile: Ecuador*, 2007, 37.

[165] ECLAC, *Foreign Investment in Latin America and the Caribbean, 2007*, 30.

[166] EIU, *Country Report: Ecuador*, May 2008, 2; and EIU, *Country Profile: Ecuador*, 2008, 26.

[167] USDOS telegram, "Ecuador Econ Weekly: Falling FDI, Revised Price Controls, Social Security to Invest in Government Projects," message reference No. 00374, April 2008.

[168] EIU, *Country Commerce: Ecuador*, December 2007, 9; EIU, *Country Profile: Ecuador, 2008*, 37.

ratification of the U.S.-Colombia FTA will have a detrimental effect on their industries.[169] In addition, uncertainty with regard to ATPA preferences has heightened investor caution, perhaps deterring capital spending.[170]

The U.S. Embassy reported that the main ATPA beneficiary sectors include petroleum, cut flowers, and pouched tuna.[171] Exports of pouched tuna had been increasing for several years, but fell in 2007. Tuna-related investments have primarily maintained existing operations, as tuna companies expressed concern about the potential termination of ATPA preferences. For example, a large tuna company indicated that its investments in Ecuador would have probably been larger had ATPA benefits been secured for at least three to four years. The U.S. Embassy added that although investment and production in the flower sector increased by 10 percent in 2006, Ecuador's share of the U.S. market has been declining, and that the lack of long-term certainty for trade preferences with the United States, as well as the appreciating euro, have prompted exporters to redirect exports to Europe. Other beneficiary industries include broccoli and mangos. Industry representatives have attributed the growth of broccoli and mango exports in recent years to ATPA preferences. Ecuadorian exports of ATPA-eligible textile and apparel are very small, but grew in 2007. Industry representatives reported that in the absence of ATPA preferences, Ecuador's apparel sector could be hurt if the U.S.-Colombia FTA goes into effect.

Hearing testimony and written submissions provided further evidence of the negative effect that short-term ATPA extensions and the pending U.S. FTAs with Colombia and Peru have had on investment. The Ambassador of Ecuador to the United States stated that "[u]nfortunately, the instability caused by the expiration of the ATPDEA in 2006, and the political uncertainties surrounding the two subsequent extensions of the program, have frightened investors and U.S.-based importers."[172] He added that "if we are caught in the cycle of renewals, of short-term renewals, what it has done is affect the business cycle in these industries; and according to our reports in 2006 and 2007, and especially in 2007, we have lost approximately 50 percent of what we were selling in some of the industries to the American market."[173] This sentiment was echoed by a representative of E.G. Hill, a company in the floral industry, who stated that the short-term extensions of ATPA meant "Ecuadorian producers are already pulling out plants of varieties destined for the tastes of the US market and replanting with varieties for the Russian and to a lesser extent, the European markets."[174] The Ecuadorian-American Chamber of Commerce added that the positive trend in U.S.-Ecuador trade "has been hindered by the short term extensions of ATPA over the past two years, which has been undermining its benefits, eroding export performance and redirecting trade flows to the European Union."[175] With regard to the pending U.S. FTAs with Colombia and Peru, the Ambassador of Ecuador to the United States noted that there are complementary industries within the region and between the region and the United States,

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[169] USDOS telegram, "Response to USITC Request: Ecuador 2006–2007 ATPA Investment," message reference No. Quito 00601, July 2008.

[170] EIU, *Country Report: Ecuador*, May 2008, 6.

[171] All the information in this paragraph is from USDOS telegram, "Response to USITC Request: Ecuador 2006–2007 ATPA Investment," message reference No. Quito 00601, July 2008.

[172] Ambassador Luis Gallegos, Government of Ecuador, hearing transcript, 11.

[173] Ibid., 26.

[174] Dean Rule, E.G. Hill, hearing materials/written submission, July 22, 2008.

[175] Andreas Ribadeneira, Ecuadorian-American Chamber of Commerce, written submission, July 29, 2008.

which would be negatively affected if ATPA benefits were not renewed for Ecuador.[176] This potential decline in production and investment, and the redirecting of trade to other markets, will probably reduce future exports under ATPA from Ecuador to the United States and limit the potential future economic effect of ATPA preferences on the United States.

Textile and Apparel Sector

Ecuador, the smallest Andean supplier of textiles and apparel to the United States, accounted for 1 percent of total U.S. sector imports from the region in 2007. Textile and apparel manufacturing has nevertheless been a historically significant component of the country's economy and an important contributor to employment. Available data for 2006 show that Ecuador's textile and apparel production totaled an estimated $876 million,[177] and the sector has an estimated 50,000 employees.[178] Ecuador primarily manufactures yarns and fabrics, but also produces materials for industrial production, finished clothing, and household products. Quito-based La Internacional, an 80-year-old firm billed as Ecuador's largest textile company, produces 12 million meters of denim fabric a year and posted sales of $23 million in 2007.[179]

Ecuador was the only Andean supplier whose textile and apparel exports to the United States grew in 2007, rising 14 percent to $17.2 million. In 2007, hosiery, miscellaneous apparel of man-made fibers, and cotton knit shirts represented the bulk of Ecuador's apparel exports to the United States. Like its Andean neighbors, Ecuador's demand for raw materials for textile and apparel production outstrips supply. In 2007, the United States was the leading supplier of cotton and cotton yarns and fabrics to Ecuador, accounting for just over one-fourth ($15.4 million) of its imports.[180] Virtually all Ecuadorian cotton fabrics are produced from imported U.S. cotton fiber.[181]

In recent years, Ecuador's textile and apparel sector has faced growing export market challenges. Since the elimination of quotas under the ATC, competition from China and other lower-cost Asian suppliers has intensified.[182] The enactment of the CAFTA-DR and the signing of an FTA with Peru have also probably boosted competition from suppliers in Central America and Peru. Although the imposition of safeguards on U.S. imports of certain Chinese textile and apparel products has allowed Ecuador's exports to rebound in the short-term,[183] the future is unclear. Ecuador's textile industry has little foreign investment; most

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[176] Ambassador Luis Gallegos, Government of Ecuador, hearing transcript, 29.

[177] Information provided by the Textile Industry Association of Ecuador (AITE). Amparo Meneses (commercial assistant, U.S. Commercial Service, Ecuador), e-mail message to Commission staff, June 24, 2008.

[178] USDOS, U.S. Embassy, Quito, "Response to USITC Request: Ecuador 2006-2007 ATPA Investment," July 17, 2008.

[179] Ivan Castano, "Ecuador: Vicunha Buys Denim Maker La Internacional," Feb. 22, 2008, *http://www.just-style.com*.

[180] Global Trade Atlas database.

[181] Ecuador also exported fabric to Colombian exporters of garments to the U.S. market. USDOS, U.S. Embassy, Quito, "Response to USITC Request: Ecuador 2006-2007 ATPA Investment," July 17, 2008.

[182] Ecuador's exports to the United States and Europe fell immediately after quotas were lifted in 2005. Information provided by the Textile Industry Association of Ecuador (AITE). Amparo Meneses (commercial assistant, U.S. Commercial Service, Ecuador), e-mail message to Commission staff, June 24, 2008.

[183] Ibid.

investment is domestic.[184] In addition, in 2007, Ecuador's production costs rose following government-mandated wage rate increases,[185] a development that may make it more difficult for Ecuador's textile and apparel exports to compete in the international marketplace. Ecuador's textile and apparel industry has voiced concerns about how it will compete in the absence of an FTA should ATPA expire in 2008.[186] Some Ecuadorian industry sources note that in the absence of ATPA preferences, Ecuador's textile industry could be significantly hurt should the FTA with Colombia go into effect.[187]

To enhance its competitiveness, Ecuador's textile industry has launched numerous initiatives. In addition to focusing on adding more value and seeking niche markets, it is working toward establishing relationships with new trading partners, improving customs controls to eradicate contraband and underinvoicing, investing in technology to increase production volumes, and improving designs and the quality of its products.[188] Industry representatives in Ecuador, however, lament that such strategies need to be further supported by long-term government policies and incentives to expand the industry and increase competitiveness such as initiatives to address labor, energy, environment, customs, and finance issues.

Peru

In 2006, Peru registered high FDI growth rates, with most of the investments concentrated in the mining-related sector.[189] UNCTAD reports that there has been steady investment in Peru's oil and gas industry. The State-owned oil company Petroperu has signed a record 31 oil and gas exploration contracts over the past two years, and Peru also intends to seek foreign investors to help develop a $2.8 billion petrochemical complex to produce fertilizers and polyethylene."[190] Despite this concentration of FDI in one sector, FDI into Peru is relatively more diversified compared to other countries in the region. Other sectors receiving investment include telecommunications, manufacturing, electricity, and financial services.[191]

FDI received a boost in April 2008 from an "investment grade" rating from Fitch Ratings, making Peru only the third Latin American country to receive the rating. Fitch cited Peru's "strong macroeconomic fundamentals, strong economic growth," and the country's recently signed FTA with the United States as the primary reasons behind its decision "to upgrade Peru before other strong regional contenders for the investment-grade ranking, including Brazil and Colombia. The upgrade will help to attract long-term foreign investment and

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[184] Ibid.

[185] "Ecuador Textiles, Clothing, Yarn, Fabric and More." *http://www.ecuadorexports.com* (undated).

[186] Information provided by the Textile Industry Association of Ecuador (AITE). Amparo Meneses (U.S. Commercial Service, Ecuador), e-mail message to Commission staff, June 24, 2008.

[187] USDOS, U.S. Embassy, Quito, "Response to USITC Request: Ecuador 2006-2007 ATPA Investment," July 17, 2008.

[188] Information in this paragraph provided by the Textile Industry Association of Ecuador (AITE), Amparo Meneses (U.S. Commercial Service, Ecuador), e-mail message to Commission staff, June 24, 2008.

[189] UNCTAD, *World Investment Report 2007*, 54.

[190] Ibid., 57.

[191] EIU, *Country Commerce: Peru*, May 2007, 17; and USDOS telegram, "Peru Response: U.S. International Trade Commission Andean Investment and Drug Crop Survey For Report on ATPA," message reference No. Lima 1128, July 2008.

make capital cheaper and more accessible . . . for Peru."[192] Despite this increase in FDI and improved investment rating, Peru's investment environment experienced some instability and regulatory uncertainty in recent years. According to UNCTAD, the Peruvian government has created a high-level commission to address the issue of social unrest in regions where there are mining operations. At the same time, UNCTAD also reports that the Peruvian government "reached a deal with mining companies whereby they agreed to make 'voluntary contributions' to avoid tax increases. Under this agreement, the companies will contribute $772 million over the next five years towards fighting poverty, malnutrition and social exclusion."[193]

The U.S. Embassy in Lima reported that ATPA's stimulation of exports to the United States has brought an increasing number of companies and workers into the export sector, and made companies more competitive in the international market.[194] ATPA has contributed to increased exports of nontraditional products such as textiles and apparel, jewelry, fruits and vegetables, canned and frozen fish, steel, metal products, and various agricultural products.[195] The government of Peru noted that potential future export opportunities include nontraditional agricultural products such as citrus and organic agricultural products.[196] Overall U.S. investment in Peru during 2006 and 2007 does not appear to have been significantly affected by possible ATPA expiration as most investment is in extractive industries not significantly impacted by ATPA tariff preferences. Uncertainty over ATPA has, however, resulted in some loss of U.S. business for Peruvian textile companies, and Peruvian banks are reportedly less inclined to issue loans to textile companies. The American Chamber of Commerce of Peru adds that the uncertainty regarding the extension of the ATPA has "resulted in some loss of U.S. business mainly for textile companies (one of the most dynamic and labor intensive activities in the Peruvian economy) and hesitancy by the local industry to issue investment loans."[197] Though not to the same extent as the other Andean countries, the uncertainty of ATPA trade preferences and the associated decline in international and domestic investment will probably briefly reduce probable future economic effects of ATPA, at least until the U.S.-Peru FTA takes effect.

Textile and Apparel Sector

Although still a small sector of Peru's economy, textile and apparel manufacturing is an important export industry. Peru exports about 50 percent of its textile and apparel production and almost 80 percent of those exports are destined for the U.S. market.[198] Peru has more than 1,700 companies that export textile and apparel articles, with medium and large firms

[192] EIU, *Country Report: Peru*, May 2008, 9–10.
[193] UNCTAD, *World Investment Report 2007*, 59-60.
[194] Unless otherwise cited, all information in this paragraph is from USDOS telegram, "Peru Response: U.S. International Trade Commission Andean Investment and Drug Crop Survey For Report on ATPA," message reference No. Lima 1128, July 2008.
[195] Ibid., and EIU, *Country Profile: Peru*, 2008, 35.
[196] Ministry of Foreign Trade and Tourism of Peru, Government of Peru, written submission, July 28, 2008.
[197] American Chamber of Commerce of Peru, written submission, July 25, 2008.
[198] USDOS, U.S. Embassy, Lima, "Peru Textiles and Apparel Exports Grow," Oct. 3, 2007, and Carlos Mateo Paz-Soldan, attorney, on behalf of Exporamerica, statement before the U.S. Senate Committee on Finance in the matter of a U.S.-Peru Trade Promotion Agreement, Sept. 17, 2007.

accounting for about 65 percent of Peru's exports.[199] Textile and apparel production accounted for an estimated 9.4 percent ($1.6 billion) and 7.1 percent ($1.2 billion), respectively of industrial production in 2007.[200] Peru's textile and apparel industry accounts for about 20 percent of the country's manufacturing jobs,[201] employing about 500,000 workers directly and indirectly.[202]

Peru has a vertically integrated textile and apparel industry, from the production of raw material inputs (cotton,[203] alpaca,[204] llama, and vicuña) to the manufacture of intermediate products such as yarns and fabrics, and finally, to the production of high-quality, finished apparel.[205] The industry is recognized for its full-package services, quality and flexibility in design, excellent tailoring and finishing, and short delivery times.[206] Peruvian textile exporters have invested in high-tech machinery and capacity to serve the global market.[207] Peru's apparel suppliers specialize in high-end, quality apparel, made of extra-long-staple cotton (pima).[208] Major U.S. buyers of Peru's apparel products include the Gap and Land's End.[209] The sector, nevertheless, still faces stiff competition from low-cost Asian producers, particularly China.[210]

Peru, the leading Andean textile and apparel supplier to the United States since 2004, accounted for almost two-thirds ($833 million) of U.S. sector imports from the region in 2007. Although U.S. imports from Peru have climbed steadily since the implementation of ATPDEA in 2002,[211] they fell 4 percent during 2006–07. Industry sources report that uncertainty concerning the extension of the ATPA in 2006 and 2007 resulted in some loss of U.S. business for Peruvian textile and apparel companies and contributed to the decline in textile and apparel exports to the United States in 2007.[212] Ninety-five percent of these imports entered the United States duty-free under ATPA, and cotton knit shirts were the leading products. U.S. exports of yarn and fabrics to Peru totaled just under $16 million in 2007, up 13 percent from 2006. Although Peru grows cotton, its textile and apparel sector must supplement a shortfall of domestic cotton production used in export garments with

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[199] USDOS, U.S. Embassy, Lima, "Peru: Textiles and Apparel Exports Grow," Oct. 3, 2007.

[200] Ferenando Ferreyros, (gerente general, ADEX), letter to Commission staff via Embassy of Peru, July 15, 2008.

[201] Carlos Mateo Paz-Soldan, on behalf of Exporamerica, statement before the U.S. Senate Committee on Finance in the matter of a U.S.-Peru Trade Promotion Agreement, Sept. 17, 2007.

[202] Ibid.

[203] Peru is known for its pima cotton, an extra long, bright, and soft staple cotton used in high-quality apparel. "Peru: Textiles, Apparel, and Accessories," Perumoda.com, undated, *http://www.perumoda.com/main.asp?T=3135*; and statement by Steve Lamar, executive vice president, AAFA, testimony before the U.S. International Trade Commission, July 22, 2008.

[204] Alpaca is lightweight, soft, durable animal fiber effective in retaining heat. "Peru, Textiles, Apparel, and Accessories," Perumoda.com, undated, *http://www.perumoda.com/main.asp?T=3135*.

[205] EIU, *Country Profile: Peru*, 2007.

[206] USDOS, U.S. Embassy, Lima, "Peru Textiles and Apparel Exports Grow," Oct. 3, 2007.

[207] Andina, "Gamarra Hosts Clothing Fair 2008 During V EU-LAC Summit," May 12, 2008. *http://www.andina.com.pe/ingles/noticiaImprimif.aspx?id=174156*.

[208] USDOS, U.S. Embassy, Lima, "Peru Textiles and Apparel Exports Grow," Oct. 3, 2007.

[209] Ibid.

[210] Carlos Mateo Paz-Soldan, on behalf of Exporamerica, statement before the U.S. Senate Committee on Finance in the matter of a U.S.-Peru Trade Promotion Agreement, Sept. 17, 2007.

[211] The ATPDEA has been a major factor in the growth of Peru's exports to the United States. USDOS, U.S. Embassy, Lima, "Peru: Textiles and Apparel Exports Grow," Oct. 3, 2007.

[212] USDOS, U.S. Embassy, Lima, "Peru Response: U.S. International Trade Commission Andean Investment and Drug Crop Survey for Report on ATPA," July 2, 2008.

cotton imports, especially from the United States, which supplied 88 percent ($77.9 million) of Peru's cotton imports in 2007.[213]

Peru's textile and apparel sector grew between 8 to 14 percent in 2007,[214] although Peruvian industry sources reported no new foreign investment in the textile and apparel sector in 2007.[215] Growth of Peru's textile and apparel industry is, in part, attributed to optimism triggered by the U.S. Congress' ratification of the U.S.-Peru FTA in December 2007 and to safeguards imposed by the United States on certain apparel imports from China.[216] Although the FTA has yet to be fully implemented, Peruvian apparel producers have been increasing production capacity and expanding their full-package offerings to meet expected greater U.S. demand for Peruvian textile and apparel products. Industry sources also anticipate that the FTA will encourage long-term capital investments in the industry. For example, in 2007, four major textile and apparel companies in the Chincha area (south of Lima) announced plans to invest $12 million in new machinery and infrastructure.[217]

[213] Global Trade Atlas database.

[214] Fernando Ferreyros, ADEX, letter to Commission staff via Embassy of Peru, July 15, 2008; and Ivan Castano, "Peru: Textile Makers Want 'Protection' in Chinese Trade Deal," *http://just-style.com*, Jan. 28, 2008.

[215] Fernando Ferreyros, ADEX, letter to Commission staff via Embassy of Peru, July 15, 2008.

[216] USDOS, U.S. Embassy, Lima, "Peru Textiles and Apparel Exports Grow," Oct. 3, 2007.

[217] Ibid.

CHAPTER 4
Impact of ATPA on Drug-related Crop Eradication and Crop Substitution in 2007

As indicated in previous chapters, a key aim of ATPA is to improve access to U.S. markets for certain imports from Bolivia, Colombia, Ecuador, and Peru in order to promote legal economic alternatives to illegal drug activity. This chapter assesses the estimated effects of ATPA on drug-related crop eradication and crop substitution efforts of each of these countries during 2007. Information in this chapter comes largely from official U.S. and other national government sources, as well as testimony before and submissions to the Commission. Data presented in this chapter use official statistics published by the U.S. Department of State, unless more recent U.S. government data are available.

Overview

Cocaine is one of the drugs that most threaten the United States as well as other countries around the world, according to the U.S. Department of State.[1] Because essentially all cocaine originates in the Andean countries of Bolivia, Colombia, and Peru, the United States has channeled a significant portion of its international counternarcotics resources toward eliminating illegal coca cultivation,[2] which the U.S. government considers to be the weakest link in the drug production chain.[3]

However, U.S. and international policymakers recognize that drug crop eradication alone only temporarily disrupts the flow of illegal drugs unless the producers reliant on drug crop cultivation can successfully develop an alternative livelihood.[4] Under the ATPA, the United States provides economic assistance in the form of alternative development aid to help promote legal crop cultivation as well as technical assistance, infrastructure, and institutional support.[5]

In 2007, ATPA continued to contribute to U.S. counternarcotics efforts in this way, helping to promote eradication of illegal drug crops indirectly by supporting legal crop substitution and alternative development projects being channeled through U.S. economic assistance programs that are not part of the ATPA provisions.

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[1] USDOS, *INCSR 2008*, 16.

[2] Ecuador has no significant coca cultivation, having eliminated its minor cultivation of coca by 1992. However, Ecuador is a major transit country for drugs. Both Bolivia and Peru permit some legal coca cultivation for traditional and commercial use, but illegal coca cultivation is far in excess of legal production in these countries. Ibid., 18, 132, and 129. Cultivation of coca has recently been discovered for the first time in Brazil in areas bordering Colombia and Peru. Duffy, "First Coca Find in Brazil Amazon."

[3] USDOS, *INCSR 2008*, 16.

[4] Ibid., 16–17.

[5] Ibid., 17.

Role of ATPA in Counternarcotics Efforts

A central goal of ATPA's trade-based incentives is to encourage legal and particularly export-led alternatives to illegal drug crop production. In 2007, increased production of ATPA-eligible exports helped support job growth in a variety of economic sectors in the region. The flower and asparagus industries continued to provide important employment opportunities for workers who might otherwise turn to illegal crop-growing activities, with other export crops such as broccoli increasing significantly.[6] These industries prospered in 2007 in response to increasing exports.[7] In addition to export crops such as bananas, cacao, and coffee, as well as other products such as tilapia fish and shrimp, which enter duty free on an NTR basis, farmers in Bolivia, Colombia, Ecuador, and Peru have also begun to export other agricultural and nonagricultural products with the help of ATPA preferences. These crops and other products include annatto seed, artichokes, asparagus, beans, broccoli, cut flowers, grapes, guava, hearts of palm, mangoes, onions, palm oil, paprika, pigeon peas, pineapples, tea, and other fruits and vegetables and their preparations, as well as fish products such as tuna.[8] Further, in response to the implementation of ATPDEA in 2002, jobs have been created in the textile and apparel industries, and to a lesser extent in industries such as jewelry and wood products.[9] Because apparel assembly is a labor-intensive industry, even small increases in production yield job growth.[10]

ATPA trade preferences are intended to work in concert with broader U.S. counternarcotics efforts in the region, stimulating economic development and growth in the beneficiary countries to increase production, employment, and exports. Assistance programs carried out by the United States Agency for International Development (USAID) are a key component in this counternarcotics effort, offering farmers in the Andean region an economic opportunity to abandon their reliance on illegal crop cultivation. Farmers can participate in the legal economy through programs that introduce alternative, legal crops to expand economic growth and exports, and thereby take advantage of benefits provided under ATPA.[11] USAID economic development programs explicitly recognize that a major strategic objective in the Andean countries is to stem "the flow of illegal drugs into the United States by encouraging small producers to join the legal economy through licit economic activities and infrastructure projects."[12]

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[6] USDOS telegram, "Response to USITC Request: Ecuador 2006–2007 ATPA Investment," message reference No. Quito 00601, July 2008.

