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ANDEAN TRADE PREFERENCE ACT

HEARING

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL TRADE

OF THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

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ANDEAN TRADE PREFERENCE ACT

FRIDAY, AUGUST 3, 2001

U.S. SENATE,
SUBCOMMITTEE ON INTERNATIONAL TRADE,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 10:11 a.m., in room 215, Dirksen Senate Office Building, Hon. Bob Graham presiding.

Also present: Senator Hatch.

OPENING STATEMENT OF HON. BOB GRAHAM, A U.S. SENATOR FROM FLORIDA

Senator GRAHAM. I will call the meeting to order.

Today we are going to take testimony on the Andean Trade Preference Act. In 1991, the Congress passed the first Andean Trade Preference legislation. That legislation will expire in the fall of this year, so there is a certain sense of urgency in moving forward with its reenactment.

There are also other factors which are precipitating a sense of urgency to move forward. One of those, is the fact that, since 1991 with the passage of NAFTA, trade preferences have been granted, first to Mexico and more recently to the Caribbean basin, which are greater than those which were made available to the four Andean countries in 1991.

We will hear testimony today on some of the dislocations that those differences in levels of preference may cause as among Mexico, the CBI countries, and the Andean countries.

We also are facing the year 2005, when the multi-fiber agreements which have controlled the import of apparel will phase out. The Andean countries, as well as the Caribbean countries and Mexico, will face a new level of competition in the assembly of apparel.

I happen to have two shirts which I used during the CBI debate, but can be recycled for this debate. This happens to be a shirt made in Nicaragua. This happens to be the identical shirt made in China. The Nicaraguan-produced shirt had a cost of production of approximately 10 percent more than the Chinese shirt.

The economic viability of the Nicaraguan apparel assembly industry in the face of that difference has been largely a function of the fact that China is currently restricted in the number of these shirts that it can import into the United States. Those restrictions will soon fall.

It is imperative that both in the CBI countries and in the Andean countries that we use the years between now and 2005 to increase the efficiency of the U.S. textile and Caribbean and Andean assembly industries or they face the prospect of being overwhelmed by the volume and greater productivity of Asian manufacturers.

Finally, I would just cite the social and economic conditions in the four Andean-pact countries, Colombia, Peru, Ecuador, and Bolivia. The reasons are somewhat different, but all four are in a tenuous condition today. The one we know the most about is Colombia because of our direct involvement through Plan Colombia. But, clearly, economic stability and growth will be a key to stabilizing Colombia and the other three Andean-pact nations.

One of the most significant steps the United States can take, and I feel a sense of urgency in moving forward, is to adopt this legislation, send a clear signal that we are going to continue the special relationship that we have had since 1991, and that we will enhance that relationship in a way that will make the four countries of the Andean pact more competitive and create the incentives to make the investments that will be necessary to be competitive on a global basis, beginning in 2005.

So those are the reasons that have led to the introduction of this legislation. We have a series of witnesses today who will present their views on the different important aspects. I have an even longer written statement than my oral statement, which I would like to submit for the record.

I now call on my friend and colleague, Senator Hatch, for an opening statement.

[The prepared statement of Senator Graham appears in the appendix.]

OPENING STATEMENT OF HON. ORRIN G. HATCH, A. U.S. SENATOR FROM UTAH

Senator HATCH. Well, thank you, Senator Graham. I am happy to welcome Representative Crane here. I appreciate the work you do over in the House, and, of course, all the other witnesses. I want to thank you for holding this important hearing on the Andean trade pact.

It is important that we work together in a bipartisan fashion to craft legislation to reauthorize this act prior to its expiration this December. We also, I think, need to work together this year to pass our overall trade agenda that advances our American interests throughout the world.

I am hopeful that, when the Congress reconvenes in September, this committee will take the bull by the horns and pass a trade promotion authority bill. I want to commend Senator Graham and Senator Murkowski for developing a bipartisan TPA legislation.

Let me just say that, from my work on the Judiciary Committee, I know full well that there is an aspect of trade between the Andean region and the United States that has a tremendous negative impact on all involved. I am referring to the high levels of illicit drug trafficking that occur between the U.S. and that region.

With the ATPA, we have the opportunity to encourage the type of legitimate businesses that will benefit both producers and consumers in our country and in our South American neighboring countries as well.

There are important gains to be made from reauthorizing this trade agreement. We need to continue to expand our trading relationship with the countries covered by this pact, Peru, Colombia, Bolivia, and Ecuador.

But let us face the facts. Between 1990 and 2000, relative to the rest of the world, while there has been an upward trend in U.S. exports throughout the world, exports to ATPA countries have declined slightly, to less than 1 percent of total exports.

On the import side, shipments from ATPA countries have increase by 105 percent since 1990, but still amount to less than 1 percent of the total U.S. world imports. So, there is much work to be done. We hope that this legislation can help create a climate conducive to greater trade activity between the United States and the Andean region.

Since its creation, the Andean Trade Preference Act has been linked to evidence that indicates a decline in illicit drug activity within the Andean region. For example, total coca cultivation worldwide has declined by some 13 percent from 1992 to 2000.

This stems, in part, from the significant decline in coca in the Andean pact countries of Bolivia, down by 68 percent, and Peru, down by 74 percent.

Many credit this decrease in coca production to crop substitution fostered by the expanded cut flower industry that is blossoming in the region. While I am sensitive to the needs of our domestic flower farmers and other industries affected by the trade pact, this is a movement in the right direction for these nations.

We see, and should continue to foster, a slow move toward greater development of jobs and enterprises with the future. We all recognize that many of the items imported into the U.S. from the region are not covered by the Trade Act.

I would be open to exploring with my colleagues and the administration additional areas that might be covered by the act that could help to create strategic partnerships with our domestic industries.

From the time of the Monroe doctrine, our Nation has attempted to forge a special relationship with all of our neighbors in the western hemisphere. In my view, ATPA is consistent with that longstanding spirit of partnership.

So I look forward to this hearing today. I will read all of the statements. I have to be at another meeting. I know that Senator Graham is going to conduct a very good hearing. I look forward to the expert views on how this legislation has performed in the past and how it can be improved in the future that will come from this hearing today.

I want to thank you, Mr. Chairman, for your willingness to hold this hearing and for the work that you are doing. I appreciate the work that you do.

Senator GRAHAM. Thank you very much, Senator, for your very thoughtful statement and your participation and support of this effort, as well as others, to enhance the opportunities for Americans through expanded global trade.

Our first witness is the distinguished chair of the Trade Subcommittee of the House Ways and Means Committee, Congressman Phil Crane of Illinois. You honor us with your presence today, Phil.

STATEMENT OF HON. PHILIP M. CRANE, A U.S. REPRESENTATIVE FROM ILLINOIS

Representative CRANE. Thank you very much, Mr. Chairman.

I appreciate this opportunity to testify on extension and expansion of the Andean Trade Preference Act. The ATPA has been successful in expanding trade and helping to provide Andean farmers practical and profitable alternatives to cultivating crops for the production of illicit drugs.

The ATPA does more than expand trade. In a very fundamental way, it strengthens America's war on drugs. If we fail to renew ATPA, we not only turn our backs on the governments and citizens of Bolivia, Colombia, Ecuador, and Peru, but we turn our backs on our own sons and daughters struggling to stay away from drugs here on the streets and in our neighborhoods.

This hearing on the first day, I might say, that the House is in recess, we are on vacation and unfortunately I have to catch a flight. I look forward to seeing you folks sometime after Labor Day. I understand you are legislating all through the month of August. Is that correct? [Laughter.]

Senator GRAHAM. We will be as diligent as we can be while admiring the ability of the House of Representatives to get its work done so that you can be back with your constituents.

Representative CRANE. As Abe Lincoln said, "A good example is the best sermon."

At any rate, it is a welcome signal that extending and expanding ATPA will be a key item in our trade agenda this fall. Thanks, in part, to the current duty-free tariff treatment under the ATPA on about 18 percent of their exports to the U.S., Peru and Bolivia have been able to take courageous steps to stamp out much—in fact, most—of their illicit drug production.

Although Colombia and Ecuador's success have been less dramatic, new strategies, including Plan Colombia, are now being implemented to combat the drug cartels. Instead of waging the war against drugs solely through foreign aid, ATPA endeavors to address the twin evils of poverty and the lack of job opportunities in the region which can drive otherwise good, productive citizens to become involved in illicit crop cultivation and the drug trade.

Colombia presents an especially unfortunate situation. As a result of the worst recession in 70 years and unemployment as high as 20 percent, Colombia coca cultivation has skyrocketed and now is the source of 80 percent of the cocaine consumed in the United States.

The combination of desperate and chaotic socioeconomic conditions and an enormous surplus of coca has resulted in escalation drug trafficking activities to the United States.

Windfall profits earned from U.S. drug smuggling have enriched and mobilized Colombia's leftist Revolutionary Armed Forces of Colombia and other regional insurgency and guerilla movements, threatening to further destabilize Colombia's democracy and spill over to its neighbors.

If we renew and expand ATPA, this sad situation need not continue. By helping bolster the legitimate sectors of the faltering Andean economies and providing practical, real-world incentive to abandon coca cultivation farming, this legislation will strengthen the mettle and motivation for our neighbors in the Andes to defeat the drug cartels on a local level.

Trade statistics indicate that the existing ATPA has helped nearly double two-way trade between the United States and the Andean region. During the last 10 years, U.S. exports grew 65 percent and U.S. imports from the region increased 98 percent.

While U.S. exports of cotton worldwide have been falling during the last 5 years, U.S. cotton exports to the Andean countries have grown 107 percent, by quantity. This year alone, U.S. cotton exports to the Andean countries are up 38 percent by quantity compared to the same period last year.

These figures suggest that the incentives to diversify Andean countries are taking hold and that the ATPA can provide a win-win situation for U.S. cotton growers, as well as Andean apparel producers.

Sectors such as cut flowers, gourmet, and non-traditional fruits and vegetables, and wood products have been success stories. New opportunity for indigenous production of processed tuna, fabrics, and apparel will offer additional chances for our neighbors to move ahead.

With respect to textiles and apparel, our goal should be to design a simple program that addresses the unique nature of the existing Andean industry. Unlike the CBI, much of the Andean apparel industry is highly vertically integrated and does not utilize the 807-type U.S. fabric operations that are found most often in the CBI region closer to the United States.

It is not economically feasible for these countries to be required to use U.S. raw materials. If we do not provide an opportunity for the Andean countries to use their own regionally-produced fabric, the benefits will be meaningless, particularly for Peru and Bolivia.

As you know, Mr. Chairman, Andean apparel exports to the United States amounted to less than 1 percent of overall U.S. apparel imports and should pose absolutely no threat to our domestic industry.

Our prompt renewal of the ATPA will also signal to our other Latin American trading partners that we are committed to negotiating and concluding the Free Trade Area of the Americas on schedule in 2005.

Mr. Chairman, ATPA is about offering the Andean region incentive for economic development that will sustain the fight against drugs long after the foreign aid dollars have been spent.

Expanding the Andean Trade Preference Act makes good sense as a tool to help undermine the powerful drug cartels and as a spur to America's broader trade policy.

I urge the members of the committee to give ATPA expansion their strongest support. I thank you, Mr. Chairman, for the opportunity to testify.

Senator GRAHAM. Mr. Congressman, thank you for your very constructive comments. I recognize that you have a plane to catch. But if I could ask one question, which is, what is your sense of the position of this bill in the House of Representatives and when do you anticipate it might be through committee and on the floor?

Representative CRANE. It is our hope, Mr. Chairman, that we can bring it up after we get back after Labor Day. I do not anticipate any significant controversy over this.

I mean, the one part of the controversy involves the regional fabric component. But when you look at the total percentage of what their exports are here, it is so inconsequential that it is not really a legitimate argument. So, I think we can get good, strong, bipartisan support on the House side for it.

Senator GRAHAM. Good. That is very good news. I look forward to working with you to bring this to success well in advance of the December expiration date of the current Andean Trade Preference Act.

Representative CRANE. And I look forward to working with you, too. Thank you, Mr. Chairman.

Senator GRAHAM. Fine. Good. Thank you. Best wishes for August.

[The prepared statement of Representative Crane appears in the appendix.]

Senator GRAHAM. Our second panel consists of Ambassador Peter Allgeier, the Deputy U.S. Trade Representative, and Hon. Alan Larson, Under Secretary for Economic Business and Agricultural Affairs in the Department of State.

Gentlemen, thank you very much for your participation in our hearing today. Mr. Allgeier, I would ask if you would give your remarks first, then Mr. Larson.

STATEMENT OF AMBASSADOR PETER ALLGEIER, DEPUTY U.S. TRADE REPRESENTATIVE, OFFICE OF THE U.S. TRADE REPRESENTATIVE, WASHINGTON, DC

Mr. ALLGEIER. Thank you very much, Senator. Thank you very much for scheduling this hearing and giving us the opportunity to discuss the administration's position on the renewal of the Andean Trade Preference Act, the ATPA.

Renewal of this legislation is a high priority for the administration, as it represents a critical intersection between our trade policies and our anti-narcotics policies.

The ATPA functions as a U.S. trade policy that has benefits in its own right, but it contributes to our fight against drug production and trafficking in the region. With just 4 months before the expiration of this act, it is very important to have this hearing today.

The primary goal of the ATPA, as you know, when it was originally enacted in 1991, is to promote economic diversification and broad-based economic development that will provide sustainable economic alternatives to drug crop production in the Andean region. We believe that the ATPA has been achieving this goal.

It has generated significant job opportunities in a variety of sectors, including cut flowers, non-traditional fruits and vegetables, jewelry, and certain electronic inputs.

During the period 1991 to 2000, Andean exports to the U.S. increased 124 percent. But, as Senator Hatch pointed out, our exports to the region also have grown during that period.

The question that we face, of course, is what should a renewed ATPA look like? We believe one should start with the recognition that, currently, about 40 percent of the ATPA countries' exports to the United States remain subject to duty.

We should look very closely at the industrial structures and the comparative advantages of these economies and craft provisions which will take those unique economic and security issues into account, and work with the Congress to define and to develop the broadest possible product coverage for a renewed ATPA.

Now, as enthusiastic as we are about a renewed and expanded ATPA, we do not see it as the permanent or the long-term solution to strengthening the legitimate economies of the Andean Trade Preference countries, and creating a permanent alternative to narcotics production.

We see the ATPA, rather, as a bridge to the Free Trade Area of the Americas. As you know, we and the Andean countries and the other countries of the region are committed to complete the negotiations of the FTAA by January of 2005 and to bring it into force by the end of 2005.

Therefore, we believe that the ATPA should be renewed and, as I said, expanded through the period December 2005, at which point the FTAA will enter into force. The FTAA will eliminate trade barriers not just between the ATPA countries and ourselves, but also among the countries of Latin America, which is an important potential area for expanded trade on the part of the ATPA countries.

By creating the world's largest free trade zone, it will serve to draw further investment into the region and also to spur domestic investment from the region, which has a very low savings rate.

Perhaps most important, the FTAA, and the ATPA as its bridge, reinforce values of openness, accountability, democracy, and the rule of law, all of which are critical to any successful effort to combat narcotics trafficking.

Even as we renew the ATPA and negotiate the FTAA, we are working bilaterally with the countries of this region to strengthen our economic relations.

For example, we already have bilateral investment treaties in place with Bolivia and Ecuador. Work on bilateral investment treaties with Colombia and Peru are at various stages at this point.

In addition, we have worked within the WTO to reinforce these countries' WTO obligations. For example, just recently, we have been working with Colombia to deal with its trade-related investment measures and working on a schedule to bring those into compliance with the WTO. Likewise, we have been involved in intellectual property efforts with Ecuador and with Peru, and working on Customs valuation also with Peru.

So we are working on these three tracks at the same time: the bridge of ATPA, the longer-term solution of FTAA, and in the meantime, the bilateral aspects.

We believe that the Andean Trade Preference Act has proven to be a key component of our counter narcotics efforts in the region and has shown results. But we can, and should, do more to ensure that the program reaches its greatest possible potential.

As I said, our longer-term vision is to involve the countries of this region in a hemispheric partnership, not just through the FTAA, but through the broader Summit of the Americas program.

The agreement of the FTAA, as I mentioned, is a few years away. So, in the meantime, it is essential that we obtain passage of a renewed and more robust ATPA as a bridge to that longer-term solution.

Thank you very much, Mr. Senator.

Senator GRAHAM. Thank you very much.

[The prepared statement of Mr. Allgeier appears in the appendix.]

Senator GRAHAM. Mr. Larson?

STATEMENT OF ALAN P. LARSON, UNDER SECRETARY FOR ECONOMIC, BUSINESS AND AGRICULTURAL AFFAIRS, U.S. DEPARTMENT OF STATE, WASHINGTON, DC

Mr. LARSON. Mr. Chairman, thank you very much for the opportunity to provide a foreign policy perspective on the importance of renewal of the Andean Trade Preferences Act.

Since 1991, ATPA has helped the Andean countries develop viable economic alternatives to drug production and trafficking through enhanced market access. As has been mentioned, our trade with the ATPA countries has grown substantially. Our exports to them have grown by some 65 percent, while our imports from them have more than doubled, reaching some over $11 billion last year.

In its first 10 years, ATPA has spurred much progress in the region, but significant challenges remain. Though it is recovering, the region is still feeling the impact of a serious economic downturn in 1991.

This economic setback constituted a severe test of the Andean leaders' commitment to hard-won economic reforms. Now more than ever, it is in our interests to pursue trade policies that open opportunities for legitimate trade and strengthen market reforms in the region.

In recent months, I have had the opportunity to have several meetings with economic and trade ministers of the region, as well as other high officials. I am convinced of their deep commitment to reform and to cooperation with the United States.

Just a few days ago, Peru marked the end of a tumultuous year, with the inauguration of President Toledo. That inauguration provided a vivid image of Peru's return to democracy.

Toledo, Peru's first president of native American descent, faces some very serious challenges in rebuilding democratic institutions, while turning around the economy.

We need to work with the Toledo administration to ensure that Peru continues its commitment to anti-narcotics cooperation, while at the same time pursuing an economic strategy that provides opportunities for its own citizens to escape from poverty.

In Colombia, President Pastrana is pursuing tough economic programs that include deep budget cuts and major structural reforms. At the same time, under his leadership Colombia is vigorously fighting narco-trafficking.

There is a very fragile security environment that has had a negative effect on foreign investment, and renewal of a robust ATPA will spur job creation and help bolster confidence in Colombia.

In Bolivia, President Banzer has been pursuing a strategy called the Dignity Plan, the aims of which are to free Bolivia from international cocaine trade by 2002. As we approach that deadline, the Banzer Administration can take pride in having eradicated almost all illicit coca production within Bolivia.

Next Monday, Vice President Quiroga will assume the Bolivian presidency as President Banzer resigns because of poor health. Mr. Quiroga is an extremely capable, energetic person committed to democratic ideals. Under his leadership, Bolivia will continue to be a reliable partner for the United States, but he and his government are going to need our support.

Finally, Ecuador faces very serious challenges. Among the most pressing is poverty, which has more than doubled in the last 5 years. We have a good relationship with Ecuador.

In late 1999, the government of Ecuador signed a 10-year agreement with the United States to establish a forward-operating location at the air base in Monta for regional anti-narcotics surveillance.

Mr. Chairman, the Andes produces virtually all of the world's cocaine and an increasing amount of heroin. The production and export of illegal drugs from that region is a direct threat to our public health and our National security. Moreover, democracy is under pressure in each of these countries and economic development is slower than we would like.

ATPA can make a real difference. We know from experience that freer trade opens opportunities, raises productivity, creates higher-paying jobs, helps generate more resources to meet social needs, and fosters sustained growth, all of which fortify democracy.

The expansion and renewal of ATPA will help the United States advance important national interests in this region, while at the same time offering real opportunities to our Andean trading partners.

Thank you, Mr. Chairman.

Senator GRAHAM. Thank you very much, Mr. Larson.

[The prepared statement of Mr. Larson appears in the appendix.]

Senator GRAHAM. Mr. Allgeier, you mentioned that, under the current ATPA, some 40 percent of the products coming from the region to the United States do not get tariff preferences. You also indicated some possible other areas in which the administration might like to modify the legislation, as introduced.

Has the administration submitted a specific set of recommended modifications to this legislation?

Mr. ALLGEIER. No, Senator, we have not submitted a specific list. We are still consulting, first of all, with the Andean countries themselves, also with the private sector interests in the United States that would be affected, and of course, would want to continue consultations with the Congress.

Senator GRAHAM. Particularly in light of what Congressman Crane said relative to the schedule in the House of Representatives where he hopes to advance this bill immediately after our return in September, I would urge the administration to make available to Congressman Crane and to this committee your recommendations prior to the end of this month so that we might take those fully into consideration when we start the mark-up phase of this legislation.

Mr. ALLGEIER. Yes. We understand the urgency of that and will aim to do that.

Senator GRAHAM. Very good.

Mr. Larson, to speculate on the negative, what, in your opinion, would be the consequences to these four countries if December were to come and we had not extended the ATPA?

Mr. LARSON. It is always risky, as you know, Senator, to speculate about what might happen, but I think I can respond to your question in this way. We really do feel that these are countries that have made strong commitments to democratic reform and to market-oriented reform, but each one of them is under pressure.

They are under pressure from the internal narcotics industry; they are under pressure because of the urgency of delivering opportunities for their own citizens. Some of them are very, very impoverished countries.

So, in my judgment it would send a very, very disturbing signal that would weaken the ability of the leaders there to follow the sort of courageous path that they have followed, cooperating with us on anti-narcotics initiatives, while at the same time promoting a democratic, market-oriented approach to the advancement of their own citizens' lives.

Senator GRAHAM. Mr. Allgeier, the ATPA expansion act that we are considering today contains several additional criteria that the President is to review, certifying that the countries are eligible for these preferential trade relations.

Have you had an opportunity to review those additional requirements, and do you have any comments as to their appropriateness?

Mr. ALLGEIER. We are still reviewing those, Senator. We obviously believe that in programs of unilateral preferences it is appropriate to have criteria that will move the countries or encourage the countries to move in positive directions. We hope to complete our review of the conditions in the same time frame that you had mentioned with respect to the products.

Senator GRAHAM. Right. I would appreciate, in this overall review that you indicated you hope to have complete by the end of August, if you would also include any comments that you would have on those additional eligibility requirements. And if you have any comments relative to the current evaluation and certification process that is being utilized, I would also like your thoughts on those areas.

Mr. ALLGEIER. Yes, sir. We will do that.

Senator GRAHAM. Good.

Mr. Allgeier, Mr. Larson, thank you very much for your very constructive contribution this morning. I hope that, with your assistance, we will move forward expeditiously on this legislation.

Mr. LARSON. Thank you, Mr. Chairman.

Mr. ALLGEIER. Thank you, Senator.

Senator GRAHAM. Thank you.

I would like to call the next panel forward. We have five participants in the second panel. First, Mr. Paul Arcia, president of ARC International of Miami, Florida; Mr. Richard Harrah, president of Dole Fresh Fruit International, San Jose, Costa Rica; Mr. Carlos Moore, executive vice president of the American Textile Manufacturers Institute; and Mr. K. Ward Rodgers, general manager, retired, of Heinz North America; and Mr. William Snape, III, vice president for Law, Defenders of Wildlife.

I thank each of you for your participation today and the particular insight that you will give to the ATPA extension and expansion legislation.

I would like to request if you could keep your oral remarks to 5 minutes. The lighting system will indicate by the yellow light when you are approaching 5 minutes. But you are encouraged to submit any more fulsome remarks for the record and they will be printed there.

Mr. Arcia, I welcome you.

Mr. ARCIA. Thank you, Senator Graham.

Senator GRAHAM. Mr. Arcia happens not only to be a very thoughtful person on this issue, but a constituent.

Mr. ARCIA. So I count twice.

Senator GRAHAM. He is obviously a man of wisdom and judgment whose opinion should be taken with the greatest seriousness.

Mr. ARCIA. Thank you.

STATEMENT OF PAUL ARCIA, PRESIDENT, ARC INTERNATIONAL, MIAMI, FL

Mr. ARCIA. Mr. Chairman and members of the subcommittee, I am Paul Arcia, president and co-owner of ARC International, an apparel-making company with operations in Miami and Barranquilla, Colombia.

I am pleased to talk about the extreme importance of a new Andean Trade Preference Act. Companies like mine need a renewed and enhanced ATPA now if we are to survive, much less grow.

Our company started 10 years ago with 50 employees. Today we have 1,500. We count among our customers the country's largest retailers, including Target, Wal-Mart, and K-Mart.

ARC is a classic example of the dynamics of the apparel industry. The industry is labor-intensive as opposed to capital-intensive. Because of the low barriers, the apparel industry offers a prolific fountain of jobs.

During our 10 years of manufacturing in Colombia, we have endured the ups and downs of a cyclical business. We have roughed some violent storms, including NAFTA. Nothing, however, could have prepared us for the impact of the enactment of the Caribbean Basin Trade Partnership Act. The negative repercussions of this bill were felt immediately.

On the day after, Sarah Lee or Hanes canceled a confirmed contract which would have expanded our operation by 35 and would have added almost 500 new employees. Deliveries, price, and transportation costs had all been agreed upon, only now CBTPA made us unattractive.

Fruit of the Loom, our biggest customer at the time and our oldest, 6 years of doing business, told us to immediately reduce our prices by as much as 24 percent or they would have to go to CBI countries where they could take advantage of lower costs, lower costs achieved only through the absence of U.S. duty.

It was not long before other customers approached us with the same proposition. We would later call this CBI blackmail.

This is not surprising in the apparel industry. It is a miserable, penny-pinching business. With the advent of super retailers and the huge consolidations which have taken place, cutting costs is a paramount objective. Deals have been lost over a nickel.

We agreed to price concessions in the hope that it would allow us to maintain our business. Despite mounting financial losses, we had faith in relief from U.S. legislation.

Unfortunately, the relief has not come and now our few remaining customers will not wait. Fruit of the Loom has given us formal notice, which we have annexed to the testimony, to finally terminate our 6-year relationship strictly because of the absence of a duty-free bill.

This will result in ARC laying off 400 employees by the end of September. Worse yet, ARC has not received a single new order for almost 2 months now. By mid-November, the remaining 1,100 employees could also find themselves jobless.

Most of these people are single mothers with two and three school-aged children. They will have limited opportunities to find alternate legitimate employment. Neighboring apparel makers in our own free zone in our town of Barranquilla have already trimmed to combine 4,000 workers from their companies. We need help, and we need it quick.

While I have told you of the impacts of the CBTPA, I do not mean to suggest that merely providing the same type of benefits to the Andean apparel sector will solve our problems. Because CBI and Andean regions have very different circumstances, we need a different type of bill.

By including benefits for apparel made from regional fabric, the U.S. can increase the stability of the industries. Vendors which provide fabric and sewing have a greater value to customers. The risk of lowing a cut-and-sew or a maquilladora-type of business over a nickel dispute will be greatly diminished.

A USA fabric-only bill will not create a single new order for the Andean region. The Colombian textile industry—and I stress—has been severely damaged by CBTPA. It will take far more than a CBI bill to reverse this decimation.

To win back our customers, we need to offer incentives to overcome the higher cost of labor in ATPA countries, the higher cost of transportation from the region, and the security concerns of American businesses.

What we are asking for is negligible. Colombian apparel exports to the U.S. represent less than three-quarters of 1 percent of U.S. apparel imports. Because of this insignificance, a CBI-type bill will not make it worth our customers' efforts to come back.

With an ATPA extension, Colombia apparel exports could easily double. This would have a significant impact on a country with 20 percent unemployment, at no detriment to the U.S. economy or industry.

That is right. I do say, with confidence, the textile expansion of ATPA will not cost a single U.S. job. Eighty-nine percent of apparel sold in the U.S. is already imported.

Like my colleague Carlos Moore, I, too, believe the U.S. trade policy should be motivated by principles of fairness and equity. Mr. Moore credits NAFTA for helping Mexico overcome China apparel exports to the USA. Certainly, without NAFTA, Mexico would have been no match for China. NAFTA aided in shifting jobs to this hemisphere. It worked. I am convinced ATPA will, too.

Furthermore, ATPA extension fosters a mutually beneficial trading arrangement. Mr. Moore describes this relationship as a true economic partnership between U.S. textile companies and our customers in other regions. Colombia is such a partner and customer.

ARC consumes 100,000 yards of U.S. fabric per week, 5 million yards a year. I consider myself a good customer. These imports provide some indication of the extent to which enhanced ATPA offers real export opportunities for U.S. cotton and U.S. fabrics, man-made fibers, and the yarn industry. There is no doubt in my mind that the region would import even more if there were benefits for the textile and apparel exports to the U.S.

Mr. Chairman, thank you for holding this hearing because, plain and simple, we need help. We are out of time, like I am.

Senator GRAHAM. Thank you very much. When we have completed all of the statements, I would like to return and ask some questions as to your, and the other witnesses', testimony.

[The prepared statement of Mr. Arcia appears in the appendix.]

Senator GRAHAM. Mr. Richard Harrah, president of Dole Fresh Fruit International.

STATEMENT OF RICHARD HARRAH, PRESIDENT, DOLE FRESH FRUIT INTERNATIONAL, SAN JOSE, COSTA RICA

Mr. HARRAH. Thank you, Mr. Chairman and members of the committee.

On behalf of the Dole Food Company, the largest producer and marketer of high-quality fruit, vegetables, and fresh-cut flowers in the world and the largest importer of fresh-cut flowers in the United States, I sincerely appreciate the opportunity to be with you today at this important and timely hearing.

My name is Rick Harrah. I am the president of Dole Latin America. Let me say at the outset that the Dole Food Company strongly supports renewal of the Andean Trade Preference Act prior to expiration of the program on December 4, 2001.

We urge Congress to reauthorize the program expeditiously. Additionally, we urge that the program be reauthorized for a sufficient period of time so as to lend confidence to U.S. entities that have made significant direct foreign investments in the Andean region, despite questions of regional stability based on longstanding U.S. policy, which we hope will continue.

Dole Food Company is an active participant in the ATPA program. Mr. Chairman, ATPA works. It is doing what it was designed to do, providing incentives to U.S. business to invest directly in the troubled Andean region and, in so doing, to support alternative development efforts as the best long-term weapon against the scourge of the illegal narcotics trade.

Additionally, direct U.S. investment in the region has had a ripple effect as our efforts and those of others are impacting in a positive way the wider communities in which we operate.

Just as the Andean region is now faced with one of its deepest crises in years, it would be a significant setback to the region and its people, and to U.S. business, were the ATPA to be allowed to lapse.

As you may know, fresh-cut flowers are one of the largest product categories available for ATPA benefits and we are pleased to say that Dole owns and operates 23 flower farms in Colombia and Ecuador through its subsidiary, Americaflor Limitada, the world's largest grower of fresh flowers.

In Colombia, Dole employs 11,133 workers. We are the largest industry employer. In Ecuador, the company employs 1,028 workers. In addition, Dole directly employs over 400 workers in the U.S. flower sector, mainly in Florida, but also in Texas and California.

Dole entered the fresh-cut flower business in 1998 based on prevailing market conditions and prospects for future industry growth. Although conditions in the Andean nations continue to pose significant political and economic challenges, the company is confident in the ability of regional leaders to strengthen appropriate business conditions.

In fact, this December the company plans to open a multi-million dollar state-of-the-art facility in Miami specifically to process imports from the Andean region. I must note that, underpinning this calculation, however, is the support that the U.S. Government has provided through ATPA and other means and the prospects that such support will continue over time.

ATPA benefits are critical for commercial success in the expansion of social benefits. On average, cut flowers from the Andean nations face a tariff of over six percent to enter the U.S. market. ATPA drives those tariff levels to zero.

Where tariffs to rise once again, profit margins, which are already barely 2 percent due to intense international competition and stagnant demand, could be squeezed to the point that direct investment in the flower sector would no longer be economically prudent.

This would directly affect Dole operations and negatively impact the broader societies in which we work. Dole and its subsidiaries are champions of environmental quality and worker welfare. In fact, we are ranked among the top 10 companies in the Fortune 500 in terms of environmental and social responsibility by the Council of Economic Priorities.

These core corporation principles have been firmly implemented in our operations in both Colombia and Ecuador. On January 15, for example, Americaflor announced its certification to the highest possible environmental standard, ISO 14001, and at the same time announced the certification of its bouquet operation to ISO 9002. We are very pleased that our subsidiary is the first flower producer in the world to reach this environment milestone.

Without ATPA benefits, however, the commercial rationale for investing in Colombia and Ecuador would be significantly reduced and, at a minimum, Dole would be forced to reevaluate its exposure in the Andean cut flower industry. This would potentially reduce jobs and remove certain incentives for environmental and labor protections in areas where we currently operate.

Additionally, it would seriously undercut our Colombia partners, represented by the Association of Colombian Flower Exporters, who have enjoyed a strong relationship with the United States since long before we entered the market.

Over the past 10 years, the Colombia flower exporters have built a seamless working relationship with U.S. law enforcement, including DEA, Customs, and the Department of State, who have each recognized the industry for its efforts to incorporate effective methods and techniques in combatting the illegal narcotics trade.

The industry is also at the forefront of alternative development. Overall, the flower industry has created over 150,000 jobs in Colombia, primarily in the agricultural sector. The industry employs more agricultural workers per hectare than any other.

With transferrable skills, agricultural workers are prime targets for narco-traffickers to lure into the drug trade. It is certainly tempting, particularly given an unemployment rate in Colombia that hovers stubbornly around 20 percent, and with under-employment even higher. With ATPA, full employment is the norm in the regions where flower farms exist. Without ATPA, it is a fair bet that many of the flower workers would end up in the coca and poppy fields elsewhere in the country.

Equally important, without ATPA the industry would have to reduce or eliminate the many progressive and innovative programs designed to improve the lives of workers, of which 65 percent are women, well beyond that which is required or contemplated by law.

Health care, child care, nursing care, subsidized nutrition, and educational programs would all be reduced or eliminated, to say nothing of the environmental programs designed to protect and maintain fragile natural resources through better pesticide management and improved environmental protections.

More broadly, U.S. workers have also benefitted directly from a robust Andean cut flower industry. Over 220,000 U.S. workers depend on Colombia and Ecuadorian flowers for their livelihood.

Additionally, major retailers, such as Wal-Mart and K-Mart, and the workers and customers across the Nation depend on the region to supply their flower and flora-culture needs. In fact, nearly two-thirds of all flowers purchased in the United States are grown in Colombia, valued at approximately $600 million.

This $600 million in imports of fresh cut flowers translates into a retail value for the U.S. floral industry of some $11 billion.

