United States International Trade Commission

Andean Trade Preference Act:

Impact on U.S. Industries and Consumers and on Drug Crop Eradication and Crop Substitution, 2009

Fourteenth Report

Investigation No. 332-352
USITC Publication 4188
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U.S. International Trade Commission

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Andean Trade Preference Act: Impact on U.S. Industries and Consumers and on Drug Crop Eradication and Crop Substitution, 2009

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USITC Publication 4188 **September 2010**

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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 2009 and represents the 14th 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 Public Law 110-124. The authority to provide preferential treatment is scheduled to expire on December 31, 2010. Bolivia was suspended as an ATPA beneficiary country effective December 15, 2008. The United States-Peru Trade Promotion Agreement entered into force on February 1, 2009, but Peru’s status as an ATPA beneficiary country continued.

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 status)
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
U.S.-Peru TPA	United States-Peru Trade Promotion Agreement
USTR	United States Trade Representative
WTO	World Trade Organization

Executive Summary

Since ATPA was enacted in 1991, it has had a minimal economic impact on the U.S. economy as a whole and on the great majority of U.S. industries and consumers. This continued to be the case during 2008 and 2009. Imports under ATPA of fresh cut roses and fresh-cut chrysanthemums provided the most significant benefits for U.S. consumers through lower prices (as a result of duty-free treatment). For U.S. producers, the most significant adverse impact of ATPA tariff preferences occurred as a result of reduced domestic production in industries producing fresh cut chrysanthemums.

The probable future effects of ATPA are likely to be minimal, as the global economic downturn and uncertainty over ATPA renewal dampened investment to produce ATPA-eligible exports. Investments made in Colombia and Ecuador are expected to generate most future exports to the United States under ATPA, because Bolivia is currently suspended from ATPA and most investment in Peru will likely affect exports to the United States under the U.S.-Peru TPA, rather than ATPA.

In 2008–09, 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. Although land area under coca cultivation increased in Bolivia in 2009 and Peru in 2008, coca cultivation in Colombia decreased substantially in 2008 (using the most recent data available). U.S. and foreign government agencies continue to recognize that ATPA contributes to U.S. counternarcotics and economic assistance objectives, albeit indirectly, by providing sustainable economic alternatives to drug-crop production in beneficiary countries.

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 expired and been extended, several times.[2] The authority to provide preferential treatment under ATPA is currently set to expire on December 31, 2010.

This report, the 14th in this series, discusses the estimated impact of ATPA during the calendar year 2009.[3] Since the 13th report, there have been two major changes having an impact on ATPA: (1) Bolivia was suspended from ATPA eligibility as of December 15,

[1] Coca leaves are the raw material used in the production of cocaine. Essentially all cocaine worldwide 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 covers developments since the previous ATPA report, generally focusing on developments during 2009 (or the most recent year for which data are available), or on changes during the 2005–09 period.

2008, and (2) the U.S.-Peru Trade Promotion Agreement (TPA) entered into force on February 1, 2009. Peru retained its ATPA eligibility after the TPA entered into force.

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 and on U.S. industries and consumers. The Commission's quantitative analysis focuses on the 20 leading products that benefited exclusively from ATPA in 2009, which accounted for 97 percent of imports that benefited exclusively from ATPA in that year.

Key Findings

- **Imports under ATPA:** Of the $9.7 billion in U.S. imports entered under ATPA in 2009, $8.0 billion, or 82 percent, could not have received tariff preferences under any other program. The five leading products benefiting exclusively from ATPA in 2009 were heavy crude oil; light crude oil; fresh-cut roses; heavy fuel oil; and fresh-cut chrysanthemums. Since U.S. duties on petroleum products such as crude and heavy fuel oil are low (well below 1 percent ad valorem equivalent), 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 1.3 percent of total U.S. imports in 2009. The value of duty-free imports that benefited exclusively from ATPA in 2009 accounted for about 0.5 percent of the value of total U.S. imports, or 0.06 percent of the U.S. GDP. Hence, the overall impact of ATPA-exclusive imports on the U.S. economy continued to be negligible in 2009.

- **Impact on U.S. consumers:** Commission analysis found that imports of fresh-cut roses provided U.S. consumers with the largest benefit, and fresh-cut chrysanthemums the second-largest (benefits were valued at up to $20.1 million and $4.7 million, respectively) through lower prices, increased product variety, and higher consumption. U.S. imports of the 20 leading ATPA-exclusive products produced net consumer gains (i.e., net welfare gains, which equal benefits to consumers net of U.S. Treasury losses due to lower ATPA tariffs) for U.S. consumers in 2009. Pouched tuna yielded the largest net benefit to U.S. consumers (valued at up to $1.0 million), followed by fresh-cut roses (valued up to $670,000), and fresh or chilled asparagus (up to $448,000). Apparel products would probably lead in net welfare gains, given the relatively high duty rates on these products, but lack of U.S. production data at the detailed product level precludes making such estimates.

- **Impact on U.S. industries:** Imports of fresh-cut chrysanthemums benefiting exclusively from ATPA may have displaced 5 percent or more of the value of U.S. production in this industry in 2009. This displacement is attributable to the very high share of the U.S. market (91.0 percent) accounted for by these ATPA imports. The

Commission estimates the resulting displacement at 1.0–6.4 percent, valued at $116,000–$722,000.

- **The probable future effects of ATPA on the United States:** Future effects of ATPA are expected to be minimal on the overall U.S. economy, because U.S. imports from Colombia, Ecuador, and Peru represent such a small portion of total U.S. imports (1.3 percent in 2009). Future effects in most economic sectors are also likely to be minimal, because foreign and domestic investments in Colombia and Ecuador that could generate future exports to the United States under ATPA were small in 2009. The low level of investment in 2009 was largely because of the global economic downturn; officials in these countries also indicated that the repeated expirations and short-term renewals of ATPA discouraged ATPA-related investment. With the exception of a portion of investment in textiles and apparel, investments in ATPA-eligible products in Peru are expected to generate future exports to the United States under the TPA, rather than ATPA. Despite these developments, the Commission was able to identify small investments in the textile and apparel, broccoli, flowers, pineapple, and plywood sectors in Colombia and Ecuador. Future exports of textiles and apparel are uncertain because Colombia, Ecuador, and Peru have established regional production chains that depend on cumulation of inputs from more than one ATPA country for the purposes of establishing origin among the beneficiary countries to qualify for ATPA preferences; the U.S.-Peru TPA does not permit ATPA regional cumulation.

- **Impact on drug crop eradication and crop substitution efforts:** In 2009, 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 decreased substantially in Colombia in 2008, but it increased in Bolivia in 2009 and in Peru in 2008 (most recent data available). Alternative development programs in these countries continued to provide the infrastructure and job creation needed to generate export sales of new or improved legal crops—such as bananas, pineapples, hearts of palm, coffee, and cacao—which are eligible for duty-free treatment under ATPA or NTR provisions.

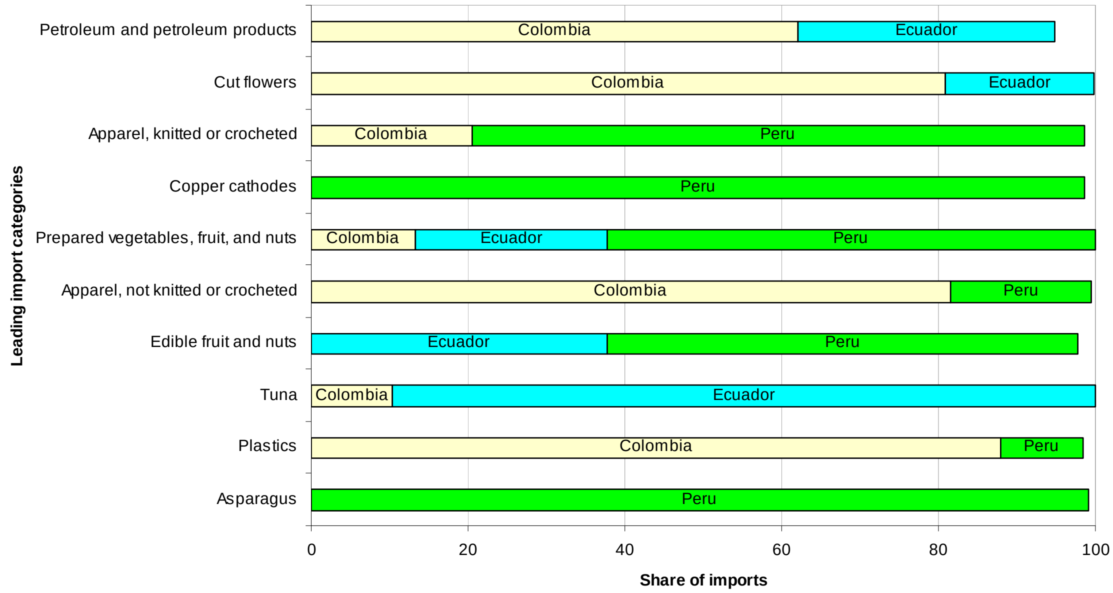
U.S.-Andean Trade in 2009

- **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 $20.7 billion in 2009. Leading imports under ATPA and the leading suppliers of these products are shown in figure ES.1.

- **Leading imports entered under ATPA:** In 2009, U.S. imports entered under ATPA totaled $9.7 billion, down from $17.2 billion in 2008. This decline was driven largely by a $6.0 billion decrease in imports of petroleum and petroleum products.

    - ❖ Petroleum and petroleum products (mostly crude oil) were the leading ATPA import category in 2009, with imports valued at $7.4 billion, or 75.8 percent of total imports under ATPA. Colombia and Ecuador were the main suppliers. Largely because of lower average prices in 2009, U.S. imports from both countries declined in value from 2008 to 2009, though imports of crude oil from Colombia increased in volume.

FIGURE ES.1 Share of selected imports entered under ATPA by leading suppliers, 2009



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.

❖ Several categories of cut flowers combined (including roses, chrysanthemums, alstroemeria, and carnations) made up the second leading ATPA import category, with imports valued at $625 million in 2009, or 26.6 percent of non-oil ATPA imports. Colombia and Ecuador were the main suppliers.

❖ Knitted apparel was the third leading ATPA import category in 2009, with imports valued at $490 million or 20.9 percent of non-oil ATPA imports. Peru and Colombia were the leading suppliers.

- **ATPA imports by supplying country in 2009:**

❖ ATPA imports from Colombia were valued at $5.6 billion, or 57.5 percent of the total. Petroleum and petroleum products made up 81.7 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 third-largest global supplier of PVC for the U.S. market in 2009.

❖ ATPA imports from Ecuador were valued at $2.7 billion, or 28.3 percent of the total. Petroleum and petroleum products made up 87.8 percent of ATPA imports from Ecuador in 2009. Other leading ATPA imports from Ecuador included cut flowers (roses, chrysanthemums, and carnations) and tuna. Almost 90 percent of tuna imports entered under ATPA were shipped from Ecuador.

❖ ATPA imports from Peru were valued at $1.4 billion, or 14.2 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 and petroleum products (mostly crude oil), and fresh or chilled asparagus. Peru was the leading global supplier of asparagus for the U.S. market in 2009.

- **U.S. exports to the Andean countries:** U.S. exports to the Andean countries have more than quadrupled since ATPA was enacted, growing from $3.8 billion in 1991 to $16.7 billion in 2009. The United States is the leading supplier to Colombia, Ecuador, and Peru. 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 the investigation on July 7, 2010, in Washington, DC. The Commission also received written public submissions in connection with this investigation in response to a *Federal Register* notice.[4] The testimony and the submissions generally related to one of four topics:

- **Several industry and government representatives cited mixed economic effects of ATPA on specific U.S. sectors, but a minimal effect on the overall U.S. economy:** Several foreign officials stated that ATPA has never had a substantial adverse impact on U.S. industry. Some industry and government representatives cited positive effects resulting from ATPA, including 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 provide support for ATPA-related imports; benefits to U.S. consumers such as greater choice, broader availability, and lower prices; and company-specific benefits. On the other hand, representatives of the California Cut Flower Commission and Bumble Bee Foods asserted that ATPA has had a negative economic impact on their specific industries.

- **ATPA has had a positive effect on beneficiary countries:** Interested parties said that ATPA has promoted exports and investment, which have generated economic growth and employment in the beneficiary countries. One such party stated that ATPA has promoted investment, export-oriented production, and the development of regional and intra-regional supply chain integration, all of which have stimulated job creation.

- **ATPA has had a positive effect on drug crop eradication and crop substitution:** Foreign government and industry representatives commented that through increased exports and investment, ATPA has created employment opportunities for workers who might otherwise engage in drug crop production.

- **Uncertainties regarding the future of ATPA have adversely affected investment and trade:** A number of the public comments received claimed that the uncertainties related to the repeated expiration and short-term renewals of ATPA since

[4] App. A reproduces the *Federal Register* notice by which the Commission provided notice of a public hearing and solicited public comment, and chap. 5 contains summaries of submissions received by the Commission in response to *the Federal Register* notice.

2006 have negatively affected the investment environment and bilateral trade. Several government and industry officials stated their opposition to the "graduation" of Peru from ATPA because it would undermine the competitive advantage presently afforded to the Colombian garment industry. If Peru is graduated, it will lose the privilege of being part of the cumulated supply chain for apparel exports, along with Colombia and Ecuador, under ATPA rules of origin; as a result, some of Colombia's apparel exports to the United States that now use significant quantities of Peruvian inputs of yarn and fabric would no longer receive duty-free access.

CHAPTER 1
Introduction

The Andean Trade Preference Act (ATPA)[1] was enacted in 1991 to encourage the Andean countries of Bolivia, Colombia, Ecuador, and Peru to reduce drug-crop cultivation and production by authorizing the U.S. President to grant tariff preferences to qualifying Andean products in order to foster trade, including the production and export of nontraditional products. In 2002, ATPA was extended and the scope was expanded by the Andean Trade Promotion and Drug Eradication Act (ATPDEA).[2] ATPA, as amended by ATPDEA, authorizes the President to grant duty-free treatment to many Andean products entering the United States. The President's authority to provide duty-free treatment under the act is currently set to expire at the end of 2010.[3]

The United States began bilateral free trade agreement (FTA) negotiations with three ATPA beneficiary countries in 2004—Peru, Colombia, and Ecuador.[4] The United States and Peru concluded work on a bilateral FTA (known as the U.S.-Peru Trade Promotion Agreement, or U.S.-Peru TPA) in December 2005. The agreement was signed in April 2006 and entered into force on February 1, 2009.[5] The United States and Colombia reached agreement on a bilateral FTA (the U.S.-Colombia Trade Promotion Agreement) in February 2006,[6] but the U.S. Congress has not yet enacted legislation to approve and implement the agreement.[7] FTA negotiations with Ecuador were suspended in 2006. In addition, Bolivia was suspended as an ATPA beneficiary country effective December 15, 2008. More information about the status of ATPA countries is provided below.

Section 206 of ATPA requires that the U.S. International Trade Commission (the Commission or USITC) report biennially to Congress on the economic impact of ATPA on U.S. industries, U.S. consumers, and the U.S. 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.[8] This report is the 14th in the series and covers the period since the previous report, focusing on developments in 2009.

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[1] Pub. L. 102-182, 105 Stat. 1236. ATPA as amended is codified at 19 U.S.C. 3201 et seq. ATPA became effective July 22, 1992, for Colombia and Bolivia (Presidential Proclamation 6455, 57 Fed. Reg. 30069, and Presidential Proclamation 6456, 57 Fed. Reg. 30087, respectively); Apr. 30, 1993, for Ecuador (Presidential Proclamation 6544, 58 Fed. Reg. 19547); and Aug. 31, 1993, for Peru (Presidential Proclamation 6585, 58 Fed. Reg. 43239).

[2] Pub. L. 107-210. ATPDEA duty-free treatment became effective for all four beneficiary countries on Oct. 31, 2002 (Presidential Proclamation 7616, 67 Fed. Reg. 67283).

[3] 19 U.S.C. 3206.

[4] On May 18–19, 2004, Colombia, Ecuador, and Peru launched FTA negotiations with the United States. See U.S. Trade Representative (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.

[5] USTR, "United States and Peru Sign Trade Promotion Agreement," Apr. 12, 2006. See also USITC, *U.S.-Peru Trade Promotion Agreement: Potential Economy-wide and Selected Sectoral Effects*, June 2006, Proclamation No. 8341 of Jan. 16, 2009, 74 Fed. Reg. 4105 (Jan. 22, 2009).

[6] USTR, "United States and Colombia Conclude Free Trade Agreement," Feb. 27, 2006. Consistent with statutory requirements, the President notified Congress of his intention to enter into a free trade agreement with Colombia on Aug. 24, 2006. FTA negotiations between the United States and Ecuador were suspended after Ecuador canceled its contract with Occidental Petroleum in May 2006.

[7] The Colombian legislature ratified the FTA in 2007. USTR, *Fifth ATPA Report*, June 30, 2010, 28. The agreement was submitted to Congress by President Bush on Apr. 8, 2008, but it has yet to be considered.

[8] 19 U.S.C. 3204.

Throughout this report, the term "ATPA" refers to ATPA as amended by ATPDEA. The term "original ATPA" will be used to identify the original ATPA program that expired in December 2001, so that the scope and requirements of that statute can be discussed appropriately.

Summary of the ATPA Program

ATPA authorizes the President to grant certain unilateral preferential trade benefits to Bolivia, Colombia, Ecuador, and Peru in the form of duty-free treatment of eligible products imported into the customs territory of the United States, based on importer claims for this treatment. ATPDEA amended the original ATPA to expand the number of products eligible for duty-free treatment. On October 31, 2002, the President designated all four original ATPA beneficiary countries as ATPDEA beneficiary countries and designated most of the additional ATPDEA-eligible products as eligible for duty-free treatment.[9] The following sections summarize ATPA provisions concerning beneficiaries, trade benefits, and qualifying rules, and the relationship between ATPA and the Generalized System of Preferences (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.[10] Under the original ATPA, 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 ATPA provisions were amended by ATPDEA. Among other things, ATPDEA specified additional criteria for eligibility,[11] which required the President to make new determinations of eligibility for each of the four countries under the expanded list of limitations and factors. The President subsequently redesignated each of the four countries in 2002.[12]

Bolivia, however, was suspended as an ATPA beneficiary country in late 2008, following a series of developments that year. 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.[13] 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

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[9] Presidential Proclamation 7616 of Oct. 31, 2002, 67 Fed. Reg. 67283 (Nov. 5, 2002). See a later section in this chapter, "Trade Benefits under ATPA," for more specific information on the exception for import-sensitive products.

[10] These factors are set out in 19 U.S.C. 3202(c)–(d).

[11] 19 U.S.C. 3203(b)(6)(B).

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

[13] "Memorandum of Sept. 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).

Relations Authorization Act, Fiscal Year 2003 (Public Law 107-228).[14] On November 25, 2008, after statutorily required public notice, acceptance of comments from the public, and a public hearing, the President announced the suspension of Bolivia as an ATPA and ATPDEA beneficiary country, effective December 15, 2008, for failure to adhere to its obligations under international counternarcotics agreements.[15]

ATPA was extended to the end of 2009 on October 16, 2008, with contingency provisions for Bolivia and Ecuador.[16] Continuation of beneficiary status for Bolivia and Ecuador past July 1, 2009, was made contingent on Presidential review of the performance of Bolivia and Ecuador with respect to ATPA's eligibility criteria.[17] As a result of the President's review and determination on June 30, 2009, Bolivia's suspension was effectively continued and Ecuador's eligibility was continued.[18]

The United States-Peru Trade Promotion Implementation Act was signed into law on December 14, 2007.[19] The U.S.-Peru TPA entered into force on February 1, 2009.[20] Peru lost GSP eligibility at this time, but continued to be an ATPA beneficiary.[21]

Eligible Articles

ATPA provides duty-free treatment to qualifying imports from designated beneficiary countries.[22] 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.[23] In-quota shipments of such

[14] 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).

[15] Proclamation No. 8323 of November 25, 2008, 73 Fed. Reg. 72677 (November 28, 2008). 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).

[16] Pub. L. 110-436.

[17] Preferential treatment for Ecuador was to continue unless the President found that Ecuador did not satisfy the eligibility requirements, and would end for Bolivia unless the President found that Bolivia did satisfy the eligibility requirements. Pub. L. 110-436, section 1.

[18] "Determinations and Report of the President Concerning the Review of Ecuador and Bolivia Under the Andean Trade Preference Act, As Amended," June 30, 2009.

[19] Pub. L. 110-138.

[20] Proclamation No. 8341 of Jan. 16, 2009, 74 Fed. Reg. 4105 (Jan. 22, 2009).

[21] 74 Fed. Reg. 6441 (Feb. 9, 2009). The retention of ATPA beneficiary status by Peru is different from the usual practice when a beneficiary of a U.S. unilateral preference program has entered into an FTA with the United States. When the U.S.-Dominican Republic-Central America Free Trade Agreement entered into force for each country, each country's Caribbean Basin Economic Recovery Act (CBERA) beneficiary status was ended.

[22] General Note 3(c) to the Harmonized Tariff Schedule (HTS) summarizes the special tariff treatment for eligible products of designated countries under various U.S. trade programs, including ATPA. General Note 11 sets out product eligibility rules and country designations under ATPA and ATPDEA. ATPA does not cover trade in services.

[23] 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 (Pub. L. 88-482). The URAA also amended ATPA by excluding from tariff preferences any imports from beneficiary

products subject to TRQs are eligible to enter free of duty under ATPA. Under the original ATPA, certain leather handbags, luggage, flat goods (such as wallets and portfolios), work gloves, and leather wearing apparel from ATPA countries were eligible to enter at reduced (but not free) rates of duty.[24] The original ATPA specifically excluded from eligibility most textiles and apparel, certain footwear, canned tuna, petroleum and petroleum derivatives, certain watches and watch parts,[25] certain sugar products, and rum and tafia.[26]

ATPDEA authorizes the President to extend duty-free treatment to some of the products previously ineligible for preferences under the original ATPA, including certain textiles and apparel, footwear, tuna in foil or other flexible airtight packages (not cans), petroleum and petroleum products, and watches and watch parts (including cases, bracelets, and straps). Certain handbags, luggage, flat goods, work gloves, and leather wearing apparel, previously eligible for reduced rates of duty under the original ATPA,[27] are eligible for duty-free treatment under ATPDEA. ATPDEA authorizes the President to proclaim duty-free treatment for qualifying additional articles if he determines that such articles are "not import sensitive in the context of imports from ATPDEA beneficiary countries."[28] 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.[29]

Nearly 6,300 tariff lines or products are now covered by ATPA trade preferences, of which about 700 were added by ATPDEA.[30] The following products continue to be excluded by statute from receiving preferential treatment: certain textile and apparel articles; canned tuna; above-quota imports of certain agricultural products subject to TRQs, including sugars, syrups, and sugar-containing products; and rum and tafia.[31]

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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.

[24] This provision applied to certain articles that were not designated for GSP duty-free entry as of Aug. 5, 1983 (the date of enactment of CBERA. Under the provisions of the original ATPA, beginning in 1992, duties on those goods were reduced by a total of 20 percent, not to exceed 2.5 percent ad valorem, in five equal annual stages (19 U.S.C. 3203(c)(repealed 2002)). ATPDEA eliminated this provision and allowed the President to determine if duty-free entry is appropriate.

[25] The original ATPA excluded watches and watch parts containing components produced in countries subject to column 2 duty rates—effectively, Communist countries. Since 1989, the number of countries subject to column 2 rates of duty has diminished to two—Cuba and North Korea.

[26] 19 U.S.C. 3203(b)(repealed 2002). Tafia is a type of cheap rum.

[27] As mentioned above, ATPDEA repealed 19 U.S.C. 3203(c), which had previously provided duty reductions for certain handbags, luggage, flat goods, work gloves, and leather wearing apparel.

[28] 19 U.S.C. 3203(b)(1).

[29] Presidential Proclamation 7616 of Oct. 31, 2002, 67 Fed. Reg. 67283 (Nov. 5, 2002); USTR, *First Report to the Congress on the Operation of the Andean Trade Preference Act As Amended*, Apr. 30, 2003, 6.

[30] USTR, "New Andean Trade Benefits," Sept. 25, 2002. Accordingly, about 90 percent of rate lines provide duty-free treatment to U.S. imports from the ATPA region (60 percent fall under ATPA and 30 percent have normal trade relations (NTR) rates of free). U.S. imports under the rate lines remaining (about 10 percent) are dutiable.

[31] 19 U.S.C. 3203(b)(2).

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.[32] 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 Caribbean Basin Economic Recovery Act (CBERA)[33] 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,[34] 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.[35]

ATPDEA extended duty-free treatment for the first time to certain textile and apparel articles imported from designated ATPDEA beneficiary countries. ATPDEA authorized unlimited duty-free and quota-free treatment for imports of textile and apparel 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.[36] 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 fabrics or components formed in, or knit-to-shape from yarns produced in, the United States or one or more ATPDEA beneficiary countries (known as “regional fabrics or components”) are also eligible to

[32] 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)).

[33] Since Jan. 1, 2009, the CBERA countries are Antigua, Aruba, The Bahamas, Barbados, Belize, British Virgin Islands, Dominica, Grenada, Guatemala, Guyana, Haiti, Jamaica, Montserrat, Netherlands Antilles, Panama, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago.

[34] 19 U.S.C. 3203(a).

[35] 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 U.S. DOC and U.S. Agency for International Development, *Guidebook to the Andean Trade Preference Act*, 1992, 5.

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

TABLE 1.1 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 9821.11.10)	• 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 on 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 handloomed, 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	• Findings or trimmings may 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	• Value of such interlinings (and any findings and trimmings) may 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	• Total weight of such yarns may 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 and U.S. fabric.

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 from the NAFTA rules of origin.

[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 one-year period to a maximum of 5 percent beginning Oct. 1, 2006. The 5 percent limit is still in effect.

enter free of duty but are subject to a cap.[37] The principal textile and apparel provisions of ATPDEA are summarized in table 1.1.

Annual Reviews

ATPDEA requires 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.[38] The USTR initiated its 2009 ATPA review on August 26, 2009, requesting the submission of petitions for changes in tariff treatment.[39] Seven parties filed submissions in response to that request, but none of the submissions constituted petitions that were accepted for review.[40]

The USTR submits biennial reports to Congress on the operation of ATPA, including the results of its annual reviews.[41] The most recent USTR report on the operation of the ATPA program was issued in June 2010.[42] No actions have been taken to withdraw, suspend, or limit ATPDEA benefits on the basis of the USTR reviews.[43]

ATPA and GSP

Colombia and Ecuador are GSP beneficiaries, as is Bolivia.[44] Peru was a GSP beneficiary until the U.S.-Peru TPA entered into force. ATPA and GSP provisions are similar in many ways, and many products can enter the United States free of duty under either program—all of the major imports from ATPA countries that are designated as GSP-eligible are also ATPA-eligible. 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.

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[37] 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 meter equivalents (SMEs) 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 period from Oct. 1, 2008, through Dec. 31, 2009, the fill rate was just 7.96 percent or 97.4 million SME. USDOC, Office of Textiles and Apparel (OTEXA), "Trade Data."

[38] Sec. 3103(d) of ATPDEA (19 U.S.C. 3202 note).

[39] 74 Fed. Reg. 43213–14 (Aug. 26, 2009). USTR has initiated the seventh ATPA review. 75 Fed. Reg. 47633 (Aug. 9, 2010).

[40] USTR, *Fifth ATPA Report*, June 30, 2010, 54.

[41] 19 U.S.C. 3202(f). The due date for the *Fifth Report* was moved to June 30, 2010, by sec. 2(c) of Pub. L. 111-124, Dec. 28, 2009.

[42] USTR, *Fifth ATPA Report*, June 30, 2010.

[43] Ibid.

[44] The U.S. GSP program originally was enacted for 10 years pursuant to title V of the Trade Act of 1974 (Pub. L. 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 (Pub. L. 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. GSP preferences are currently effective through Dec. 31, 2010. Pub. L. 111-124.

However, the two programs differ in several ways that tend to make ATPA country producers prefer the more comprehensive and liberal ATPA. First, ATPA authorizes duty-free treatment on more tariff categories than GSP, including textile and apparel articles ineligible for GSP treatment. Unless specifically excluded, all products can be designated as having a tariff preference under ATPA. Second, unlike under the U.S. GSP law, U.S. imports under ATPA are not subject to competitive-need and country-income restrictions. This fact 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. 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 through 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, the entry into force of the FTA with Peru, and the uncertainties about whether and when the FTA with Colombia will enter into force. 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 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, losses to the U.S. Treasury resulting from reduced tariff revenues, and potential displacement in U.S. industries competing with the leading

U.S. imports that benefited exclusively from the ATPA program in 2009;[45] and (3) an examination of trends in production and other economic factors in the industries identified as likely to be particularly affected by such imports. General economic and trade data come from official statistics of the U.S. Department of Commerce and from materials developed by USITC country/regional and industry analysts. The report also incorporates public comments received in response to the Commission's *Federal Register* notice regarding the investigation, including both hearing testimony and written submissions.[46]

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 production that probably would have occurred if normal trade relations (NTR) tariffs[47] had been in place for beneficiary countries in 2009. Actual 2009 market conditions are compared with a hypothetical case in which NTR duties are imposed for the year. The effects of ATPA duty preferences for 2009 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 2009.[48] 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.[49] 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,[50] whereas the lower estimates reflect the assumption of low substitution

[45] 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.

[46] A copy of the notice appears in app. A.

[47] 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.

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

[49] 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.

[50] 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.

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.[51] 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-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.

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 2009, and general changes in trends since 2005; it also provides information on total U.S. imports from Andean countries, U.S. imports under ATPA,[52] and U.S. exports to the Andean countries. Chapter 3 analyzes imports that benefit exclusively from ATPA to estimate the impact of ATPA in 2009 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 7, 2010, 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 7, 2010. Appendix C explains the economic model used to derive the findings presented in chapter 3. Appendix D provides additional statistical tables.

Data Sources

[51] 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.

[52] 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.

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; 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 7, 2010, public hearing for this investigation as well as written public comments received in response to the Commission's *Federal Register* notice regarding the investigation.[53]

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

CHAPTER 2
U.S. Trade with the ATPA Countries

Introduction

This chapter describes and analyzes U.S. imports under ATPA.[1] Total U.S. imports from the ATPA countries and U.S. exports to the ATPA countries are also examined. As indicated in chapter 1, calendar year 2009 was the seventh full year that ATPDEA was in effect. Since the 13th report, there have been two major changes that affected ATPA: (1) Bolivia lost ATPA eligibility as of December 15, 2008, and (2) the U.S.-Peru TPA entered into force on February 1, 2009.[2] Given the predominance of oil imports among products benefiting from ATPA and the relatively small preference margin provided by ATPA to imports of oil products, total imports and non-oil shares of imports under ATPA will be discussed separately.

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

Trade Overview

Since ATPA was enacted in 1991, U.S. trade with the ATPA countries has grown significantly. The value of U.S. imports from the ATPA countries was more than 300 percent larger in 2009 than in 1991, increasing from $5.0 billion in 1991 to $20.7 billion in 2009 (table 2.1), while the value of U.S. imports from the world increased 220 percent during the same period. Total U.S. imports from the ATPA countries more than doubled in value during the nine years from 1991 to 2000, increasing from $5.0 billion to $11.1 billion. Since the October 2002 implementation of ATPDEA, which significantly expanded the list of products eligible for duty-free treatment under ATPA, U.S. imports from ATPA countries more than doubled in value again, increasing from $11.6 billion in 2003 to $20.9 billion in 2007 and $28.5 billion in 2008, before declining 27.4 percent to $20.7 billion in 2009 (figure 2.1). U.S. imports from ATPA countries were about the same in 2009 as they were in 2007, reflecting the drop in commodity prices during 2009 after they spiked in 2008. The ATPA countries collectively accounted for 1.3 percent of U.S. imports in 2009, compared to 1.4 percent in 2008.