[7] USDOS telegram, "USITC–Andean Investment and Drug Crop Survey for ATPA," message reference No. Bogota 2507, July 2008; "Response to USITC Request: Ecuador 2006-2007 ATPA Investment," message reference No. Quito 00601, July 7, 2008; and "Peru Response: U.S. International Trade Commission Andean Investment and Drug Crop Survey for Report on ATPA," message reference No. Lima 001128, July 2, 2008.

[8] His Excellency Luis Gallegos, Ambassador of Ecuador, testimony before the U.S. International Trade Commission, July 22, 2008, and written submission, July 29, 2008.

[9] USDOS telegram, "USITC ATPA Report for Bolivia," message reference No. La Paz 001486, July 3, 2008.

[10] USDOS telegram, "USITC 2005 Investment and Drug Crop Survey," message reference No. Lima 002490, June 21, 2006; "Colombia ATPDEA-related Activity 2005," message reference No. Bogota 005571," June 21, 2006; and "Bananas Lead the Way for Sustaining a Licit Economy in Bolivia's Chapare," message reference No. La Paz 002772, Sept. 13, 2005; and Embassy of Ecuador, Chargé d'Affairs Andres Teran, USITC written submission, June 16, 2006.

[11] USDOS, *INCSR 2008*, 16–17.

[12] USDOS, USAID, "Budget—Bolivia—Strategic Objectives"; "Budget—Colombia—Strategic Objectives"; and "Budget—Peru—Strategic Objectives."

Regional Cultivation and Eradication Trends during 2007

During the 1990s, total net coca cultivation in the Andean region decreased slowly by approximately 10 to 15 percent, although this aggregate trend masks both severe declines in net cultivation in Bolivia and Peru as well as offsetting increases in Colombia over the same time period. In the two-year period 2000–2001, total net coca cultivation in the region since then rose by over 20 percent, to an all-time peak of 221,800 hectares[13] (ha) in 2001. During 2002–04, total net cultivation then fell just as sharply to an all-time low level of approximately 166,200 ha, largely as a result of severe eradication efforts in Colombia. In 2005–06, total net coca cultivation appears to have rebounded sharply, reaching approximately 220,000 ha in 2006, the latest year for which official U.S. government estimates are available,[14] although recent additions to the U.S. government survey area make comparisons difficult (table 4.1 and figure 4.1).[15]

In Bolivia and Peru, eradication of illegal coca cultivation is being challenged by coca grower (*cocaleros*) associations that link coca cultivation to issues of cultural identity, which has slowed efforts at reducing cultivation.[16] Although Peru and Bolivia initiated major forced eradication campaigns in 1996 and 1997, respectively, that reduced their illegal coca cultivation substantially, the net area under coca cultivation has increased slowly but steadily in both countries, since reaching all-time lows of 19,600 ha in 2000 in Bolivia and 27,500 ha in 2004 in Peru. The net area under coca cultivation in Bolivia is estimated at 25,800 ha in 2006, the most recent year for which data are available, a roughly 32 percent increase from its low point reached in 2000. In Peru, the net area under coca cultivation is estimated at 37,000 ha in 2006, roughly a 36 percent increase from the low point reached in 2004.

In Colombia, net coca cultivation expanded for a decade, with *cocaleros* planting new fields in areas controlled by antigovernment rebels,[17] increasing from 37,100 ha in 1992 to its all-time peak of 169,800 ha in 2001. In 1999, the Colombian government opened its counterinsurgency and counternarcotics campaign—Plan Colombia—which included U.S.

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[13] A hectare (ha) is a metric unit of area, 100 meters by 100 meters or 10,000 square meters, equivalent to 2.47 acres in the U.S. system of units.

[14] The U.S. Government issued its estimate for Colombia on Sept. 10, 2008. For details, see the section on Colombia in this report.

[15] As previously stated, the data presented in this chapter use official statistics as published by the U.S. Department of State unless more recent U.S. government data are available. In June 2008, the UN Office of Drugs and Crime (UNODC) released its 2007 annual report surveying coca cultivation in the Andean countries. The UNODC surveys use a different survey methodology than the USDOS. Methodological differences include techniques used to monitor coca cultivation areas, different techniques used to calculate the potential production of coca leaf, and different techniques used to calculate potential cocaine production. According to the UNODC, combined coca cultivation in Bolivia, Colombia, and Peru during the 2006–07 period increased by 16 percent, rising from 156,900 ha in 2006 to 181,600 ha in 2007. UNDOC reports that this increase was driven by a 27 percent increase in land under cultivation in Colombia, a 5 percent increase in Bolivia, and a 4 percent increase in Peru. UNODC, *Coca Cultivation in the Andean Region*, 7 and 13.

[16] USDOS, *INCSR 2008*, 18.

[17] In 2007, two of these groups continue to exercise considerable influence over areas with large concentrations of coca and opium poppy cultivation—the Revolutionary Armed Forces of Colombia (*Fuerzas Armadas Revolucionarias de Colombia*, FARC) and the National Liberation Army (*Ejercito de Liberacion Nacional*, ELN). Since 2004, a third group has largely demobilized, the United Self-Defense Forces of Colombia (*Autodefensas Unidas de Colombia*, AUC), although a number of its former personnel remain involved in the illegal drug trade. Ibid., 120.

TABLE 4.1 Coca cultivation and eradication in the Andean countries, in hectares, 1991-2007

Year	Bolivia	Colombia	Ecuador [a]	Peru	Total [b]
			Total cultivation [c]		
1991	53,388	38,472	120	120,800	212,780
1992	48,652	38,059	0	129,100	215,811
1993	49,597	40,493	0	108,800	198,890
1994	49,158	49,610	0	108,600	207,368
1995	54,093	59,650	0	115,300	229,043
1996	55,612	72,800	0	95,659	224,071
1997	52,826	98,500	0	72,262	223,588
1998	49,621	n/a	0	58,825	108,446
1999	38,799	167,746	0	52,500	259,045
2000	22,253	183,571	0	40,200	246,024
2001	[d]	254,051	0	37,900	291,951
2002	[d]	267,145	0	42,000	309,145
2003	[d]	246,667	0	42,463	289,130
2004	n/a	n/a	0	n/a	n/a
			Eradication		
1991	5,488	972	80	0	6,540
1992	3,152	959	0	0	4,111
1993	2,397	793	0	0	3,190
1994	1,058	4,910	0	0	5,968
1995	5,493	8,750	0	0	14,243
1996	7,512	5,600	0	1,259	14,371
1997	7,026	41,843	0	3,462	52,331
1998	11,621	66,366	0	7,825	85,812
1999	16,999	43,246	0	14,733	74,978
2000	7,953	47,371	0	6,206	61,530
2001	9,435	84,251	0	6,436	100,122
2002	11,839	122,695	0	7,134	141,668
2003	10,000	132,817	0	7,022	149,839
2004	8,437	136,555	0	7,605	152,537
2005	6,073	138,775	0	8,966	153,814
2006	5,070	171,613	0	10,137	186,820
2007	6,269	153,133	0	11,056	170,458

See footnotes on next page

TABLE 4.1—***Continued***

Year	Bolivia	Colombia	Ecuador [a]	Peru	Total [b]
		Net cultivation			
1991	47,900	37,500	40	120,800	206,240
1992	45,500	37,100	0	129,100	211,700
1993	47,200	39,700	0	108,800	195,700
1994	48,100	45,000	0	108,600	201,700
1995	48,600	50,900	0	115,300	214,800
1996	48,100	67,200	0	94,400	209,700
1997	45,800	79,500	0	68,800	194,100
1998	38,000	101,800	0	51,000	190,800
1999	21,800	122,500	0	34,700	173,000
2000 [e]	19,600	136,200	0	31,700	187,500
2001 [e]	19,900	169,800	0	32,100	221,800
2002 [e]	21,600	144,450	0	34,700	200,750
2003 [e]	23,200	113,850	0	29,250	166,300
2004 [e, f]	24,600	114,100	0	27,500	166,200
2005 [f]	26,500	144,000	0	34,000	204,500
2006 [f]	25,800	157,200	0	37,000	220,000
2007 [f]	in process	167,000	0	in process	in process

Source: USDOS, *INCSR 2008* and previous issues.

Note: n/a indicates data not available.

[a] Ecuador eliminated its small area of coca cultivation by 1992.

[b] Total is the simple sum of the data shown for the four Andean countries.

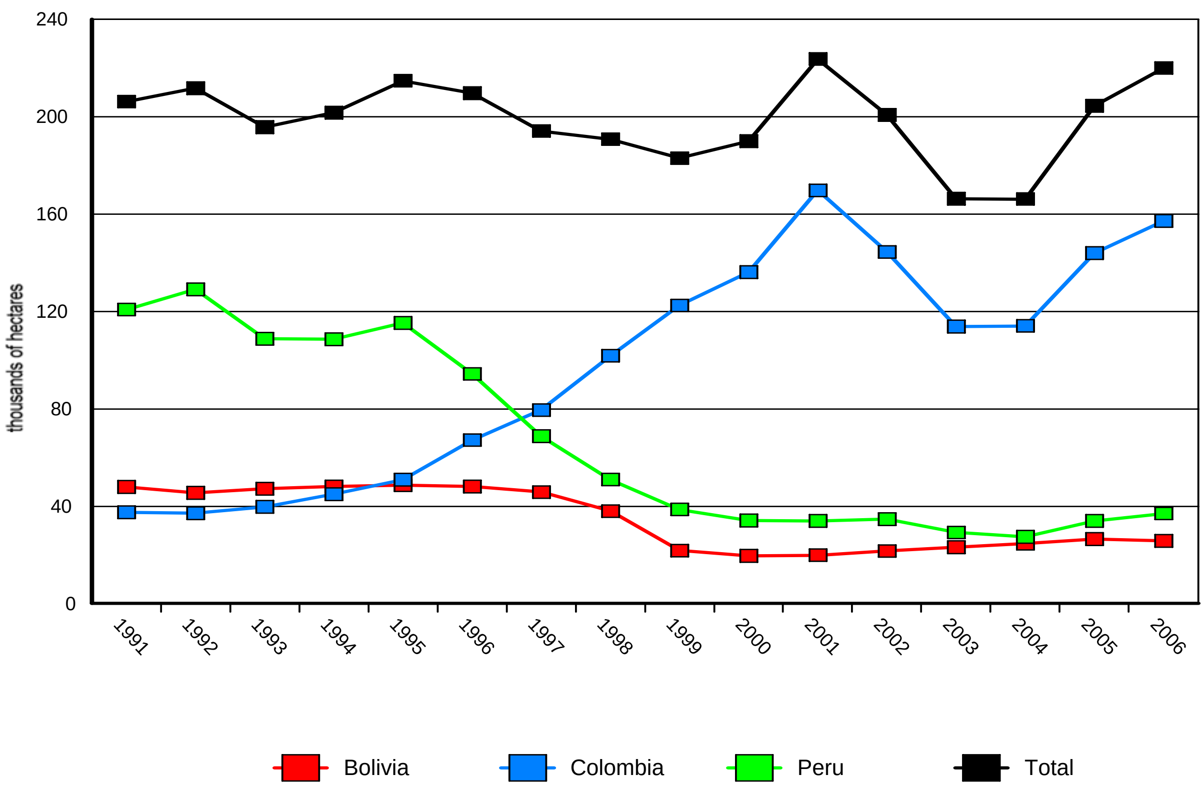
[c] After the March 2005 *INCSR*, USDOS discontinued publishing the data series "cultivation" (i.e., total cultivation) that appeared in the individual country tables. Moreover, the *INCSR 2005* report—covering the year 2004—had missing data for 2004 for total and net cultivation figures in individual countries. No individual country tables were published in the *INCSR 2006*. Subsequent *INCSR* reports have published only "net cultivation" and "eradication" figures. Previously, the data series for net cultivation plus eradication would sum to total cultivation. For Colombia, the terms used for "net cultivation" and "cultivation" are "potential harvest" and "estimated cultivation," respectively.

[d] In the *INCSR 2005* report, the "cultivation" figures for Bolivia in 2001–03 appear to be misplaced, where "cultivation" plus "eradication" sum to a higher "net cultivation" figure rather than the reverse. See footnote c.

[e] In July 2005, the Central Intelligence Agency (CIA) Crime and Narcotics Center (CNC), which provides the production estimates to the USDOS, revised its net coca cultivation figures for Bolivia, Colombia, and Peru for 2000–2004, which may lead to anomalies or incompatible data series when comparing data before and after the revision. The CNC revised figures have since been incorporated into the *INCSR* report, and are reflected in this table.

[f] The survey areas in Colombia were expanded greatly between 2004 and 2005, to a lesser extent between 2005 and 2006, and also changed in 2007 from previous surveys. Survey areas for Peru were expanded between 2004 and 2005. In 2006, one growing area in Peru could not be surveyed due to insufficient imagery collection, so the value for that year is not comparable to prior years. In 2007, the CNC revised the 2005 value due to discovery of an error in the cultivation data.

FIGURE 4.1 Net coca cultivation in the Andean countries, 1991–2007



Source: USDOS, *INCSR 2008* and previous issues.

assistance for aerial spraying of herbicides to help extend eradication efforts Following severe eradication efforts in 2002 and 2003, particularly near Ecuador's border, net coca cultivation in Colombia decreased for the first time in a decade to roughly 114,000 ha in 2003 and 2004. However, net coca cultivation in Colombia is currently estimated at 157,200 ha in 2006, the increase due largely to a substantial expansion of the areas surveyed by the U.S. government.[18]

Although this chapter focuses on coca cultivation, it should be noted that the opium poppy—the raw material used to produce heroin—is also cultivated in Colombia and, to a lesser extent, in Peru.[19]

[18] ONDCP, "Cocaine Production in Colombia," USITC written submission, July 29, 2008; USDOS, *INCSR 2008,* 124. See the section on Colombia for further details. The 2006 area surveyed increased by 19 percent compared with 2005, and almost all of the increase was identified in these newly surveyed areas. ONDCP, "2006 Coca Estimates for Colombia."

[19] According to the Central Intelligence Agency (CIA) Crime and Narcotics Center (CNC), opium poppy production in Colombia declined from 6,540 ha in 2001; to 4,900 ha in 2002; 4,400 ha in 2003; and 2,100 ha in 2004. By way of comparison, the 2004 figure for Colombia is only about one percent of that reported for Afghanistan in the same year. CIA/CNC, *Major Illicit-Drug Producing Nations*, 6 and 16. According to USDOS, the U.S. government conducted no survey in 2005 for opium poppy cultivation in Colombia due to cloud cover but that, in 2006, poppy cultivation in Colombia increased slightly to approximately 2,300–2,400 ha. USDOS, *INCSR 2008*, 32, 124, 128, 234, 238.

Country Profiles on Eradication and Alternative Development during 2007

Bolivia

Evo Morales, a coca grower and union leader of several coca grower associations, was elected president of Bolivia in December 2005, and took office in January 2006.[20] According to the U.S. Department of State, coca grower associations such as these are increasingly active in challenging government coca reduction programs, asserting that such programs limit the economic development opportunities of the rural indigenous population.[21]

Since entering office, President Morales has advocated a pro-coca but anti-drug policy approach that the U.S. government considers problematic for carrying out counternarcotics policy.[22] The strategy is based on the two policy pillars of "zero cocaine" and the "revalidation" (*revalorización*) of the coca leaf,[23] summarized in the slogan "*cocaína, no; coca, sí*," or "cocaine, no; coca, yes."[24] In June 2006, President Morales announced a new policy regime to help commercialize the legal sale of coca leaf for traditional medical and foodstuffs purposes—such as tea, soft drinks, and other uses—as a means to demonstrate that the coca plant can be used for legitimate ends.[25] This policy allows all Bolivian coca growers to sell leaf anywhere in the country.[26]

In December 2006, the Bolivian government announced its national counternarcotics strategy for 2007 through 2010, which included a reassessment of legitimate commercial uses for coca leaf.[27] The policy seeks to end cocaine production and trafficking in Bolivia but nonetheless seeks to decriminalize traditional coca cultivation.[28] As part of the policy of "revalidating" legitimate uses for coca, the president continues to propose raising the ceiling for legal coca cultivation.[29] The Bolivian government has proposed a strategy to allow 20,000 ha of coca cultivation nationwide (7,000 in the Chapare; 13,000 in the Yungas), considering this to be a more realistic level of historical coca production.[30] In August 2007, the government put this strategy into action, announcing plans to allow coca cultivation of

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[20] USDOS, "Background Note: Bolivia," May 2008.

[21] USDOS, *INCSR 2006*, 11.

[22] USDOS telegram, "GOB Announces Plan for Net Coca Reduction," message reference No. La Paz 002378, Aug. 29, 2007; "Bolivia—Update," message reference No. La Paz 002438, Sept. 11, 2006; and "Bolivia's Expansive Coca Policy," message reference No. La Paz 001644," June 19, 2006.

[23] USDOS, *INCSR 2007*, 101

[24] USDOS, *INCSR 2008*, 107.

[25] USDOS telegram, "Bolivia's Expansive Coca Policy," message reference No. La Paz 001644," June 19, 2006.

[26] USDOS, *INCSR 2007*, 101.

[27] Government of Bolivia. *Estrategia De Lucha Contra El Narcotráfico.*

[28] ONDCP, "Source Countries and Drug Transit Zones: Bolivia."

[29] Bolivia has produced coca leaf for traditional use for centuries. USDOS, *INCSR 2007*, 100. Bolivian law No. 1008 of July 19, 1988 (*Ley del Regimen de la Coca y Sustancias Controladas*, Legal Regime for Coca and Controlled Substances) authorized up to 12,000 hectares of coca cultivation within a defined "traditional" coca growing area located in the rugged mountainous region, known as "the Yungas," northeast of the capital city, La Paz. The legal coca cultivation of the Yungas contrasts with the largely illegal coca cultivation in the tropical lowland region in the east of the country, known as "the Chapare."

[30] USDOS, "Background Note: Bolivia," May 2008; USDOS, "Endorsement Memo for Acting Director of U.S. Foreign Assistance Henrietta Fore," Nov. 16, 2007, 5; USDOS, *INCSR 2007*, 100.

20,000 hectares, an area substantially above the 12,000 hectare limit that has applied since 1988 under Bolivian law No. 1008.[31]

Coca eradication has decreased approximately 20 percent since President Morales assumed office, according to figures cited by the U.S. Ambassador to Bolivia in November 2007.[32] The new government's eradication policy relies on cooperative coca eradication, in addition to which the new government has deemed it permissible for an individual coca farmer to grow up to 1,600 square meters of coca in the Chapare and 2,500 square meters in the Yungas.[33] However, in a government effort to contain coca cultivation in the Chapare with the inducement of alternative development assistance, farmers become eligible for alternative development loans to grow legal crops such as corn or rice, or grants for building loans if they limit their coca crop to the traditional *cato*.[34]

Nonetheless, the government surpassed its coca eradication target of 5,000 ha in 2007, eliminating 6,269 ha total.[35] In addition, the government began for the first time in 2007 a program for reduction of coca cultivation in the Yungas, a traditional coca-growing area prone to conflict over eradication.[36] The government has also moved forward slowly with other means of controlling coca, such as vesting social control of "excess" (illegal) coca with the coca growers and associations who might have a consequent interest in controlling illegal cultivation in order to protect the market for their legal crop.[37] The government has mentioned as well as the possibility of a government census and registry of all legally recognized coca growers.[38]

On September 25, 2008, President Bush announced that he proposed to suspend Bolivia's designation as a beneficiary country under ATPA and as an ATPDEA beneficiary country.[39] For further information, see the section "Beneficiaries" in chapter 1 of this report.

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[31] USDOS telegram, "GOB Announces Plan for Net Coca Reduction," message reference No. La Paz 002378," Aug. 29, 2007.

[32] USDOS, "Performance Report on Fiscal Year 2007 for Bolivia," 4–5. Coca eradication decreased about 32 percent from FY2005 to FY2006 (7,348 ha to 4,990 ha), although eradication subsequently increased 16 percent from FY2006 to FY2007 (4,990 ha to 5,778 ha).

[33] Ibid., 4. In May 2006, the government signed its first agreement on coca regulation and voluntary eradication with coca growers in the Yungas. In addition to the signed agreement, a verbal agreement was reached that individual growers would be allowed legal cultivation of a traditional area of land known as a *cato*, which is to be unofficially recognized as 50 meters by 50 meters (2,500 square meters or a quarter hectare) in the Yungas region and as 40 meters by 40 meters (1,600 square meters) in the Chapare region. USDOS telegram, "Bolivia —Still Coming Soon, the GOB's Long-Promised Coca Strategy; Agreement on Voluntary Eradication in Caranavi Expected May 20," message reference No. La Paz 001356, May 19, 2006. Two thousand five hundred square meters would be roughly equivalent in size to one half of a U.S. football field. Ledebur and Youngers, "Balancing Act."

[34] Valdez, "Food Rise Has Bolivia's Coca Farmers Planting Rice." Kathryn Ledebur, director of the Andean Information Network, explained that "the cato guarantees the farmers' income, giving them the chance to take risks with new crops." Ibid.

[35] USDOS, "USITC ATPA Report for Bolivia (La Paz 001486)," July 3, 2008, par. 9; ONDCP, "Source Countries and Drug Transit Zones: Bolivia."

[36] USDOS, "Performance Report on Fiscal Year 2007 for Bolivia," 4.

[37] Ibid., 5.

[38] Ibid.

[39] "Memorandum of September 25, 2008, Assignment of Function Under Section 203(e)(2)(A) of the Andean Trade Preference Act, as Amended," 73 Fed. Reg. 56701 (Sept. 29, 2008).