ATPA is a success and should be continued. Mr. Chairman, my point is that ATPA has been a lifeline that has made the cut flower industry viable, with high positive ripple effects throughout the Andean society.

It is perhaps a perfect example of the way that U.S. trade policy can impact broader policy goals, from the environment to labor, to emboldening the private sector to combat the scourge of the illegal narcotics trade.

For 10 years, the ATPA partnership has fostered tangible, mutually-beneficial results. It has been good for U.S. companies and good for the people of the ATPA beneficiary nations.

It should be reauthorized in a seamless manner before it expires later this year and it should be done so as a bridge to the hemispheric FTAA that will provide certainty to the business environment and encourage new U.S. investment in the Andean region for many years to come.

Thank you again for the opportunity to be with you today to share the views of Dole Foods.

Senator GRAHAM. Thank you very much, Mr. Harrah.

[The prepared statement of Mr. Harrah appears in the appendix.]

The CHAIRMAN. Mr. Carlos Moore, executive vice president of the American Textile Manufacturers Institute.

Mr. Moore?

STATEMENT OF CARLOS MOORE, EXECUTIVE VICE PRESIDENT, AMERICAN TEXTILE MANUFACTURERS INSTITUTE, WASHINGTON, DC

Mr. MOORE. Thank you, Mr. Chairman.

I am executive vice president of the American Textile Manufacturers Institute, which is the national trade association for the U.S. textile industry.

Our industry is one of the largest manufacturing sectors in the U.S. It employs nearly half a million workers, has an annual payroll of $15 billion, and annual shipments of close to $80 billion. The U.S. textile industry exported last year over $10 billion worth of products. We welcome the opportunity to discuss expansion of the Andean Trade Preference Act to include textiles and apparel.

Before getting into specifics regarding the legislation, I would like to explain the crisis affecting our industry and how an expanded ATPA could impact our industry and its workers.

The crisis we face is not a result of natural comparative advantages or superior innate competitiveness by Asian or other competitors. Through 1997, the U.S. textile industry increased its shipments and dramatically increased its exports. But today we are facing a crisis that is rooted in the flood of artificially low-priced Asian imports caused by devalued Asian currencies.

This is not a problem that we face alone. The National Association of Manufacturers has declared the over-valued dollar to be the number-one threat to U.S. manufacturers. This has been echoed by the American Farm Bureau and the AFL–CIO.

However, the crisis we face is especially severe because our primary competition is from Asia, where currencies have fallen much more sharply than elsewhere.

Let me put the current situation in some perspective. Through 1997, our industry had record shipments and strong profits. We were using record levels of fibers and over 10 million bales of U.S. cotton each year. During the 1990's, our productivity increased 165 percent.

A study by the National Cotton Council notes that, in the last 20 years, the U.S. textile industry's productivity gains were surpassed only by U.S. electronics and computer industries.

But, Mr. Chairman, in spite of being efficient, productive, and innovative, our industry, and particularly the sectors that produce yarns and fabrics for apparel, have been hit by a wave of Asian textiles and apparel that have entered the country at artificially low prices.

Precipitated by currency devaluations in the Far East and the strong dollar overall, today Asian textile and apparel imports into this country benefit from a 40 percent decline in import prices, and have exerted downward pressure on our mills and squeezed margins tremendously.

As these imports captured more of the U.S. market, shipments by our mills have fallen. Industry shipments have declined for three consecutive years so far, something which has never happened in the history of our industry.

We also have experienced a loss of over $350 million as an industry for the full year of 2000. As this crisis deepened in the latter half of 2000, textile job losses accelerated rapidly. For the 12-month period ending May of this year, industry employment was down 56,000 workers, or 10 percent of our entire workforce, from the year before.

In May alone, 9,000 U.S. textile workers lost their jobs as more than a dozen textile mills closed their doors. This year, already, more than 50 textile mills have closed and four textile companies have gone out of business.

Let me conclude describing our crisis by asking you and members of the committee that have received my written comments to keep in mind that, since 1997, only one major competitive factor impacting the industry has changed. It is the devaluations of Asian currencies. That change has resulted in the major injury to our companies and workers described above.

So you can see that this is the context in which we are evaluating an extension of Andean preferences to include textiles and apparel. On the face of it, and because of our need to find market opportunities, one might expect our industry to support such an expansion.

However, there are a number of reasons that we are concerned. First, many important rules and regulations governing trade preference legislation for CBI and Sub-Saharan Africa still remain unresolved. The extent to which our industry will benefit from that legislation, which we supported, depends upon how those issues do get resolved.

Now, these same issues are present in the Andean pact legislation today. We have the same concerns as we do with CBI and Sub-Sahara. Foremost among them are unresolved issues about dyeing and finishing of fabrics and texturing of yarns. Our position is that these processes must be done in the U.S. only.

Second, relatively little business activity has yet developed under CBI and Sub-Sahara, perhaps in part due to the unresolved regulatory issues that I described. So it is premature to rush into a similar agreement with other countries.

We should have time to expand and develop production as producers in the U.S. and the Caribbean develop business relationships. There are also financing obstacles. A rush to expand this to the Andean countries will lead to delays, disappointments, and unrealized expectations.

Finally, we recognize that S. 525 goes beyond, or some provisions of it go beyond, CBI and sub-Sahara. For example, if these provisions were to include allowing the use of regional fibers, yarns and fabrics, as you have heard people talk about today, our industry would experience more damage on top of an already crisis situation.

In addition, our NAFTA partners and the beneficiaries nations of one CBI and Sub-Saharan laws would be at a disadvantage.

You heard Congressman Crane speak about the prospects for increasing cotton exports to the Andean countries and permitting the use of Andean textiles in the bill. This is exactly the concern that we have and it is a major reason that we oppose extending preferences to Andean countries to include regional textiles.

Keep in mind that gains by U.S. cotton exports and Andean textiles will come at the expense of U.S. textile production and U.S. jobs. The situation is that serious today in our industry.

So, in light of all of the above, and particularly in light of what we expect and have already seen as intense lobbying by others to weaken the current bill to the detriment of our members, we oppose expanding ATPA to include textiles and apparel.

In closing, Mr. Chairman, I would like to say that ATMI is not opposed to fair and equitable trade agreements, as one of the panelists quoted from my testimony earlier.

But these agreements must establish mutually beneficial trading arrangements and thus create true economic partnerships. That is why we supported NAFTA and the Caribbean provisions of last year's trade bill, and that is why we oppose S. 525, the Andean Trade Preference Expansion Act.

Thank you.

Senator GRAHAM. Thank you, Mr. Moore.

[The prepared statement of Mr. Moore appears in the appendix.]

Senator GRAHAM. Mr. K. Ward Rodgers, general manager, retired, of Heinz North America.

STATEMENT OF K. WARD RODGERS, GENERAL MANAGER (RETIRED), HEINZ NORTH AMERICA, PITTSBURGH, PA

Mr. RODGERS. Thank you, Mr. Chairman.

My name is Ward Rodgers. I am the recently retired general manager of technical services for Starkist Seafood. I am pleased to be here on behalf of the H.J. Heinz Company and the Starkist brand of tuna.

Heinz strongly supports the Andean Trade Preference Expansion Act. In particular, Heinz supports the legislation's extension of NAFTA duty rates for processed tuna imports from Andean pact countries.

The H.J. Heinz Company is the parent company of Starkist Foods, one of the largest processors of tuna in the world and the leading processor and marketer of canned tuna in the United States.

In the fall of 2000, Starkist introduced Starkist tuna in a flavor-fresh pouch, which, if you have not seen it, is wonderful. [Laughter.] It is a revolutionary product that delivers improved convenience and improved taste to U.S. consumers.

We believe this will lead to increased consumption of this important food product. In fact, in less than one year, pouch tuna already accounts for over a 6 percent share of the U.S. market, a remarkable success for a new product launch.

Heinz, through its Starkist affiliates, presently operates tuna processing facilities in America, Samoa, Ghana, Seychelles, Portugal, France, and Ecuador. Our primary tuna production plant for the U.S. market is in American Samoa, and employs over 2,700 people.

The American Samoa facility is located in the largest light-meat tuna fishery in the world and it allows for direct deliveries, which gives it an advantage there.

It also is in the middle of the Pacific albacore fisheries, also providing direct deliveries of the albacore species to those plants.

Unfortunately, the Starkist American Samoa facility is at full capacity with no ability to expand due to space constraints. Ecuador, on the other hand, does provide the opportunity for expansion to accommodate increased production of our pouch tuna.

Starkist has, for 10 years, operated a plant in Ecuador and is currently producing the pouch product in Ecuador. Producing tuna in a pouch is a very labor-intensive manufacturing process, requiring hand-filleting and hand-insertion into the pouch, followed by manual steps of inspection, sealing, and packing the product prior to shipment.

With our American Samoan operations at capacity and with Ecuador offering excellent packing capacity and access to a high-quality local fishery, Ecuador is a natural choice for expansion of tuna pouch volume.

However, it is important to note that, to remain an attractive source of tuna products, Ecuador must maintain its competitive position in the global marketplace. Failure to include processed tuna in the Andean trade pact could put Ecuador's position at risk as, long-term, Ecuador will have a hard time competing with other low-cost processors such as Thailand, which has a much more developed tuna processing industry and is currently the low-cost processor of tuna.

As the tuna pouch sales increase, Starkist will need to invest in additional capacity. Our preference would be to put that investment in Ecuador, but obviously economics will drive that decision.

Under the Senate's version of legislation, imports from the Andean pact countries would initially be subject to a tariff of 5.8 percent for water-packed varieties, and 16.3 for tuna packed in oil. Currently, tariffs for tuna from Ecuador are 12.5 percent and a whopping 35 percent for tuna packed in oil.

If these high tariffs remain in place, Starkist will likely have to look at sourcing more of its requirements from lower-cost Asian locations rather than in Ecuador. This outcome would seem to be clearly contrary to the intent of the Andean trade preference program to encourage employment and investment in the Andean region.

I would also like to note for the committee that, just this April, the U.S. Department of Commerce's National Marine Fisheries Service recertified that Ecuador harvests tuna in a dolphin-safe manner, in compliance with the Marine Mammal Protection Act. I have a copy of that, if you would like to see it.

Again, Mr. Chairman, thank you for the opportunity to appear before you today.

Senator GRAHAM. Thank you very much, Mr. Rodgers.

[The prepared statement of Mr. Rodgers appears in the appendix.]

Senator GRAHAM. Mr. William Snape, vice president for Law, of Defenders of Wildlife.

STATEMENT OF WILLIAM SNAPE, III, VICE PRESIDENT FOR LAW, DEFENDERS OF WILDLIFE, WASHINGTON DC

Mr. SNAPE. Thank you, Mr. Chairman. It is a pleasure to be here this morning.

Defenders of Wildlife, as its name implies, is interested in the conservation of animals and plants and their native ecosystems. We have also worked on dolphin-safe tuna policies and laws for over the past decade.

In fact, we are very much involved in the recent amendments to the Marine Mammal Protection Act passed by the Senate 99 to nothing in 1997. That act is very important because it sets the template for our position on the expansion of tuna into the ATPA.

My predecessor correctly noted that Ecuador is, indeed, certified to export its tuna into the United States. It is the only one of the four eligible countries that has been so certified. So when we are talking about tuna, at this point in time we really are only talking about Ecuador.

In fact, the other three countries, for a variety of different reasons, probably will not be receiving an affirmative finding from the National Marine Fisheries Service under the Department of Commerce any time real soon.

Overall, we think it makes sense to reward foreign competition with duty-free access to the United States market if, indeed, their tuna is truly dolphin-safe. I think, for the most part, Ecuador has met that very well.

The only problem that I see with regard to Ecuador at this point in time, is that the entire tracking and verification system that was created by the 1997 legislation I previously mentioned, has severe problems, not the least of which is that the tuna tracking forms, the very forms that constitute the basis for the dolphin-safe label that you see on Starkist and all canned and pouch tuna in supermarkets, are not available to anyone but governments. They are not available to the public, they are not available to consumer groups. They are not available to anyone trying to police this system.

In fact, we would support S. 525 if, indeed, we could make a link to the 1997 legislation which explicitly discusses the Marine Mammal Protection Act trade provisions. I will give you the U.S. Code cite. That is 16 U.S.C. 1371(a)(2).

In fact, I believe—and Mr. Rodgers implied—that the dolphin-safe tuna campaign and the effort shows how trade and environment are, indeed, inextricably linked. As it relates to the U.S. industry, they are flip sides of the same coin. The U.S. industry, over the past decade, has shown tremendous leadership in making sure that tuna on our supermarket shelves is, indeed, dolphin-safe.

They deserve a lot of credit. But we are concerned with this tracking and verification system, not quite working the way it should, that that label could suffer some hits, and we do not want to see that.

I think the most important aspect, though, as it relates to all four countries, and tuna, particularly, is that there is some evidence that certain tuna fleets and drug traffic are positively linked. There have been tuna boats caught with massive amounts of cocaine on it in the Pacific Ocean over the course of the last several years. Narcotics often pass through region sea ports and the Pacific Ocean to the United States.

Again, with this tracking and verification system having the problems that it has, we really do not have a handle, frequently, on the traffic going on in the Pacific Ocean.

The Pacific Ocean is a very large place. If you look at a map, we have clamped down on the drug traffic in the Caribbean. Most of that traffic has gone to the Pacific Ocean.

The reason is, it is a very hard place for the Coast Guard and other drug enforcement agencies to monitor. That is why this tracking and verification system is so important.

Again, we think we are all right with Ecuador. We just do not know because we have not seen the underlying paperwork. But certainly Ecuador, over the course of the last decade, has shown more leadership than most countries in the region on being dolphin-safe, and I think that is important.

So, in conclusion, the present legislation should not support lawless behavior that is bad for dolphins, that is bad for the tuna stocks itself, that is potentially bad for drug control, and I think also bad for portions of the U.S. industry.

Mr. Rodgers is obviously speaking for Starkist. While I would not dare speak for Bumblebee and Chicken of the Sea, the other two major components of the U.S. tuna industry, I know that they do have some concerns about enforcement issues in Ecuador. I think the modest suggestions that I am making here this morning would help alleviate that problem.

Thank you very much, Mr. Chairman.

Senator GRAHAM. Thank you very much, Mr. Snape. Thank you to each of the members of this panel.

[The prepared statement of Mr. Snape appears in the appendix.]

Senator GRAHAM. Mr. Arcia, you talked about the consequences of the advantages which CBI now has and the dislocation of activity from the Andean region. If parity were given to the Andean region vis-a-vis the CBI, do you believe that you would return to the status that you had prior to the CBI legislation?

Mr. ARCIA. Do you mean, only as a CBI bill?

Senator GRAHAM. Yes.

Mr. ARCIA. As someone said earlier, it is hard to speculate. I feel that we are back to where we were yesterday. The problem is, because we are so insignificant to the U.S. market, the companies have already made the effort of withdrawing from Colombia at a record pace. For them to come back, we are going to need to entice them with something significantly greater than just CBI benefits.

There tends to be a shift now in the industry where apparel manufacturers are asking, as opposed to buying goods in one country and shipping them to another, they want to get one full package or one full garment delivered to them.

They want to eliminate as many steps as possible in an effort to reduce overhead. So, I believe that we will not get any advantages by just a CBI-type bill.

Senator GRAHAM. What do you think it is going to take to overcome the momentum that has moved apparel activity out of the Andean region to the Caribbean?

Mr. ARCIA. I believe it would take a regional fabrics bill. I believe it would give a lot more options to every type of industry.

For example, my industry does tend to use a lot of U.S. fabrics. We would benefit from a CBI-only type bill, but it would not be the perfect thing for the whole region.

One thing I would like to comment on, is the CBTPA bill has pushed us into the arms of Asian fabric suppliers. Because of fabrics from Asian countries being so much cheaper, that has been the only way that we have been able to offset having to pay duty on our products.

So, it is ironic. A bill that was supposed to foster U.S. exports of raw materials has actually done the opposite for people like us.

Senator GRAHAM. Mr. Moore, you mentioned, I think, there are approximately 500,000 U.S. jobs in the American textile industry. Is that correct?

Mr. MOORE. Yes.

Senator GRAHAM. What percentage of those jobs are related to the providing of American textile fabrics to either the CBI countries or the Andean countries?

Mr. MOORE. Well, about one-third of our production goes into apparel, one-third into home furnishings, and one-third into industrial-type textiles. So, roughly one-third of those jobs, or 170,000 or so if you just make a rough estimate, are related to yarn and fabric production for apparel.

Now, when you look at our exports, we exported about $10 billion worth of products last year. We also exported about $5 billion in cut pieces, fabric that is cut mostly in Florida and Texas and some goes to the Caribbean, some goes to the Andean countries, and a lot of it goes to Mexico.

About 30 percent of our exports go to the Caribbean. So, I think we can estimate that somewhere between 25 and 30 percent of that employment dedicated to exports of apparel fabric and yarns is involved in producing goods for export to the Caribbean.

As Mr. Arcia has said, a very small percentage of our total export trade goes into the Andean countries.

Senator GRAHAM. You indicate that the expansion of the ATPA benefits, to include things like regional fabrics, would be adverse to the interests of your members. What would be the basis of that adversity, and how significant would it be?

Mr. MOORE. Well, I have described to you the current difficulties that our industry is in with enormous job losses. We are looking for more business, not for additional threats to our business.

To the extent that you provide duty-free and quota-free access to another country and allow the use of non-U.S. yarns and fabrics, that is directly damaging to our industry. It is especially damaging at this present moment when we are not enjoying any growth whatsoever in our business.

There is another related point to that. Under S. 525 the U.S. is making a unilateral grant of access to its market. It can, as it has done with CBI, establish provisions that benefit both sides of the equation—that benefit the U.S. textile industry and its workers, and benefit garment workers in other countries.

Finally, in terms of the job content of these two kinds of operations, I would like to provide an illustration. If we are looking to really promote economic development in lower-wage countries, the real advantage is in garment manufacturing.

For a $5 million investment, you can build a garment plant and employ 5,000 garment workers. For a $50 million investment, you can build a textile mill that would only employ 500 workers.

So it seems to us that regarding regional fabric and yarn you would actually be encouraging and promoting something that is not really, dollar-for-dollar, advantageous from a development point of view.

Mr. Arcia talked about using U.S. fabrics. The CBI legislation requires the use of U.S. fabrics, except in a few instances. As to CBI business, we expect, and we have seen some signs already, that as soon as the provisions get finally resolved we will see a major shift in business. I think that that kind of growth could occur in the Andean countries as well.

We have a natural advantage because of the capital investment that is required to produce textiles. Other countries, many countries in the world, have a natural advantage to produce garments. I think that model is working and will work even better, with the Caribbean, and I think it can work in the Andean countries.

Senator GRAHAM. You indicated that there were some provisions in the CBI legislation that you thought would be advantageous. Could you identify what those provisions are? Do you think they would be applicable to the Andean region, and should they be added to this legislation?

Mr. MOORE. Well, the bill which you have championed for the Andean region, and you did for CBI as well, Mr. Chairman, largely mirrors the CBI bill. There are some differences with respect to textiles and apparel, but it largely mirrors it.

The problems we see come from the likelihood that there will be additional changes as this bill works its way through the House and Senate that would be disadvantageous to us.

The key textile provision in the CBI bill is the requirement that U.S. yarns and fabric be used in the production of CBI apparel. So that is the key provision.

There are other key provisions which your bill, S. 525, also includes that are very helpful, including enforcement and penalties if the rules of origin are not followed, et cetera.

The bigger risk for our industry is what might be done to change the current bill. That is our concern. We just heard Congressman Crane say that he fully supports changing those provisions, so our concern is justified.

Senator GRAHAM. Mr. Rodgers, Mr. Snape expressed some concern about the enforcement of the international dolphin-free tuna fishing practices. Could you comment as to your company's assessment of how effective the current requirements in order to get that certification of being dolphin-free are being enforced?

Mr. RODGERS. I believe that, for Ecuador, they have done a fantastic job with meeting the requirements. If the Andean pact countries were included in this legislation, I believe it would incentify the other three members to consider moving toward a dolphin-safe fishery as well in order to have access to the U.S. market. So, I think it is a positive move.

Senator GRAHAM. Mr. Snape, you commented about the fact that there is no public access to the information on this tracking. Is that part of an international treaty? Where does that restriction come from?

Mr. SNAPE. Well, it is actually part of the 1997 legislation that I mentioned. Those tuna tracking forms, it seems to me, are the whole basis of monitoring the entire system.

I read that legislation to mean that the system should be totally transparent and that, indeed, we should know that that dolphin-safe label, again, on the packet actually means what it says.

I do not necessarily dispute what Mr. Rodgers says about Ecuador. I agree with the general incentive that he is talking about, but there is just no way to verify it without these tuna tracking forms.

These tuna tracking forms are not proprietary information. There is no business information. This is just a matter of whether the tuna boat observer saw dolphins die, or whether the fishing practices comported with the legal requirements under the 1997 legislation.

What has happened, is that the international agreement that the 1997 legislation authorized has decided that these tuna tracking forms should be private.

As I understand it, there has been heavy pressure from Mexico within that international agreement to keep all this paperwork private. I do not have any specific gripes with the Ecuadorian practices, but I think it is a very dangerous precedent, particularly given this drug and tuna boat link.

I am not alleging that Ecuador is involved in that, but there is heavy evidence that tuna boats from this region have, indeed, and do regularly, carry large amounts of illegal narcotics.

So I think, for not only dolphins, but also for drug trafficking efforts, it would make sense to have this tuna tracking form available publicly. I believe the 1997 legislation made that quite clear. That is in litigation right now. It does not make sense to allow that trade to go forth without those tracking forms, it seems to me.

Senator GRAHAM. Mr. Harrah, you suggested that the extension be long enough in order to encourage further investment, including the cut flower industry. The representative of the administration had suggested that this should be extended to 2005 in expectation that, in that year, a free trade agreement would be entered in the western hemisphere.

Do you think 2005 is an acceptable date of extension of this legislation from the perspective of your industry and your company?

Mr. HARRAH. Yes, I would agree with that.

Senator GRAHAM. One of the driving factors behind this legislation is to provide additional employment, particularly to provide a legal opportunity for the some 300,000 to 400,000 people in Colombia who currently are engaged, full- or part-time, in illicit drug-related activities.

Could you compare the labor intensity of the cut flower employment with other agricultural sectors that are available in Colombia?

Mr. HARRAH. Well, I can speak about the banana industry, which I am heavily involved in. The ratio is about 10 to 1, more people working per hectare in flowers than in bananas.

So, it is a very labor-intensive operation, even at the very level of planting and pruning the flowers, harvesting them, and packing them. So, it is about 10 to 1. Otherwise, we have about 1,000 hectares between Colombia and Ecuador, and employ about 11,000 people.

Senator GRAHAM. So the ratio is almost 10 or 11 employees per hectare, is what you are saying?

Mr. HARRAH. No. It is ten times the level in bananas.

Senator GRAHAM. But how many hectares do you have?

Mr. HARRAH. One thousand hectares.

Senator GRAHAM. And how many employees do you have?

Mr. HARRAH. Twelve thousand. So, it is about 12 employees per hectare.

Senator GRAHAM. Per hectare.

I would like to go back to this issue of regional fabric, because you indicated, Mr. Arcia, that you felt that was a very significant factor in terms of overcoming the flow of apparel, which has gone from the Andean countries to the CBI, that it was going to take more than just parity, but would take some parity, plus, to get the apparel going back.

Mr. ARCIA. That is correct.

Senator GRAHAM. You heard the comments that Mr. Moore has made relative to the impact that that would have on the U.S. textile industry.

What do you see as the extent to which regional fabric should be allowed to be substituted for U.S. fabric and still have the benefits of the tariff rates coming into the United States, and how much of an adverse effect would that have on U.S. textile production?

Mr. ARCIA. Well, I believe Mr. Moore is partially right when he says that the U.S. should keep the capital-intensive part of the industry, which is the textile-producing industry. I like the example he cited where, with $50 million, you can employ only 500 people.

But the fact is, precisely because of that the Colombia fabric industry should not really be a threat to the U.S. The Colombia textile industry specializes in a different type of higher-end, specialty-type fabrics which really are not found in the U.S. and are not competitive. So, it is almost like comparing apples with oranges.

The Colombian textile industry is so insignificant, it cannot even make any impact or take away anything from the U.S. It would only be to help the apparel industry or the sewing industry that is there generate more business. That would be the extent of it, I believe.

Senator GRAHAM. Mr. Moore, would you have any comment on that?

Mr. MOORE. Well, I certainly do not agree that the Colombian textile industry is only engaged in the production of high-end yarns and fabrics. Our members have been to trade fairs in Colombia and on selling missions there and there is a wide array of fabrics and yarns produced in Colombia.

The issue for us, is does it make sense for the U.S., willingly and consciously, to advocate a trade policy provision that will cost the

U.S. jobs and production when there could be other provisions that would actually be a win-win for both sides? I think that is the key question.

It is not a question that Colombia has a relatively small textile industry now. But if there are advantages for Colombians or for other investors, that industry will grow. When you stop and look at what has happened in the Northern Marianas Islands, an artificially constructed base for duty-free, quota-free access to the U.S., today there is over $1 billion of textile and apparel trade coming in here made by foreign workers, foreign investors, et cetera.

So one should not only look at the current situation, but look at what could happen and the effects down the road. Given our situation today, we see no basis for that. Later on, there will be an FTAA. That will open up two-way trade in all directions among the western hemisphere.

We hope that we will be around to take part in that, but, clearly, we see no reason to add to our difficulties today with something that has a very small payoff for other countries and with a very large risk for us.

Senator GRAHAM. Mr. Arcia?

Mr. ARCIA. What I neglected to mention, however, is that what could happen is an expansion of U.S. exports. After all, Colombia is a very large purchaser of U.S. raw cotton and yarns. Again, as you have just mentioned, it is such a small, insignificant amount, I just cannot see how it would imperil the U.S. textile industry. It would only help.

Senator GRAHAM. I would hope that, over the next few weeks, we continue this discussion and, first, have a better understanding of the economics both now and potentially the consequences in the future, and see what might be done.

I am concerned about the dislocation that has and is occurring in Colombia at the very time that job expansion is critically needed. They have 20 percent unemployment. They are going to have substantially more than 20 percent if we are successful with our Plan Colombia efforts to significantly reduce drug production and, therefore, reduce the number of people who are employed in that illicit industry. I would hope that we could find the win-win situation, Mr. Moore, that you feel is out there. I hope so.

Staying in the apparel area for one final set of questions, I mentioned in my opening remarks that one of the things that was a driving force behind the CBI legislation last year and behind this year's Andean trade legislation is the looming prospect of 2005, when the quota limits that currently apply to the big Asian producers largely evaporate, and what that will mean to the partnership of the U.S. textile industry and the assembly industries in the Caribbean, Central America, and the Andean countries.

I met this week with Secretary of Commerce Evans, who has been given the portfolio to work on this issue of how to achieve greater efficiencies in that partnership so that, when we get to 2005, we will not have the disparity that we have today between Chinese- and Nicaraguan-assembled golf shirts.

Mr. Arcia, Mr. Moore, do you have any suggestions as to what kind of leadership or influence should the United States be attempting to exercise in order to create the best prospects that we will have a viable U.S. textile assembly/Caribbean, Andean country assembly process that can survive in a non-quota environment?

Mr. MOORE. You may have to catch a plane later today. We could talk all day about this issue, I believe. But I think the efforts to establish preferential trading areas, NAFTA, CBI, and further, perhaps even FTAA if it is done properly, will allow our industry and our workers to continue to not only survive, but grow in a post-quota world.

I think there are other issues that would impact that, either some positively, some adversely. I think, clearly, one of those is that our trade laws must not be weakened in any WTO negotiation.

We see today the kind of predatory competitive devaluations that have been made in Asia following the economic crisis. They have continued to devalue their currencies. We need to be able to address that.

We need to be able to address subsidies by other nations and dumping that will take place in our market. Yet, there are efforts under way as we begin to move toward a new WTO round, it looks like, to undermine those trade laws in the United States, rather than strengthen them.

Another factor is most of the Asian countries keep their markets closed to textile products. They hide behind a very high protected wall of high tariffs and non-tariff barriers. We have done a detailed study of that problem and most Asian countries continue to be highly protective of their textile industries. That needs to change. Two-way trade needs to takes place among all countries after the year 2005.

The U.S. and the European Union should not be viewed as the only markets for these products. If there is true trade among countries with each other in Asia and elsewhere, there will be less pressure to sell everything to us and Europe. I think that will help us be able to grow and survive.

The construction of a good FTAA, with the right rules of origin and the right enforcement mechanisms could help, if it is going to happen. It has been moving so slowly so far. I am not sure at what time it will happen, although, it is also scheduled to happen in 2005. So, those are just a few of the major factors that really, I think, will impact the growth and survival of our industry.

Senator GRAHAM. Mr. Arcia?

Mr. ARCIA. Thank you.

Sir, I am not an expert, but I can tell you, as an apparel maker, that we are facing insurmountable hurdles right now. It is hard to envision what it will be like in 2005. Our experience today that we are finding, is that the disparity between our prices and the products that are made in Asia is much greater than the 10 percent which you just alluded to.

Those figures actually include quota. So, with the evaporation of quota, it is only going to make this problem for us to compete even more severe. So all we can do is ask that we get assistance and aid, such as with duty-free treatment for assembly, duty-free treatment for regional fabrics, and to do so with as little bureaucratic interference as possible so as to make this legislation easy to administer and help us compete quickly. One thing that the Asians are, is they are very, very fast. Fast and furious.

Senator GRAHAM. I want to thank each of you gentlemen for your very significant contribution to our understanding of this legislation. I hope that we will be following a time schedule similar to that which Congressman Crane indicated, that is, that after we return post-Labor Day, that this will be a priority to move forward with.

The suggestions that each of you have made will be given very serious consideration. I am asking that the record be held open for 2 weeks. If any of you would like to supplement the remarks that you have provided today, we would be anxious to hear those further comments.

If there is no further business, the hearing is adjourned.

[Whereupon, at 11:48 a.m., the hearing was concluded.]

APPENDIX

Additional Material Submitted for the Record

Prepared Statement of Ambassador Peter Allgeier

Mr. Chairman and Members of the Subcommittee, I appreciate the opportunity to appear before the Subcommittee to discuss the Administration's position on the renewal of the Andean Trade Preference Act, or ATPA. Renewal of this legislation is a high priority for the Administration and we trust that it is for the Congress as well, as the ATPA represents a critical intersection of our trade and anti-narcotics policies. As virtually all cocaine sold in the United States originates in the ATPA countries, the ATPA functions as a U.S. trade policy tool that contributes to our fight against drug production and trafficking. With the current ATPA program due to expire in just four months, the Administration appreciates your Subcommittee's attention to this issue and encourages the Congress as a whole to address the future of the program with some urgency.

THE ATPA'S TRACK RECORD

The first question to address in deciding whether to renew the ATPA program is whether the current program has worked. The primary goal of the ATPA, as originally enacted in 1991, is to promote export diversification and broad-based economic development that provides sustainable economic alternatives to drug-crop production in the Andean region. The Administration's analysis shows that the ATPA has been achieving this goal.

Over the last decade, the ATPA countries have been making important gains in the fight against drugs, thanks in part to alternative development programs in each of these countries which have successfully provided former drug-crop producers with viable income alternatives. The ATPA has generated significant job opportunities in a variety of sectors, including cut flowers, non-traditional fruits and vegetables, jewelry and certain electronics inputs.

The positive impact of the ATPA on U.S. trade with the four ATPA beneficiary countries—Bolivia, Colombia, Ecuador and Peru—is striking. Between 1991 and 2000, total two-way trade doubled. During this time period, Andean exports to the U.S. increased 124 percent.

The portion of U.S. imports from ATPA countries entering under ATPA provisions rose gradually since the program began, to 19.7 percent in 1998. In both 1999 and 2000, the portion was 17.8 percent, primarily reflecting the surge in oil prices that inflated the value of petroleum imports outside the ATPA program.

Despite some serious economic and political difficulties the beneficiary countries have experienced since the program went into effect, the ATPA has begun to show important success in meeting one of its major goals: contributing to export diversification in beneficiary countries. This has particularly been the case in Colombia and Peru. Although traditional exports (such as raw materials and derivatives, including petroleum, and agricultural products, such as coffee and bananas) remain an important component of each country's overall export mix, exports of nontraditional products have grown. Cut flowers remains the dominant import under the ATPA, but its relative importance in the program has been declining in recent years as imports in other categories have increased, such as copper cathodes, pigments, processed tuna, and zinc plates. Imports of nontraditional agricultural products, such as asparagus, mangoes and wood products, have also grown considerably under the ATPA.

It is worth noting that U.S. exports to the beneficiary countries have grown substantially over this period. During this time period, U.S. exports grew 66 percent. The United States is the leading source of imports and the leading export market for each of the ATPA countries. Thus, overall the ATPA has benefitted the trade of both the Andean region and the United States.

THE FUTURE OF THE ATPA

The second question I would like to address is what a renewed ATPA should look like. Is it sufficient to simply renew the current program without changes? We believe it is not.

The current ATPA excludes from preferential tariff treatment a number of products, the sum total of which represents about 40 percent of the exports of these countries to the United States. We need to design a program that is as beneficial to the region as possible, to advance the interests of both the United States and the region.

The industrial structures and comparative advantage of various regions of the world differ. This helps explain why the product coverage of the Caribbean Basin Trade Partnership Act is different from that of the African Growth and Opportunity Act. We should look closely at crafting provisions which take into account the unique economic and security issues affecting Andean countries.

The Administration is committed to continuing to work with you and with your counterparts in the House to achieve Congressional passage this year of an ATPA bill with the broadest possible product coverage.

BEYOND THE ATPA TO THE FREE TRADE AREA OF THE AMERICAS

As enthusiastic as the Administration is about a renewed and expanded ATPA, we do not see it as a long-term solution to the need to strengthen the legitimate economies of the region as an alternative to narcotics production. We see it as a bridge to the Free Trade Area of the Americas, or FTAA.