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[1] All trade discussed in the report is merchandise trade.

[2] In this chapter, data on Bolivia's trade with the United States are included only for the years that Bolivia was eligible for ATPA—that is, 1991 through 2008. Bolivia is still eligible for GSP.

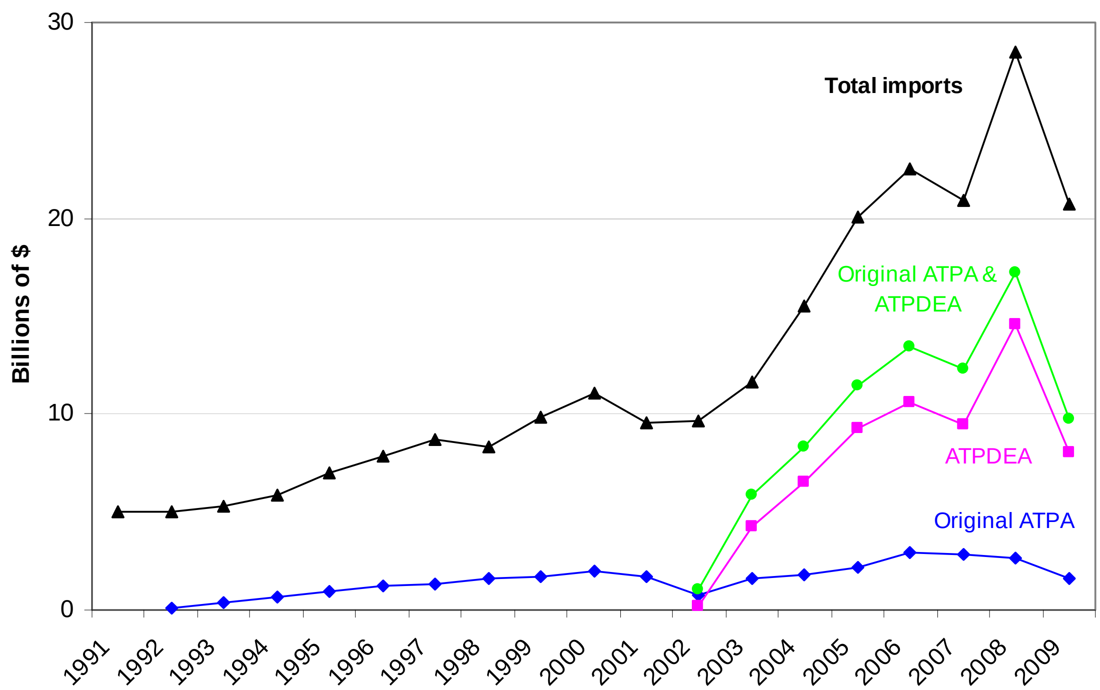
TABLE 2.1 U.S. trade with ATPA countries, 1991–2009

Year	Exports to ATPA countries	Imports from ATPA countries	Trade balance with ATPA countries	ATPA countries' share of U.S. exports to the world	ATPA countries' share of U.S. imports from the world	Average U.S. tariff[a] for ATPA countries
	Value (millions of $)			*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
2008	19,763	28,483	-8,720	1.7	1.4	0.1
2009[b]	16,697	20,690	-3,993	1.8	1.3	0.1

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

[a] Trade-weighted average duty (total duties/total imports).
[b] Bolivia was not included in 2009.

FIGURE 2.1 U.S. imports from Andean countries, under original ATPA, and ATPDEA, 1991–2009



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

[a] Bolivia was not included in 2009.

U.S. exports to the ATPA countries in 2009 were more than four times their value in 1991, while U.S. exports to the world increased by less than 150 percent. Exports to ATPA countries increased from $3.8 billion in 1991 to $14.6 billion in 2007 and $19.8 billion in 2008, before declining 15.5 percent to $16.7 billion in 2009. The ATPA countries collectively accounted for 1.8 percent of total U.S. exports in 2009, their highest share during the period covered in table 2.1. The U.S. merchandise trade deficit with the ATPA countries narrowed to $4.0 billion in 2009, compared to $8.7 billion in 2008 (table 2.1). The steep decline in the value of trade between the United States and the ATPA countries in 2009 can most likely be attributed to the global financial crisis and subsequent global recession, which led to a reduction in the volume of trade, as well as lower commodity prices.

U.S. Imports from the ATPA Countries

In 2009, total U.S. imports from the ATPA countries collectively were $20.7 billion.[3] The United States continued to be the leading destination for exports from Colombia, Ecuador, and Peru.[4] U.S. imports from the ATPA countries consisted primarily of raw materials and their derivatives, agricultural and horticultural products, apparel, and seafood. Table 2.2 shows the composition of total U.S. imports from the ATPA countries by HS chapter during the years 2005–09. Mineral fuels and oils (HS chapter 27), precious stones and metals (HS 71), and coffee (HS 09) represented almost two-thirds of total U.S. imports from the ATPA countries in 2009. Mineral fuels and oils—mostly petroleum and coal—have accounted for around 50 percent of the value of total imports from ATPA countries in each of the last five years, with the exception of 2008, a year of historically high average oil prices, when the share was 59.4 percent. Imports of precious stones and metals, consisting mostly of gold bullion, but also including precious stones, metals, and jewelry, accounted for 9.9 percent of total imports from the ATPA countries in 2009 (or 20.2 percent of non-oil imports). Imports of coffee decreased 11.8 percent in 2009 to $941.6 million, and represented 4.6 percent of total imports in 2009 (or 9.3 percent of non-oil imports). In 2009, the value of imports of edible fruits and nuts (HS 08), 72.2 percent of which were bananas, increased by 17.9 percent to $821 million, or 4.0 percent of total imports (or 8.1 percent of non-oil imports). This latest increase in the edible fruit and nut imports is part of a 42.6 percent increase since 2005, mainly stemming from a 50 percent increase in imports of bananas.

Table 2.3 lists the leading U.S. imports from the ATPA countries in 2009 on an 8-digit HTS subheading basis. Since ATPDEA entered into effect in 2002, all of these products from the ATPA countries have been eligible for duty-free entry under ATPA, under GSP or the U.S.-Peru TPA, 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, unalloyed tin, and cocoa beans. Most of the products in table 2.3 decreased in import value in 2009, though imports of gold, bananas, cocoa beans, and petroleum coke all increased considerably.

[3] Excludes imports from Bolivia in 2009, when it was not a beneficiary.
[4] Global Trade Atlas database.

TABLE 2.2 Leading U.S. imports for consumption from ATPA countries, by HS chapter, in value and share of non-oil imports for consumption, 2005–09

HS chapter	Description	2005	2006	2007	2008	2009[a]	Change 2008–09
		Value (millions of $)					*Percent*
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	10,053.8	11,355.8	10,410.3	16,930.0	10,583.5	-37.5
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	2,317.5	2,261.4	1,533.9	1,930.4	2,038.0	5.6
09	Coffee, tea, mate and spices	738.2	788.8	890.4	1,067.0	941.6	-11.8
08	Edible fruit and nuts; peel of citrus fruit or melons	575.9	646.1	597.1	696.2	821.0	17.9
61	Articles of apparel and clothing accessories, knitted or crocheted	978.8	1,024.7	949.0	915.7	678.5	-25.9
06	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	557.2	601.5	668.1	653.0	637.2	-2.4
03	Fish and crustaceans, molluscs and other aquatic invertebrates	483.1	537.2	574.2	603.2	612.4	1.5
74	Copper and articles thereof	593.9	1,050.8	1,073.4	937.9	589.5	-37.1
07	Edible vegetables and certain roots and tubers	193.9	223.0	272.9	286.3	289.6	1.2
80	Tin and articles thereof	195.9	270.8	326.7	460.2	266.1	-42.2
	Subtotal	16,688.1	18,760.2	17,296.0	24,479.8	17,457.5	-28.7
	All other	3,372.0	3,750.4	3,627.0	4,003.2	3,232.3	-19.3
	Total	20,060.1	22,510.6	20,922.9	28,483.0	20,689.9	-27.4
		Percent of total imports					*In percentage points*
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	50.1	50.4	49.8	59.4	51.2	-8.3
		Percent of non-oil total					
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	23.2	20.3	14.6	16.7	20.2	3.5
09	Coffee, tea, mate and spices	7.4	7.1	8.5	9.2	9.3	0.1
08	Edible fruit and nuts; peel of citrus fruit or melons	5.8	5.8	5.7	6.0	8.1	2.1
61	Articles of apparel and clothing accessories, knitted or crocheted	9.8	9.2	9.0	7.9	6.7	-1.2
06	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	5.6	5.4	6.4	5.7	6.3	0.7
03	Fish and crustaceans, molluscs and other aquatic invertebrates	4.8	4.8	5.5	5.2	6.1	0.8
74	Copper and articles thereof	5.9	9.4	10.2	8.1	5.8	-2.3
07	Edible vegetables and certain roots and tubers	1.9	2.0	2.6	2.5	2.9	0.4
80	Tin and articles thereof	2.0	2.4	3.1	4.0	2.6	-1.4
	Subtotal	66.3	66.4	65.5	65.3	68.0	2.7
	All other	33.7	33.6	34.5	34.7	32.0	-2.7
	Total	100.0	100.0	100.0	100.0	100.0	

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

[a] Bolivia was not included in 2009.

TABLE 2.3 Leading U.S. imports for consumption from ATPA countries, by HTS provisions, 2005–09

HTS provision	Description	2005	2006	2007	2008	2009[a]	Change 2008–09
		Millions of $					*Percent*
2709.00.10	Petroleum oils and oils from bituminous minerals, crude, testing under 25 degrees A.P.I.	5,584.4	6,193.4	5,999.1	11,042.9	7,273.7	-34.1
7108.12.10	Gold, nonmonetary, bullion and dore	1,856.0	1,565.9	632.1	867.0	1,643.8	89.6
2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more	1,961.7	2,416.5	1,819.3	2,147.6	1,049.4	-51.1
2701.12.00	Coal, bituminous, whether or not pulverized, but not agglomerated	637.9	769.4	771.7	1,001.8	802.1	-19.9
0901.11.00	Coffee, not roasted, not decaffeinated	638.0	678.5	766.1	902.8	780.0	-13.6
0803.00.20	Bananas, fresh or dried	394.2	445.6	385.8	446.6	592.9	32.8
7403.11.00	Refined copper cathodes and sections of cathodes	556.4	993.0	989.1	844.4	548.3	-35.1
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.	797.2	602.0	712.8	938.1	474.2	-49.5
0306.13.00	Shrimps and prawns, cooked in shell or uncooked, dried, salted or in brine, frozen	309.4	365.0	355.9	392.0	376.8	-3.9
0603.11.00[b]	Sweetheart, spray and other roses, fresh cut	263.3	288.6	327.6	310.6	305.2	-1.8
2701.19.00	Coal, other than anthracite or bituminous, whether or not pulverized, but not agglomerated	313.0	414.3	467.7	491.8	275.8	-43.9
8001.10.00	Tin (o/than alloy), unwrought	181.7	255.0	324.8	455.4	266.1	-41.6
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	553.2	723.0	466.7	666.2	248.2	-62.7
6110.20.20	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, n.e.s.o.i.	297.4	320.9	302.1	244.3	197.8	-19.0
0603.19.00[c]	Fresh cut, anthuriums,alstroemeria,gypsophilia,lilies, snapdragons and flowers, n.e.s.o.i.	159.8	172.3	191.0	196.1	189.0	-3.6
1801.00.00	Cocoa beans, whole or broken, raw or roasted	46.6	32.0	60.8	95.9	177.1	84.7
7106.91.10	Silver bullion and dore	151.7	180.9	340.5	596.1	149.5	-74.9
2713.11.00	Coke, petroleum, not calcined	15.6	48.5	18.6	39.4	144.4	266.8
0709.20.90	Asparagus, n.e.s.o.i., fresh or chilled	87.4	126.8	159.4	145.2	137.5	-5.3
6109.10.00	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton	165.9	172.6	158.0	166.3	133.9	-19.5
	Subtotal	14,970.8	16,764.1	15,249.0	21,990.4	15,765.6	-28.3
	All other	5,089.4	5,746.5	5,674.0	6,492.6	4,924.2	-24.2
	Total	20,060.1	22,510.6	20,922.9	28,483.0	20,689.9	-27.4

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] Bolivia was not included in 2009.
[b] Imports of HTS 0603.11.00 were reported under HTS 0603.10.60 during 2005–06.
[c] Imports of HTS 0603.19.00 were reported under HTS 0603.10.80 during 2005–06.

Duty Treatment

While the share of dutiable imports from the ATPA countries declined to 6.0 percent in 2006, they have since more than doubled to 12.2 percent in 2009 (table 2.4).[5] In 2009, dutiable imports from the region included principally those petroleum products that were not entered under ATPA preferences.

Duty-free imports from the ATPA countries entered in one of the following ways in 2009: (1) conditionally free of duty under ATPA (47.0 percent of all imports from the ATPA countries); (2) unconditionally free of duty under NTR tariff rates (35.0 percent); (3) conditionally free of duty under GSP or other special programs (1.3 percent); and most recently (4) conditionally free of duty under the Peru TPA (4.3 percent).[6]

TABLE 2.4 U.S. imports for consumption from ATPA countries, by duty treatments, 2005–09

Duty treatment	2005	2006	2007	2008	2009[a]
	Value (millions of $)				
Dutiable imports	1,561.8	1,344.6	1,292.8	2,587.3	2,515.0
Duty-free value:					
NTR duty-free	6,379.8	6,958.9	6,462.9	7,818.8	7,235.8
ATPA:					
Exclusive	10,648.1	12,531.1	11,488.3	16,360.8	7,963.5
Non-exclusive	815.6	953.2	818.5	881.9	1,750.8
Total ATPA	11,463.7	13,484.4	12,306.8	17,242.7	9,714.2
GSP	448.2	453.9	599.3	611.6	271.7
Peru FTA	0.0	0.0	0.0	0.0	898.1
Other duty-free	([b])	0.0	0.0	0.0	898.1
Total duty-free value	18,291.7	20,897.4	19,369.6	25,673.9	18,121.5
U.S. Virgin Islands[c]	206.5	268.6	260.5	221.8	53.4
Total imports	20,060.1	22,510.6	20,922.9	28,483.0	20,689.9
	Percent of total				
Dutiable imports	7.8	6.0	6.2	9.1	12.2
Duty-free value:					
NTR duty-free	31.8	30.9	30.9	27.5	35.0
ATPA:					
Exclusive	53.1	55.7	54.9	57.4	38.5
Non-exclusive	4.1	4.2	3.9	3.1	8.5
Total ATPA	57.1	59.9	58.8	60.5	47.0
GSP	2.2	2.0	2.9	2.1	1.3
Peru FTA	0.0	0.0	0.0	0.0	4.3
Other duty-free	([d])	([d])	([d])	([d])	([d])
Total duty-free value	91.2	92.8	92.6	90.1	87.6
U.S. Virgin Islands[c]	1.0	1.2	1.2	0.8	0.3
Total imports	100.0	100.0	100.0	100.0	100.0

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

[a] Bolivia was not included in 2009.
[b] Value is less than 50,000.
[c] The U.S. Virgin Islands has its own tariff schedule and laws separate from the rest of the United States and is outside the U.S. customs territory; therefore, imports that enter the U.S. Virgin Islands are not identified as either dutiable or free of duty.
[d] Value is less than 0.05 percent.

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

[6] Less than one percent of imports from ATPA countries entered the U.S. Virgin Islands. The U.S. Virgin Islands has its own tariff schedule and laws separate from the rest of the United States and is outside the U.S. customs territory; therefore, imports that enter the U.S. Virgin Islands are not identified as either dutiable or free of duty.

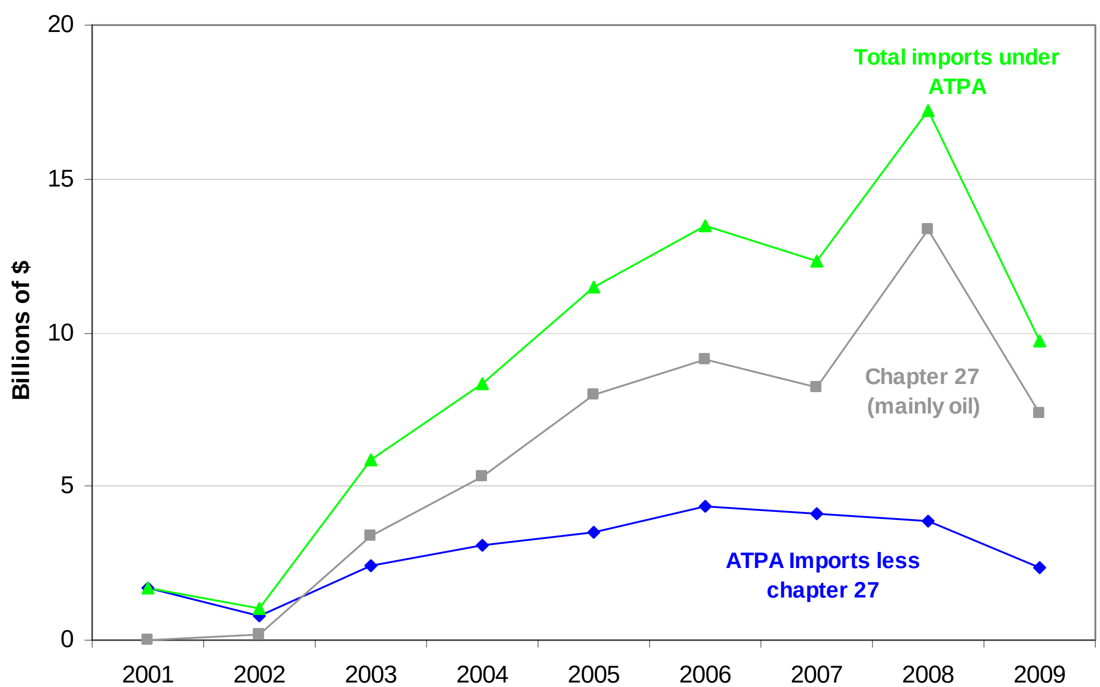
Imports under ATPA

U.S. imports under ATPA in 2009 were $9.7 billion, compared to $17.2 billion in 2008 and $12.3 billion in 2007 (figure 2.2). Although the decline in the value of U.S. imports entered under ATPA in 2009 was mostly attributable to a $6.0 billion decline in the value of imports of petroleum and petroleum products (HS 2709 and 2710), the entry into force of the U.S.-Peru TPA had a fairly large impact, while Bolivia's ineligibility in 2009 had a much smaller impact. Imports under ATPA accounted for a 0.6 percent share of total U.S. imports in 2009, or about the same as in 2007.

Product Composition and Leading Import Categories

In 2009, imports under ATPA were primarily in three broad categories: natural resources, apparel, and agricultural and fisheries products. Natural resources included petroleum and petroleum products (HS 2709 and 2710, hereafter also referred to as "oil") and copper cathodes (HTS 7403.11.00). Apparel products consisted mostly of knitted (HS 61) and nonknitted apparel (HS 62). Agricultural products included primarily cut flowers (HS 0603); fresh asparagus (HS 0709.20); edible fruit and nuts (HS 08); prepared vegetables, fruits, and nuts (HS 20); and tuna (HS 1604.14). Plastics (HS 39) was also a significant import product category. Taken together, these goods accounted for more than 95 percent of total imports under ATPA in 2009, and are analyzed in more detail below.

FIGURE 2.2 U.S. imports under ATPA, 2001–09



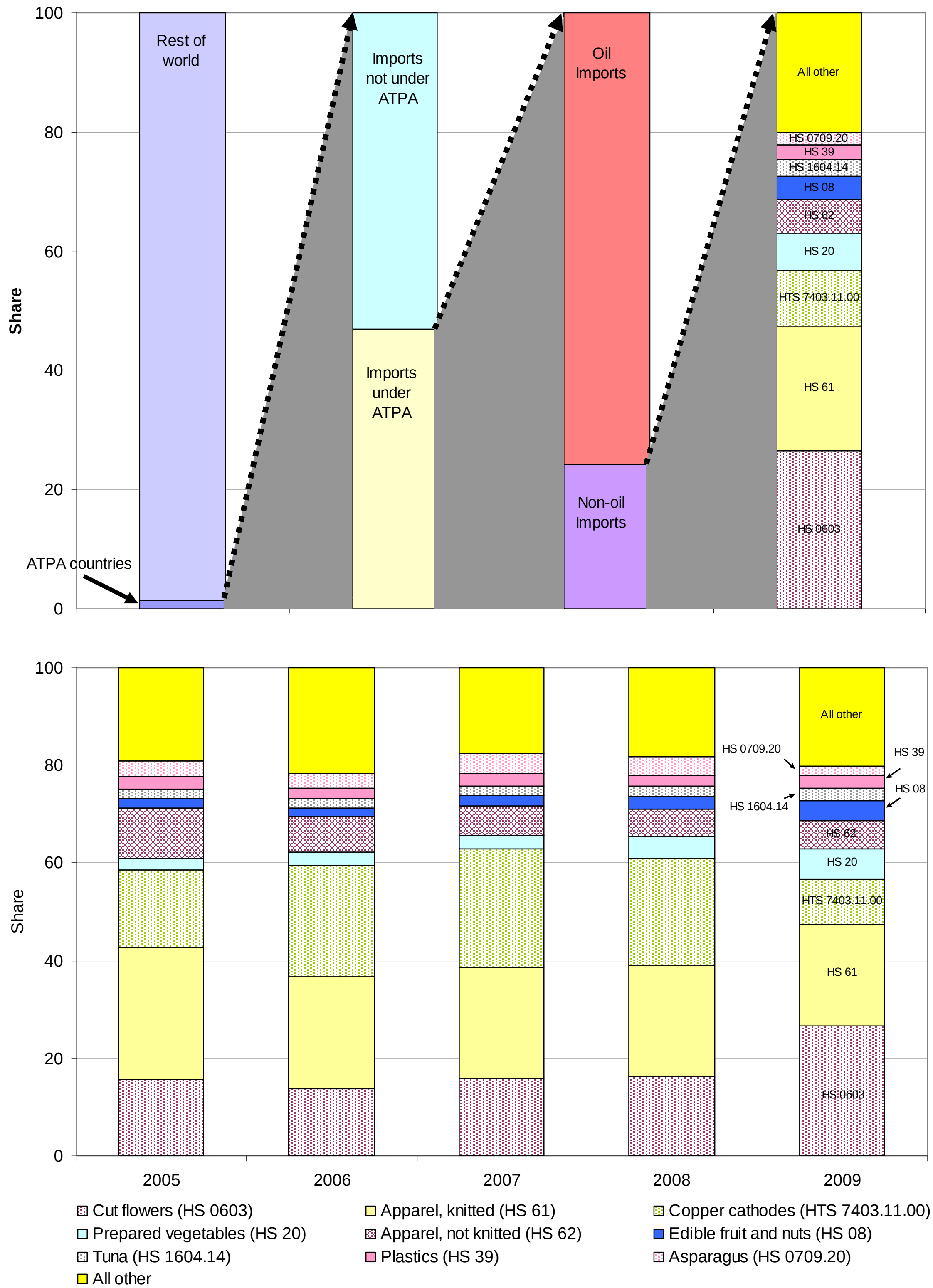
Source: Compiled from official statistics of the U.S. Department of Commerce.

Figure 2.3 and table 2.5 illustrate the dominance of petroleum and petroleum products (HS 2709 and 2710) in imports under ATPA during the period 2005–2009. In 2009, imports of petroleum and petroleum products under ATPA were $7.4 billion and accounted for 75.8 percent of imports under ATPA. This represents a decrease of $6.0 billion, or a 44.9 percent decline compared to 2008, and a decrease of $861 million, or a 10.5 percent decline compared to 2007. Petroleum and petroleum products accounted for more than 95 percent of the total increase in imports under ATPA from 2007 to 2008. Likewise, petroleum and petroleum products accounted for about 80 percent of the total decline in imports under ATPA from 2008 to 2009. As shown in figure 2.4, a 40.5 percent decline in unit values from 2008 to 2009 led the value of imports of crude oil (HTS 2709.00.10 and 2709.00.20) to decline 43.0 percent from $12.2 billion in 2008 to $7.0 billion in 2009, while imports decreased 4.2 percent to 128 million barrels in terms of quantity. Imports of crude oil under ATPA have not been lower in value since 2005, when the import value was also $7.0 billion.

In addition to the steep decline in the value of oil imports from 2008 to 2009, the value and structure of non-oil imports under ATPA changed markedly during that period. For example, although the value of imports of cut flowers (HS 0603) under ATPA declined 1.3 percent in 2009, this decline was much smaller than it was for other major categories. As a result, the cut flowers (HS 0603) share of non-oil imports under ATPA increased from 16.3 percent in 2008 to 26.6 percent in 2009.[7] Imports of knitted or crocheted apparel (HS 61) under ATPA decreased 44.9 percent to $490.3 million in 2009, although knitted or crocheted apparel almost maintained its entire share of non-oil imports under ATPA as compared to 2006 through 2008. Imports of copper cathodes (HTS 7403.11.00), which were more than 20 percent of non-oil imports under ATPA from 2006 to 2008, made up only 9.3 percent of non-oil imports in 2009, primarily because a large portion of imports of copper cathodes were entered under the U.S.-Peru TPA (table 2.5 and figure 2.3). Imports of prepared fruits and vegetables (HS 20) under ATPA declined 16.1 percent in 2009, though their share of non-oil imports continued to increase, from 4.5 percent in 2008 to 6.2 percent in 2009, despite the effects of the U.S.-Peru TPA. Imports under ATPA of nonknitted apparel (HS 62), edible fruits and nuts (HS 08), tuna (HS 1604.14), and plastics (HS 39) all decreased in terms of import value but increased in terms of share of non-oil imports in 2009. However, imports of asparagus (HS 0709.20) under ATPA declined in terms of both value and share of non-oil imports, as the majority were entered under the U.S.-Peru TPA instead of under ATPA.

[7] According to public testimony by industry participants, uncertainty concerning renewal of ATPA, along with the short renewal periods, may have discouraged cut flower import growth (see chapter 3 section on cut flowers).

FIGURE 2.3 U.S. imports for consumption from the world and Andean countries as shares, 2009, and U.S. non-oil imports for consumption under ATPA as shares, 2005–09



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

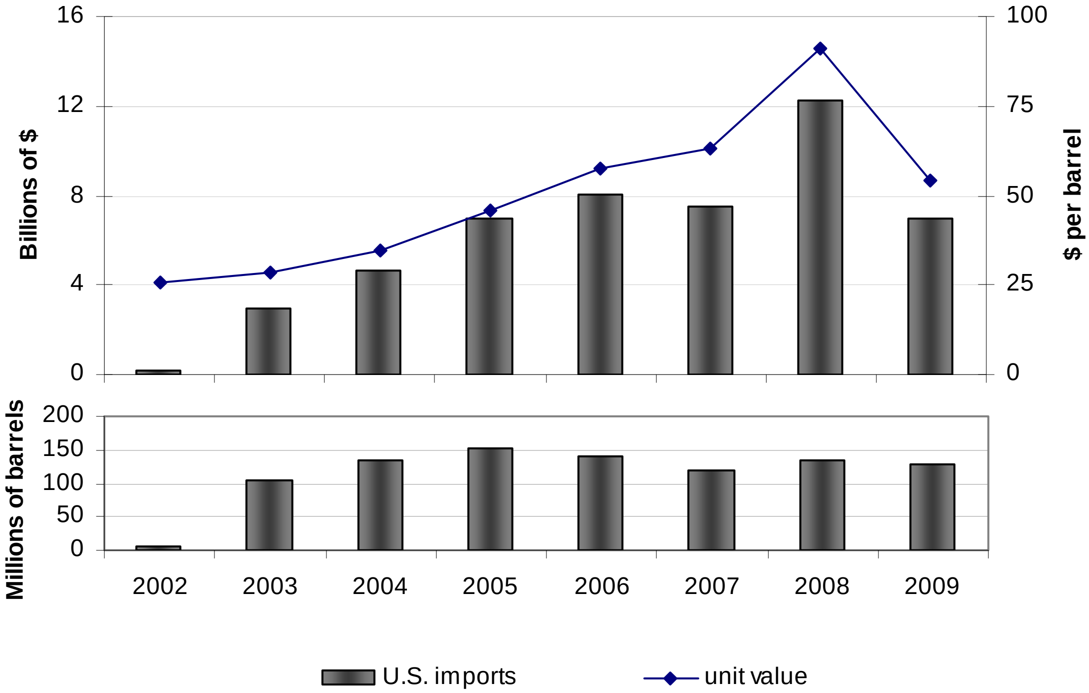
[a] Bolivia was not included in 2009.

TABLE 2.5 Leading U.S. imports for consumption entered under ATPA, by major product categories, in value and share of non-oil imports, 2005–09

Product category (HS/HTS code)	2005	2006	2007	2008	2009	Change 2008–09
	Value (millions of $)					*Percent*
Petroleum oils and oils obtained from bituminous minerals (HS 2709 & 2710)	7,951.8	9,138.4	8,224.9	13,353.4	7,363.8	-44.9
Cut flowers and buds suitable for bouquets or ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared (HS 0603)	548.7	593.0	651.7	633.3	625.1	-1.3
Articles of apparel and clothing accessories, knitted or crocheted (HS 61)	953.6	1,000.0	922.0	889.2	490.3	-44.9
Refined copper cathodes and sections of cathodes (HTS 7403.11.00)	556.4	993.0	989.1	844.4	218.4	-74.1
Preparations of vegetables, fruit, nuts, or other parts of plants (HS 20)	80.4	115.4	118.9	174.8	146.6	-16.1
Articles of apparel and clothing accessories, not knitted or crocheted (HS 62)	364.7	321.3	243.7	219.5	134.3	-38.8
Edible fruit and nuts; peel of citrus fruit or melons (HS 08)	62.7	77.8	87.8	99.2	92.7	-6.5
Tunas, skipjack and bonito (*sarda* spp), prepared or preserved, whole or in pieces, but not minced (HS 1604.14)	68.2	81.5	76.7	84.2	63.9	-24.2
Plastics and articles thereof (HS 39)	93.3	93.2	111.0	82.7	60.4	-26.9
Asparagus, fresh or chilled (HS 0709.20)	110.7	131.0	162.5	153.5	45.9	-70.1
Subtotal	10,790.6	12,544.6	11,588.4	16,534.2	9,241.4	-44.1
All other	673.4	939.9	718.4	708.5	472.9	-33.3
Total	11,463.9	13,484.4	12,306.8	17,242.7	9,714.2	-43.7
	Percent of total imports					*In percentage points*
Petroleum oils and oils obtained from bituminous minerals (HS 2709 & 2710)	69.4	67.8	66.8	77.4	75.8	-1.6
	Percent of non-oil total					
Cut flowers and buds suitable for bouquets or ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared (HS 0603)	15.6	13.6	16.0	16.3	26.6	10.3
Articles of apparel and clothing accessories, knitted or crocheted (HS 61)	27.2	23.0	22.6	22.9	20.9	-2.0
Refined copper cathodes and sections of cathodes (HTS 7403.11.00)	15.8	22.8	24.2	21.7	9.3	-12.4
Preparations of vegetables, fruit, nuts, or other parts of plants (HS 20)	2.3	2.7	2.9	4.5	6.2	1.7
Articles of apparel and clothing accessories, not knitted or crocheted (HS 62)	10.4	7.4	6.0	5.6	5.7	0.1
Edible fruit and nuts; peel of citrus fruit or melons (HS 08)	1.8	1.8	2.2	2.6	3.9	1.4
Tunas, skipjack and bonito (*sarda* spp), prepared or preserved, whole or in pieces, but not minced (HS 1604.14)	1.9	1.9	1.9	2.2	2.7	0.6
Plastics and articles thereof (HS 39)	2.7	2.1	2.7	2.1	2.6	0.4
Asparagus, fresh or chilled (HS 0709.20)	3.2	3.0	4.0	3.9	2.0	-2.0
Subtotal	80.8	78.4	82.4	81.8	79.9	-1.9
All other	19.2	21.6	17.6	18.2	20.1	1.9
Total	100.0	100.0	100.0	100.0	100.0	

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

FIGURE 2.4 U.S. imports of crude oil (HTS 2709.00.10 and 2709.00.20) under ATPA, 2002–09



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

Imports under ATPA by Country

The share of imports under ATPA by country shifted considerably in 2009, driven primarily by the entry into force of the U.S.-Peru TPA and, to a small extent, by the suspension of Bolivia as a beneficiary country and the decline in the price of petroleum and petroleum products. For instance, Colombia's share of U.S. imports under the program increased from 42.6 percent in 2008 to 57.5 percent in 2009 mainly because oil imports did not constitute as large a share of imports from Colombia under ATPA (81.7 percent) as they did for Ecuador (87.8 percent, tables 2.6 and 2.7). Conversely, Ecuador's share of U.S. imports under ATPA decreased from 38.2 percent in 2008 to 28.3 percent in 2009 because imports from Ecuador under ATPA are more concentrated in oil (87.8 percent). Peru's share of imports under ATPA decreased from 18.4 percent of total U.S. imports under ATPA in 2008 to 14.2 percent in 2009, because some imports entered under the U.S.-Peru TPA, which entered into force on February 1, 2009. There were no imports under ATPA from Bolivia in 2009 because of its suspension from ATPA; however, the share of imports under ATPA from Bolivia has always been small, accounting for only 0.8 percent of total imports under ATPA in 2008.