Alternative development[40]

In Bolivia, the U.S. government carries out four complementary program elements to support U.S. counternarcotics objectives—eradication, alternative development, interdiction, and drug demand reduction.[41] The USAID both implements the U.S. government's Integrated Alternative Development (IAD) program in Bolivia as a key element in advancing U.S. and Bolivian counternarcotics objectives,[42] and coordinates with the government of Bolivia in support of its counternarcotics strategy.[43] In 2007, the United States continued to provide support for the Bolivia's forced eradication in the two national parks in the Chapare, voluntary eradication operations in the central Chapare, and eradication in the Yungas.[44] According to the U.S. Department of State, a major challenge in coming years will be to shift counternarcotics efforts toward the Yungas region where greater net coca eradication is expected, while continuing to further reduce coca cultivation in the Chapare.[45]

As the government of Bolivia's policy relies largely on voluntary eradication by coca growers, the IAD program has been increasingly important as a tool for the Bolivian government to achieve this objective.[46] U.S. assistance aims to help diversify the economy in Bolivia's coca growing regions, reduce communities' dependency on coca, and support the Bolivian government's voluntary coca eradication program.[47] Projects promote the strengthening of Bolivia's competitiveness in agricultural products such as bananas, cacao, coffee, hearts of palm, and pineapples, in national and international markets; improvement in basic social conditions such as access to clean water and health care; improvement of rural infrastructure and access to markets such as road and bridge infrastructure and marketplace facilities; and expansion of legal and justice services in coca growing regions of Bolivia.[48] In 2006, U.S. economic assistance efforts in the Chapare region of Bolivia turned to a more

[40] On Sept. 10, 2008, the U.S. Ambassador to Bolivia was declared *persona non grata* in the course of a meeting called to discuss the previous day's failure of the Government of Bolivia to address security threats to U.S. Drug Enforcement Administration personnel involved in counternarcotics operations in the Chapare region. As a related consequence, USAID personnel involved in alternative development and crop substitution programs were also forced to withdraw from the Chapare region. USDOS, "Bolivia: President Morales Declares Ambassador Goldberg PNG," press release 2008/712, Sept. 11, 2008; Embassy of the United States, La Paz, Bolivia, "Embassy Highlights—What Is the USG reaction to President Morales' Decision to Declare Ambassador Goldberg Persona Non Grata?" (undated), http://bolivia.usembassy.gov/ (accessed Sept. 22, 2008). On Sept. 16, 2008, the President of the United States issued a determination that Bolivia, among others, had "failed demonstrably" in the previous 12 months to adhere to its obligations under international counternarcotics agreements, an annual determination by the President required under the U.S. Foreign Assistance Act to allow continuation of U.S. aid programs to countries considered major drug producing or transit areas. Failure to comply with such obligations typically results in withholding of U.S. assistance programs until compliance is restored; however, in the case of Bolivia, the President signed a waiver of possible sanctions in the U.S. national interest so as to permit U.S. counternarcotics and crop substitution programs to continue where possible. White House, Office of the Press Secretary, "Memorandum for the Secretary of State: Major Drug Transit or Major Illicit Drug Producing Countries for Fiscal Year 2009—Presidential Determination No. 2008-28," press release, Sept. 16, 2008.

[41] Ibid.

[42] USDOS, *INCSR 2008*, 109.

[43] USDOS, USAID, "Budget—Bolivia—Objectives, Sectors and Workforce."

[44] USDOS, "Performance Report on Fiscal Year 2007 for Bolivia," 5; and USDOS, USAID, "Budget—Bolivia—Objectives, Sectors and Workforce."

[45] USDOS, "Performance Report on Fiscal Year 2007 for Bolivia," 5.

[46] Ibid., 4–6. As a result of budget cuts, the IAD program in Bolivia has been realigned to emphasize voluntary eradication in the Yungas region over eradication in the Chapare, a situation likely to worsen in 2009 due to sharp budget reductions, according to the U.S. Ambassador. Ibid.

[47] USDOS, *INCSR 2008*, 109.

[48] Ibid.

integrated approach to alternative development projects where local municipalities can now also participate in decisions, implementation, and monitoring decisions that affect local economic development, activities that previously were the exclusive charge of the central government.[49]

The USAID development assistance program operates principally in the Chapare and Yungas regions where most of Bolivia's coca leaf is grown, providing farmers with alternatives as they exit coca cultivation and adopt other viable sources of income.[50] The IAD program helps reduce coca-related conflict, build local support for control of illegal coca, and prevent coca expansion to new areas.[51] The USAID program supports the Bolivian government's coca control and counternarcotics efforts, coordinating as well with the government's integrated development efforts that encompass domestic programs found in the 2006-10 national development plan for Bolivia, such as *Bolivia Digna*, *Bolivia Democratica*, and *Bolivia Productiva*.[52]

In 2007, the need to clarify changing Bolivian counternarcotics policies dampened the implementation of alternative development projects in the first half of the year, although demand by farmers for alternative development crops subsequently picked up.[53] In the first nine months of FY2007, U.S. assistance reached 12,671 families directly, supporting an increase of 11,475 hectares in crops such as bananas, cacao, and hearts of palm, as well as land under forest management—an increase of 125 percent over FY2006.[54] This assistance has helped generate 3,700 new jobs through aid to farm communities and businesses that, in turn, has led to $16.5 million in new sales of alternative development products—an increase of 45 percent over FY2006.[55]

In FY2007, the USAID program provided support to municipalities by maintaining and improving nearly 550 kilometers of roads, and constructing 17 bridges in the Yungas and Chapare.[56] USAID assistance helped the Bolivian government to register 92,318 hectares of land in the Chapare in preparation for its titling, a measure designed to strengthen land ownership rights and encourage additional farmer investment in alternative development products.[57] These programs provided business support and technical assistance to producers and businesses to help access export markets for products such as annatto seed, bananas, *camu camu* (a local fruit high in vitamin C), cacao, coffee, flowers, hearts of palm, pineapple, and tea.[58] This assistance has also included help facilitating phytosanitary analysis, certification, and customs clearance for these products.[59] In hearing testimony before the Commission, the Secretary General of the Organization of American States (OAS) stated by way of example that "incentives to trade in legal products have helped coca farmers and others find sustainable alternative livelihoods," with jobs being created in some of the most vulnerable areas in Bolivia.[60]

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[49] USDOS, *INCSR 2007*, 100–01
[50] USAID/Bolivia, "Integrated Development Program."
[51] Ibid.; USDOS, *INCSR 2007*, 100–01.
[52] USAID/Bolivia, "Integrated Development Program."
[53] USDOS, *INCSR 2008*, 109.
[54] Ibid.; USDOS, "Performance Report on Fiscal Year 2007 for Bolivia," 5.
[55] USDOS, *INCSR 2008*, 109.
[56] Ibid.; USDOS, "Performance Report on Fiscal Year 2007 for Bolivia," 8–9.
[57] USDOS, *INCSR 2008*, 109.
[58] USDOS, "Performance Report on Fiscal Year 20007 for Bolivia," 32.
[59] Ibid.
[60] His Excellency José Miguel Insulza, OAS secretary general, USITC hearing transcript, 72.

Colombia

In Colombia, coca cultivation increased from 144,000 ha in 2005 to 157,200 ha in 2006, an increase of 9 percent, according to the most current data published by the U.S. Department of State in its March 2008 *INCSR* report.[61] According to the report, the U.S. government increased its survey area in Colombia by 19 percent in 2006 over the survey area in 2005, resulting in an additional 13,200 ha of coca cultivation.[62] Coca cultivation in Colombia continues to be a problem in national parks, in reserves for indigenous peoples, and along the borders of Ecuador and Venezuela, where aerial spraying is not employed within 10 kilometers of international borders.[63] In 2008, the United States is continuing to coordinate aerial and manual eradication efforts, particularly to inhibit the rapid replanting of coca and increased coca cultivation in no-spray zones.[64]

Alternative development

The USAID alternative development program in Colombia seeks to create permanent, legal, alternative income-generating opportunities in areas vulnerable to drug production and trafficking, supported by efforts to stimulate private investment that will underpin these business opportunities, and improve local governance and provision of services so as to strengthen a locality's institutional infrastructure.[65] The elements of the program are designed to (1) develop and expand alternative development, (2) improve economic policy and the business environment, (3) improve sustainable management of natural resources and biodiversity, and (4) support democratic local government and decentralization.[66]

The program has provided technical assistance, training, and logistical support to farm groups, nongovernmental organizations, and local business associations to promote legal crop production on approximately 20,000 ha, generating employment and increasing legal

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[61] USDOS, *INCSR 2008*, 124.

[62] The *INCSR 2008* report released Mar. 1, 2008 contained no official U.S. Government estimates for coca cultivation in Bolivia, Colombia, or Peru. On Sept. 10, 2008, the ONDCP announced the completion of the official U.S. coca crop estimate for Colombia for 2007. Compared to a 2006 estimate of 157,200 hectares, the 2007 estimate of 167,000 hectares was not considered statistically significant, given both the margin of sampling error inherent in any survey but particularly given the recent year-to-year changes in the actual survey areas sampled, which prevents any direct comparison between recent estimates of coca cultivation in Colombia. The release nonetheless points to a central finding that, although the area under cultivation has remained relatively static, the yield from the available crop is dropping steeply due to the pressures from aerial spraying and manual eradication. The release reports that sprayed fields become progressively less able to produce coca leaf, either directly as existing plantings need to be pruned more severely, can be harvested fewer times per year, and yield less per bush or, alternatively, producers must migrate elsewhere which results in harvesting immature coca bushes that are also less productive. The release concludes that coca production in Colombia is being "hollowed out" which, in turn, results in lower potential cocaine production. ONDCP, "Official U.S. Colombia Survey Reveals Sharp Decline in Cocaine Production Colombia Coca Crop 'Hollowed-Out' by Eradication Pressure," press release, Sept. 10, 2008.

[63] The U.S. government continues to support coca crop eradication in Colombia through aerial herbicide spraying. Colombia is the only South American country permitting aerial spraying. Ibid., 23. The United States also continues to support drug interdiction through the Air Bridge Denial program that resumed in Colombia in 2004. The Air Bridge Denial program aims to interdict drug smuggling by air, typically small aircraft transporting processed drugs to transshipment points in neighboring countries. Ibid., 124, 23, and 125.

[64] Ibid., 127.

[65] USDOS, USAID, "Budget—Colombia," Data Sheet: "Alternative Development."

[66] Ibid.

agricultural output and exports in known coca- and poppy-growing areas.[67] The program has aimed to attract private investment into agribusiness, forestry, and small- and medium-enterprises that locate in areas certified as free of illegal crops.[68] As part of the program, technical assistance and training have promoted management and sustainable production in agro-forestry settings in and around national parks in an effort to create buffer zones that might block coca cultivation in these areas.[69]

Joint efforts by the governments of Colombia and the United States continue to encourage farmers in roughly one-third of the country to abandon illegal crop cultivation.[70] Despite continuing insecurity in target areas, the USAID has reported significant progress in implementing its alternative development program.[71] Since FY2002, U.S. alternative development programs have reached over 135,000 families in 17 administrative departments in Colombia, supported over 158,000 ha of legal crops, and completed 1,179 social and economic infrastructure projects.[72] In addition, the U.S. government has worked with Colombia's private sector to create an estimated 109,728 additional full-time equivalent jobs.[73]

In hearing testimony before the Commission, the OAS Secretary General reported figures that ATPA preferences have supported 110,000 direct jobs and another 94,000 indirect jobs in the flower industry in Colombia.[74] He went on to say that the broader benefits provided under the ATPDEA help generate 135,000 direct jobs in the textile and apparel industry.[75]

Ecuador

Ecuador largely eliminated its coca cultivation by 1992, although there has been a small but steady increase in the number of planting locations identified and eradicated each year since 2004, largely in scattered sites near the Colombian border.[76] According to the U.S. Department of State, illegal crop cultivation is not currently significant in the area along the northern border, but is a severe problem in the region of Colombia adjacent to Ecuador's northern border.[77] In 2007, Ecuadorian military and police forces located and destroyed approximately 36 ha of cultivated coca in these border regions.[78] Ecuador remains a major drug transit country for illegal drugs such as cocaine and heroin, including precursor chemicals used in the manufacture of illegal drugs.[79] In its own assessment, the USAID considers coca cultivation and increased trafficking in precursor chemicals and narcotics as a key challenge facing the Ecuadorian government in the future, along with threats from increased paramilitary/guerilla violence and narcotics-related crime, increased flows of

[67] Ibid.
[68] Ibid.
[69] Ibid.
[70] USDOS, *INCSR 2008*, 126.
[71] USDOS, USAID, "Budget—Colombia." Data Sheet: "Alternative Development."
[72] USDOS, *INCSR 2008*, 126.
[73] Ibid.
[74] His Excellency José Miguel Insulza, OAS secretary general, USITC hearing transcript, 72.
[75] Ibid.
[76] USDOS, *INCSR 2008*, 131.
[77] Ibid., 132.
[78] Ibid., 131.
[79] Ibid., 129.

refugees and displaced persons, money laundering, and growing problems involving trafficking in persons.[80]

Alternative development

According to the U.S. Department of State, Ecuadorian President Rafael Correa's appointment of the former director of the Anti-Narcotics Police Directorate as commanding general of the national police provides "a clear indication that anti-narcotics would be a high priority for his Administration."[81] In September 2007, President Correa announced an emergency-funding package of $300 million over two years for the national police mainly for improving police facilities and operational capabilities.[82]

In 2000, the government of Ecuador established the Northern Development Body *(Unidad de Desarollo Norte*, or Udenor) to coordinate economic and social development programs in the country's northern border region. With illegal crop cultivation in the northern region not considered significant, Udenor aimed at preventive, rather than alternative, development in carrying out the government's multiyear, $400 million master development plan for the region. The plan involved strengthening the local economy by building productive capacity in the form of economic and social infrastructure, as well as healthcare and environmental conservation projects.

In November 2007, Udenor was subsumed under the National Planning and Development Ministry (*Secretaría Nacional de Planificación y Desarrollo*), following a government reorganization undertaken in February 2007.[83] During 2007, the USAID continued its alternative development program[84] in cooperation with Udenor and its new counterparts, with the USAID focusing on strengthening basic infrastructure and local governments' capacity to provide services to improve local governance.[85] This institutional support aims to support small farmers to increase their competitiveness to sell crops in international markets, and raise awareness among the Ecuadorian public about the threat to their well being and democratic stability of allowing a coca and cocaine economy to take hold.[86]

To date, the USAID mission reports that the alternative development program has brought benefits to approximately 300,000 people, creating over 8,000 new jobs in agriculture, food

[80] USDOS, USAID, "Budget—Ecuador—Objectives, Sectors and Workforce," Data Sheet: "Alternative Development Program."

[81] USDOS, *INCSR 2008*, 129.

[82] Ibid. The direction of future anti-narcotics policies in Ecuador is unclear. President Correa was sworn into office on Jan. 15, 2007, but President Correa and the Ecuadorian Congress became deadlocked shortly thereafter following the March 2007 dismissal of 57 members of Congress. A constituent assembly was voted into power Sept. 30, 2007, charged with drafting a new constitution, leaving government policy largely in limbo. USDOS, "Background Note: Ecuador" January 2008. On Sept. 28, 2008, Ecuadorian voters approved a new constitution that was supported by President Correa. Joshua Partlow and Stephan Küffner, "Voters in Ecuador Approve New Constitution," *Washington Post* (washingtonpost.com), Sept. 28, 2008, *http://www.washingtonpost.com/wp-dyn/content/article/2008/09/28/AR2008092802644.html*; and Simon Rimero, "President Wins Support for Charter in Ecuador," *New York Times*, Sept. 28, 2008, *http://www.nytimes.com/2008/09/29/world/americas/29ecuador.html?_r=1&oref=slogin*.

[83] Government of Ecuador, "Institución—Antecedentes—Reseña Histórica."

[84] USDOS, *INCSR 2008*, 132.

[85] USAID, Ecuador, "Our Programs/Northern Border/Program Activities."

[86] Ibid.

processing, and related transportation and goods distribution.[87] The USAID reports that projects carried out under the program have raised incomes by more than half for over 9,000 families.[88] Infrastructure projects under the program have included completion of 90 kilometers of roads reaching 26,250 small farmers; 44 pedestrian and vehicle bridges benefitting 52,604 small farmers; 84 potable water systems reaching 123,442 people; 19 sewer systems reaching 33,384 people; and 8 irrigation systems benefitting 24,575 small farmers.[89]

USAID support in the northern border region has targeted key agricultural clusters, particularly cacao, coffee, broccoli, and avocado crops.[90] In FY2006, approximately 3,900 new cacao farmers increased their average income from $687 to $973; 1,223 coffee farmers increased their average income from $613 to $929; 73 broccoli farmers increased their average income from $1,731 to $3,114; and avocado growers increased their average income from $6,883 to $11,600.[91] Roughly 12,000 new hectares of cacao and coffee trees were planted as a result of this USAID assistance.[92] In the Amazonian provinces in the norther border region, some 2,500 coffee producers now export robusta coffee beans to Colombia and, for the first time, farmers exported arabica coffee to Japan in FY2006.[93] Approximately 5,000 cacao and coffee farmers also received agricultural and financial training, and some 500 farmers are completing basic training for cacao farming and postharvest technologies, strengthening over 30 farm organizations through such channels.[94]

USAID plans for FY2007 seek to concentrate efforts in the six northern border provinces on strengthening local governance to bolster stability and increase economic development.[95] The USAID reports initial success in approximately 25 local governments (municipalities and village councils) in the northern border region.[96]

In written testimony submitted to the Commission, the Ambassador of Ecuador to the United States stated that ATPA has been an “invaluable tool” in limiting the spread of illegal drug production and narcotics trafficking within Ecuador through the generation of economic growth by new industries and substantial legal employment opportunities.[97] He pointed out that the ATPA program has played a key role in the eradication of drug crop production and the maintenance of social stability by encouraging the development of new industries, such as flowers and broccoli, both of which are largely concentrated in the north and central highland areas of Ecuador, close to illegal coca and poppy cultivation across the border in Colombia.[98] In his hearing testimony, the Ambassador specified particular industries covered by ATPA where exports to the United States have grown by 30 percent from 2003 to 2005—namely roses, broccoli, pigeon peas, and pineapples.[99]

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[87] Ibid.
[88] Ibid.
[89] Ibid.
[90] USDOS, USAID, “Budget—Ecuador,” Data Sheet: “Alternative Development Program.”
[91] USAID, Ecuador, “Reports—Results Report 2006 (Feb 2007).”
[92] Ibid.
[93] Ibid.
[94] Ibid.
[95] USDOS, USAID, “Budget—Ecuador,” Program: “Northern Border Development.”
[96] Ibid.
[97] His Excellency Luis Gallegos, Ambassador of Ecuador, USITC hearing transcript, 7, and written submission, 6.
[98] Ibid., 4.
[99] Ibid., 11.

In a written submission to the Commission, the Ecuadorian-American Chamber of Commerce said that ATPDEA has been a success for both Ecuador and the United States, and has been very effective in supporting drug eradication efforts by providing legal job alternatives.[100] The Chamber goes on to point out in its submission that flower workers in Ecuador earn more than illegal coca farmers in Colombia.

In hearing testimony before the Commission, the OAS Secretary General stated that ATPA preferences have played an important role in Ecuador, providing trade opportunities in industries such as cut flowers, fresh fruits, vegetables, and cereals.[101]

Peru

In June 2006, Alan Garcia was elected president of Peru on a platform of decreasing poverty through job creation, in particular in regions with acute poverty such as the southern highlands.[102] Bilateral U.S.-Peruvian efforts to stem the flow of drugs, particularly cocaine, are complemented by strong efforts to establish an alternative development program for coca farmers to voluntarily reduce and eliminate illegal coca cultivation in key coca-growing areas, such as the southern highlands.[103] This bilateral counternarcotics effort is funded in large part by the U.S. Department of State, through its Bureau of International Narcotics and Law Enforcement Affairs which supports law enforcement operations and the USAID which promotes alternative development efforts.[104]

Following inauguration of President Garcia's administration in 2006, various groups began to demonstrate in 2006 against government policies, including coca growers protesting the government's coca eradication policies.[105] According to the U.S. Department of State, a common grievance was the lack of basic government services, such as healthcare or education, issues often addressed directly by U.S. and Peruvian alternative development projects mounted in coca-growing areas.[106]

Beyond road blockages and vandalism carried out by cocalero protesters in 2007, more extreme political violence has also been recorded in remote coca-growing areas in the southern highlands. A key challenge has been the antigovernment, terrorist group Shining Path (*Sendero Luminoso*), which has been active in promoting illegal coca cultivation as part of cocaine trafficking activity in remote areas of Peru where there is little government presence, such as in the administrative departments of Apurimac and Huanuco.[107]

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[100] Camara de Comercio Ecuatoriano-Americana, "Impulsando el Comercio y la Inversión," written submission to the USITC.

[101] His Excellency José Miguel Insulza, OAS secretary general, USITC hearing transcript, 72.

[102] USDOS, "Background Note: Peru."

[103] In Peru, legal coca cultivation is located largely in the traditional areas east of the city of Cuzco. To produce coca leaf legally, farmers must register with and sell their crop to the national government coca monopoly—the National Coca Agency (*Empresa Nacional de Coca*, ENACO).

[104] USDOS, "Background Note: Peru."

[105] USDOS telegram, "Peru 2008 Investment Climate Statement," message reference No. Lima 000151, Jan. 28, 2008. Other protesting groups included those addressing the mining and petroleum industries and related environmental pollution, and farmers seeking increased financial support and government tariff protection from foreign imports.

[106] Ibid.

[107] Ibid.