The Andean countries are full partners with us in the negotiation of the FTAA. The talks are due to conclude by January 2005 and enter into force by December 2005. To provide the necessary bridge to the FTAA we believe the ATPA should be extended through 2005. Once in force, the FTAA will significantly expand the trade and investment opportunities facing the Andean countries:

- Eliminating trade barriers facing goods will expand the markets available to exporters in the region, not just in the United States but also in the other countries of the hemisphere.
- Eliminating barriers to trade in services will strengthen the Andean economies, by promoting transparency, competition, and impartial regulation of such sectors as telecommunications, insurance and financial services. The efficiency gains in these sectors will lead to productivity gains throughout their economies. Strengthening the financial sector has the added benefit of reducing the risk of future financial crises.
- By creating the world's largest free trade area, encompassing nearly 800 million people, the FTAA will be a major stimulus for investment in all our economies. It will not only increase domestic investment, which is critical in Latin America, where savings rates are undesirably low. It will also attract investment from outside the region, similar to the way NAFTA has provided a strong incentive for European and Asian direct investment in all three North American economies.
- The FTAA will reinforce the values of openness, accountability, democracy, and the rule of law, all of which are also critical to any successful effort to combat narcotics trafficking.

BILATERAL TRADE RELATIONS

Meanwhile, we are working to strengthen our trade ties with the region in other respects as well.

For example, the Administration has worked with the Andean Governments to promote full implementation of their WTO obligations and respect for the rule of law in such areas as intellectual property, trade-related investment measures and customs valuation, which are critical to creating favorable business climates in their countries.

We also have pursued bilateral investment treaties, or BITs, with the countries of the region. These BITS provide mutual benefits by enhancing investor certainty and confidence, thus helping to create jobs and long-term growth which are inherently desirable and also help economies diversify away from narcotics. BITs are in force between the United States and both Ecuador and Bolivia, and we are in various stages of exploratory talks with Colombia and Peru on possible BITs.

CONCLUSION

In conclusion, Mr. Chairman, the Administration believes that the Andean Trade Preference Act has proven to be a key component of our counter-narcotics efforts in the region. It has been a part of a larger bipartisan strategy to address narcotics production and trafficking directly while providing the affected nations healthier alternatives.

The ATPA has shown results, but we can and should do more to ensure that the program reaches its greatest possible potential. Our longer term vision for the region includes involving them in a web of hemispheric partnership through the FTAA, but that agreement is still a few years away. We need to provide the region a promising bridge to the future of our trade relationship.

RESPONSE TO A QUESTION FROM SENATOR KERRY

Question: A number of Senators and Members of the House have raised concerns about the Government of Colombia's actions in regard to an arbitration award that was rendered in favor of a company called TermoRio, which is indirectly owned by U.S. companies. Their concerns are that the government is not acting in good faith to recognize that award. Would you look into that matter and give us a full report?

Answer: The Administration is well aware of the investment dispute between TermoRio and the Colombian Government, and of the efforts of TermoRio and its major U.S. stockholder, Sithe Energy, to obtain payment on their arbitration award in Colombia. The U.S. Ambassador to Colombia has raised the issue with senior government officials, stressing the importance for Colombia of maintaining a welcoming investment climate. USTR officials met recently with representatives of Sithe Energy to discuss the issue in detail. We expect to continue our dialogue with the company to determine how the U.S. Government can most appropriately respond to the concerns that they have raised.

RESPONSES TO QUESTIONS FROM SENATOR ROCKEFELLER

Question: Do any of the proposals currently being discussed for extension or enhancement of the Andean Trade Preference Act (ATPA) involve any commitments by the United States on the use or application of our trade laws (e.g., Section 201, Section 301, anti-dumping law)?

Answer: No such proposals have been discussed with the Administration. Moreover, as the ATPA is a unilateral preference program, it does not involve U.S. commitments that the U.S. negotiates with the beneficiary countries.

Question: The domestic U.S. steel industry is currently in grave crisis, in large part triggered by the impact of steel imports on domestic steel prices; and dual Section 201 investigations have been initiated by both the Administration and the Senate Finance Committee. Are any of the current or possible future ATPA countries significant exporters of steel or steel products to the United States? If so, have producers from any of these countries been named in any of the steel anti-dumping cases filed since 1997, and have any of them been found by U.S. authorities to be dumping?

Answer: None of the ATPA beneficiaries are significant exporters of steel or steel products to the United States. U.S. import statistics show that Bolivia have exported virtually no steel to the United States in recent years (one short ton or less), while Colombia, Ecuador, and Peru have exported small amounts of steel. In 2000, imports from Colombia, Ecuador, and Peru of iron and steel products classified in Chapter 72 of the Harmonized Tariff Schedule ranged from 243 short tons to 14,705 short tons. At these volumes, none of the ATPA beneficiaries were among the top 50 exporters of steel products to the United States. No ATPA beneficiaries have been named in any U.S. antidumping cases on steel products since 1997.

PREPARED STATEMENT OF PAUL ARCIA

Mr. Chairman, members of the Subcommittee, I am Paul Arcia, President and co-owner of A.R.C. International, an apparel-making company with operations in both Miami, Florida, and Barranquilla, Colombia. I appear here today to talk about the extreme importance of a new Andean Trade Preference Act. Companies like mine need a renewed and enhanced ATPA now, if we are to survive, much less grow.

Let me tell you about my company and what has happened to us over the last year—it is typical of what has happened to many of the companies manufacturing apparel in the Andean region. A.R.C. is a manufacturer of clothing, both knits and wovens, for men, women and children. We make everything from denim jeans to woven shirts to polo shirts to fleece baseball jackets. We take great pride in our diversity, because for many years it has shielded us from market fluctuations. We count among our customers some of this country's largest retailers, including Target, Wal-Mart and Costco. We are representative of most apparel manufacturing companies. We started nine years ago with 50 employees. Today, we have 1,500 employees. We want to keep these employees; we want to grow to employ even more people.

A.R.C. is typical of the garment industry. It is a dynamic industry with low entry barriers because you don't need large amounts of capital. Very few industries provide such a large fountain of employment with such a small amount of capital investment, while simultaneously offering a rapid growth potential. With the moxie of good management and the dedication and hard work of our employees, ARC has built a large and viable business.

Nothing, however, could have prepared us for the impact of the enactment of the Caribbean Basin Trade Partnership Act. The day after the CBTPA law was passed, the bottom started falling out for us, even though the business we do is quite different from what is done in the Caribbean and Central American countries. On that day in May 2000, we were contacted by our customer Sara Lee Corporation with the news that a confirmed contract, which would have expanded our operation by 35 % and added almost 500 new employees, was being cancelled. We had agreed upon deliveries, price, transportation costs, everything, but suddenly the CBTPA made us unattractive.

This is not surprising in the apparel industry. It is a miserable penny pinching business. With the advent of the super-retailer and the consolidation of many customers, cutting costs is a paramount objective. Deals have been lost over a nickel.

Almost immediately thereafter, our largest customer at the time, Fruit of the Loom, confronted us with a demand: we must reduce our prices by 20 percent, to make up for the duties they have to pay on our goods but would not have to pay if their goods entered the U.S. under CBTPA benefits. We had no choice but to accept the price cut rather than lose the business altogether, all along hoping that the Andean nations would soon have the ability to ship duty-free too. That did not happen so to offset the loss to us, we have been compelled to reconsider our sourcing options for fabrics. Traditionally, we have used U.S. fabrics, but with a 20 percent price cut, we have switched to cheaper Asian sources of fabric supply. It is truly ironic that the CBTPA, which was supposed to encourage the use of U.S.-formed components, has actually had just the opposite effect in Colombia.

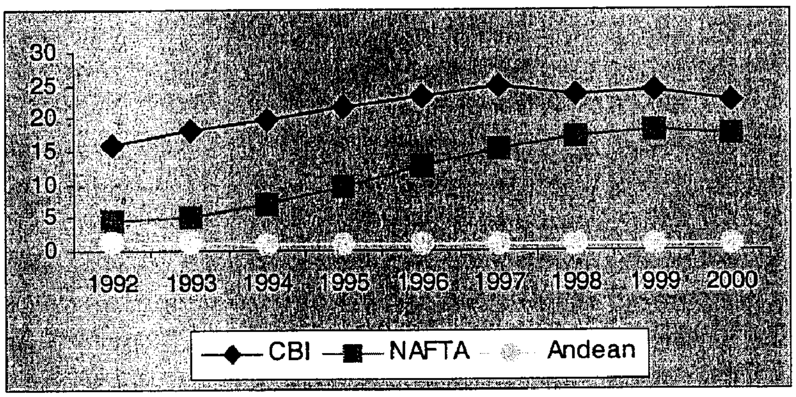
We had hoped these measures would allow us to maintain our business, even if we could not grow it, pending action by the Congress on ATPA. With unemployment in Colombia reaching 20 percent, it is clear that without these apparel-making jobs, there are no legitimate alternative opportunities for workers. Unfortunately, in May, just two months ago, Fruit of the Loom notified us that they are terminating their business with us altogether. In their letter to us, Fruit of the Loom made clear that the decision was "strictly business"—the Caribbean offers duty-free access to the U.S. market. We don't. I am attaching a copy of that letter to my testimony today. All manufacturing for Fruit will cease by the end of September, at which point we will have to lay off 400 employees in Colombia. Worse yet, A.R.C. has not received a single new order from any customer for almost two months now. At this point, I have just enough business to keep my remaining 1,100 employees working until mid-November.

And A.R.C. is one of the luckier ones. In the free zone in which we operate in Barranquilla, almost all of the neighboring apparel producing factories have already shut down, laying off some 4,000 workers. Most of these workers are women heads of household, with school age children to support. The fact is that the apparel assembly business is highly transportable, making it easy for companies to pull up sewing machines and move elsewhere, leaving the workers behind. I have to admit that my own company is a perfect example of this. In the 1980s, our operations were in El Salvador, but the campaign of terror pursued by the FMLN guerillas proved to be a major deterrent for our U.S. customer base and after three years we were forced to abandon the factory.

But while I have told you about how CBTPA has impacted our business, I do not mean to suggest that merely providing CBTPA-type benefits to the Andean apparel sector will solve the problems of the region. In fact, because of the distinct differences between the CBI region and the Andean regions, we need a very different type of preference program, both to save our industry, and to grow it so that companies like ours can generate employment opportunities to people who might otherwise be induced to harvest the coca fields.

The ATPA countries are currently a minor player in the U.S. apparel market. Together, the four countries account for less than one percent of total apparel imports—and that is all they have accounted for every year since 1992. In contrast, the CBI countries account for 22.3 percent of total U.S. apparel imports, and their share of the U.S. market has been growing over the past decade. Those numbers demonstrate that, with respect to textile and apparel exports to the United States, the ATPA countries are more like the sub-Saharan African countries than we are like the CBI countries. Therefore, I believe that an enhanced ATPA should be based on the model established in the African Growth and Opportunity Act rather than the one in the CBTPA.

Apparel Imports to the United States
CBI versus NAFTA versus Andean Region



(Percentage of total apparel imports to the U.S.)

Unlike the CBI region, the Andean region is not dominated by so-called 807 assembly operations. The apparel industry in the ATPA countries is highly vertical, meaning that it manufactures yarns, fabrics, and finished garments and textile goods, offering our customers a "full package" of services. The vertical nature of the Andean industry makes for a much stronger, more rooted industry.

Significantly, as yarn and fabric makers, Colombia and the other ATPA countries import a great deal of inputs from the United States. The fact is that today the Andean countries already import far more raw cotton from the United States than the CBI countries, even though there are only 4 ATPA countries and there are two dozen CBI countries ($72 million versus $58 million worth of raw cotton). The United States is by far Colombia's top supplier of raw cotton, accounting for 50 percent of Colombia's cotton imports. The ATPA countries also import a significant quantity of manmade fibers and manmade fiber yarns from the United States a total of $57 million worth in 2000. (The U.S. exported $32 million worth to the CBI region during the same period.) These inputs provide some indication of the extent to which enhanced ATPA offers real export opportunities for the U.S. cotton, manmade fibers and yarn industries. There is no doubt in my mind that they would import even more if there were benefits for the textile and apparel exports to the U.S. under ATPA. And supporting vertical operations also would do much to insure the economic security of the Andean region. It is a classic "win-win" proposition.

With these facts in mind, let me suggest what textile and apparel benefits are absolutely essential to ensure a successful ATPA program that complements the other initiatives by the United States to address the problems in the region. In presenting this, I have to emphasize that simply providing the ATPA countries with the same benefits as the CBI countries will not necessarily induce investors or U.S. importers to do business with the Andean countries. Besides the fact that manufacturers in Colombia are often vertical and provide "full package" goods, companies in the region need to offer a greater incentive to customers in order to overcome the higher cost of labor in the ATPA countries, the higher cost of transportation from the region, and the security concerns of American business.

To have a successful ATPA, there must be unlimited duty-free access for all apparel produced in the Andean region from either U.S. or Andean inputs. It should be that simple. From the sidelines, one lesson we have learned from the Caribbean experience is that complicated provisions are not in the interest of business. Instead of many separate provisions, there should be just a few that are easy to understand and comply with, and easy for the U.S. Government to administer. This is absolutely necessary to induce companies to do business in the region. Further, by including benefits for apparel made from regional fabric, the United States can help the industry grow deeper roots and greatly diminish its risk of losing the cut and sew business over a nickel.

Ultimately, even with ATPA renewal and expansion on the terms I describe, we will still have to fight and claw for anything we can get. But at least we will be competing on an even playing field.

I hasten to note that the jobs generated by these benefits will in no way take away jobs from the United States. The duty-free access will instead permit the ATPA countries to compete with suppliers in Asia, which currently account for almost half, 47.4 percent, of total apparel imports into the U.S. market. Moreover, while even a tripling of apparel exports from the ATPA countries would be insignificant in the huge American market, it would be dramatically important to a country like Colombia, where apparel production accounts for a considerable portion of the gross domestic product.

Mr. Chairman, members of the Subcommittee, the Andean countries greatly appreciate your support in holding this hearing today to promote renewal and enhancement of the ATPA. Clearly, we need a new and improved ATPA and we need it quickly. We are very hopeful that the Congress will move swiftly to complete action on the necessary legislation before the current program expires, because time is not on our side.

Thank you.

FRUIT OF THE LOOM.

May 9, 2001

Paul Arcia
ARC Merchandising
7150 NW 36th Avenue
Miami, FL 33147

RE: Notice of expiration of

Master Assembly/Packaging Agreement
(dated July 14, 1997)
between Fruit of the Loom Operating Ltd.
and ARC Merchandising

Dear Paul:

This letter will verify that the above referenced agreement expired on July 14, 2000.

As we have discussed last week, Fruit of the Loom will cease shipments of cut goods so that ARC International and Merchandising finishes sewing Fruit of the Loom goods no later than August 4, 2001.

Fruit of the Loom is currently working its way through Chapter 11 Bankruptcy reorganization. As we reorganize, Fruit of the Loom must meet many objectives of cost reduction in order to increase its margins and remain competitive.

Unfortunately one method we are using to become more competitive is to use sewing contractors who are located in the Caribbean Basin area. These contractors enjoy duty and quota free treatment. This large cost advantage cannot be ignored.

ARC International and Merchandising has been one of Fruit of the Loom's best and least problem contractor's. Our operation together was run "Hands Free". It is very unfortunate that this move must take place but continued cost reductions is on our "Front Burner". We as a Company need to survive and this move is one small step in the right direction.

If there is anything we can do to assist you during this transition, please call. We certainly hope the opportunity will come again to use your services.

Thanks again for your efforts and support all these years.

Sincerely,

Luis Carlos Gomez
Vice President of Apparel Operations, Central America
Fruit of the Loom Operating Ltd.

Cc: Rick Medlin
Danny Munford
Carl Smith
John Daniel
Dana Taylor
Chris Cundiff
Dan Swanson

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Prepared Statement of Hon. Max Baucus

Today, the Committee hears testimony on the Andean Trade Preferences Act (ATPA). The ATPA was put in place in 1991 as an incentive to eradicate illicit drug production in the Andean countries. Under the program, many exports from Colombia, Peru, Ecuador and Bolivia receive duty-free treatment upon import into the United States.

ATPA has resulted in important benefits for key sectors of these economies. In 1999, the Andean countries exported $9.8 billion in goods to the United States, of which $1.8 billion qualified for ATPA benefits. Products that have benefitted from the program include cut flowers from Colombia, copper from Peru, jewelry from Bolivia, and certain fish products from Ecuador. Additionally, according to a recent report by the U.S. International Trade Commission, the ATPA "indirectly provides new sources of employment for workers that may otherwise turn to illicit crop-producing activities." I hope that the witnesses today will provide a clear picture of the impact ATPA has had on the beneficiary countries as well as on the United States.

Later this year, the ATPA program will expire. I believe that support for renewing the program is strong. The harder question is whether and how to enhance it. In the ten years since the ATPA was enacted, United States trade policy has evolved quite substantially. We entered into the North American Free Trade Agreement, lowering (and eventually eliminating) tariffs on goods imported from Mexico and Canada. We enhanced the Caribbean Basin Initiative, extending duty-free treatment to new categories of products—most importantly, apparel articles—imported from the Caribbean and Central America. We enacted a preferential trade program for the countries of Sub-Saharan Africa, also according duty-free treatment to apparel products from that region.

All of these changes necessarily have intensified the competition faced by products exported from the Andean countries. This is particularly so in the area of textile and apparel products. I support renewal of the ATPA. Further, I believe that to level the playing field for the Andean countries, we should consider enhancing the program in some fashion. At the same time, we must be sensitive to the concerns of industries in the United States that compete with imports from the Andean countries. The ITC has identified increasing Andean competition with U.S. production in the asparagus and cut flowers sectors. Others have expressed the concern that according duty-free treatment to Andean apparel products could displace U.S. production of such products.

I am committed to working to find the right balance here, and I hope that today's hearing will assist us in the endeavor.

Prepared Statement of Hon. Philip M. Crane

Good Morning. Mr. Chairman and Members of the Committee, I appreciate the opportunity to testify on extension and expansion of the Andean Trade Preference Act. The ATPA has been successful in expanding trade and helping to provide Andean farmers practical and profitable alternatives to cultivating crops for the production of illicit drugs. The ATPA does more than expand trade in a very fundamental way, it strengthens America's war on drugs.

If we fail to renew ATPA, we not only turn our backs on the governments and citizens of Bolivia, Colombia, Ecuador, and Peru, but we turn our backs on our own sons and daughters struggling to stay away from drugs here on our streets and in our neighborhoods. This hearing, on the last day before we return to our districts and states for the August recess, is a welcome signal that extending and expanding the ATPA will be a key item on our trade agenda this fall.

Thanks in part to the current duty-free tariff treatment under the ATPA on about 18% of their exports to the United States, Peru and Bolivia have been able to take courageous steps to stamp out much of their illicit drug production. Although Colombia and Ecuador's success has been less dramatic, new strategies, including Plan Colombia, are now being implemented to combat the drug cartels. Instead of waging the war against drugs solely through foreign aid, ATPA endeavors to address the twin evils of poverty and the lack of job opportunities in the region, which can drive otherwise good, productive citizens to become involved in illicit crop cultivation and the drug trade.

Colombia presents an especially unfortunate situation. As a result of the worst recession in 70 years and unemployment as high as 20%, Colombian coca cultivation has skyrocketed, and now is the source of 80% of the cocaine consumed in the United States. The combination of desperate and chaotic socioeconomic conditions and an enormous surplus of coca has resulted in escalated drug trafficking activities to the United States. Windfall profits earned from U.S. drug-smuggling have enriched and mobilized Colombia's leftist Revolutionary Armed Forces of Colombia (FARC) and other regional insurgency and guerilla movements, threatening to further destabilize Colombia's democracy and spill over to its neighbors.

If we renew and expand ATPA, this sad situation need not continue. By helping bolster the legitimate sectors of the faltering Andean economies and providing practical, real-world incentives to abandon coca cultivation farming, this legislation will strengthen the mettle and motivation for our neighbors in the Andes to defeat the drug cartels on a local level.

Trade statistics indicate that the existing ATPA has helped nearly double two-way trade between the United States and the Andean region. During the last 10 years, U.S. exports grew 65, percent and U.S. imports from the region increased 98 percent. While U.S. exports of cotton worldwide have been falling during the last five years, U.S. cotton exports to the Andean countries have grown 107 percent, by quantity! This year alone, U.S. cotton exports to the Andean countries are up 38 percent by quantity compared to the same period last year. These figures suggest that the incentives to diversify Andean economies are taking hold and that the ATPA can provide a win-win situation for U.S. cotton growers, as well as Andean apparel producers. Sectors such as cut flowers, gourmet and non-traditional fruits and vegetables, and wood products have been success stories. New opportunities for indigenous production of processed tuna, fabrics, and apparel will offer additional chances for our neighbors to move ahead.

With respect to textiles and apparel, our goal should be to design a simple program that addresses the unique nature of the existing Andean industry. Unlike the CBI, much of the Andean apparel industry is highly vertically-integrated and does not utilize the 807-type U.S. fabric operations that are found most often in the CBI region, closer to the United States. It is not economically feasible for these countries to be required to use U.S. raw materials. If we do not provide an opportunity for the Andean countries to use their own regionally-produced fabric, the benefits will be meaningless, particularly for Peru and Bolivia. As you know, Mr. Chairman, Andean apparel exports to the United States amount to less than 1 percent of overall U.S. apparel imports and should pose absolutely no threat to our domestic industry.

Our prompt renewal of the ATPA will also signal to our other Latin American trading partners that we are committed to negotiating and concluding the Free Trade Area of the Americas on schedule in 2005.

Mr. Chairman, ATPA is about offering the Andean region incentives for economic development that will sustain the fight against drugs long after the foreign aid dollars have been spent. Expanding the Andean Trade Preference Act makes good sense as a tool to help undermine the powerful drug cartels and as a spur to America's broader trade policy. I urge the Members of this Committee to give ATPA expansion their strongest support.

Prepared Statement of Hon. Bob Graham

The Andean Trade Preference Act, commonly known as ATPA, was passed in 1991. It is set to expire on December 4, 2001.

Today's hearing will review the performance of the ATPA during its first ten years and examine possible areas for expansion.

The ATPA has been a very successful program.

It has improved the economic conditions in the countries of the Andean ridge at the same time it has provided economic benefit to the United States.

Perhaps as importantly, the ATPA has provided employment for thousands of workers who might otherwise be forced to take up illicit activity, particularly the cultivation of illegal narcotics.

With the passage of legislation last year that enhanced trade benefits for the Carribean Basin Initiative countries, the ATPA countries have been at a competitive disadvantage.

At a time when the United States is making a significant economic and political commitment to help the Andean nations eliminate the cultivation and production of illegal drugs, we must extend and expand the ATPA program to ensure that thousands of workers are not displaced.

It does not make sense for Congress to provide foreign aid on the one hand, and implement trade legislation that puts tens of thousands of people out of work on the other.

The Andean Trade Preference Expansion Act, which I introduced with several cosponsors from both parties this spring, will address that critical, unintended contradiction by harmonizing the trade benefits of the Caribbean and Andean nations.

It is in our economic interest as well as our national security interest to pass legislation this year that will extend the extremely successful ATPA program and enhance it in ways that will ensure its continued success.

Our first witness today is my good friend Representative Phil Crane.

Representative Crane has been a tireless supporter of building an economic partnership with our Carribean and Andean neighbors. I thank him for his work in this regard and for taking the time to speak to us today.

On our second panel we will hear from Ambassador Peter Allgeier ("ALL-geyer"), the Deputy United States Trade Representative, and Dr. Alan Larson, the Under Secretary of State for Economic, Business and Agricultural Affairs.

Our third panel consists of:

Mr. Paul Arcia, President of ARC International, an apparel manufacturing company;

Mr. Richard Harrah, President of Dole Fresh Fruit International, which includes Dole's cut flower operations;

Mr. Carlos Moore, Executive Vice President of the American Textile Manufacturer's Institute;

Mr. Ward Rodgers, recently retired General Manager of Heinz North America's Starkist Seafood operations;

and Mr. William Snape ("Snaype"), Vice President of Defenders of Wildlife.

Let me thank all of you for appearing before us today.

Prepared Statement of Hon. Charles E. Grassley

I would like to welcome our witnesses to today's hearing on an important and timely topic, renewal of the Andean Trade Preferences Act.

I want to commend Senator Graham for introducing the Andean Trade Preference Expansion Act on March 13th of this year.

This bill would reauthorize and expand the coverage of ATPA to include many textile and apparel products, similar to the benefits provided to eligible countries under NAFTA and the Caribbean Basin Trade Partnership Act.

Renewing and enhancing the Andean Trade Preferences Act is an important trade and foreign policy priority for President Bush and myself.

I look forward to working with Chairman Baucus and Senator Graham to get it done this year.

Before we hear from our witnesses, I would like to make three points.

First, renewing and enhancing ATPA has important foreign policy implications. The ATPA is a critical tool in our effort to fight drug trafficking. The intent of the Andean Trade Preference Act, from the beginning, was to advance our efforts to combat illegal drug production and trafficking. It was then and is now not so much a trade initiative as it is an effort to assist important allies in a critical fight. The nations of Latin America expect us to continue to stand by their side as we fight the scourge of drugs. They have paid a high price to aid us in this effort. It is a battle we cannot afford to lose. So we cannot fail to do our duties as legislators. We must renew the ATPA this year.

My second point is that this committee should not be satisfied with a short-term reauthorization of the current program. Today, only 10% of imports from ATPA countries enter the United States exclusively under the ATPA provisions. That means the current program is helping create economic opportunity in the Andean Region but its impact is limited by the scope of its coverage.

It is a simple formula. The degree to which we are willing to expand the Andean Trade Preferences Act correlates strongly with the impact we can expect to have. The more we expand product coverage under the Act, the more economic growth we can expect it to generate. And the more economic growth it generates, the more employment it creates, and the less likely people will turn to drug trafficking for a living. So not only should we renew the program this year, we should work hard to expand it.

Third, the ATPA is important but there is something more we can do for ourselves and our Latin American nations. And that is pass Trade Promotion Authority this year.

Allow me to read from a letter sent by nine Latin American ambassadors to a Member of Congress on July 20, 2001 on the importance of Trade Promotion Authority. The Ambassadors write:

> "We are writing to you regarding an issue of utmost importance to our countries: the passage of Trade Promotion Authority (TPA) by Congress. As you know, our economic prosperity is intextricably linked to that of the United States. The United States has been historically willing to help the nations of

Latin America during difficult times. We are grateful for that support. But as our nations continue to grow economically and become more fully integrated into the global economy, more and more we are looking for a strategic partnership with the United States. We believe that expanded trade is important to establish that partners ship, and we believe that TPA is the foundation for increasing trade between the United States and Latin America."

The letter continues:

"* * * trade is a two way street * * * TPA will give all sides the confidence necessary to strike the best deal. Without TPA, the opportunity for changing what was agreed upon looms in the minds of your negotiating partners. With TPA, we are more confident that the agreement as struck will hold. That gives us all the more incentive to work hard to achieve consensus with your negotiators.* * * we urge you to consider supporting TPA because we know it will be in our interest * * * and your interest as well."

I could not have said it better myself. Let's do the right thing and pass both ATPA and TPA this year.

PREPARED STATEMENT OF RICK HARRAH

Mr. Chairman, Members of the Committee:

On behalf of the Dole Food Company, the largest producer and marketer of high-quality fruit, vegetables, and fresh cut flowers in the world, and the largest importer of fresh cut flowers in the United States, I sincerely appreciate the opportunity to be with you today at this important and timely hearing.

My name is Rick Harrah, the President for Latin America at Dole, and let me say at the outset that the Dole Food Company strongly supports renewal of the Andean Trade Preferences Act prior to expiration of the program on December 4, 2001.

We urge Congress to reauthorize the program expeditiously. Additionally, we urge that the program be reauthorized for a sufficient period of time so as to lend confidence to US entities that have made significant direct foreign investments in the Andean region, despite questions of regional stability, based on long-standing US policy which we hope will continue.

Dole Food Company is an Active Participant in the ATPA Program

Mr. Chairman, ATPA works. It is doing what it was designed to do providing incentives to US business to invest directly in the troubled Andean region, and, in so doing, to support alternative development efforts as the best long-term weapon against the scourge of the illegal narcotics trade. Additionally, direct US investment in the region has had a ripple effect, as our efforts and those of others are impacting in a positive way the wider communities in which we operate. Just as the Andean region is now faced with one of its deepest crises in years, it would be a significant setback to the region and its people, and to US business, were the ATPA to be allowed to lapse.

As you may know, fresh cut flowers are one of the largest product categories eligible for ATPA benefits, and we are pleased to say that Dole owns and operates 23 flower farms in Colombia and Ecuador through its subsidiary Americaflor Ltda, the world's largest grower of fresh flowers. In Colombia, Dole employs 11,133 workers, the largest industry employer. In Ecuador, the company employs 1,028 workers. Dole directly employs over 400 workers in the US. flower sector, mainly in Florida, but also in Texas and California.

Dole entered the fresh cut flower business in 1998 based on prevailing market conditions and prospects for future industry growth. Although conditions in the Andean nations continue to pose significant political and economic challenges, the company is confident in the ability of regional leaders to strengthen appropriate business conditions. In fact, this December the company plans to open a multi-million dollar state-of-the-art facility in Miami specifically to process imports from the Andean region. I must note that underpinning this calculation, however, is the support that the United States government has provided through ATPA and other means, *and the prospects that such support will continue over time*.

ATPA Benefits are Critical for Commercial Success and the Expansion of Social Benefits

On average, cut flowers from the Andean nations face a tariff of over six percent to enter the US market. ATPA drives those tariff levels to zero. Were tariffs to rise once again, profit margins, which are already barely two percent due to intense international competition and stagnant demand, could be squeezed to the point that direct investment in the flower sector would no longer be economically prudent.

This would directly affect Dole operations and negatively impact the broader societies in which we work. Dole and its subsidiaries are champions of environmental quality and worker welfare. In fact we are ranked among the top 10 companies in the Fortune 500 in terms of environmental and social responsibility by the Council on Economic Priorities. These core corporate principles have been firmly implemented in our operations in both Colombia and Ecuador. On January 15, for example, Americaflor announced its certification to the highest possible environmental standard, ISO 14001, and at the same time announced the certification of its bouquet operation to ISO 9002. We are very pleased that our subsidiary is the first flower producer in the world to reach this environmental milestone.

Without ATPA benefits, however, the commercial rationale for investing in Colombia and Ecuador would be significantly reduced, and, at a minimum, Dole would be forced to reevaluate its exposure in the Andean cut flower industry. *This would potentially reduce jobs and remove certain incentives for environmental and labor protections in areas where we currently operate*.

Additionally, it would seriously undercut our Colombian partners, represented by the Association of Colombian Flower Exporters, who have enjoyed a strong relationship with the United States since long before we entered the market. Over the past 10 years, the Colombian flower exporters have built a seamless working relationship with US law enforcement, including DEA, Customs, and the Department of State, who have each recognized the industry for its efforts to incorporate effective methods and techniques in combating the illegal narcotics trade.

The industry is also at the forefront of alternative development. Overall, the flower industry has created over 150,000 jobs in Colombia, primarily in the agriculture sector. The industry employs more agriculture workers per hectare than any other. With transferable skills, agricultural workers are prime targets for narco-traffickers to lure into the drug trade. It's certainly tempting, particularly given an unemployment rate in Colombia that hovers stubbornly around 20 percent, and with *under*employment even higher. With ATPA, full employment is the norm in the regions where flower farms exist. Without ATPA, it's a fair bet that many of the flower workers would end up in the coca and poppy fields elsewhere in the country.

Equally important, without ATPA, the industry would have to reduce or eliminate the many progressive and innovative programs designed to improve the lives of workers well beyond that which is required or contemplated by law. Healthcare, childcare, nursing care, subsidized nutrition and educational programs would all be reduced or eliminated, to say nothing of the environmental programs designed to protect and maintain fragile natural resources through better pesticide management and improved environmental protections.

More broadly, US workers have also benefited directly from a robust Andean cut flower industry. Over 220,000 US workers depend on Colombian and Ecuadorian flowers for their livelihood. Additionally, major retailers such as Wal-Mart and K Mart, and their workers and customers across the nation, depend on the region to supply their flower and flora-culture needs. In fact, nearly two-thirds of all flowers purchased in the United States are grown in Colombia, valued at approximately $600 million per year. This $600 million in imports of fresh cut flowers translates into a retail value for the U.S. floral industry of some $11 *billion* per year.

ATPA is a Success and Should be Continued

Mr. Chairman, my point is that ATPA has been a lifeline that has made the cut flower industry viable, with highly positive ripple effects throughout Andean society. It is perhaps a perfect example of the way that US trade policy can impact broader policy goals, from the environment, to labor, to emboldening the private sector to combat the scourge of the illegal narcotics trade.

For 10 years, the ATPA partnership has fostered tangible, mutually beneficial results. It has been good for US companies, and good for the people of the ATPA beneficiary nations. It should be reauthorized in a seamless manner before it expires later this year. And it should be done so as a bridge to the hemispheric FTAA that will provide certainty to the business environment and encourage new US investment in the Andean region for many years to come.

Thank you, again, for the opportunity to be with you today to share the views of Dole Foods.

Prepared Statement of Alan Larson

Good morning, Mr. Chairman, Members of the Committee, I am pleased to be here today to discuss with you the Department of State's views on renewal of the Andean Trade Preferences Act, or ATPA.

The Andean region represents a significant challenge and opportunity for U.S. foreign policy in the next few years. Important U.S. national interests are at stake. Democracy is under pressure in all of the countries of the Andes. Economic development is slow and progress towards liberalization has been inconsistent. The Andes produces virtually all of the world's cocaine, and an increasing amount of heroin, thus representing a direct threat to our public health and national security. All of these problems are inter-related. Sluggish economies often breed political unrest that threatens democracy. Unemployment and underemployment provide ready manpower for narcotics traffickers and illegal armed groups. Weak democratic institutions, corruption and political instability discourage investment, contribute to slow economic growth and provide fertile ground for drug traffickers and other outlaw groups to flourish. The drug trade has a corrupting influence that undermines democratic institutions, fuels illegal armed groups and distorts the economy, discouraging legitimate investment. None of the region's problems can be addressed in isolation.

Each year, illicit drug abuse costs our society more than $140 billion in expenses and lost revenue. This figure includes tax dollars lost because of the cost of law enforcement, treatment, and incarceration. Each year, there are over 500,000 hospital emergency room visits related to illicit drug use, and more than 50,000 drug-related deaths. Cocaine is the drug most frequently mentioned as the cause of emergency room admissions, with 168,763 instances in 1999, according to the Drug Abuse Early Warning Network (DAWN). Clearly, vigorous action on our part to stem the flow of illegal drugs from the Andean region to the United States is of vital national interest.

THE ANDEAN REGIONAL INITIATIVE

I would like to provide a bit of background on the ATPA, and how it fits into the President's Andean Regional Initiative, the ARI. ARI is the product of extensive consultations with members of Congress, the staffs of committees, with the governments of the region, and with other potential donor countries and international financial institutions. ARI addresses the three issues that lie at the heart of the challenges facing the region: democracy, development, and drugs. ARI balances the need to address the continuing challenges in Colombia with the competing priority of working with the rest of the region to prevent a further spreading of Colombia's problems or backsliding in areas where progress already has been made.