Non-oil U.S. imports under ATPA declined 39.6 percent to $2.4 billion in 2009. The share of non-oil imports under ATPA by country also shifted considerably in 2009, driven primarily by the entry into force of the U.S.-Peru TPA. Peru's share of non-oil imports under ATPA decreased from 59.1 percent in 2008 to 42.2 percent in 2009, as at least $730 million in imports that would have formerly entered under ATPA instead entered free of duty under the U.S.-Peru TPA. Colombia's share of U.S. non-oil imports

TABLE 2.6 Leading U.S. imports for consumption entered under ATPA, by major product categories, by source, in value and share of non-oil imports, 2009

Product category (HS/HTS code)	Colombia	Ecuador	Peru	ATPA
	Value (millions of $)			
Petroleum oils and oils obtained from bituminous minerals (HS 2709 & 2710)	4,567.2	2,412.5	384.1	7,363.8
Cut flowers and buds suitable for bouquets or ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared (HS 0603)	505.9	118.3	1.0	625.1
Articles of apparel and clothing accessories, knitted or crocheted (HS 61)	100.4	6.5	383.4	490.3
Refined copper cathodes and sections of cathodes (HTS 7403.11.00)	3.0	0.0	215.5	218.4
Preparations of vegetables, fruit, nuts, or other parts of plants (HS 20)	19.5	35.9	91.1	146.6
Articles of apparel and clothing accessories, not knitted or crocheted (HS 62)	109.5	0.7	24.1	134.3
Edible fruit and nuts; peel of citrus fruit or melons (HS 08)	2.1	35.1	55.6	92.7
Tunas, skipjack and bonito (sarda spp), prepared or preserved, whole or in pieces, but not minced (HS 1604.14)	6.7	57.2	0.0	63.9
Plastics and articles thereof (HS 39)	53.2	0.9	6.4	60.4
Asparagus, fresh or chilled (HS 0709.20)	0.1	0.3	45.5	45.9
Subtotal	5,367.4	2,667.3	1,206.6	9,241.4
All other	222.1	81.1	169.7	472.9
Total	5,589.5	2,748.4	1,376.3	9,714.2
	Percent of total imports			
Petroleum oils and oils obtained from bituminous minerals (HS 2709 & 2710)	81.7	87.8	27.9	75.8
	Percent of non-oil total			
Cut flowers and buds suitable for bouquets or ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared (HS 0603)	49.5	35.2	0.1	26.6
Articles of apparel and clothing accessories, knitted or crocheted (HS 61)	9.8	1.9	38.6	20.9
Refined copper cathodes and sections of cathodes (HTS 7403.11.00)	0.3	0.0	21.7	9.3
Preparations of vegetables, fruit, nuts, or other parts of plants (HS 20)	1.9	10.7	9.2	6.2
Articles of apparel and clothing accessories, not knitted or crocheted (HS 62)	10.7	0.2	2.4	5.7
Edible fruit and nuts; peel of citrus fruit or melons (HS 08)	0.2	10.4	5.6	3.9
Tunas, skipjack and bonito (sarda spp), prepared or preserved, whole or in pieces, but not minced (HS 1604.14)	0.7	17.0	0.0	2.7
Plastics and articles thereof (HS 39)	5.2	0.3	0.6	2.6
Asparagus, fresh or chilled (HS 0709.20)	0.0	0.1	4.6	2.0
Subtotal	78.3	75.9	82.9	79.9
All other	21.7	24.1	17.1	20.1
Total	100.0	100.0	100.0	100.0

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

TABLE 2.7 U.S. imports entered under ATPA, by source, 2005–09

Market	2005	2006	2007	2008	2009	Change 2008–09
	Value (millions of $)					*Percent*
Colombia	4,653	4,791	4,528	7,339	5,589	-23.8
Ecuador	4,371	5,325	4,614	6,595	2,748	-58.3
Peru	2,283	3,202	3,017	3,169	1,376	-56.6
Bolivia	157	166	148	140	([a])	-100.0
Total	11,464	13,484	12,307	17,243	9,714	-43.7
	Percent of total imports under ATPA					*In percentage points*
Colombia	40.6	35.5	36.8	42.6	57.5	15.0
Ecuador	38.1	39.5	37.5	38.2	28.3	-10.0
Peru	19.9	23.7	24.5	18.4	14.2	-4.2
Bolivia	1.4	1.2	1.2	0.8	([a])	-0.8
Total	100.0	100.0	100.0	100.0	100.0	

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

[a] Bolivia was not included in 2009.

under ATPA increased from 29.6 in 2008 to 42.2 in 2009, mainly because imports of many of its agricultural products such as cut flowers (HS 0603), remained at roughly the same level or increased slightly. Ecuador's share of non-oil imports under ATPA increased from 9.6 percent in 2008 to 14.3 percent in 2009. The country-specific sections below give more information about selected imports under ATPA. Leading U.S. imports entered under ATPA, by country, are shown in table 2.8.

Ecuador

The value of U.S. imports from Ecuador under ATPA was $2.7 billion in 2009, down from $6.6 billion in 2008, a decline of 58.3 percent. Imports under ATPA in 2009 consisted primarily of petroleum and petroleum products, cut flowers, tuna, and raw and prepared fruits and vegetables (tables 2.6 and 2.8). Petroleum and petroleum products (HS 2709 and 2710) accounted for 87.8 percent of all imports under ATPA from Ecuador in 2009. Ecuador was the sixth largest source for U.S. imports of heavy crude petroleum (HTS 2709.00.10) in 2009, accounting for 5.0 percent of U.S. imports. The value of imports of heavy crude petroleum decreased 61.7 percent compared to 2008, to $2.3 billion, and accounted for almost all petroleum and petroleum product imports under ATPA from Ecuador. In terms of quantity, imports of heavy crude petroleum under ATPA from Ecuador decreased 32.1 percent to 46.7 million barrels in 2009.

Cut flowers (HS 0603) was the second-largest category of imports under ATPA from Ecuador in 2009.[8] Cut flowers accounted for $118.3 million in U.S. imports under ATPA from Ecuador in 2009, a decrease of 10.8 percent from 2008. Although cut flowers were only 4.3 percent of U.S. imports under ATPA from Ecuador in 2009, they were 35.2 percent of non-oil imports under ATPA from Ecuador. Imports of Ecuadorian cut flowers under ATPA in 2009 included roses (51.0 percent), carnations (0.2 percent), chrysanthemums (0.2 percent), and other cut flowers (48.5 percent).[9]

[8] See chap. 3 for additional analysis of the cut flower industry.
[9] This includes anthuriums, alstroemeria, gypsophilia, lilies, snapdragons, and other flowers.

TABLE 2.8 Leading U.S. imports for consumption entered under ATPA, by major product categories, by source, 2005–09

Source	Product category (HTS code)	2005	2006	2007	2008	2009	Change 2008–09
		Millions of $					*Percent*
Bolivia	Petroleum oils and oils obtained from bituminous minerals (HS 2709 & 2710)	44.5	27.1	37.3	71.6	0.0	-100.0
	Jewelry and parts thereof, of precious metal other than silver (HS 7113.19)	62.7	71.4	57.3	28.4	0.0	-100.0
	Articles of apparel and clothing accessories, knitted or crocheted (HS 61)	33.9	29.7	17.2	9.9	0.0	-100.0
	Jewelry articles of precious or semiprecious stones, valued over $40 per piece (HTS 7116.20.15)	([b])	0.0	0.0	7.8	0.0	-100.0
	Gold (including gold plated with platinum), nonmonetary, in semimanufactured forms (except gold leaf), n.e.s.o.i. (HTS 7108.13.70)	([b])	0.0	0.2	6.6	0.0	-100.0
	Subtotal	141.2	128.3	112.0	124.3	0.0	-100.0
	All other	16.2	37.9	36.2	15.6	0.0	-100.0
	Total	157.4	166.2	148.1	140.0	0.0	-100.0
Colombia	Petroleum oils and oils obtained from bituminous minerals (HS 2709 & 2710)	3,351.7	3,386.2	3,293.8	6,189.2	4,567.2	-26.2
	Cut flowers and buds suitable for bouquets or ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared (HS 0603)	417.5	448.1	506.3	498.6	505.9	1.4
	Articles of apparel and clothing accessories, not knitted or crocheted (HS 62)	311.4	271.2	196.1	177.9	109.5	-38.5
	Articles of apparel and clothing accessories, knitted or crocheted (HS 61)	166.3	181.3	143.4	135.1	100.4	-25.7
	Plastics and articles thereof (HS 39)	89.8	85.3	100.8	74.5	53.2	-28.7
	Subtotal	4,336.7	4,372.1	4,240.3	7,075.4	5,336.1	-24.6
	All other	316.5	419.1	287.4	263.8	253.4	-4.0
	Total	4,653.2	4,791.2	4,527.7	7,339.2	5,589.5	-23.8
Ecuador	Petroleum oils and oils obtained from bituminous minerals (HS 2709 & 2710)	4,025.9	4,916.7	4,235.6	6,221.6	2,412.5	-61.2
	Cut flowers and buds suitable for bouquets or ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared (HS 0603)	129.1	141.1	143.2	132.6	118.3	-10.8
	Tunas, skipjack and bonito (*sarda* spp), prepared or preserved, whole or in pieces, but not minced (HS 1604.14)	68.2	81.5	76.7	82.9	57.2	-31.0
	Preparations of vegetables, fruit, nuts, or other parts of plants (HS 20)	20.9	24.4	23.0	28.1	35.9	27.7
	Edible fruit and nuts; peel of citrus fruit or melons (HS 08)	26.3	30.3	31.6	27.5	35.1	27.5
	Subtotal	4,270.4	5,194.1	4,510.1	6,492.7	2,659.0	-59.0
	All other	100.3	131.1	103.7	102.1	89.5	-12.4
	Total	4,370.7	5,325.2	4,613.8	6,594.8	2,748.4	-58.3
Peru	Petroleum oils and oils obtained from bituminous minerals (HS 2709 & 2710)	529.7	808.3	658.3	871.1	384.1	-55.9
	Articles of apparel and clothing accessories, knitted or crocheted (HS 61)	738.9	777.4	746.2	733.9	383.4	-47.8
	Refined copper cathodes and sections of cathodes (HTS 7403.11.00)	556.4	993.0	989.1	844.4	215.5	-74.5
	Preparations of vegetables, fruit, nuts, or other parts of plants (HS 20)	50.2	77.1	81.3	129.2	91.1	-29.5
	Edible fruit and nuts; peel of citrus fruit or melons (HS 08)	31.2	40.2	49.6	66.1	55.6	-15.9
	Subtotal	1,906.3	2,695.9	2,524.4	2,644.7	1,129.7	-57.3
	All other	376.3	505.9	492.8	524.0	246.6	-52.9
	Total	2,282.7	3,201.9	3,017.2	3,168.7	1,376.3	-56.6

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] Bolivia was not included in 2009.
[b] Value is less than $50,000.

The value of imports of tuna (HS 1604.14) under ATPA from Ecuador, 99.6 percent of which were composed of imports of tuna in flexible airtight containers (HS 1604.14.1010, 1604.14.2291, 1604.14.3051, and 1604.14.3091, referred to as “pouched tuna”), decreased 31.0 percent, dropping from $82.9 million in 2008 to $57.2 million in 2009. Such imports constituted 2.1 percent of imports under ATPA from Ecuador (17.0 percent of the non-oil imports under ATPA). Except for in 2009, imports of pouched tuna from Ecuador have increased every year since ATDEA made them eligible for duty-free access in 2002, while imports of tuna not packed in airtight containers (HTS 1604.14.40, referred to as “loins”) are near elimination. The reason for this shift is primarily the closing of canneries in the United States and Puerto Rico that had been importing loins for processing.[10] Ecuador is the third-largest source of U.S. tuna imports, after Thailand and the Philippines.

Colombia

U.S. imports from Colombia under ATPA were $5.6 billion in 2009, down from $7.3 billion in 2008. Imports from Colombia under ATPA in 2009 consisted primarily of petroleum and petroleum products, cut flowers, apparel, and plastics (tables 2.6 and 2.8). Petroleum and petroleum products (HS 2709 and 2710) accounted for 81.7 percent ($4.6 billion) of all imports under ATPA from Colombia in 2009, compared to 84.3 percent ($6.2 billion) in 2008. In 2009, Colombia was the fifth-largest U.S. source of heavy crude petroleum (HTS 2709.00.10) and the 13th-largest U.S. source of light crude petroleum (HTS 2709.00.20). From 2008 to 2009, imports of heavy crude under ATPA decreased 9.2 percent to $3.8 billion in terms of value, but increased 49.0 percent to 62.2 million barrels in terms of quantity, while imports of light crude under ATPA decreased 55.8 percent to $914 million in terms of value, and decreased 28.8 percent to 14.3 million barrels in terms of quantity. These declines in the value of imports of crude oil reflect the spike in oil prices that occurred in 2008, as unit values of crude imports declined 35 to 45 percent in 2009.

Imports of cut flowers (HS 0603) were the second-largest category of imports under ATPA from Colombia.[11] Imports of cut flowers under ATPA increased 1.4 percent, from $499 million in 2008 to $506 million in 2009. Cut flowers increased to 9.1 percent of U.S. imports from Colombia under ATPA in 2009 (49.5 percent of non-oil imports under ATPA) from 6.8 percent (43.4 percent of non-oil imports under ATPA) in 2008. Colombian cut flower varieties in 2009 included roses (48.3 percent), chrysanthemums (14.8 percent), carnations (10.9 percent), and other fresh cut flowers (25.9 percent).[12]

Imports of nonknitted apparel (HS 62) under ATPA from Colombia continued to decline in 2009. Nonkitted apparel imports under ATPA fell 38.5 percent to $109.5 million or 2.0 percent of total imports under ATPA (10.7 percent of the non-oil imports under ATPA). Imports of knitted apparel (HS 61) under ATPA also fell for the third consecutive year in 2009 to $100 million, or 1.8 percent of imports under ATPA from Colombia (9.8 percent of non-oil imports under ATPA) after peaking at $181 million in 2006. Several factors contributed to this decrease, including the increased competition from China and other

[10] U.S. Department of Labor, Wage and Hour Division, “The tuna processing industry” (accessed May 13, 2010).

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

[12] This includes anthuriums, alstroemeria, gypsophilia, lilies, snapdragons and other flowers.

low-cost Asian suppliers, uncertainty about the renewal of ATPA, and uncertainty about possible Congressional action on the pending U.S.-Colombia TPA.[13]

Peru

In 2009, imports under ATPA from Peru were $1.4 billion, down 56.6 percent compared to 2008. While imports under ATPA declined $1.8 billion in 2009, at least $730 million in imports of ATPA-eligible products were entered under the new U.S.-Peru TPA. However, total preferential imports (ATPA and U.S.-Peru TPA) fell 25.6 percent in 2009 (table 2.9). Of the imports under ATPA from Peru, $384 million, or 27.9 percent, were petroleum and petroleum products (HS 2709 and 2710; tables 2.6 and 2.8). The value of imports of petroleum and petroleum products under ATPA decreased 55.9 percent, from $871 million in 2008 to $384 million in 2009. The value of imports of heavy crude oil (HTS 2709.00.10) remained essentially unchanged at $301 million from 2008 to 2009, despite a decline in unit values of more than 35 percent, as the quantity increased 57.3 percent. Notably, the United States did not import any heavy fuel oil from Peru (HTS 2710.19.05) under ATPA after imports of $270 million in 2008. Imports of naphthas (HTS 2710.11.25) under ATPA declined 75.9 percent, from $255 million in 2008 to $61.4 million in 2009, although some imports of naphthas shifted to the U.S.-Peru TPA ($23.1 million).

Imports of knitted apparel (HS 61) were $383 million, or 27.9 percent of the imports under ATPA from Peru (38.6 percent of non-oil imports under ATPA) in 2009. Knitted

TABLE 2.9 U.S. preferential imports for consumption from Peru, by major product categories, by duty treatments, 2007–09

Product category (HS/HTS code)	2007	2008	2009		
	ATPA	ATPA	ATPA	U.S.-PERU TPA	Total
	Millions of $				
Petroleum oils and oils obtained from bituminous minerals (HS 2709 & 2710)	658.3	871.1	384.1	56.2	440.3
Articles of apparel and clothing accessories, knitted or crocheted (HS 61)	746.2	733.9	383.4	174.9	558.3
Refined copper cathodes and sections of cathodes (HTS 7403.11.00)	989.1	844.4	215.5	329.9	545.3
Preparations of vegetables, fruit, nuts, or other parts of plants (HS 20)	81.3	129.2	91.1	54.1	145.2
Edible fruit and nuts; peel of citrus fruit or melons (HS 08)	49.6	66.1	55.6	13.4	69.0
Asparagus, fresh or chilled (HS 0709.20)	161.3	152.5	45.5	116.4	161.8
Articles of apparel and clothing accessories, not knitted or crocheted (HS 62)	45.6	40.4	24.1	6.6	30.7
Molybdenum ores and concentrates, not roasted (HTS 2613.90.00)	38.8	53.5	14.6	7.4	22.0
Refined copper, bars and rods (HTS 7407.10.50)	21.0	31.3	14.4	3.6	18.0
Paprika, dried or crushed or ground (HTS 0904.20.20)	26.5	41.1	13.5	13.2	26.7
Subtotal	2,817.6	2,963.6	1,241.8	775.5	2,017.3
All other	199.7	205.1	134.5	205.0	339.5
Total	3,017.2	3,168.7	1,376.3	980.5	2,356.8

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

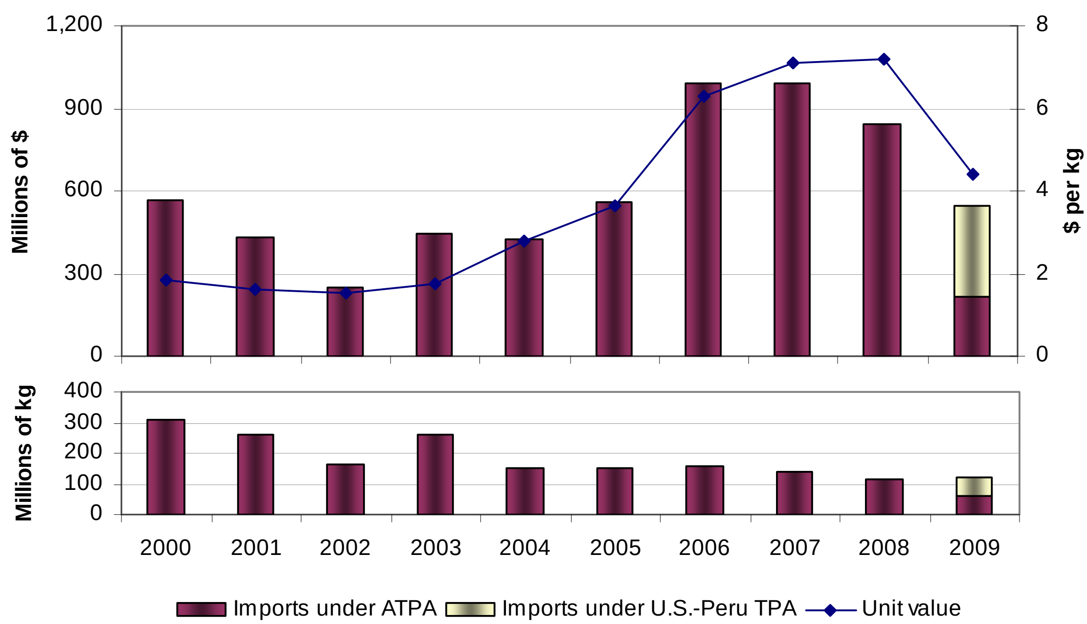
[13] See chap. 3 for additional analysis of the effects of ATPA legislation and uncertainties about pending FTAs on U.S. imports from the ATPA countries.

apparel imports under ATPA decreased 47.8 percent, from $734 million in 2008 to $383 million in 2009. The decline in the value of imports of knitted apparel from Peru under ATPA was across the board. Imports of tops, men's and boys' shirts, T-shirts, women's and girls' blouses, and women's and girls' suits all declined 40 to 60 percent from 2008 to 2009. Although $175 million in imports of knitted apparel (HS 61) entered under the U.S.-Peru TPA in 2009, it is not possible to know how much of these imports were ATPA-eligible; some of them might have been ineligible for ATPA, since the rules of origin for most apparel products are more liberal for imports under the U.S.-Peru TPA than under ATPA.

In 2009, imports of refined copper cathodes from Peru were eligible to enter the United States under either ATPA or the U.S.-Peru TPA. Imports of refined copper cathodes (HTS 7403.11.00) under ATPA decreased sharply, falling from $844 million in 2008 to $216 million in 2009, while an additional $330 million in imports of refined copper cathodes entered under the U.S.-Peru TPA. Combined, the value of these imports in 2009 declined $299 million, or 35.4 percent compared to 2008, and $444 million or 44.9 percent compared to 2007. On the other hand, although refined copper cathode import unit values declined sharply in 2009, unit values were still more than double what they were from 2000 to 2003 (figure 2.5).

Preferential imports of fruits and vegetables from Peru increased in value in 2009, despite the global recession. While imports of these products under ATPA declined sharply in many cases, declines were offset by imports of ATPA-eligible products that entered under the U.S.-Peru TPA. For example, although imports of fresh asparagus (HS 0709.20) under ATPA decreased 70.2 percent from $153 million in 2008 to $45.5 million, total preferential imports of fresh asparagus were actually higher in 2009 because of $116 million in imports under the U.S.-Peru TPA ($162 million in total preferential

FIGURE 2.5 U.S. imports of refined copper cathodes (HTS 7403.11.00) under ATPA and the U.S.-Peru TPA, from Peru, 2000–09



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

imports). Preferential imports of ATPA-eligible prepared vegetables, fruits, and nuts (HS 20)—mostly prepared asparagus and artichokes—increased 12.4 percent, from $129 million in 2008 to $145 million ($91.1 under ATPA and $54.1 under U.S.-Peru TPA) in 2009. Likewise, preferential imports of ATPA-eligible edible fruits and nuts (HS 08), mostly grapes, mangoes, and mandarins, increased 4.3 percent from $66.1 million in 2008 to $69.0 million ($55.6 under ATPA and $13.4 under U.S.-Peru TPA) in 2009.

Bolivia

Bolivia was ineligible for ATPA preferences in 2009, but was able to ship under ATPA in 2008. In 2008, however, U.S. imports under ATPA from Bolivia amounted to only $140 million, or 0.8 percent of all U.S. imports under the program (table 2.7). Petroleum and petroleum products (HS 2709 and 2710) accounted for $71.6 million, or 51.2 percent of all U.S. imports under ATPA from Bolivia in 2008. Imports of jewelry of precious metals other than silver (HS 7113.19) and knitted apparel (HS 61) under ATPA from Bolivia declined in 2008 as compared to 2007.

U.S. Exports to the ATPA Countries

The value of U.S. exports to the ATPA countries decreased 15.5 percent from $19.8 billion in 2008 to $16.7 billion in 2009 (table 2.10).[14] Nonetheless, the United States continued to be the leading supplier of goods to each of the three remaining ATPA countries (Colombia, Ecuador, and Peru). More than one-half of U.S. exports to the ATPA countries in 2009 went to Colombia and over one-quarter to Peru (table 2.10). The ATPA countries collectively accounted for 1.8 percent of total U.S. exports in 2009, which was up from 1.7 percent in 2008 and 1.1 percent in 2005.

Table 2.11 shows the leading exports to ATPA countries by HS chapter.[15] U.S. exports of non-electrical machinery and parts (HS 84) to the ATPA countries decreased 14.4 percent, from $4.3 billion in 2008 to $3.7 billion in 2009, and accounted for 22.0 percent of total U.S. exports to the ATPA countries.

Exports under this HS chapter consisted mostly of machinery intended for use in oil and gas fields, construction, and data processing. Parts for boring or sinking machinery (HS 8431.43), and parts and attachments for heavy equipment (HS 8431.49) were the leading product categories from this sector in 2009 (table 2.12). The ATPA countries received 2.9 percent of all U.S. exports of non-electrical machinery and parts in 2009.

U.S. exports of mineral fuels and oils (HS 27) to the ATPA countries, mostly refined petroleum products (HS 2710), were $2.7 billion in both 2008 and 2009, despite

[14] Excludes imports from Bolivia in 2009, when it was not a beneficiary.

[15] In the United States, export data are reported under either the HTS or Schedule B, a separate U.S. export schedule based on the HS nomenclature, except for goods listed in the HTS Notice to Exporters (Schedule B only). 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 provisions either mirror the HS or aggregate to HS provisions at the 6-digit level. For goods noted in the HS Notice to Exporters, which enumerates unique Schedule B categories that must be used for reporting covered exports, the reporting categories provide different data (compared to the HTS) for goods of particular export interest.

TABLE 2.10 U.S. domestic exports to ATPA countries, by market, 2005–09

Market	2005	2006	2007	2008	2009	Change 2008–09
	Value (millions of $)					*Percent*
Colombia	4,962	6,236	7,884	10,568	8,752	-17.2
Peru	2,038	2,655	3,764	5,687	4,356	-23.4
Ecuador	1,733	2,548	2,709	3,150	3,589	13.9
Bolivia	186	197	263	358	([a])	-100.0
Total	8,919	11,637	14,621	19,763	16,697	-15.5
	Percent of total exports					*In percentage points*
Colombia	55.6	53.6	53.9	53.5	52.4	-1.1
Peru	22.9	22.8	25.7	28.8	26.1	-2.7
Ecuador	19.4	21.9	18.5	15.9	21.5	5.6
Bolivia	2.1	1.7	1.8	1.8	([a])	-1.8
Total	100.0	100.0	100.0	100.0	100.0	0.0

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

[a] Bolivia was not included in 2009.

markedly lower unit values (table 2.11). Refined petroleum products (HS 2710) accounted for 15.0 percent of total U.S. exports to the ATPA countries. The ATPA countries received 4.9 percent of all U.S. exports of mineral fuels and oils in 2009.

U.S. exports of electrical machinery and parts (HS 85) to the ATPA countries decreased 17.2 percent from $1.5 billion in 2008 to $1.3 billion in 2009, and accounted for 7.6 percent of total U.S. exports to the ATPA countries (table 2.11). These exports consisted mostly of telecommunications and computer equipment. Cellular phones (HS 8517.12) and routers and switches (HS 8517.62) were the leading product categories in 2009 (table 2.12). The ATPA countries received 1.5 percent of all U.S. exports of electrical machinery and parts in 2009.

U.S. exports of plastics (HS 39) to the ATPA countries were $1.1 billion in 2009, a decrease of 21.6 percent from 2008 (table 2.11). Polymers of ethylene (HS 3901), polyvinyl chloride (HS 3904), and polyacetals (HS 3907) were the leading products within the plastics chapter in 2009 (table 2.12). The ATPA countries received 2.6 percent of all U.S. exports of plastics in 2009.

U.S. exports of organic chemicals (HS 29) to the ATPA countries were $820.7 million or 4.9 percent of total U.S. exports to the ATPA countries in 2009 (table 2.11). Propylene (HS 2901.22), vinyl chloride (HS 2903.21), and styrene (HS 2902.50) were the leading organic chemicals exported in 2009 (table 2.12). The ATPA countries received 2.7 percent of all U.S. exports of organic chemicals in 2009.

U.S. exports of motor vehicles (HS 87) to the ATPA countries decreased 6.0 percent from $774.8 million in 2008 to $728.4 million in 2009, and accounted for 4.4 percent of total U.S. exports to the ATPA countries (table 2.11). U.S. exports of dumpers (dump trucks) designed for off-highway use (HS 8704.10), parts and accessories for motor vehicles (HS 8708.99), and motor cars and other motor vehicles designed to transport people (HS 8703) were the leading motor vehicle products exported in 2009 (table 2.12). The ATPA countries received 1.1 percent of all U.S. exports of vehicles, parts, and accessories thereof in 2009.

TABLE 2.11 Leading U.S. domestic exports to ATPA countries, by major product categories, in value and share, 2005–09

HS chapter	Description	2005	2006	2007	2008	2009[a]	Change 2008–09
		Value (millions of $)					*Percent*
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	1,913.8	2,556.7	3,089.0	4,289.1	3,669.7	-14.4
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	701.0	1,334.4	1,368.7	2,728.0	2,688.9	-1.4
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	851.2	973.5	1,215.1	1,532.0	1,267.9	-17.2
39	Plastics and articles thereof	567.8	704.2	1,152.8	1,373.9	1,076.8	-21.6
29	Organic chemicals	791.0	930.9	1,100.7	1,208.9	820.7	-32.1
87	Vehicles, other than railway or tramway rolling stock, and parts and accessories thereof	339.6	491.1	561.6	774.8	728.4	-6.0
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	341.9	449.9	547.7	704.7	655.9	-6.9
10	Cereals	517.7	582.7	1,085.3	1,232.8	655.2	-46.9
88	Aircraft, spacecraft, and parts thereof	141.8	204.9	239.4	318.9	505.5	58.5
38	Miscellaneous chemical products	207.7	256.7	316.3	383.0	393.7	2.8
	Subtotal	6,373.6	8,484.9	10,676.4	14,546.1	12,462.6	-14.3
	All other	2,545.5	3,151.6	3,944.1	5,216.7	4,234.7	-18.8
	Total	8,919.1	11,636.5	14,620.5	19,762.7	16,697.3	-15.5
		Percent of total exports					*In percentage points*
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	21.5	22.0	21.1	21.7	22.0	0.3
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	7.9	11.5	9.4	13.8	16.1	2.3
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	9.5	8.4	8.3	7.8	7.6	-0.2
39	Plastics and articles thereof	6.4	6.1	7.9	7.0	6.4	-0.5
29	Organic chemicals	8.9	8.0	7.5	6.1	4.9	-1.2
87	Vehicles, other than railway or tramway rolling stock, and parts and accessories thereof	3.8	4.2	3.8	3.9	4.4	0.4
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	3.8	3.9	3.7	3.6	3.9	0.4
10	Cereals	5.8	5.0	7.4	6.2	3.9	-2.3
88	Aircraft, spacecraft, and parts thereof	1.6	1.8	1.6	1.6	3.0	1.4
38	Miscellaneous chemical products	2.3	2.2	2.2	1.9	2.4	0.4
	Subtotal	71.5	72.9	73.0	73.6	74.6	1.0
	All other	28.5	27.1	27.0	26.4	25.4	-1.0
	Total	100.0	100.0	100.0	100.0	100.0	

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

[a] Bolivia was not included in 2009.