In 2007, the Peruvian government followed its 2002–07 national counternarcotics strategy[108] with a new antidrug plan, to run from 2007 through 2011.[109] The 2007–11 strategy retains the basic components of the previous plan involving drug crop eradication, alternative development, and drug interdiction, but increases emphasis on alternative development assistance and on interdiction of chemical precursors used in illegal drug manufacture.[110]

In Peru, coca grower associations have been less successful in opposing coca eradication efforts at a national political level than their counterparts in Bolivia.[111] Nonetheless, cocalero leaders at regional and local levels have been more active in organizing aggressive, and at times violent, demonstrations and marches opposing the government's eradication operations, in areas such as the Upper Huallaga Valley in the north and the Apurimac-Ene River Valley in the south. In the latter areas, Shining Path guerillas have been increasingly active during 2007 in ambushing, injuring, and killing police and coca eradication workers and in threatening alternative development teams.[112]

Alternative development

The alternative development program in Peru is a key component in the U.S. government's comprehensive counternarcotics strategy in Peru, according to the USAID.[113] At its core, the program provides technical assistance to farmers so that they can grow legal crops as an alternative to illegal coca cultivation.[114] The USAID provides information and technical assistance to promote sustainable local and regional economic development, assists small producers and entrepreneurs to link production to market demand, and encourages private investment in legal productive activities.[115] The alternative development program in Peru emphasizes several elements: (1) voluntary and forced coca eradication;[116] (2) sustainable local and regional development; (3) a national framework for counternarcotics and alternative development; and (4) communications programs.[117]

The alternative development program in Peru has achieved sustainable reductions in illegal coca cultivation and discouraged replanting of coca by increasing the economic competitiveness of coca-growing areas and improving local governance that, in turn, helps change the perceptions and long-term behavior of coca growers away from illegal coca

[108] Government of Peru, *La Estrategia Nacional de Lucha contra las Drogas*.
[109] USDOS, *INCSR 2008*, 137.
[110] Ibid.
[111] Ibid.
[112] Ibid., 137-38.
[113] USDOS, USAID, "Budget—Peru—Objectives, Sectors and Workforce," Data Sheet: "Alternative Development."
[114] USDOS, *INCSR 2008*, 141.
[115] USDOS, USAID, "Budget—Peru—Strategic Objectives."
[116] Since FY2002 when the voluntary eradication program began, 15,117 ha of illegal coca (2,052 ha in FY2007) have been eliminated by coca-growing communities that signed contracts with the government of Peru to eradicate their own coca and maintain a legal lifestyle in exchange for economic assistance in pursuit of remaining coca free. After FY2007, USAID support to these communities expects to focus more on the consolidation of the economic and social gains made during the five-year program. In coordination with community members and local and national governments, the consolidation component will target most of the 802 communities and 64,801 families that participated in voluntary eradication in the coca-growing areas of the departments of San Martin, Huanuco, and Ucayali, as well as another 87 communities and 5,888 families already participating in the Tocache province of San Martin department. USAID/Peru, "Alternative Development Fact Sheet."
[117] USDOS, USAID, "Budget—Peru—Strategic Objectives."

cultivation and in favor of legal crops and alternative development products.[118] The USAID has coordinated media campaigns to convince families in coca-growing areas to reject illegal coca cultivation and embrace a legal lifestyle, emphasizing the negative aspects that often arise in a community that is associated with illegal coca cultivation and narcotrafficking.[119] Nearly 65,000 families committed to Peru's voluntary eradication program by the end of the program's fifth year, eradicating a total of over 15,100 ha in these communities, of which 9,976 families joined in FY2007 and eradicated over 2,000 ha of illegal coca.[120]

The USAID alternative development program has delivered technical assistance through a variety of small, labor-intensive infrastructure works such as roads, bridges, schools, health posts, and sanitation systems, all as a means to provide immediate income and improve local services.[121] This assistance has supported legal crops such as cacao, coffee, corn, cotton, hearts of palm, palm oil, and peach palm fruit (*pijuayo*), on over 54,264 ha,[122] resulting in an additional $5 million in new sales for organizations operating in communities choosing voluntary coca eradication.[123] According to the USAID Mission in Peru, the alternative development program in the five years since FY2002 has completed 696 infrastructure projects, including 192 schools, 104 potable water systems, 15 health clinics, 152 multipurpose community buildings, and 41 bridges, and has rehabilitated 88 rural roads, as well as having invested nearly $30 million in the rehabilitation of 90 kilometers of the major route between Juanjui and Tocache that connects isolated jungle communities with markets in the rest of the country.

In a written submission to the Commission, the Embassy of Peru pointed out that the government of Peru has incorporated the preferences provided by ATPA into its national alternative development program as part of the government's strategy to reduce illegal coca cultivation and carry out its counternarcotics policy.[124] Its alternative development program aims to substitute coffee and cacao crops for illegal coca cultivation, particularly in the Upper Huallaga, Aguaytia, and Apurimac Valleys, which account for approximately 70 percent of the illegal coca production in Peru. Depending on regional climate, other alternative crops with export potential are pineapples and palm trees for the production of hearts of palm and palm oil.[125]

In a written submission to the Commission, the Peruvian Asparagus Importers Association noted its particular case as a specific example of ATPA preferences promoting reduction in illegal coca planting, stating, "the success of Peru's agro-export industry in general, and the asparagus industry specifically, over the past decade is one of the signal achievements of the ATPA in that it has effected the creation of high-value marketable agricultural businesses at the expense of illegal coca cultivation."[126] In hearing testimony before the Commission, the OAS Secretary General stated that the jobs and high-value, nontraditional exports created

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[118] USDOS, *INCSR 2008*, 141.
[119] USDOS, USAID, "Budget—Peru—Strategic Objectives."
[120] USDOS, *INCSR 2008*, 141.
[121] USDOS, USAID, "Budget—Peru—Strategic Objectives."
[122] USAID/Peru, "Alternative Development Fact Sheet."
[123] USDOS, *INCSR 2008*, 141.
[124] Embassy of Peru, "Peru: ATPDEA Benefits—2002–2007," USITC written submission, undated, submitted July 18, 2008, 3.
[125] Ibid.
[126] Embassy of Peru, USITC written statement on behalf of the Peruvian Asparagus Importers Association, July 14, 2008, 6.

with the help of ATPA preferences have presented an alternative to illegal coca production.[127]

[127] His Excellency José Miguel Insulza, OAS secretary general, USITC hearing transcript, 72.

CHAPTER 5
Positions of Interested Parties

The Commission held a public hearing on July 22, 2008, and also invited interested persons to file written submissions. This chapter first provides an overview of interested parties' major comments regarding the impact of ATPA and then provides summaries of hearing testimony and written submissions for each interested party.[1]

Impact of ATPA: Overview of Hearing and Written Submissions

A wide range of interested parties testified at the Commission's public hearing and provided written submissions, including a U.S. government officials, Andean government officials, regional organizations, industry associations, U.S. producers and importers, and Andean producers and exporters.[2] Although most of the persons testifying and providing written comments cited ATPA's positive benefits, many also noted that uncertainties related to ATPA's extensions were adversely affecting, or threatening to adversely affect, trade and investment. Several of the main themes that emerged from this information are discussed below.

ATPA Has Had a Minimal Effect on the Overall U.S. Economy, but Mixed Effects on Specific U.S. Sectors

Several foreign government and regional organization officials stated that the impact of ATPA on the overall U.S. economy continues to be small because U.S. imports from ATPA countries account for a very small share of total U.S. imports.[3] Some also expressed the view that ATPA stimulated economic growth and demand for U.S. consumer and capital goods, which has benefited U.S. exports and employment.[4]

Many industry and government representatives cited positive effects of ATPA on specific U.S. sectors. These effects include increased U.S. exports of capital equipment and inputs used in the production of ATPA-eligible products; benefits to U.S. industries and services that indirectly support ATPA-related imports; benefits to U.S. consumers such as broader

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[1] In many instances, the chapter reflects only the principal points made by the particular party. The views expressed in the summarized materials should be considered to be those of the submitting parties and not the Commission. In preparing this summary, Commission staff did not undertake to confirm the accuracy of, or otherwise correct, the information summarized. For the full text of hearing testimony and written submissions, see entries associated with Investigation No. 332-352 (2008) at the Commission's Electronic Docket Information System (*http://searchapp.usitc.gov/edis3/app*).

[2] For a list of hearing participants, see app. B.

[3] For example, see His Excellency Freddy Ehlers, secretary general of the Andean Community, USITC hearing transcript, 45; and Honorable Graciela Toro, Minister of Planning for Development for Bolivia, USITC hearing transcript, 35.

[4] For example, see Colombian Government Trade Bureau, written submission, July 29, 2008; and American Chamber of Commerce of Peru, written submission, July 25, 2008.

choice, greater availability, and lower prices; and company-specific benefits. For example, representatives of the textile and apparel industry stated that ATPA has supported sourcing partnerships between U.S. and beneficiary country companies.[5] Under these partnerships, which do not exist with Chinese or other Asian companies, U.S. companies supply cotton, yarns, fabrics, dyes, chemicals, trims, packaging materials, and sometimes machinery to the region, where they are used to assemble finished apparel that is exported to the United States under ATPA. For example, the Secretary General of the Andean Community stated that the United States is an important source of cotton and cotton yarns for the Andean countries' textile and apparel industries.[6]

Several companies and associations in agricultural and food-processing industries cited the benefits of ATPA. According to various organization officials, about 220,000 U.S. jobs in the transportation, distribution, processing, and retail industries depend on imports of cut flowers from Colombia and Ecuador.[7] Representatives of E.G. Hill Company stated that, for example, in the flower industry, the United States exports fertilizers, agricultural chemicals, equipment, genetic material, and test plants to Ecuador.[8] In addition, the company said that the assembly of flower arrangements in the United States and the U.S. origin of many of the components of such arrangements (e.g., flower foam) results in a U.S. value added of between 300 and 1,000 percent. The U.S. Chamber of Commerce asserted that the imported flowers do not compete directly with U.S. products and provide U.S. consumers with more choices at better prices. The Association of Floral Importers of Florida (AFIF) said that U.S. companies have invested $250 million directly into the Colombian flower industry, own about 17 percent of Colombian flower production, and account for almost 20 percent of Colombia's flower exports to the United States.[9] The Peruvian Asparagus Importers Association (PAIA) said that U.S. imports of fresh asparagus have benefited U.S. importers, distributors, and transportation companies, as well as U.S. consumers who benefit from year-round availability of asparagus. The PAIA also said that Peruvian asparagus is largely counter-seasonal and is sold mostly on the East Coast, limiting direct competition with asparagus producers in California and Washington.[10] Another company, Superior Foods, an importer of frozen broccoli from Ecuador, asserted that Ecuadorian broccoli is an important component in its vegetable blends and prepared meals, and that the year-round access helps the company lower its costs and remain competitive. [11]

A few interested parties stated that ATPA has had negative economic effects on specific industries. The California Cut Flower Commission (CCFC) said that the U.S. market share for California flowers has declined significantly because of ATPA and expressed the view that California growers have been unable to garner the lower U.S. transportation rates offered to the imported flowers, where volumes are much higher, contributing to higher costs

[5] For example, see American Apparel and Footwear Association, written submission, July 22, 2008, 1.

[6] His Excellency Freddy Ehlers, secretary general of the Andean Community, USITC hearing transcript, 48.

[7] For example, see U.S. Chamber of Commerce, written submission, July 22, 2008; and Association of Floral Importers of Florida, written submission, July 22, 2008, 1.

[8] Dean E. Rule, General Manager, Ecuador branch and Committee Member and Ex-Board Member, EXPOFLORES, Richmond, Indiana / Quito, Ecuador, E.G. Hill Company, USITC hearing transcript, 115.

[9] ASOCOLFLORES provided the same statistics.

[10] Peruvian Asparagus Importers Association, written submission, June 2008.

[11] Mateo Lettunich, chairman, Superior Foods Companies, USITC hearing transcript, 141–42, and written submission July 11, 2008.

for the California producers.[12] The Tile Council of North America, Inc. said that "ATPA has had a negative economic impact on the U.S. ceramic tile industry" as a result of large and growing volumes of imports of ceramic tile under ATPA as well as the relatively low unit value of these imports compared with those produced in the United States.[13] The International Intellectual Property Alliance reported that although its members "cannot directly connect the strength of the U.S. copyright-based industries here in the U.S. to the actual implementation of the ATPA itself, . . . U.S. companies do [suffer] losses due to copyright piracy in these four Andean countries."[14]

ATPA Has Had a Positive Effect on Beneficiary Countries

According to testimony and written submissions, ATPA has promoted exports and investment, which have generated economic growth and employment in the beneficiary countries. The Secretary General of the Andean Community stated that ATPA has allowed ATPA-related industries to develop economies of scale, positioning themselves to sell competitively in other markets, and that ATPA has also promoted export diversification and regional supply chain integration in some industries (e.g., textiles and apparel).[15]

Bolivia's Ministry of Production and Micro-enterprise stated that with respect to Bolivia, ATPA has been responsible for the growth in textile and apparel exports to the United States, ad has benefited the jewelry, wood products, and leather products industries. These exports to the United States, which are characterized by higher unit values than other exports, according to the minister, have increased economic growth and employment, and directly contributed to Bolivia's development.[16] The Bolivian government estimates that the export sector employed around 452,000 workers in 2007,[17] of which over 25,000 jobs were linked to ATPA-related exports (excluding hydrocarbons).

According to the Colombian Government Trade Bureau, ATPA has benefited labor-intensive industries in Colombia, generating an estimated 300,000 direct jobs. In particular, it reports that ATPA supported the creation of 98,600 direct and 83,500 indirect jobs in the flower industry, and 200,000 direct and almost 600,000 indirect jobs in the apparel industry.[18]

The Ecuadoran Ambassador to the United States said that ATPA has played "a fundamental role in ensuring Ecuador's economic stability, its commercial diversification, and its ability to maintain viable, labor-intensive, export industries."[19] According to Ecuadoran officials, ATPA has played an especially important role in supporting the growth of the flower, broccoli, tuna, textile, pineapple, and pigeon pea industries. The Ecuadoran Ambassador

[12] Kasey Cronquist, executive director, CCFC, USITC hearing transcript 126–30, and written submission July 22, 2008.

[13] Juliana M. Cofrancesco and John F. Bruce, Howrey LLP, counsel for Tile Council of North America, Inc. (TCNA), written submission, July 29, 2008, 8.

[14] Maria Strong, International Intellectual Property Alliance (IIPA), written submission, July 29, 2008, 2.

[15] His Excellency Freddy Ehlers, secretary general of the Andean Community, USITC hearing transcript, July 22, 2008, 47–49.

[16] Bolivian Ministry of Production and Micro-enterprise, Vice-Ministry for Trade and Export, written submission, July 2008.

[17] 51,000 direct jobs and 400,500 indirect jobs.

[18] Ministry of Trade, Industry and Tourism of Colombia, submitted by Ricardo Triana, Director, Colombian Government Trade Bureau, written submission, July 29, 2008.

[19] His Excellency Luis Gallegos, ambassador of Ecuador, USITC hearing transcript, 9, and written submission, July 22, 2008, 2.

noted that the flower industry employs 130,000 workers directly and indirectly, and about 20,000 jobs would be lost if ATPA were not renewed. He estimated that the broccoli industry employs 15,000 workers directly and indirectly and stated that, if ATPA were not renewed, about 3,000 jobs and 60 percent of export revenues would be lost. He added that the pineapple industry employs about 50,000 workers, of which an estimated 15,000 would lose their jobs in the absence of ATPA.[20] According to the Ecuadorian-American Chamber of Commerce, ATPA is responsible for over 400,000 jobs in Ecuador, representing 8 percent of the labor force.[21]

The American Chamber of Commerce of Peru (AmCham Peru) stated that ATPA created an export "boom" for Peru, which has contributed to sustainable economic growth and helped alleviate poverty. Peruvian statistics provided by AmCham Peru indicate that Peru's exports to the United States have increased 168 percent since 2002, when ATPDEA was implemented, and that the number of companies exporting to the United States has increased 37 percent, not taking into account those indirectly related companies (e.g., transportatiion and packaging).[22] Also, there has been a 114 percent increase in nontraditional exports (e.g., agroindustry, apparel, fishing, and steel and metallurgy products).[23]

Various officials also expressed the view that ATPA has benefited workers and their families in the beneficiary countries. Several officials said that wages and working conditions are typically better in the ATPA-related companies. For example, according to a representative of the Bolivian apparel company América Textil, that that firm pays its workers three times the national minimum wage, has five in-house unions, and has working standards in full compliance with human rights and fair labor practices, as certified by the World Responsible Apparel Production (WRAP) organization, all of which are "a direct consequence of ATPDEA, which provides a framework and an incentive to constantly improve our business practices."[24] In addition, VF Corporation stated that it provides jobs for women who are the primary wage earners in their households. The Association of Colombian Flower Exporters (ASOCOLFLORES) said that women represent 65 percent of the workers on Colombian flower farms, which also provide important social programs, such as nursing, education, day care, subsidized schooling, subsidized food and nutrition programs, and low-income housing assistance.[25]

Officials of the Andean Community, the American Apparel and Footwear Association, and VF Corporation stated their concerns that the scheduled December 2008 expiration of ATPA tariff preferences would adversely impact co-production arrangements that have been developed in response to ATPA under which the ATPA beneficiaries are allowed to use inputs from other beneficiaries for purposes of rules of origin.[26]

[20] His Excellency Luis Gallegos, ambassador of Ecuador, written submission, July 22, 2008, 3.

[21] Ecuadorian-American Chamber of Commerce, written submission, July 22, 2008.

[22] The American Chamber of Commerce of Peru also pointed out that because it is necessary to be a formal company to export, ATPDEA has "contributed to the formalization of businesses, which has a positive impact in the fiscal budget as well." American Chamber of Commerce of Peru, written submission, July 25, 2008.

[23] American Chamber of Commerce of Peru, written submission, July 25, 2008.

[24] Marcos Iberkleid, chief executive officer, América Textil, S.A., written submission, July 22, 2008.

[25] Association of Colombian Flower Exporters, written submission, July 25, 2008.

[26] His Excellency Freddy Ehlers, secretary general of the Andean Community, USITC hearing transcript, 47–48; Steve Lamar, executive vice president, AAFA, USITC hearing transcript, 243; and John Strasburger, vice president and managing director, V.F. Americas Sourcing, VF Corporation USITC hearing transcript, 137–8.

ATPA Has Had a Positive Effect on Drug Crop Eradication and Crop Substitution[27]

The Office of National Drug Control Policy (ONDCP) stated that ATPA has had a positive effect on drug-crop eradication and alternative development. According to the ONDCP, "ATPA and eradication complement each other—they are less likely to succeed without each other. Eradication acts as a deterrent to those farmers who contemplate planting illicit crops and ATPA provides the financial underpinning for those farmers to fall back on to survive when they turn away from illicit crops."[28]

Foreign government and industry representatives observed that through increased exports and investment, ATPA has created employment opportunities for workers who might otherwise engage in drug crop production. The Ministry of Foreign Trade and Tourism of Peru said that ATPA "has had a significant impact" on the Peruvian economy by fostering exports, particularly exports of textiles and apparel and nontraditional agricultural products, which have created employment, and in the case of some agricultural products (e.g., pineapples and heart of palm), provided alternative crops in the valleys where coca is typically grown.[29] According to the PAIA, the success of Peru's agroexport industry in general, and the asparagus industry specifically, is one of the "signal achievements of the ATPA in that it has effected the creation of high-value marketable agricultural businesses at the expense of illegal coca cultivation."[30]

The Ambassador of Ecuador said that ATPA played an important role in Ecuador's drug eradication efforts "by encouraging the development of new industries and the creation of legal employment opportunities."[31] He also stated that "ATPA dependent industries such as flowers and broccoli are largely concentrated in the north-central highland areas of Ecuador near the Colombian border [thus helping] to prevent the establishment of coca-leaf and opium growing operations coming from Colombia."[32] According to E.G. Hill Company and the Ecuador-American Chamber of Commerce, income from flowers and broccoli production is greater than from drug production, which has resulted in some migration of workers from the drug-producing regions of northern Peru and southern Colombia to Ecuador.[33]

According to the Colombian Government Trade Bureau, ATPA has strengthened legitimate industries, provided employment alternatives to illegal crop cultivation and drug trafficking, and helped to stabilize Colombia's democracy. According to the Trade Bureau, one benefit of ATPA has been improved counter-narcotics efforts in the Colombian flower and apparel

[27] For more information on the Commission's analysis regarding ATPA's effect on drug crop eradication and crop substitution, see chap. 4 of this report.

[28] Patrick M. Ward, Acting Deputy Director, Office of National Drug Control Policy, Executive Office of the President, written submission, July 29, 2008.

[29] Ministry of Foreign Trade and Tourism of Peru, written submission, July 22, 2008.

[30] Peruvian Asparagus Importers Association, written submission, June 2008, 6.

[31] His Excellency Luis Gallegos, ambassador of Ecuador, USITC hearing transcript, 14, and written submission, July 22, 2008, 4.

[32] His Excellency Luis Gallegos, ambassador of Ecuador, USITC hearing transcript, 14–15, and written submission, July 22, 2008, 4.

[33] Dean E. Rule, General Manager, Ecuador branch and Committee Member and Ex-Board Member, EXPOFLORES, Richmond, Indiana / Quito, Ecuador, E.G. Hill Company, USITC hearing transcript, 117, and written submission, July 22, 2008; and Bernardo Traversari, executive director, Ecuadorian-American Chamber of Commerce, USITC hearing transcript, 100–101, and written submission, July 22, 2008.

industries, which have implemented "the most state-of-the-art drug interception technology."[34]

Uncertainties Regarding ATPA Expiration and Implementation of U.S. Bilateral FTAs with Colombia and Peru Have Adversely Affected Investment and Trade

Many of the public comments claimed that the uncertainties related to the repeated expirations and short-term renewals of ATPA since 2006 have negatively affected the investment environment and bilateral trade. According to Ecuador's Ambassador to theUnited States, these uncertainties "have frightened investors and U.S. based importers."[35] The U.S. Chamber of Commerce said the current uncertain business environment has already resulted in declines in bilateral textile and apparel trade between 2006 and 2007.[36] Levi Strauss said that "ATPA is the primary (if not sole) reason that these apparel production operations exist in the region," and because of the uncertainties, it has begun to reduce orders from the region for the 2009 buying season.[37] VF Corporation claimed that the loss of ATPA duty-free status would "cause the Andean Region to lose [its] ability to compete globally on price—apparel production will quickly shift to Asia and other duty-free regions . . . resulting in loss of textile related jobs here in [the] USA and apparel jobs in the Andean Region." A VF Corporation official asserted that "a significant amount of apparel production has already shifted out of the Andean region," noting that manufacturing is planned at least nine months in advance, at which time prices with suppliers and customers are set.[38]

Ametex, a Bolivian textile and apparel company and Bolivia's largest employer with 4,000 workers, cited "alarming" consequences of these uncertainties: an 85 percent decline in U.S. apparel imports from Bolivia since 2005. According to the company, it was "forced to lay off 500 employees" due to the uncertain business climate.[39] The Secretary General of the Organization of American States (OAS) said press reports indicated that the two largest manufacturers of gold and silver jewelry in Bolivia are moving to Peru to take advantage of the U.S.-Peru Trade Promotion Agreement.

E.G. Hill Company stated that the recent extensions of ATPA have been shorter than the planning period for many flower species; for example, it takes about one year from the decision to plant roses to full production, thereby affecting investment decisions. AFIF officials reported that because the industry requires set pricing months in advance, and sometimes a year in advance, flower-importing companies are unable to make correct cost

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[34] Ministry of Trade, Industry and Tourism of Colombia, submitted by Ricardo Triana, Director, Colombian Government Trade Bureau, written submission, July 29, 2008, 2.