Going back one step further, in July 2000 Congress approved a $1.3 billion supplemental appropriation, known as Plan Colombia, to carry out enhanced counternarcotics and economic development activities in the Andean region. Plan Colombia is now well underway and showing good results. We built upon the lessons learned from Plan Colombia as we worked on designing the ARI. The ARI strikes a fine balance between security and law enforcement programs, and those focused on development. It also balances the ongoing priorities in Colombia with those of the rest of Colombia's neighbors.

The Andean Regional Initiative covers programs in Bolivia, Colombia, Ecuador, Peru, and Venezuela, as well as those areas in Panama and Brazil most affected by the region's problems and where our assistance can best make a difference. Less than half of our request under the ARI would be for programs in Colombia. Moreover, in addition to being balanced geographically, the ARI will likewise be balanced programmatically. About 50 percent of the ARI budget will be devoted to programs focused on development and support for democratic institutions.

THE INDISPENSABLE ROLE OF ATPA

Integral to the Andean Regional Initiative are the economic development and job creation afforded by expanded trade opportunities. The renewal and enhancement of the ATPA can provide real alternatives to drug production and trafficking for farmers and workers desperate for the means to support their families.

Renewal of a robust ATPA is perhaps the most important contribution that we can make to economic growth and prosperity in the Andes. By renewing the Act and expanding its benefits, we can continue to provide economic alternatives to narcotics production and trafficking in Bolivia, Peru, Ecuador and Colombia. The Act has already succeeded in doing so in the first ten years of its life, without adverse economic impact for the United States. The original justification for the legislation still stands, but it expires at the end of the year and must be renewed and enhanced to extend through 2005, when the FTAA is to take effect. ATPA renewal will serve to strengthen the credibility of democratically elected governments in the region. It will provide them with a clear demonstration of the benefits of continuing to cooperate on counternarcotics, and provide a counterweight to the contractionary economic affects that countries such as Bolivia have felt as they have brought coca cultivation under control.

Our support to Plan Colombia was the first step in responding to the crisis underway in Colombia. The Andean Regional Initiative, of which ATPA is an integral part, continues the U.S. effort to address the underlying causes of the narcotics industry and violence in Colombia, while assisting Colombia's neighbors to ward off those same dangers in their own countries. Their success is vital to our own national interests in the reduction of the narcotics production and trafficking that threaten our society, promoting the spread of strong democratic institutions, and the enhancement of trade and investment opportunities for U.S. businesses and workers.

Since ATPA was signed into law on December 4, 1991, it has provided important tariff benefits to Bolivia, Colombia, Ecuador and Peru. The ATPA has met its original intent very successfully, namely to help the Andean countries develop viable economic alternatives to drug production and trafficking through enhanced U.S. market access. U.S. trade with the ATPA countries has grown substantially since ATPA was enacted. Between 1991 and 2000, total two way trade nearly doubled. During this time period, U.S. exports to the ATPA countries grew 66 percent while U.S. imports from the ATPA countries more than doubled, increasing from approximately $5 billion to over $11 billion in 2000. While ATPA countries supply only a fraction of U.S. imports, the United States is the leading export market for each of those countries.

U.S. imports from the ATPA countries have primarily consisted of derivatives of raw materials, agricultural products and apparel. Mineral fuels, mainly petroleum, accounted for 36 percent of imports in 1999. Other leading imports were precious metals, gemstones, and jewelry; coffee; fruits and nuts, primarily bananas; fish and crustaceans; apparel; and cut flowers.

About two thirds of U.S. imports from ATPA countries enter the U.S. duty free, mostly as a result of standard MFN practice. However, ATPA constitutes the single most important concessional trade program for Andean exports: in 1999, 18 percent of U.S. imports from the region entered under ATPA while just 1.3 percent came in under the Generalized System of Preferences, or GSP. It is also important to note that over the past years, U.S. imports under the ATPA have increased more than twice as fast as total U.S. imports from the Western Hemisphere as a whole. Accordingly, the proportion of U.S. imports entering under the ATPA has been rising steadily since the program began.

Colombia was the principal ATPA beneficiary every year since the program began until 1999. In 2000, however, 42.7 percent of all ATPA imports were sourced from Peru. Colombia ranked second, accounting for 41.7 percent; Ecuador was third, with 12.5 percent; and Bolivia fourth, with just 3.1 percent of the total.

THE ANDEAN SITUATION MAKES ATPA RENEWAL URGENT

After having experienced one the region's sharpest economic downturns in 1999, the economies of the ATPA countries are recovering, though more slowly than expected. This general economic setback has constituted a severe test of commitment to hard-won reforms. Now more than ever we must pursue trade policies that strengthen market reforms in the region, since this is the basis for economic self-sustaining long-term growth. The ATPA is a positive stimulus to trade and well being. History has repeatedly shown that freer trade has raised production, creates higher paying jobs, helps governments generate more resources to meet social needs and fosters the sustained growth necessary to confront poverty—all of which helps to fortify democracy. The expansion and renewal of the ATPA will help the U.S. pursue our own national interests in the region, while at the same time offering real opportunities to our Andean trading partners. In addition, we believe that a renewed ATPA will serve as a bridge to the FTAA and create an incentive for the Andean region to conclude the FTAA negotiations. It should therefore be in effect through December 2005, the deadline for entry into force of the FTAA.

Peru

Just days ago, Peru celebrated the end of a tumultuous year with the inauguration of President Toledo. The newly elected President faces major challenges in rebuilding Peru's democratic institutions while turning around the economy. President Toledo's Administration must find ways to boost investment and bring down chronically high poverty and unemployment while maintaining the tight fiscal policies necessary to limit Peru's debt burden. We must work with the Toledo Administration to ensure that the growth path is raised in order to make real inroads into Peru's widespread poverty. There are enough resources and talent in Peru to do so.

Peru's market oriented economic reforms in the 1990's tackled inflation and produced strong economic growth from 1994–1997. Since 1998, however, the adverse El

Nino weather phenomenon, the emerging financial crisis and political instability have battered the economy. Although real GDP expanded 1.4 percent in 1999 and 3.6 percent in 2000, political turmoil over the last year has discouraged foreign investment; GDP contracted in the first half of 2001.

The U.S. is Peru's leading trading partner. Peru's economic rebound likely will be driven by copper and zinc production due to new mines coming on stream, stronger tourism and increased agricultural production. U.S. imports under the ATPA from Peru increased significantly in 2000 to $846 million, compared to $631 million in 1999. The leading Peruvian import under ATPA is copper cathodes.

The growing importance of the U.S. market for Peruvian exporters is reflected by the fact that the U.S. share of Peru's total exports grew from about 16.6 percent in 1994 to nearly 30 percent in 1999. In 2000, some 43% of Peru's $1.99 billion in exports to the U.S. entered under the ATPA.

Colombia

In 1999, Colombia suffered the worst economic setback in its history with a drop in GDP of 4.3 percent. The current unemployment rate is around 18 percent and the security situation continues to be fragile. The difficult security environment increasingly has discouraged new foreign investment and was a factor in the downgrading of Colombia's credit rating to below investment grade in 2000. The financial sector remains fragile.

Colombia GDP growth is currently projected at 2.2 percent for 2001. Its actual performance will depend greatly on U.S. economic performance and the evolution of oil prices. Longer-term economic prospects are contingent on the political situation and the success of the peace process. In 1999 U.S. imports under ATPA from Colombia rose 12.3 percent to $797 million.

Finance Minister Santos has played a key role in implementing the Pastrana Administration's economic agenda. The Colombian government's economic strategy has combined budget cuts with needed structural reforms covering taxation, transfer payments to sub-national governments, and the social security and pension systems. President Pastrana's Administration has regained control over the country's fiscal accounts and met the most urgent economic policy challenge facing the government through working with the Congress to de-link revenue transfers to territorial governments from the current income of the central government.

Colombian exports to the U.S. market under ATPA increased in value and as a percentage of total Colombian exports every year since 1993. According to estimates from the Colombian Ministry of Foreign Trade, between 1992–1999 the ATPA program has generated more than 140,000 direct jobs. In the same period the ATPA program has also had a positive impact on investment which is evidenced by increasing diversification of Colombia's export-oriented production.

Bolivia

Upon taking office in 1997, President Hugo Banzer announced a strategy, called the Dignity Plan, to free Bolivia from the international cocaine trade by the end of his administration in 2002. As we approach that deadline, the Banzer Administration can take pride in having accomplished the monumental task of eradicating almost all illicit coca production in Bolivia. President Banzer recently announced that he will step down as President due to failing health and that Vice President Jorge Quiroga would take over the presidency. Having met with him last November, I know that the Vice President has played an instrumental role in helping the Government of Bolivia recognize the critical role that investment, both foreign and domestic, must play in developing the Bolivian economy and lifting the country's people out of poverty. The country's investment law and free convertibility of the currency are examples of important mechanisms put in place through the Vice President's efforts that have established a favorable regime for foreign investment in Bolivia.

The Government of Bolivia projects real GDP growth of around 3.0 percent for 2001 after extensive civil unrest in 2000 kept economic expansion well below earlier expectations. Trade surpluses and large inflow of foreign aid and investment have resulted in growing foreign exchange reserves. In 1999, Bolivia's trade deficit was $363 million, down from $537 million in 1999. Agricultural exports, principally soy products, are expanding. Bilateral trade with the U.S. was $440 million in 2000. Two products accounted for 94 percent of ATPA entries in 1999: jewelry and jewelry parts, and wood doors, which rose 49 percent in 1999. The ATPA has continued to have a small yet appreciable impact on the Bolivian economy, with investment in ATPA industries showing slow but steady growth.

Bolivia has a relatively low level of industrialization and remains highly dependent on imports of capital and intermediate goods to fuel its growth. Among ATPA eligible products, there has been a steady increase in exports the U.S. of gold, jewelry, minerals and metals, and wood products since ATPA went into effect a decade ago.

Ecuador

Following a 7.3 percent fall in GDP in 1999, the Ecuadorian economy continued to shrink during the first quarter of 2000, but subsequently began to show signs of an upturn. The year 2000 ended with a GDP growth of 2.3 percent and is expected to be 3.6 percent in 2001. Ecuador's economy faces several challenges; poverty has more than doubled in the last five years (70 percent vs. 32 percent in 1995.) The financial sector remains weak, and public confidence in Ecuadorian banks is extremely fragile.

Earlier this year, the Noboa Administration signed an agreement authorizing a private consortium to build and operate a heavy oil pipeline (OCP), a project that previously had been reserved to the military. When the pipeline comes on line (expected in mid-2003), it will more than double the country's production capacity, create 58,000 new jobs and boost government revenues substantially. The pipeline will generate inward investment of $3.5 billion.

Ecuador's major trading partner in the U.S., with major exports being oil, shrimp, bananas, and cut flowers. Despite the ATPA's provision of duty-free entry to a wide range of Ecuadorian products, the country's exports remain concentrated in petroleum and a handful of other traditional exports.

The U.S. enjoys a friendly relationship with Ecuador. In late 1999, the Government of Ecuador signed a ten-year agreement with the U.S. to establish a Forward Operating Location (FOL) at the Ecuadorian air base at Manta for regional antinarcotics surveillance flights.

VISION FOR THE FUTURE

I have met with the Andean Trade Ministers to discuss the future of the ATPA. The Andean countries seek an expansion of trade preferences at least on a par with those granted to Caribbean and African countries through the Trade and Development Act of 2000. The Andeans are interested in the expansion of various opportunities, but each country will benefit differently depending on how the renewed ATPA provisions are structured.

Colombia, for example, is interested in duty-free, quota-free access to the U.S. market for apparel assembled from U.S. fabric. Colombia, Bolivia and Peru would like ATPA expansion to include the ability to export apparel using regional or US components. Ecuador is seeking ATPA coverage of tuna in airtight containers.

One of President Bush's top priorities is to improve economic opportunities in this hemisphere through more open trade. Thus, Ambassador Zoellick, Ambassador Allgeier and I have informed the Trade Ministers of the Andean countries that the Bush Administration will give serious consideration to their requests and that the Administration will work with the Congress to renew and expand ATPA. The Department of State is working with USTR and other departments to develop Administration positions on ATPA renewal taking into account the different needs of each country. As President Bush made clear in a meeting with Colombian President Pastrana the Administration supports renewal of a "robust" ATPA.

While the ATPA is non-reciprocal in trade terms, it is not charity. It is a program specifically designed to bolster our critical counternarcotics interests in the region by strengthening the economies of our strategic partners. ATPA is a key component of a strategic approach that helps guarantee the continued cooperation of our partners.

At the Summit of the Americas, the Hemisphere's leaders agreed to complete negotiations for the Free Trade Area of the Americas (FTAA) no later than January 2005, and to implement the agreement by December 2005. The ATPA is a temporary bridge to the eventual FTAA that will help maintain legitimate economic activity in the beneficiary countries.

Despite occasional crises and the persistence of some of the problems affecting the economies of the Andean region, the most important single feature of Latin America's economic record over the past decade and a half has been the progress in the establishment of market reforms. These reforms constitute the basis for self-sustaining, long-term economic growth. The opening of Andean markets is one dramatic example of the region's changed economic policies. The countries of the Andean region recognize that trade creates jobs, provides more resources to meet social needs and fosters sustained growth necessary to confront poverty. All this helps to strengthen democracy. During the 1980's, per capita income in the Andean countries fell by one percent per year. In contrast, during the 1990's, after policy reforms had had a chance to work through the region's economies, per capita income grew by one and a half percent per year. Our goal for this decade is to help the Andean countries pursue that growth path. It can be done and must be done. The Andean region is rich in resources and talent. With sound economic and political stewardship, legitimate business and U.S.-Andean trade can expand and reinforce our work with governments to suppress production and trafficking of illegal drugs, and lay the foundation for continued progress on strengthening democracy in the Andes.

RESPONSES TO QUESTIONS FROM SENATOR ROCKEFELLER

Question: Do any of the proposals currently being discussed for extension or enhancement of the Andean Trade Preference Act (ATPA) involve any commitments by the United States on the use or application of our trade laws (e.g., Section 201, Section 301, antidumping law)?

Answer: The Administration is not aware of any proposals under discussion for inclusion of any provision in the renewed ATPA that would involve a change in the use or application of our trade laws.

Question: Are any of the current or possible future ATPA countries significant exporters of steel or steel products to the U.S.? If so, have producers from any of these countries been named in any of the steel anti-dumping cases filed since 1997, and have any of them been found by U.S. authorities to be dumping?

Answer: None of the four current beneficiaries of ATPA, Bolivia, Colombia, Ecuador and Peru, are significant exporters of steel or steel products. None of these countries has been named in a steel anti-dumping case. Senator Graham's ATPA renewal and expansion bill proposes adding Venezuela as a beneficiary. In 2000, Venezuela was the 26th largest steel exporter to the United States. Venezuela has been named in one steel anti-dumping case.

RESPONSES TO QUESTIONS FROM SENATOR BAUCUS

Question: The U.S. International Trade Commission reports that much of the production that benefits from ATPA occurs in areas where there is no production of illicit drugs. Do you agree with that assessment? If so, how has ATPA contributed to the eradication of illegal drug production?

Answer: Much of the commercial activity that receives direct benefit from the ATPA is in areas removed from the zones where illegal drug production occurs. This is due to the simple fact that drug production generally occurs in areas that are remote and far removed from the central authority found in population centers.

However, the importance of ATPA, from a counternarcotic standpoint, is immense. Investments due to ATPA will increase economic alternatives and greater government revenues that can, in turn, be used to finance law enforcement and social development in the areas where illegal drug crops are cultivated. The rule of law, improved infrastructure, and provision of social services are important indicators of government presence. They deter the cultivation of illegal drug crops and make alternatives crops more economically viable for farmers now reliant upon coca or opium to feel their families.

As importantly, the ATPA also is a mechanism for job creation. The industries stimulated by ATPA will provide income for marginally skilled workers, helping stabilize national incomes, and demonstrating the benefits of being part of the legal economy.

Most raspachines, the hired laborers who work in the coca industry, as well as some of the small individual opium and coca farmers, are not native to the drug-producing areas. Instead, they have migrated to those regions, bringing an attendant increase in violence and lawlessness. While the jobs created as a result of ATPA do not represent a direct one-for-one substitution for positions as field labor in the illegal drug industry, they do create economic opportunities in the non-drug producing areas, thereby encouraging people to stay and the raspachines to return.

Question: Please explain how *enhancement* of ATPA would contribute to the eradication of illegal drug production?

Answer: By renewing the ATPA and expanding its benefits to the broadest possible product coverage, we are continuing to provide economic alternatives to narcotics production and trafficking in Bolivia, Peru, Ecuador and Colombia. The Act has already succeeded in doing so in the first ten years of its life, without adverse economic impact for the United States. In fact, between 1991 and 2000, total two-way trade nearly doubled. During this time period, U.S. exports to the ATPA countries grew 66 percent while U.S. imports from the ATPA countries more than doubled, increasing from approximately $5 billion to over $11 billion in 2000.

After having experienced one the region's sharpest economic downturns in 1999, the economies of the ATPA countries are recovering, though more slowly than expected. This general economic setback has constituted a severe test of commitment to hard-won reforms. Now more than ever we must pursue trade policies that strengthen market reforms in the region, since this is the basis for self-sustaining long-term economic growth. An expanded ATPA is a positive stimulus to trade and well being. History has repeatedly shown that freer trade has raised production, creates higher paying jobs, helps governments generate more resources to meet social needs and fosters the sustained growth necessary to confront poverty—all of which helps to fortify democracy. The expansion and renewal of the ATPA will help the U.S. pursue our own national interests in the region, while at the same time offering real opportunities to our Andean trading partners.

Question: The State Department's most recent human rights report expresses very serious concerns about human rights conditions in Venezuela and the development of democratic institutions in that country. In light of these concerns, what is the Administration's position on Venezuela's possible inclusion in an enhanced ATPA?

Answer: Venezuela has asked to be considered for inclusion in a renewed ATPA, and the Administration, in dialogue with Congress, is reviewing the issue.

The central obstacle to Venezuela's inclusion in an enhanced ATPA is not human rights conditions, but rather the GOV's ambivalence about the direction Venezuela should take in regional integration and trade development. While it has sought to be included in ATPA, the GOV has also questioned free-market trade policies and the Free Trade Area of the Americans (FTAA) initiative, and favored state intervention over market driven mechanisms.

While concerns about human rights in Venezuela generally focus on prison conditions and excessive use of force by police personnel, the most recent human rights report also noted localized irregularities and difficulties that occurred in the July 2000 election. These election problems, however, never called into question the final outcome, with Chavez had clearly winning the Presidency for a second time. In the meantime, we continue to be engaged with the Venezuelan government to encourage respect for press freedoms, international labor standards, and human rights.

PREPARED STATEMENT OF HON. CARL LEVIN

Mr. Chairman, thank you for the opportunity to provide testimony on the Andean Trade Preferences Act (ATPA) and its impact on Michigan's and other states asparagus growers.

The goal of the Andean Trade Preferences Act (ATPA) was to grant duty-free or reduced-rate treatment for certain products imported into the U.S. from Bolivia, Columbia, Ecuador and Peru as an incentive for these nations to diversity their crops from illegal drugs to the production of other agricultural commodities. Helping to provide a legitimate alternative to narcotics production is a noble goal, but the Act has not always worked as envisioned, sometimes at the expense of American farmers.

Although through the ATPA the United States grants Peru duty-free access for many of Peru's imports, these trade preferences are not reciprocated by Peru. For example, Peru's asparagus exports enter the United States with zero tariff but U.S. asparagus exports to Peru face a 12 percent tariff. Similar inequities exist for other agricultural and manufactured exports. For instance, the U.S. imposes no tariff on imports of office machines, data processing computers and replacement parts compared to Peru's 12 percent tariff. Where is the reciprocity? Where is the free trade?

I understand Senator Graham has introduced a bill to reauthorize the ATPA and to perhaps even expand it. I hope, however, as part of its deliberations on this bill, the Committee will take into consideration an example of where the objectives of the Act were not achieved, and, at the same time, U.S. farmers were harmed. This is especially troubling because we are not given reciprocal treatment by our trading partner. Why should we always give our trading partners preferential access to our market when our experts face high tariffs in their markets. Why don't we seek reciprocal treatment for our exports so that this is truly free trade?

In the ten years since ATPA was enacted, Peru has become the world's largest producer and exporter of asparagus. Unfortunately, the growth of Peru's asparagus exports does not appear to have replaced narcotics production in Peru. This is because cultivation of asparagus in Peru occurs in the desert region along the coast, not in the foothills and mountains where drug cultivation is known to exist. In fact, asparagus is not even listed as one of the crops that provide an alternative to the production of coca in Peru's major drug producing areas.

Asparagus production in the United States is primarily centered in California, Washington and Michigan with production also found in New Jersey, Illinois, Indiana, Maryland, Minnesota and Oregon. Granting trade preferences to Andean asparagus has put otherwise competitive U.S. asparagus producers out of business.

The Act has made it difficult for U.S. growers to compete because Peruvian asparagus growers gain duty-free access to our market in addition to their lower labor and production costs and a year-long growing season. Over the past decade U.S. asparagus acreage has declined by 17 percent while production has decreased 7 percent, even though per capita consumption of asparagus in the U.S. has increased.

The U.S. market consumes 75 percent of the fresh asparagus produced in Peru and a recent GAO study found that asparagus production in the U.S., particularly processed production, has been displaced by duty-free imports from Peru under ATPA. GAO also found that as U.S. imports of asparagus has increased, demand for domestic processed asparagus has declined. GAO concluded that the reauthorization of ATPA will result in the continued displacement of domestic asparagus producers.

I therefore question the wisdom of granting trade preferences to imports that could put otherwise competitive American producers out of business. Why should we put our growers at an unfair competitive disadvantage relative to foreign growers when doing so has not proven to displace coca production? Why should duty-free treatment be granted to commodities, such as asparagus, when the country receiving the preferential duty does not give reciprocal trade preferences to our exports?

With the ATPA due to expire at the end of this year, I ask you to give careful consideration to problems created by the Act that were not anticipated at its conception and ways to address these problems. Asparagus is one example and the Asparagus industry has a number of suggestions ranging from using the Generalized System of Preferences criteria for economically competitive commodities to establishing a safeguard mechanism for import surges of perishable agricultural commodities. I hope the Committee with give these suggestions serious consideration.

PREPARED STATEMENT OF CARLOS MOORE

Mr. Chairman, members of the committee:

My name is Carlos Moore. I am Executive Vice President of the American Textile Manufacturers Institute (ATMI), which is the national trade association for the U.S. textile industry. The textile industry today is one of the largest manufacturing sectors in the United States. We produce yarns, fabrics and home furnishings. Customers for our yarns and fabrics include garment makers and producers of a wide array of textile products for industrial, automotive, medical and other uses. It employs nearly half a million workers, has an annual payroll of $15 billion and annual shipments of close to $80 billion. The industry exports over $10 billion a year. About 75 percent of U.S. textile production takes place in eight Southeastern states, though the broad textile sector, including fiber production, is represented in nearly all fifty states. Notwithstanding these statistics, the industry is in a major crisis with production, employment, sales and profits all down substantially.

ATMI welcomes this opportunity to discuss expansion of the Andean Trade Preference Act (ATPA) to include textiles and apparel. Before getting to specifics regarding the proposed legislation, I think it is important to explain why the industry is going through such a difficult time and how an expanded ATPA could impact the industry and its workers.

This crisis is not the result of natural comparative advantages or superior innate competitiveness by our Asian or other competitors. Through 1997, even as quotas were being phased out and US textile tariffs were being lowered, the US textile industry steadily increased its shipments and dramatically increased its exports. The problem instead is rooted in a flood of artificially low-priced Asian imports caused by devalued Asian currencies.

This is not a problem that textiles faces alone—the National Association of Manufacturers has declared the over-valued dollar to be the number one threat to US manufacturers, a view echoed by the American Farm Bureau and the AFLCIO. However, the crisis for U.S. textiles is especially severe as its primary competition is from Asia, where currencies have fallen much more sharply than elsewhere—often intentionally under policies of competitive devaluations by Asian governments.

1. Prior to Asian currency collapse, U.S. textile industry healthy and growing

Over the last two decades, the U.S. textile industry has proven itself a global competitor. Faced with ever increasing imports, lower tariffs and quota phase-outs, the industry has spent billions of dollars in new plants and equipment, garnered record increases in productivity, produced innovative new products and dramatically expanded its export base. Textile plants in the United States today are characterized by computerized looms that consume a mile of yarn a minute and by yarn spinning plants which are essentially completely automated and run 24 hours a day, seven days a week.

- **Record mill shipments & strong profits through 1997**

From 1992 through 1997, textile mill shipments hit new records every year, culminating in a still-record $83.9 billion in 1997. As the industry emerged from the downturn of the early 1990s, textile corporate profits hit a record $2.1 billion in 1992. Although profits fluctuated over the next six years, they came close to matching the 1992 figure in 1998, the year before the effects of the Asian currency devaluations took full hold.

Other indicators for the U.S. textile industry underscore the gains achieved in the pre-Asian crisis 1990s. Mill fiber consumption, the measure of the industry's raw material usage, climbed from 13.3 billion pounds in 1990 to a still-record 16.9 billion in 1997, a gain of nearly 30 percent. Meanwhile, the production of broadwoven fabrics rose from 15.3 billion square yards in 1990 to a record 17.0 billion in 1997, an increase of more than 11 percent. Spun and textured filament yarn production jumped from 9.3 billion pounds in 1990 to 11.9 billion in 1997, another near-30-percent rise.

- **Over the past decade, industry productivity increased 165%**

Recognizing the need to remain at the cutting edge of technology and become globally competitive in world markets, the industry invested more than $2 billion annually in new plants and state of the art equipment from 1987 onward, reaching a peak of almost $3 billion in capital investment in 1994. In 1999, the most recent year available, industry capital expenditures were close to three billion dollars.

This emphasis on increased productivity yielded impressive results. In 1987, the average loom produced 12.9 square yards every hour that it ran. By 1997, the average loom produced 34 square yards every hour, an increase of almost 165 percent. A study by the National Cotton Council notes that over the last twenty years, productivity gains in the U.S. textile industry have been surpassed only by the U.S. electronics and computers industries. The American textile industry is consistently ranked as one of most efficient and productive textile industries in the world.

In terms of worker productivity, the gains have been large as well. A decade ago, the industry shipped $39.40 worth of product for every hour an employee worked. Last year, the comparable figure was $54.20, adjusted for inflation, a productivity gain of 38 percent.

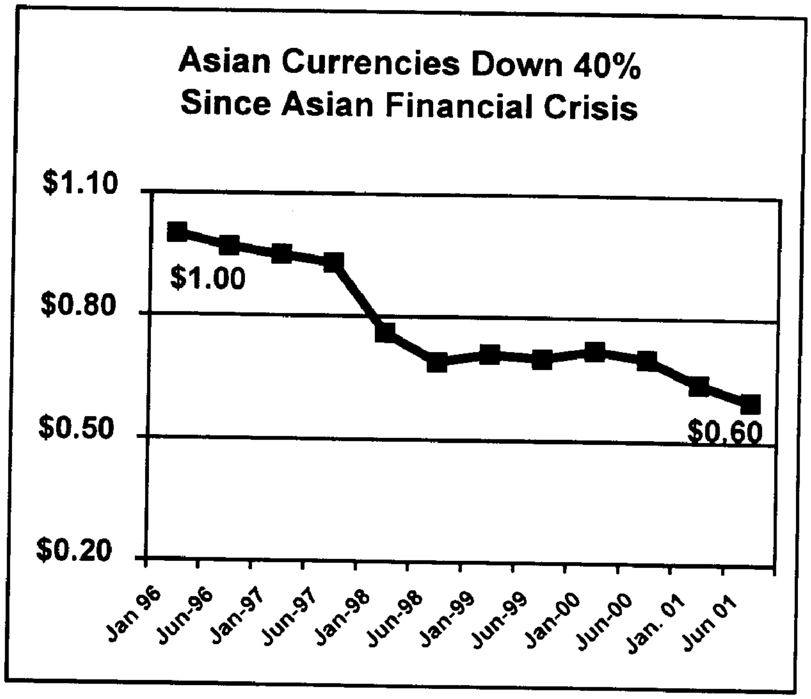
- **Industry exports have increased by 300% since 1985**

As apparel making in the U.S. relocated offshore during the past 10–15 years, the U.S. textile industry has had to become more export focused. Textile exports have risen dramatically over the past fifteen years, increasing by over 300%, from $2.5 billion in 1985 to $10.5 billion last year. If exports of cut pieces of apparel made of U.S. fabric for assembly in Mexico and the CBI are included, the textile export figure rises to more than $16 billion last year or more than 20% of total U.S. textile shipments. Export growth last year was 11%, an increase of $1.7 billion.

The export growth figures span the textile spectrum, from yarns, apparel fabrics, industrial textiles to home furnishings products. While facing substantial trade barriers around the world, the U.S. textile industry has developed markets where it can gain access. However, most of our exports are to our NAFTA partners (51%), the Caribbean Basin (27%) and Europe (8%).

2. Sharp Asian Currency Devaluations Cause U.S. Textile Crisis

As we have stated, during the past four years, the U.S. textile industry, particularly the sectors that produce yarns and fabrics for apparel, have been hit with a wave of Asian textiles and apparel that entered the country at artificially low prices.



Precipitated by the currency devaluations in the Far East and a strong U.S. dollar, overall, Asian textile and apparel imports benefited from a 40% decline in export prices and exerted downward pressure on domestic textile prices and squeezed margins at U.S. textile mills.

Making the situation even worse, while prices for domestically produced yarn and fabric were falling, the domestic market for these products was shrinking as the U.S. economic growth slowed in 2001.

As Asian textile and apparel imports captured more of the U.S. market and pushed domestic textile prices down, shipments by U.S. textile mills fell. Down nearly two percent in 2000, industry shipments have declined for three consecutive years so far. Not since the 1950's have industry shipments fallen for three years in a row. During the third quarter of 2000, as margins shrank because of falling prices for imports, the textile industry registered its largest quarterly loss in at least twenty years.

The third-quarter loss was the first quarterly loss in almost five years, and, combined with another loss in the fourth quarter, resulted in an overall industry loss of over $350 million for full-year 2000. It was the first annual loss for the textile industry in the more than 50 years that these data have been collected.

- **Ten Percent of Textile Workforce Loses Their Jobs in Last Twelve Months**

As the industry crisis deepened in the latter half of 2000, textile job losses accelerated rapidly. For year-ending May 2001, industry employment was down 56,000 workers, or ten percent of the entire textile workforce. Losses have been spread across all textile sectors, including yarn spinning, weaving and knitting and home furnishings. In the month of May 2001, 9,000 U.S. textile workers lost their jobs as more than a dozen textile mills closed their doors. This year already more than 50 textile mills have been closed and four textile companies have gone out of business.

Keep in mind that since 1997, only one major competitive factor impacting the U.S. textile industry has changed the devaluations of most Asian currencies. And that change has resulted in the major injury to U.S. companies and workers described above.

3. Impact of Extending Andean Preferences to Textiles and Apparel

ATMI has serious concerns about including textiles and apparel in renewed Andean preference legislation. On the face of it and because of the U.S. textile industry's need for market opportunities, one might expect the industry to support such an expansion of the Andean preference program.

However, there are a number of reasons for our concern:

- First, many important rules and regulations governing the trade preference legislation enacted last year for the Caribbean Basin and Sub-Saharan Africa are still unresolved. The extent to which the U.S. textile industry will benefit from that legislation depends upon how those issues get resolved. Those same issues are present in the Andean pact legislation and they are linked to how the CBI and Sub-Sahara issues are dealt with. Foremost among those unresolved issues are whether fabrics will be dyed and finished in the U.S. only and whether yarns will be textured in the U.S. only positions which ATMI strongly supports.
- Second, relatively little business activity has yet developed under the CBI and Sub-Saharan statute and it is premature to rush into a similar arrangement with other countries. Time should be allowed for trade and production to expand and for U.S. textile producers and Caribbean and African garment makers to develop business relationships. Also, obstacles such as financing of transactions and investment need to be worked out. A rush to expand can lead to delays and disappointments.
- Third, the pending Andean bill creates a new "mix" of benefits for the Andean countries that does not exist in the CBI and Sub-Saharan statutes. Moreover, Andean countries and others have been seeking even further departures from the provisions in the CBI/Sub-Sahara law. These efforts, if adopted, will be very damaging to the U.S. textile industry and its workers and is unfair and inequitable to the countries of the Caribbean and Sub-Saharan Africa. For example, S. 525 would permit duty-free and quota-free entry for apparel assembled in the Andean region from parts knit-to-shape in the U.S. from yarns from any source. The yarns could be from Pakistan, China or anywhere, with the result that countries not party to the arrangement would benefit at the expense of U.S. yarn producers. This is not permitted in CBI and Sub-Sahara statutes.
- Finally, if the provisions of S. 525 go beyond CBI/Sub-Sahara and , for example, were to include the use of Andean fibers, yarns and fabrics, the U.S. textile industry would experience more damage on top of an already crisis situation. In addition, our NAFTA partners and the beneficiaries under the CBI and Sub-Sahara statutes would be at a disadvantage. Andean countries would be granted full access to the U.S. market as though they were partners in a free trade agreement, yet they would have made no concessions of their own. If they were to be granted this extraordinary benefit, it seems clear that their interest in joining into the Free Trade of the Americas Agreement would be greatly diminished. They would have gotten full duty-free and quota-free access to the U.S. market for textiles and apparel immediately and without making any similar concessions on their part. It would be a free ride that could only add to the crisis our industry is experiencing.

Conclusion—The Risks Are Real and Outweigh Potential Benefits

In light of all of the above concerns, and particularly in light of intense lobbying by others to further weaken the Graham bill to the detriment of our members, ATMI is opposed to expanding the ATPA to include textiles. Given the textile crisis at hand, ATMI has no choice but to oppose any trade bill that may well add new burdens to the ones the industry is already facing.

In closing, Mr. Chairman, ATMI is not opposed to fair and equitable trade agreements which establish mutually beneficial trading arrangements and thus create a true economic partnership been U.S. textile companies and our customers in other regions. That is why we supported NAFTA and the Caribbean provisions of last year's trade bill and why we oppose S. 525, the Andean Trade Preference Expansion Act.

Thank you.