TABLE 2.12 Leading U.S. domestic exports to ATPA countries, by HS number, 2005–09

HS number	Description	2005	2006	2007	2008	2009	Change 2008–09
		Millions of $					*Percent*
2710.19	Petroleum oils & oils (not light) from bituminous minerals or preps n.e.s.o.i. 70%+ by wt. from petroleum oils or bitum. min.	639.1	1,247.7	1,181.7	2,519.5	2,113.4	-16.1
8431.43	Parts for boring or sinking machinery, n.e.s.o.i.	249.5	305.8	424.8	573.0	397.6	-30.6
2710.11	Light oils and preparations from petroleum oils & oils from bituminous min. or preps 70%+ by wt. from petro. oils or bitum. min.	33.3	63.7	149.1	91.5	394.1	330.5
1005.90	Corn (maize), other than seed corn	279.2	461.4	679.1	711.9	374.2	-47.4
8800.00[b]	Civil aircraft, engines, equipment, and parts	141.8	216.3	219.2	277.7	347.9	25.3
1001.90	Wheat (other than durum wheat), and meslin	222.9	114.1	396.0	503.7	250.8	-50.2
8431.49	Parts and attachments, nesoi, for derricks, cranes, self-propelled bulldozers, graders etc. and other grading, scraping, etc. machinery	148.8	182.0	182.9	294.7	208.6	-29.2
8704.10	Dumpers (dump trucks) designed for off-highway use	35.6	132.7	98.7	186.9	200.2	7.1
8429.52	Mechanical shovels, excavators and shovel loaders with 360 degree revolving superstructure, self-propelled	12.4	17.5	47.6	180.2	190.3	5.6
3901.10	Polyethylene having a specific gravity of less than 0.94, in primary forms	75.7	104.8	190.9	244.2	187.5	-23.2
8517.12	Telephones for cellular networks or for other wireless networks	([c])	([c])	114.7	184.8	184.7	-0.1
3901.20	Polyethylene having a specific gravity of 0.94 or more, in primary forms	37.8	72.0	206.7	211.8	159.2	-24.9
8411.82	Gas turbines, except turbojets and turbopropellers, of a power exceeding 5,000 kw	8.6	9.0	31.8	85.6	157.7	84.3
5201.00	Cotton, not carded or combed	113.3	127.8	160.3	171.5	152.1	-11.3
2901.22	Propene (propylene)	108.5	146.0	216.9	249.6	137.6	-44.9
2711.12	Propane, liquefied	0.0	14.2	26.3	92.5	136.5	47.6
8471.30	Portable automatic data processing machines, weight not more than 10 kg, consisting of at least a central processing unit, keyboard & a display	15.1	52.4	70.1	117.9	131.1	11.2
8413.91	Parts of pumps for liquids	52.0	49.7	46.6	63.9	129.2	102.0
2304.00	Soybean oilcake and other solid residues resulting from the extraction of soy bean oil, whether or not ground or in the form of pellets	43.8	74.1	93.4	144.0	129.2	-10.3
8414.80	Air pumps and air or other gas compressors, n.e.s.o.i.; ventilating or recycling hoods incorporating a fan, n.e.s.o.i.	16.6	21.4	37.8	40.4	126.4	212.9
	Subtotal	2,234.0	3,412.6	4,574.7	6,945.3	6,108.3	-12.1
	All other	6,685.1	8,223.9	10,045.8	12,817.4	10,589.0	-17.4
	Total	8,919.1	11,636.5	14,620.5	19,762.7	16,697.3	-15.5

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] Bolivia was not included in 2009.
[b] 2005–08 Consolidated from Schedule B subheading list.
[c] Exports for Schedule B subheading 8517.12 were reported under parts of items contained in Schedule B subheading 8525.20 during 2005-06.

Although not a leading export sector, U.S. exports of textiles and apparel play an important role in U.S. exports to the ATPA countries because of special provisions under ATPA. ATPDEA provides duty-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 ATPA countries. Although U.S. exports of textiles and apparel to the ATPA countries increased steadily between 2002, when ATPDEA's textile provisions went into effect, and 2008, U.S. sector exports to these countries declined 41.2 percent to $139.4 million in 2009. This decrease was roughly in proportion to the drop in U.S. imports of apparel under ATPA.

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

This chapter addresses two issues: the economic impact of ATPA on the U.S. economy, industries, and consumers in 2008 and 2009, focusing on 2009 data, and the probable future effects of the program.[1] The economic impact analysis identifies those items most affected by ATPA preferences and examines U.S. industries that are potentially most affected. The chapter also assesses the probable future effects of ATPA based on information about the investment environment in each ATPA beneficiary country as well as ATPA-related investment in these countries. This information was collected from U.S. embassies in the region and from other public sources, as well as testimony provided at the Commission's hearing on July 7, 2010, and written submissions to the Commission.

Impact of ATPA on the United States in 2009

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. GDP. Following implementation of expanded trade preferences under ATPDEA, imports under ATPA rose to 0.05 percent of U.S. GDP in 2003, peaked at 0.10 percent in 2008, and fell to 0.07 percent in 2009. Furthermore, the total value of U.S. imports from ATPA countries remained small in 2009, amounting to 1.34 percent of total U.S. imports, while imports under ATPA provisions totaled 0.63 percent of total U.S. imports.

ATPDEA 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. Also, 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, allowing substantial increases in U.S. imports of apparel from Asian producers.[2] In addition, the potential for ATPA preferences to affect the U.S. economy, consumers, and industries was significantly lower in 2009 because most products from Peru had the option to be entered under the U.S.-Peru TPA starting February 1, 2009, and because Bolivia's beneficiary status was suspended effective December 15, 2008.

[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*, 1998, 132.

To evaluate the impact of ATPA, the Commission considered only that portion of U.S. imports that could 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 analysis. Similarly, most ATPA-eligible products are also eligible for duty-free treatment under the U.S.-Peru TPA. Accordingly, practically all imports from Peru entered under ATPA from February 1, 2009, onward, are excluded from the analysis.

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 continuity 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, however, both ATPA and GSP have been subject to short extensions, so uncertainties remain for both programs. Assessing the quantitative impact of such uncertainties is beyond the scope of the analysis conducted in this study. However, a qualitative assessment is provided in the section below, which addresses 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 2009 and had the largest potential impact on competing U.S. industries.

Products That Benefited Exclusively from ATPA in 2009

U.S. imports of products benefiting exclusively from ATPA in 2009 are defined as those that entered free of duty under ATPA[3] and were not eligible to enter free of duty under NTR rates or under other programs, such as the U.S.-Peru TPA or GSP.[4] 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.[5]

After increasing more than 50 percent, from $10.6 billion in 2005 to $16.4 billion in 2008, the value of U.S. imports that benefited exclusively from ATPA decreased 51.3 percent to $8.0 billion in 2009, accounting for 38.5 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 benefited exclusively from ATPA accounted for a relatively small portion of total U.S. imports from ATPA countries, ranging from roughly 5 percent

[3] 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.

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

[5] 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, 2005–09

Item	2005	2006	2007	2008	2009[a]
Total imports from Andean countries:					
Value (*million dollars*[b])	20,060	22,511	20,923	24,483	20,690
Imports entered under ATPA:[c]					
Value (*million dollars*[b])	11,464	13,484	12,307	17,243	9,714
Percentage of total	57.1	59.9	58.8	60.5	47.0
Imports that benefited exclusively from ATPA:					
Value (*million dollars*[b])	10,648	12,531	11,488	16,360	7,963
Percentage of total	53.1	55.7	54.9	57.4	38.5

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

[a] Bolivia not included in 2009.
[b] Customs value.
[c] Includes articles entered free of duty under ATPA provisions. Those provisions are discussed in chap. 1.

in 1993 and 1994 to a high of around 13 percent in 1996.[6] 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 rose sharply, to nearly 45 percent in 2003 and around 55 percent in 2006 and 2007. This share peaked at 57 percent in 2008, mainly because of high oil and copper prices. The exclusively benefiting share fell sharply to 38 percent in 2009 as commodity prices fell, and as all of the major ATPA-eligible products from Peru became eligible for duty-free entry under the U.S.-Peru TPA on February 1, 2009, and hence no longer benefited exclusively from ATPA.

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.[7] Since ATPDEA made petroleum and petroleum products eligible for duty-free treatment in 2002, such products have come to dominate the list of leading imports that benefit exclusively from ATPA in recent years, accounting for 75.8 percent of the value of the 20 leading items in 2007, 84.8 percent in 2008, and 90.9 percent in 2009.

The 20 leading imports that benefited exclusively from ATPA in 2009 are shown in table 3.2. The most notable changes in the value of such imports relative to 2008 were for

[6] 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*, 1997, 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.

[7] 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 and 2008. The share dropped to 0.5 percent in 2009, as they became eligible for entry under the FTA starting in Feb. 2009. The total quantity entered under both ATPA and the FTA actually increased.

products originating primarily in Peru—copper cathodes, down $805 million (95 percent); fresh asparagus (HTS 0709.20.90), down $131 million (90 percent); and three apparel products[8]—and for petroleum and petroleum products, down $6.2 billion (47 percent). (See table D.4.) On the other hand, imports of three categories of fresh cut flowers either increased (chrysanthemums, HTS 0603.14.00, up 13 percent) or fell much less than other products among the leading products benefiting exclusively (roses, HTS 0603.11.00, down 2 percent, and other carnations, HTS 0603.12.70, down 10 percent).

Welfare and Displacement Effects of ATPA on U.S. Industries and Consumers in 2009

The analytical approach for estimating the welfare and displacement effects of ATPA was described in chapter 1 and is discussed in more detail in appendix C. Upper estimates and lower estimates are reported in this analysis, 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 2009 (table 3.2),[9] and estimated the welfare and potential U.S. industry displacement effects. Industries for which estimated displacement was more than 5 percent of the value of U.S. production, based on upper estimates, were selected for further analysis.

A limited number of U.S. producers benefited from ATPA preferences because they supplied inputs to apparel assembled in ATPA countries. Those producers supplying yarns or fabric are not explicitly analyzed because of data limitations,[10] but U.S. exports of textiles to ATPA countries rose from $100 million in 2002 to $203 million in 2006 before decreasing to $130 million in 2009.[11] The 2008–09 decrease in U.S. textile exports to the region roughly parallels the decrease in U.S. imports of apparel from ATPA countries in 2009.

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 2009; they are ranked and selected on the basis of their cost, insurance, and freight

[8] Cotton T-shirts (HTS 6109.10.00), down 85 percent; knitted cotton tops (HTS 6110.20.20), down 92 percent; and men's or boys' knitted cotton shirts (HTS 6105.10.00), down 91 percent.

[9] 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.

[10] To estimate 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.

[11] Based on Standard International Trade Classification code 65.

TABLE 3.2 Leading imports that benefited exclusively from ATPA, 2009

HTS number	Description	Customs value	C.i.f. value
		Thousands of $	
2709.00.10	Petroleum oils and oils from bituminous minerals, crude, testing under 25 degrees A.P.I.	5,744,680	5,947,867
2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more	914,001	935,188
0603.11.00	Sweetheart, spray and other roses, fresh cut	304,906	383,780
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.	244,655	257,496
0603.14.00[a]	Chrysanthemums, fresh cut	75,121	92,778
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	85,998	89,289
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	44,205	44,744
1604.14.30	Tunas and skipjack, not in oil, in airtight containers, n/o 7 kg, not of U.S. possessions, over quota	43,400	43,988
0603.12.70[a]	Other carnations, fresh cut	33,621	42,464
7403.11.00[b]	Refined copper cathodes and sections of cathodes	39,442	40,208
6908.90.00	Glazed ceramic flags and paving, hearth or wall tiles; glazed ceramic mosaic cubes and the like, n.e.s.o.i.	20,414	28,567
0710.80.97	Vegetables n.e.s.o.i., uncooked or cooked by steaming or boiling in water, frozen, reduced in size	23,801	27,162
6109.10.00	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton	24,480	25,123
2710.11.45	Light oil mixt. of hydrocarbons fr petro oils & bitum min (o/than crude) or prep 70%+ wt. fr petro oils, n.e.s.o.i., n/o 50% any single hydrocarbon	22,472	23,761
0709.20.90	Asparagus, n.e.s.o.i., fresh or chilled	14,166	20,369
6110.20.20	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, n.e.s.o.i.	18,457	19,164
0804.30.40	Pineapples, fresh or dried, not reduced in size, in crates or other packages	15,411	18,133
6105.10.00	Men's or boys' shirts, knitted or crocheted, of cotton	15,712	16,044
6204.62.40	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of cotton, n.e.s.o.i.	14,547	15,059
6110.30.30	Sweaters, pullovers and similar articles, knitted or crocheted, of manmade fibers, n.e.s.o.i.	13,779	14,076
	Total of above	7,713,268	8,085,261
	All other	249,797	261,235
	Total	7,963,064	8,346,376

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."
Imports from Peru are only included for Jan. 2009.

[a] 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.

[b] 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.

(c.i.f.) import values.[12] Those products totaled $7.7 billion (97 percent) of the $8.0 billion in imports that benefited exclusively from ATPA during 2009.[13] The five leading ATPA-exclusive imports in 2009 were (1) heavy crude oil (HTS 2709.00.10), (2) light crude oil (HTS 2709.00.20), (3) fresh cut roses, (4) heavy fuel oil (HTS 2710.19.05), and (5) fresh cut chrysanthemums. Colombia was the leading supplier of all five of these products, although there were also significant imports of heavy crude oil from Ecuador. In 2008, just as in 2009, heavy crude oil ranked first among ATPA-exclusive imports, and light crude oil ranked second.[14]

For any particular product, the U.S. market share accounted for by ATPA-exclusive imports (the value of imports benefiting exclusively from ATPA relative to apparent consumption) was a major factor in determining the estimated impact on competing domestic producers.[15] These market shares varied considerably in 2009 (table 3.3). For instance, the market share of ATPA-exclusive imports of fresh cut roses was approximately 95 percent, whereas the market share of ATPA-exclusive imports of heavy fuel oil was 0.4 percent.

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 2009.[16] 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

Fresh cut roses provided the largest estimated gain in consumer surplus resulting exclusively from ATPA tariff preferences in 2009, with a range of $20.0 million to $20.1 million (table 3.4). Without ATPA, the price that U.S. consumers (importers) would have paid for imports of fresh cut roses from ATPA countries would have been as much as 5.4 percent higher (the ad valorem duty rate, adjusted for freight and insurance charges).

Fresh cut chrysanthemums provided the second-largest estimated gain in consumer surplus, with a range of $4.6 million to $4.7 million. Without ATPA, the price of imports of such fresh cut roses from ATPA countries would have been as much as 5.2 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.

[12] 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.

[13] 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.

[14] For the list of items benefiting exclusively from ATPA in 2008, see table D.4.

[15] 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.

[16] The methodology used is described in app. C.

TABLE 3.3 Leading imports that benefited exclusively from ATPA, apparent U.S. consumption, and ATPA exclusive market share, 2009

HTS number	Description	Imports from ATPA countries (c.i.f. value) (A)	Apparent U.S. consumption (B)[a]	Market share (A/B)
		Thousands of $		Percent
2709.00.10	Petroleum oils and oils from bituminous minerals, crude, testing under 25 degrees A.P.I.	5,947,867	98,104,690	6.1
2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more	935,188	164,952,956	0.6
0603.11.00	Sweetheart, spray and other roses, fresh cut	383,780	405,811	94.6
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.	257,496	71,167,074	0.4
0603.14.00	Chrysanthemums, fresh cut	92,778	101.962	91.0
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	89,289	6,673,290	1.3
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	44,744	([b])	([b])
1604.14.30	Tunas and skipjack, not in oil, in airtight containers, n/o 7 kg, not of U.S. possessions, over quota	43,988	1,145,998	3.8
0603.12.70[c]	Other carnations, fresh cut	42,464	([b])	([b])
7403.11.00	Refined copper cathodes and sections of cathodes	40,208	8,726,311	0.5
6908.90.00	Glazed ceramic flags and paving, hearth or wall tiles; glazed ceramic mosaic cubes and the like, n.e.s.o.i.	28,567	1,547,405	1.8
0710.80.97	Vegetables n.e.s.o.i., uncooked or cooked by steaming or boiling in water, frozen, reduced in size	27,162	([b])	([b])
6109.10.00	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton	25,123	3,552,774	0.7
2710.11.45	Light oil mixt. of hydrocarbons fr petro oils & bitum min(o/than crude) or prep 70%+ wt. fr petro oils, n.e.s.o.i., n/o 50% any single hydrocarbon	23,761	5,582,586	0.4
0709.20.90	Asparagus, n.e.s.o.i., fresh or chilled	20,369	396,300	5.1
6110.20.20	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, n.e.s.o.i.	19,164	([b])	([b])
0804.30.40	Pineapples, fresh or dried, not reduced in size, in crates or other packages	18,133	561,372	3.2
6105.10.00	Men's or boys' shirts, knitted or crocheted, of cotton	16,044	([b])	([b])
6204.62.40	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of cotton, n.e.s.o.i.	15,059	([b])	([b])
6110.30.30	Sweaters, pullovers and similar articles, knitted or crocheted, of manmade fibers, n.e.s.o.i.	14,076	([b])	([b])

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.

TABLE 3.4 Estimated welfare effects on the United States of leading imports that benefited exclusively from ATPA, 2009

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
		Thousands of $					
2709.00.10	Petroleum oils and oils from bituminous minerals, crude, testing under 25 degrees A.P.I.	5,732	5,737	5,718	5,729	13	8
2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more	1,819	1,823	1,810	1,817	9	5
0603.11.00	Sweetheart, spray and other roses, fresh cut	20,036	20,078	19,365	19,448	670	630
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.	244	244	243	244	1	([a])
0603.14.00	Chrysanthemums, fresh cut	4,645	4,661	4,488	4,519	157	142
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	171	172	170	171	1	([a])
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])
1604.14.30	Tunas and skipjack, not in oil, in airtight containers, n/o 7 kg, not of U.S. possessions, over quota	4,131	4,591	3,097	3,874	1,033	717
0603.12.70	Other carnations, fresh cut	([b])	([b])	([b])	([b])	([b])	([b])
7403.11.00	Refined copper cathodes and sections of cathodes	385	389	376	383	9	6
6908.90.00	Glazed ceramic flags and paving, hearth or wall tiles; glazed ceramic mosaic cubes and the like, n.e.s.o.i.	1,547	1,637	1,376	1,545	171	92
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])
6109.10.00	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton	([b])	([b])	([b])	([b])	([b])	([b])
2710.11.45	Light oil mixt. of hydrocarbons fr petro oils & bitum min (o/than crude) or prep 70%+ wt. fr petro oils, n.e.s.o.i., n/o 50% any single hydrocarbon	45	45	45	45	([a])	([a])
0709.20.90	Asparagus, n.e.s.o.i., fresh or chilled	2,482	2,822	2,034	2,643	448	179
6110.20.20	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, n.e.s.o.i.	([b])	([b])	([b])	([b])	([b])	([b])
0804.30.40	Pineapples, fresh or dried, not reduced in size, in crates or other packages	227	230	223	228	4	1
6105.10.00	Men's or boys' shirts, knitted or crocheted, of cotton	([b])	([b])	([b])	([b])	([b])	([b])
6204.62.40	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of cotton, n.e.s.o.i.	([b])	([b])	([b])	([b])	([b])	([b])
6110.30.30	Sweaters, pullovers and similar articles, knitted or crocheted, of manmade fibers, n.e.s.o.i.	([b])	([b])	([b])	([b])	([b])	([b])

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 the United States of leading imports that benefited exclusively from ATPA, 2009

HTS number	Description	U.S. production	Reduction in U.S. production: Value, Upper estimate	Reduction in U.S. production: Value, Lower estimate	Reduction in U.S. production: Share, Upper estimate	Reduction in U.S. production: Share, Lower estimate
		Thousands of $			Percent	
2709.00.10	Petroleum oils and oils from bituminous minerals, crude, testing under 25 degrees A.P.I.	32,787,300	8,022	4,184	0.02	0.01
2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more	76,503,738	3,466	1,807	([a])	([a])
0603.11.00	Sweetheart, spray and other roses, fresh cut	17,662	807	130	4.57	0.73
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.	52,868,471	629	328	([a])	([a])
0603.14.00	Chrysanthemums, fresh cut	11,289	722	116	6.39	1.03
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	3,006,957	269	140	0.01	([a])
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])
1604.14.30	Tunas and skipjack, not in oil, in airtight containers, n/o 7 kg, not of U.S. possessions, over quota	475,000	9,944	5,687	2.09	1.2
0603.12.70	Other carnations, fresh cut	440	([b])	([b])	([b])	([b])
7403.11.00	Refined copper cathodes and sections of cathodes	6,034,824	1,150	639	0.02	0.01
6908.90.00	Glazed ceramic flags and paving, hearth or wall tiles; glazed ceramic mosaic cubes and the like, n.e.s.o.i.	594,000	2,136	914	0.36	0.15
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])
6109.10.00	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton	([b])	([b])	([b])	([b])	([b])
2710.11.45	Light oil mixt. of hydrocarbons fr petro oils & bitum min (o/than crude) or prep 70%+ wt. fr petro oils, n.e.s.o.i., n/o 50% any single hydrocarbon	3,212,952	88	46	([a])	([a])
0709.20.90	Asparagus, n.e.s.o.i., fresh or chilled	75,827	999	283	1.32	0.37
6110.20.20	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, n.e.s.o.i.	([b])	([b])	([b])	([b])	([b])
0804.30.40	Pineapples, fresh or dried, not reduced in size, in crates or other packages	55,000	49	13	0.09	0.02
6105.10.00	Men's or boys' shirts, knitted or crocheted, of cotton	([b])	([b])	([b])	([b])	([b])
6204.62.40	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of cotton, n.e.s.o.i.	([b])	([b])	([b])	([b])	([b])
6110.30.30	Sweaters, pullovers and similar articles, knitted or crocheted, of manmade fibers, n.e.s.o.i.	([b])	([b])	([b])	([b])	([b])

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.

ATPA preferences also reduced U.S. tariff revenues, offsetting much of the gain in consumer surplus. For example, for tuna in airtight containers (HTS 1604.14.30), [17] lower tariff revenues offset 75 percent to 84 percent of the gain in consumer surplus, and for fresh or chilled asparagus, the offset was about 82 percent to 94 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 tuna in airtight containers ($0.7 million to $1.0 million), fresh cut roses ($630,000 to $670,000), and fresh or chilled asparagus ($179,000 to $448,000). Apparel products would probably lead in net welfare gains, given the relatively high duty rates on these products, but lack of U.S. production data precludes making such estimates.

Effects on U.S. producers[18]

Estimates of the potential displacement of domestic production (table 3.5) were small for most of the individual sectors.[19] The analysis indicates that the largest potential relative displacement effects were for chrysanthemums (1.0 percent to 6.4 percent of U.S. domestic production displaced, valued at $116,000 to $722,000) and fresh cut roses (0.7 percent to 4.6 percent displaced, valued at $130,000 to $807,000), 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 2009, one product that benefited exclusively from ATPA met this criterion: fresh cut chrysanthemums, which is discussed in greater detail in the following section. Asparagus and fresh cut flowers (roses and chrysanthemums) were identified as having an estimated displacement of 5 percent or more in 2007.[20]

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[17] 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 HTS 1604.14.3091. For more information, see chap. 2.

[18] 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.

[19] U.S. market share, ad valorem equivalent tariff rate, and elasticity of substitution between beneficiary imports and competing U.S. production share 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.

[20] See USITC, *ATPA, Thirteenth Report, 2007*, 2008, 3-11.

Fresh Cut Flowers: Chrysanthemums

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 82 percent of the total value of U.S. imports of fresh cut flowers (HTS 0603) and 99 percent of the total value of U.S. imports of chrysanthemums (HTS 0603.14.00) in 2009. Virtually all U.S. imports of fresh cut flowers from beneficiary countries entered free of duty under ATPA. U.S. imports of chrysanthemums from ATPA countries are primarily sourced from Colombia and, to a much lesser extent, from Ecuador.

Fresh cut flowers are a major nontraditional agricultural export product for both Colombia and Ecuador, which were the largest and third-largest exporters of fresh cut flowers in the world in 2009, respectively.[21] 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 80 percent of the total value of Colombian exports ($1.021 billion) and 42 percent of Ecuadorian exports ($471 million) in 2009.[22] U.S. companies have reportedly invested more than $250 million in the Colombian flower industry and owned approximately 17 percent of total Colombian cut flower production in 2009.[23]

The wholesale value of U.S.-produced fresh cut flowers was $359 million in 2009.[24] The number of commercial U.S. cut-flower growers continued to decline in 2009, falling slightly to 362 from 364 the previous year,[25] and U.S. growers continued to face significant competition from cut-flower imports, which represented almost three-quarters of U.S. fresh cut flower sales.

Lower prices for cut flowers have resulted from a 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 is highly seasonal; sales are highest from February through May and in the autumn and peak at specific occasions, particularly the Valentine's and Mother's Day holidays. Demand for cut flowers in the U.S. market weakened in 2009: both domestic and imported shipments fell 4.3 percent over 2008 as recessionary pressures curbed U.S. consumer spending.[26]

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.[27] U.S. production of chrysanthemums accounted for only 3 percent of total U.S. production of cut flowers in 2009. However, imports of chrysanthemums accounted for 92 percent of U.S. consumption of those flowers but only 7 percent of U.S. consumption of cut flowers of

[21] These rankings do not account for intra-European Union trade. Global Trade Atlas database, Global Trade Information Services.

[22] Global Trade Atlas database, Global Trade Information Services.

[23] Christine Boldt, Executive Vice President, Association of Floral Importers of Florida, USITC hearing transcript, July 7, 2010, 13.

[24] USDA, NASS, *Floriculture Crops, 2009 Summary*, Apr. 2010.

[25] USDA, NASS, *Floriculture Crops, 2009 Summary*, Apr. 2010. The number of growers includes only those with more than $100,000 in annual sales.

[26] U.S. Department of Agriculture, Agriculture Marketing Service, *Ornamental Crops Report*, Jan. 2010.

[27] USDA, NASS, *Floriculture Crops, 2009 Summary*, Apr. 2010.

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 chrysanthemums from ATPA countries have had a positive impact on U.S. consumers, who are able to purchase high-quality flowers at low prices. Many U.S. importers, distributors, and retail florists depend heavily on moderately priced fresh cut flowers from overseas. Reportedly, imports of cut flowers directly and indirectly contribute nearly 220,000 jobs to the U.S. market.[28] Jobholder include airline employees, Customs and Border Protection personel, U.S. Department of Agriculture (USDA) personnel, customs brokers, importers, truck transporters, wholesalers, retailers, Internet providers, supermarkets, and mass merchandisers. The floral importing industry in the Miami area alone reportedly spends almost $20 million annually on insurance, professional fees, and office expenses.[29]

U.S. market conditions and an oversupply of flowers on the world market have reduced profit margins of cut-flower exporters in ATPA countries to levels of 2–4 percent,[30] less than one-half of the current tariff preference. 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. When these high transportation costs are considered, the roughly 6–7 percent ad valorem U.S. tariff eliminated under ATPA makes up a much smaller portion of the final cost to consumers. The tariff preference is, nevertheless, important to the continued viability of the U.S. market for cut flower exporters in ATPA countries in light of the low profit margins prevalent in the industry.[31]

Although it is possible that some higher-cost producers/exporters in ATPA countries might not be able to compete in the U.S. market absent the duty preferences, the high market share of imports in the decade prior to ATPA[32] indicates that duty preferences are not the sole competitive advantage of the cut flower industries in ATPA countries.[33] Because the high ATPA-country market share of chrysanthemums in the United States has existed for more than two decades, duty-free treatment for chrysanthemums under ATPA alone likely has a modest impact on U.S. growers of chrysanthemums today who have since diversified into other flower varieties, products, and/or services. This diversification over time into other cut varieties and nursery products appears to have lessened the impact of preferential duty treatment under ATPA for chrysanthemums on the U.S. floriculture industry as a whole.

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[28] Christine Boldt, Executive Vice President, Association of Floral Importers of Florida, USITC hearing transcript, July 7, 2010, 11.

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

[30] Association of Colombian Flower Exporters. Statement to the United States Committee on Ways and Means, Subcommittee on Trade, Nov. 17, 2009, 2; Christine Boldt, Executive Vice President, Association of Floral Importers of Florida, USITC hearing transcript, July 7, 2010, 12.

[31] Solano, written submission to the USITC, July 8, 2010, 2.

[32] During 1981–91, before ATPA was implemented, U.S. imports of cut flowers accounted for 34-45 percent of U.S. cut flower sales annually. USDA, NASS, *Floriculture Crops, 2006 Summary*, Apr. 2007; USDA, ERS, *Floriculture and Nursery Crops*, May 2002.

[33] ATPA beneficiary cut flower producers/exporters have the natural advantages of ideal year-round sunlight and climate, as well as low costs of labor and land. Kasey Cronquist, California Cut Flower Commission, USITC hearing transcript, July 7, 2010, 22.

Fresh cut chrysanthemums

U.S. imports of fresh cut chrysanthemums were dutiable in 2009 at the NTR rate of 6.4 percent ad valorem.[34] In 2009, 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 $94 million in 2009 over the previous year. Among ATPA beneficiary countries, Colombia was by far the leading supplier, accounting for 99 percent of the total import value from all sources in 2009. Ecuador, the next largest ATPA supplier, accounted for less than one-half of 1 percent of total imports. There were no imports of chrysanthemums from Bolivia or Peru in 2009.

U.S. sales of domestically produced fresh cut chrysanthemums fell from $13.428 million in 2008 to $11.298 million in 2009, a decrease of 16 percent.[35] However, total U.S. consumption of fresh cut chrysanthemums increased by 3 percent in 2009 to $102 million. Imports from all sources accounted for 92 percent of the value of consumption in 2009. Imports from ATPA countries, virtually all from Colombia, supplied 91 percent of the value of total U.S. consumption of fresh cut chrysanthemums in 2009, up from 87 percent in 2008.

Probable Future Effects of ATPA [2]

Most of the estimated 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. However, other effects may occur over time as a result of an increase in export-oriented investment in the Andean countries. Such 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, to the extent possible, the Commission has identified ATPA-related investment in the Andean countries as a proxy for the future trade effects of ATPA on the United States.[36]

The identification of foreign and domestic investment in 2008–09 that could generate future exports to the United States under ATPA has been particularly challenging because of the changing nature of the U.S. trading relationship with the beneficiary countries. In particular, because of the U.S.-Peru TPA, it is expected that most investments in ATPA-eligible products in Peru will likely generate future exports that enter the U.S. market under the TPA, rather than ATPA. Similarly, possible ATPA-related investments in Colombia cannot readily be isolated from investments that may have been made in response to the pending U.S.-Colombia TPA. In the case of Bolivia, the President

[34] 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 Australia, Bahrain, Chile, Israel, Jordan, Morocco, and Singapore.

[35] USDA, NASS, *Floriculture Crops, 2009 Summary*, Apr. 2010.

[36] It is assumed that increased investment expands the capital stock and therefore the production base used to produce goods for export, extending the probable future effects of ATPA beyond the direct effects of tariff reductions. The practice of using investment to assess 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, *Impact of the Caribbean Basin Economic Recovery Act, First Report, 1984–85*, 1986, 4-1.

suspended its designation as an ATPA beneficiary country effective December 15, 2008, and the large uncertainty regarding its future status as an ATPA beneficiary likely discouraged any ATPA-related investments. Because of the U.S.-Peru TPA and Bolivia's suspension from ATPA, the future effects of ATPA are likely to be driven primarily by investments made in Colombia and Ecuador.