[35] His Excellency Luis Gallegos, ambassador of Ecuador, USITC hearing transcript, 11, and written submission, July 22, 2008, 3.

[36] With respect to Colombia, the Colombian Government Trade Bureau pointed out that U.S. exports of textiles to Colombia dropped 24 percent between 2006 and 2007, and U.S. imports of Colombian apparel declined 30 percent as production shifted to Asia.

[37] Helga Ying, director, worldwide government affairs and public policy, Levi Strauss & Co., written submission, July 29, 2008.

[38] John Strasburger, vice president and managing director, V.F. Americas Sourcing, VF Corporation, USITC hearing transcript, 136, and written submission July 22, 2008, 2–3.

[39] Marcos Iberkleid, chief executive officer, América Textil, S.A., written submission, July 22, 2008, 5.

projections and pricing decisions; thus, imposition of duties "will also adversely affect our long term pricing commitments [and] ability to fulfill contracted orders."[40]

Finally, according to company officials, the partnership between U.S. and Colombian companies producing sanitary ware, faucets and fixtures, and fittings and tiles in the United States and Colombia "would be in peril without the extension of the ATPDEA." Company representatives asserted that Chinese imports "have decimated the domestic sanitary ware business" and "any job or market losses incurred from the lapsing of the ATPDEA would contribute to their advantage."[41]

Summaries of Positions of Interested Parties

Government of Bolivia[42]

In testimony at the Commission's hearing, Bolivia's Minister of Planning for Development stated that "trade plays a very important role in the economic development of Bolivia" and the alleviation of poverty, and that ATPDEA in particular "allows Bolivia to take advantage of trade possibilities and to promote its development." She added that because of ATPA, Bolivia has recorded a bilateral trade surplus with the United States since 2003, and that "change in this historic trend for [Bolivia] has been possible, especially because of the textile industry, the leather industry, and the jewelry . . . industr[y] within the framework of" ATPDEA. She stated that ATPA has contributed significantly to employment. She stated that the export sector accounts for 452,000 jobs (51,000 direct and 400,000 indirect), of which trade with the United States accounts for 50,350, and of which 50 percent can be attributed to ATPA. She added that much of this employment is in labor-intensive industries such as apparel, jewelry, wood and leather products, and other manufactured goods.

Minister Toro said that, although "the impact on Bolivia is fundamental, in terms of employment and income," with regard to the effect of ATPA on the United States, Bolivia's exports to "the United States only represent 0.02 percent of the exports into the United States . . . . And what it really means is that the effect of Bolivian exports into the United States is minimum." The minister concluded that "[f]undamentally, we believe that this is the beginning of negotiations that will allow us to enter into a long-term agreement with the U.S."

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[40] In its written submission, Continental Flowers, Inc. (as part of the written submission from the Association of Floral Importers of Florida) said that the 2001–02 lapse of ATPA "caused a budget and cash crisis for our company through the sudden imposition of duties." It added that although ATPA was retroactively renewed such that the duties paid were eventually reimbursed, this duty collection and reimbursement "created an enormous burden of time, money, and effort for importers as well as U.S. Customs." In addition, ASOCOLFLORES indicated that U.S. flower importing companies paid about $2.5 million per month in duties on flowers when ATPA was not in effect in 2001–02, which hurt the industry and cost jobs in both Colombia and the United States. Association of Floral Importers of Florida, written submission, July 22, 2008; Association of Colombian Flower Exporters, written submission, July 25, 2008.

[41] Kurt Graves, ceo, Orchid Ceramics, LLC; Jim Morando, ceo, Mansfield Plumbing Products, LLD; Santiago Cárdenas, president, Corona Sanitary Ware; and Reinaldo Aragón, ceo, Corona Tiles Orchid Ceramics, Mansfield Plumbing Products, Corona Sanitary Ware, and Corona Tiles, written submission, July 14, 2008.

[42] Honorable Graciela Toro, Minister of Planning for Development for Bolivia, USITC hearing transcript, 33–43.

Government of Colombia[43]

In a written submission, the Colombian Government Trade Bureau said that "Colombia constitutes an important example of the positive economic impact [ATPA] can have on all countries involved, while also supporting other U.S. strategic interests in the region." It continued that ATPA has been an economic weapon in the fight against drug production and trafficking and has created legitimate industries as alternatives. The Trade Bureau asserted that "[a]s a collateral benefit of [ATPA] some Colombian industries have made substantial improvements in their counter-narcotics efforts. For instance, the Colombian flower and apparel industries maintain the most state-of-the-art drug interception technology and are lauded for their cooperation with U.S. Customs and Border Protection on interdiction."

With regard to trade, the Trade Bureau noted that the United States is Colombia's leading trade partner, and asserted that ATPA has provided many benefits to Colombia and the United States; almost 300,000 direct jobs in Colombia are dependent on ATPA preferences. For example, exports of flowers under ATPA "have provided broad benefits to U.S. consumers while at the same time supporting a critical sector of the Colombian economy in terms of job creation (98,600 direct; 83,500 indirect)." Similar information was provided for the apparel industry, where ATPA has supported 200,000 direct and 600,000 indirect jobs. In addition, the Trade Bureau indicated that ATPA has helped the "U.S. textile industry compete with low-priced textile and apparel products imported from China and other parts of Asia, thereby maintaining U.S. jobs." Finally, it reported that ATPA supports the export of U.S. raw materials, especially cotton and man-made fibers and yarns to Colombia, that are used in the production of apparel. The Trade Bureau commented that the uncertainty of trade benefits has already shifted some production to Asia.

Government of Ecuador[44]

In testimony at the Commission's hearing, Ambassador Luis Gallegos noted the significant increase in trade between Ecuador and the United States since the beginning of ATPA in 1991. He said that this growth has benefited both countries by:

- generating jobs in both Ecuador and the United States;
- lifting hundreds of thousands of Ecuadorians out of poverty;
- containing the spread of illicit drug production and narcotics trafficking in Ecuador, the United States, and the broader Hemisphere;
- contributing to the political and economic stability of Ecuador; and
- consolidating long-standing commercial, political, and cultural ties between both countries.

[43] Ministry of Trade, Industry and Tourism of Colombia, submitted by Ricardo Triana, Director, Colombian Government Trade Bureau, written submission, July 29, 2008. For more information on the Colombian Government Trade Bureau, see *http://www.coltrade.org*.

[44] His Excellency Luis Gallegos, ambassador of Ecuador, USITC hearing transcripts, 7–18, and written submission, July 29, 2008.

Ambassador Gallegos said that ATPDEA has been a stabilizing force in the region and that ATPA has spurred the growth of a number of nontraditional industries that employ hundreds of thousands of Ecuadorians, helped to reduced poverty levels, reduced the immigration incentive, and reduced the involvement in the illicit drug trade. He said,

> [A] significant portion of Ecuador's export revenues, more precisely 24 percent, is also dependent on the ATPA, [as are] new industries that got started under this program. Non-oil ATPA-dependent industries generated revenues of $504 million in 2007, according to Ecuadorian government figures. A study commissioned by the Ecuadorian Ministry of Trade and Integration found that roses, broccoli, pigeon peas, and pineapple exports to the U.S.—all of them covered by the ATPA—grew by 30 percent from 2003 to 2005.

He added that "[i]t is important to note that many of the producers in these industries are medium to small businesses that have invested heavily in improving their standards in order to export to the U.S. market." The written materials provided at the hearing by the ambassador identify Ecuadorian industries that have benefited from ATPA, including flowers, broccoli, pineapples, tuna/fish, and apparel and textiles.

Ambassador Gallegos stated that trade between Ecuador and the United States is complementary and mutually beneficial. By way of example, the ambassador stated that "the Ecuadorian flower industry estimates that up to 75 percent of every dollar generated by sales of Ecuadorian flowers in the U.S. is, in turn, spent on U.S. goods and services such as U.S. air, maritime, and ground carriers, fertilizers, seeds, packaging materials, and other inputs necessary for the flower business. In addition, a large portion of the investment in the Ecuadorian flower industry originates in the U.S. These activities generate a large number of jobs among U.S. ports, transportation, and distribution networks, wholesalers, and retail companies."

The ambassador said that, according to an official report, "up to 350,000 jobs would be lost or jeopardized in Ecuador, should ATPA not be renewed." Of significant social importance is that the majority of the workers in these industries are female heads of household, who have remained in Ecuador to raise their families. He also stated that without ATPA, Ecuador would also see a significant drop in its ATPA-dependent exports. The ambassador cited an Ecuadorian government report that indicated that non-renewal of the ATPA would result in losses of $87 million per year in Ecuador's GDP and lost investments totaling $90 million per year. He said that such prospects would potentially weaken the to-date successful efforts by Ecuador and the U.S. to contain drug production and narcotrafficking in Ecuador.

Government of Peru[45]

The Ministry of Foreign Trade and Tourism of Peru provided a written submission which addressed four main areas.

Market Overview. According to the written submission,"[s]ince its renewal in 2002, ATPDEA has had a significant impact in the Peruvian economy by fostering an important

[45] Ministry of Foreign Trade and Tourism of Peru, submitted by Manual Talavera, Deputy Chief of Mission, Embassy of Peru to the United States, written submission, July 28, 2008.

increase of exports" to the United States, from $1.9 billion in 2002 to $5.2 billion in 2007. The submission notes that the United States is Peru's largest trading partner. It continues to state that

> ATPDEA represents a positive impact in terms of added value exports for Peru [which has] created more employment and provides an important building block to U.S. and Peru[vian] efforts to reduce coca illegal production. Furthermore, ATPDEA offers real economic benefits for Peruvian business, agriculture and exporters, it also represents a key building block in the quest for sustainable alternative activities to combat drug smuggling and terrorism, build democratic institutions, and stimulate the reduction of poverty.

Exports under ATPDEA. The submission stated that "[i]n the last five years, the value of exports under the [ATPDEA] multiplied by 8, reaching $3 billion in 2007, compared to about $0.4 billion in 2002. Nearly 58 percent of Peruvian exports to the U.S. enter under ATPDEA provisions. In this regard, ATPDEA expanded opportunities for new Peruvian exports and products."

Illegal Crop Eradication and Alternative Development. According to the written submission, Peru is the world's second largest coca leaf producer after Colombia. The submission cites estimates from the Peruvian counter-drug trafficking agency that in 1990, over 121,000 hectares in Peru were used for coca crops, whereas in 2007 less than 54,000 hectares were used for coca crops. According to the submission, in the last seven years, coca cultivation in Peru has remained at around 48,000 ha. It concludes that this trend should be strengthened as a result of U.S. Congressional approval, in December 2007, of the U.S.-Peru Trade Promotion Agreement.

Impact on Poverty. The Ministry reported that "[a] comprehensive analysis of poverty in Peru concluded that 39 percent of Peruvian families were below the poverty line and 14 percent were below the extreme poverty level." It asserts that "ATPDEA has helped and will help meet" the goal "of cutting poverty to 30% by the end of 2011."

Government of Peru—Promperu[46]

Promperu, Peru's official trade promotion agency, submitted statistics concerning Peru's apparel and textile sector for 2007. According to Promperu, Peru's apparel and textile exports reached a historically high level of $1.7 million, reflecting 17.5 percent growth over the previous year. Promperu data reflect that the United States is Peru's leading export market, with a 48.3 percent share; followed by Venezuela (23.3 percent); Colombia (3.0 percent); Chile (2.9 percent); Italy (2.9 percent); and Ecuador (2.0 percent). Peru's leading exports were cotton T-shirts ($466.9 million); men's and boys' cotton shirts ($253.3 million); and women's and girls' cotton blouses ($149.9 million).

Peru's apparel and textile exports to the United States totaled $835.6 million, down 3.6 percent from 2006. Cotton T-shirts and blouses were the leading exports to the U.S. market. Peru's exports to Venezuela, the next leading export market, totaled $403 million, up 124.4

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[46] Written statement of July 24, 2008, forwarded by Manual Talavera, deputy chief of mission, Embassy of Peru, on behalf of Promperu. For more information about Promperu, see *http://www.promperu.gob.pe*.

percent from the .previous year. Peru is an important supplier of fabrics to Colombia that are used in T-shirts, acrylic sweaters, and cotton blouses and shirts. Peru's fabric exports to Colombia totaled $51.8 million, an increase of 25.1 percent over the previous year.

Organization of American States[47]

In testimony at the Commission's hearing, José Miguel Insulza, secretary general of the Organization of American States, said that ATPA "is a program that has worked." He said that the program "has helped foster economic growth, create new job opportunities, and provide alternatives to illicit drug production and trafficking." He stated that ATPA has expanded trade and promoted diversification, and that the utilization rate of the program by the four beneficiaries is the highest among all U.S. preference programs.

The secretary general cited examples of the benefits of ATPA. For example, he said that in Ecuador, exports of cut flowers under ATPDEA have generated more than 60,000 jobs (60 percent of which have gone to women); mangos, 22,500 jobs; textiles, 16,000 jobs; broccoli, 11,500 jobs; and tuna fishing and industrial processing, 250,000 jobs. In Bolivia, ATPA has provided incentives for sustainable alternative livelihoods in value-added products such as apparel and textiles, leather goods, wood products, handicrafts, and jewelry. In Colombia, ATPA contributes 110,000 direct and 94,000 indirect jobs in the flower industry, and 135,000 direct jobs in the apparel and textiles sector. In Peru, ATPA has promoted jobs and high-value, nontraditional exports as an alternative to illicit coca production. The secretary general notes that more than 300,000 of the jobs created under ATPDEA were in labor-intensive industries.

He also said that the loss of ATPA benefits could lead, for example, to a 1.8 percent decrease in GDP and the loss of $40 million in fiscal revenue and 360,000 jobs in Ecuador, and it would adversely affect preventive alternative crop development in Bolivia. He said that the recent uncertainty has already negatively affected investment and employment opportunities, such as the loss of investment in the jewelry sector in Bolivia.

Andean Community (Comunidad Andina)[48]

At the hearing, Secretary General of the Andean Community Freddy Ehlers stated that the main purpose of the Andean Community "is furthering the regional integration process of [these countries], ensuring that the Andean Community's commitments are fulfilled and maintaining ongoing links with the member countries."[49]

He stated that "trade between the United States and ATPDEA beneficiary countries [is] a complementary trade relationship." In addition, "U.S. imports from ATPDEA beneficiary countries were only 1.1 percent of the U.S. total imports. Thus, it may be said that their impact on the U.S. economy continued to be negligible in 2007. As a result, they do not

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[47] His Excellency José Miguel Insulza, Organization of American States (OAS) secretary general, USITC hearing transcript, 66–93. For more information on the OAS, see *http://www.oas.org*.

[48] His Excellency Freddy Ehlers, secretary general of the Andean Community, USITC hearing transcript, 43–65. For more information on the Andean Community, see *http://www.comunidadandina.org/endex.htm*.

[49] The Andean Community comprises Bolivia, Colombia, Ecuador, Peru. Chile is an associated member.

threaten the productivity of the U.S. economy." He added that ATPA has furthered the region's economic integration; created complementary production chains between the United States and the region; facilitated the creation of economies of scale in industries,thereby allowing them to position products in other markets; promoted export diversification; and offered U.S. consumers options in terms of quality, variety, and price of products. He also stated his concern that the scheduled December 2008 expiration of ATPA tariff preferences would adversely impact co-production arrangements that have been developed in response to ATPA under which the ATPA beneficiaries are allowed to use inputs from other beneficiaries for purposes of rules of origin.

Second, he addressed the role of ATPA in drug-related prevention. He noted that "Andean countries are worried about the fact that cocaine production is not declining," but that "there is an ever increasing trend to confiscate cocaine and the chemical additives used to produce it."

Third, he provided his views on the economic impact of ATPDEA on the United States and the Andean Community. He stated that ATPA has contributed to employment creation and improved the formal employment structure in ATPA countries; increased ATPA countries' incomes and GDP; contributed to increased demand for U.S. products; increased living standards; contributed to direct and indirect employment in the United States, such as the distribution networks associated with the imports of apparel, roses, asparagus, and other goods; and created better conditions, such as political stability, which have favored American investments in ATPA countries. He concluded by stating that "the absence of the ATPDEA would also have effects on political stability and economic outcomes which would most negatively impact the private sector in each country."

Office of National Drug Control Policy, Executive Office of the President[50]

In a written submission, the White House Office of National Drug Control Policy (ONDCP) addressed its drug eradication program in Colombia and its impact on cocaine production in Colombia. The written submission reported that the office has found that ATPA and eradication complement one another, such that either program would be less likely to succeed without the other, and that ATPA helps provide the financial underpinning to survive and fall back on when farmers turn away from illegal crop cultivation, whether through voluntary or forced eradication.

The submission described the method used by the U.S. government to estimate illegal crop cultivation and cocaine production, as well as ramifications that recent changes in method have had for U.S. estimates of cocaine production. It reported that whereas the ONDCP submission focuses solely on Colombia, the information provided is equally applicable to U.S. government estimates for Bolivia and Peru.

The submission attributed the increased estimate of coca cultivation in Colombia to the greatly expanded survey area covered, beginning in 2005 and 2006. Consequently, the ONDCP has concluded that estimating potential cocaine production is a better measure of

[50] Patrick M. Ward, Acting Deputy Director, Office of National Drug Control Policy, written submission, July 29, 2008. For information on ONDCP, see *http://www.whitehousedrugpolicy.gov*.

success against narcotics trafficking than simply estimating area planted in illegal coca crop. The submission points out a number of technical aspects involved in estimating both the number of hectares of coca under cultivation, as well as additional aspects of how the U.S. government estimates the potential cocaine that might be produced from cultivation of this illegal crop. The submission cites crop yield as a core element in determining the amount of cocaine or heroin (from coca or opium poppy crops, respectively) that might be extracted from the crop. Additional agricultural variables affecting crop yield include the weather, available labor, crop remaining at harvest time, and even market demand that could dictate prevailing prices that are too low to repay harvest costs. Other variables affecting the U.S. government estimate of potential drug production (as opposed to drug crop production) include the processing efficiency of the drug laboratories refining the crop into final product, as well as employing a 100 percent purity basis to make production estimates consistent when finalizing a U.S. estimate of cocaine or heroin production.

América Textil, S.A.[51]

In testimony at the Commission's hearing and in a written submission, representatives of América Textil (América Textil, Ametex) stated that the company is a vertically integrated apparel manufacturing company based in La Paz and is Bolivia's largest private company. Company representatives stated that since 2002, Bolivia's apparel trade under the ATPDEA has sustained yearly growth rates of up to 30 percent, with almost all of the 10 million garments produced annually going directly to or through the United States. Because of the improved access to the U.S. market afforded by ATPDEA tariff preferences, Ametex now operates five factories, maintains annual revenues of $45 million dollars, and employs 4,000 workers.

In its testimony and a written submission, Ametex reported that Andean trade preferences also benefit U.S. producers of raw materials used by Andean clothing manufacturers. U.S. exports of apparel inputs to the four Andean countries grew to an estimated $250 million in 2007. Andean trade preferences benefit U.S. workers by contributing to employment in downstream sectors in the U.S. economy including transportation, logistics, and retail industries associated with the shipment, distribution, and sales of U.S. imports from the Andean region. Ametex confirmed its commitment to sound business and fair labor practices that were recently commended in a hearing of the U.S. Senate Committee on Finance.

Ametex reported on the need for a long-term renewal of ATPDEA to ensure the security of the business cycle. Last-minute extensions create uncertainty that discourages companies from sourcing Andean garments and lead to a decline in U.S. apparel imports from the region (which has forced Ametex to lay off 500 workers) and unpredictability in the trade relationship between the United States and the Andean countries.

[51] Marcos Iberkleid, chief executive officer, América Textil, S.A., USITC hearing transcript, 143–48, and written submission, July 28, 2008.

American Apparel and Footwear Association[52]

In a written submission and in testimony at the Commission's hearing, the American Apparel and Footwear Association (AAFA) stated that it strongly supports the ATPA. The AAFA said that it was a key advocate of expanding the original ATPA to include apparel, textiles, and footwear products, and it continues to support Andean trade today.

In testimony and a written submission, AAFA highlighted the "unqualified success" of the ATPA preferences in creating new export markets for U.S. cotton growers and textile manufacturers, sourcing alternatives for U.S. apparel companies, and economic opportunities for Andean apparel and textile companies with no negative impact on the United States. AAFA reported that because ATPA articles were required to use primarily U.S. inputs, this increase in imports was associated with a corresponding increase in U.S. exports of cotton, yarn, and fabric to the region, doubling from $130 million in 2002 to nearly $260 million in 2006. Consequently, it said, the entire supply chain from the cotton, the yarn, the fabrics, the apparel industry, the retailers, and U.S. importers are united in their support of the Andean trade partnership.

AAFA stated that it strongly supports the evolution of the Andean program into a full-scale reciprocal and permanent trade partnership. It added that the current trade partnership falls short because of its frequent expirations, restrictive rules of origin and coverage, and unilateral focus. AAFA reported that there has been a cumulative decline of both U.S. imports of apparel from the Andean region and U.S. exports of yarns and fabrics to those countries because of the uncertainty about ATPA. According to AAFA, the U.S.-Peru and U.S.-Colombia Trade Promotion Agreements (TPAs) offer a longer-term opportunity to keep expanding the partnership; and AAFA urged the U.S. Administration to ensure timely entry into force of these agreements because they stand to offer greater predictability in production and sourcing, a better ability to price out garments, and duty-free benefits for apparel.

AAFA recommended that ATPA be renewed for both Colombia and Peru past the date of the U.S.-Peru TPA's expected entry into force and for a period sufficient to ensure the U.S.-Colombia TPA enters into force. According to AAFA, this should be done as soon as possible to ensure continuity and predictability in the duty-free access upon which U.S.-Andean apparel and textile trade depends. AAFA recommended that ATPA be extended to maintain existing relationships between all four Andean countries.

American Chamber of Commerce of Peru[53]

In a written submission, the American Chamber of Commerce of Peru (AmCham Peur) stated that ATPA has benefited both the U.S. and the Peruvian economies. AmCham Peru wrote that "there is empirical evidence that suggests that Peruvian exports to the American market have positive spillover effects in the U.S. economy by creating added value in other stages of the supply chain." AmCham Peru cited data that show that "70% of every dollar exported in asparagus to the U.S. is captured by American industries, mainly the transport

[52] Steve Lamar, executive vice president, AAFA, USITC hearing transcript, 102–07, and written submission, July 22, 2008. For information on AAFA, see *http://www.apparelandfootwear.org*.