RESPONSE TO QUESTION FROM SENATOR BAUCUS

Question: You state that extending textile and apparel benefits to the Andean countries will put our NAFTA, CBI and African trade partners at a disadvantage. However, the benefits that those countries now receive put the Andean countries at a disadvantage. How can we reconcile this disparity if we fail to extend duty-free treatment to textile and apparel products from the Andean region?

Answer: Preferential trade agreements by their nature—because they give certain benefits to a specific group—cause disparities. In this case, the NAFTA, CBI and AGOA trade partners get certain duty benefits that other countries do not. The only way to eliminate such "disparities" would be to give everyone the same benefits, which would negate the purpose behind preferential agreements in the first place. So, in a general sense, disparities by non-beneficiaries cannot be avoided if you are going to have preferential agreements exist.

In a more specific sense, this particular legislation would put NAFTA, CBI and AGOA countries at a new disadvantage because the terms being discussed for the ATPA are more generous than the terms these other countries get. In other words, the Andean countries would get better terms than anyone else and so would hurt the CBI, NAFTA and AGOA countries by diverting trade from them to the Andean region.

For example, the proposed Andean bill would create duty-free access to the U.S. market immediately while NAFTA provisions required a transition period of six years for many items. Another example is that the Andean countries and Congressman Phil Crane have testified that they favor a bill that permits the use of Andean fabrics while the CBI/AGOA legislation limits the use of non-U.S. fabrics to only a few products that are restricted by tariff quotas. In the case of yarns, the CBI bill requires U.S. yarn while the Congressman Crane supports a bill that allows use of Andean yarns.

As the above examples show, the terms being discussed are much less favorable for domestic producers of textile products. Domestic textile manufacturers supported the NAFTA and CBI trade legislation because they were a "win-win" situation—they benefited not only the countries involved but U.S. textile workers as well. As such, the agreements are a model for how a trade agreement can be structured to benefit all the parties concerned.

Unfortunately, the terms Congress is considering, U.S. textile workers would be hurt and jobs would be lost. U.S. textile sales that would otherwise have gone to the CBI and NAFTA countries would be lost as trade was diverted to the Andean countries that could use Andean yarns and fabrics in apparel making. From our perspective, that is not a good result for a trade agreement and it is particularly unfair for an industry that is suffering its worst downturn in over fifty years.

Prepared Statement of K. Ward Rodgers

Mr. Chairman and Members of the Committee:

My name is Ward Rodgers and I am the recently retired General Manager of Technical Services for StarKist Seafood. I am pleased to be here on behalf of the H.J. Heinz Company and its StarKist Seafood brand of tuna. Heinz strongly supports the Andean Trade Preference Expansion Act, S. 525, introduced by Senators Graham, DeWine and a bipartisan group of additional sponsors and cosponsors. In particular, Heinz supports the legislation's extension of NAFTA rates of duty for processed tuna imports from Andean Pact countries.

H.J. Heinz Company is the parent company of StarKist Foods, Inc., one of the largest processors of tuna in the world and the leading processor and marketer of canned tuna in the United States. Canned tuna is America's favorite fish and has long been embraced as a convenient and excellent value-for-money protein source. In the fall of 2000, StarKist introduced StarKist Tuna in the Flavor Fresh Pouch, a revolutionary tuna product that delivers improved convenience and improved taste to U.S. consumers. We believe this will lead to increased consumption of this important food product. In fact, in less than one year, pouch tuna already accounts for 6% of the U.S. market, a remarkable launch for a new product.

Heinz, through StarKist and its affiliates, presently operates tuna processing facilities in American Samoa, Ghana, Seychelles, France, Portugal and Ecuador. Our primary tuna production plant for the U.S. market is located in American Samoa and has over 2,700 employees. The American Samoa facility is located in the heart of the largest light meat tuna fishery in the world, allowing for direct deliveries of fish from that key fishery. In addition, the majority of the albacore caught in the Pacific fisheries is brought into American Samoa for processing. Unfortunately, StarKist's American Samoa facility is at full capacity with no ability to expand due to space constraints.

Ecuador, an Andean Pact country, provides an opportunity for expansion to accommodate increased production of StarKist's new pouch product. StarKist has, for 10 years, operated a plant in Ecuador and is currently producing pouch products there. Producing tuna in the pouch is a very labor-intensive manufacturing process, requiring hand filleting and packing of the tuna in the pouch, followed by manual procedures to seal, inspect and pack the product for shipping. With our American Samoa operations at capacity and with Ecuador offering excellent packing capacity and access to a high quality local fishery, Ecuador is a natural choice for expansion of tuna pouch volume.

However it is important to note that to remain an attractive source of tuna products, Ecuador must maintain its competitive position in the global marketplace. Failure to include processed tuna in the Andean Trade Pact could put Ecuador's position at risk, as long-term, Ecuador will have a hard time competing with other low-cost sources of processed tuna such as Thailand which has a much more developed tuna processing industry and is the low cost producer of processed tuna. As the tuna pouch sales increase StarKist will need to invest in additional capacity. Our preference would be to put that investment in Ecuador, however economics will drive this decision.

Under the Senate version of the legislation, imports of tuna from Andean Pact countries including Ecuador would initially be subject to a tariff of 5.8% for water pack and 16.3% for oil pack. Under the proposed legislation, the tariffs would decline to zero in 2008, on the same schedule as applicable under NAFTA. Currently, tariffs for tuna imports from Ecuador are 12.5% for tuna in water and 35% for tuna in oil. If these high tariffs remain in place, StarKist will likely have to look to sourcing more of its requirements from lower cost locations in Asia rather than in Ecuador. This outcome would seem to be clearly contrary to the intent of the Andean Trade Preference Program to encourage employment and investment in the Andean region.

I would also like to note for the Committee that just this April, the U.S. Department of Commerce's National Marine Fisheries Service re-certified that Ecuador harvests tuna in a dolphin-safe manner in compliance with the Marine Mammal Protection Act.

Again, Mr. Chairman, thank you for the opportunity to appear before you today. I am happy to answer any questions the Committee may have.

Prepared Statement of William J. Snape, III

Mr. Chairman, and Members of the Committee, Defenders of Wildlife is an international, not-for-profit organization with approximately one-half million members and supporters worldwide. Defenders is dedicated to the conservation of animals and plants in their natural ecosystems. We have also worked to ensure that tuna eaten by American consumers is dolphin-safe pursuant to the laws passed by Congress, including the 1997 International Dolphin Conservation Program Act, which amended the Marine Mammal Protection Act (MMPA).

We appreciate the opportunity to comment on the proposed expansion of the Andean Trade Preference Act, or ATPA, to include trade preferences on canned tuna (i.e., Atuna, prepared or preserved in any manner, in airtight containers*), and its potential effects on dolphin populations and overall marine biodiversity. Our conclusion is that such an expansion is a promising idea, so long as a country is in full compliance with the Marine Mammal Protection Act and all other applicable law*.

The ATPA was enacted in 1991 to strengthen the economies of countries in the Andean Community—Bolivia, Colombia, Ecuador, Peru—and to encourage counter-narcotics efforts in the region by creating economic alternatives to the violent and destructive drug trade. The Act provides beneficiary countries duty-free access to US markets for certain products. The original legislation expressly excluded canned tuna from the list of eligible products. Recent studies have determined that the ATPA has had only marginal effects on the economies of the beneficiary countries. Although the legislation was intended to encourage legitimate industries in the Andean region, the Congressional Research Service (CRS) has found that the composition of US imports from the eligible countries has changed only marginally since the ATPA program began. In fact, ATPA-eligible imports grew no faster than US imports from the region as a whole.

S. 525 would expand the ATPA to include canned tuna. *While we agree that countries that harvest and/or export truly dolphin-safe tuna should be rewarded with access to the U.S. market, in this instance a reduction of duties, only full compliance with U.S. and international environmental law will ensure that both dolphins and the U.S. tuna industry are not harmed*. Indeed, American leadership on dolphin protection clearly demonstrates the inextricable link between environmental protection and international trade, which is a major issue facing Congress with respect to granting the President new trade-negotiating authority under fast-track procedures. Put most simply, if we allow foreign tuna fleets and processors to harm dolphins and the marine environment, we are allowing unfair injury to the competitiveness of the U.S. tuna industry, which deserves credit for its conservation achievements over the past decade.

Thus, we urge this Committee to clarify S. 525 to include compliance with all relevant U.S. environmental laws as a pre-condition to the trade benefits included in the bill. Application of the 1997 Dolphin Act to the bill at hand yields the following analysis with regard to S.525 and its tuna provisions:

(1) **Affirmative Findings under the Marine Mammal Protection Act**. *The only country of the four ATPA countries that possesses the legal right at present to export tuna to the United States is Ecuador*. This is because Ecuador is the only country with an affirmative finding *by the U.S. National Marine Fisheries Service (NMFS) regarding its domestic dolphin program pursuant to 16 U.S.C. § 1371(a)(2)(B). Colombia, reportedly, is in the process of applying for an affirmative finding, but has not yet met the requisite legal requirements. Peru has a small tuna industry, and it too has not received an affirmative finding. Bolivia not only fails to possess an affirmative finding, but is also not even a member of the Inter-American Tropical Tuna Commission (IATTC) and its fleet is the subject of substantial illegal fishing allegations.*

(2) **Tracking and Verification System for Dolphin-Safe Tuna**. Regrettably, the IATTC continues to pursue a tracking and verification system that is both illegal and massively ineffective. Without such an effective tracking and verification system, mandated by 16 U.S.C. § 1385(f), there is absolutely no way to know that tuna cans labeled as Adolphin-safe *are Adolphin-safe. Just last week, for example, the U.S. Court of Appeals for the 9th Circuit unanimously ruled against the Department of Commerce's (and IATTC) definition of dolphin-safe tuna. Brower v. Evans*, No. 00–15968 (July 23, 2001). In addition, a slew of problems plague changes to the tracking and verification system endorsed by the IATTC and accepted by the Department of Commerce, the most notable of which is the secrecy of the tuna-tracking forms. These forms are filled out by tuna boat observers and are the very basis of an effective tracking and verification system. *Ecuador should agree to release these tuna tracking forms in order to qualify for the duty-free incentive offered by S. 525*.[1]

(3) **Enforcement Issues**. As this Committee well knows, enforcement of international agreements is paramount. Otherwise, such agreements are frequently not worth the paper they are written upon. According to the IATTC's own statistics, Ecuador has had some enforcement problems over the last several years. And, again, the entire programs of Colombia, Peru and Bolivia have not been approved by the United States. Moreover, recent CRS analysis indicates that the ATPA has had no discernible impact on illegal drug trade. Although total coca production in the region fell by 11 percent from 1991 to 1999, production in Colombia increased by 227 percent. Ironically, Colombia is the principal ATPA beneficiary, responsible for 60 percent of total US imports from the region in 1999. Without adequate checks, the proposed expansion of the ATPA to include canned tuna could make the situation worse. As the CRS report noted, Ecuador grows little coca. But there is evidence that certain tuna fleets and drug traffic are positively linked. Narcotics often pass through the region's seaports and the Pacific Ocean to the United States. The present legislation should not support such lawless behavior.

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[1] The tracking and verification system is in litigation before the U.S. Court of International Trade, *Defenders of Wildlife et al. v. Dalton*.

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August 2, 2001

Chairman Max Baucus
Committee on Finance
219 Dirksen SOB
Washington, DC 20510

Dear Max:

I am writing to you today about an issue of significant concern. I have enclosed a letter I have recently sent to His Excellency, Luis Alberto Moreno, Ambassador of the Republic of Colombia, regarding actions taken by his government toward an international energy development project.

The Colombian government has failed to live up to its commitments and responsibilities under international trade and arbitration agreements. While I remain a strong supporter of expanding free trade in the Americas, this case calls into question the wisdom of extending special treatment to Colombia. It is my concern that the Colombian government's actions will threaten the stability of trade agreements in this region, to the detriment of both the United States and the Andean nations.

I am asking that you include the text of my letter in the record of your hearings on the Andean Trade Preference Expansion Act.

Sincerely,

Ron Wyden
United States Senator

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United States Senate

WASHINGTON, DC 20510–3703

May 3, 2001

His Excellency Luis Alberto Moreno
Ambassador of the Republic of Colombia
Embassy of Colombia
2118 Leroy Place, NW
Washington, DC 20008

Dear Ambassador Moreno:

There is an issue of some concern to me with implications for the United States-Colombia relationship. The issue involves the treatment of two U.S. based corporations, Sithe Energies, Inc., and LeaseCo Power, LLC, by the Government of Colombia. I hope you will share my concern.

In 1996, an Oregon company, LeaseCo Power, LLC joined with Sithe Energies to become the majority owner of a gas-fired power plant development in Colombia known as TermeRio. TermeRio won a public contract to enter into a power purchasing agreement with the government of Colombia to provide energy to Colombia's Atlantic coast in 1997. After TermeRio spent substantial capital to develop the project, the Colombian Government terminated the agreement as part of a privatization of local power distribution. Under the contract, TermeRio and Sithe Energies had a right to request arbitration of this issue. The Colombian Government agreed to arbitration administered by the International Chamber of Commerce and approved an arbitration panel composed of respected Colombian citizens.

This arbitration panel awarded TermeRio $61 million in December 2000 for breach of contract. It is my understanding that your government has not yet acknowledged this decision, nor has it agreed to satisfy the judgment.

I am deeply concerned by the lack of response on the part of the Colombian Government. I believe it calls into question your government's commitment to full and fair participation in international agreements on trade and commerce. As we progress toward a more open and beneficial trade environment, incidents like this one can rapidly become a significant stumbling block. It certainly gives pause to any foreign investor who might consider new ventures in Colombia. I hope that the Colombian Government will make every effort to rectify this situation.

Thank you for your attention to this matter, and I would appreciate a reply at your earliest convenience.

Sincerely

Ron Wyden
United States Senate

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Commerce, Science
& Transportation
Energy & Natural Resources
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COMMUNICATIONS

STATEMENT ON BEHALF OF THE ANDEAN COMMUNITY

More than ten years ago the Presidents of various Andean countries and the United States met in Cartagena, Colombia to open a new era in the fight against illicit drugs. On that memorable occasion, the Heads of State adopted a common strategy to attack the problem and, for the first time, they resolved to combat it through an integrated approach that would include the political support and cooperation of the United States together with the efforts of the Andean countries.

We believe it is essential to return to the bases of that commitment and reassert the principles of our cooperation, taking into consideration the reduction in supply, demand and consumption, as well as promoting specific initiatives in the areas of alternative development, trade and investment. Nor must we lose sight of the fact that these elements are related and support and balance one another.

One specific result of this joint action has been the Andean Trade Preferences Act. We recognize the benefits derived from this initiative, both for our countries and for the United States, and that, while ATPA has been in force, bilateral trade has doubled in both ways.

Today, in view of the fact that the plague of drugs is still with us—despite the unremitting efforts of the Andean countries in their fight against drugs—we are convinced that it is imperative to broaden and deepen the cooperation on which we embarked more than ten years ago.

In this we assign priority to a prompt renewal of the Andean Trade Preferences Act, to make it permanent until it converges with the tariff reduction program to be negotiated in the FTAA.

Trade flows between beneficiary countries and the United States have increased considerably in both directions. According to the U.S. Department of Commerce, in 2000, bilateral trade was valued at more than $18 billion and the Andean Community was the 16th largest consumer of U.S. exports. In comparison, the value of U.S. exports to the Andean Community was 1.3 times as much as that which was exported to the Central American Common Market, nearly twice as large as exports to Eastern Europe and more than 3.5 times as high as those to Chile.

In 1999, the level of U.S. foreign direct investment in the Andean Community totaled more than $14 billion, which represents a 73% increase from 1994.

Bearing this in mind, we consider it necessary to increase the range of exports with high Andean value-added and with a strong impact on the generation of licit employment in order to substitute for unlawful activity related to drug production.

We believe it is fundamental to generate employment in the chains of production that use regional inputs. Incorporating more regional value-added to export products will allow the creation of new jobs as an alternative to those linked to illicit activities related to drug trafficking.

The expansion of ATPA's coverage should not be subject to rules of origin related to inputs that restrict our textile and apparel products' access. In this regard, the new regime should take into account the region's productive structure, favoring the use of regional inputs.

While we appreciate current legislative efforts with regards to ATPA's expansion, we reiterate the need that such initiatives reflect our region's particular productive structure.

An ATPA renewal that incorporates Andean apparel, without restrictions on the use of regional inputs, will not have a negative impact on employment and production in the United States. Beneficiary countries' apparel exports (approximately 160 million SMEs) make up less than 1% (0.98%) of total U.S. apparel imports (approximately 16 billion SMEs). On the other hand, it would help an industry that has already been hurt by preferences granted to other regions. Thus expanding ATPA's coverage to apparel with Andean inputs would have a significant and positive economic and social impact—specifically on employment—and, as a result, on the war against illegal drugs.

The extension of trade preferences to tuna in airtight containers would promote employment (mostly female) in the local industries, and help depressed areas in the beneficiary countries through higher value-added exports with a true potential and minimal impact on U.S. industry (Andean exports in 2000 to the U.S. amounted to less than US$ 12 million). Environmental issues are already thoroughly addressed in the Marine Mammal Protection Act, the International Dolphin Conservation Program and the IACTT.

We therefore urge Congress to consider ATPA renovation and enhancement as soon as possible. It is of the utmost importance for the Andean countries that the new program is in place before ATPAs expiration in order to guarantee the continuity of our exports.

With regards to Venezuela, we wish to restate our interest that it be included as a beneficiary, as this would help to strengthen the Andean integration process.

We will only achieve the results expected of us in the fight against drugs if we have innovative instruments and support that is proportional to our countries' efforts.

Statement of the American Apparel and Footwear Association

Thank you for providing us the opportunity to discuss the need for a "robust" renewal and expansion of the Andean Trade Preference Act (ATPA) as it relates to the apparel industry.

The American Apparel and Footwear Association (AAFA)—the national trade association of the apparel and footwear industries—supports the enhancement of the ATPA to provide additional benefits for apparel produced in the Andean region. Expansion of the current ATPA to provide such benefits, to the extent that they provide an effective incentive to sourcing and production in the region, is a natural extension of our policies to promote hemispheric integration and to eliminate the economic conditions that permit drug trafficking in the Andean region. It is also a key stepping stone to negotiation of a well-balanced and commercially viable Free Trade Area of the Americas (FTAA), a goal we also support.

In general, we believe any expansion of the ATPA benefits to cover apparel products should incorporate the following principles.

First, the program should be **simple** to use. As this Subcommittee knows all too well, a similar extension of benefits to the Caribbean Basin and African countries is mired in disputes over arcane and complex rules of origin. Although those programs provided important new incentives for apparel production (and consequently U.S. textile and yarn exports), it has been difficult to realize fully these benefits created by those incentives because of problems and delays in interpreting the law and in promulgating rules and regulations.

Second, the program should be **unique** to the trading relationships with and within the Andean region. One of the goals of the program is to provide legitimate job creation opportunities in the region. Such goals are thwarted, however, if Andean exports to other Andean markets are diminished by an overly restrictive rule of origin. Similarly, an overly restrictive rule of origin will make it difficult for new investments and production—which may depend upon Andean, Asian, or EU fabrics—to stimulate job creation.

Third, the program should promote **flexible sourcing of apparel and their inputs** within a given rule of origin. For example, the rule of origin should reflect a "negative list" of goods that cannot qualify for preference rather than a "positive list" of goods that can. This would ensure maximum opportunities to navigate within a particular rule of origin and eliminate some of the narrow interpretation problems we have seen with regard to the Caribbean Basin and Africa legislation.

Fourth, the legislation should be of **sufficient duration** to provide meaningful incentives for investment and trade. This is especially important if the preferences are subject to significant labor, anti-narcotics, and trade conditionality. If the countries are going to be required to make long-standing commitments to gain better access to the U.S. market, fairness dictates that the access be of an equally long-standing nature.

Finally, this legislation should provide a **bridge to the Free Trade Area of the Americas** for the ATPA region. It should help prepare countries for their FTAA commitments while promoting the kind of trade linkages that will develop and strengthen under the FTAA.

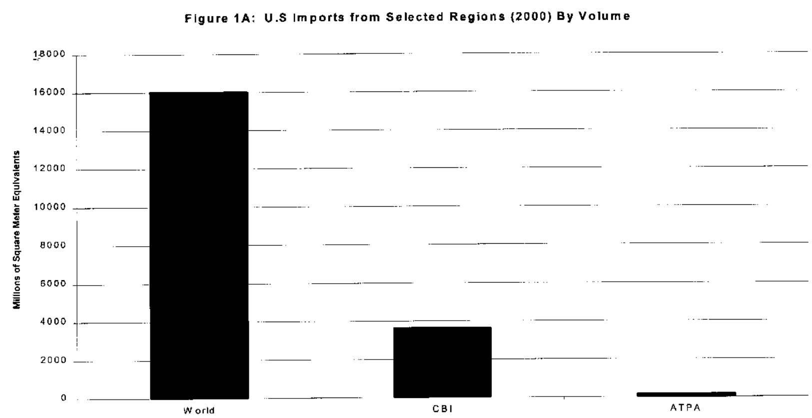
With these five goals in mind, I would like to provide some observations on the textile and apparel industry trade with and in the Andean region.

- Apparel trade from the ATPA region is fairly small both in absolute terms and compared with other U.S. imports. In 2000, the United States imported 159.9 million Square Meter Equivalents (SMEs) of apparel from the ATPA region. This represents less than one percent of the total U.S. apparel imports and less than 5 percent of imports when compared against those from the Caribbean Basin Initiative (CBI) countries. At the same time, the U.S. represents a significant market for apparel exports from the ATPA countries. (Figure 1A and 1B)
- ATPA apparel trade is not based on the same production-sharing module that is the basis for the CBI countries. In 2000, about 35 percent of all apparel imported from the ATPA region was entered under the 807 program (meaning components were cut in the United States). Because there is no special access program in place with the ATPA countries, no apparel was entered under an 807A-style program (which requires the use of U.S. fabric). In contrast, in 2000, at least 82 percent of apparel imported from the CBI was entered under a program that requires U.S. components, with a large portion of that requiring U.S. fabric. (Figure 2).
- When examining the make up of the ATPA's production sharing trade, it becomes clear that Colombia, the largest source of overall apparel imports from the Andean region, is the dominant player. More than 91 percent of all ATPA production sharing trade with the United States takes place with Colombia. Although once a dominant part of Colombia's trade with the United States, 807 trade has diminished in recent years as Colombia has repositioned itself away from the production sharing trade. From 1997 to 2000, the percentage of Colombia's production sharing trade with the United States dropped from 80 percent to less than 55 percent of all apparel exports to Colombia. (Figure 3).
- Apparel imported from the Andean countries is generally more expensive than that imported from the CBI countries. ATPA woven apparel is approximately 25 percent more expensive (when examining $/Kg for Chapter 62 imports) than similar goods from the CBI region. ATPA knit apparel is approximately 75 percent more expensive than similar goods imported from the CBI region. Conversations with manufacturers in the region attribute a variety of factors to this cost increase, including security expenses, transportation costs, higher labor costs, and higher prices commanded by certain apparel products made with specialty fabrics (Figures 4A and 4B)
- In general, the Andean countries import fabrics from a variety of sources. During 1997, the last year that such figures are available from the OAS, the U.S. was a leading supplier of fabric, yarns, and fibers to the Andean region. However, Andean countries imported significant quantities of fabrics, yarns, and fibers from within the Andean region and from countries in Asia and Europe, depending upon individual fabric requirements. For example, fine woolen fabrics for tailored clothing are sourced in Europe because of diminished sources of U.S. woolen fabrics and because the Andean woolen fabrics are not of sufficient quality for those particular garments. Cotton fabrics are sourced in the Andean region (primarily Peru and Colombia) and the United States, which has an established presence in all markets. Man made fiber fabrics are sourced in various regions, including the United States and Asia (Figures 5A, 5B and 5C)
- Looking at it another way, Andean countries represent a significant export market for fabrics from other Andean countries. Bolivia, for example, relies upon other Andean countries to consume about a third of its wool fabric exports. Similarly, Colombia and Peru have significant export markets in the region for cotton and some man made fibers. These figures, of course, do not include fabrics produced and consumed entirely within a single Andean country. (Figure 6).

Together, these statistics show significant differences between the ATPA region and the CBI region, suggesting that the CBI trade partnership model *per se* may not be the most appropriate and effective model for the Andean region. The data also show that there are well-developed patterns of input sourcing that rely upon other Andean sources as well as sources outside the region. Finally, the data emphasize that, although this region is not an important sourcing center for the United States, this region depends greatly on access to the U.S. market for its apparel products.

In conclusion, I would like to emphasize that the AAFA strongly supports expansion of the ATPA to include apparel. A number of our members are manufacturing in those countries and others have signaled their interest in sourcing from those countries in the future if a flexible and easy to use program is created. An ATPA program that is simple, flexible, and accommodates and maximizes the natural advantages of the region will offer the best opportunities and incentives for our members to commence and expand their trade partnerships with these countries. But one that is overly restrictive, or which effectively negates the duty savings by imposing additional components, compliance and logistical costs, will be largely ignored by our industry.

Thank you for providing us this opportunity.



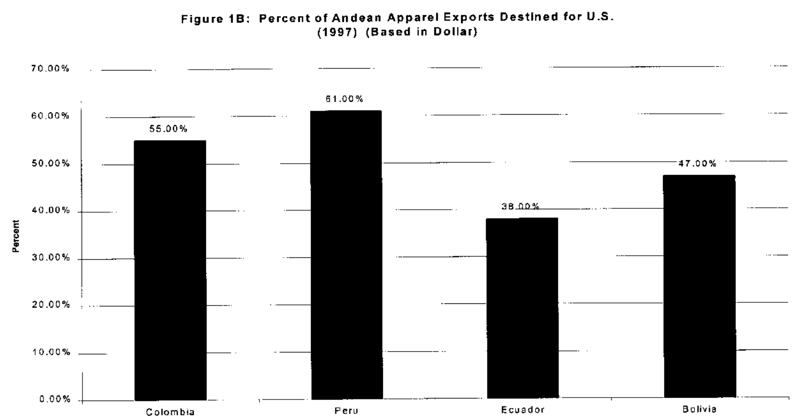


Figure 2: CBI and ATPA Composition of 807/807A Trade
(2000 -- based on volumes)

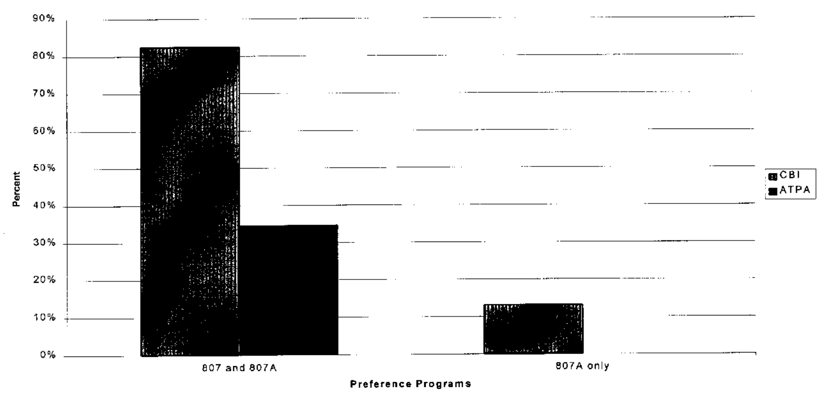


Figure 3: 807 Percent of Total Apparel Imports from Colombia
(Volume)

Figure 4A: Immport Prices Between CBI and ATPA (Wovens)

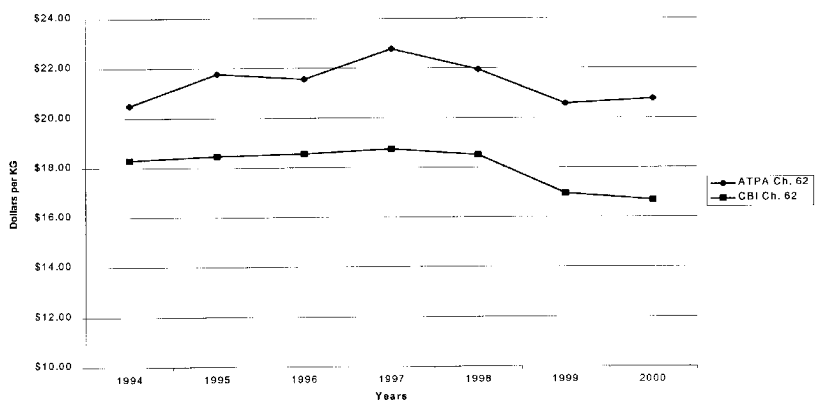


Figure 4B: Import Prices Between CBI and ATPA (Knits)

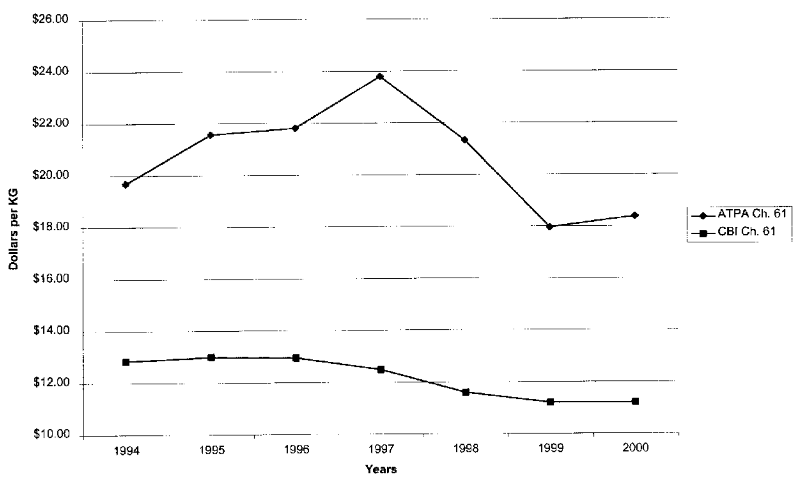


Figure 5A: Andean Imports of Wool Fabric

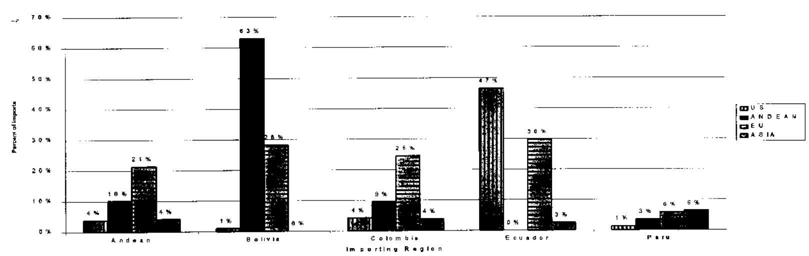


Figure 5B: Andean Imports of Cotton Fabric

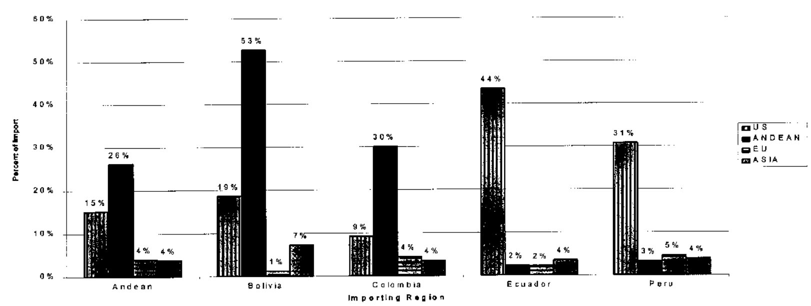


Figure 5C: Andean Imports of MMF Fabric

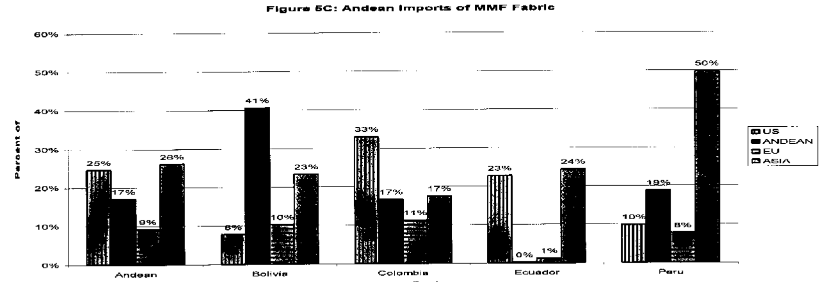
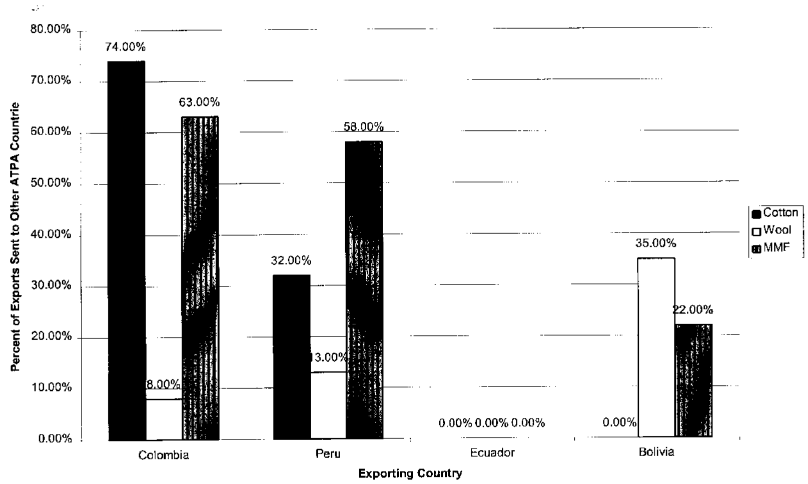


Figure 6: Andean Consumption of Andean Fabric Exports in 1997 (Dollars)



STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION

The American Farm Bureau Federation is the nation's largest agricultural organization, with over five million member families. Our farmer members produce nearly every commodity commercially raised in America and depend on exports for over one-third of their total production.

Enacted in 1991, the Andean Trade Preferences Act (ATPA) authorizes the president to grant duty free preference to imports from Bolivia, Colombia, Ecuador and Peru in an effort to provide these countries with viable economic alternatives to drug trafficking. The Act is scheduled to expire on December 4, 2001.

Providing duty free treatment for imports from Andean countries has measurably affected trade in certain horticultural products and has had a significant negative impact on domestic production of these commodities.

Farm Bureau will not support renewal of the ATPA unless certain import-sensitive products such as asparagus are excluded. The act should only be renewed if this exclusion is granted and a competitive trigger similar to that of the Generalized System of Preferences (GSP) is implemented that eliminates the tariff preference once a country becomes internationally competitive in a specific commodity and the safeguard mechanism for perishable products is improved.