Because U.S. imports from Colombia, Ecuador, and Peru represented such a small portion of total U.S. imports in 2009 (1.3 percent), and an even smaller share with respect to U.S. imports of ATPA-exclusive products (0.5 percent), the probable future effects of ATPA on the overall U.S. economy are likely to be minimal.[37] The U.S. embassies in Colombia and Ecuador were able to identify some investments in 2009 that could generate future exports to the United States under ATPA, but many of these were small and remained below 2008 investment levels. Investments were identified in the textile and apparel, broccoli, flower, pineapple, and plywood sectors or subsectors, but most of these investments were made to maintain existing operations and improve production processes to maintain competitiveness, rather than to increase production and exports to the United States. Company closures or declines in cultivation were cited in the case of the textile and apparel, broccoli, flower, pineapple, and mango sectors. Non-ATPA factors that reportedly contributed to these declines included the global economic downturn, as well as exchange rate trends and domestic policies that hurt the investment environment. The U.S. Embassy in Peru anticipates increased exports from Peru to the United States, particularly in agricultural products, but these products can enter the U.S. market under the TPA. The U.S. Embassy in Bolivia was able to identify small investments in the leather and apparel sectors, but as discussed above, Bolivia is currently suspended from ATPA.

In addition to the global economic downturn, which significantly dampened overall foreign direct investment throughout the Andean region, foreign government officials and industry representatives emphasized the adverse impact on ATPA-related investment during 2008–09 of the repeated expirations and short-term renewals of ATPA. The uncertainty about whether ATPA preferences will continue in the future has discouraged ATPA-related investment, especially for products that require larger or longer-term investments.[38] For example, some industries—such as apparel, flowers, and certain agricultural products—require planning as many as 12 to 18 months in advance.[39]

Furthermore, government and industry representatives noted the importance of retaining ATPA preferences even when a beneficiary country implements an FTA with the United States. ATPA permits cumulation of origin of goods among beneficiary countries to meet the value-content requirement, which is not permitted under the U.S.-Peru TPA.[40] In the textile and apparel industry, ATPA regional cumulation of origin is particularly important because Colombia, Ecuador, and Peru have established regional production chains that support their exports to the United States under ATPA. For example, the Colombian textile and apparel industry uses yarns and fabrics from both Peru and Ecuador. Should Peru be graduated from ATPA, Colombian apparel using Peruvian inputs could no longer receive ATPA duty free treatment. Government and industry representatives note that regional cumulation is particularly important for this industry, given the competition it continues to face with China and other Asian countries. Furthermore, the uncertainty

[37] Bolivia was not eligible for ATPA trade preferences during 2009. For more information, see chap. 1.
[38] For example, see USITC, hearing transcript, July 7, 2010, 8, 12, 43–44, 46, 71.
[39] Ecuadorian-American Chamber of Commerce, written submission to the USITC, July 14, 2010, 11.
[40] For more complete information about qualifying rules of origin under ATPA, see chap. 1.

about future rules of origin provides another layer of uncertainty regarding future U.S. market access, which affects long-term planning and investment.[41]

The country sections below provide more detailed information on ATPA-related investments made during 2008–09 and specifically address the apparel industry, given the importance of ATPA for apparel imports from the Andean countries. Information on ATPA-related investment activity and trends during 2008–09 was drawn largely from official telegrams from U.S. embassies in the Andean region. The Commission's public hearing and written submissions also provided important information. Because disaggregated ATPA-related investment data are not available, overall FDI data are presented to provide context.

Foreign Direct Investment in the Andean Countries

According to preliminary data provided by the UN Economic Commission for Latin America and the Caribbean, FDI inflows to Bolivia, Colombia, Ecuador, and Peru each increased slightly between 2007 and 2008, but declined substantially in 2009 because of the global economic crisis (table 3.6). FDI in the Andean countries continued to be concentrated in natural resource-based industries such as hydrocarbons and mining, and the sudden decline in commodity prices in late 2008 and their slow recovery resulted in a decline in such investment in 2009 in Bolivia, Ecuador, and Peru. In Colombia, the largest recipient of FDI among the ATPA countries, FDI in mining increased (in coal, in particular), but was offset by declines in other sectors, including a 69 percent decline in manufacturing FDI and a 22 percent decline in petroleum FDI. The U.S. recession resulted in a decline in export-oriented investment throughout the region.[42]

Bolivia

Although Bolivia was not eligible for ATPA preferences in 2009, the U.S. Embassy in Bolivia conducted an informal survey of firms and was able to identify $1.6 million worth of investments in 2008 and $600,000 worth of investments in 2009 in the leather and apparel sectors. The firms surveyed indicated a dramatic drop in exports to the United States in 2009 after Bolivia lost its ATPA beneficiary status. Furthermore, none of these products were eligible for U.S. preferences under the GSP. Among the apparel firms surveyed, one indicated it was able to increase its sales to Europe, partially offsetting its lost sales to the United States, and another firm indicated it is focusing on the local market and made investments to open local stores in 2009. A third apparel firm indicated it had closed because of the loss of the U.S. market. The U.S. embassy also surveyed companies producing quinoa and found that investments remained fairly stable between 2008 and 2009; these companies were able to continue to export to the United States in 2009 under the GSP.[43]

[41] For example, see Colombian Government Trade Bureau, written submission to the USITC, June 30, 2010; American Apparel and Footwear Association, written submission to the USITC, July 14, 2010; Ecuadorian-American Chamber of Commerce, written submission to the USITC, July 14, 2010, 3; and USITC, hearing transcript, July 7, 2010, 80–83.

[42] ECLAC, *Foreign Direct Investment in Latin America and the Caribbean*, May 2010, 29–33.

[43] U.S. Department of State, U.S. Embassy, La Paz, "2010 USITC Andean Investment and Drug Crop Survey Report on ATPA," July 6, 2010.

TABLE 3.6 Foreign direct investment inflows, by host regions and by economies, 2005–09

(*Million dollars*)

Host region/economy	2005	2006	2007	2008	2009
World	958,697	1,461,074	1,978,838	1,697,353	1,040,000
Developing countries	316,444	433,764	529,344	620,733	406,000
Latin America and the Caribbean	76,412	74,794	111,844	131,938	76,681
Andean countries	13,033	10,672	15,096	19,016	12,691
Bolivia	-291	278	362	508	418
Colombia	10,252	6,656	9,049	10,583	7,201
Ecuador	493	271	194	1,001	312
Peru	2,579	3,467	5,491	6,924	4,760

Source: ECLAC, *Foreign Direct Investment in Latin America and the Caribbean, 2009*, table 1.2, table 1.3, and Annex table 1.A-2; United Nations' Conference on Trade and Development (UNCTAD), *World Investment Report, 2009*, Annex table B.1; and UNCTAD, *World Investment Report, 2008*, Annex table B.1.

The government of Bolivia estimated that before Bolivia's suspension, ATPA trade preferences created 19,300 jobs, mostly in the clothing sector. According to a submission from the Andean Community, the suspension of preferences for Bolivia affected thousands of these workers, particularly in the textiles and leather sectors. Also, the number of companies that exported to the United States declined from 57 to 49 following the suspension. The National Chamber of Exporters of Bolivia estimated that the level of employment in the sectors manufacturing textile made of cotton and other fibers has fallen by 30 percent. [44] According to the U.S. Embassy, the Bolivian government attempted to open markets in Venezuela, Brazil, and Argentina to offset losses in the U.S. market, but met only limited success. Other Bolivian products that formerly entered the United States under ATPA now enter under the GSP, such as jewelry, wooden furniture, hearts of palm, and onions.[45]

Bolivia: Textile and Apparel Sector

As noted above, Bolivia is only a small supplier of textiles and apparel to the United States, accounting for about 1 percent of total U.S. imports of textiles and apparel from the Andean region in 2009. The United States has been a major market for Bolivia's exports, and textile and apparel manufacturing is important to Bolivia's economy.[46] Most of Bolivia's production is in apparel and accessories, and access to high-quality raw materials, including cotton, alpaca, angora, and llama, has made Bolivia globally competitive in these niche markets.[47] Preferential tariff treatment under ATPA benefited Bolivia's textile and apparel sector for several years by increasing employment, improving facilities, and expanding training programs.[48]

Between 2008 and 2009, Bolivia's exports of textiles and apparel to the United States fell sharply (by 46 percent) to $8.3 million; exports of men's and boys' cotton knit shirts, a

[44] Andean Community, written submission to the USITC, July 12, 2010, 8–9.

[45] U.S. Department of State, U.S. Embassy, La Paz, "The United States Remains Bolivia's 4th Largest Trading Partner," Feb. 23, 2010.

[46] Bolivian-American Chamber of Commerce, Inc., "Invest in Bolivia," n.d. (accessed July 26, 2010).

[47] Bolivia Investment Gateway, "Bolivia–FAQ Textile Environmental," n.d. (accessed July 26, 2010), and Bolivian-American Chamber of Commerce, Inc., "Invest in Bolivia," n.d. (accessed July 26, 2010).

[48] Iberkleid, statement to the House Committee on Foreign Affairs, Subcommittee on the Western Hemisphere, Mar. 3, 2009. Iberkleid also stated that the short-term extensions of the ATPA have had a negative impact on the textile and apparel sector by creating an uncertain business climate.

leading export category, declined by 40 percent to $3.3 million.[49] The drop in U.S. imports of textiles and apparel from Bolivia in 2009 can be attributed to the suspension of ATPA tariff benefits for Bolivia on December 15, 2008.[50] The suspension of ATPA benefits also reportedly led to thousands of job losses, apparel plant closures, and declines in revenues.[51] Ametex, a leading Bolivian textile and apparel manufacturer serving U.S. customers such as Polo Ralph Lauren, reportedly lost many U.S. customers and saw projected annual revenues reduced by half since the suspension of ATPA benefits for Bolivia;[52] it laid off 1,800 direct and indirect workers and sent almost 1,000 workers home on paid leave. Several other Bolivian apparel firms reported sharp declines in export sales to the U.S. market, and in response, some have shifted their focus to domestic or regional markets or to Europe.[53]

Colombia

Following a record high in 2008, overall FDI in Colombia declined in 2009 because of the global economic downturn. However, FDI was still significantly higher in 2009 than FDI levels a decade ago, largely because of the improved security situation, which has significantly improved Colombia's investment environment. Although the U.S. Embassy in Colombia said that specific investment information was not available for ATPA-related products, it indicated that FDI dropped dramatically in the manufacturing and agricultural/fishing sectors in 2009, which include the major ATPA-related industries in Colombia. In particular, the U.S. Embassy noted that both the cut flower and the textile and apparel industries "have suffered in recent years" for a variety of reasons, including a strong peso vis-à-vis the U.S. dollar, a Venezuelan ban on imports of Colombian goods since August 2009[54] that has hurt the apparel industry, competition with China in the case of apparel (see below), and unexpected freezing weather and depressed global demand (in the case of flowers).[55]

Although specific data are not available, one source indicated that Colombian flower growers have "invested heavily" over the last few years to increase their productivity, which also mitigated the adverse effects of three freezes during December 2009 and January 2010. However, the relatively strong peso has resulted in "razor-thin margins" for flower exporters, which has "prevented them from making the considerable investments needed to develop new varieties and continue providing a differentiated product in world markets." About 20 Colombian flower farms went out of business in 2009, and the number of workers in the industry declined slightly in 2009.[56]

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[49] The NTR duty rate of men's and boys' cotton knit shirts is 19.7 percent ad valorem.

[50] Lori J. Michaelson, (commercial officer, U.S. Embassy, La Paz), e-mail message to USITC, July 6, 2010.

[51] Iberkleid, statement to the House Committee on Foreign Affairs, Subcommittee on the Western Hemisphere, Mar. 3, 2009.

[52] Iberkleid, statement to the House Committee on Foreign Affairs, Subcommittee on the Western Hemisphere, Mar. 3, 2009.

[53] Lori J. Michaelson (commercial officer, U.S. Embassy, La Paz), e-mail message to USITC, July 6, 2010; Iberkleid, statement the House Committee on Foreign Affairs, Subcommittee on the Western Hemisphere, Mar. 3, 2009; and U.S. Department of State, Embassy, La Paz, "Bolivia Continues to Trade Mainly Primary Products," Feb. 11, 2010.

[54] Economist Intelligence Unit (EIU), "Colombia Economy: Trade Surplus Soars on Oil Exports," June 21, 2010.

[55] U.S. Department of State, U.S. Embassy, Bogota, "Input for USITC Andean Investment and Drug Crop Survey for Report on ATPA," July 2010.

[56] U.S. Department of State, U.S. Embassy, Bogota, "Colombian Flower Industry Surviving Adversity," Mar. 25, 2010.

According to the government of Colombia, "ATPA-ATPDEA has had a positive effect in promoting export-oriented production in Colombia, which in turn, has generated economic growth and employment in both Colombia and the United States." However, the government indicated that the short-term extensions of ATPA have acted as a strong disincentive to long-term investment, particularly in the flower and textile and apparel industries.[57] Industry representatives in these sectors said that the lack of long-term certainty prevents the robust investment necessary to "put these industries on a track toward long-term viability."[58] According to Colombian flower industry officials, the continued uncertainty surrounding ATPA renewal is "unsustainable and disruptive."[59]

Colombia: Textile and Apparel Sector

Colombia, the second largest Andean supplier of textiles and apparel to the United States, accounted for 28 percent of total U.S. imports of textiles and apparel from the ATPA countries in 2009. Colombia's textile and apparel sector has been a leading source of economic activity and employment for years. In 2009, with 129,434 workers, textile and apparel manufacturing accounted for 20 percent of Colombia's manufacturing jobs, 1.3 percent of Colombia's GDP, 10 percent of Colombia's manufacturing GDP, and 4 percent of total exports.[60]
In 2009, Colombia's exports of textiles and apparel to the United States totaled just under $248 million, a 34 percent decline from the 2008 level.[61] Seventy-one percent of these exports ($209 million) entered the United States under ATPA; leading products included cotton trousers and pants, cotton underwear, cotton hosiery, cotton pile towels, and cotton knit shirts and blouses.

Colombian apparel producers contract with many well-known U.S. brands and retailers, including Abercrombie & Fitch, Adidas, Avon, Brooks Brothers, Charter Club, DKNY, Dockers, Eddie Bauer, the Gap, Hanes, Jockey, Land's End, Levi Strauss & Co., Oscar de la Renta, and many others.[62] Industry sources report that Inditex, the Benetton Group, Payless, and the Cherokee Group have been expanding their sourcing from Colombia.[63] Although wool suit-type coats had been a significant export from Colombia to the United States in earlier years, exports of these garments fell 70 percent to $7.1 million during 2008–09.

Industry sources in Colombia report that in recent years, Colombia's textile and apparel sector has experienced a 20 percent downturn in production and several factory closings, as well as a loss of 40,000 jobs, because of several competitive challenges.[64] Industry sources report that short-term extensions to ATPA and the absence of an implemented

[57] Colombian Government Trade Bureau, written submission to the USITC, June 30, 2010.
[58] U.S. Department of State, U.S. Embassy, Bogota, "Input for USITC Andean Investment and Drug Crop Survey for Report on ATPA," July 2010.
[59] Association of Colombian Flower Exporters, written submission to the USITC, July 8, 2010. Also see Christine Boldt, Executive Vice President, Association of Floral Importers of Florida, USITC hearing transcript, July 7, 2010, 12.
[60] Export data are from statistics reported in the Global Trade Atlas database.
[61] Based on U.S. Department of Commerce Major Shippers Report data.
[62] Inexmoda, "Colombiatex de las Américas 2009," n.d. (accessed Feb. 2, 2009); Just-style, "Colombia's Clothing and Textile Industry Has Growth Potential," June 24, 2010.
[63] Just-style, "Colombia's Clothing and Textile Industry Has Growth Potential," June 24, 2010.
[64] U.S. Department of State, U.S. Embassy, Bogota, "Colombian Textile Industry: Dying or Just Downsizing?" Jan. 28, 2010.

free trade agreement with the United States have created uncertainty and discouraged new foreign investment in Colombia's textile and apparel manufacturing sector.[65] Increased competition from contraband and legal apparel imports from China and the appreciation of the Colombian peso from 2,561 per dollar in March 2009 to 1,997 per dollar by year-end 2009 may have also reduced the price competitiveness of Colombia's textile and apparel exports.[66] Although security concerns related to Colombia's history of political and drug-related violence reportedly have eased in recent years, the possibility of the return of violence remains and may deter foreign investors.[67]

Colombia, with significant denim production, has supplied U.S. apparel firms such as Levi Strauss & Co with the cloth.[68] Although Colombia grows short and medium-staple cotton, it must import a significant amount of cotton to meet its production requirements.[69] The United States is the largest supplier of Colombia's imported cotton and accounted for 95 percent ($77 million) of Colombia's cotton imports in 2009.[70] Like the rest of the textile and apparel sector, Colombia's denim producers experienced reduced profits and downturns of sales during the recent global economic crisis.[71] Nevertheless, in early 2010, sources in Colombia began to report signs of recovery and a focus on high-end products for new customers like American Eagle and Abercrombie & Fitch.[72]

Chief among the priorities of Colombia's government and its textile and apparel sector is securing a longer-term extension of ATPA not only for Colombia, but also for Peru, which currently benefits under both ATPA and the U.S.-Peru TPA. Colombian government officials assert that "if the program is not extended for Peru, these products would be affected and that also has an impact for Colombian garments that use Peruvian inputs which are later exported duty-free to the United States."[73]

Ecuador

Overall FDI in Ecuador fell in 2009, particularly in mining. FDI in the petroleum and manufacturing sectors also declined, while FDI in the agriculture, hunting, and forestry sector increased slightly.[74] In addition to the global economic downturn, Ecuador's investment environment has become increasingly uncertain because of evolving and sometimes unpredictable government policies, which have discouraged private

[65] Stephen Lamar (senior vice president, American Apparel and Footwear Association), e-mail message to USITC, June 30, 2010. One U.S. apparel company representative also stated that business was down in Colombia for their firm in 2009 because of the ongoing uncertainty caused by the short-term extensions of the ATPA. Apparel industry representative, telephone interview with USITC staff, July 2, 2010.

[66] U.S. Department of State, U.S. Embassy, Bogota, "Colombian Textile Industry: Dying or Just Downsizing?" Jan. 28, 2010; and Business Monitor Online, "Industry Trends and Developments: Colombia," Oct. 14, 2009; Exchange rate information is from International Monetary Fund, *International Financial Statistics*: *Colombia*, Jan. 2010, 358–359.

[67] Business Monitor Online, "BMI Industry View: Colombia," Oct. 14, 2009; Stephen Lamar (senior vice president, American Apparel and Footwear Association), e-mail message to USITC, June 30, 2010.

[68] Just-style.com, "Insight: Colombia's Denim Cluster on Road to Recovery," Feb. 22, 2010.

[69] Just-style.com, "Colombia's Clothing and Textile Industry Has Growth Potential," June 24, 2010; Inexmoda, "Textile Apparel Design and Fashion Sector in Colombia," undated, http://www.inexmoda.org.

[70] Global Trade Atlas database.

[71] Just-style.com, "Insight: Colombia's Denim Cluster on Road to Recovery," Feb. 22, 2010.

[72] Just-style.com, "Insight: Colombia's Denim Cluster on Road to Recovery," Feb. 22, 2010.

[73] Colombian Government Trade Bureau, written statement to the USITC, June 30, 2010.

[74] ECLAC, *Foreign Direct Investment in Latin America and the Caribbean*, May 2010, 32–33, 68.

investment.[75] According to the U.S. Embassy in Ecuador, investments in the production of many ATPA-eligible products also declined in 2009, including flowers, frozen broccoli, and textiles and apparel.[76]

The U.S. Embassy conducted an informal survey of companies producing Ecuador's major exports under ATPA, including fresh cut flowers, frozen broccoli, pineapples, textiles and apparel, plywood, and mangoes. (Producers of pouched tuna, another major export under ATPA, did not respond to the survey.) Should ATPA preferences lapse, most of the industries surveyed claimed there would be a significant adverse impact on their exports. Ecuadorian exports of plywood and mangoes, however, are also eligible for GSP treatment.

According to the Embassy, the health of the Ecuadoran flower sector has suffered from the global economic downturn as well as government policies that have increased taxes and labor costs. In 2009, about 12 flower growers reportedly closed. Also, the flower sector suffered a 10 percent decline in the area under cultivation and a 16 percent loss of employment that year. Growers responding to the survey indicated stable or declining investments between 2008 and 2009.[77]

In the frozen broccoli sector, the survey indicated that investments fell between 2008 and 2009 and that no major investments have been made over the past several years because of the uncertainties stemming from the short-term extensions of ATPA, despite growth potential in the U.S. market. Two broccoli companies closed in 2009. Although data were not available in the pineapple sector, pineapple growers indicated that investments of about $50 million annually are required to maintain the crop until harvest. Cultivated area in this sector fell by about 20 percent in 2009 compared to 2008. Investment in the textile and apparel sector fell in 2009 (see below); the main policy concern among industry producers is that ATPA regional cumulation continue, because Ecuador exports fabric to Colombia, where it is used to produce apparel that is exported to the United States under ATPA.

There have been no new investments in the mango sector over the last few years, and the cultivated area destined for exports has contracted. Companies producing plywood reported varying trends in investment; one reported no investments in 2008 or 2009, while another reported an investment in 2009 that, while small, was higher than in 2008.

According to the government of Ecuador, ATPA has enabled Ecuador to diversify its exports, increasing the number of products from 250 in 2008 to 262 in 2009.[78] Examples of non-traditional agricultural products that are benefiting from ATPA or expected to take advantage of ATPA preferences are fresh papaya; canned fruits and vegetables; organic sugar;[79] gourmet products, including edible oils, macadamia nuts, and special chocolates; tropical fruit juices and concentrates; and crabmeat.[80]

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[75] U.S. Department of State, "2010 Investment Climate Statement—Ecuador," Mar. 2010, 1, 3; EIU, ViewsWire, "Ecuador: Business Environment Ranking Summary," July 1, 2010.

[76] U.S. Department of State, U.S. Embassy, Ecuador, "Input for the USITC Report to Congress," e-mail message to USITC staff, June 18, 2010; "Additional Input for the USITC Report to Congress," e-mail message to USITC staff, July 8, 2010.

[77] U.S. Department of State, U.S. Embassy, Ecuador, "Additional Input for the USITC Report to Congress," e-mail message to USITC staff, July 8, 2010.

[78] Embassy of Ecuador, Washington, DC, written submission to the USITC, June 30, 2010, 5.

[79] Organic sugar is considered a specialty sugar that enters the United States under the smaller TRQ for refined sugar. As discussed above in chap. 1, ATPA affords duty-free entry for sugar imported from

Ecuador: Textile and Apparel Sector

Ecuador, the smallest Andean supplier of textiles and apparel to the United States, accounted for less than 1 percent of total U.S. imports in this sector from the region in 2009. Textile and apparel manufacturing has nevertheless been a historically significant component of the country's economy, an important contributor to employment, and one of Ecuador's principal export sectors.[81] Ecuador's textile industry reportedly has been growing in recent years, largely because of the duty preferences granted by ATPA.[82] The Textile Industry Association of Ecuador (AITE) reported that investment in Ecuador's textile and apparel sector totaled $53.9 million in 2008 and $45.0 million in 2009, of which an estimated 40 percent was related to the ATPA program.[83]

With an estimated 60,000 workers, Ecuador's textile and apparel sector primarily manufactures yarns and fabrics, but also produces materials for industrial production, finished clothing, and household products.[84] During 2008–09, Ecuador's textile and apparel exports to the United States fell by one-third to $7.4 million, which can likely be attributed to the downturn in the U.S. economy and uncertainty caused by the short-term extensions of ATPA.[85] Like those in other beneficiary countries, industry sources in Ecuador have stated that the recent short-term renewals of ATPA have been destabilizing and counterproductive. They assert that renewals for longer periods such as 3–5 years would allow companies to "make the appropriate investments" to further expand their success.[86]

Over 90 percent ($7.2 million) of U.S. imports of textiles and apparel from Ecuador entered under ATPA. In 2009, man-made fiber hosiery represented the bulk of Ecuador's apparel exports to the United States. Ecuador's demand for raw materials, particularly cotton, for textile and apparel production exceeds supply, and therefore its textile and apparel sector relies on imported inputs to meet its needs. In 2009, the United States was the leading supplier of cotton and cotton yarns and fabrics to Ecuador, accounting for just over one-fourth ($21.2 million) of Ecuador's imports of these items.[87]

A major issue for Ecuador's textiles and apparel sector is competition from China and other Asian suppliers, whose yarn and fabric can be priced 25 percent lower than Ecuador's. Although China has recently begun to lose its competitive edge because of rising labor rates, revaluation of the yuan, and elimination of export subsidies, its large-scale manufacturing operations enable it to remain a principal source of competition for Ecuador and other global textile and apparel suppliers.[88] Consequently, maintaining the

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beneficiary countries that enters within the TRQ, but no preference is provided for sugar that would enter over quota.

[80] Embassy of Ecuador, Washington, DC, post-hearing comments, July 14, 2010.

[81] Embassy of Ecuador, Washington, DC, written submission to the USITC, June 30, 2010.

[82] Textiles La Escala, written submission to the USITC, June 3, 2010.

[83] Information provided by the economic section of the U.S. Embassy, Quito, in an e-mail message to Commission staff, June 24, 2010.

[84] Textiles La Escala, written submission to the USITC, June 3, 2010; Ecuadorexports.com, n.d., http://www.ecuadorexports.com/textiles.htm (accessed June 10, 2010).

[85] Textiles La Escala, written submission to the USITC, July 7, 2010.

[86] Textiles La Escala, written submission to the USITC, July 7, 2010.

[87] Global Trade Atlas database. Industry sources in Ecuador report that 93 percent of the cotton consumed in Ecuador comes from the United States, especially the southern states, Texas, and California. U.S. cotton is valued for its consistent, high grade quality. Textiles La Escala, written submission to the USITC, July 7, 2010, and USITC hearing transcript, July 7, 2010, 28–29.

[88] USITC hearing transcript, July 7, 2010, 84–88, Jeff Sheedy (CEO, Textiles La Escala).

existing rules of origin in the ATPA that allow cumulation of Andean content and permit the leveraging of the competitive advantages of each participating country (Ecuador, Peru, Colombia, and the United States) is considered vital for Ecuador and its Andean neighbors.[89] The government of Ecuador has been taking steps and implementing reforms to increase the competitiveness of its manufacturers and industry sources anticipate that by the end of 2010, U.S. firms will be moving some of their sourcing to the Andean region.[90]

Peru

Like other countries in the region, Peru saw its overall FDI inflows decline in 2009 because of the world economic downturn. However, the $4.76 billion level of FDI recorded in 2009 was still significantly higher than in any other year except 2007–08. The mining sector was the primary recipient of FDI in 2009. The U.S. Embassy in Peru reported that although investments are slowly turning to less traditional sectors, such as non-traditional agricultural and textile products, Peru's vast natural resource reserves will likely continue to drive investments towards the extractive industries.[91]

According to the U.S. Embassy, ATPA continued to have a positive impact on exports from and investment in Peru in 2008–09, and implementation of the U.S.-Peru TPA in February 2009 "has enabled investment and exports to become further entrenched while continuing to grow." The U.S. Embassy noted that Peru's most dynamic export sectors are textiles and apparel (see below), agribusiness, fisheries, wood products, and metal products. Peruvian agricultural exports reached a record high in 2008, in part reflecting important growth in non-traditional products, such as asparagus, grapes, mangoes, artichokes, avocados, and paprika. These products were important and growing Peruvian exports under ATPA, but now they can enter the United States under the TPA. Exports of organic products and biofuels are also expected to grow. According to the U.S. Embassy, the agricultural sector is expected to grow in coming years because of Peru's potential for agricultural land expansion as well as government incentives that improved the agricultural investment environment. Investment in the agriculture sector grew from $55 million in 2007 to $100 million in 2008, before dropping to $76 million in 2009. These figures include major investments in the biofuels (primarily sugarcane and ethanol) sector.[92]

Peru: Textile and Apparel Sector

Although a small sector of Peru's economy, textile and apparel manufacturing is an important export industry. As the leading Andean textile and apparel exporter to the United States since 2004, Peru accounted for 70 percent ($620 million) of U.S. sector imports from the region in 2009. Peru has a skilled labor force with competitive labor

[89] Textiles La Escala, written submission to the USITC, July 7, 2010, and USITC hearing transcript, July 7, 2010, 29; and Jeff Sheedy (CEO, Textiles La Escala), e-mail message to Commission staff, July 13, 2010.

[90] USITC hearing transcript, July 7, 2010, 61. Jeff Sheedy (CEO, Textiles La Escala), e-mail message to USITC, July 13, 2010.

[91] U.S. Department of State, U.S. Embassy, Peru, "Peru Response to Request for Information on Andean Investment and Drug Crop Survey," July 15, 2010.

[92] U.S. Department of State, U.S. Embassy, Peru, "Peru Response to Request for Information on Andean Investment and Drug Crop Survey," July 15, 2010.

rates compared to neighboring Latin American countries and a vertically integrated textile and apparel industry, from the production of high-quality raw material inputs (indigenous supplies of pima cotton renowned worldwide for its fineness, sheen, and silky texture, as well as alpaca, llama, and vicuña) to the manufacture of intermediate products such as yarns and fabrics, and finally, to the production of high-quality, finished apparel.[93] Peru's leading textile companies include Topy Top, Textimax, Diseño y Color, Sudamerica de Fibras, and Industrias Nettalco.[94] Most of Peru's garment production is exported to the United States and to nearby Venezuela and Colombia.[95] U.S. buyers of Peru's apparel products include Land's End, which sells pima cotton knit shirts in its online and print catalogs, as well as Calvin Klein, Polo Ralph Lauren, Zara, and Saks Fifth Avenue.[96]

Although U.S. sector imports from Peru climbed steadily for the first few years following the implementation of ATPDEA in 2002, since 2006, U.S. imports have decreased annually and declined by 24 percent during 2008–09. The year 2009 was particularly challenging for Peru's textile and apparel sector, being marked not only by the dip in exports, but also by a 25 percent drop in industry revenues to about $2.6 billion.[97] The economic downturn in the global and U.S. markets, uncertainty concerning the short-term extensions of ATPA in 2008 and 2009, and competition from China contributed to these developments.[98] As a result, in 2009, there were no reports of any significant new foreign investments made in Peru's textile and apparel industry. However, industry sources reported that higher margins obtained in international markets for garment exports prompted fiber production companies to invest in knitting and apparel equipment and infrastructure.[99]

Currently, qualifying U.S. sector imports from Peru may enter free of duty under either ATPA or the TPA, which entered into force in February 2009. Whereas in 2008, 95 percent of total U.S. sector imports from Peru entered free of duty under ATPA, in 2009, the share of total U.S. imports entering free of duty under ATPA declined to two-thirds, as imports from Peru began entering under the TPA.[100] Industry representatives have expressed concern, however, that if Peru is graduated from ATPA, Peruvian garments made of inputs sourced from neighboring countries such as Colombia will likely no

[93] Business Monitor Online, "Industry Forecast: Peru; Q4 2009; Textiles and Clothing," Oct. 14, 2009; Cotton Council International, "Peruvian Spinning Company Adjusts Sourcing to Include More U.S. Cotton," 2008; Andina, "Hand-harvested Pima Cotton from Peru Reduces Waste," Sept. 18, 2008; Perumoda.com, "Clothes Industry: Cotton," n.d.; and Andina, "France, England & Germany Become Biggest Consumers of Peruvian Fashion," Apr. 14, 2009.

[94] Just-style.com, "June 2010 Management Briefing: Latin American Textile Sector Weathers Economic Storm," June 16, 2010.

[95] Business Monitor International, "Industry Forecast: Peru; Q4 2009; Textiles and Clothing," Oct. 14, 2009. http://www.businessmonitor.com.