[53] American Chamber of Commerce of Peru, written submission, July 25, 2008.

industry (ports, air transport, trucks, etc.) and retailers who sell these products directly to consumers at higher prices."[54]

AmCham Peru also reported that ATPA has benefited the Peruvian economy by providing a stimulus for the production of exports as well as in supporting industries and activities in Peru including logistics, packaging, transportation equipment and machinery distributors, trade services, and technical education. According to AmCham Peru, "the exports boom triggered by ATPA/ATPDEA has been a key factor in the generation of alternative sources of income for more Peruvians, who now have more stable jobs that reduce the incentives of incurring in forbidden activities such as drug trafficking."[55]

Asociación de Exportadores (Peru)[56]

In a written submission, the Asociación de Exportadores (ADEX) stated that it is an organization that operates as a foreign trade company and represents exporters and importers in Peru. According to data provided by ADEX in its written submission, in 2007, the value of production for Peru's apparel and textile sectors was $1.6 billion (9.4 percent of industrial manufacturing) and $1.2 billion (7.1 percent of industrial manufacturing), respectively. The apparel and textile sector grew by 13.7 percent in 2007. The submission noted that Peru had 14,883 textile establishments and 44,421 apparel firms, and that 98 percent of the apparel firms were small or microenterprises geared mostly for production for the domestic market, but which recently have begun exporting to Venezuela. ADEX reported that Peru received no new foreign investment in its apparel and textile sector in 2007. Employment for apparel and textile manufacturing was an estimated 150,000 direct workers and 375,000 indirect workers. ADEX also stated that Peruvian apparel exports will probably face greater competition in the U.S. market from low-cost Chinese apparel after U.S. safeguards on Chinese apparel and textile products expire later in 2008.

Association of Colombian Flower Exporters[57]

In a written submission, the Association of Colombian Flower Exporters (ASOCOLFLORES) stated that it is a nonprofit grower/exporter association representing flower growers handling more than 80 percent of Colombia's total flower exports. The submission adds that ASOCOLFLORES promotes the Colombian flower industry in world markets and conducts programs related to the environment, research, transportation, and worker welfare.

According to the written submission, ASOCOLFLORES is a strong supporter of the renewal of ATPA. ASCOLFLORES stated that the success of the Colombian flower industry has been due in large part to Colombia's location, natural resources, and year-round growing conditions, which give it a competitive advantage over U.S. producers. The group acknowledged, however, that ATPA duty preferences have benefited the Colombian flower

[54] Ibid.

[55] Ibid.

[56] Fernando Ferreyros, gerente general, ADEX, written submission, July 15, 2008. For information on ADEX, see *http://www.adexperu.org.pe*.

[57] Association of Colombian Flower Exporters (ASOCOLFLORES), written submission , July 25, 2008. For more information on ASOCOLFLORES, see *http://www.asocolflores.org*.

sector and allowed it to grow. ATPA duty preferences were reported to have also benefited the U.S. floral industry, which is heavily dependent on the continual flow of Colombian flower imports. ASOCOLFLORES stated that the temporary nature of the ATPA legislation has caused significant problems in the industry, probably discouraging further investment, and called on the U.S. Congress to approve the U.S.-Colombian Trade Promotion Agreement, which would make duty preferences for Colombian flowers permanent.

Association of Floral Importers of Florida[58]

In testimony at the Commission's hearing and in a written submission, the Association of Floral Importers of Florida (AFIF) stated that it represents cut flower importers mainly in the Miami, Florida area, and works to ensure the free flow of cut flower imports into the United States. AFIF member companies are reported to account for about 80 percent of the flowers imported into Florida.

In testimony, AFIF stated that its members depend on the duty savings under ATPA for continued business and future growth because of the low (2 to 4 percent) profit margins of this industry. According to AFIF, the uncertainty regarding ATPA renewal in recent years and its frequent short-term renewals have made proper cost analysis and pricing "almost impossible." In addition, AFIF highlighted in its testimony its belief that the benefits of ATPA extend to an important segment of the U.S. economy. According to AFIF, approximately 220,000 U.S. jobs in such sectors as airlines, customs brokers, flower importers, truck transporters, wholesale operations, retail flower shops, internet providers, supermarkets, and mass markets depend on cut flower imports from the Andean region. Furthermore, AFIF stated that U.S. companies have invested more than $250 million directly into the Colombian flower industry and own approximately 17 percent of the total Colombian flower production, which accounts for nearly 20 percent of the total exports to the United States.

California Cut Flower Commission[59]

In testimony before the Commission, the California Cut Flower Commission (CCFC) representative stated that CCFC was created by the California state legislature to promote California grown cut flowers and foliages and is funded by the nearly 275 growers in the state. California growers accounted for 77 percent of total U.S. cut flower sales in 2007, and the industry is made up of several very large operations and a much larger number of small, family-run farms throughout the state.

In testimony, the CCFC stated that it recognized the U.S. policy objective of encouraging economic development in Andean countries. CCFC stated that it has never opposed the ATPDEA and the resulting increase in flower imports from the Andean countries. CCFC stated that its members believe in the benefits of trade and welcome competition, and

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[58] Christine Boldt, executive vice president, and Bill Fernandez, vice president, Association of Floral Importers of Florida (AFIF) and president, Continental Flowers Association of Floral Importers of Florida, USITC hearing transcript, 117–25. For more information on the AFIF, see *http://www.afifnet.org*.

[59] Kasey Cronquist, executive director, California Cut Flower Commission (CCFC), USITC hearing transcript, 125–33. For more information on the CCFC, see *http://www.ccfc.org*.

recognize the benefits of cut flower imports for U.S. consumers, importers, distributors, and retail florists. However, the CCFC highlighted in its testimony that California growers have not benefitted from the expanded trade relationship with Andean countries, and that they, in fact, have lost considerable U.S. market share since the inception of the legislation. CCFC stated that despite the fact that California growers have responded to the increased competition with resourcefulness and innovation, California growers "continue to face perilous times." It noted that the number of U.S. growers has fallen steadily since the early 1990s, and that California growers continue to lose their ability to generate sufficient sales volumes to secure competitive shipping rates. These factors have driven up the cost of their goods relative to imports. The CCFC reported that extension of ATPA and/or the passage of the U.S.-Colombia Trade Promotion Agreement would probably spur additional investment in the Colombian floral sector and that "even modest increases in import competition could drive some [U.S.] growers from the market." The CCFC also elaborated on the sophistication of the Colombian flower industry, and predicted that Colombia will become even more globally competitive in the future.

E.G. Hill Company[60]

In testimony before the Commission, the E.G. Hill Company representative stated that E.G. Hill is a rose breeder based in Richmond, Indiana, with close ties to Ecuadorian cut flower production. E.G. Hill stated in its testimony that, without ATPA duty savings and given other prevailing cost pressures in the industry, cut flower farms in Ecuador will close, exports of materials and royalties collected by U.S. companies will drop, and jobs will be lost in both countries. E.G. Hill also stated that the recent short-term extensions of ATPA have been shorter than the planting period for many flower species and have resulted in Andean suppliers seeking other more-reliable markets instead of the United States.

E.G. Hill acknowledged that ATPA has negatively affected direct flower production jobs in the United States. However, E.G. Hill also stated that the longer-term result of ATPA has been the creation of many more U.S. jobs in the processing, distribution, and sale of fresh cut flowers. In addition, the company asserts that, while ATPA benefits are technically unilateral, U.S. companies that provide inputs to the Ecuadorian industry, such as test plants, fertilizers, equipment, and chemicals, enjoy duty-free access to the Ecuadorian market. According to E.G. Hill, ATPA also benefits Ecuadorian workers because the cut flower industry pays higher wages and provides more benefits than producers of illegal crops.

Ecuadorian-American Chamber of Commerce of Quito[61]

In testimony at the Commission's hearing and in a written submission, representatives of the Ecuadorian-American Chamber of Commerce (EACC) stated that it is a private sector organization that seeks to promote free trade, investment, and progress in trade negotiations with the United States. In testimony, EACC stated that ATPA is a "win-win" for both the

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[60] Dean E. Rule, General Manager, Ecuador branch and Committee Member and Ex-Board Member, EXPOFLORES, Richmond, Indiana / Quito, Ecuador, E.G. Hill Company, USITC hearing transcript, 107–17. For more information on EXPOFLORES, see *http://www.expoflores.com/*.

[61] Bernardo Traversari, executive director, Ecuadorian-American Chamber of Commerce (EACC), USITC hearing transcript, 96–102, and written submission. For more information on EACC, see *http://www.ecamcham.com/*.

United States and Ecuador. For the United States, the EACC reported that ATPA generates some 50,000 jobs in Florida related to Ecuadorian flower imports, and additional U.S. jobs in Florida, California, and South Carolina producing cotton for Ecuadorian textiles. The EACC reports that for every $1.00 Americans spend on Ecuadorian roses, $0.75 remains in the U.S. economy.

For Ecuador, the EACC reported that ATPA helps diversify Ecuador's export industries, generated more than 400,000 jobs (about 8 percent of Ecuador's workforce) and consequently reduces emigration pressure, and strengthens Ecuador's economic ties to the United States. According to EACC, ATPA has allowed Ecuador to become efficiently integrated into global production chains in such industries as flowers, broccoli, tuna, and apparel. The EACC reported that without ATPA tariff preferences, Ecuadorian exports of cut flowers and broccoli would lose competitiveness in the U.S. market.[62] The EACC also reported that Ecuador would be adversely affected if ATPDEA is not extended beyond its scheduled December 2008 expiration date. It added that if ATPDEA is not extended, "the textile industry in Ecuador will not be in a position to export, for example, to Colombia yarns or fabrics that are used [in turn] to produce finished textile apparel industry products for the U.S. market. . . . And that will have an impact on the competitiveness of the textile industry [in Colombia] as well [as] in Ecuador."[63]

The EACC also stated that ATPA is "a very effective initiative" in supporting illicit drug crop eradication by providing licit job activities in Ecuador. EACC data also show that provinces in Ecuador where ATPDEA activities are based are located near the Ecuador-Colombia border and near provinces experiencing the greatest emigration. According to EACC, ATPA has made a significant contribution to U.S. and Ecuadorian national security.[64]

International Intellectual Property Alliance[65]

The International Intellectual Property Alliance (IIPA) is a private sector coalition representing U.S. copyright-based industries. The IIPA comprises seven trade associations,[66] representing more than 1,900 U.S. companies producing and distributing materials protected by copyright laws throughout the world.

In a written submission, the IIPA stated that "one of the most immediate problems in the [Andean] region is the failure of all four Andean countries to adequately and effectively *enforce* even their *current* copyright laws." Moreover, IIPA stated that "laws . . . [that] are not effectively enforced on-the-ground *do not* satisfy the IPR criteria in the ATPA, the ATPDEA, other U.S. trade programs nor the TRIPS Agreement."

According to the IIPA, U.S. companies suffer losses due to copyright piracy in the four ATPA countries, although the IIPA stated that it is "not able to provide a comprehensive

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[62] USITC hearing transcript, 195–6.
[63] USITC hearing transcript, 197.
[64] EACC, written submission, July 29, 2008.
[65] Maria Strong, International Intellectual Property Alliance (IIPA), written submission, July 29, 2008. For more information on IIPA, see *http://www.iipa.com/*.
[66] IIPA comprises seven trade associations—Association of American Publishers, Inc.; Business Software Alliance; Entertainment Software Association; Independent Film and Television Alliance; Motion Picture Association of America, Inc.; National Music Publishers' Association; and Recording Industry Association of America, Inc.

estimate to evaluate the depth of such losses." Among the general challenges in the Andean region cited by the IIPA are the growth in the unauthorized "burning" of CDs, unauthorized photocopying on university and college campuses, weak border enforcement, inadequate and ineffective copyright enforcement, and the failure of criminal and civil justice systems to work in a transparent and expeditious manner and to apply deterrent penalties and remedies. The IIPA also offered specific suggestions for substantive copyright legislation and piracy/enforcement measures for Bolivia, Colombia, Ecuador, and Peru.

The IIPA stated its desire that the IPR criteria of ATPA, and all other U.S. trade programs, be applied to ensure that countries substantially improve both their copyright laws as well as their enforcement practices.

Levi Strauss & Co.[67]

Levi Strauss & Co. (LS&CO), one of the world's leading branded apparel companies that markets its products (jeans-related pants, casual and dress pants, shirts, jackets, and related accessories under brands such as Levi's and Dockers) in more than 100 countries worldwide, provided a written submission. The company stated that it has developed significant sourcing partnerships with several apparel suppliers in the Andean region, particularly Colombia. It noted that in 2008, LS&CO produced about 4 million units in the region worth $44 million. Most of this apparel (3.6 million units) was produced from fabric imported from the United States, resulting in 5 million yards of U.S. fabric exported to the Andean region to support LS&CO operations alone.

In a written submission, LS&CO reported that ATPA has been the primary impetus behind the region's apparel production operations and any lapse in the program would result in a sharp decline in U.S. textile exports. LS&CO stated that the uncertainty surrounding the delayed implementation of the U.S.-Colombia Trade Promotion Agreement and the failure to provide a long term extension of the ATPA has caused LS&CO to begin reducing its orders from the region for the 2009 buying season.

LS&CO stated that it believes that ATPA has succeeded in achieving its intended goals of promoting Andean trade to the benefit of Andean apparel producers and U.S. textile exporters alike. The proximity of the Andean region has enabled LS&CO to lower its transportation costs. ATPA also reportedly has provided alternative job opportunities for those who might have been otherwise tempted by the drug trade. Given the multiple benefits of ATPA, LS&CO is strongly advocating for a long-term extension of the ATPA even beyond the conclusion of the U.S. bilateral trade agreements with Peru and Colombia. LS&CO stated that it believes that ATPA is vital to ensure a smooth transition in the trading relationship between the United States and the Andean countries.

[67] Helga Ying, director, worldwide government affairs and public policy, Levi Strauss & Co. (LS&CO) written submission, July 29, 2008. For more information on LS&CO, see *http://www.levistrauss.com.*

Mansfield Plumbing Products LLC, Orchid Ceramics LLC, and Corona Sanitary Ware, Faucets and Fixtures, and Tiles (Organización Corona S.A.)[68]

In a joint written submission, Mansfield Plumbing Products LLC, Orchid Ceramics LLC, and Corona Sanitary Ware, Faucets and Fixtures, and Tiles (Mansfield et al.) stated that the companies are private businesses "focused on the production of top quality, attractively designed, high performance sanitary ware, faucets and fixtures, fittings and tiles, for use in residential, commercial and institutional markets in the U.S.A. and Colombia."

In their written submission, Mansfield et al. stated that ATPDEA allows U.S.-based companies to strengthen their commercial ties with Colombia "and in turn maintain and create local jobs such as in our case in Ohio, Texas and Oklahoma." They reported that the main competition for the products they currently source from Colombia are from China, "and consequently any job or market losses incurred from the lapsing of the ATPDEA would contribute to [China's] advantage." Mansfield et al. also stated their concern that "there is no certainty that an FTA [with Colombia] will be approved in the short term and therefore many companies will still depend on the ATPDEA to secure their existing investments and commercial relationships in the region."

Peruvian Asparagus Importers Association[69]

The Peruvian Asparagus Importers Association (PAIA), a nonprofit association of 33 U.S. companies and 3 Peruvian companies that handle fresh asparagus imports from Peru, provided a written submission. PAIA stated that Peru is the largest global exporter of asparagus, due to its favorable climate and geography and its advanced irrigation water management. PAIA also stated that Peru is one of only a few countries able to produce asparagus year-round. According to PAIA, U.S. fresh-asparagus consumption has outpaced U.S. production over the past decade and that imports from Peru, which are mostly counter-seasonal in their availability, are necessary to meet U.S. demand. PAIA further stated that since most fresh asparagus imports from Peru enter through the port of Miami, they are sold mostly in Eastern markets which might not otherwise be supplied by U.S. production.

PAIA wrote that the success of Peru's asparagus industry has helped create more desirable well-paying jobs as an alternative to coca leaf production and narcotics trafficking. PAIA also reported that, since 1992, duty-free tariff treatment accorded imports of Peruvian asparagus under ATPA has resulted in economic benefits not only to thousands of Peruvians whose livelihood depends on U.S.-Peru trade, but also to U.S. importers, distributors, transportation companies, and consumers. According to PAIA, an estimated 70 percent of the value of all Peruvian asparagus sales in the U.S. market remains in the United States,

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[68] Kurt Graves, CEO, Orchid Ceramics, LLC; Jim Morando, CEO, Mansfield Plumbing Products, LLD; Santiago Cárdenas, president, Corona Sanitary Ware; and Reinaldo Aragón, CEO, Corona Tiles. Written submission, July 28, 2008. Mansfield Plumbing Products has a plant located in Perrysville, Ohio (plumbing fixtures and fittings), and a plant in Henderson, Texas (bath tubs). Orchid Ceramics, based in Tulsa, OK, imports and distributes a full range of ceramic products. Organización Corona is one of the major industrial groups in Colombia, and is a strategic partner of Mansfield Plumbing Products LLC and Orchid Ceramics LLC through its subsidiary Colcerámica SA. Colcerámica S.A. has 7 manufacturing plants in Colombia producing sanitary ware, faucets and fixtures, and tiles.

[69] Peruvian Asparagus Importers Association, USITC written statement, June 2008, 1–13.

distributed among U.S. land, sea, and air carriers, importers, distributors, wholesalers, and retailers, and much of the remaining 30 percent of sales value is spent in the United States for seed and fertilizers.

Superior Foods Companies[70]

Superior Foods Companies (Superior) is a U.S. company that imports frozen broccoli from Ecuador. According to its written submission, frozen broccoli is a main ingredient of the frozen vegetable blends and prepared meals that Superior produces in California and Texas and distributes in the United States. Superior stated that its customers prefer Ecuadorian broccoli in many of their frozen products because of its high quality and year-round availability. Superior also reported that the frozen broccoli it imports from Ecuador is a key factor in the company's overall competitiveness. It stated that this product is "in effect a linchpin component of [its] overall competitiveness, of [its] entire revenue base—indeed, [its] viability," as it is the principal ingredient in many of the vegetable blends and prepared meals it markets in the United States and Europe. The company representative stated that Ecuador offers year-round production, which lowers inventory-related costs, and high and consistent quality broccoli, which has allowed the company to differentiate its blends and to compete with imported blends. Without it, Superior stated that it, and other similar U.S. companies, would be disadvantaged vis-à-vis companies sourcing their frozen broccoli from China, Europe, and Mexico.

Tile Council of North America, Inc.[71]

The Tile Council of North America, Inc. (TCNA) is a trade association representing members in the United States, Canada, and Mexico who are manufacturers of ceramic tile, tile installation materials, tile equipment, raw materials, and other tile-related products. The stated goal of the TCNA is to expand the ceramic tile market in North America. It also regularly conducts independent research and product testing and works with regulatory and trade agencies. Its membership represents more than 90 percent of ceramic tile production in the United States, Canada, and Mexico. According to the TCNA written submission, the U.S. ceramic tile industry consists of about 28 major manufacturers and a large number of smaller art/studio tile makers located throughout the United States. More than 50 percent of U.S. ceramic tile producers are represented on the TCNA.[72]

In its written submission, the TCNA reported that "ATPA has negatively impacted the U.S. ceramic tile industry in the form of large volumes of imports of low-priced ceramic tile from the Andean countries." According to TCNA, "Andean ceramic tile exports to the U.S. market have flourished as a result of the ATPA, at the expense of U.S. ceramic tile producers," with Colombia and Peru the leading ATPA suppliers. The TCNA also reported that, in addition

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[70] Mateo Lettunich, chairman, Superior Foods Companies, USITC hearing transcript, 140–43, and written submission, July 11, 2008. For more information on Superior Foods Companies, see *http://www.superiorfoods.com*.

[71] Juliana M. Cofrancesco and John F. Bruce, Howrey LLP, counsel for Tile Council of North America, Inc. (TCNA), written submission, July 29, 2008. For more information on TCNA, see *http://www.tileusa.com/*.

[72] The TCNA identified four categories of ceramic tile, based on HTS classifications. They are glazed and unglazed mosaic tile, and glazed and unglazed non-mosaic tile (corresponding to HTS items 6907 and 6908)—all of which reportedly compete directly with each other.

to increasing volumes of ceramic tile imports from the ATPA countries, the "average unit values for Andean ceramic tile imports have remained well below domestic ceramic tile prices."[73]

United States Association of Importers of Textiles and Apparel[74]

The United States Association of Importers of Textiles and Apparel (USA-ITA) is a trade association whose members include American manufacturers, distributors, retailers, importers, and related service providers such as shipping lines and customs brokers. In its written submission, the USA-ITA stated that the Andean region is both an important source of apparel for the U.S. market and an important market for U.S. goods, including textile products. However, the USA-ITA said that fewer orders are being placed in the region because of the uncertainty associated with the possible expiration of ATPA tariff preferences, the delay in approval of the U.S.-Colombia TPA, and concerns that some members of the U.S. Congress may not support the continued inclusion of Bolivia and Ecuador in the ATPA program. The USA-ITA stated that U.S. buyers are unwilling to bear unanticipated duty liabilities and the expense of requesting duty refunds if the program lapses.

The USA-ITA reported that the smallest decline in apparel trade from the Andean region is from Peru because prospects for continued duty-free access to the U.S. market seem most favorable in light of the recently approved U.S.-Peru TPA. The USA-ITA reported that Colombia, which had been a larger source of apparel imports in the U.S. market, has lost orders because of the inability of buyers to reliably plan their business. Even if ATPA is extended without a lapse, the USA-ITA said that it is unclear how ATPA and the U.S.-Peru TPA will work together to allow inputs from one Andean country to be used in manufacturing in another to qualify for continued duty-free access. The USA ITA noted that the same questions would arise with respect to Colombia if that TPA is implemented. The USA-ITA stated its desire that Congress ensure that the extension of ATPA includes inputs from Peru, whether the U.S.-Peru TPA is in force or not. The USA-ITA also stated that if the U.S.-Colombia TPA is implemented, inputs from Colombia also should be allowed to be cumulated under ATPA rules of origin for Bolivia and Ecuador.