While the objectives of the ATPA are laudable, U.S. producers should not be put out of business as a result of the Act. Considerable injury to U.S. producers resulted from the duty-free importation of cut flowers under the ATPA and the same scenario is beginning to unfold for asparagus producers.

The ATPA has further enhanced an already competitive industry that existed in Peru prior to enactment of the ATPA. Once a small producer, since the early 1980s Peru has become the world's largest producer and exporter of asparagus. Asparagus is Peru's second largest agricultural export item with about $130 million in annual export earnings.

Asparagus imports from Peru have grown more than ten-fold since 1990. Imports of Peruvian asparagus, predominantly for the fresh market, have more than doubled in the last three years. Steady increased in Peruvian asparagus imports are expected for the next several years. The U.S. market absorbs up to 80 percent of the Peruvian fresh asparagus crop. In addition, a sizeable asparagus processing industry exists in Peru. Although most of the processed product is white asparagus destined for European markets, significant quantities of Peruvian green asparagus are now being diverted to frozen utilization. This shift has caused significant displacement of U.S. growers, both in the fresh and frozen markets. American growers that once sold for the frozen U.S. asparagus market must divert their product to the fresh market or go out of business.

U.S. industry sources indicate that five to 10 million pounds of Peruvian frozen asparagus have been made available to the U.S. market in the past year. Imports of this magnitude are significant because the total U.S. market for frozen asparagus is only 10 million pounds annually. Duty free access for Peruvian frozen asparagus has exacerbated the situation.

Farm Bureau policy calls for the ATPA to be allowed to expire in 2001. If ATPA is renewed, Farm Bureau supports an exemption for asparagus.

Peruvian imports are displacing U.S. frozen asparagus production at an alarming rate. Returning the tariff to the MFN level would address the current import displacement problem that American asparagus producers now face. This could be accomplished with an exemption for asparagus imports under the ATPA.

The extent to which the ATPA tariff preferences for asparagus has advanced narcotics eradication in Peru is highly questionable largely because cultivation of asparagus in Peru occurs in the desert region along Peru's coastline, not in the foothills and mountains where Peruvian drug cultivation is known to exist.

If ATPA is renewed, the Act should stipulate that duty-free treatment should not be accorded for specific commodities wherein a country is deemed economically competitive.

The determination of economic competitiveness should follow the criteria now used in the Generalized System of Preferences program requirements. The GSP competitive need limitation revokes duty free treatment for certain goods once that article/commodity accounts for 50 percent or more of the total value of imports of that commodity or exceeds a pre-established dollar value (in 1996 the value was set at $75 million). Once GSP treatment is revoked for a commodity, the tariff for that product reverts to the MFN level.

Instituting this change would support the objective of the ATPA of providing economic alternatives to narcotics production, but would not allow ATPA imports to put U.S. producers out of business in the process.

If ATPA is renewed, the existing safeguard mechanism for perishable commodities should be improved.

Import surges can be extremely disruptive to U.S. agricultural markets, especially considering seasonality concerns and the price variability of perishable agricultural products.

The ATPA requires that a 201 petition be filed by the industry with the ITC and jointly with the Secretary of Agriculture. The Secretary of Agriculture has 14 days to consider whether or not the product is causing injury to U.S. producers and, upon a positive finding, can recommend a remedy action to the president. This safeguard mechanism has not proven effective for cut flowers or asparagus and should be revamped. The mechanism is not effective because it requires an injury determination by the International Trade Commission and it is under the discretion of the Secretary of Agriculture, which is not a mandatory or automatically triggered process.

Certain trade remedies, such as the U.S. 201 law, allow the administration to take action to mitigate import surges when they are determined to be causing or threatening injury to U.S. producers. However, imports from ATPA and other countries are exempt from remedy options adopted as a result of a 201 investigation.

Criteria now exist in the NAFTA and the WTO agreement on agriculture that enable special safeguard actions to be taken under specified conditions and may serve as a model for the ATPA.

In order to address the often irreparable damage caused to U.S. producers of perishable products due to import surges, we request that any extension or renewal of the ATPA include an automatic, transparent and temporary safeguard mechanism to address the injury as and when it occurs. The safeguard mechanism would provide much needed import relief to U.S. producers being injured by an import surge and would still provide market access for ATPA beneficiary countries during the remedy phase.

Farm Bureau appreciates this opportunity to comment on the Andean Trade Preferences Act.

AMERICAS PRODUCE
COMPANY

August 16, 2001

Editorial Section
United States Senate Committee on Finance
219 Dixon Senate Office Building
Washington DC 20510.

To Whom It May Concern:

I am Co-Chairman of the Miami Perishable Coalition, President and owner of Americas Produce Company, Inc.

I employ over 20 people and sell from \$15-\$20 million dollars of fresh imported produce. Much of my sourcing comes from fresh green asparagus from Peru.

This is a business that affects tens of thousands of lives in Peru. I have seen entire villages created and come to prosperity. It is the only crop that has provided steady growth and employment over the last years. It is the "gem" of agriculture.

Last week the American Farm Bureau has taken it upon itself to request the American Government a change in position regarding the duty status of Peruvian asparagus.

I would like to go on record as an American small business owner to say that this action will be devastating to many Americans and Peruvians alike. The amounts of people whose lives are affected by this business are too many to count.

If we take the airlines, the freight forwarders, the trucking companies, the inspection services, the warehouses, the sales force, the retailers and the consumers we are talking millions of dollars and many thousands of families.

It would be wrong in the current state of affairs to go back and change the duty on Peruvian Asparagus. It is way too early to conclude the allegations that have been brought forward.

It seems that the American Farmer has chosen the legal venue to find margin and has left the free market and free competition to the side. It seems that working our government in support of their need has become easier than being creative and learning to survive in the marketplace.

Americans deserve the right to buy fresh asparagus and accessible pricing for as long a period as possible.

Thank you for your consideration to my petition.

Respectfully yours,

Peter A. Warren
President

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Statement of the American Chamber of Commerce of Peru

[SUBMITTED BY JORGE MESZAROS]

Mr. Chairman, we commend you for holding this important hearing on the Andean Trade Preference Act (ATPA). The American Chamber of Commerce of Peru supports the renewal and expansion of the ATPA. AmCham Peru consists of the major United States companies doing business in Peru, including the following members on our Board of Directors: Procter & Gamble, Duke Energy International, BellSouth, PricewaterhouseCoopers, PSEG, Goodyear, The Maple Companies, Marsh, IBM, Eli Llly, Coca-Cola, Drake Beam Morin, and BankBoston. We commend Senator Bob Graham for recognizing the importance of ATPA as a tool to combat the growth of the illegal drug industry and enhance stability and democracy in the Andean region.

On July 28, 2001, Peru's first freely elected President of Indian descent was sworn into office. The United States strongly supported the democratic process that led to President Alejandro Toledo's election. President Toledo took an oath "in the name of the poor of Peru" and pledged that his top priority will be to improve the condition of Peru's poor, who make up half of the country's population of 26 million. Mr. Toledo also made a strong statement against the drug trafficking that has so damaged the United States and Peru. To accomplish these goals, President Toledo said that his government must generate 400,000 new jobs in the first year.

President Toledo will need the same strong support from the United States that it provided for his drive for a democratic election. An extended and "robust" ATPA will be a valuable tool to create new jobs in Peru. These new jobs are essential if President Toledo is going to succeed to strengthen democratic institutions, reduce poverty and fight drug trafficking in Peru. As the United States has recognized in numerous occasions, these goals are important to the interests and security of the United States.

The American Chamber of Commerce of Puru is committed to finding trade opportunities between the United States and Peru. The Chamber is supportive of efforts to stabilize Peru's economy, which has been in recession for almost three years. We believe the renewal and expansion of ATPA is essential in order to improve Peru's economy and to foster a strong commercial relationship between the United States and Peru.

The purpose of the ATPA is to expand economic incentives to assist Bolivia, Ecuador, Colombia and Peru to generate an alternative to employment in the drug trade. The ATPA has had moderate impact in generating new employment opportunities in Peru because most of the Peruvian products that currently benefit from the ATPA are mostly minerals and do not involve an intensive labor process. The ATPA has not only benefited the Andean countries, but the United States as well. The ATPA has resulted in doubling U.S. exports to Peru over five years.

However, the ATPA expires on December 4, 2001. Any delay in renewing it will have a serious adverse impact on foreign investment in Peru. Investors cannot make commitments when the duty regime under which they will operate is in question. Foreign investment is essential to the growth and expansion of the Peruvian economy.

Expanding the ATPA to include apparel made from regional or U.S. inputs would provide the best solution for Peru. This view is supported by the Trade Ministers of the Andean countries and they expressed their united support of an expanded ATPA in meetings with Members of Congress during their May, 2001 visit to Washington, DC.

Even though in 1999, Bolivia, Colombia and Peru achieved record levels of coca eradication, these cooperative efforts to combat drugs are ongoing and should be strengthened. The data on the drug trade clearly shows that the coca economy is regional, and actions adopted in one country affect anti-drug efforts in neighboring countries. The success in Peru's drug fight corresponds with an increase in drug production in Colombia, which clearly indicates the interconnected relationship between drug production and trafficking in the Andean countries.

Economic stabilization will help the Andean countries foster economic growth and decrease dependence on the drug trade. An extended and "robust" ATPA will enable President Toledo to take positive step towards reaching his goals. We urge Congress to address the ATPA this year.

STATEMENT OF THE ASSOCIATION OF AMERICAN CHAMBERS OF COMMERCE IN LATIN AMERICA

[SUBMITTED BY WILLIAM GAMBREL]

Mr. Chairman, thank you for the opportunity to submit testimony on the need to renew and enhance the Andean Trade Preference Act (ATPA). I am Bill Gambrel, President of BankBoston Colombia, and President of the Association of American Chambers of Commerce in Latin America, known as AACCLA. On behalf of AACCLA and in light of my six years of experience as an American businessman working in Colombia, I would like to urge the Congress to renew and enhance the ATPA before it expires in December.

For the record, AACCLA is a leading advocate of increased trade and investment between the United States and Latin America. Representing 23 American Chambers of Commerce in 21 Latin American and Caribbean nations, the association's 20,000 member companies manage over 80 percent of all U.S. investment in the region.

As you know, the ATPA grants duty-free access to the U.S. market for selected exports from the Andean countries. AACCLA and the American Chambers of Commerce in Bolivia, Colombia, Ecuador, and Peru all strongly support ATPA renewal.

A Record of Success

Taking advantage of the market access granted by the ATPA when it became law in 1991, a wide range of export-oriented businesses have been established in the Andean countries, generating jobs, boosting tax revenues, and strengthening civil society. Many of these jobs have been created in economic sectors that were previously rendered uncompetitive by U.S. import barriers.

One outstanding example is the fresh cut flower sector, which was practically nonexistent in Colombia prior to passage of the ATPA. Overall, the flower industry has created over 150,000 jobs in Colombia, with tens of thousands more in neighboring Ecuador. A true partnership with the United States has emerged in this sector, and over 220,000 U.S. jobs are tied to Colombian and Ecuadorian flower exports.

Testimony submitted separately by Rick Harrah, President, Latin America for Dole Food Company, gives an excellent overview of how the ATPA provided important benefits for both the United States and the Andean region by promoting the development of this sector. This is an excellent demonstration of the entrepreneurial spirit of the peoples of the Andean countries, and it shows how they will generate their own prosperity if international trade rules give them the chance to do so.

Renewal of the ATPA will ensure that these economic benefits endure, thereby fostering social stability and deterring the illegal narcotics trade. By the same token, failure to renew the ATPA would undermine the new business ventures that have prospered through legitimate trade with the United States.

A Region in Need

The bottom line is that the Andean region plainly needs the help of the United States. Besieged by drug traffickers and guerrilla groups, Colombia is currently fighting a war for the survival of its democratic and market-based institutions. Inevitably, as the drug lords have sought new safe havens for their operations, the contagion of illegal drug production has found its way into neighboring countries. As a result, the already fragile governments and economies of all the Andean countries have become particularly vulnerable to fallout from the drug war and from fierce global competition facing their legitimate industries.

Most of the countries in the region are currently experiencing severe economic recessions. Colombia, for example, is emerging from its worst economic recession in seventy years, and as many as one of four Colombians remains under or unemployed. Similarly, Bolivia is reeling from a recession generated in large part by its extremely successful coca eradication program. Ecuador is striving valiantly to make its new dollar-based currency system function despite a sharp economic downturn, and Peru is also laboring to generate new economic growth in the wake of a difficult but successful political transition.

It has been the policy of the United States to support the Andean countries with foreign assistance, including economic assistance to foster the growth of free markets, assistance to strengthen the institutions of democracy, and support to societies struggling to resist the illicit drug trade. However, foreign aid will not be the deciding factor in determining the fate of these countries. Removing barriers to trade with the United States is arguably more important to reviving the economic prospects of the Andean region.

The Case for Enhancement

I believe the Congress understands the need to renew the ATPA. However, it is critical that the list of products that at present gain access to the U.S. marketplace on a duty-free basis be expanded, above all to include the textile and apparel sector.

In Colombia alone, this sector has supported roughly 50,000 direct jobs and 120,000 indirect jobs in recent years. However, changes in international trade rules—including passage of the Trade and Development Act of 2000—have provided a strong incentive for executives in this highly competitive industry to move operations out of the Andean region. Continuing with the example of Colombia, as much as three-quarters of its approximately $370 million in annual apparel sales is expected to disappear if the country is not granted improved access to the U.S. marketplace.

The Congress can maximize the benefits of the ATPA by including provisions that will allow duty-free access to the U.S. market for textiles and apparel from the Andean region. As emphasized in a statement submitted by the American Apparel and Footwear Association (AAFA), the Congress should strive for simplicity in crafting a renewed and robust ATPA. Arcane trade rules affecting the textile and apparel sectors have frustrated the efforts of U.S. businesses to realize fully the benefits of other legislation intended to expand trade. The lesson is clear—rules of origin should be flexible and easy to use.

While the textile and apparel industry is a significant source of income and jobs in the Andean nations, the region's exports have never been a threat to the U.S.-based textile and apparel industry. U.S. imports from the Andean region last year represented less than one percent of total U.S. apparel imports and less than one-twentieth the amount imported by the United States from the Caribbean Basin region. On the other hand, the United States is by far the largest market for Andean apparel exports, buying between 38 percent (in the case of Ecuador) and 61 percent (in the case of Peru) of all Andean apparel exports. Andean exports are insignificant in the U.S. market, but they are crucial to the economies of the Andean region.

Finally, Congress should also consider making Venezuela a beneficiary of the ATPA. Recent history shows that efforts to oppose the narcotics trade in one country are undermined if production can be easily shifted elsewhere. By granting the ATPA's benefits to all the Andean countries, we can support the thousands of small and medium-sized businesses that must be the bedrock of economic progress, democracy, and peace in the Andean region.

Conclusion

Given U.S. national security interests in the Andean Region—as well as the commercial interests of U.S. companies invested there—it is essential that the Congress move quickly to approve a renewed and enhanced ATPA. Doing so will bolster the confidence of domestic private enterprise and foreign investors in the economic prospects of the region, thus helping to generate jobs, strengthen civil society, and deter the illegal narcotics trade. I urge the Congress to act swiftly on this important matter.

Statement of the Association of Apparel Exporters to the United States

Mr. Chairman, the Association of Apparel Exporters to the United States (EXPORAMERICA) is a non-profit association consists of private Peruvian companies that export apparel to the United States. Our members create jobs in the clothing sector that are instrumental in battling illegal drug production and trafficking. We are pleased that an extension and expansion of the Andean Trade Preferences Act (ATPA) is on the Committee's agenda. We commend Senator Bob Graham (D–FL) for taking the lead on this issue, and we look forward to working with the Committee on an ATPA that benefits all four Andean nations in order to reduce the drug trade by strengthening the local legal economies.

The ATPA was enacted on December 4, 1991 to authorize preferential trade benefits for the Andean nations. The purpose of the ATPA is to expand economic incentives to assist Bolivia, Ecuador, Colombia, and Peru to generate an alternative to employment in the drug trade. The goal is to increase legal employment through exports to the United States market. The beneficiary countries have to meet criteria for cooperating in the drug war. Duty-free treatment only applies to certain products. The product list does not include apparel. Yet, these products create many farming and manufacturing jobs that provide alternatives to work in the coca fields. The ATPA expires on December 4, 2001. It is essential that the ATPA be extended and expanded promptly because uncertainty about the duties applicable to Andean products can have a severe adverse impact on essential foreign investment in our economies.

To date, the ATPA has had only a moderate impact in generating new employment opportunities in Peru because apparel is excluded from duty free treatment. Peruvian products that currently benefit from the ATPA are mostly minerals and fishing products that do not involve intensive labor processes. By contrast, we have a fully integrated and highly efficient apparel industry that creates many jobs vital to the fight against drugs. Most apparel from Peru is made from high quality, locally grown cotton or from llama or alpaca that is native to the region. Cotton grown has been grown in Peru and Bolivia for many centuries and is an essential important source of lawful employment for both our agricultural and factory workers. The investment for each new job is less in the apparel industry than in almost any other exporting activity that Peru can develop. Expanding the ATPA to include a reasonable amount of apparel made from regional or U.S. inputs would strengthen the impact of the ATPA and help stabilize Peru's economy.

Apparel is the only Peruvian export that has a significant value added. We are not maquila producers like Caribbean countries. If we are prevent from using our own cotton and wool, we will lose thousands of job not only in the cotton farms, but also in the Andes were the South American llamas, alpacas and vicunas are raised by the poorest population in the country.

The Trade Ministers of the Andean community at a meeting in Lima stated their joint position on the inclusion of textile apparels in the ATPA in a document called "Position of the Andean Community to the Andean Trade Preference Act." The Trade Ministers believe that textiles and apparel should be included in the ATPA and more specifically, "the expansion of the coverage of the ATPA should not be conditioned to regulations regarding the origin of raw materials that restrict the access of our textiles and apparel."

The Trade and Development Act of 2000 now provides the Caribbean Countries with preferential tariff treatment for certain apparel products. Peru's textiles sector supports 32 percent of the population employed in the manufacturing industry, which amounts to approximately 180,500 jobs. Another 200,000 jobs are in the agriculture industry. Workers who would otherwise have lawful jobs will be left without an alternative to coca production, if our industry continues to be at a competitive disadvantage due to high tariff barriers in the United States.

The apparel industry in the Andean countries differs from the apparel industry of the CBI beneficiaries. The apparel industry in the CBI region is mostly Section 807 assembly operations that use U.S. yarn and fabric. Since antiquity, Peru has had an integrated apparel industry that uses its own raw materials to make fabrics and yarns. Thus, it is not appropriate to apply the same duty regime to the Andean countries as used in the CBI region. Due to the structure of our apparel industry, the Andean region should be permitted to use a reasonable amount of its own cotton and yarn.

Providing tariff relief to the Andean region will have important benefits for the United States industry. Currently, the Andean countries import more raw cotton from the United States than the CBI countries. The four Andean countries imported \$72 million in raw cotton from the U.S. while the twenty-four CBI countries only imported \$58 million worth of U.S. cotton. Also, the Andean countries import more manmade fibers and manmade yarns from the U.S. The ATPA countries imported a total of \$57 million worth of manmade fibers and manmade yarns in 2000 from the U.S. while the CBI countries imported \$32 million. If our industry expands, undoubtedly additional areas of common interest will develop within the hemisphere. A strengthened ATPA, thus, will provide the opportunity for increased U.S. exports of cotton and manmade fibers and yarn.

The ATPA countries also do not represent the same level of competition as other regions. Andean countries account for only 1.1 percent of the total textile and apparel imports in the United States, and Peru accounts for 0.46 percent of these exports. By contrast, the CBI countries account for almost 23 percent of total U.S. apparel imports.

The National Federation of Textile Workers of Peru is supportive of our efforts to have the ATPA expanded to include apparel made from regional inputs because they believe it is important for the stability of Peru. While Peru is trying to encourage farmers to make an appropriate salary in the legitimate business of growing cotton and to discourage the cultivation of coca, an ATPA that compliments this policy is important to the workers of Peru.

We look forward to working with you to expand the ATPA to provide a solution that benefits all the Andean nations and benefits U.S. businesses. The drug war cannot be won without improving the economies in the entire Andean region. The data on the drug trade clearly shows that the coca economy is regional, and that actions adopted in one country affect the drug combat efforts in neighboring countries. The success in Peru's drug fight, for instance, has corresponded with an increase in Colombia's coca-growing activity. A renewed ATPA that does not help the entire region will only move the drug problems from one country to the next, which does not help you or us.

An expanded ATPA should provide the necessary economic incentives to eliminate the lure of illicit jobs and build a stronger more stable hemisphere. We urge Congress to act on the ATPA before the current program expires.

STATEMENT OF THE ASSOCIATION OF COLOMBIAN FLOWER EXPORTERS (ASOCOLFLORES)

The Association of Colombian Flower Exporters (Asocolflores), the 150,000 workers we directly and indirectly employ and the 220,000 workers in the United States that depend on Colombian flowers for their livelihood, strongly urge Congress to renew the Andean Trade Preference Act in a timely manner. Asocolflores, which represents 80 percent of the flower growing farms in Colombia, would like to leave you with a single message: ATPA has been a great success story for the United States and Colombia and, at a minimum, ATPA should be renewed before it expires on December 4, 2001 and jeopardizes this record of success.

Introduction

As a direct result of the economic benefits afforded by the 10-year Andean Trade Preference Act (ATPA), the Colombian flower industry has been able to make major investments to protect its products from contamination of illicit narcotics and create some of the most progressive social and environmental programs in Latin America. The support the flower industry has given to these programs is a prime example of how U.S. trade policy can support important benefits at the community level. These programs may be at risk if the modest benefits provided under ATPA are not renewed on time. Given the difficult situation in Colombia today, the United States should carefully consider the immediate and long-term adverse impacts of not renewing these benefits from an industry that has been a strong ally of the United States' counternarcotics efforts, has built a solid base of legitimate employment in Colombia, and generates significant employment in the United States.

The profitability of our industry is not the issue in this debate. At its core, the very survivability of our industry and the well being of our large workforce are at stake. ATPA has been a great success story for the United States and the Colombian flower industry, which we will be able to continue if ATPA is renewed this year.

Asocolflores has been coming to Washington for a number of years to tell our story to policymakers and lawmakers from across the political spectrum. In nearly every instance, we have heard strong words of support for our activities and we are extremely grateful for the support from the most influential Members of Congress, particularly among the Finance/Trade Committees, and among the Congressional leadership. In particular, Asocolflores would like to recognize the passionate leadership that Florida Senator Bob Graham has consistently expressed, not only for Colombia's flower growers, but for all legitimate economies throughout the Andean region. With his leadership, and with the leadership of the Finance Committee, Asocolflores hopes that other economic sectors can also benefit from the ATPA program so they can replicate the many positive programs Asocolflores has created and sustained. However, given the already crowded trade agenda facing Congress and only a few months remaining for legislative business, we trust that Congress will, at a minimum, extend ATPA before it adjourns for the year.

United States National Security Interests and Ascolflores

ATPA was created by the first Bush Administration and Congress in large part to support .S. national security interests in Colombia and the broader Andean region. In Colombia, ATPA has been particularly important in supporting these objectives. Asocolflores has been on the leading edge of supporting this critical goal through several efforts including strong, direct cooperation with U.S. law enforcement agencies, aggressively and publicly fighting one of the most destabilizing forces in Colombia—the illicit narcotics trade—and sustaining full employment among those workers potentially most susceptible to pressure to enter the illegal narcotics trade.

In the late 1980's the Colombian flower industry was the target of efforts to move illicit narcotics in flower shipments to Miami. Recognizing the devastating impact such a campaign would have on our business and ability to sell flowers in the United States if it were successful, Asocolflores took aggressive action to counter such threats. Asocolflores is pleased to say that since that time we have built a very strong working relationship with U.S. law enforcement agencies, including the DEA. Customs Service and State Department, and are now publicly recognized by those agencies as a model for other industries in the region for employing effective methods and techniques for combating illicit narcotics contamination. Some of these techniques include direct surveillance of flower packaging in Colombia by U.S. law enforcement personnel, use of specialty shipping trucks that are sealed before they leave the production farms, and x-raying practically every flower box that enters the United States from Colombia. These, and other techniques and methods, have resulted in virtually contamination-free shipments despite continued efforts by narcotics traffickers to penetrate our shipments. Asocolflores is proud of the close, working relationship we have built with U.S. law enforcement agencies and we appreciate and look forward to their continued support.

Beyond the close collaboration with the U.S. government agencies, Asocolflores has taken direct stands against the illegal narcotics trade, actions that have often put us "in the line of fire" of those who profit from it. For example, Asocolflores was the only Colombian business group to call publicly for the resignation of former Colombian President Ernesto Samper, who had been linked to drug money during his presidential campaign. In addition, Asocolflores publicly called for the re-imposition of extradition to the United States of Colombia drug lords. In response, a group of traffickers calling themselves "The Extraditable," threatened members of Asocolflores and put their threats in writing. In a letter received by Asocolflores in the Spring of 1997, The Extraditable said, "With that yes to extradition, you signed the death penalty. Because from this day forward you, your families and your companies are declared to be military objectives." Asocolflores is pleased to note that President Pastrana has taken action to re-institute extraditions, though we continue to live under continuing threats from narcotics traffickers and other destabilizing elements in Colombia such as guerrilla and paramilitary groups.

Perhaps most importantly, Asocolflores has created social and economic stability in a challenging environment through its creation of many thousands of private-sector agriculture-related jobs. We employ more agricultural workers per hectare (16) than any other agricultural sector. Retention of these workers is a critical everyday goal of Asocolflores and, despite difficult times in the flower business recently, we continue to maintain 100 percent employment in the regions where there are flower farms. This is a significant achievement in light of Colombia's current 20 percent unemployment rate. Asocolflores clearly understands that these workers, with their unique agricultural growing skills, are prime targets of narcotics traffickers to entice into illicit crop production. This is why Asocolflores spends a great deal of time and resources to ensure that our workforce is provided the support it needs to lead productive, rewarding lives and to truly enjoy their employment.

The Andean Trade Preference Act and Colombian Flowers

ATPA was created to foster and sustain legitimate economies throughout the Andean region as a bulwark against illegal narcotics production. The tariff preferences under ATPA for flowers are relatively modest, 6–8 percent. The flower growers of Colombia recognized early on that ATPA presented an excellent opportunity to strengthen the industry in a manner that would bring us into true partnership with the United States. ATPA also presented a good opportunity for Asocolflores to dramatically improve our protection and management of the environment while building a strong, loyal workforce that enjoys many benefits, such as subsidized nutrition programs, childcare, and healthcare, well above levels required by Colombian law.

Important U.S. entities have also benefited from participation in the Colombian flower industry and have made not only Colombian, but U.S. investments dependent on the continued viability of this industry. For example, Dole Food Company, Inc., has made a major investment in the Colombian flower industry in the amount of approximately $262 million. Dole is now one of the largest employers in the business (approximately 11,000 employees in Colombia and 400 in Florida, Texas and California) and is the single largest importer of fresh cut flowers in the United States. Dole is now building a state-of-the-art facility in Miami to handle the large volume of flowers it imports, many of which they directly resell to major retailers, such as Wal-Mart, across the United States.

ATPA preferences have also benefited American consumers. According to the United States International Trade Commission's most recent (1999) report on ATPA, U.S. consumers saved some $12 million on fresh cut roses and $8.5 million on other popular flowers **in 1998 alone**. Based on the results of 1998, the cumulative total of cost savings for U.S. consumers over the life of the ATPA runs into the many millions of dollars.

The gains from ATPA for the Colombian flower industry have not come at the detriment of U.S. flower producers. Colombia's share of the U.S. market has remained relatively stable since the mid-1980s (at approximately 65 percent) and has in fact decreased somewhat due to international competition as well as increasing overall demand. The fact is that U.S. and Colombia growers generally do not compete head-to-head: U.S. growers tend to concentrate in specialty, high-end use flowers and have largely diversified into potted plants, while Colombian growers tend to concentrate on more "mass-production" flowers such as roses and carnations. In fact, cooperation between the industries is growing. For example, the U.S. industry recently agreed to extend a joint flower promotion campaign, and, for the first time, invest resources in such an effort to encourage greater overall consumption of flowers in the United States. Test runs in five major cities recently showed good results that should benefit all flower producers.

Asocolflores-Supported Programs Under ATPA

Operating margins in the flower business today are extremely thin, often in the range of 2–3 percent, due primarily to growing international competition. Despite this, ATPA benefits have not been used by the industry to improve its operating margins, rather, the industry has used the resources saved by ATPA benefits to create a broad range of programs that focus on sustaining and enhancing our most important resources and assets: our workforce and our environment. To date, Asocolflores and our members have directly spent approximately $2 million on various programs and fully intends to continue to support them, but our ability to continue to do so is largely dependent on our ability to continue to produce flowers under the duty preferences provided by ATPA.

For our workforce, Asocolflores provides a number of programs, many of which are highly progressive for the Andean region. These include: healthcare, on-site childcare, nursing care, subsidized nutrition and educational programs. In addition, Asocolflores has initiated a ground-breaking program that is designed to teach conflict resolution at the family level called "Cultivating Peace in the Family." Asocolflores believes that building peace in Colombia is a complex process, but that we can contribute to the process by approaching the issue at the individual level. Asocolflores realized that many of our workers never have learned how to address basic conflicts within their daily lives and their families in a non-violent manner. The program seeks to teach every flower worker and their family how to peacefully address everyday conflicts through direct training programs conducted at the flower farms, by interactive materials distributed to every worker and their family, and by providing human resources support for all families. A new program Asocolflores is just beginning seeks to provide housing for the workforce and to create strong communities through improved housing and urban planning. Although initially starting with the employees of the flower industry, the long-term objective is to create stable communities of home-owners. A more detailed description of these various programs and Asocolflores' monetary support for them is attached for your reference.

For our environment, Asocolflores recognizes that it must aggressively protect the natural resources that our industry requires to produce the best flowers in the world. In 1996, Asocolflores initiated a program called "Florverde," a major part of which is a comprehensive program to protect and sustain our environment and to ensure our workforce is fully trained in the use and management of environmental resources. The specific elements of the program were derived from internationally recognized standards for environmental management and protection. The standards applied in the program are ISO 9000—among the highest international environmental standards. To date, some 75 percent of the flower farms now participate in the program, which requires them to meet strict environmental standards, including reducing the use of pesticides and implementing protection programs for the workers responsible for pesticide management. There are a number of additional farms that want to participate in the program. However, one of the main reasons Asocolflores has not been able to enroll even more farms is because of a shortage of resources, but we continue to try to increase participation in the program. Asocolflores is proud of the fact that we designed and created the program in response to a real need to ensure the long-term health of Colombia's natural resources and not in response to government regulations.

The Colombian Flower Industry

The Colombian flower business is approximately 35 years old. High altitude and year-round moderate temperatures in the region surrounding Bogota is ideal for growing flowers and helps Colombia produce some of the highest quality and quantities of flowers in the world. Today, nearly 500 "farms" produce flowers in Colombia, the majority around Bogota, but a significant number are also found in the Medellin area. Because producing flowers is a hand labor-intensive business, these farms directly employ about 75,000 workers. In addition, the industry indirectly employs another 75,000 people in many sectors that support the production and movement of flowers to export markets. The majority of the direct jobs created by the flower sector are held by women. This allows the families of the flower workers to enjoy a higher standard of living than most other workers in Latin America because dual-income families are rare exceptions in the region.

Colombian Flowers in the United States

Since its inception, the Colombian flower industry's largest export market has been the United States. Nearly two-thirds of all flowers purchased in the United States are grown in Colombia. In certain regions, such as the East Coast, the percentage is higher. If you are in Washington, D.C. and have flowers in your home or office today, there is a better than 90 percent chance that those flowers were grown in Colombia. Colombia, which is second to Holland in terms of overall flower production, exports to other markets, such as Japan and Europe, but nearly 80 percent of all sales of Colombian flowers are purchased by United States consumers.

Every day, on average, some 30 plane loads of flowers enter the United States from Colombia. The total value of these flowers, the majority of which are shipped via Miami International Airport, is approximately $600 million per year. However, the retail value of Colombian flowers sold in the United States is much higher, approximately $11 billion per annum, making the retail business of Colombian flowers highly profitable for United States interests. Moreover, Colombian flowers support approximately 220,000 good paying jobs here in the United States. These include importers, wholesalers, air carriers, trucking companies, major retail end-users (such as Wal-Mart and Kmart and major Supermarket chains throughout the United States) and of course, florists.

Conclusion

ATPA has been a success story that demonstrates that U.S. trade policy can improve worker and environmental conditions as well as economic stability and opportunities at the local level while supporting U.S. national security interests and creating U.S. economic opportunities. ATPA benefits have been the key to success for the Colombian flower industry, which has proactively used ATPA benefits to create a wide-range of private sector programs to benefit our workers and our environment. However, given the very narrow operating margins in the global floral business today, without seamless continuation of ATPA, these programs, and indeed the long-term survival of our industry, are at risk.

Summary of Asocolflores-supported Social/Worker Programs for 2000
(Does not include environmental programs)
Total Support for All Programs in 2000: $672,444.90

Childcare

Care Centers

Open to All Children

Total Care Centers	Total No. of Children
8	516

Open Only to Flower Workers' Children

Total Care Centers	Total No. of Children
20	965

Costs
(All figures are in US dollars)

Total Direct Asocolflores	Total Company Contributions	Total
$3,676.96	$29,613.93	$33,290.89

***Schools*:**
The program is intended to improve education by providing classroom teaching materials, supplies, and furniture. The program also provides for building repairs.

***School Reinforcement*:**
The Association created this program to help low-income workers and their families. The program subsidizes books so that school materials are made available at low costs to the students.

Year 2000 Costs for the School Program	Total Direct Asocolflores	Total Company Contributions	Total
	$913.23	$18,264.60	$ 19,177.83
Year 2000 Costs for the School Reinforcement Program			
	$ 1,649.86	$ 44,136.91	$45,786.77

Cultivating Peace Within Our Families

A program for the floral workers that seeks to facilitate the management of conflicts at both the family and employment levels. It is divided into various phases. The first two have already been completed.

Phase I
Introductory training workshop.

Phase II
Development of family oriented issues and conflicts, identified during Phase I, through workshops.