[96] Just-style.com, "June 2010 Management Briefing: Latin American Textile Sector Weathers Economic Storm," June 16, 2010. Tommy Hilfiger recently expressed interest in using organic Peruvian cotton to manufacture its clothes. Andina, "Tommy Hilfiger Eyes Peruvian Organic Cotton," May 2, 2010.

[97] Just-style.com, "Analysis: Peruvian Textiles See Recovery After 2009 Collapse," June 25, 2010.

[98] Just-style.com, "Analysis: Peruvian Textiles See Recovery After 2009 Collapse," June 25, 2010; Andina, "Peru's Textile and Apparel Exports to Jump 15% This Year Total U.S. $1.7 Billion," Apr. 29, 2010; and U.S. Department of State, U.S. Embassy, Lima, "Peru Response to Request for Information on Andean Investment and Drug Crop Survey," July 15, 2010.

[99] U.S. Department of State, U.S. Embassy, Lima, "Peru Response to Request for Information on Andean Investment and Drug Crop Survey," July 15, 2010.

[100] Although U.S. sector imports declined substantially in 2009, apparel was still the leading Peruvian export under ATPA that year, accounting for 30 percent of total ATPA entries. U.S. Department of State, U.S. Embassy, Lima, "Peru Response to Request for Information on Andean Investment and Drug Crop Survey," July 15, 2010.

longer qualify for duty-free entry into the United States; the same will be true of sector products made of inputs from Peru that are later imported into the U.S. market from other Andean countries.[101]

Cotton knit shirts and blouses were the leading apparel products entering the United States from Peru in 2009. U.S. exports of cotton yarns and fabrics to Peru totaled $16.5 million in 2009, down 11 percent from 2008. Although Peru grows cotton, its textile and apparel sector must supplement a shortfall of domestic cotton production used in export garments with cotton imports, primarily from the United States, which supplied 99 percent ($68.8 million) of Peru's cotton imports in 2009.[102]

[101] USITC hearing transcript, July 7, 2010, 8–9, 51, 81; American Apparel and Footwear Association, written submission to the USITC, July 14, 2010. The current rules of origin under the TPA do not allow cumulation—that is, the duty-free entry of textile or apparel imports from Peru made using inputs from any of the ATPA beneficiary countries. To enter free of duty, U.S. sector imports from Peru under the TPA must be made solely from Peruvian and U.S. inputs.

[102] Peru's import data are from the Global Trade Atlas database.

CHAPTER 4
Impact of ATPA on Drug-Related Crop Eradication and Crop Substitution in 2008 and 2009

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.[1] This chapter assesses the estimated effects of ATPA on drug-related crop eradication and crop substitution efforts for each of these countries during 2008 and 2009. Information in this chapter has been drawn from official U.S. and other national government sources, as well as testimony before, and submissions to, the Commission. Data presented in this chapter are official statistics published by the U.S. Department of State unless otherwise noted.

Overview

The importation of cocaine continues to be a major domestic concern for the United States despite the decline in the rate of U.S. cocaine consumption—in fact, of all illegal drug consumption—over the past decade.[2] 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, and it continues to provide assistance to these countries in an effort to reduce coca cultivation, the processing of coca into cocaine, cocaine abuse domestically in these countries, and the transport of cocaine to other countries.[3]

U.S. as well as international counternarcotics agencies have long stated that drug crop eradication alone only temporarily disrupts the flow of illegal drugs unless producers reliant on drug crop cultivation can successfully develop an alternative livelihood.[4] Alternative development (AD) programs offer farmers opportunities to abandon illegal activities and join the legitimate economy,[5] an objective supported by the ATPA provisions that help build an international export market for the legal alternative crops

[1] The United States suspended Bolivia's designation as a beneficiary country under ATPA and ATPDEA, effective Dec. 15, 2008, citing its failure to cooperate with U.S. counternarcotics efforts in the region, as required for eligibility under these programs. Proclamation No. 8323, 73 Fed. Reg. 72677 (Nov. 28, 2008). Bolivia nonetheless continues to participate in U.S. and UN efforts to measure illegal coca cultivation in the Andes.

[2] USDOS, Bureau for International Narcotics and Law Enforcement Affairs (INL), *International Narcotics Control Strategy Report (INCSR) 2009*, Mar. 2009, 19.

[3] USDOS, INL, *INCSR 2009*, Mar. 2009, 19; USDOS, INL, *INCSR 2008*, Mar. 2008, 18. Ecuador has no significant coca cultivation, having eliminated its minor cultivation of coca by 1992. USTR, *Fifth ATPA Report*, June 30, 2010, 40; *INCSR 1999*, Mar. 1, 2000, "V. Statistical Tables, 1991–99." Nonetheless, Ecuador is a major transit country for illegal drugs as well as precursor chemicals involved in the manufacture of narcotics. USDOS, INL, *INCSR 2010*, Mar. 2010, 261. Both Bolivia and Peru permit some legal coca cultivation for traditional and commercial use, but illegal coca cultivation far exceeds the legal limits in these countries. *INCSR 2010*, Mar. 2010, 155.

[4] USDOS, INL, *INCSR 2009*, Mar. 2009, 18; USDOS, INL, *INCSR 2008*, Mar. 2008, 18.

[5] USDOS, INL, *INCSR 2009*, Mar. 2009, 19.

developed through these programs. In 2008 and 2009, ATPA continued to contribute to U.S. counternarcotics efforts in this way, indirectly helping to promote the eradication of illegal drug crops and the substitution of legal crops, as implemented through U.S. and multilateral economic assistance programs, even though these programs and ATPA duty-free provisions are not directly connected.

AD policies, initially conceived as simple crop substitution projects, have expanded their focus more recently to include not just legal crop substitution for illegal drug cultivation, but also broader social and economic development projects. The Alternative Development and Livelihoods programs operated by the U.S. Agency for International Development (USAID), as part of the U.S. Department of State, now look not only to generate sustainable, legal employment and income opportunities in regions vulnerable to drug production and conflict, but also to improve the capacity of municipal governments to plan and provide basic social services and infrastructure; foster citizen participation in local decisionmaking; strengthen social infrastructure; and promote transparency and accountability at the local level.[6]

These AD programs are now seeking to consolidate gains achieved to date as these legal crops begin to reach full-yielding maturity.[7] The programs are also starting to work more closely with national government AD and counternarcotics programs, increasingly integrating U.S. projects with national AD projects and objectives.[8] As a consequence, ATPA continues to contribute indirectly to U.S. counternarcotics efforts by operating in tandem with other U.S. economic programs that are not part of the ATPA provisions, the combination helping to establish an environment where local farmers have an incentive to abandon illegal crop production in favor of legal crop production that can in turn be exported to the U.S. market free of duty for products from eligible countries.[9]

Role of ATPA in Counternarcotics Efforts

A central goal of ATPA's trade-based incentives is to encourage legal crops and products, in particular those for export both to the United States and elsewhere, as an alternative to illegal crop production. Increased production of ATPA-eligible exports helps support job growth in the legitimate economy in a variety of economic sectors in the region. Mainstream export crops such as bananas, cacao, coffee, corn, cotton, and pineapples have prospered as a result of U.S. and other countries and organizations' AD projects; their success has led to an expansion in the types of additional agricultural and nonagricultural products available for export. These include exports of annatto seed (achiote), amaranth, broccoli, hearts of palm (palmito), herbs, honey, milk, palm fruit (pijuayo), palm oil, poultry, stevia (a natural sweetener), tea, and other fruits and vegetables and their preparations, as well as fish products.[10] Moreover, as a result of the

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[6] USDOS, "FY 2009 Foreign Operations Performance Report and FY 2011 Performance Plan," 271–347, released Mar. 10, 2010, 284–85; USDOS, INL, *INCSR 2008*, Mar. 2008, 18; Wyler, "International Drug Control Policy," Aug. 24, 2009, 13–14.

[7] USDOS, INL, *INCSR 2010*, Mar. 2010, 207; USDOS, INL, *INCSR 2009*, Mar. 2009, 19, 433; USDOS, INL, *INCSR 2008*, Mar. 2008, 109, 127.

[8] USDOS, INL, *INCSR 2010*, Mar. 2010, 14, 214–15.

[9] USDOS, INL, *INCSR 2009*, Mar. 2009, 19.

[10] USTR, *Fifth ATPA Report*, June 30, 2010, 21; USDOS, U.S. Embassy, La Paz, "2010 USITC Andean Investment and Drug Crop Survey Report on ATPA," July 6, 2010, par. 7; USDOS, USAID, Bolivia, "Integrated Development Program," June 2010, 2; USDOS, USAID, Peru, "Alternative Development," Nov. 2009, 2; USDOS, USAID, Bureau for Latin America and the Caribbean, "Ecuador," June 15, 2010, 2.

2002 ATPDEA, additional jobs have been created in the textile and apparel industries in the Andean countries eligible under ATPA, and to a lesser extent, in industries such as jewelry and wood products as well.

Regional Cultivation and Eradication Trends during 2008 and 2009

Illegal coca cultivation fell substantially in the Andean countries of Bolivia, Colombia, and Peru, from a 20-year peak of 232,500 hectares (ha) in 2007 to 192,000 ha in 2008, according to the U.S. Department of State—a decline of over 17 percent (see table 4.1 and Figure 4.1).[11] Using a different approach, the United Nations also recorded a reduction in coca cultivation in these countries, from 181,600 ha in 2007 to 167,600 ha in 2008, a decline of nearly 8 percent; the figure fell to 158,800 ha in 2009, a decline of over 5 percent from 2008.[12] Ecuador—also an ATPA beneficiary country—effectively eradicated its coca cultivation by 1992, although it remains a major transit country for illegal drugs trafficked from Colombia and Peru.[13]

Country Profiles on Eradication and Alternative Development during 2008 and 2009

Colombia

The U.S. Department of State reports that illegal coca cultivation in Colombia fell, from 167,000 ha in 2007 to 119,000 ha in 2008, a decline of nearly 29 percent.[14] The United Nations recorded a similar drop, from 99,000 ha in 2007 to 81,000 ha in 2008 and to 68,000 ha in 2009. This represents a decline of over 18 percent between 2007 and 2008, and a further 16 percent decline between 2008 and 2009.[15]

Since the start of Plan Colombia in 1999, eradication of illegal crops in Colombia has increasingly required manual eradication to supplement widespread aerial spraying, as narcotics traffickers move coca plantings to ever more remote and rugged areas in the country's interior—such as border areas, national parks, reserves for indigenous peoples,

[11] USDOS, INL, *INCSR 2010*, Mar. 2010, and previous reports.

[12] United Nations Office on Drugs and Crime (UNODC), *Colombia: Coca Cultivation Survey 2009*, "Table 4," June 2010; UNODC, *Ecuador: Monitoreo de Cultivos de Coca 2009*, "Tabla 1," June 2010; UNODC, *Estado Plurinacional de Bolivia: Monitoreo de Cultivos de Coca 2009*, "Tabla 1," June 2010; UNODC, *Perú: Monitoreo de Cultivos de Coca 2009*, "Figura 1," June 2010; and previous reports.

[13] USDOS, INL, *INCSR 2010*, Mar. 2010, 261; USDOS, INL, *INCSR 2006*, Mar. 2006, 24.

[14] USDOS, INL, *INCSR 2010*, Mar. 2010, 217.

[15] UNODC, *Colombia: Coca Cultivation Survey 2009*, "Table 4," June 2010; UNODC, *Ecuador: Monitoreo de Cultivos de Coca 2009*, "Tabla 1," June 2010, 7.

TABLE 4.1 Coca cultivation and eradication in the Andean countries, in hectares, 1991–2009

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	168,166	0	58,825	276,612
1999	38,799	166,046	0	52,500	257,345
2000	22,253	183,571	0	40,200	246,024
2001	29,335	254,051	0	37,900	321,286
2002	33,439	267,145	0	42,000	342,584
2003	33,200	246,617	0	42,463	322,280
2004	33,037	261,646	0	35,105	329,788
2005	32,573	314,033	0	42,966	389,572
2006	30,870	370,924	0	52,137	453,931
2007	35,769	386,529	0	47,057	469,355
2008	37,484	348,228	0	51,143	436,855
2009	41,341	in process	0	in process	tbd
			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	147,546	0	7,605	163,588
2005	6,073	170,033	0	8,966	185,072
2006	5,070	213,724	0	10,137	228,931
2007	6,269	219,529	0	11,057	236,855
2008	5,484	229,228	0	10,143	244,855
2009	6,341	165,272	0	10,025	181,638

See footnotes on next page.

TABLE 4.1 Coca cultivation and eradication in the Andean countries, in hectares, 1991–2009—*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	122,800	0	34,700	179,300
2000	19,600	136,200	0	31,700	187,500
2001	19,900	169,800	0	32,100	221,800
2002	21,600	144,450	0	34,700	200,750
2003	23,200	113,800	0	29,250	166,250
2004	24,600	114,100	0	27,500	166,200
2005	26,500	144,000	0	34,000	204,500
2006	25,800	157,200	0	42,000	225,000
2007	29,500	167,000	0	36,000	232,500
2008	32,000	119,000	0	41,000	192,000
2009	35,000	in process	0	in process	T.B.D.

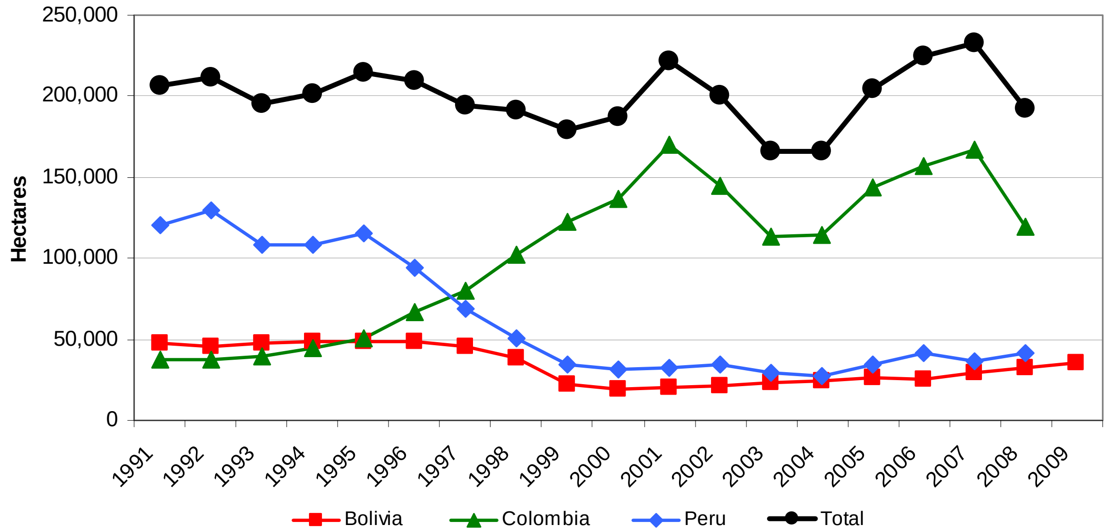
Source: USDOS, *INCSR 2010*, and previous issues.
Note: T.B.D. indicates "to be determined." "In process" indicates most recent data available as of September 1, 2010.
[a] Ecuador eliminated its small area of coca cultivation by 1992. The United Nations estimates that Ecuador grew less than 25 ha of coca in 2008 and 2009.
[b] Total is the simple sum of the data shown for the four Andean countries.
[c] The USDOS discontinued publication of the data series "cultivation" (i.e., total cultivation) following *INCSR 2005*, but continued the data series "net cultivation." The figures for "net cultivation" plus "eradication" would typically sum to "total cultivation," the method used in this table. (The terms "estimated cultivation" and "potential harvest" were reported in earlier INCSR reports for Colombia, in place of the terms "cultivation" and "net cultivation.") Starting in 2004, two series for eradication were published for Colombia—"aerial eradication" and "manual eradication"—which are added together here in table 4.1 for a single total.

and forest management areas.[16] In particular, traffickers are moving coca cultivation to within the 10-kilometer zone along the border where Colombian authorities have suspended the aerial eradication program in response to objections from Ecuador and Venezuela to the drifting of the herbicide spray (glyphosate) into their territories.[17] Nonetheless, the aerial eradication program sprayed 104,771 ha in 2009.[18]

[16] USDOS, INL, *INCSR 2010*, Mar. 2010, 214; USDOS, INL, *INCSR 2009*, Mar. 2009, 204; USDOS, INL, *INCSR 2008*, Mar. 2008, 124. Plan Colombia was launched in Sept. 1999 by the Colombian government as a six-year strategy to address the country's long-running conflict with several armed insurgent groups, eliminate drug trafficking, and promote economic and social development. To support Plan Colombia's goals, the U.S. Congress approved in 2000 a $1.3 billion foreign assistance package, focused on the eradication of coca and opium poppy crops; alternative economic development programs to provide other income sources for coca and poppy farmers; narcotics interdiction; and the training and equipment of Colombian security forces to help in interdiction efforts as well as to extend democratic governance more broadly in the country. Wyler, "International Drug Control Policy," Aug. 24, 2009, 22–23; USDOS, INL, *INCSR 2000*, Mar. 2001, 36–37; USDOS, Western Hemisphere Affairs (WHA), "Background Note: Colombia; Defense; Narcotics," June 2, 2010.

[17] USDOS, INL, *INCSR 2010*, Mar. 2010, 211, 214; USDOS, INL, *INCSR 2009*, Mar. 2009, 25, 204. Since 2004, when manual eradication was first used to supplement aerial spraying, manual eradication has

FIGURE 4.1 Net coca cultivation in the Andean countries, 1991–2009



Source: USDOS, *INCSR 2010*, and previous issues. Table includes most recent data available.

Alternative development

The U.S. Department of State reported that U.S. alternative development initiatives in Colombia have provided support for over 238,000 ha of legal crop cultivation by mid-2008.[19] Taken together with Colombian government AD programs, AD projects over the past seven years are reported by the U.S. Department of State to cover over 659,926 ha of agricultural cultivation, forestry plantation, and natural forest management activities by the end of September 2009, reaching or strengthening government presence in 18 administrative departments in Colombia.[20]

The United States continues to work closely with the government of Colombia to eradicate coca and opium poppies, as well as provide options to deter replanting of coca and encourage legal livelihoods.[21] U.S. imports from Colombia under ATPA include agricultural products—such as cut flowers, apparel, sugar, and vegetable and fruit preparations[22]—which can provide legal employment opportunities to communities renouncing illegal drug crop cultivation.

In January 2007, the Colombian government presented a new strategy to consolidate gains made under Plan Colombia, a strategy implemented in March 2009 as the National

increased from less than 10 percent to over 35 percent of total coca eradication in Colombia. USDOS, INL, *INCSR 2010*, Mar. 2010, 211–12, and previous issues; USDOS, WHA, "Background Note: Colombia; Defense; Narcotics," June 2, 2010.

[18] USDOS, INL, *INCSR 2010*, Mar. 2010, 212.

[19] USDOS, INL, *INCSR 2009*, Mar. 2009, 206.

[20] USDOS, INL, *INCSR 2010*, Mar. 2010, 215.

[21] USTR, *Fifth ATPA Report*, June 30, 2010, 29.

[22] Ibid., 23. See discussion in chap. 1 concerning TRQs for agricultural producst such as sugar. APTA provides duty-free entry of in-quota imports from beneficiary countries, but does not reduce over-quota duties.

Consolidation Plan.[23] The plan seeks to integrate security, counternarcotics efforts, AD projects, and justice programs in targeted zones to reduce violence and consolidate security and state presence in priority areas.[24] Beginning in 2010, the USAID's AD program in Colombia is scheduled to be aligned in large part with the government's National Consolidation Plan.[25]

Ecuador

Coca cultivation in Ecuador is negligible, according to the United Nations Office of Drugs and Crime, although Ecuador is a major transit country for illegal drugs trafficked from Colombia and Peru.[26] The government has kept Ecuador virtually free of coca production since the mid-1980s.[27] The current government of Ecuador has adopted a tougher stance than previous administrations on combating narcotics trafficking by implementing new policies and programs, particularly along its northern border with Colombia,[28] with AD programs playing a role in preventing coca cultivation and other narcotics-related activities.

Alternative development

USAID's AD program in Ecuador contributes to the economic and social development of both the northern and southern border regions, areas where poverty, lack of legitimate employment, and geographic isolation, as well as proximity to narcotics traffickers and insurgents in Colombia in particular, contribute to instability.[29] This program supports the government of Ecuador's efforts to improve livelihoods and infrastructure, strengthen local government, and open opportunities to expand legal economic activity, in particular as part of its northern border development master plan.[30]

In fiscal year (FY) 2008, USAID's AD program in Ecuador financed the construction of a number of infrastructure projects—such as roads, bridges, irrigation canals, and water and sanitation systems—in the northern border region.[31] USAID also provided assistance to 10 "anchor" firms that strengthened linkages between small farmers and production and marketing networks involving cacao, coffee, broccoli, and milk.[32] As a result, licit jobs were created in the northern border region, increasing participating farmers' income roughly 22 percent to approximately $1,200 on average and expanding legal crop

[23] USDOS, U.S. Embassy, Bogota, "News: Bilateral Topics; U.S. Assistance to Colombia," n.d. (accessed July 26, 2010). See also, República de Colombia, "Normas: Directivas; 2009; Directiva Presidencial No. 01," Mar. 1, 2010.

[24] USDOS, INL, *INCSR 2010*, Mar. 2010, 206. The plan includes regional government councils to strengthen governance, return and restore rights to people displaced by internal violence, a strategy of voluntary substitution of legal for illegal crop cultivation, social development and administration, rural electrification, and improvement of road and communications infrastructure. See República de Colombia, "Sala de Prensa: Noticias; Territorios libres de ilícitos," Mar. 13, 2010.

[25] ibid, 215.

[26] ibid, 261, 264.

[27] USDOS, WHA, "Background Note: Ecuador; U.S.-Ecuadorian Relations," May 24, 2010.

[28] USDOS, INL, *Fiscal Year 2010: Program and Budget Guide*, n.d. (accessed June 9, 2010), 282.

[29] USDOS, INL, *INCSR 2010*, Mar. 2010, 264–65; USDOS, USAID, "Ecuador: Country Profile," June 15, 2010.

[30] USDOS, INL, *INCSR 2010*, Mar. 2010, 264–65.

[31] USDOS, USAID, Ecuador, "Results Report 2008," June 2009, 1.

[32] Ibid.

coverage by 2,000 ha.[33] USAID also extended potable water and sanitation access to nearly 15,000 people, and helped establish local community water management boards that manage and maintain these new water works projects.[34]

USAID assistance has moved to help create new supply and value chains ("clusters") where small producers and businesses aim to become specialized suppliers to larger firms selling in both local and international markets. USAID investment in FY2008 was more than matched by private sector investment to create new cluster groups in Ecuador. These value-chain activities are primarily in the agroindustrial export sectors, producing items such as dairy products, hearts of palm, chili peppers, and medicinal herbs, as well as in the jewelry and hat industries. This AD investment has created jobs and increased revenues for nearly 2,000 small and medium-sized firms.[35] Future USAID projects are planned to implement the value-chain methodology in key areas in an effort to increase employment, raise incomes of participating families by 25 percent on average, and improve productivity on 3,400 new hectares of land.[36] USAID further provided technical training to several of Ecuador's largest banks in the financial analysis of these value-chain operations, designed to improve credit access for these new businesses. USAID reports over 1,700 loans to value-chain members, at an average of $5,900 per loan, with newly available credit, often provided due to USAID credit guarantees for such businesses.[37]

In collaborating on future projects, the U.S. and Ecuadorian governments are to select an executive branch agency in Ecuador that USAID will train and support with technical assistance to act as a centralized contracting agent for small-scale infrastructure activities and projects aimed at improving the economic environment along Ecuador's border communities, where illegal narcotics activity and drug cultivation are most evident.[38]

According to the U.S. Embassy in Ecuador, the Textile Industry Association of Ecuador (AITE) estimates that roughly 40 percent of the investments in the textile and apparel sector in 2008 and 2009 were related to the ATPA program. The AITE reported strong growth in both domestic and regional textile and apparel markets in 2008 and 2009, attracting nearly $50 million in investments per year. The sector benefits principally by ATPA's provision permitting cumulation of Andean content under its rules of origin, according to the AITE. Most of the fabric exported by Ecuador to Colombia is incorporated into clothing that is then exported free of duty to the United States under the ATPA program.[39]

The U.S. Embassy also reported that two other sectors in Ecuador—broccoli and plywood products—would be at risk without ATPA preferences. The reason is that Ecuadorians in these sectors must compete with other suppliers—notably producers in Mexico and Colombia—who also enjoy duty-free access to the U.S. market under the NAFTA and GSP program, respectively.[40]

[33] Ibid.
[34] Ibid.
[35] Ibid.
[36] USDOS, U.S. Embassy, Quito, "FY 2009 Performance Plan and Report (excerpt)," June 18, 2010.
[37] USDOS, USAID, Ecuador, "Results Report 2008," June 2009, 2–3.
[38] USDOS, U.S. Embassy, Quito, "FY 2009 Performance Plan and Report (excerpt)," June 18, 2010.
[39] USDOS, U.S. Embassy, Quito, "Preliminary Input for the USITC Survey," June 18, 2010.
[40] Ibid.

Comments by the Embassy of Ecuador to the USITC in June 2010 noted that Ecuador's major nonpetroleum export products to the United States under ATPA are fresh cut flowers, tuna, broccoli, pineapples, and textiles and apparel.[41] Several of these represent industries, and related employment, initially supported under the U.S. alternative development program in Ecuador.

Peru

The U.S. Department of State reports that illegal coca cultivation in Peru expanded from roughly 36,000 ha in 2007 to roughly 41,000 ha in 2008, an increase of nearly 14 percent.[42] The United Nations recorded an increase as well, although smaller, from 53,700 ha in 2007 to 56,100 ha in 2008, and to 59,900 ha in 2009, an annual increase of roughly 4–5 percent in 2007–08 and 6–7 percent in 2008–09.[43] USTR notes that coca cultivation in Peru is expanding to new areas, while densities of coca cultivation are increasing in the traditional source zones.[44]

On the other hand, according to the U.S. Embassy in Peru, efforts to eradicate coca cultivation and to provide alternative development opportunities have achieved important results,[45] with ATPA providing support through its positive effect on exports. Between 2002 and 2007, USAID and the Peruvian National Commission for Development and Life without Drugs (DEVIDA)[46] helped reduce illegal coca cultivation by 15,000 ha in 800 communities in selected areas through promotion of a voluntary eradication plan.[47] DEVIDA continues to help implement the 2007–11 National Strategy against Drugs, with cooperation from USAID.[48]

Alternative development

The AD program in Peru following voluntary eradication of local coca plantings has focused on developing legal crops, small-scale infrastructure, and improved social services.[49] The apparent success achieved through AD programs in the Department of San Martín in the Upper Huallaga valley has been widely reported in the media, despite the area's reputation as a historically notorious location for drugs as well as for the Shining Path rebel insurgency.[50]

[41] Embassy of Ecuador in the United States, written submission to the USITC, June 30, 2010, 5–7.
[42] USDOS, INL, *INCSR 2010*, Mar. 2010, 512, "V. Statistical Tables."
[43] UNODC, *Perú: Monitoreo de Cultivos de Coca 2009*, "Figura 1," June 2010, 11.
[44] USTR, *Fifth ATPA Report*, June 30, 2010, 49.
[45] USDOS, U.S. Embassy, Lima, "Peru Response to Request for Information on Survey," July 15, 2010, par. 1.
[46] DEVIDA (La Comisión Nacional para el Desarrollo y Vida sin Drogas) is the Peruvian government agency created in June 2003 to conduct Peru's National Strategy against Drugs.
[47] USDOS, U.S. Embassy, Lima, "Peru Response to Request for Information on Survey," July 15, 2010, par. 21–22.
[48] USDOS, U.S. Embassy, Lima, "Peru Response to Request for Information on Survey," July 15, 2010, par. 22–23; USDOS, INL, *INCSR 2010*, Mar. 2010, 505.
[49] USDOS, U.S. Embassy, Lima, "Peru Response to Request for Information on Survey," July 15, 2010, par. 21; USDOS, USAID, Latin America and Caribbean Bureau, "Peru," May 27, 2010.
[50] USDOS, INL, *Fiscal Year 2010: Program and Budget Guide*, n.d. (accessed June 9, 2010), 328–29. By 2006, voluntary eradication evolved to forced eradication in remaining areas highly dependent on coca cultivation. USAID and DEVIDA also played a post-eradication role in these situations, in preventing recultivation of illegal coca due to a community's lost income source. USDOS, "Peru Response to Request for Information on Survey," July 10, 2010, par. 22. A Dec. 2009 university study highlighted some Peruvian

More recently, USAID and DEVIDA have developed a National Program for Comprehensive and Sustainable Alternative Development as part of the government's 2007–11 National Strategy against Drugs. This national program aims to provide technical assistance to consolidate and expand production and increase the productivity of crops supported under the program—for example, cacao, coffee, and oil palm.[51] One focus has been strengthening producer associations and cooperatives so that members can reach local and international markets and command optimum prices for their products.[52] DEVIDA reports that 13 cooperative companies in the DEVIDA AD program have increased sales by 55 percent in 2008, compared to 2007, to roughly $92.3 million.[53]

In addition, as a result of banking alliances developed under the USAID AD program, private banking institutions have started to provide credit to pre-vetted clients to finance the production and marketing of legal crops. USAID reports that in the first six months of FY2010, over 1,000 families have accessed credit under this program, resulting in over $1 million in loans disbursed.[54]

The post-eradication assistance program also seeks to draw private sector investment, national and international, to the sectors and regions targeted by this economic assistance.[55] Moreover, the program's investments in community infrastructure work to draw additional public sector investment and support to areas that often lack a strong government presence and basic government services: for example, where a health center project may prompt upgraded public sector services from the Ministry of Health.[56]

In addition, the AD program in Peru, like others, increasingly works in cooperation with other aid providers. One example involves the joint alternative crop research and extension project—supported by the U.S. Department of State and the Organization for American States (OAS), in conjunction with the Peruvian Institute of Tropical Crops and Peru's DEVIDA—aimed at controlling diseases found in cacao plantings established in the Huallaga River basin as a result of past AD projects.[57]

Several U.S. imports under ATPA—such as grapes, mangoes, and asparagus, and their preparations—represent licit crops that provide alternative development and employment opportunities to communities renouncing illegal drug crop cultivation. With the entry into force of the U.S.-Peru TPA on February 1, 2009, however, the share of some imports from Peru—for example, asparagus—has shifted from entry under ATPA provisions to entry under TPA provisions.[58]

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provinces as more successful in converting over to legal alternative development crops—for example, the Department of San Martín—and others as less successful—for example, the Departments of Ayacucho, Cusco, and Huánuco. See Namihas, "Se puede derrotar al narcotráfico," Dec. 2009.

[51] USDOS, U.S. Embassy, Lima, "Peru Response to Request for Information on Survey," July 15, 2010, par. 22.

[52] USDOS, INL, *INCSR 2009*, Mar. 2009, 19, 476.

[53] USDOS, U.S. Embassy, Lima, "Peru Response to Request for Information on Survey," July 15, 2010, par. 24.

[54] USDOS, U.S. Embassy, Lima, USAID, Peru, "Alternative Development," Nov. 2009.

[55] Ibid.

[56] Ibid.

[57] OAS, Inter-American Drug Abuse Control Commission, "Alternative Development: Projects: Tropical Crops Research; Biological Control of Cacao Diseases in Peru," n.d. (accessed June 21, 2010).

[58] USTR, *Fifth ATPA Report*, June 30, 2010, 43.