VF Corporation[75]

In a written submission and in testimony at the Commission's hearing, the VF Corporation (VF) reported that it is the world's largest apparel company, with annual revenues of more

[73] The TCNA elsewhere reported that, "[t]en years ago, three countries—Italy, Spain, and Mexico—dominated U.S. tile imports. . . . Today, Brazil and China have joined them as the top exporters of tile to the U.S. In fact, tile from these five countries now constitute 84% of U.S. tile imports. In recent years, consumption has shifted away from the more expensive European imports towards tile from such countries as China, Brazil, and Mexico. Mexico benefits from the lower tariffs, shipping costs, and lead time in getting their products to the U.S. market." TCNA, "2007 Ceramic Tile Industry," press release (undated), *http://www.tileusa.com* (accessed Aug. 2, 2008).

[74] Laura E. Jones, executive director, United States Association of Importers of Textiles and Apparel (USA-ITA), written submission, July 29, 2008. For information on USA-ITA, see *http://www.usaita.com*.

[75] John Strasburger, vice president and managing director, V.F. Americas Sourcing, VF Corporation, USITC hearing transcript, 133–40, and written submission July 22, 2008. For information on VF Corporation, see *http://www.vfc.com*.

than $7 billion and over 30 brands, including Wrangler, Lee, and The North Face, that are sold in more than 150 countries. VF stated that Latin America has played a vital role in its "balanced" sourcing and global supply chain strategy because of the region's proximity and resulting "speed-to-market." VF reported that its price competitiveness for sourcing apparel products from the Andean region for shipments into the U.S. market is directly linked to ATPA.

VF also stated its desire that ATPA not be allowed to expire before the full implementation of the negotiated U.S. bilateral agreements with Colombia and Peru. VF stated that if ATPA expires at the end of 2008, apparel production in the region will be unable to compete globally on price, and apparel production would quickly shift to Asia and other duty-free regions, resulting in the loss of textile jobs in the United States and apparel jobs in the Andean region.

VF asserted that the last two short-term ATPA extensions led to a significant amount of apparel production being shifted out of the Andean region. According to VF, apparel companies plan their manufacturing at least nine months in advance, and the long-term uncertainty concerning the availability of ATPA preferences has already prompted apparel brand and retail managers to move production to regions where cost structures are more stable and predictable. VF reported that expiration of the ATPA would subject most VF apparel categories to double-digit duty rates, create a significant price disadvantage compared with Asian and other producers, and erode the company's profitability.

VF stated that it has several key suppliers in Peru, and is pleased with the recent U.S. approval of the U.S. Peru TPA. However, VF expressed its concern about the delay in approval of the U.S.-Colombia TPA, which could jeopardize apparel jobs in Colombia. VF stated that it has been sourcing apparel for the U.S. market for major brands such as Nautica and The North Face for 10 years, and that its Colombian apparel suppliers annually spend more than $32 million buying U.S. inputs. VF also sources apparel from Ametex, a supplier in Bolivia whose business and workers are also at tremendous risk if the ATPA expires. VF strongly urged that ATPA be extended to provide a bridge for transitioning to the TPAs. VF also stated that it is responsible for thousands of jobs in the Andean region, and that it directly and indirectly is responsible for many more jobs in the United States.

Wholesale Florist & Florist Supplier Association[76]

According to the Wholesale Florist & Forest Supplier Association (WF&FSA), it represents wholesale distributors of cut flowers in the United States and their suppliers. WF&FSA reported that its membership includes 700 companies.

In its written submission, WF&FSA supported the renewal of the ATPA because of the Andean region's importance as a supplier of fresh cut flowers to the U.S. floral industry. According to WF&FSA, in the global flower business operating margins can be as low as 2–3 percent, making U.S. duties of 3–7 percent a large burden on exporters, as passing on the duty cost throughout the distribution chain is not possible. In addition, the uncertainty of the renewal of ATPA makes it difficult for WF&FSA members to conduct and plan for future business operations.

[76] Wholesale Florist & Florist Supplier Association (WF&FSA), written submission to the USITC, July 28, 2008. For more information on the WF&FSA, see *http://www.wffsa.org*.

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APPENDIX A
Federal Register Notice

Citation 30 CFR 250 subpart C and NTL(s)	Reporting and recordkeeping requirement	Hour burden
	....	Unmanned facilities – 1/12 hr × every 3rd day (365/3 = 122 days) = 10.17

Estimated Reporting and Recordkeeping "Non-Hour Cost" Burden: We have identified no non-hour cost burdens for this collection.

Public Disclosure Statement: The PRA (44 U.S.C. 3501, *et seq.*) provides that an agency may not conduct or sponsor a collection of information unless it displays a currently valid OMB control number. Until OMB approves a collection of information, you are not obligated to respond.

Comments: Before submitting an ICR to OMB, PRA section 3506(c)(2)(A) requires each agency "* * * to provide notice * * * and otherwise consult with members of the public and affected agencies concerning each proposed collection of information * * *". Agencies must specifically solicit comments to: (a) Evaluate whether the proposed collection of information is necessary for the agency to perform its duties, including whether the information is useful; (b) evaluate the accuracy of the agency's estimate of the burden of the proposed collection of information; (c) enhance the quality, usefulness, and clarity of the information to be collected; and (d) minimize the burden on the respondents, including the use of automated collection techniques or other forms of information technology.

Agencies must also estimate the "non-hour cost" burdens to respondents or recordkeepers resulting from the collection of information. Therefore, if you have costs to generate, maintain, and disclose this information, you should comment and provide your total capital and startup cost components or annual operation, maintenance, and purchase of service components. You should describe the methods you use to estimate major cost factors, including system and technology acquisition, expected useful life of capital equipment, discount rate(s), and the period over which you incur costs. Capital and startup costs include, among other items, computers and software you purchase to prepare for collecting information, monitoring, and record storage facilities. You should not include estimates for equipment or services purchased: (i) Before October 1, 1995; (ii) to comply with requirements not associated with the information collection; (iii) for reasons other than to provide information or keep records for the Government; or (iv) as part of customary and usual business or private practices.

We will summarize written responses to this notice and address them in our submission for OMB approval. As a result of your comments, we will make any necessary adjustments to the burden in our submission to OMB.

Public Comment Procedures: Before including your address, phone number, email address, or other personal identifying information in your comment, you should be aware that your entire comment-including your personal identifying information-may be made publicly available at any time. While you can ask us in your comment to withhold your personal identifying information from public review, we cannot guarantee that we will be able to do so.

MMS Information Collection Clearance Officer: Arlene Bajusz (202) 208–7744.

Dated: May 20, 2008.

E.P. Danenberger,

Chief, Office of Offshore Regulatory Programs.

[FR Doc. E8–11809 Filed 5–27–08; 8:45 am]

BILLING CODE 4310–MR–P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332–352]

Andean Trade Preference Act: Impact on the U.S. Economy and on Andean Drug Crop Eradication

AGENCY: United States International Trade Commission.

ACTION: Notice of public hearing and opportunity to submit comments in connection with the 2007 report on the Andean Trade Preference Act (ATPA).

SUMMARY: Section 206 of the ATPA (19 U.S.C. 3204) requires the Commission to report biennially to the Congress by September 30 of each reporting year on the economic impact of the Act on U.S. industries and U.S. consumers, as well as on the effectiveness of the Act in promoting drug-related crop eradication and crop substitution efforts by beneficiary countries. This series of biennial reports was instituted as investigation No. 332–352, *Andean Trade Preference Act: Impact on the U.S. Economy and on Andean Drug Crop Eradication.* The Commission has scheduled a public hearing for its 2008 ATPA report, covering calendar year 2007, for July 22, 2008.

DATES: July 9, 2008: Deadline for filing requests to appear at the public hearing.

July 15, 2008: Deadline for filing pre-hearing briefs and statements.

July 22, 2008: Public hearing.

July 29, 2008: Deadline for filing post-hearing briefs and statements and all other written submissions.

September 30, 2008: Transmittal of Commission report to Committee on Ways and Means.

ADDRESSES: All Commission offices, including the Commission's hearing rooms, are located in the United States International Trade Commission Building, 500 E Street, SW., Washington, DC. All written submissions should be addressed to the Secretary, United States International Trade Commission, 500 E Street, SW., Washington, DC 20436. The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at *http://www.usitc.gov/secretary/edis.htm.*

FOR FURTHER INFORMATION CONTACT: James Stamps (202–205–3227, or *james.stamps@usitc.gov*) or Nannette Christ (202–205–3263, or *nannette.christ@usitc.gov*), Country and Regional Analysis Division, Office of Economics, U.S. International Trade Commission, Washington, DC 20436. General information concerning the Commission may be obtained by accessing its Internet server (*http://www.usitc.gov*).

Background: Section 206 of the Andean Trade Preference Act (ATPA) (19 U.S.C. 3204) requires that the Commission submit biennial reports to the Congress regarding the economic impact of the Act on U.S. industries and consumers and, in conjunction with other agencies, the effectiveness of the Act in promoting drug-related crop eradication and crop substitution efforts of the beneficiary countries. Section 206(b) of the Act requires that each report include:

(1) The actual effect of ATPA on the U.S. economy generally as well as on specific domestic industries which produce articles that are like, or directly competitive with, articles being

imported under the Act from beneficiary countries;

(2) the probable future effect that ATPA will have on the U.S. economy generally and on such domestic industries; and

(3) the estimated effect that ATPA has had on drug-related crop eradication and crop substitution efforts of beneficiary countries.

Notice of institution of the investigation and the schedule for such reports under section 206 of ATPA was published in the **Federal Register** of March 10, 1994 (59 FR 11308). The thirteenth report, covering calendar year 2007, is to be submitted by September 30, 2008.

Public Hearing: A public hearing in connection with this investigation will be held at the U.S. International Trade Commission Building, 500 E Street, SW., Washington, DC, beginning at 9:30 a.m. on July 22, 2008. Requests to appear at the public hearing should be filed with the Secretary, no later than 5:15 p.m., July 9, 2008, in accordance with the requirements in the ''Submissions'' section below. All pre-hearing briefs and statements should be filed not later than 5:15 p.m., July 15, 2008, and all post-hearing briefs and statements should be filed not later than 5:15 p.m., July 29, 2008. In the event that, as of the close of business on July 9, 2008, no witnesses are scheduled to appear at the hearing, the hearing will be canceled. Any person interested in attending the hearing as an observer or nonparticipant may call the Secretary to the Commission (202–205–2000) after July 9, 2008, for information concerning whether the hearing will be held.

Written Submissions: In lieu of or in addition to participating in the hearing, interested parties are invited to submit written statements concerning this investigation. All written submissions should be addressed to the Secretary, and should be received not later than 5:15 p.m., July 29, 2008. All written submissions must conform with the provisions of section 201.8 of the Commission's *Rules of Practice and Procedure* (19 CFR 201.8). Section 201.8 requires that a signed original (or a copy so designated) and fourteen (14) copies of each document be filed. In the event that confidential treatment of a document is requested, at least four (4) additional copies must be filed, in which the confidential information must be deleted (see the following paragraph for further information regarding confidential business information). The Commission's rules authorize filing submissions with the Secretary by facsimile or electronic means only to the extent permitted by section 201.8 of the rules (see Handbook for Electronic Filing Procedures, *http://www.usitc.gov/secretary/fed_reg_notices/rules/documents/handbook_on_electronic_filing.pdf*). Persons with questions regarding electronic filing should contact the Secretary (202–205–2000).

Any submissions that contain confidential business information must also conform with the requirements of section 201.6 of the *Commission's Rules of Practice and Procedure* (19 CFR 201.6). Section 201.6 of the rules requires that the cover of the document and the individual pages be clearly marked as to whether they are the ''confidential'' or ''non-confidential'' version, and that the confidential business information be clearly identified by means of brackets. All written submissions, except for confidential business information, will be made available for inspection by interested parties.

Committee staff has indicated that the Committee intends to make the Commission's report available to the public in its entirety, and has asked that the Commission not include any confidential business information or national security classified information in the report that the Commission sends to the Committee. Any confidential business information received by the Commission in this investigation and used in preparing this report will not be published in a manner that would reveal the operations of the firm supplying the information.

Issued: May 21, 2008.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. E8–11842 Filed 5–27–08; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[Inv. No. 337–TA–649]

In the Matter of Certain Semiconductor Chips with Minimized Chip Package Size and Products Containing Same (IV); Notice of Investigation

AGENCY: U.S. International Trade Commission.

ACTION: Institution of investigation pursuant to 19 U.S.C. 1337.

SUMMARY: Notice is hereby given that a complaint was filed with the U.S. International Trade Commission on April 21, 2008, under section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. 1337, on behalf of Tessera, Inc. of San Jose, California. A supplement to the complaint was filed on May 14, 2008. The complaint alleges violations of section 337 based upon the importation into the United States, the sale for importation, and the sale within the United States after importation of certain semiconductor chips with minimized chip package size and products containing same that infringe certain claims of U.S. Patent No. 5,679,977, U.S. Patent No. 5,852,326 and U.S. Patent No. 6,433,419. The complaint further alleges that an industry in the United States exists as required by subsection (a)(2) of section 337.

The complainant requests that the Commission institute an investigation and, after the investigation, issue exclusion orders and cease and desist orders.

ADDRESSES: The complaint, except for any confidential information contained therein, is available for inspection during official business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary, U.S. International Trade Commission, 500 E Street, SW., Room 112, Washington, DC 20436, telephone 202–205–2000. Hearing impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information concerning the Commission may also be obtained by accessing its internet server at *http://www.usitc.gov*. The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at *http://edis.usitc.gov*.

FOR FURTHER INFORMATION CONTACT: Kecia J. Reynolds, Esq., Office of Unfair Import Investigations, U.S. International Trade Commission, telephone (202) 205–2580.

Authority: The authority for institution of this investigation is contained in section 337 of the Tariff Act of 1930, as amended, and in section 210.10 of the Commission's Rules of Practice and Procedure, 19 CFR 210.10 (2007).

Scope of Investigation: Having considered the complaint, the U.S. International Trade Commission, on May 20, 2008, *ordered that*—

(1) Pursuant to subsection (b) of section 337 of the Tariff Act of 1930, as amended, an investigation be instituted to determine whether there is a violation of subsection (a)(1)(B) of section 337 in the importation into the

APPENDIX B
Hearing Calendar

CALENDAR OF PUBLIC HEARING

Those listed below are scheduled to appear as witnesses at the United States International Trade Commission's hearing:

Subject:	Andean Trade Preference Act: Effect on the U.S. Economy and on Andean Drug Crop Eradication
Inv. No.:	332-352
Date and Time:	July 22, 2008 - 9:30 a.m.

Sessions were held in connection with this investigation in the Main Hearing Room (room 101), 500 E Street, S.W., Washington, D.C.

<u>**EMBASSY APPEARANCES:**</u>

Embassy of Ecuador
Washington, D.C.

His Excellency Luis Gallegos, Ambassador of Ecuador to the United States of America

Embassy of Bolivia
Washington, D.C.

The Honorable Graciela Toro, Minister of Planning for Development

<u>**INTERNATIONAL ORGANIZATION APPEARANCE:**</u>

Organization of American States
Washington, D.C.

His Excellency José Miguel Insulza, Secretary General of the Organization of American States

INTERNATIONAL ORGANIZATION APPEARANCE (continued):

Comunidad Andina
Lima, Peru

His Excellency Freddy Ehlers, Secretary General

Elba Roo, Project Manager, Andean Community General Secretariat

ORGANIZATION AND WITNESS:

Ecuadorian-American Chamber of Commerce
Quito, Ecuador

Bernardo Traversari, Executive Director

American Apparel & Footwear Association ("AAFA")
Arlington, VA

Steve Lamar, Executive Vice President

E.G. Hill Company
Richmond, IN/Quito, Ecuador

Dean E. Rule, General Manager, Ecuador Branch *and* Committee Member and Ex-Board Member, EXPOFLORES

Association of Floral Importers of Florida ("AFIF")
Miami, FL

Christine Boldt, Executive Vice President

Bill Fernandez, Vice President, AFIF *and* President, Continental Flowers

ORGANIZATION AND WITNESS:

Stewart and Stewart
Washington, D.C.
on behalf of

California Cut Flower Commission ("CCFC")
Sacramento, CA

Kasey Cronquist, Executive Director

Stephen J. Norton, Senior Communications Advisor, Stewart and Stewart

V.F. Corporation
Greensboro, NC

John Strasburger, Vice President and Managing Director, VF Americas Sourcing

Superior Foods Companies
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APPENDIX C
Technical Notes to Chapter 3

Technical Notes to Chapter 3: Partial Equilibrium Analysis

This section presents the methodology used to estimate the impact of ATPA on the U.S. economy in 2007.[1] The economic effects of ATPA duty reductions[2] were evaluated with a comparative static analysis. Since ATPA tariff preferences were already in effect in 2007, the impact of the program was measured by comparing the market conditions currently present (duty-free entry for eligible products entered under ATPA provisions) with those that might have existed under full tariffs (i.e., no ATPA tariff preferences). Thus, the analysis provides an estimate of what the potential costs and benefits to the U.S. economy would have been if ATPA had not been in place during 2007. However, the material on welfare and displacement effects, in the section titled "Analytical Approach" in chapter 1and in this appendix, discusses the impact of ATPA in terms of duty reductions, rather than the "removal" of duty eliminations already in place.[3] The effects of a duty reduction and a duty imposition are symmetrical and lead to results that are equivalent in magnitude but opposite in sign.[4] Thus, the discussion is framed with respect to the implementation of duty reductions simply for clarity.

A partial equilibrium framework was used to model three different markets in the United States, namely, the markets for ATPA products, competing non-ATPA (foreign) products, and competing domestic products. These three markets are depicted in panels a, b, and c of figure C-1. In the model, imports from ATPA beneficiaries, imports from non-ATPA countries, and competing domestic output are assumed to be imperfect substitutes for each other, and each is characterized by a separate market where different equilibrium prices exist.

The ATPA and non-ATPA import demand curves, D_a and D_n, and the demand curve for domestic output, D_d, are all assumed to be downward sloping with a constant elasticity of demand.[5] It is assumed that the ATPA import supply curve to the U.S. market, the non-ATPA import supply curve, and the domestic industry supply curve, S_a, S_n, and S_d, are all horizontal, that is, perfectly elastic. The assumption of perfectly elastic supply curves greatly

[1] As discussed in chap. 1, the term "ATPA" refers to ATPA as amended by ATPDEA.

[2] Although the term "duty reduction" is used, the methodology employed in the analysis for this report applies equally to a duty elimination (which is a duty reduction in the full amount of the duty).

[3] Most comparative static analyses are used to evaluate the effects of an event that has not already happened—such as a proposed tariff elimination. This comparative analysis evaluates the effects of an event that has already happened—ATPA duty elimination has been in effect since 1992. The method described in this section can be used in either situation.

[4] This is technically true only if income effects are negligible. Given the small U.S. expenditure on goods from ATPA countries, income effects are likely to be negligible for the products under consideration. See R. Willig, "Consumer's Surplus Without Apology," *American Economic Review*, 66 (1976), 589–97.

[5] The subscripts a, n, and d refer to ATPA imports, non-ATPA imports, and U.S. domestic output, respectively.

simplifies computation, although it leads to an upward bias in the estimates of the welfare and domestic displacement effects on the U.S. economy.[6]

The change from full tariffs to duty-free treatment for ATPA imports causes the import supply curve, S_a, in panel a to shift down to S_a' by the amount of the ad valorem tariff, t. Thus, the equilibrium price in the U.S. market for ATPA imports decreases from P_a to P_a', whereas the quantity imported increases from Q_a to Q_a'. The relationship between the price with the tariff (P_a) and the tariff-free price (P_a') is $P_a = P_a'(1+t)$.

The decrease in the price of ATPA imports leads to a decrease in demand for similar goods from other countries and domestic U.S. producers. Thus, the demand curves for both non-ATPA imports and domestic output, D_n and D_d, shift back to D_n' and D_d', respectively. Since the supply curves in both of these markets are assumed to be perfectly elastic, the equilibrium prices do not change. The equilibrium quantity supplied in each market decreases from Q_n and Q_d to Q_n' and Q_d', respectively.

The impact of ATPA on the U.S. economy was measured by examining the welfare effects of the tariff reduction in the market for ATPA imports and the domestic displacement effects of a decrease in demand in the competing U.S. market. The displacement of non-ATPA country imports because of ATPA tariff preferences was not estimated because the focus of the analysis was on the direct effects of ATPA provisions on the United States.

The decrease in the tariff for ATPA imports leads to an increase in consumer surplus for these products.[7] This is measured by the trapezoid $P_a abP_a'$ in panel a. There also is an accompanying decrease in the tariff revenue collected from ATPA imports. This is measured by the area of the rectangle $P_a acP_a'$ in panel a.

The net welfare effect of ATPA is equal to the increase in consumer surplus plus the decrease in tariff revenue—the trapezoid $P_a abP_a'$ minus the rectangle $P_a acP_a'$ in panel a, that is, triangle abc.[8] The dollar amount by which ATPA imports displace U.S. output is measured by the rectangle $Q_d'deQ_d$ in panel c.