Cost of Year 2000 for the Cultivate Peace Within the Family Program	Total Direct Asocolflores	Total Contributions from Companies	Total
	$11,006.59	$13,362.67	$24,369.26

Health Programs

***Occupational Health*:**
Ergonomics program.

Year 2000 Costs for the Occupational Health Program	Total Direct Asocolflores	Total Company Contributions	Total
	$879.52	$2,151.46	$3,030.98

***General Health*:**
Health campaigns.

Year 2000 Costs for Health Programs	Total Direct Asocolflores	Total Company Contributions	Total Third Parties	Total
	$902.36	$2,648.72	$17,442.97	$20,994.04

***Psychotherapy*:**
Clinical services provided for **50** patients at a cost of **$ 413.08.**

Recreation Programs

***Corecrea*:**
Corporation for Integral Recreation. Created to promote family recreation areas.

***Cultural Sporting Activities*:**
Created to promote sports and artistic expression as ways to constructively use free time.

Year 2000 Costs for Recreation Programs	Total Direct Asocolflores	Total Company Contributions	Total Third Parties	Total
	$18,701.16	$88,069.87	$608.98	$107,380.00

Continuing Education

***Reading and Balancing of Elementary and Secondary Education*:**
The program seeks to eradicate illiteracy from the sector's workers.

Year 2000 Costs for Education Programs	Total Direct Asocolflores	Total Company Contributions	Total Third Parties	Total
	$1,081.11	$103,011.79	$3,691.91	$107,784.81

Recognition of Female Flower-Workers

***Building Leaders in Health Care*:**

Program for the workers belonging to the Occupational Health Joint Committees and for women leaders. The program seeks to train the participants to be health care promoters. Workshops include issues such as self-esteem, self-care, identification, risk prevention, and planning.

Year 2000 Costs for theTraining of Leaders in Health Self-Care Program	Total Direct Asocolflores	Total Company Contributions	Total Third Parties	Total
	$1,379.34	$3,252.05	$28,498.92	$33,130.32

***Life Handicraft*:**

The program has the purpose of strengthening the personal development of the sector's female workers with respect to social- affective issues, and to bringing well-being in the personal, work, and family matters.

Year 2000 Costs for the Life Handicraft Program	Total Direct Asocoflores	Total Company Contributions	Total Third Parties	Total
	$1,466.18	$3,206.93	$2,236.66	$6,909.77

Personnel Training and Development

***SENA Courses*:**

SENA courses are floricultural training courses intended to benefit workers who have already been hired or are in the process of being hired. The program has two components, one for operators and the other for supervisors. Instruction is provided during work hours.

Year 2000 Program Costs for SENA Courses	Total Direct Asocolflores	Total Company Contributions	Total Third Parties	Total
	$1,768.86	$197,129.74	$34,762.17	$233,660.76

***Human Resources Support*:**

The program gives the Association a way to keep in constant and direct contact with its affiliates, to identify needs, and to provide assistance with various aspects of human resources through regular meetings with personnel directors and executives.

Year 2000 Costs for the Support to Human Resources Program	Total Direct Asocolflores	Total Company Contribution	Total Third Parties	Total
	$1,608.93	$9,541.04	$3,291.74	$14,441.71

Housing

The program, which is in its initial phase, seeks to provide proper housing to the sector's workers and to build true organized communities.

Year 2000 Costs for the Housing Program	Toltal Direct Asocolflores	Total Company Contributions	Total Third Parties	Total
	$ 12.07	$402.48	$387.26	$801.82

Other Activities in the Municipalities

The program addresses the importance of participating in municipal day-to-day activities. Florists organize events and participate in community functions such as parades.

Year 2000 Investments in Other Municipal Activities	Total Direct Asocolflores	Total Company Contributions	Total
	$ 664.66	$ 13,293.23	$13,957.89

Strengthening Life, Justice, and Peace

the purpose of the program is to obtain integral human development in youngsters in Eastern Antioquia. It included 49 persons and 51 workshops. The association's investment: **$4,475.04.**

Building Leaders and Agents

A program to orient leadership capabilities through the exchange of experiences. It included 70 persons in Antioquia. The association's investment: **$1,807.23.**

We Are One:

We are One is a Second Program Module dealing with issues such as drug dependency, violence within the family, unwed mothers, married couple problems, and alcoholism. Total investment: **$1,032.70.**

Total Cost of All Programs in 2000: $672,444.90

STATEMENT OF THE ASSOCIATION OF FLORAL IMPORTERS OF FLORIDA (AFIF)

The Association of Floral Importers of Florida (AFIF) strongly supports timely renewal of the Andean Trade Preference Act (ATPA). AFIF has represented the interests of its Members, the South Florida fresh cut flower importers, since its inception in 1982. Fresh cut flowers are the number one import through Miami International Airport (MIA). On a daily basis, approximately 32,500 boxes of flowers arrive at MIA. Flowers imported through MIA supply approximately ⅔ of the flowers consumed in the U.S. and AFIF members are responsible for approximately 80 percent of this volume. The Miami flower importing community occupies approximately 1.4 million square feet of office/warehouse/cooler space and employs approximately 6,100 employees. Thus, we are a vital part of the distribution chain for the U.S. floral industry and have a major stake in the timely renewal of ATPA.

Colombia and Ecuador are AFIF Members' largest trading partners. The Andean Trade Preference Act has for the past ten years provided many benefits to the economies of the Andean region, including the flower-growing sectors of Colombia and Ecuador. The fresh cut flower industry in these two nations supplies the majority of flowers for United States consumers, who have benefited from ATPA through lower prices for higher quality and quantities of fresh cut flowers.

As the major importers of these flowers, AFIF is concerned that if ATPA is not renewed by December 4, 2001, importers will be forced to pay duties (on average between 2–8 percent) on fresh cut flowers. This result could have a severe negative impact on AFIF members and the U.S. flower retail business. For the past few years, demand for flowers in the United States have been flat. If ATPA is not renewed this year, inevitably, some of the cost of paying higher duties will be passed on to consumers, who will be forced to pay higher prices for fresh cut flowers. In turn, this will lead to decreased demand for fresh cut flowers, which, given the tenuous economic situation of the flower business today, could be a devastating blow.

With the economic well being of AFIF's members at issue, we urge Congress to renew the Andean Trade Preference Act this year.

Statement of ACICAM Columbia, Colombian Leather Goods and Footwear Association

[SUBMITTED BY RONALD BAKALARZ]

My name is Ronald Bakalarz. My company, Stanton Industries, is the largest manufacturer and exporter of footwear in the Andean region. I am also a member of the Board of ACICAM, the Colombian Leather Goods and Footwear Association. And I currently serve as Chairman of the Colombian Exporters Association.

ACICAM member companies produce all types of footwear and various leather goods such as bags, belts, and wallets. As an association of over 3,000 members, we wish to voice our support for the extension and the expansion of the Andean Trade Preference Act.

First let me say that we in the Colombian private sector much appreciate the work and dedication that Senator Graham has given to help bring peace and stability to the region and to Colombia in particular. By introducing a bill to extend and expand the ATPA, he and the co-sponsors demonstrate their commitment to create employment and foster economic growth through expanding exports. Many other Senators and numerous members of the House, from both parties, have visited Colombia and have provided valuable support to our struggle as well.

In the last ten years the ATPA has been successful in creating jobs and spawning new export industries such as flowers, generating over 140,000 new jobs in the region.

Unfortunately, certain sectors of the economy with great job-creating capacity were excluded, such as footwear and leather goods. Without tariff preferences to export to the US market, the industry stagnated under conditions of recession and low domestic demand. Since we were unable to export due to duties as high as 50%, products from countries with extremely low labor costs flooded the US market. Of the six largest shoe factories, only two exist today. Over 1000 small and medium-sized companies have shut down, and over 15,000 workers were laid off.

U.S. industry was not the beneficiary of this exclusion. The U.S. imports over 94% of its footwear consumption. Only 6% of its needs are met domestically, mainly the higher, more expensive lines. Of the over 11 billion dollars of footwear imports, more than 70% of the product and 60% of the dollar value comes from one country: China. Two-tenths of 1% comes from Colombia.

By renewing and expanding the ATPA, this Committee and the Congress have the opportunity to inject new lift into the Colombian economy by creating and reviving industries with capacity to export.

Ours is a case in point: If duties are eliminated on leather goods and footwear, we can compete with China for US market share. Total employment today, including suppliers of components, packaging, raw materials, tanners and the like isd 430,000. Our projections are that in three years employment can reach 1,000,000. That is 570,000 more jobs for Colombian factory workers and suppliers including thousands of "microenterprises" and the benefits that flow to the families those jobs support.

The only impact on US jobs is to create more. Many US companies provide materials and components to our manufacturing process, whereas China uses locally made raw materials. Furthermore, Colombia has a vibrant, independent labor union movement. It is unlawful to employ child labor and prison labor is banned.

The United States has made a major commitment to the fight against terrorism and narcotrafficking, as has Colombia. A growing economy spurred by creating and expanding jobs in export industries is a powerful weapon in that struggle.

If a renewed Andean Trade Preferences Act eliminates all duties on footwear and leather goods, we will generate domestic employment, increase imports from the US, and provide US consumers with an alternate supplier. No one is hurt except the narcotics trade and all legitimate trade is benefited.

STATEMENT OF BUMBLE BEE SEAFOODS

[SUBMITTED BY CHRISTOPHER LISCHEWSKI, PRESIDENT]

Mr. Chairman, Bumble Bee Seafoods was founded in 1899 by a handful of west coast fishermen. Today the company has over 5500 employees and is the third largest tuna canning company in the world. Bumble Bee operates tuna canning facilities in Mayaguez, Puerto Rico, Santa Fe Springs, CA and Manta, Ecuador. Bumble Bee is also the largest provided of canned shrimp in this country and operates major shrimp farms in Louisiana and Florida. I firmly believe that our company and the entire U.S. tuna industry will disappear if the proposal in S. 525 to eliminate duties on canned tuna (Sec. 3 (a)) is approved by this committee. After reviewing my testimony I hope you will agree that this provision will result in the loss of thousands of good jobs in U.S. tuna processing plants, it will not provide the Andean nations with significant benefits and that the current duty structure on canned tuna should not be changed.

Death to U.S. Industry

Ecuador has the largest tuna fleet fishing in the Eastern Tropical Pacific Ocean and according to the latest published data from the Inter-American Tropical Tuna Commission (lATTC) harvested almost one third of all the tuna caught in that area. The Ecuadorian fishing and processing industries benefit from direct and indirect government support programs including favorable tax policies. These subsidies are not available to the U.S. industry and we cannot compete against a government-supported industry.

In recognition of this situation and to protect its' own industry, Mexico (the largest canned tuna market in Latin America) recently imposed a 23% import duty on canned tuna from Ecuador. The EU also imposes a general import duty of 24% on canned tuna. The current U.S. duty on canned tuna is 6% prior to quota and 121% after quota. For NAFTA countries the duty has been declining since 1994 and is currently about 5.8%. The United States is the single largest market for canned tuna in the world. If we unilaterally reduce duties on canned tuna, while the other major markets maintain high tariff barriers, tons of cheap tuna that can't be sold elsewhere will be dumped on the U.S. market and the U.S. industry will be ruined.

The U.S. tuna industry has invested tens of millions of dollars in modern canning facilities in Puerto Rico, California and American Samoa. Bumble Bee employs over 1100 workers at its' Puerto Rico and Santa Fe Springs plants and in America Samoa, 85% of private sector employment comes from the tuna industry. Granting special duty privileges to Ecuador and other Andean nations will divert tuna canning operations away from these U.S. plants and result in the loss of thousands of American jobs.

Ecuador and Other Andean Nations Already Enjoy Favorable Tax Treatment

Ecuador is a major producer and exporter of tuna loins. Loins are the usable parts of the meat that are removed during cleaning operations. Cleaning the fish and producing loins represents about 80–85% of the manual labor involved in tuna processing and canning.

The U.S. allows the importation of frozen tuna loins from all countries with a negligible import duty. U.S. canners such as Bumble Bee rely on this fish to run through our U.S. canneries. Ecuador in particular benefits greatly from this favorable duty as the U.S. annually imports almost 50,000 tons of frozen loins from Ecuador with a value of approximately U.S. $125 million. Moreover, the current situation has encouraged investment by Bumble Bee, Star-Kist and other companies in building and operating tuna loining facilities in Ecuador. In other words, the status quo is already providing significant economic benefits to Ecuador precisely as intended by the 1991 Andean Trade Agreement.

If the U.S. unilaterally reduces and eliminates duties on canned tuna, present canning operations will relocate to Ecuador and other qualified Andean Pact countries. Unfortunately, the amount of labor involved in the canning of tuna is significantly less than that involved in the cleaning and loining of the fish in preparation for canning. The actual canning process itself represents only about 10% of the overall processing operation in terms of jobs. In other words, Ecuador already enjoys the most significant employment benefits through the free trade in loins. Any additional jobs created by extending the current loining operations to canning would be minimal and this would be more than offset by the massive job loss that would surely occur at competing U.S. processing locations.

New Food Safety Concerns

Bumble Bee has spent millions of dollars in highly automated and technically advanced canning equipment to ensure that a high quality and safe product reaches the consumers. Our industry works very closely with the Food and Drug Administration (FDA), the Occupational Safety and Health Administration (OSHA), the National Marine Fisheries Service (NMFS) and other state and federal agencies to develop and administer the highest possible health and safety standards for its workforce and its products.

Because tuna that is canned improperly can cause serious illness and even death when consumed, Bumble Bee takes extraordinary precautions in its canning process. The retort and sterilization steps in the canning procedures are critical to public health and I am proud of the controls we have incorporated into our normal operating procedures to ensure the highest quality product. In addition to our efforts, federal officials constantly monitor our operations to ensure compliance with the multitude of regulations imposed on us. Indeed, the tuna canning industry is one of the most highly regulated industries engaged in food production.

In summary, Bumble Bee strongly opposes any changes to the existing provisions of the Andean Trade Preference Act as it relates to the duty treatment of imported canned tuna. We firmly believe that the special duty status for canned tuna proposed in S. 525 will lead to the demise of the U.S. tuna industry and the elimination of thousands of jobs in US areas of high unemployment. In addition, the inclusion of canned tuna in this bill will unnecessarily expose U.S. consumers to new safety threats from improperly canned tuna and will not provide the significant benefits to Ecuador and other nations as purported by the supporters of the provision.

Statement of the Central American and Caribbean Textile and Apparel Council (CACTAC)

Founded in 1993, the Central American and Caribbean Textile and Apparel Council (CACTAC) serves as the spokesman for the textile and apparel industry of the CBI countries which are beneficiaries of the Caribbean Basin Initiative (CBI) of 1983, enhanced last year through the Caribbean Basin Trade Partnership Act (CBTPA) which was created as part of the Trade Development Act of 2000 (TDA).

CACTAC appreciates the opportunity to submit written testimony to this Subcommittee concerning its position on extension and expansion of the Andean Trade Preference Act (ATPA). CACTAC was active in the effort to obtain the TDA which includes the African Growth and Opportunity Act (AGOA) and CBTPA.

It was hoped that passage of CBTPA would allow duty-free, quota-free access for apparel into the United States and thereby level the playing field with the benefits received by Mexico under NAFTA and allow the industries and countries in the region to integrate their production with partners in the U. S. in order to compete with Asia. CACTAC believed that CBTPA would allow the CBI region to expand its textile and apparel manufacturing industry and in the process provide improved working conditions and well-paid jobs in the region using U.S. fabric, cotton, yarn, and fiber. It was CACTAC's belief that by integrating their production, the United States and the CBI region would be more competitive in the world market.

I. CBI Region Since Passage of TDA and Implications for the Andean Region

It has been over fourteen months since TDA was signed into law in May of 2000 and the promise of TDA, in CACTAC's case specifically CBTPA, has not been realized. In fact, the statistics demonstrate that conditions have deteriorated. They show that the CBI countries have not been able to use the preference. To date only 17% of the CBI region's trade uses the preference, granted by CBTPA.

This is commonly agreed to be because regulations are not finalized; many ambiguities exist; and there are efforts by some to rewrite the law with the intentionof depriving CBTPA of key provisions, such as dyeing and finishing, and other uncertainties which prevent economic decisions.

The result is that the U.S. import industry has been unwilling to make the shift in sourcing business from Asia to the CBI countries and investors and producers have been unwilling to make significant investments in the region. When CBTPA was enacted, many expected to provide new opportunities to the U.S. cotton farmers, the yarn spinners and the countries and companies in the region. Recent figures demonstrate that CBI opportunities are continuing to be diverted towards Asia and away from the CBI countries to the detriment of both the U.S. industry and the CBI industry.

The volume of world wide apparel exports to the United States, according to the May, 2001 government statistics, has grown by approximately ten percent. While the CBI region's exports have remained flat, as compared to the double digit increases in the 90's, imports from other areas, specifically Asia, have increased substantially due to the failure to implement CBTPA and the recession in the United States. For example, Mexico, the largest textile and apparel exporter to the United States, is up 4 percent; Bangladesh's share (the world's third largest exporter to the United States) has increased by 18 percent. Cambodia's exports to the United States are up 52 percent, and Burma's textile and apparel exports have increased 83 percent. Honduras, on the other hand, the second largest exporter of apparel to the United States, is only up 1.3 percent. As a whole, exports from the CBI countries to the United States are flat at best and, in many countries, down. Asia's share of the U.S. market, however, is increasing dramatically. In Asia, currency values, labor and raw material costs are such that companies can compete with Mexican or Caribbean exports even if they pay Customs duties. The reverse is not true, especially if U.S. components are used.

CBTPA was expected to reverse that trend, but it hasn't. Now ATPA is again an opportunity to change the situation. By correcting CBI and passing an ATPA that is clear, unambiguous and promotes trade, opportunities in the Americas will be expanded. CACTAC believes that the future of the Americas' competitiveness in the world markets depends on our ability to integrate our industries, particularly textile and apparel, so that the region's efficiencies can be maximized.

II. CACTAC SUPPORTS THE PASSAGE OF ATPA, INCLUDING THE ADDITION OF TEXTILES AND APPAREL TO THE EXHORTS THAT WOULD RECEIVE BENEFITS.

CACTAC believes that U. S. trade policy should encourage textile and apparel production in the Americas. The competition is with low-cost Asian cotton, yarn, fiber, fabrics and apparel. We believe that the passage of ATPA and the proper implementation of CBI will allow us to be competitive with Asian producers. CACTAC urges that the implementation of CBTPA and the passage of ATPA, including textile and apparel provisions, create a seamless web of trade throughout the Americas.

Beginning with NAFTA, the historical patterns of trade in the Americas have been altered both legislatively and through agreement. Ultimately, the goal is the creation of a Free Trade Area of the Americas (FTAA) by 2005. The FTAA will replace one-way preferences with reciprocal access, thereby expanding the U.S. and regional trade markets.

CACTAC asks the Congress to clarify and implement CBI and enact ATPA in an equitable form that creates a trading program in the Americas that allows the CBI and Andean Region to be competitive with Asian producers, to have real parity with NAFTA, and to approach an FTAA in 2005 with rules that are consistent, clear and integrated.

In order to achieve these objectives, CACTAC asks Congress to consider the following policy considerations in enacting an ATPA bill:

(1) U. S. treatment of textile and apparel imports from the Andean and CBI countries must be evenhanded. While there are differences, as described later, ATPA should allow the region's industries duty-free, quota free access to the U.S. market on an equal basis with CBI and NAFTA. The problems with CBI must be fixed.

(2) ATPA should harmonize the production and trade in the Western Hemisphere and build on the complementarities between countries in the Americas.

(3) Any bill passed should not create different classes of countries.

(4) ATPA should be compatible with the CBTPA and seek to build on each country's strengths, or at least allow the market to develop based on the strengths of each country.

(5) CACTAC urges the Congress to remove the caps on regional fabric and tshirts in the CBI region and to avoid imposing caps on the production in the countries of the Andean region.

(6) CACTAC supports including provisions that encourage the use of U.S. cotton, yarn, fiber and fabric in consideration for the liberalization of trade in the CBI and Andean region.

CBTPA and ATPA should not be viewed as competitive, but complementary, so that we can strengthen trade in the region. CACTAC understands that different countries may have differently structured industries and competitive advantages and believes that such differences should be taken into consideration.

For example, Peru has a vertically integrated industry that uses Peruvian pima and tanguis cottons to produce high-end garments and apparel for niche markets.

Providing opportunities for this vertically integrated industry to have access to the U.S. market duty-free should be allowed.

Differences should be recognized in the development of ATPA as well as any improvements to CBTPA. The goal should be to allow, and even encourage, strategic business relationships among companies and countries in the region so that they are competitive and produce a quality, affordable product.

Some proposals would create two different classes, or tiers, of producing countries. CACTAC opposes artificially created differences. Whether it is quotas, caps or different classes of countries, these mechanisms always end up dislocating the normal market forces. The results are artificially induced inefficiencies and barriers to the movement of goods, capital and resources. Congress must keep in mind that the ultimate goal is the negotiation of an FTAA by 2005 which establishes a seamless trading system throughout the Americas. The goal is to benefit efficient producers in the region, thus the economies of all the countries in the region and ultimately, the consumers.

High quality Andean fabric, for example, should be allowed travel from the Andean countries to the CBI countries for sewing and finishing, or other processing, and then enter the United States duty free. Each country has excess capacity which should be available to the private sector whether it is growing the cotton; producing the yarn and fiber; making the fabric; designing, cutting and sewing the garment; or finally finishing the article. The combined CBI, ATPA and NAFTA should increase the volume of trade allowing the market to use the most efficient capacity in each area.

We believe that artificial quotas, caps, or other impediments to the use of efficiencies in all of our countries is detrimental to the international trading system, to the ability of the countries in the Americas to compete globally, and it penalizes the efficient regional and U.S. producers whose markets should be expanded by the passage of these acts.

III. POLICY FOUNDATIONS FOR FULL REGIONAL TRADE LIBERALIZATION INCLUDING TEXTILES AND APPAREL

U.S. trade policy should encourage textile and apparel production in the Andean countries, as well as the CBI countries. All the countries in both the CBI region and the Andean region are countries that desperately need expanded opportunities through trade. In all of the countries, unemployment and underemployment is widespread, poverty is commonplace, there are great inequalities, and political stability is threatened. The diversification of the region's economies away from a dependency on exporting raw materials will reduce poverty, strengthen democracy and reduce reliance on foreign aid and illegal migration and drug trafficking.

CBI and .Andean countries use their textile and apparel dollars to buy U. S. exports. To develop new markets for U. S. products there have to be viable economies. The objective of both the CBTPA and ATPA is to strengthen the economic integration of the countries in the hemisphere and build on the complementarities between them in order to compete in the global economy. If there are no good jobs in the CBI and Andean regions, people will migrate to the United States in search of employment opportunities, or will turn to socially undesirable opportunities. The countries of the Americas are jointly trying to control and eradicate the scourges of narcotics trafficking and organized crime and a good economy is key to that effort. The development of employment opportunities in the region through trade is therefore key to this effort. In all the countries, the jobs in the textile and apparel industry employ hundreds of thousands of persons and are well paid, when compared to local wage scales.

The passage of NAFTA, CBTPA and A-PTA are the first steps to a hemisphere-wide FTAA. At the Summit of the Americas in Quebec, the hemisphere's leaders agreed to negotiation of the FTAA by January 2005 with implementation by December of 2005. Both CBTPA and ATPA are bridges to that goal and should be passed in forms that allow for essential parity with NAFTA and enable the FTAA process to happen. Only then will the Americas be competitive in the U.S. and world markets.

Thank you for the opportunity to present this written testimony.

STATEMENT OF DUKE ENERGY INTERNATIONAL (DEI)

Mr. Chairman, Duke Energy International ("DEI") commends you for the timeliness of this hearing on the prospects of renewing and expanding the Andean Trade Preference Act ("ATPA"), which is set to sunset on December 4, 2001. DEI is pleased to submit this testimony in support of the ATPA.

DEI is a subsidiary of Duke Energy, one of the world's largest energy generators and marketers with 23,000 employees in 32 states and 50 countries. Duke Energy is the largest producer of natural gas liquids and one of the top generators and marketers of gas and electric power in the United States.

Throughout Latin America, Europe, and the Asia-Pacific region, DEI is building and managing integrated energy businesses—generating, trading, and marketing energy, as well as providing logistics and risk management services. In the Andean region, DEI has substantial investments in the energy sector in Peru—where it is the largest U.S. investor—, Ecuador and Bolivia.

Congress enacted the ATPA in 1991 as a means to "promote export diversification and broad-based economic development" and thus create sustainable economic alternatives to drug-crop production in the Andean region. According to a recent United States Trade Representative report, the ATPA is, in fact, achieving Congress' goal of strengthening the legitimate economies of the Andean region countries. DEI strongly supports the renewal and expansion of the ATPA and believes that is extension will facilitate the continued development and strengthening of the economies of the countries in the Andean region.

DEI believes that increased trade among the countries in the Andean region and the United States will provide the ailing economies of the Andean region with a crucial boost. Expanded trade will lead to more stable economic, social and political conditions in the Andean region, which in turn will lead to increased investment opportunities by U.S. companies. Increased U.S. investment will help Andean region countries develop much needed jobs, minimize the dependence on drug trade, and strengthen democratic institutions.

DEI looks forward to working with Congress to extend these benefits under the ATPA to build stronger and more stable economies and democracies in the Andean region.

STATEMENT OF THE EMBASSY OF THE BOLIVARIAN REPUBLIC OF VENEZUELA

INTRODUCTION

The Andean Trade Preference Act ("ATPA") was conceived ten years ago by the U.S. Administration and the Congress as a trade instrument for a comprehensive strategy to support the Andean region in its fight against illegal drug production and trafficking. This initiative was based on a shared perception of the national security interests that both the United States and the Andean region had—and still have—in this crucial matter. The aim of the ATPA was to strengthen the economies of the region by providing broader access to U.S. markets for legitimate products and generating additional lawful economic activities. Venezuela—which is of enormous economic and strategic importance to the United States—is the only Andean Community nation not presently included in the ATPA.

VENEZUELA SHOULD BE INCLUDED IN THE ATPA

Venezuela was originally not included in the ATPA because at the time, Venezuela was not considered to be a major source of illegal drug trafficking. Since the ATPA began, however, drug trafficking through Venezuela has increased, and the achievement of Plan Colombia's goals could lead the drug cartels to look for cultivation areas in countries surrounding Colombia, with which Venezuela has a long border. Thus, incentives, like those in the ATPA, for legal productive activities in Venezuela are more crucial now than ever.

Including Venezuela in the ATPA would be an important factor for the country's recovery from its current economic difficulties, as it would provide new opportunities to diversify Venezuela's trade beyond petroleum and petroleum products, which is the country's dominant industrial sector. The efforts to prevent the extension of drug trafficking and possible cultivation of illicit drugs in Venezuela can be enhanced by supporting economic activities that generate additional employment in this Andean country. Employment in the Venezuelan manufacturing and agricultural production sectors must be expanded so that the populations at risk to the exposure of the illegal drug trade are presented with legitimate alternatives.

The inclusion of Venezuela in the ATPA would contribute to an increasing consolidation of the Andean Community's economic integration process by promoting region-wide productive activities and co-production efforts among beneficiary Andean countries. A unified Andean economic area that builds upon the tariff-free circulation of goods adopted by Andean Community member states can significantly boost regional peace and prosperity. The efforts to consolidate legal economic activities in the Andean Community as a whole are subjected to distortions when trade benefits in other markets are granted to some, but not all of its members. This is compounded by the fact that the United States is by far the largest trading partner of Andean Community member countries, both in terms of imports and exports. Inclusion of Venezuela into the ATPA would also make for greater stability in Venezuela's external trade and would help protect it from the uncertainty that regularly surrounds the often yearly renewal of the Generalized System of Preferences ("GSP") program.Other countries have already included Venezuela in preferential programs similar to ATPA. The GSP granted by the European Union to Andean Community countries is directed toward the strengthening of the Andean economies for the express purpose of combating illicit drug production. The European equivalent to ATPA includes Venezuela among its beneficiaries—with the clear understanding that continued economic development prevents the expansion of drug cultivation and drug trafficking in general. This economic development can best be promoted by strengthening regional economic structures and mechanisms such as the institutions of the Andean Community.

Venezuela is an integral part of the Andean Community and is a fundamental ally of the United States in the war against illicit drugs. The effectiveness of Venezuela's interdiction programs and the continuing close collaboration between the U.S. and Venezuelan authorities in the battle against illegal drug trafficking has been described very favorably in the "Narcotics Control Report" published by the U.S. Department of State for the year 2000.

VENEZUELA'S IMPORTANCE TO THE UNITED STATES

Venezuela is the third largest market for U.S. exports in Latin America. In the year 2000, the U.S. exported US$5.55 billion in products to Venezuela, the majority of which were machinery, transportation equipment, agricultural commodities, and chemicals.

Venezuela was the largest importer of American products in the Andean Community in the year 2000, absorbing 45 percent of the US$12.2 billion exported to the region by the United States.

The U.S. is Venezuela's largest trading partner, absorbing US$18.6 billion in exports from Venezuela in 2000. Venezuela provides Americans with a secure and reliable fuel supply, serving as this country's second largest foreign supplier (after Canada) of petroleum and related products (HTS headings 2709 and 2710) worth US$12.3 billion.

When Venezuelan exports of petroleum and petroleum products (HTS Chapter 27) are excluded from the equation, the U.S. ran a surplus trade balance with Venezuela of US$2.96 billion in the year 2000.

In 1999, according to State Department reports on Venezuela, the U.S. had US$6.75 billion in direct investments in Venezuela, most of which were in the petroleum and manufacturing sectors; US$2billion in the petroleum industry and US$1.54 billion in manufacturing. Over 500 important U.S. companies are represented in the Venezuelan market through permanent establishments.

Venezuela is pursuing economic reform and dedicating substantial efforts to improve the efficiency and transparency to its institutional framework, which furthers its potential for U.S. trade and investment. A Bilateral Income Tax Treaty has been in force since January 2000, and negotiations to conclude a Bilateral Investment Treaty with the U.S. are expected to move forward during the present year to a successful conclusion.

As an integral member of the Andean Community, Venezuela plays a prominent role in hemispheric integration efforts. It has taken the lead in promoting energy integration during the years that have followed the First Summit of the Americas in 1994. Venezuela was also the country that proposed and then strongly promoted the OAS adoption of the Inter-American Anti-Corruption Convention.

CONCLUSION

Inclusion of Venezuela in the ATPA would be a natural consolidation of the long-standing close friendship that has always characterized the relations between the United States and Venezuela. As with the other Andean Community countries, the United States is the main destination of Venezuela's exports and the main source of Venezuela's imports. ATPA benefits would contribute substantially to the promotion of investments in industries in Venezuela that generate jobs, therefore discouraging the population from participating in activities related to the illicit drug trade. Analyzed from any perspective, Venezuela should be included in the ATPA.

STATEMENT OF THE FOOTWEAR DISTRIBUTORS AND RETAILERS OF AMERICA

[SUBMITTED BY PETER T. MANGIONE, PRESIDENT]

Mr. Chairman and members of the Trade Subcommittee—My name is Peter Mangione. I am the President of the Footwear Distributors and Retailers of America (FDRA). FDRA's member companies account for approximately three-quarters of all footwear sold annually at retail in the United States. Thus, FDRA is well positioned to comment on the impact that free trade on footwear from Andean countries would have on U.S. producers and consumers.

I appreciate the opportunity to submit testimony to the Subcommittee on renewal and enhancement of the Andean Trade Preferences Act (ATPA). The FDRA supports renewal and enhancement of the ATPA to include tariff preferences of zero duties for footwear—preferences that are excluded under the current program.

Overview of ATPA

The purpose of the ATPA is to foster the creation of jobs in legitimate industries as an alternative to illicit narcotics trafficking. The law was implemented in 1991 as an economic weapon in the War on Drugs and has worked to stimulate jobs and diversify the economies of the region through increased trade with the United States. The program is set to expire in December at a time when the Andean economies continue to battle the scourge of illicit narcotics while enduring a staggering recession, with unemployment rates in some countries reaching 20 percent.

Overview of U.S. Footwear Industry

It is imperative that the U.S. Congress act quickly to renew this program and improve on its current benefits to maximize the economic benefits to the region. Renewing an enhanced ATPA program that gives footwear zero duties would help achieve this goal because it is a labor-intensive industry with potential for export to the U.S. market. Footwear producers in the Andean region support a substantial number of jobs, but are largely inhibited from exporting to the United States because of current U.S. tariffs on imports. Tariffs on non-rubber footwear (generally shoes with a leather or synthetic upper) range from 6 to 10 percent *ad valorem*. Tariffs on rubber footwear (generally shoes of all rubber/plastic or ones with a fabric upper and a rubber/plastic sole) are among the highest in the Harmonized Tariff Schedule of the United States (HTSUS), reaching up to 67 percent *ad valorem* equivalent, and averaging over 40 percent. Clearly, these tariffs raise large obstacles to trade with the United States.

Including footwear in an extended ATPA would not harm U.S. industries or U.S. workers. Footwear imports from the Andean region currently are negligible, totaling less than 500,000 pair out of a total of 1,745.540,000 pair imported in 2000.

The U.S. currently imports about 95 percent of its footwear, most of which originates in Asia (China alone accounts for some 75% of all shoes sold annually in the U.S.). Because imports are such a significant portion of the U.S. market, any additional imports of footwear that would result from duty-free treatment for Andean countries would only replace other imports, and would not affect domestic production.

Imports dominate the market, despite tariff protection because footwear is a highly labor intensive product. Because it is labor-intensive, U.S. footwear producers, burdened by high U.S. labor rates, are unable to compete with imported footwear on price even after application of duties. The price of imported footwear, even after application of U.S. duties, is vastly cheaper than U.S. produced items. As evidence, one need only note that despite current extraordinary high duties, there are only a relative handful of viable U.S. producers remaining. Indeed, exit from U.S. production during 2001 of Converse, by far the largest and most high profile U.S. manufacturer of rubber-fabric footwear, signals the advent of a new paradigm in this sector.

In fact, price differentials, between U.S.-made and imported non-rubber footwear—after application of U.S. duties are over $15 per pair. Price differentials for high duty rubber footwear are over $7 per pair after application of duties. *Clearly, even with duties, imports are vastly lower priced than U.S.-made product* (see tables below). In light of such vastly lowered price imports, there would be no U.S. shoe production at all if price alone determined sales.

Thus, the small amount of U.S. production remaining survives on bases other than price. Because domestic producers cannot compete with imports based on price, they differentiate their products from imported footwear on the basis of specialized types of footwear (e.g. hand sewn, sizes/widths, etc.), quality, retail channels of distribution and, especially, licenses and brand names (where the brand holder controls production and distribution and maintains its market niche based on its brand awareness). Because domestic product competes on factors other than price—in the face of already vastly cheaper competition—duty elimination is inconsequential to sales.