TEXTBOX 4.1 Bolivia

Coca cultivation in Bolivia rose from 32,000 ha in 2008 to 35,000 ha in 2009, an increase of nearly 9.4 percent, according to the U.S. Department of State. The United Nations recorded an increase as well, although smaller: from 30,500 ha in 2008 to 30,900 ha in 2009, an increase of 1.3 percent. Coca cultivation in Bolivia has been increasing fairly steadily since 2000, when a 20-year low of 19,600 ha was recorded. Since the election in December 2005 of Evo Morales—a coca grower and president of a local coca growers federation—as President of Bolivia, his administration has proposed an increase in legal coca cultivation, from 12,000 ha to 20,000 ha. In November 2008, the President of the United States determined for the first time that Bolivia had failed to adhere to its obligations under international counternarcotics agreements, and so suspended Bolivia's designation as an ATPA and ATPDEA beneficiary, effective December 15, 2008.

Earlier, in June 2008, USAID was forced to leave the Chapare region of Bolivia due to threats from the leaders of local coca grower federations, raising security concerns for USAID personnel. In September 2008, the government denied permission for aircraft from the U.S. Drug Enforcement Agency (DEA) to fly inside of Bolivia and, later in September 2008, President Morales declared the U.S. Ambassador to Bolivia persona non grata. On November 1, 2008, President Morales announced the immediate suspension of DEA activities in Bolivia, and he subsequently expelled all DEA personnel and dependents from the country.[1]

On June 30, 2009, the President of the United States continued the suspension following statutory review, after determining that Bolivia had failed to adhere to its counternarcotics obligations. As a result, Bolivia's trade preferences remaining suspended under ATPA and ATPDEA for the second consecutive year.

Despite meeting its minimum annual eradication target of 5,000 ha (5,484 ha in 2008, and 6,341 ha in 2009) under international counternarcotics agreements, Bolivian government efforts have not kept pace with increasing coca cultivation in the country. Nonetheless, regional changes in coca cultivation have taken place, with cultivation in the traditional growing region of the Yungas increasing from 21,000 ha in 2008 to 23,000 in 2009 (a 9.5 percent increase); increasing less rapidly among the Chapare's newer, nontraditional coca plantings, from 8,300 ha to 8,800 ha (a 6.0 percent increase); increasing in the Caranavi region from 1,600 ha to 2,200 ha (a 37.5 percent increase); but decreasing in the Apolo region, from 660 ha to 260 ha (a 60.6 percent decrease), as well as in the Vandiola region, from 315 ha to 255 ha (a 19.0 percent decrease).

Alternative development [5]

In 2009, USAID terminated most of its work in the Cochabamba (Chapare) region at the request of the Bolivian government, continuing its focus in the Yungas region—ongoing since FY2007—in cooperation with the Bolivian government's coca rationalization plans. The Bolivian government continues to work closely with USAID and other donors on AD in Bolivia, according to the USTR's fifth report to the Congress on ATPA. USAID estimates that the cultivation of alternative crops and pastures in the Cochabamba and Yungas areas increased steadily from 1986 to 2006, with high-value, licit crop exports—such as bananas, pineapple, canned hearts of palm, coffee, and cacao—increasing from $7.5 million in 2001 to $37.8 million in 2008.

In FY2008, the USAID AD program in Bolivia provided assistance to farm communities and businesses that helped generate new jobs and promote sales of AD products worth nearly $28 million. In FY2008, USAID also helped the Bolivian government register the last 51,400 ha of a total of 466,000 ha of land in the Cochabamba (Chapare) region, the step prior to deeding title to the land, in an effort intended to strengthen land ownership rights and thereby encourage farmer investments in raising AD products.

A relatively large number of new initiatives in the La Asunta area of the south Yungas—an underdeveloped region highly dependent on coca cultivation, where the government has started a voluntary eradication program—have been jointly approved by USAID and the Bolivian government over the past year. There has been significantly more demand from communities in this region for AD production than originally envisioned, according to the U.S. Department of State, and data over the last year indicate that USAID's AD program has helped introduce and establish thousands of hectares of legal crops—such as bananas, cacao, hearts of palm, and coffee—as well as place additional land under forest management plans.

USAID has continued its AD program in Bolivia elsewhere besides the Cochabamba region, focusing on coffee, cacao, bananas, hearts of palm, pineapples, amaranth, stevia, annatto seed (achiote), tea, poultry, and honey. Trade in products eligible under ATPA/ATPDEA accounted for 26 percent of overall U.S.-Bolivian trade in 2008. Of the $140 million in Bolivian products exported through the ATPA/ATPDEA program in 2008, 60 percent lost preferential treatment when the program was suspended. This change affected a number of sectors, including mineral fuels/oils, apparel, milled products, and leather articles. Other Bolivian ATPA/ATPDEA exports—such as jewelry, wood furniture, and agricultural products, including hearts of palm and onions—continued to receive benefits in the U.S. market under other preferential trade programs, such as the U.S. GSP program.

Sources: USDOS, INL, *INCSR 2010*, and previous reports; USDOS, INL, *Fiscal Year 2010: Program and Budget Guide*; USDOS, U.S. Embassy, La Paz, "2010 USITC Andean Investment and Drug Crop Survey"; UNODC, *Estado Plurinacional de Bolivia: Monitoreo de Cultivos de Coca 2009*.

[1] Nevertheless, the U.S. Embassy in La Paz reports that the Bolivian government has continued its eradication program with support from the Embassy's Narcotics Affairs Section. The United States maintains a significant counternarcotics assistance program in Bolivia, according to the U.S. Department of State.

CHAPTER 5
Positions of Interested Parties

The Commission held a public hearing regarding the impact of ATPA on July 7, 2010, and also invited interested parties to file written submissions. This chapter first provides an overview of interested parties' major comments 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 government officials from Andean countries, regional organizations, industry associations, U.S. producers and importers, and Andean producers and exporters.[2] Although most of the witnesses and providers of 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 governments and Andean regional organization officials stated that ATPA has never had a substantial adverse impact on U.S. industry.[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 on specific U.S. sectors that they attributed to ATPA. These effects include increased U.S. exports of capital equipment and inputs used in the production of ATPA-eligible products; direct benefits to U.S. goods and services industries; indirect benefits for firms handling ATPA-related imports; benefits to U.S. consumers, such as greater choice, broader product availability, and lower prices; and company-specific benefits. For example, the Secretary General of the Andean Community indicated that the United States is an important source of cotton and cotton yarns for the Andean countries' textile and apparel industries.[5]

[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 332-352 (2009) 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 Luis M. Valdivieso, ambassador to the United States from Peru, written submission, July 20, 2010.

[4] For example, see USITC, hearing transcript, July 8, 2010, 30 (testimony of Textiles La Escala).

[5] Adalid Contreras Baspineiro, general secretary, General Secretariat of the Andean Community,

Furthermore, representatives of the textile and apparel industry stated that ATPA has supported sourcing partnerships between U.S. and beneficiary country companies.[6] Under these partnerships, which do not exist with Chinese and other Asian companies, U.S. companies supply cotton, yarn, 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.

Several companies and associations in agriculture and food-processing industries attributed several sector-specific benefits to ATPA. According to various organization officials, about 225,000 U.S. jobs in the transportation, distribution, processing, and retail industries depend on imports of cut flowers from Colombia and Ecuador.[7] The U.S. Chamber of Commerce asserted, however, that the imports provide U.S. consumers with more choices at better prices. The Association of Floral Importers of Florida 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.[8] 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.[9]

A few interested parties stated that ATPA has had negative economic effects on specific industries. The California Cut Flower Commission 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 obtain a range of incentives and subsidies that are available to Colombian growers through ATPA.[10] Bumble Bee Foods said that ATPA has had a negative impact on the U.S. tuna processing industry. Its submission stated that granting duty-free status to canned tuna from Ecuador will flood the United States with cheap imports, will result in the downsizing and closure of U.S. tuna processing and canning industries, and may lead to the demise of the U.S. tuna fishing fleet.[11]

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 Ecuadoran-American Chamber of Commerce stated that ATPA has promoted investment, export-oriented production, and regional and intra-regional supply chain integration, all of which have stimulated the generation of employment in

written submission, July 13, 2010; USITC, hearing transcript, July 8, 2010, 29 (testimony of Textiles La Escala).

[6] For example, see American Apparel & Footwear Association, written submission, July 14, 2010.

[7] For example, see USITC, hearing transcript, July 8, 2010, 11 (testimony of the Association of Floral Importers of Florida).

[8] USITC, hearing transcript, July 8, 2010, 13 (testimony of the Association of Floral Importers of Florida).

[9] Mateo Lettunich, chairman, Superior Foods International LLC, written submission July 9, 2010.

[10] USITC, hearing transcript, July 8, 2010, 23 (testimony of the California Cut Flower Commission), and written submission, July 14, 2010.

[11] Christopher D. Lischewski, president and chief executive officer, Bumble Bee Foods, Inc., written submission, June 25, 2010. In hearing testimony, other participants noted that the American tuna industry is nearly 100 percent canned tuna, whereas the only product that comes in under ATPDEA is pouched tuna. USITC, hearing transcript, July 8, 2010, 90 (testimony of Textiles La Escala).

Ecuador.[12] The chamber also stated that economic growth stimulated by ATPA/ATPDEA beneficiary industries enabled Ecuador to generate jobs for more than 400,000 workers, corresponding to about 8 percent of the total working population. In addition, the majority of these jobs are held by women, who are the primary breadwinners in many Ecuadorian households. The Peruvian ambassador to the United States said that "ATPDEA has been instrumental in promoting growth, creating employment and reducing poverty in Peru."[13] The Association of Colombian Flower Exporters stated that the Colombian flower industry has grown from 20,000 employees in 1991 to nearly 220,000 in 2010 due to ATPA/ATPDEA.[14]

ATPA Has Had a Positive Effect on Drug Crop Eradication and Crop Substitution[15]

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 ambassador from Peru said that "rising Peruvian exports under ATPDEA have helped in creating thousands of jobs in Peru, while offering our people alternatives to illegal activities."[16] He also stated that "ATPDEA preferences have also helped in offering sustainable alternatives to farmers. Since 2001, more than 80,000 hectares of illegal crops have been eradicated in Peru, more than the area currently presumed to hold illegal crops."[17]

The Colombian Government Trade Bureau stated:

> The industries promoted by ATPA/ATPDEA in Colombia have provided employment alternatives to illegal drug cultivation and this has been a great contribution in the fight against drugs. . . . Colombia has made an enormous progress in terms of illegal crop eradication. The positive outcomes accomplished in the last years in terms of drug crop reduction not only represent a constructive national achievement but also a positive contribution to security issues for the U.S and for the Andean region, given the fact that the illegal drug industry has become one of the main sources for financial and social control for criminal networks, illegal groups and terrorism. Furthermore, the drug industry has weakened Colombian democratic institutions, increased violence levels, generated human rights violations and destroyed the environment. Fortunately, the drug control policy adopted by the Colombian Government over the past few years—combining security and development—has resulted in a historic reduction in cultivation of coca in the region.[18]

The General Secretary of the Andean Community stated in his submission that "the social impacts of [the ATPA] initiative are significant and illustrate the scope of alternative

[12] Bernardo Traversari, executive director, Ecuadorian-American Chamber of Commerce, written submission, July 14, 2010.
[13] Luis M. Valdivieso, ambassador to the United States from Peru, written submission, July 20, 2010.
[14] Augusto Solano, executive president, Association of Colombian Flower Exporters, written submission, July 8, 2010.
[15] 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.
[16] Luis M. Valdivieso, ambassador to the United States from Peru, written submission, July 20, 2010.
[17] Luis M. Valdivieso, ambassador to the United States from Peru, written submission, July 20, 2010.
[18] Claudia Candela, director, Colombian Government Trade Bureau, written submission, July 1, 2010.

projects to the illicit production of drugs as well as possible mechanisms for the integration of small producers into domestic supply chains and export. The side effect, in terms of poverty reduction, or governance, should not be underestimated when evaluating the impact of measures such as the ATPDEA and the achievement of underlying objectives: the eradication of illegal crops."[19] The General Secretary also said that "the member countries of the Andean Community and beneficiaries of the ATPDEA, have made significant progress in reducing coca leaf plantations."

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

Several who testified at the Commission's hearing asserted that the uncertainties related to the repeated expiration and short-term renewals of ATPA since 2006 have negatively affected the investment environment and bilateral trade. For example, a Colombian Government Trade Bureau representative stated that "the numerous short-term extensions that the Program has had over the years, plus the recent U.S. recession, has resulted in a disincentive to long-term investment and trade in sectors that are being benefited by the program."[20] The same representative also stated that, although the pending FTA "is a priority in the bilateral trade agenda," ATPA/ATPDEA continues to be essential to Colombia while it awaits approval of the FTA. If ATPA/ATPDEA were allowed to expire, the submission asserted that the loss of duty-free status would cause the Andean Region to lose its ability to compete globally on price. The trade bureau representative reported that the delay in making ATPA permanent and the possible loss of duty-free access would put at risk legitimate jobs in Colombia, particularly in the textile sector and flower industry.[21]

Summaries of Positions of Interested Parties

Colombian Government Trade Bureau [22]

In testimony at the Commission's hearing, Claudia Candela, director of the Colombian Government Trade Bureau, made the following points:

- ATPA/ATPDEA has been effective in developing business in Colombia, particularly in labor-intensive economic sectors such as flowers, and apparel and textiles. Industries promoted by ATPA/ATPDEA have provided employment alternatives to illegal drug cultivation.
- Businesses in the United States have also benefited from the program, through duty-free imports of inputs used in products manufactured in the United States. ATPA/ATPDEA has been a fundamental economic tool for trade diversification and job creation in Colombia, while supporting jobs in the United States.

[19] Adalid Contreras Baspineiro, general secretary, General Secretariat of the Andean Community, written submission, July 13, 2010.
[20] Claudia Candela, director, Colombian Government Trade Bureau, written submission, July 1, 2010.
[21] Claudia Candela, director, Colombian Government Trade Bureau, written submission, July 1, 2010.
[22] USITC, hearing transcript, July 8, 2010, 6–10 (testimony of the Colombian Government Trade Bureau).

- The success of U.S. trade policy toward Colombia is exemplified by the Colombian flower industry which, at the same time, provides clear evidence that Colombia also meets the eligibility criteria of ATPA. In 2009, approximately 75 percent of the total U.S. flower market consisted of imported flowers, 60 percent of which originated in Colombia. Flower exports from Colombia support approximately 19.8 million U.S. floral retail businesses, and provide 225,000 jobs in the United States.

Ms. Candela expressed the view that the last four extensions of ATPA have discouraged investment in Colombia, saying that "faced with uncertainty of continued trade benefits, Colombian firms began to lose business in the U.S. market since production has shifted to other countries and regions."[23] She said that the trade bureau opposes the graduation of Peru from the ATPA/ATPDEA program and stated that such action would likely have an adverse impact on Colombian exports—apparel in particular—given that the program since its inception has offered cumulation provisions concerning rules of origin for the region. She stated that more than 70 percent of the apparel that Peru shipped to the United States in 2009 entered free of duty under the Andean program rather than under the free trade agreement [the U.S.-Peru Trade Promotion Agreement (TPA)]. She also noted that Colombia is using a significant amount of yarn and fabric from Peru in the apparel that it exports to the United States free of duty under ATPDEA. If Peru were to graduate from the Andean program, she noted, such Colombian garments using Peruvian inputs would no longer receive duty-free access to the U.S. market.

Government of Ecuador[24]

In a written submission, Ambassador Luis Gallegos stated that the government of Ecuador strongly supports ATPA/ATPDEA, asserting that the program has had a positive impact on the economies of both the United States and Ecuador while promoting drug-related crop eradication. He said that this growth has benefited both countries by:

- job creation in both countries;
- hundreds of thousands of Ecuadorians lifted out of poverty;
- successful counternarcotics operations in Ecuador, the United States, and the Western Hemisphere;
- political and economic stability in Ecuador; and
- long-standing commercial, political, and cultural ties between Ecuador and the United States.

The ambassador indicated that ATPA has contributed to the creation of a formal dialogue between Ecuador and the United States. He explained that the U.S.-Ecuador Bilateral Dialogue, headed by the U.S. Department of State and the Ecuadorian Ministry of Foreign Affairs, addresses issues including security, migration, trade and investment, and cooperation and technical assistance. Similarly, he noted that the U.S.-Ecuador Trade and Investment Council, headed by the U.S. Trade Representative, considers issues such as technical barriers to trade, sanitary and phytosanitary standards, nontariff measures, customs issues, investment policies, workers' rights, and intellectual property rights.

In his submission, the ambassador said that:

- ATPA has made a tremendous contribution to Ecuador's trade with the United States, with many of Ecuador's non-petroleum export products—

[23] USITC, hearing transcript, July 8, 2010, 8 (testimony of the Colombian Government Trade Bureau).

[24] Luis Gallegos, ambassador to the United States from Ecuador, written submission, June 30, 2010.

including fresh cut flowers, tuna, broccoli, pineapples, and textiles and apparel—entering the United States free of duty as a result of the program. He pointed out that fresh cut flowers alone represent 39 percent of Ecuador's non-oil exports under ATPA, while pouched tuna products represent 11 percent and broccoli products approximately 7 percent.

- Eliminating ATPA would likely result in a 50 percent reduction in Ecuador's exports to the United States, affecting major industries that support Ecuador's economic growth and more than 400,000 jobs in the country.
- Some areas likely to be affected adversely if ATPA were not renewed included roses, broccoli, pouched tuna, artisan crafts, fresh cut flowers, fresh papaya, canned fruits and vegetables, organic sugar, crabmeat, and tropical fruit juices and concentrates.

Government of Peru[25]

In a written submission, Ambassador Luis Valdivieso said that ATPA/ATPDEA has been instrumental in promoting growth, creating employment, and reducing poverty in Peru. Through 2008, almost half of Peru's exports to the United States enjoyed benefits under U.S. trade preference programs. He indicated that although these preference programs have never posed "a substantial adverse impact on the U.S. industry, rising Peruvian exports under ATPDEA have helped in creating thousands of jobs in Peru, while offering our people alternatives to illegal activities."

ATPDEA Regional Impact

The ambassador said ATPDEA has supported considerable integration among industries located in Ecuador, Colombia, and Peru, by allowing the cumulation of materials among beneficiary countries to determine product origin. Such provisions, according to the ambassador, benefit Peruvian exports to the United States using inputs from other ATPDEA beneficiaries as well as Peruvian exports of materials to other Andean countries that are then used to produce goods exported to the United States under ATPDEA.

From ATPDEA to Bilateral Free Trade Agreements

The ambassador said that ATPDEA was supposed to pave the way to successful bilateral trade negotiations between the Andean countries, because most goods with preferential customs treatment get zero tariffs under the U.S.-Peru TPA. Peru, Colombia, and Ecuador were expected to reach bilateral trade agreements with the United States at about the same time, with most of their trade with the United States covered through bilateral agreements. He said that, if this had happened, the trade relationship featuring one-way preferences under ATPDEA would have shifted to a more reciprocal trade relation between the United States and Andean countries, extending equivalent trade preferences to the United States that would benefit U.S. producers, manufacturers, farmers, trademark holders, and investors. However, he continued, Peru became the only ATPA beneficiary country that reached a bilateral trade agreement with the United States, which entered into force in February 2009. The ambassador noted that by the rules of the agreement,

[25] Luis M. Valdivieso, ambassador to the United States from Peru, written submission, July 20, 2010.

Peru would be forbidden to cumulate origin with Colombia and Ecuador in its export products.

Extending ATPDEA Benefits

The ambassador said that the decision by the U.S. Congress to extend ATPDEA to all Andean beneficiaries helped address their concerns about losing an important export market that could affect Andean trade both bilaterally (with the United States) and regionally. He stated that if Peru ceased to be an ATPDEA beneficiary country, despite having the TPA in effect, a substantial part of the production of its small and medium-sized textile companies—which currently incorporate Colombian inputs—would no longer have access to the U.S. market. Peru, he noted, would no longer have access under ATPDEA rules, which allow for cumulation of product origin between Andean countries, nor would it have the possibility of cumulation of product origin under the TPA. The ambassador asserted that the "decision to remove Peru from ATPDEA would expose Peruvian workers and farmers, many already moving away from illegal crops, to the threat of populism and violence still present in Latin America." He also stated that ATPDEA "provides a platform to support further trade development between the U.S. and Peru and other Andean trade partners."

The Andean Community[26]

In a written submission, Adalid Contreras Baspineiro, general secretary of the Andean Community, made two main points:

- The United States is the main trading partner of the Andean Community, with the value of exports to the United States reaching a record $30.029 million in 2008, of which $13.778 million were sold under the ATPDEA program. U.S. floriculture activity has contributed to the creation of about 226,000 direct and indirect jobs in the United States, in areas such as transportation companies, flower shops, and supermarkets, as a result of importing fresh flowers from the Andean countries under this program. In the same way, the U.S. food industry has been able to create approximately 5,000 new jobs in the distribution chain alone because of imported asparagus from Peru under the ATPA program, according to the Association of Food Industries.
- ATPDEA is an instrument that gives the recipient countries a chance to produce value-added goods, enabling them to sustain and expand their participation in international markets. The program enables them to raise the standard of living of the people involved while also creating the possibility for positive impact in some U.S. consumer markets over time, particularly on agricultural goods and goods of agroindustrial origin.

[26] Adalid Contreras Baspineiro, general secretary, General Secretariat of the Andean Community, written submission, July 13, 2010. The Andean Community is an organization that promotes surbregional integration whose member states are Bolivia, Colombia, Ecuador, and Peru.

American Apparel & Footwear Association[27]

In a written submission, the American Apparel and Footwear Association (AAFA) stated that it is a national trade association that represents U.S. apparel and footwear industries and their suppliers—members who produce and market sewn products throughout the United States and the world, including the Andean region. The submission said that AAFA strongly supports ATPA and has spoken out for its continuation in the face of numerous short-term extensions.

The AAFA addressed two issues it considered critical to the continued success of ATPA: (1) the association's view that Peru should not be graduated from the program, and (2) its opposition to Ecuador's use of balance-of-payments safeguard measures.

The AAFA recounted that the ATPA program was expanded through the Andean Trade Promotion and Drug Eradication Act (ATPDEA), which allowed beneficiary countries to produce apparel, under certain rules, for export to the United States free of duty. Given the near doubling of U.S. apparel imports from the Andean region between 2001 and 2004, the AAFA considered the program a success in its effort to promote integration between the United States and the Andean countries, as well as among Andean countries. Since more than 70 percent of the apparel Peru shipped to the United States in 2009 entered under ATPA, rather than the U.S.-Peru TPA, the association stressed that it was critical to keep Peru in the program. If Peru were "graduated" from ATPA, AAFA said that Colombian garments using Peruvian inputs would likely no longer receive duty-free access to the U.S. market. The submission noted that Colombia presently uses significant quantities of Peruvian yarn and fabric in its apparel exports to the United States.

AAFA also said that it opposed Ecuador's decision to use balance-of-payments safeguard restrictions and surcharges on apparel and footwear, surcharges AAFA reported as $10 per pair on all footwear imports and $12 per kilogram on most apparel imports. These surcharges essentially closed the Ecuadorian market to U.S.-made and U.S.-branded apparel and footwear, according to AAFA's submission.

AAFA indicated that Ecuador has announced that it will replace the $10 per pair surcharge with a mixed ad valorem/specific duty of 10 percent plus $6 per pair. As most footwear imported into Ecuador has an average f.o.b. (free on board) value ranging from $3 to $18, and retails for the equivalent of from $9 to $48, footwear imports would be subject to an actual duty of anywhere from 43 percent to 210 percent at the new duty rate, according to the association.

Association of Colombian Flower Exporters[28]

In a written submission, the Association of Colombian Flower Exporters stated that it is a nonprofit trade association that represents and supports Colombian flower growers and exporters, companies that account for 75 percent of Colombia's total cut flower exports. According to its submission, the U.S. floral industry is dependent on Colombian flowers, since more than 60 percent of the 4.2 billion flowers imported into the United States come annually from Colombia. In its submission, the association suggested that

[27] Kevin M. Burke, president and CEO, American Apparel and Footwear Association, written submission, July 14, 2010.
[28] Augusto Solano, executive president, Association of Colombian Flower Exporters, written submission, July 8, 2010.

Colombian flower imports support nearly 225,000 jobs in the United States in sectors such as transportation, import brokerage, wholesale operations, retail florist shops, Internet providers, supermarkets, and convenience stores. The association said that it strongly supports ATPA because it has enabled Colombia's cut flower industry to grow from 20,000 employees in 1991 to more than 220,000 in 2010. The association also said that the U.S. government has recognized the Colombian flower industry as an important ally in efforts to combat the illegal drug trade.

Association of Floral Importers of Florida[29]

In testimony before the Commission, the Association of Floral Importers of Florida (AFIF) explained that it was founded to give flower importers, located mainly in Miami, a united voice on issues affecting the flower importing industry. AFIF member companies now represent roughly 80 percent of the flowers imported into Florida, according to the association.

In her testimony, Christine Boldt, executive vice president of the AFIF, made the following points:

- Approximately 220,000 U.S. jobs in the floral industry depend on the free flow of Andean flowers into the United States. Jobholders include airline industry employees, U.S. Customs and Border Protection personnel, U.S. Department of Agriculture (USDA) personnel, custom brokers, flower importers, truck transporters, and people working in wholesale operations, retail flower shops, Internet providers, and supermarkets.
- The vast majority of the approximately 4.2 billion stems of flowers imported yearly into the United States are imported from Colombia and Ecuador (with 60 percent from Colombia, 30 percent from Ecuador, and 10 percent from the rest of the world).
- These flowers play a major role in supporting the $20 billion U.S. horticulture industry. Imported flowers make up approximately 75 percent of the total fresh flower supply in the United States.

Ms. Boldt stated that the U.S. flower industry is intensely competitive, with very thin margins and with operating profits for most flower importers of 2 to 4 percent. She went on to say that the short-term extensions of the ATPA over the last four years have created uncertainty in the flower industry, and that the expiration of the ATPA program slated for December—just prior to the flower industry's two major holidays—makes it difficult to "pre-sell to prepare pricing" and makes proper cost analysis and correct pricing almost impossible. The industry requires "set pricing" or "pre-books" months in advance and sometimes a year ahead, she explained. Ms. Boldt's testimony also pointed out that U.S. companies have invested more than $250 million directly into the Colombian flower industry and own approximately 17 percent of Colombian flower production, accounting for nearly 20 percent of total exports to the United States.

[29] USITC, hearing transcript, July 8, 2010, 10–14 (testimony of the Association of Floral Importers of Florida).

Atlas Flowers[30]

In testimony at the Commission's hearing, Gabriel Becerra, president of Atlas Flowers, doing business as Golden Flowers, stated that it imports and distributes fresh flowers throughout the United States. He said that Golden Flowers imports its flowers from more than 30 farms in Colombia that provide employment for several thousand workers, a high percentage being single females who are heads of households. He stated that the Colombian floral industry is located mainly in the regions of Bogotá and Rionegro, near Medellín, and provides more than 120,000 direct jobs and more than 90,000 indirect jobs. Mr. Becerra said that investment in flower farms is capital-intensive and requires well-trained labor in order to be competitive.

Mr. Becerra asserted that the floral industry is one of the most important job generators in South Florida, with more than 15,000 direct employees and many thousands of indirect jobs involving U.S. Customs, USDA, the airlines industry, freight forwarders, importers, trucking companies, and jobs located at Miami International Airport. He said that ATPA has been extremely important in preserving these jobs during the recent economic crisis as the industry is already highly competitive and very price-sensitive—operating at very low margins—and is totally dependent on the preferences provided under ATPA.

Bumble Bee Foods[31]

In a written submission, Bumble Bee Foods said that it is a U.S.-owned and -operated company that provides shelf-stable seafood products. Its submission made the points that:

- Current trade policies have allowed the Andean tuna industry to grow dramatically.
- The number of tuna factories, production capacity, employment in, and exports from, Andean countries have all risen considerably in the past 20 years, and Andean nations currently have the largest fleet in the eastern tropical Pacific Ocean. Bumble Bee said that it operates two of the last three canned tuna production facilities in the United States in Santa Fe Springs, California, and Mayaguez, Puerto Rico.
- Bumble Bee opposes current trade preference benefits for Andean nations because reduced tariffs provided to Ecuador under ATPA threaten Bumble Bee's tuna processing operations. The company asserted that granting duty-free entry to canned tuna from Ecuador will flood the U.S. market with inexpensive imports and will result in the downsizing and closure of U.S. tuna processing and canning industries, possibly leading to the demise of the U.S. tuna fishing fleet due to excess capacity in the industry.

[30] USITC, hearing transcript, July 8, 2010, 14–17 (testimony of the Association of Floral Importers of Florida).

[31] Christopher D. Lischewski, president and chief executive officer, Bumble Bee Foods, Inc., written submission, June 25, 2010.

California Cut Flower Commission[32]

In testimony at the Commission's hearing and in a written submission, the California Cut Flower Commission (CCFC) stated that the Andean Trade Preferences and Drug Eradication Act has adversely affected California flower farmers. The CCFC said that it is a commission established by the state legislature, overseen by the California Department of Food and Agriculture, and funded by 225 farms growing flowers and foliage throughout the state. According to the CCFC, California's floral industry has a $10.3 billion annual impact on California and generates more than 121,000 jobs. The commission stated that California flower farms employ more than 7,500 people directly, but suggested that a ripple effect generates an additional 19,000 jobs for California.

In testimony before the Commission, Kasey Cronquist, executive director of the CCFC, remarked that California flower growers have extensively diversified their crop varieties to better compete with imports. Nonetheless, she said that, over the past 20 years, California has seen generations of flower farmers give up, close their doors, and sell their farms due to the import pressures generated by ATPDEA. Ms. Cronquist highlighted that, during 2003–07, the number of acres dedicated to cut flower production in the United States declined by 22.3 percent, whereas U.S. imports from Colombia increased by 75 percent. Currently, Colombia and other countries account for between 75 and 80 percent of all cut flowers sold in the United States, according to her testimony. The primary frustration with ATPA is not just the duty-free access, as the CCFC views the situation, but that the implementation of the policy does not ensure or safeguard a fair and competitive market, leaving California farms to compete with imports that are priced below the cost of production in California. In her testimony, Ms. Cronquist contended that, while California's farms have focused on diversifying away from products that are imported from other countries, they still face the day-to-day competition on price. CCFC said that when the natural advantages of sunlight, climate, cost of labor, and the price of land are combined with significant government support and subsidies, domestic farms cannot compete with foreign producers.

Ms. Cronquist stated that the U.S. State Department reported in 2009 that Colombian flower growers received support from the Colombian government in the form of incentives or subsidies, which amounted to roughly $210 million since 2005.[33] She cited four Colombian programs that her organization finds benefit Colombian flower growers: (1) the exchange-rate hedge incentive, (2) the sanitary measures incentive, (3) the salary protection program for producers of exportable agricultural goods, and (4) the special line of credit for exporters. In closing her testimony, she also said that the Colombian flower industry also receives substantial financial support from the U.S. government for economic development and trade capacity building.

Ecuadorian-American Chamber of Commerce[34]

In a written submission, the Ecuadorian-American Chamber of Commerce said that it had been asked by Ecuador's private sector to coordinate industry efforts to secure the renewal and continuation of ATPDEA benefits for Ecuador.

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[32] USITC, hearing transcript, July 8, 2010, 17–26 (testimony of the California Cut Flower Commission), and written submission, July 14, 2010.

[33] USITC, hearing transcript, July 8, 2010, 23 (testimony of the California Cut Flower Commission).

[34] Bernardo Traversari, executive director, Ecuadorian-American Chamber of Commerce, written submission, July 14, 2010.

The Chamber made the following points in support of the ATPDEA program:

- ATPDEA is the cornerstone of Ecuador's export promotion policy among all the duty preference programs that Ecuador uses.
- The program has been used to help craft a major policy mechanism in terms of one of ATPA's fundamental objectives—to help curb the production, transportation, and sale of controlled narcotic substances.
- ATPA has promoted investment, export-oriented production, and the development of regional and interregional supply chain integration, all of which has stimulated the generation of employment in Ecuador as well as in the United States.
- Of the $4.6 billion in exports from Ecuador to the United States in 2009, most entered the United States free of duty under ATPDEA. In addition to traditional exports—such as petroleum, bananas, shrimp, coffee, and cocoa—more than $365 million in exports to the United States was generated in 2009 in newer, nontraditional industries dependent on ATPDEA, such as cut flowers, broccoli, wood articles, tropical fruits (e.g., mangoes, pineapples), tuna, and textiles.
- These new export industries that depend on the ATPDEA program generated more than 400,000 jobs in Ecuador. Many of these jobs are located in the country's northern provinces, near the border with Colombia, a region known for both its poverty and its susceptibility to drug cultivation.