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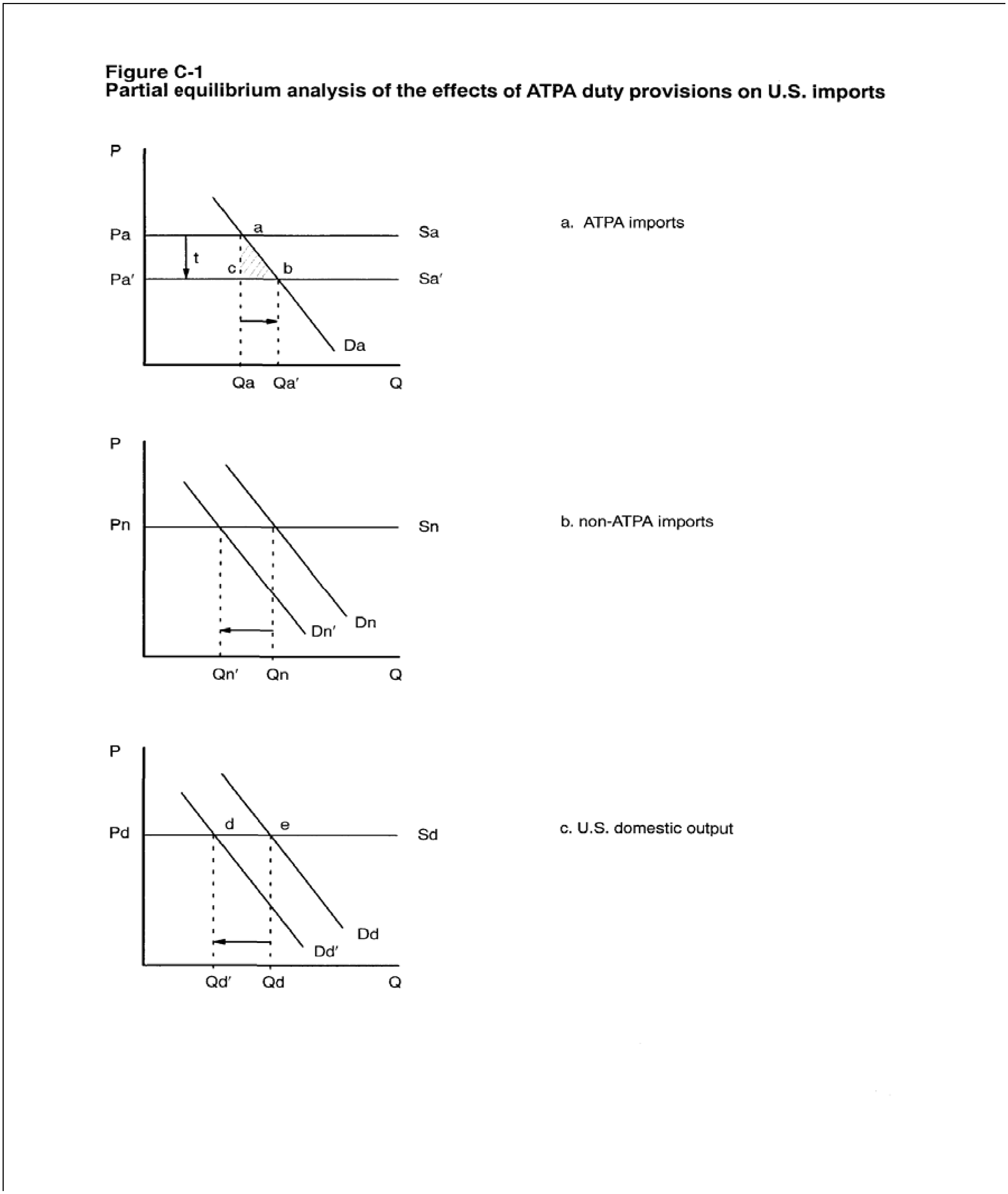
[6] Since ATPA imports account for a very small share of U.S. domestic consumption in most sectors, even the upper estimates were very small. Assuming upward-sloping supply curves would have resulted in even lower estimates.

[7] Consumer surplus is defined as the difference between the total value consumers receive from the consumption of a particular good and the total amount they pay for the good. The change in consumer surplus is a dollar measure of the total net gain to U.S. consumers from lower prices. Producer surplus is defined as the return to entrepreneurs and owners of capital that exceeds earnings for their next-best opportunities. The change in producer surplus is a dollar measure of the total net loss to competing U.S. producers from increased competition with imports. See Walter Nicholson, *Microeconomic Theory: Basic Principles and Extensions* (New York: Dryden Press, 1998), for further discussion of consumer and producer surplus. The welfare effects do not include adjustment costs to the economy from reallocating resources among different industries.

[8] Welfare effects typically include a measure of the change in producer surplus. The change in producer surplus for ATPA producers was not considered in this analysis because the focus of the analysis was on the direct effects of ATPA provisions on the United States.

Figure C.1
Partial equilibrium analysis of the effects of ATPA duty provisions on U.S. imports



Given the above assumptions and the additional assumption of constant elasticity demand curves, the markets for the three goods are described by the following three equations:

(1) $$(Q_a / Q_a') = (P_a / P_a')^{\varepsilon_{aa}}$$

(2) $$(Q_n / Q_n') = (P_a / P_a')^{\varepsilon_{na}}$$

(3) $$(Q_d / Q_d') = (P_a / P_a')^{\varepsilon_{da}}$$

Given that $P_a = P_a'(1+t)$, these can be restated

(1)′ $$(Q_a / Q_a') = (1+t)^{\varepsilon_{aa}}$$

(2)′ $$(Q_n / Q_n') = (1+t)^{\varepsilon_{na}}$$

(3)′ $$(Q_d / Q_d') = (1+t)^{\varepsilon_{da}}$$

where ε_{ij} is the uncompensated elasticity of demand for good i with respect to price j. The values for the elasticities ε_{aa}, ε_{na}, and ε_{da} are derived from the following relations:

(4) $$\varepsilon_{aa} = V_a\eta - V_n\sigma_{na} - V_d\sigma_{da}$$

(5) $$\varepsilon_{na} = V_a(\sigma_{na} + \eta)$$

(6) $$\varepsilon_{da} = V_a(\sigma_{da} + \eta)$$

where the V_i's are market shares for ATPA imports, non-ATPA imports, and domestic output, respectively, η is the aggregate demand elasticity, and the σ_{ij}'s are the elasticities of substitution between the ith and jth products.[9] Estimates of the aggregate demand elasticities were taken from the literature.[10] Ranges of potential net welfare and industry displacement estimates are reported. The reported ranges reflect a range of assumed substitutabilities between ATPA products and competing U.S. output. The upper estimates reflect the

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[9] Equations (4) through (6) are derived from P.R.G. Layard and A.A. Walters, *Microeconomic Theory* (New York: McGraw-Hill, 1978).

[10] The aggregate elasticities were taken from sources referenced in USITC, *Potential Impact on the U.S. Economy and Selected Industries of the North American Free-Trade Agreement*, USITC publication 2596, Jan. 1993.

assumption of high substitution elasticities. The lower estimates reflect the assumption of low substitution elasticities.[11]

Since the implementation of ATPDEA in October 2002, apparel assembled in ATPA countries from U.S.-made fabric and components has come to dominate the list of leading imports benefiting exclusively from ATPA. U.S. producers of such fabric and components benefit from ATPA duty preferences. Where the U.S. value of components can be identified (for example, the U.S. value of components assembled abroad under HTS 9802.00.80 is recorded and data are readily available), it is possible to estimate the effect of ATPA tariff preferences on U.S. producers of the components. In the case of cut apparel parts used in the assembly of apparel in ATPA countries, the U.S.-produced cut parts are recorded as apparel production in the United States, and the effect of ATPA tariff preferences can be added to the (negative) displacement effects for that industry.

Given equations (1)′ through (3)′, one can derive the following equations for calculating the changes in consumer surplus, tariff revenue, and domestic output:

Consumer surplus (where k is a constant)

$$\text{area of trapezoid } P_a ab P_a' = \int_{P_a'}^{P_a} k P_a^{\varepsilon_{aa}} \, dP_a$$

$$= [1/(1+\varepsilon_{aa})]\,[(1+t)^{(1+\varepsilon_{aa})} - 1\,] P_a' Q_a' \quad \text{if } \varepsilon_{aa} \neq -1$$

$$= k \ln(1+t) \quad \text{if } \varepsilon_{aa} = -1$$

Tariff revenue from U.S. imports from ATPA countries

$$\text{area of rectangle } P_a ac P_a' = (P_a - P_a')Q_a$$

$$= P_a' t Q_a \quad \text{given } P_a = P_a'(1+t)$$

$$= t P_a' Q_a' (1+t)^{\varepsilon_{aa}} \quad \text{given } Q_a = Q_a'(1+t)^{\varepsilon_{aa}}$$

[11] Commission industry analysts provided evaluations of the substitutability of ATPA products and competing U.S. products, which were translated into a range of substitution elasticities—3 to 5 for high substitutability, 2 to 4 for medium, and 1 to 3 for low. Although there is no theoretical upper limit to elasticities of substitution, a substitution elasticity of 5 is consistent with the upper range of estimates in the economics literature. Estimates in the literature tend to be predominantly lower. See, for example, Clinton R. Shiells, Robert M. Stern, and Alan V. Deardorff, “Estimates of the Elasticities of Substitution Between Imports and Home Goods for the United States,” *Weltwirtschaftliches Archiv*, 122 (1986), 497–519; and Michael P. Gallaway, Christine A. McDaniel, and Sandra A. Rivera, “Short-Run and Long-Run Estimates of U.S. Armington Elasticities,” *North American Journal of Economics and Finance*, 14 (2003), 49–68.

Domestic output

area of
rectangle $Q_d'deQ_d = P_d(Q_d - Q_d')$

$$= P_dQ_d' [(1+t)^{\varepsilon_{da}} - 1]$$

The change in the value of U.S. cut apparel parts = $uP_a'Q_a'[(1+t')^{\varepsilon_{aa}} - 1]$, where u is the ratio of the value of U.S. cut apparel parts to total imports under ATPA, and t′ is the ad valorem equivalent of duties paid on imports under HTS 9802.00.80 under ATPA; t is opposite in sign to the displacement effect shown above. The net effect of ATPA tariff preferences on U.S. domestic output is estimated as

$$P_dQ_d' [(1+t)^{\varepsilon_{da}} - 1] + uP_a'Q_a'[(1+t')^{\varepsilon_{aa}} - 1].$$

APPENDIX D
Statistical Tables

TABLE D.1 U.S. imports for consumption from Andean countries by duty treatment, by source, 2003–07

	2003	2004	2005	2006	2007
	Million dollars				
Bolivia					
Dutiable imports	5.9	24.4	10.9	33.4	6.1
Duty-free imports					
NTR duty-free	76.1	99.5	98.2	141.1	138.7
ATPA	94.5	120.4	157.4	166.2	148.1
Other duty-free (includes GSP)	8.9	16.6	26.8	21.7	40.7
Total duty-free imports	179.5	236.5	282.4	329.0	327.6
Imports into U.S. Virgin Islands[a]	([b])	([b])	([b])	([b])	([b])
Total imports	184.9	260.8	293.3	362.4	333.6
Colombia					
Dutiable imports	1,174.1	802.8	895.7	721.3	817.5
Duty-free imports					
NTR duty-free	2,046.7	2,248.9	2,865.5	3,289.8	3,492.3
ATPA	2,908.6	3,888.9	4,653.1	4,791.2	4,527.7
Other duty-free (includes GSP)	163.2	186.7	189.0	182.0	237.1
Total duty-free imports	5,118.0	6,350.4	7,707.5	8,262.9	8,256.8
Imports into U.S. Virgin Islands[a]	54.1	233.3	167.0	255.6	176.9
Total imports	6,346.2	7,360.6	8,770.3	9,239.8	9,251.2
Ecuador					
Dutiable imports	294.7	573.7	527.5	486.5	318.1
Duty-free imports					
NTR duty-free	778.3	792.2	918.0	1,128.2	1,104.0
ATPA	1,553.6	2,747.3	4,370.7	5,325.2	4,613.8
Other duty-free (includes GSP)	49.2	49.6	57.7	71.3	76.8
Total duty-free imports	2,381.1	3,589.1	5,346.4	6,524.7	5,794.6
Imports into U.S. Virgin Islands[a]	16.7	20.8	0.1	0.2	18.2
Total imports	2,692.5	4,183.6	5,873.9	7,011.4	6,131.0
Peru					
Dutiable imports	167.6	76.5	127.7	103.3	151.1
Duty-free imports					
NTR duty-free	831.8	1,898.0	2,498.0	2,399.5	1,727.8
ATPA	1,279.3	1,602.7	2,282.6	3,201.8	3,017.2
Other duty-free (includes GSP)	110.3	107.5	174.8	179.4	245.7
Total duty-free imports	2,221.4	3,608.3	4,955.4	5,780.7	4,990.6
Imports into U.S. Virgin Islands[a]	26.8	([b])	39.5	12.9	65.3
Total imports	2,415.8	3,684.8	5,122.6	5,896.9	5,207.1

Source: Compiled from official statistics of the U.S. Department of Commerce.

[a] The U.S. Virgin Islands has its own tariff policy separate from the rest of the United States.
[b] Value is less than $500,000.

TABLE D.2 Leading U.S. imports for consumption entered under ATPA, by leading HS chapters, in value and share of non-oil imports, 2003-07

HS Chapter	Description	2003	2004	2005	2006	2007	Change 2006–07
		Value (million dollars)					*Percent*
27	Mineral fuels, mineral oils, and products of their distillation; bituminous substances; mineral waxes	3,405.8	5,306.6	7,951.8	9,138.4	8,224.9	-10.0
74	Copper and articles thereof	464.1	446.3	587.5	1,038.1	1,032.0	-0.6
61	Articles of apparel and clothing accessories, knitted or crocheted	573.0	858.3	953.6	1,000.0	922.0	-7.8
06	Live trees and other plants; bulbs, roots, and the like; cut flowers and ornamental foliage	451.2	551.6	549.7	594.2	652.7	9.9
07	Edible vegetables and certain roots and tubers	123.3	152.9	179.9	204.1	245.7	20.4
62	Articles of apparel and clothing accessories, not knitted or crocheted	184.8	297.8	364.7	321.3	243.7	-24.1
20	Preparations of vegetables, fruit, nuts, or other parts of plants	37.8	54.4	80.4	115.4	118.9	3.0
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal-clad metals, articles thereof; imitation jewelry; coin	158.4	168.1	177.0	115.0	-35.0	
39	Plastics and articles thereof	29.8	46.1	93.3	93.2	111.0	19.1
08	Edible fruit and nuts; peel of citrus fruit or melons	46.5	51.8	62.7	77.8	87.8	12.9
	Subtotal	5,440.2	7,924.3	10,991.7	12,759.4	11,753.9	-7.9
	All other	395.8	434.9	472.2	725.0	553.0	-23.7
	Total	5,836.0	8,359.3	11,463.9	13,484.4	12,306.8	-8.7
		Percent of total imports					*Percentage points*
27	Mineral fuels, mineral oils, and products of their distillation; bituminous substances; mineral waxes	58.4	63.5	69.4	67.8	66.8	-0.9
		Percent of non-oil imports					
74	Copper and articles thereof	19.1	14.6	16.7	23.9	25.3	1.4
61	Articles of apparel and clothing accessories, knitted or crocheted	23.6	28.1	27.2	23.0	22.6	-0.4
06	Live trees and other plants; bulbs, roots, and the like; cut flowers and ornamental foliage	18.6	18.1	15.7	13.7	16.0	2.3
07	Edible vegetables and certain roots and tubers	5.1	5.0	5.1	4.7	6.0	1.3
62	Articles of apparel and clothing accessories, not knitted or crocheted	7.6	9.8	10.4	7.4	6.0	-1.4
20	Preparations of vegetables, fruit, nuts, or other parts of plants	1.6	1.8	2.3	2.7	2.9	0.3
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal-clad metals, articles thereof; imitation jewelry; coin	5.1	5.2	4.8	4.1	2.8	-1.3
39	Plastics and articles thereof	1.2	1.5	2.7	2.1	2.7	0.6
08	Edible fruit and nuts; peel of citrus fruit or melons	1.9	1.7	1.8	1.8	2.2	0.4
	Subtotal	83.7	85.8	86.6	83.3	86.5	3.1
	All other	16.3	14.2	13.4	16.7	13.5	-3.1
	Total	100.0	100.0	100.0	100.0	100.0	

Source: Compiled from official statistics of the U.S. Department of Commerce.

TABLE D.3 Leading U.S. imports entered under ATPA, by HTS provisions, 2003–07

HTS provision	Description	2003	2004	2005	2006	2007	Change 2006–07	Leading Andean country source in 2007
		Million dollars					*Percent*	
2709.00.10	Petroleum oils and oils from bituminous minerals, crude, testing under 25 degrees a.p.i.	1,434.7	2,891.6	5,182.1	5,873.0	5,840.3	-0.6	Ecuador
2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees a.p.i. or more	1,556.8	1,742.3	1,770.3	2,165.9	1,644.9	-24.1	Colombia
7403.11.00	Refined copper cathodes and sections of cathodes	447.4	422.4	556.4	993.0	989.1	-0.4	Peru
2710.19.05	Distillate and residual fuel oil (including blends) derived from petroleum or oils from bituminous minerals, testing under 25 degrees a.p.i.	236.5	378.2	541.5	458.8	408.7	-10.9	Peru
0603.11.00	Sweetheart, spray, and other roses, fresh cut[a]	204.5	238.8	263.1	288.4	327.2	13.5	Colombia
6110.20.20	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton n.e.s.o.i.	202.3	297.9	295.2	318.2	297.4	-6.6	Peru
2710.11.25	Naphthas (exc. motor fuel/mtr fuel blend. stock) fr petroleum oils & bitumin minerals (o/than crude) or preps 70%+ by wt. fr petroleum oils	175.0	253.0	406.2	613.0	294.1	-52.0	Peru
0603.19.00	Fresh cut anthuriums, alstroemeria, gypsophilia, lilies, snapdragons, and flowers n.e.s.o.i.[b]	124.5	181.9	159.4	172.0	187.8	9.2	Colombia
6105.10.00	Men's or boys' shirts, knitted or crocheted, of cotton	115.4	153.4	193.8	190.7	165.4	-13.3	Peru
0709.20.90	Asparagus n.e.s.o.i., fresh or chilled	60.5	79.5	87.1	126.6	159.3	25.9	Peru
6109.10.00	T-shirts, singlets, tank tops, and similar garments, knitted or crocheted, of cotton	84.6	128.3	164.2	168.8	155.5	-7.9	Peru
6203.42.40	Men's or boys' trousers and shorts, not bibs, not knitted or crocheted, of cotton, not containing 15% or more by weight of down, etc	50.9	97.0	156.4	140.8	98.6	-29.9	Colombia
1604.14.30	Tunas and skipjack, not in oil, in airtight containers, n/o 7 kg, not of U.S. possessions, over quota	25.5	31.5	47.8	64.9	67.9	4.6	Ecuador
0603.14.00	Chrysanthemums, fresh cut[c]	62.3	63.6	63.5	63.4	65.5	3.3	Colombia
7113.19.50	Precious metal (o/than silver) articles of jewelry and parts thereof, whether or not plated or clad with precious metal; n.e.s.o.i.	59.1	76.4	80.1	85.6	57.7	-32.6	Bolivia
6106.10.00	Women's or girls' blouses and shirts, knitted or crocheted, of cotton	29.7	44.6	64.2	66.6	52.4	-21.4	Peru
3904.10.00	Polyvinyl chloride, not mixed with any other substances, in primary forms	9.4	16.4	45.0	33.8	42.8	26.5	Colombia
0603.12.70	Other carnations, fresh cut[d]	36.1	34.3	33.2	37.4	42.2	12.7	Colombia
2005.99.80	Artichokes, prepared or preserved otherwise than by vinegar or acetic acid, not frozen[e]	2.4	8.8	16.6	35.9	39.1	8.9	Peru
2613.90.00	Molybdenum ores and concentrates, not roasted	0.0	2.7	14.9	41.1	38.8	-5.7	Peru
	Subtotal	4,917.5	7,142.6	10,141.0	11,937.9	10,974.7	-8.1	
	All other	918.6	1,744.1	1,322.9	1,546.6	1,332.1	-13.9	
	Total	5,836.0	8,359.3	11,463.9	13,484.4	12,306.8	-8.7	

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note: The abreviation "n.e.s.o.i." stands for "not elsewhere specified or otherwise included."

[a] Imports for HTS provision 0603.11.00 were reported under HTS 0603.10.60 during 2003-06.
[b] Imports for HTS provision 0603.19.00 were reported under HTS 0603.10.7040 and 0603.10.80 during 2003–06.
[c] Imports for HTS provision 0603.14.00 were reported under HTS 0603.10.7010 and 0603.10.7020 during 2003–06.
[d] Imports for HTS provision 0603.12.70 were reported under HTS 0603.10.7030 during 2003–06.
[e] Imports for HTS provision 2005.99.80 were reported under HTS 2005.90.80 during 2003–06.

TABLE D.4 Leading imports that benefited exclusively from ATPA, 2006
(*1,000 dollars*)

HTS number	Description	Customs value	C.i.f. value
2709.00.10	Petroleum oils and oils from bituminous minerals, crude, testing under 25 degrees A.P.I.	5,872,958	6,156,098
2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more	2,165,942	2,229,361
7403.11.00[a]	Refined copper cathodes and sections of cathodes	992,968	1,001,809
2710.11.25	Naphthas (exc. motor fuel/mtr fuel blend. stock) fr petroleum oils & bitumin minerals (o/than crude) or preps 70%+ by wt. fr petroleum oils	612,969	640,865
2710.19.05	Distillate and residual fuel oil (including blends) derived from petroleum or oils from bituminous minerals, testing under 25 degrees A.P.I	458,833	486,534
0603.10.60	Roses, fresh cut	288,394	368,907
6110.20.20	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, n.e.s.o.i.	318,240	332,677
0709.20.90	Asparagus, n.e.s.o.i., fresh or chilled	126,571	202,623
6105.10.00	Men's or boys' shirts, knitted or crocheted, of cotton	190,706	196,759
6109.10.00	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton	168,791	176,110
6203.42.40	Men's or boys' trousers and shorts, not bibs, not knitted or crocheted, of cotton, not containing 15% or more by weight of down, etc.	140,800	143,180
0603.10.80[b]	Cut flowers and flower buds suitable for bouquets or ornamental purposes, fresh cut, n.e.s.o.i.	110,747	137,593
0603.10.70[b]	Chrysanthemums, standard carnations, anthuriums and orchids, fresh cut	100,037	128,151
6106.10.00	Women's or girls' blouses and shirts, knitted or crocheted, of cotton	66,608	69,026
1604.14.30	Tunas and skipjack, not in oil, in airtight containers, n/o 7 kg, not of U.S. possessions, over quota	64,860	66,869
6204.62.40	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of cotton, n.e.s.o.i.	50,464	51,964
2613.90.00	Molybdenum ores and concentrates, not roasted	41,139	41,351
2402.20.80	Cigarettes containing tobacco but not containing clove, paper-wrapped	38,340	39,181
2005.90.80	Artichokes, prepared or preserved otherwise than by vinegar or acetic acid, not frozen	35,912	38,079
6110.30.30	Sweaters, pullovers and similar articles, knitted or crocheted, of manmade fibers, n.e.s.o.i.	36,692	37,841

Source: Estimated by the U.S. International Trade Commission from official statistics of the U.S. Department of Commerce.

Note: The abbreviation, n.e.s.o.i. stands for “not elsewhere specified or otherwise included.”

[a] Includes only imports from Peru. Item is GSP-eligible, but imports from Peru exceeded the competitive need limit and thus were eligible for duty-free entry only under ATPA.

[b] Includes only imports from Colombia. Item is GSP-eligible, but imports from Colombia exceeded the competitive need limit and thus were eligible for duty-free entry only under ATPA.