Superior Foods Companies[35]

In a written submission, Superior Foods Companies said that it is a U.S. company that imports frozen broccoli from Ecuador. Over the last 25 years, U.S. producers have increasingly emphasized fresh broccoli over frozen production, with Mexico becoming the primary source for frozen broccoli. Nonetheless, Ecuador has carved out a niche in U.S. and European broccoli markets due to the high quality and year-round availability of Ecuadorian broccoli. Broccoli is also the principal ingredient in many value-added blends and prepared meals currently produced by U.S. companies and distributed in the United States and Europe. In its submission, Superior said that although imports of Ecuadorian broccoli account for only a minor percentage of its total revenue, it depends on these imports to compete with broccoli from Mexico, Europe, and China. Superior reported that frozen broccoli from Ecuador was a "linchpin component" in its overall competitiveness and revenue base. Superior Foods' submission also stated that the "discontinuation of economic access to frozen broccoli from Ecuador would cause, at the very least, a crippling disadvantage to Superior Foods and U.S. companies like ours, and, in turn, to our employees and the numerous American producers who depend on us."

Textiles La Escala[36]

In his testimony, Jeff Sheedy, chief executive officer of Textiles La Escala, said that Textiles La Escala is a yarn-spinning mill and fabric operation located in Quito, Ecuador, and is part of the 230-member Ecuadoran Textile Association. Concerning job creation and its benefits resulting from ATPA/ATPDEA trade provisions, he said that "the great

[35] Mateo Lettunich, chairman, Superior Foods International LLC, written submission, July 9, 2010.

[36] USITC, hearing transcript, July 8, 2010, 27–34 (testimony of Textiles La Escala), written submission July 14, 2010.

thing about ATPDEA is it's a two-way street. We're generating jobs both here and in the United States." Mr. Sheedy said in his testimony that approximately 93 percent of the cotton consumed in Ecuador comes from the United States, with most such cotton imported free of duty from the southern states, Arizona, and California. In addition to the direct benefits to the U.S. cotton and textile industries, Mr. Sheedy said that apparel imports from Ecuador under ATPA have generated benefits to the U.S. economy across the entire transportation, distribution, and retail chain. He pointed out in this testimony that the United States has consistently maintained a textile trade surplus with Ecuador, reporting that this surplus reached $44.3 million in 2008 before declining to $36.7 million in 2009. Nonetheless, he reported that in the first three months of 2010, the United States again enjoyed a surplus estimated at $9.2 million. The most important aspect of ATPA is the rules of origin. Mr. Sheedy stressed the importance of maintaining cumulation among the four countries—Ecuador, Peru, Colombia, and the United States. The four countries are able to leverage off each other's competitive advantage, he stated in his testimony, enabling them to compete against mainly Asian imports.

U.S. Chamber of Commerce[37]

In testimony at the Commission's hearing, Patrick Kilbride of the U.S. Chamber of Commerce (Chamber) stated that it has been a consistent supporter of ATPA because of the economic and foreign policy benefits that accrue both to the United States and to its Andean neighbors:

- The Andean beneficiary countries gain ATPA-related jobs that tend to pay above-average wages and that often serve as a gateway for workers to enter the formal economy, which is a big priority for the Chamber and the region.
- U.S. businesses benefit by being allowed to import components and materials, as well as labor-intensive consumer goods, on a duty-free basis, which enhances the global competitiveness of U.S. businesses and their ability to create and maintain jobs.

Mr. Kilbride said that U.S. imports from the Andean countries frequently contain a high percentage of U.S. content, supporting this view with a citation from the American Apparel and Footwear Association's Web site:

> The Andean region is a growing and important market for U.S. textile and cotton exports as about $250 million worth of U.S. cotton and textiles were exported last year to the Andean region. Most of these products are incorporated into finished garments. Those finished products made with U.S. yarns, fabrics, fibers, cotton and other textile inputs—the whole gamut of the supply chain—are then brought back to the U.S. duty-free.[38]

Mr. Kilbride said that the Chamber considers that ATPA has played a useful role in U.S. efforts to promote sustained economic growth in Colombia by helping create jobs, isolate violent extremist groups in the Andean countries, restore economic growth, and provide citizens with long-term alternatives to narcotics trafficking and out-migration. He said that the Chamber urges that ATPA benefits for Colombia be continued until the U.S.-Colombia FTA takes effect, to help avoid trade disruption and job losses in both countries.

[37] USITC, hearing transcript, July 8, 2010, 35–41 (testimony of the U.S. Chamber of Commerce).
[38] USITC, hearing transcript, July 8, 2010, 36 (testimony of the U.S. Chamber of Commerce).

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APPENDIX A
Federal Register Notice

endangered species. With some exceptions, the Endangered Species Act (Act) prohibits activities with endangered and threatened species unless a Federal permit allows such activity. The Act requires that we invite public comment before issuing these permits.

DATES: We must receive any written comments on or before June 7, 2010.

ADDRESSES: Send written comments by U.S. mail to the Regional Director, Attn: Peter Fasbender, U.S. Fish and Wildlife Service, Ecological Services, 1 Federal Drive, Fort Snelling, MN 55111–4056; or by electronic mail to *permitsR3ES@fws.gov.*

FOR FURTHER INFORMATION CONTACT: Peter Fasbender, (612) 713–5343.

SUPPLEMENTARY INFORMATION:

Background

We invite public comment on the following permit applications for certain activities with endangered species authorized by section 10(a)(1)(A) of the Act (16 U.S.C. 1531 *et seq.*) and our regulations governing the taking of endangered species in the Code of Federal Regulations (CFR) at 50 CFR part 17. Submit your written data, comments, or request for a copy of the complete application to the address shown in **ADDRESSES.**

Permit Applications

Permit Application Number: TE09357A.

Applicant: Ecological Specialties LLC, Symsonia, Kentucky.

The applicant requests a permit renewal/amendment to take (capture, radio-tag, and release) Indiana bats (*Myotis sodalis*), gray bats (*Myotis grisescens*), Ozark big-eared bats (*Corynorhinus townsendii ingens*), Virginia big-eared bats (*Corynorhinus townsendii virginianus*), Mexican long-nosed bats (*Leptonycteris nivalis*), and Sanborn's long-nosed bats (*Leptonycteris sanborni (=yerbabuenae)*) throughout the States of Arkansas, Alabama, California, Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, New Jersey, New Mexico, New York, Ohio, Pennsylvania, Tennessee, Texas, Virginia, and West Virginia to document presence/absence and distribution of the species and to conduct habitat use assessments. Proposed activities are aimed at enhancement of survival of the species in the wild.

Permit Application Number: TE010887A.

Applicant: U.S. Geological Survey, Great Lakes Science Center, Porter, Indiana.

The applicant requests a permit to take (capture, rear and release) Karner blue butterflies (*Lycaeides melissa samuelis*) throughout the range of the species in New York, Indiana, Michigan, and Wisconsin. Proposed activities involve capture of adult butterflies for captive rearing, experimental treatments on captive-reared larvae, and nonlethal tissue sampling in the wild. Population studies are designed to answer questions posed in the Karner blue butterfly recovery plan and are aimed at enhancement of survival of the species in the wild.

Permit Application Number: TE10891A.

Applicant: Illinois State Museum, Department of Natural Resources, Springfield, Illinois.

The applicant requests a permit renewal to take (capture and release, collect) Hine's emerald dragonfly (*Somatochlora hineana*) throughout the range of the species in the States of Alabama, Arkansas, Connecticut, Delaware, District of Columbia, Georgia, Illinois, Indiana, Iowa, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, Virginia, West Virginia, and Wisconsin. Proposed activities are for the recovery and enhancement of survival of the species in the wild.

Permit Application Number: TE212427.

Applicant: Ecology & Environment, Inc., Lancaster, New York.

The applicant requests an amendment to permit number TE212427 for the Indiana bat, Ozark big-eared bat, and gray bat. The applicant's request includes addition of qualified personnel and addition of the States of Iowa, Michigan, and Pennsylvania to their area of jurisdiction for conducting survey and assessment work. Activities are for the enhancement of survival of the species in the wild.

Permit Application Number: TE11035A.

Applicant: Robert J. Vande Kopple, University of Michigan, Pellston, Michigan.

The applicant requests a permit renewal to take (capture and release, collect) Hungerford's crawling water beetle (*Brychius hungerfordi*) throughout the States of Michigan and Wisconsin. Proposed activities include surveys to document presence of the species, habitat use, and scientific study related to recovery and enhancement of the survival of the species in the wild.

Public Comments

We seek public review and comments on these permit applications. Please refer to the permit number when you submit comments. Comments and materials we receive are available for public inspection, by appointment, during normal business hours at the address shown in the **ADDRESSES** section. Before including your address, phone number, e-mail 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.

National Environmental Policy Act (NEPA)

In compliance with NEPA (42 U.S.C. 4321 *et seq.*), we have made an initial determination that the proposed activities in these permits are categorically excluded from the requirement to prepare an environmental assessment or environmental impact statement (516 DM 6 Appendix 1, 1.4C(1)).

Dated: April 30, 2010.

Lynn M. Lewis,

Assistant Regional Director, Ecological Services, Region 3.

[FR Doc. 2010–10659 Filed 5–5–10; 8:45 am]

BILLING CODE 4310–55–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 14th 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. The Commission prepares these reports under investigation No. 332–352, *Andean*

Trade Preference Act: Impact on the U.S. Economy and on Andean Drug Crop Eradication.

DATES: *June 24, 2010:* Deadline for filing requests to appear at the public hearing.

June 30, 2010: Deadline for filing pre-hearing briefs and statements.

July 7, 2010: Public hearing.

July 14, 2010: Deadline for filing post-hearing briefs and statements and all other written submissions.

September 30, 2010: Transmittal of Commission report to Congress.

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: Walker Pollard (202–205–3228, or *walker.pollard@usitc.gov*), Country and Regional Analysis Division, Office of Economics, U.S. International Trade Commission, Washington, DC 20436. For information on the legal aspects of this investigation, contact William Gearhart of the Commission's Office of the General Counsel (202–205–3091 or *william.gearhart@usitc.gov*). The media should contact Peg O'Laughlin, Public Affairs Officer (202–205–1819 or *margaret.olaughlin@usitc.gov*). 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 this investigation for preparing these reports was published in the **Federal Register** of March 10, 1994 (59 FR 11308). This 14th report, covering the period since the previous report and focusing on calendar year 2009, is to be submitted by September 30, 2010.

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 7, 2010. Requests to appear at the public hearing should be filed with the Secretary, no later than 5:15 p.m., June 24, 2010, 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., June 30, 2010, and all post-hearing briefs and statements should be filed not later than 5:15 p.m., July 14, 2010. In the event that, as of the close of business on June 24, 2010, 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 June 24, 2010, 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 14, 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/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.

Congressional committee staff has indicated that the receiving committees intend 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 Congress. 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 3, 2010.

By order of the Commission.

Marilyn R. Abbott,

Secretary.

[FR Doc. 2010–10688 Filed 5–5–10; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731–TA–1070A (Review)]

Crepe Paper Products From China Determination

On the basis of the record[1] developed in the subject five-year review, the United States International Trade Commission (Commission) determines, pursuant to section 751(c) of the Tariff Act of 1930 (19 U.S.C. 1675(c)), that revocation of the antidumping duty order on crepe paper from China would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

Background

The Commission instituted this review on December 1, 2009 (74 FR

[1] The record is defined in sec. 207.2(f) of the Commission's Rules of Practice and Procedure (19 CFR 207.2(f)).

APPENDIX B
Hearing Calendar

CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject: Andean Trade Preference Act: Impact on the U.S. Economy and on Andean Drug Crop Eradication

Inv. No.: 332-352

Date and Time: July 7, 2010 - 9:30 a.m.

A sessions was held in connection with this investigation in the Main Hearing Room (room 101), 500 E Street, S.W., Washington, D.C.

EMBASSY WITNESS:

Embassy of Peru
Washington, D.C.

His Excellency Luis M. Valdivieso, Ambassador of Peru to the United States of America

ORGANIZATION AND WITNESS:

Colombian Government Trade Bureau
Washington, D.C.
on behalf of

Embassy of Colombia

Claudia Candela, Director

Carolina Acosta, Counselor

American Chamber of Commerce
Washington, D.C.

Patrick Kilbride, Director of the Americas Office; and Executive Vice President, Association of American Chambers of Commerce (AACCLA)

ORGANIZATION AND WITNESS:

Association of Floral Importers of Florida
Miami, FL

Christine Boldt, Executive Vice President

Gabriel Becerra, Board Director

California Cut Flower Commission
Sacramento, CA

Kasey Cronquist, Executive Director/Ambassador

Textiles La Escala
Quito, Ecuador

Jeff S. Sheedy, Chief Executive Officer

-END-

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 2009.[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 2009, 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 2009. However, the material on welfare and displacement effects, in the section titled "Analytical Approach" in chapter 1 and 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

[1] As discussed in chap. 1, the term "ATPA" refers to ATPA as amended by ATPDEA.

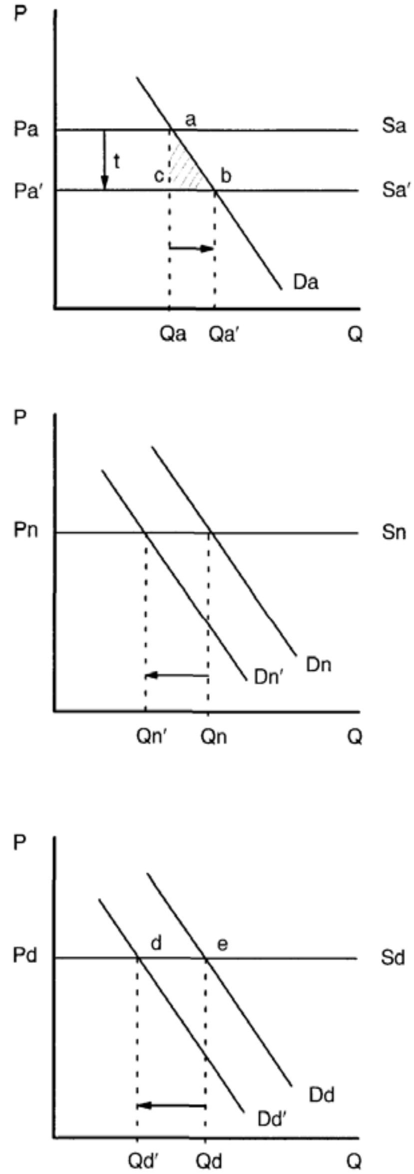
[2] Although the term *duty reduction* is used, the methodology employed in the analysis for this report applies equally to a duty elimination (which is a duty reduction in the full amount of the duty).

[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), 589-597.

[5] The subscripts a, n, and d refer to ATPA imports, non-ATPA imports, and U.S. domestic output, respectively.

Figure C-1
Partial equilibrium analysis of the effects of ATPA duty provisions on U.S. imports



a. ATPA imports

b. non-ATPA imports

c. U.S. domestic output

supply curves greatly 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. This is measured by the trapezoid $P_a abP'_a$ in panel a. There is also 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.[7] The dollar amount by which ATPA imports displace U.S. output is measured by the rectangle $Q'_d deQ_d$ in panel c.

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) $$\left(Q_a / Q'_a\right) = \left(P_a / P'_a\right)^{\varepsilon_{aa}}$$

(2) $$\left(Q_n / Q'_n\right) = \left(P_a / P'_a\right)^{\varepsilon_{na}}$$

(3) $$\left(Q_d / Q'_d\right) = \left(P_a / P'_a\right)^{\varepsilon_{da}}$$

[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] 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.

Given that $P_a = P_a'(1+t)$, these can be restated as

(1) $$\left(Q_a / Q_a'\right) = (1+t)^{\varepsilon_{aa}}$$

(2) $$\left(Q_n / Q_n'\right) = (1+t)^{\varepsilon_{na}}$$

(3) $$\left(Q_d / Q_d'\right) = (1+t)^{\varepsilon_{da}}$$

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) $$\varepsilon_{aa} = V_a\eta - V_n\sigma_{ca} - V_d\sigma_{da}$$

(5) $$\varepsilon_{na} = V_a\left(\sigma_{na} + \eta\right)$$

(6) $$\varepsilon_{da} = V_a\left(\sigma_{da} + \eta\right)$$

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 i th and j th products.[8] Estimates of the aggregate demand elasticities were taken from the literature.[9] 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 assumption of high substitution elasticities. The lower estimates reflect the assumption of low substitution elasticities.[10]

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 heading 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

[8] Equations (4) through (6) are derived from P.R.G. Layard and A.A. Walters, *Microeconomic Theory* (New York: McGraw-Hill, 1978).

[9] 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, January 1993.

[10] 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.

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)

$$\text{area of trapezoid } P_a abP'_a = \int_{P'_a}^{P_a} kP_a^{\varepsilon_{aa}} dP_a$$

$$= [1/(1+\varepsilon_{aa})]\left[(1+t)^{(1+\varepsilon_{aa})} - 1\right]P'_a Q'_a \quad \text{if } \varepsilon_{aa} \neq -1$$

$$k\ln(1+t) \qquad \text{if } \varepsilon_{aa} = -1$$

Tariff revenue from U.S. imports from ATPA partners

$$\text{area of rectangle } P_a acP'_a = (P_a - P'_a)Q_a$$

$$= P'_a tQ_a \qquad \text{given } P_a = P'_a(1+t)$$

$$= tP'_a Q'_a (1+t)^{\varepsilon_{aa}} \qquad \text{given } Q_a = Q'_a(1+t)^{\varepsilon_{aa}}$$

Domestic output

$$\text{area of rectangle } Q'_d deQ_d = P_d(Q_d - Q'_d)$$

$$= P_d Q'_d\left[(1+t)^{\varepsilon_{da}} - 1\right]$$

The change in the value of U.S. cut apparel parts $= uP'_a Q'_a\left[(1+t')^{\varepsilon_{aa}} - 1\right]$, 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 domestic output is estimated as

$$P_d Q'_d\left[(1+t)^{\varepsilon_{da}} - 1\right] + uP'_a Q'_a\left[(1+t')^{\varepsilon_{aa}} - 1\right].$$

APPENDIX D
Statistical Tables

TABLE D.1 U.S. imports for consumption from ATPA countries, by duty treatment, by country, 2005–09

Duty treatment	2005	2006	2007	2008	2009
			Millions of $		
Bolivia					
Dutiable imports	10.9	33.4	6.1	69.2	97.5
Duty-free value:					
NTR duty-free	98.2	141.1	138.7	252.5	282.6
ATPA:					
Exclusive	81.3	76.8	76.8	83.7	0.0
Non-exclusive	76.0	89.4	71.3	56.2	0.0
Total ATPA	157.4	166.2	148.1	140.0	0.0
GSP	26.8	21.7	40.7	47.6	123.9
Other duty-free	0.0	0.1	([a])	0.1	0.0
Total duty-free value	282.4	329.0	327.6	440.2	406.5
U.S. Virgin Islands[b]	0.0	0.0	0.0	31.0	0.0
Total imports	293.3	362.4	333.6	540.4	504.0
Colombia					
Dutiable imports	895.7	721.3	817.5	1,057.6	1,250.8
Duty-free value:					
NTR duty-free	2,865.6	3,290.0	3,492.3	4,315.1	4,178.7
ATPA:					
Exclusive	4,259.7	4,365.2	4,146.4	6,928.8	5,205.7
Non-exclusive	393.3	426.0	381.3	410.4	383.8
Total ATPA	4,653.1	4,791.2	4,527.7	7,339.2	5,589.5
GSP	188.9	181.6	236.4	235.8	188.7
Other duty-free	([a])	0.1	0.4	0.4	1.2
Total duty-free value	7,707.5	8,262.9	8,256.8	11,890.6	9,958.0
U.S. Virgin Islands[b]	167.0	255.6	176.9	110.7	0.5
Total imports	8,770.3	9,239.8	9,251.2	13,058.8	11,209.4
Ecuador					
Dutiable imports	527.5	486.5	318.1	1,128.4	989.8
Duty-free value:					
NTR duty-free	918.0	1,128.2	1,104.1	1,263.0	1,445.5
ATPA:					
Exclusive	4,221.8	5,138.5	4,460.9	6,433.4	2,586.5
Non-exclusive	148.8	186.7	152.9	161.3	162.0
Total ATPA	4,370.7	5,325.2	4,613.8	6,594.8	2,748.4
GSP	57.7	71.2	76.6	57.1	52.3
Other duty-free	([a])	0.1	0.2	0.1	0.4
Total duty-free value	5,346.4	6,524.7	5,794.6	7,914.9	4,246.6
U.S. Virgin Islands[b]	0.1	0.2	18.2	0.5	9.5
Total imports	5,873.9	7,011.4	6,131.0	9,043.8	5,245.9
Peru					
Dutiable imports	127.7	103.3	151.1	332.1	274.4
Duty-free value:					
NTR duty-free	2,498.0	2,399.5	1,727.8	1,988.2	1,611.7
ATPA:					
Exclusive	2,085.5	2,951.0	2,804.5	2,915.2	1,019.8
Non-exclusive	197.1	250.8	212.7	253.5	356.5
Total ATPA	2,282.6	3,201.8	3,017.2	3,168.7	1,376.3
GSP	174.8	179.4	245.5	271.0	30.7
Peru FTA	0.0	0.0	0.0	0.0	898.1
Other duty-free	([a])	([a])	0.1	0.2	0.0
Total duty-free value	4,955.4	5,780.7	4,990.6	5,428.1	3,916.8
U.S. Virgin Islands[b]	39.5	12.9	65.3	79.7	43.4
Total imports	4,994.9	5,793.6	5,056.0	5,507.9	3,960.3

[a] Value is less than $50,000.
[b] The U.S. Virgin Islands has its own tariff schedule and laws separate from the rest of the United States and is outside the U.S. customs territory; therefore, imports that enter the U.S. Virgin Islands are not identified as either dutiable or free of duty.
[c] Value is less than 0.05 percent.

Table D.2 Leading U.S. imports for consumption from Andean countries, HS chapter, in value and share of non-oil imports for consumption, 2005–09

HS chapter	Description	2005	2006	2007	2008	2009	Change 2008–09
		Value (millions of $)					*Percent*
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	7,951.8	9,138.4	8,224.9	13,353.4	7,363.8	-44.9
06	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	549.7	594.2	652.7	635.3	626.8	-1.3
61	Articles of apparel and clothing accessories, knitted or crocheted	953.6	1,000.0	922.0	889.2	490.3	-44.9
74	Copper and articles thereof	587.5	1,038.1	1,032.0	905.4	245.6	-72.9
20	Preparations of vegetables, fruit, nuts, or other parts of plants	80.4	115.4	118.9	174.8	146.6	-16.1
62	Articles of apparel and clothing accessories, not knitted or crocheted	364.7	321.3	243.7	219.5	134.3	-38.8
07	Edible vegetables and certain roots and tubers	179.9	204.1	245.7	248.8	115.3	-53.7
08	Edible fruit and nuts; peel of citrus fruit or melons	62.7	77.8	87.8	99.2	92.7	-6.5
16	Edible preparations of meat, fish, crustaceans, molluscs or other aquatic invertebrates	70.7	84.2	78.5	86.8	68.4	-21.2
39	Plastics and articles thereof	93.3	93.2	111.0	82.7	60.4	-26.9
	Subtotal	10,894.3	12,666.6	11,717.4	16,695.1	9,344.1	-44.0
	All other	569.6	817.8	589.5	547.6	370.1	-32.4
	Total	11,463.9	13,484.4	12,306.8	17,242.7	9,714.2	-43.7
		Percent of total imports					*In percentage points*
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	69.4	67.8	66.8	77.4	75.8	-1.6
		Percent of non-oil total					
06	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	15.7	13.7	16.0	16.3	26.7	10.3
61	Articles of apparel and clothing accessories, knitted or crocheted	27.2	23.0	22.6	22.9	20.9	-2.0
74	Copper and articles thereof	16.7	23.9	25.3	23.3	10.4	-12.8
20	Preparations of vegetables, fruit, nuts, or other parts of plants	2.3	2.7	2.9	4.5	6.2	1.7
62	Articles of apparel and clothing accessories, not knitted or crocheted	10.4	7.4	6.0	5.6	5.7	0.1
07	Edible vegetables and certain roots and tubers	5.1	4.7	6.0	6.4	4.9	-1.5
08	Edible fruit and nuts; peel of citrus fruit or melons	1.8	1.8	2.2	2.6	3.9	1.4
16	Edible preparations of meat, fish, crustaceans, molluscs or other aquatic invertebrates	2.0	1.9	1.9	2.2	2.9	0.7
39	Plastics and articles thereof	2.7	2.1	2.7	2.1	2.6	0.4
	Subtotal	83.8	81.2	85.6	85.9	84.3	-1.7
	All other	16.2	18.8	14.4	14.1	15.7	1.7
	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 for consumption from ATPA countries, by 8-digit HTS number, 2005–09

HTS number	Description	2005	2006	2007	2008	2009	Change 2008–09
		Millions of $					*Percent*
2709.00.10	Petroleum oils and oils from bituminous minerals, crude, testing under 25 degrees A.P.I.	5,182.1	5,873.0	5,840.3	10,128.1	6,036.1	-40.4
2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more	1,770.3	2,165.9	1,644.9	2,078.5	920.6	-55.7
0603.11.00[a]	Sweetheart, spray and other roses, fresh cut	263.1	288.4	327.2	310.3	304.9	-1.7
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.	541.5	458.8	408.7	628.7	244.7	-61.1
7403.11.00	Refined copper cathodes and sections of cathodes	556.4	993.0	989.1	844.4	218.4	-74.1
0603.19.00[b]	Fresh cut, anthuriums,alstroemeria,gypsophilia,lilies, snapdragons and flowers, n.e.s.o.i.	159.4	172.2	187.8	192.5	187.8	-2.5
6110.20.20	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, n.e.s.o.i.	295.2	318.2	297.4	239.9	126.7	-47.2
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	406.2	613.0	294.1	377.1	126.6	-66.4
6109.10.00	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton	164.2	168.8	155.5	162.5	95.3	-41.4
6105.10.00	Men's or boys' shirts, knitted or crocheted, of cotton	193.8	190.7	165.4	176.2	85.4	-51.5
0603.14.00[c]	Chrysanthemums, fresh cut	63.5	63.4	65.5	66.9	75.3	12.5
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.	156.4	140.8	98.6	85.8	48.7	-43.2
0709.20.90	Asparagus, n.e.s.o.i., fresh or chilled	87.1	126.6	159.3	145.2	45.7	-68.5
1604.14.30	Tunas and skipjack, not in oil, in airtight containers, n/o 7 kg, not of u.s. possessions, over quota	47.8	64.9	67.9	70.1	43.4	-38.1
0603.12.70[d]	Other carnations, fresh cut	33.2	37.4	42.2	37.8	33.9	-10.3
2710.11.45	Light oil mixt. of hydrocarbons fr petro oils & bitum min(o/than crude) or prep 70%+ wt. fr petro oils, n.e.s.o.i., n/o 50% any single hydrocarbon	0.0	0.0	0.0	36.1	31.5	-12.6
0804.50.40	Guavas, mangoes, and mangosteens, fresh, if entered during the period September 1 through May 31, inclusive	27.3	31.5	30.0	32.6	31.4	-3.8
2005.99.80[e]	Artichokes, prepared or preserved otherwise than by vinegar or acetic acid, not frozen	16.6	35.9	39.1	46.5	30.8	-33.6
0806.10.60	Grapes, fresh, if entered during the period July 1 through the following February 14, inclusive	9.8	15.2	17.9	24.4	27.4	12.5
0710.80.97	Vegetables n.e.s.o.i., uncooked or cooked by steaming or boiling in water, frozen, reduced in size	19.1	27.5	34.8	36.0	27.3	-24.1
	Subtotal	9,992.9	11,784.8	10,865.8	15,719.6	8,742.0	-44.4
	All other	1,471.0	1,699.6	1,441.0	1,523.1	972.3	-36.2
	Total	11,463.9	13,484.4	12,306.8	17,242.7	9,714.2	-43.7

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 of HTS 0603.11.00 were reported under 0603.10.60 during 2005–06.
[b] Imports of HTS 0603.19.00 were reported under 0603.10.7040 and 0603.10.80 during 2005–06.
[c] Imports of HTS 0603.14.00 were reported under 0603.10.7010 and 0603.10.7020 during 2005–06.
[d] Imports of HTS 0603.12.70 were reported under 0603.10.7030 during 2005–06.
[e] Imports of HTS 2005.99.80 were reported under 2005.90.80 during 2005–06.

TABLE D.4 Leading imports that benefited exclusively from ATPA, 2008 and 2009, customs value.

HTS number	Description	2008	2009[a]	Change	
		Thousands of $			Percent
2709.00.10	Petroleum oils and oils from bituminous minerals, crude, testing under 25 degrees A.P.I.	10,128,077	5,744,680	-4,383,397	-43.3
2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more	2,078,530	914,001	-1,164,529	-56.0
0603.11.00	Sweetheart, Spray and other Roses, fresh cut	310,291	304,906	-5,385	-1.7
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.	628,662	244,655	-384,007	-61.1
0603.14.00[b]	Chrysanthemums, fresh cut	66,346	75,121	8,775	13.2
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	377,141	85,998	-291,143	-77.2
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	85,841	44,205	-41,636	-48.5
1604.14.30	Tunas and skipjack, not in oil, in airtight containers, n/o 7 kg, not of U.S. possessions, over quota	70,067	43,400	-26,667	-38.1
0603.12.70[b]	Other carnations, fresh cut	37,239	33,621	-3,618	-9.7
7403.11.00[c]	Refined copper cathodes and sections of cathodes	844,388	39,442	-804,947	-95.3
6908.90.00	Glazed ceramic flags and paving, hearth or wall tiles; glazed ceramic mosaic cubes and the like, n.e.s.o.i.	27,406	20,414	-6,992	-25.5
0710.80.97	Vegetables n.e.s.o.i., uncooked or cooked by steaming or boiling in water, frozen, reduced in size	35,970	23,801	-12,169	-33.8
6109.10.00	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton	162,482	24,480	-138,002	-84.9
2710.11.45	Light oil mixt. of hydrocarbons fr petro oils & bitum min (o/than crude) or prep 70%+ wt. fr petro oils, n.e.s.o.i., n/o 50% any single hydrocarbon	36,107	22,472	-13,635	-37.8
0709.20.90	Asparagus, n.e.s.o.i., fresh or chilled	145,196	14,166	-131,030	-90.2
6110.20.20	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, n.e.s.o.i.	239,925	18,457	-221,468	-92.3
0804.30.40	Pineapples, fresh or dried, not reduced in size, in crates or other packages	12,144	15,411	3,267	26.9
6105.10.00	Men's or boys' shirts, knitted or crocheted, of cotton	176,191	15,712	-160,480	-91.1
6204.62.40	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of cotton, n.e.s.o.i.	21,347	14,547	-6,800	-31.9
6110.30.30	Sweaters, pullovers and similar articles, knitted or crocheted, of manmade fibers, n.e.s.o.i.	26,265	13,779	-12,487	-47.5
	Total of above	15,509,615	7,713,268	-7,798,348	-50.3
	Other	850,229	249,797	-598,421	-70.6
	Total	16,359,841	7,963,064	-8,396,777	-51.3

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] Includes imports entered under ATPA from Peru only for Jan. 2009.

[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.

[c] 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.