Thus, high footwear duties do not protect the domestic industry and serve only to punish consumers by forcing them to pay higher prices. Because the elimination of duties on Andean footwear will, at best, merely enhance that footwear's competitiveness against other imported goods, eliminating duties on imports of footwear from these countries will not affect price, production, or sales of U.S. footwear. By allowing footwear from these countries to enter the U.S. duty-free, the U.S. government will permit this trade an opportunity to compete with other imports, yet leave the U.S. domestic industry untouched. In short, an enhanced ATPA would help the Andean nations compete better with Asian suppliers of footwear.

Shoe Manufacturing in Andean Countries

There are no Andean countries with a significant shoe manufacturing industry or any significant exports to the United States.

Country	1999 Production [1]	1999 Total Exports	2000 U.S. Imports
Colombia	65.0	2.2	.409
Ecuador	18.0	5.0	.001
Paraguay	3.5	0.1	-0-

[1] Estimates are from SATRA, which is the source of all 1999 data; 2000 data is from the U.S. Department of Commerce. All data is in millions of pairs.

Clearly none of the shoe industries referenced in the table above pose any threat to U.S. manufacturing. Indeed, it is questionable, given the small scale of their industries, as to whether the elimination of duties will provide sufficient competitive enhancement to make any of their footwear exports competitive in the U.S. market.

Indeed, in the footwear sector, *the evidence, to-date, all points to virtually no increase in imports from countries that enjoy significant duty reductions or eliminations as a result of trade preferences or free trade agreements*. Despite protestations by some U.S. producers that lowered or eliminated duties would result in a torrent of new imports from the favored countries, not much has happened. In the case of the CBI, for instance, elimination of the high rubber duties has resulted in a mere importation of 900,000 pair during 2000, out of a total of nearly 300 million imported. Clearly, the absence of duties, are only scant incentive for importing. Prices are the key and even low wage countries such as Guatemala, Nicaragua and the Dominican Republic, simply cannot compete with lower price suppliers from Asia, even after application of MFN duties to those Asian imports.

Moreover, the phase-out of duties in the footwear sector under NAFTA has had virtually no impact on footwear originating in Mexico. In fact, virtually all of rubber footwear imported from Mexico comes as a result of a single 807 program, which predates NAFTA. Moreover, there has been little variance year-to-year in those imports (before and after NAFTA) despite the reduction by half of duties under NAFTA. Moreover, the total elimination of duties on non-rubber footwear originating from Mexico under NAFTA, which became effective January 1, 2001, has played no role in the trade whatever, as those imports from Mexico (already small) have fallen by nearly 50% during the first five months of 2001.

Finally, AGOA, which conferred zero duties on all footwear originating in the qualifying sub-Saharan nations, has produced virtually no imports—an increase of less than 60,000 pairs during the first five months of 2001.

In sum, there is no evidence that the elimination of duties has any impact on footwear trade flows from the countries where duties are eliminated or lowered. Nevertheless, Andean countries should be given the opportunity, at least, to participate in the U.S. footwear market, and the elimination of duties on footwear is the best possible incentive for their participation.

Benefits to the United States

To the extent shoe imports from Andean countries materialize, they will provide a meaningful tax benefit to U.S. customers, particularly low-income earners, by eliminating as much as a 67 percent *ad valorem* equivalent duties on these items. As the program is currently written, consumers are harmed because they are forced to pay these duties and therefore incur higher prices for Andean footwear.

Country of Origin

Any meaningful enhancement of this program should include rules of origin modeled on provisions applying to duty free items in the Caribbean Basin Economic Recovery Act. These rules state as follows:

> . . . [duty-free treatment] shall apply to any article which is the growth, product, or manufacture of a beneficiary country if—
>
> (A) that article is imported directly from a beneficiary country into the customs territory of the United States; and
>
> (B) the sum of (i) the cost or value of the materials produced in a beneficiary country or two or more beneficiary countries, plus (ii) the direct costs of processing operations performed in a beneficiary country or countries is not less than 35 per centum of the appraised value of such article at the time it is entered.
>
> For purposes of determining the percentage referred to subparagraph (B), the term "beneficiary country" includes the Commonwealth of Puerto Rico and the United States Virgin Islands. If the cost or value of materials produced in the customs territory of the United States (other than the Commonwealth of Puerto Rico) is included with respect to an article to which this paragraph applies, an amount not to exceed 15 per centum of the appraised value of the article at the time it is entered that is attributed to such United States cost or value may be applied toward determining the percentage referred to in subparagraph (B). 19 U.S.C. §2703(a).

The special NAFTA rule for footwear is aberrational; the general rule is that country of origin is conferred by a mere change in classification (*i.e.*, a so-called substantial transformation, such as attaching the sole to the upper), regardless of where the upper is made. Preference under NAFTA is only available to footwear products where the upper is stitched in the NAFTA territory and there is a regional value content of 55%. These NAFTA rules should not be included in the Andean bill. They are unnecessarily restrictive and have not served U.S. sourcing companies well, and have deprived NAFTA countries from participating in a footwear assembly business using imported upper components.

Conclusion

Overall, renewal and enhancement of the ATPA to include footwear products is a win-win situation for the Andean nations and the United States with respect to both economic and national security objectives. The FDRA urges the Congress to act quickly toward this end to ensure that this critical program does not expire at the end of the year.

Average Duty Paid Unit Prices For Non-Rubber Footwear
1995-2000

	Average Duty Paid Unit Prices (In U.S. Dollars)		
Year	U.S. Shipments 1/	U.S. Imports 1/	Difference
1995	$21.79	$9.91	$11.88
1996	22.07	10.34	11.73
1997	22.11 2/	10.31	11.80
1998	22.24 2/	10.12	12.12
1999	25.42	9.51	0.00
2000	24.50	9.39	15.11

1/ Source: U.S. Census Bureau
2/ Revised

Average Duty Paid Unit Prices For Rubber/Fabric Footwear
1995-2000

	Average Duty Paid Unit Prices (In U.S. Dollars)		
Year	U.S. Shipments 1/	U.S. Imports 1/	Difference
1995	$8.75	$7.53	$1.22
1996	8.92	8.34	0.58
1997	11.05	8.33	2.72
1998	10.92	8.40	2.52
1999	15.30	8.26	7.04
2000	15.19	7.95	7.24

1/ Source: U.S. Census Bureau

Average Duty Paid Unit Prices For Rubber/Plastics Footwear
1995-2000

	Average Duty Paid Unit Prices (In U.S. Dollars)		
Year	U.S. Shipments 1/	U.S. Imports 1/	Difference
1995	$8.75	$7.53	$1.22
1996	8.92	8.34	0.58
1997	11.05	8.33	2.72
1998	10.92	8.40	2.52
1999	15.30	8.26	7.04
2000	15.19	7.95	7.24

1/ Source: U.S. Census Bureau

U.S. FOOTWEAR IMPORTS

FOR JANUARY - MAY 2000/2001 (QUANTITY IN PAIRS)

NON-RUBBER

COUNTRY	JANUARY 2000	JANUARY 2001	% CHG	FEBRUARY 2000	FEBRUARY 2001	% CHG	MARCH 2000	MARCH 2001	% CHG	APRIL 2000	APRIL 2001	% CHG	MAY 2000	MAY 2001	% CHG
WORLD	121,293,568	105,443,551	-13.07	127,342,437	93,959,742	-26.21	123,075,562	107,511,793	-12.65	120,201,432	97,584,253	-18.82	127,289,599	97,965,405	-23.04
CHINA	91,023,923	79,081,852	-13.12	95,586,182	68,217,176	-28.63	89,391,995	79,895,142	-10.62	90,198,339	72,199,744	-19.95	98,879,597	74,620,256	-24.53
BRAZIL	8,188,356	9,586,772	17.08	9,729,673	8,678,799	-10.80	11,199,217	9,963,084	-11.04	9,515,032	10,011,150	5.21	8,584,845	7,660,966	-10.76
ITALY	5,494,687	5,470,067	-0.45	5,609,002	5,437,803	-3.05	5,510,143	5,298,710	-3.84	4,460,235	4,190,730	-6.04	4,070,898	3,938,087	-3.26
INDONESIA	6,157,249	2,475,955	-59.79	4,778,608	2,958,004	-38.10	5,239,900	3,079,287	-41.23	4,815,205	2,399,806	-50.16	5,051,157	3,068,277	-39.26
THAILAND	1,437,940	1,021,150	-28.99	1,917,464	1,234,440	-35.62	1,980,517	1,236,666	-37.56	2,145,815	1,241,368	-42.15	1,865,518	1,240,622	-33.50
SPAIN	1,849,572	1,542,374	-16.61	1,797,797	1,519,221	-15.50	1,909,476	1,474,941	-22.76	1,644,633	1,579,050	-3.99	1,631,212	1,211,430	-25.73
TAIWAN	1,250,898	861,382	-31.14	1,193,023	717,833	-39.83	1,388,253	882,415	-36.44	1,244,414	744,330	-40.19	989,604	730,424	-26.19
HONG KONG	795,288	753,057	-5.31	831,749	537,797	-35.34	614,699	493,433	-19.73	761,893	588,533	-22.75	998,524	722,798	-27.61
MEXICO	908,569	491,093	-45.95	1,221,390	541,193	-55.69	1,268,966	733,020	-42.23	939,375	502,758	-46.48	952,886	661,132	-30.62
INDIA	577,661	596,593	3.28	569,220	634,009	11.38	829,139	922,570	11.27	688,408	674,680	-1.99	707,287	655,554	-7.31
DOM REP	225,679	234,847	4.06	417,446	325,165	-22.11	392,149	666,144	69.87	571,582	526,693	-7.85	383,249	632,037	64.92
UNTD KINGDM	512,137	399,295	-22.03	679,088	526,814	-22.42	649,177	470,218	-27.57	625,127	400,704	-35.90	498,066	378,388	-24.03

RUBBER/FABRIC

COUNTRY	JANUARY 2000	JANUARY 2001	% CHG	FEBRUARY 2000	FEBRUARY 2001	% CHG	MARCH 2000	MARCH 2001	% CHG	APRIL 2000	APRIL 2001	% CHG	MAY 2000	MAY 2001	% CHG
WORLD	34,870,641	32,964,938	-5.47	35,272,549	29,367,968	-16.74	30,710,787	33,339,368	8.56	29,545,365	30,704,773	3.92	31,252,602	24,943,244	-20.19
CHINA	29,420,441	28,548,375	-2.96	29,833,714	24,598,717	-17.55	25,413,160	28,477,447	12.06	25,057,801	26,698,015	6.55	25,115,122	19,823,790	-21.07
MEXICO	1,793,457	1,206,414	-32.73	2,046,242	1,576,439	-22.96	1,993,525	1,822,880	-8.56	1,569,985	1,451,159	-7.57	2,912,076	1,836,741	-36.93
INDONESIA	1,345,174	1,584,930	17.82	1,057,327	1,512,485	43.05	1,060,224	1,343,274	26.70	991,027	1,138,476	14.88	1,144,259	1,626,072	42.11
THAILAND	999,606	579,406	-42.04	877,278	634,277	-27.70	875,447	612,901	-29.99	546,378	652,492	19.42	964,795	726,804	-24.67
BRAZIL	257,642	196,970	-23.55	295,786	207,462	-29.86	215,187	199,056	-7.50	217,700	182,166	-16.32	191,263	303,903	58.89
VIETNAM	335,913	161,756	-51.85	266,569	265,890	-0.25	311,186	221,174	-28.93	279,342	116,871	-58.16	226,579	149,982	-33.81
KOREA	109,067	137,638	26.20	78,948	46,925	-40.56	99.247	109,191	10.02	60,404	140,065	131.88	29,865	105,772	254.17
TAIWAN	112,496	24,336	-78.37	159,596	39,602	-75.19	164,215	59,365	-63.85	294,198	32,314	-89.02	145,021	94,693	-34.70
ITALY	155,042	126,548	-18.38	184,605	160,710	-12.94	160,372	194,770	21.45	99,091	83,983	-15.25	128,997	76,783	-40.48
HONG KONG	123,198	181,412	47.25	74,228	168,091	126.45	122,421	153,896	25.71	162,184	54,094	-66.65	112,062	57,327	-48.84
SPAIN	48,779	48,015	-1.57	52,483	49,676	-5.35	59,324	48,771	-17.79	74,287	79,430	6.92	46,595	49,021	5.21
GERMANY	13,624	31,656	132.35	47,620	24,899	-47.71	36,505	24,126	-33.91	29,464	4,828	-83.61	6,002	31,028	416.96

U.S. FOOTWEAR IMPORTS

FOR JANUARY - MAY 2000/2001 (QUANTITY IN PAIRS

NON-RUBBER

COUNTRY	JAN - MAY 2000	JAN - MAY 2001	% CHG
WORLD	619,202,598	502,464,744	-18.85
CHINA	465,080,036	374,014,170	-19.58
BRAZIL	47,217,123	45,900,771	-2.79
ITALY	25,144,965	24,335,397	-3.22
INDONESIA	26,042,119	13,981,329	-46.31
THAILAND	9,347,254	5,974,246	-36.09
SPAIN	8,832,690	7,327,016	-17.05
TAIWAN	6,066,192	3,936,384	-35.11
HONG KONG	4,002,153	3,095,618	-22.65
MEXICO	5,291,186	2,929,196	-44.64
INDIA	3,371,715	3,483,406	3.31
DOM REP	1,990,105	2,384,886	19.84
UNTD KINGDM	2,963,595	2,175,419	-26.60

RUBBER/FABRIC

COUNTRY	JAN - MAY 2000	JAN - MAY 2001	% CHG
WORLD	161,651,944	151,320,291	-6.39
CHINA	134,840,238	128,146,344	-4.96
MEXICO	10,315,285	7,893,633	-23.48
INDONESIA	5,598,011	7,205,237	28.71
THAILAND	4,263,504	3,205,880	-24.81
BRAZIL	1,177,578	1,089,557	-7.47
VIETNAM	1,419,589	915,673	-35.50
KOREA	377,531	539,591	42.93
TAIWAN	875,526	250,310	-71.41
ITALY	728,107	642,794	-11.72
HONG KONG	594,093	614,820	3.49
SPAIN	281,468	274,913	-2.33
GERMANY	133,215	116,537	-12.52

U.S. FOOTWEAR MARKET
(Data in Millions)
JANUARY - DECEMBER 2000

NON-RUBBER

Country	Quantity			Value			Unit Value	% Change
	Pairs	% share	% Change	$$$	% share	% Change		
CHINA	1,086.36	72.90	10.31	7,434.51	52.68	9.59	6.84	-0.65
BRAZIL	96.19	6.45	14.81	1,121.21	7.94	19.82	11.66	4.36
INDONESIA	59.38	3.98	-6.25	547.63	3.88	-7.28	9.22	-1.11
ITALY	50.85	3.41	9.39	1,223.86	8.67	7.67	24.07	-1.57
THAILAND	18.57	1.25	-1.01	223.20	1.58	-5.92	12.02	-4.96
SPAIN	17.50	1.17	-2.21	313.86	2.22	-0.13	17.93	2.12
MEXICO	11.92	0.80	-10.15	229.68	1.63	9.98	19.27	22.39
TAIWAN	11.17	0.75	-11.09	66.48	0.47	-14.60	5.95	-3.95
HONG KONG	8.75	0.59	22.12	58.34	0.41	16.54	6.67	-4.57
INDIA	7.08	0.48	8.17	108.71	0.77	16.65	15.35	7.84
UNTD KINGDM	6.18	0.41	-10.89	195.04	1.38	-17.48	31.58	-7.40
DOM REP	5.91	0.40	-8.16	55.51	0.39	6.42	9.39	15.87
KOREA	5.80	0.39	-11.81	96.19	0.68	-7.86	16.58	4.48
VIETNAM	3.81	0.26	16.38	55.64	0.39	14.20	14.60	-1.87
PORTUGAL	3.76	0.25	-4.19	96.18	0.68	1.80	25.58	6.25
GERMANY	3.38	0.23	-2.01	68.79	0.49	-9.63	20.37	-7.77
PHILIPPINES	2.07	0.14	4.90	16.08	0.11	-0.22	7.76	-4.88
CANADA	1.41	0.09	-11.15	46.32	0.33	-12.09	32.86	-1.06
ROMANIA	1.12	0.08	-18.22	26.63	0.19	-30.56	23.73	-15.09
SRI LANKA	1.11	0.07	-18.78	10.53	0.07	-24.60	9.53	-7.16
OTHERS	11.93	0.80	-13.14	254.45	1.80	-12.82	21.33	0.37
TOTAL IMPORTS	**1,414.25**	**94.90**	**8.35**	**12,248.86**	**86.80**	**6.94**	**8.66**	**-1.30**
US SHIPMENTS	**76.05**	**5.10**	**-10.88**	**1,863.42**	**13.20**	**-14.09**	**24.50**	**-3.59**
TOTAL MARKET	**1,490.30**	**100.00**	**7.17**	**14,112.28**	**100.00**	**3.59**	**9.47**	**-3.34**

RUBBER/FABRIC

Country	Quantity			Value			Unit Value	% Change
	Pairs	% share	% Change	$$$	% share	% Change		
CHINA	241.29	75.35	8.11	1,352.36	62.81	4.39	5.60	-3.44
MEXICO	22.17	6.92	-7.86	52.03	2.42	-12.81	2.35	-5.37
INDONESIA	13.86	4.33	-3.41	149.23	6.93	-0.31	10.77	3.22
THAILAND	8.00	2.50	6.50	91.52	4.25	18.32	11.44	11.10
VIETNAM	2.16	0.67	-32.13	37.46	1.74	-35.55	17.35	-5.03
OTHERS	10.42	3.25	-16.60	131.25	6.10	-12.61	12.59	4.78
TOTAL IMPORTS	**297.90**	**93.03**	**4.60**	**1,813.85**	**84.24**	**1.30**	**6.09**	**-3.15**
US SHIPMENTS	**22.33**	**6.97**	**-34.27**	**339.27**	**15.76**	**-34.73**	**15.19**	**-0.70**
TOTAL MARKET	**320.23**	**100.00**	**0.46**	**2,153.12**	**100.00**	**-6.80**	**6.72**	**-7.23**

U.S. FOOTWEAR MARKET
(Data in Millions)
JANUARY - DECEMBER 2000

RUBBER/PLASTIC PROTECTIVE

Country	Quantity			Value			Unit Value	% Change
	Pairs	% share	% Change	$$$	% share	% Change		
CHINA	6.72	37.53	6.67	35.73	21.09	8.88	5.32	2.08
CANADA	2.27	12.70	17.66	17.02	10.05	-15.91	7.49	-28.53
DOM REP	0.29	1.60	222.21	7.22	4.26	230.22	25.13	2.49
TAIWAN	0.24	1.33	-8.72	0.55	0.32	8.64	2.30	19.02
MEXICO	0.22	1.23	-37.00	0.92	0.54	-42.14	4.20	-8.16
OTHERS	0.66	3.71	-3.58	6.26	3.70	-15.15	9.44	-12.00
TOTAL IMPORTS	**10.40**	**58.10**	**8.14**	**67.70**	**39.97**	**4.60**	**6.51**	**-3.27**
US SHIPMENTS	**7.50**	**41.90**	**-27.27**	**101.68**	**60.03**	**-24.96**	**13.56**	**3.17**
TOTAL MARKET	**17.90**	**100.00**	**-10.18**	**169.38**	**100.00**	**-15.41**	**9.46**	**-5.82**

RUBBER *

Country	Quantity			Value			Unit Value	% Change
	Pairs	% share	% Change	$$$	% share	% Change		
CHINA	267.92	74.19	10.41	1,405.29	59.97	5.16	5.25	-4.76
MEXICO	22.83	6.32	-8.75	53.71	2.29	-13.93	2.35	-5.67
INDONESIA	14.54	4.03	-5.72	149.83	6.39	-0.55	10.31	5.49
THAILAND	8.10	2.24	4.72	91.93	3.92	17.57	11.35	12.27
CANADA	2.62	0.72	11.82	18.54	0.79	-17.04	7.08	-25.81
OTHERS	15.29	4.24	-12.11	183.15	7.82	-15.48	11.97	-3.84
TOTAL IMPORTS	**331.29**	**91.74**	**6.68**	**1,902.46**	**81.18**	**1.92**	**5.74**	**-4.46**
US SHIPMENTS	**29.83**	**8.26**	**-32.64**	**440.96**	**18.82**	**-32.71**	**14.78**	**-0.10**
TOTAL MARKET	**361.12**	**100.00**	**1.77**	**2,343.41**	**100.00**	**-7.08**	**6.49**	**-8.70**

TOTAL

Country	Quantity			Value			Unit Value	% Change
	Pairs	% share	% Change	$$$	% share	% Change		
CHINA	1,354.28	73.15	10.33	8,839.81	53.72	8.86	6.53	-1.33
BRAZIL	98.54	5.32	15.18	1,146.92	6.97	19.92	11.64	4.12
INDONESIA	73.92	3.99	-6.14	697.47	4.24	-5.91	9.44	0.24
ITALY	52.28	2.82	8.77	1,250.50	7.60	6.43	23.92	-2.16
MEXICO	34.74	1.88	-9.23	283.39	1.72	4.48	8.16	15.11
THAILAND	26.67	1.44	0.66	315.13	1.92	-0.10	11.82	-0.75
SPAIN	18.16	0.98	-2.64	323.73	1.97	-0.72	17.82	1.97
TAIWAN	13.70	0.74	-8.22	85.68	0.52	-12.34	6.25	-4.49
HONG KONG	10.56	0.57	20.61	66.11	0.40	17.45	6.26	-2.62
DOM REP	7.12	0.38	-14.33	65.22	0.40	13.51	9.16	32.49
OTHERS	55.57	3.00	-8.20	1,077.36	6.55	-10.45	19.39	-2.46
TOTAL IMPORTS	**1,745.54**	**94.28**	**8.03**	**14,151.32**	**86.00**	**6.24**	**8.11**	**-1.66**
US SHIPMENTS	**105.87**	**5.72**	**-18.32**	**2,304.38**	**14.00**	**-18.41**	**21.77**	**-0.11**
TOTAL MARKET	**1,851.41**	**100.00**	**6.07**	**16,455.69**	**100.00**	**1.93**	**8.89**	**-3.91**

STATEMENT OF THE FLORAL TRADE COUNCIL

[SUBMITTED BY KENICHI BUNDEN, PRESIDENT]

The Floral Trade Council[1] (FTC) is pleased to have the opportunity to submit comments in response to the hearing of the Trade Subcommittee of the Senate Committee on Finance on the Andean Trade Preference Act (ATPA). The FTC is a trade organization composed of commercial growers of fresh cut flowers, and its members are located throughout the United States. The FTC follows closely U.S. trade policy and international trade developments that affect the U.S. fresh cut flower industry.

The FTC has monitored the impact of the ATPA on U.S. fresh cut flower growers since this law was enacted in 1991. As Colombia provides approximately 80 percent

[1] Floral Trade Council, P.O. Box 228, Haslett, Michigan 48840. Telephone: (989) 834–1322. Facsimile: (989) 834–1563.

of cut flower imports into the United States under the ATPA, most of the FTC's interest has focused on Colombia.[2]

The premise of the ATPA when it passed Congress a decade ago was that preferential tariff treatment for certain products would lead to a reduction in illicit drug production in Colombia. The opposite occurred. Indeed, between 1991 and 1999, the last year for which data are available, the total land area under cultivation for cocaine in Colombia increased more than four-fold, from 38,472 to 165,746 hectares.[3]

During the same period, U.S. growers of fresh cut flowers have continued to suffer on account of imports of flowers from Colombia. Many U.S. cut flower businesses have ceased operating.[4] The number of U.S. growers of those flowers most impacted by imports from Colombia—standard carnations, miniature carnations, standard chrysanthemums, and pompom chrysanthemums—has dropped precipitously.[5] To address unfair trade practices, the U.S. industry had filed various trade petition to address perceived unfair trade practices by Colombia and other countries.

While U.S. production has been in a steady state of decline, the total value of imports from Colombia from the passage of the ATPA through 1999 grew by approximately 4.8 percent per year.[6] Colombian flowers comprise two-thirds of all flowers sold in the U.S. market.[7] Colombia is the world's second largest fresh cut flower exporter.[8]

The current dismal state of the U.S. cut flower industry is clearly due in large part to the failed policies of the ATPA. The U.S. Department of Labor, in carefully worded language, has indicated that decreased U.S. flower production and displaced employment in the U.S. industry may be attributed to the policies of the ATPA.[9]

In summary, the goal of the ATPA—to use preferential tariffs as a weapon in the war on drugs—has failed. As a consequence of this failed policy, U.S. producers of fresh cut flowers, the vast majority of whom operate small businesses, have suffered great harm. In essence, domestic producers of cut flowers are being sacrificed for no reason. Consequently, the FTC requests that, if the ATPA is renewed, cut flowers no longer receive duty free treatment under this agreement.

The FTC realizes that the goal of removing cut flowers from coverage under the ATPA will be difficult to achieve. Although ending duty free treatment remains the FTC's highest objective, the FTC alternatively requests that Congress take other measures that could benefit the domestic flower industry.

First, the FTC asks for assistance from Congress in addressing the outcome of the ATPA that has most harmed U.S. growers: the saturation of the U.S. flower market caused by flower imports. A joint U.S.-Colombian venture, the Flower Promotion Organization (FPO), has since 1999 dedicated industry financial resources that were previously spent on dumping proceedings to expand the U.S. market for fresh cut flowers. Congressional support of this program could give the FPO the necessary resources to help it reach its goal of becoming a nationwide, self-supporting program.

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[2] International Trade Commission, *Andean Trade Preference Act: Impact on U.S. Industries and Consumers and on Drug Crop Eradication and Crop Substitution*, Seventh Report 1999, Inv. No. 332–352, USITC Pub. 3358, September 2000, at 16.

[3] *Id.* at 67.

[4] *See e.g.*, Jennifer Klein, *No future in Flowers*, *The Herald* (Salinas, California), March 26, 2000 (discussing the ATPA, South American flower imports, and the closure of California cut flower greenhouses); Malcolm Howard, *War of the Roses*, *Colorado Springs Independent*, December 9, 1999 (discussing the impact of the ATPA on U.S. producers of floral products, including roses, in Colorado and other states); Jocelyn Parker, *A Wilting Industry*, *Detroit Free Press*, July 14, 1999, at 1F (discussing rose imports from Colombia and Ecuador and the closure of rose greenhouses in Michigan); Stett Holbrook, *Future not rosy for growers: Foreign competition is forcing growers to reconsider the rose*, *Half Moon Bay Review*, March 19, 1996 (discussing the ATPA and the closure of flower greenhouses in California).

[5] Between 1993 and 2000 (the last year for which U.S. Department of Agriculture data are available), the number of U.S. standard carnation growers fell from 116 to 50, and the number of pompom chrysanthemum growers fell from 148 to 87. Between 1993 and 1999 (the last year for which U.S. Department of Agriculture data are available), the number of miniature carnation growers fell from 114 to 55, and the number of standard chrysanthemum growers fell from 139 to 79. *Sources*: U.S. Department of Agriculture, National Agriculture Statistics Service, *Floriculture Crops Summary* for 1995 and 2001.

[6] U.S. International Trade Commission, *Andean Trade Preference Act: Impact on the United States*, USITC Publication No. 3234, September 1999, at 112.

[7] Larry Rohter, *Foreign Presence in Colombia's Flower Gardens*, *New York Times*, May 8, 1999, at B1.

[8] International Trade Commission, *Andean Trade Preference Act: Impact on U.S. Industries and Consumers and on Drug Crop Eradication and Crop Substitution*, Seventh Report 1999, Inv. No. 332–352, USITC Pub. 3358, September 2000, at 43.

[9] *See, e.g.*, U.S. Department of Labor, Bureau of International Labor Affairs, *Trade and Employment Effects of the Andean Trade Preference Act*, 2001, at 14.

Second, the FTC requests that the Congress work to harmonize regulations concerning chemical usage in the United States and other cut flowers producing countries. A significant number of pesticides utilized in Colombian greenhouses are banned in the United States.[10] The use of these pesticides puts U.S. growers at a disadvantage as Colombian growers are able to deal more effectively with plant pests, thus reducing wastage, and consequently, costs. The FTC asks that the Congress address the issue of agricultural chemical harmonization not only in a potential renewal of the ATPA, but in other trade agreements as well. The FTC would like to note, however, that it does not advocate the lowering of health and safety standards in the United States. Rather, the FTC would like to see such standards raised in other countries, an outcome which would benefit foreign workers as well as U.S. producers.

In conclusion, U.S. fresh cut flower growers, almost all of whom can be characterized as small businessmen and women, have been adversely impacted by the ATPA. At the same time, a primary goal of the ATPA, to reduce illicit drug production, has failed in Colombia, the primary ATPA country producer of cut flowers. In response to this failed policy, the FTC asks that fresh cut flowers be removed from the coverage of the ATPA. Alternatively, the FTC would appreciate funding assistance for the FPO to address the saturation of the U.S. flower market. The FTC also requests that the Congress work to harmonize the agricultural chemical regulations of the United States and other cut flower producing countries.

Statement of the Gourmet Trading Company

[SUBMITTED BY CHRIS MARTIN, PRESIDENT]

Thank you for allowing my comments in relation to the upcoming consideration being given to the Andean Trade Preference Act, and specifically on the Statement by the American Farm Bureau Federation with regards to the import of fresh Asparagus from Peru.

Gourmet Trading Company is an Import/export company based at LAX airport. We have been involved in the Peruvian fresh Asparagus industry for over ten years, we are the largest importer of Peruvian Asparagus on the West Coast, and 3rd largest in the USA.

With regard to the statement, I take strong issue that the import of Peruvian Asparagus has had a "negative impact on domestic production". I would challenge the AFBF to identify one grower who can make such a claim.

I would counter that the import of Peruvian Asparagus, and the increasing volume has a dramatically positive affect on the overall Asparagus market in the USA due to the fact that previously (prior to the large volumes available from Peru), Asparagus was a seasonal item only, and marketed accordingly—that is, only during the months that the domestic supply was available. (February–July). Now that there is a good supply of Asparagus on a year round basis, we have seen the retailers promoting the item year round, which statistics will show has increased consumption during all the months.

Furthermore, in California, we have seen a significant increase in the acreage of Asparagus in production, in order to meet this growing demand.

The peak production period for Peruvian Asparagus is during the months of September–December, this is at a time of the year when the domestic production is either finished or close to having being finished. **Therefore the argument that the Peruvian fresh Asparagus directly competes with domestic production is seriously flawed.**

The ATPA has in the Peruvian Asparagus industry a true and explicit example of the positive results desired by the original writers of the Act, namely:

- An industry capable of employing thousands of workers who may otherwise have been involved in the narcotic industry.
- A viable land use, which produces a high quality, desirable commodity.

The Peruvian Asparagus imports provide a high quality vegetable for the American consumer during the Winter months, provides a valuable source of sales for our nations retailers, not to mention the thousands of jobs created in the transportation and warehousing fields.

I strongly support the renewal of the ATPA in it's current format and that no hostile action be taken on the Peruvian Asparagus Industry by way of an exclusion.

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[10] *See* World Resources Institute, *Bittersweet Harvest: Pesticide Exposures in Latin America's Flower Export Trade*, 1998–99.

Thank you for this opportunity to comment on the Andean Trade Preferences Act.

STATEMENT OF THE GOVERNMENT OF BOLIVIA

With regards to the process of enactment of the extended Andean Trade Preference Act (ATPA), the Government of Bolivia requests that the US Congress includes and grants trade preferences to the textile and apparel industry in Bolivia, so that we can compete effectively with the Caribbean and Sub-Saharan nations, who enjoy improved market access to the US following the approval of the Trade and Development Act of 2000.

We seek that the extended ATPA grant trade preferences to the apparel industry in Bolivia in line with those approved for the Sub-Saharan nations, but with less significant concessions. Thus, the apparel industry in our country only requires that Congress approve trade preferences be granted for products that incorporate cotton yarn that originates from the US or any of the countries in the Andean region.

It also seems appropriate to request that trade preferences be granted to the production of garments made from alpaca, llama and vicuna wool. These benefits would improve the livelihood of nearly 50,000 families in the poorest area of Bolivia, like those of the highlands (altiplano) region.

During the past three years, Bolivia has undertaken a comprehensive and widespread strategy to eliminate coca plantations from non-traditional areas by the year 2002. This self-imposed goal, which did not seem feasible three years ago, is close to being successfully accomplished. However, the cost has been very high.

Illicit drug trafficking introduced directly and indirectly an amount in excess of US$ 500 million a year to the Bolivian economy (around 6% of GDP). In the absence of these resources, aggregate demand has fallen dramatically over the past two years and the country is at present in the throes of its deepest and longest economic recession in fifteen years, with unemployment rising fast.

In a country where there is chronic under-employment and 70% of its population live with less than US$ 2 a day, increased unemployment has resulted in massive social unrest, which if unchecked is likely to threaten democracy and the rule of law. Additionally, without alternative economic opportunities more Bolivians will return to cultivating coca to support their families.

It is important to consider that Bolivia has been classified by the World Bank as the second poorest nation in the Latin America and Caribbean region, after Haiti. Bolivia's total GDP is slightly above US$ 8 billion and GDP per capita does not reach US$ 1,000—well below the region's average and on par with African Sub-Saharan countries.

Additionally, it can be argued that Bolivia has been at the forefront amongst Latin American nations in undertaking economic, political, social and institutional reforms to modernize the state. As a product of these broad and wide-ranging reforms, Bolivia is at present an open market economy, with no subsidies to production and the lowest tradetariffs in the region. It also boasts one of the most advanced and strict environmental legislations in the world and has curbed the use of child labor in all manufacturing industries.

The process of economic reform has attracted important flows of foreign direct investment into the country, of which US investments are the most significant. In recognition of this business partnership, Bolivia and the US have recently signed a treaty for mutual protection and promotion of investment in both countries. Also, trade between the two countries has increased substantially since the approval of the ATPA in 1991, although the trade balance is still very much in favor of the US.

Despite the trade restrictions currently applied to Bolivia regarding apparel production and exports to the US, the apparel industry employs 10,000 workers and exports US$ 40 million worth of products to this market. If new trade preferences are granted by the US, it is estimated that this industry alone will create 30,000 new direct jobs and 150,000 indirect jobs, with exports of US$ 400 million.

The estimated increase in export revenue represents 20% of Bolivia's current total export revenue and, consequently, has the potential to transform our economy significantly. All this will be accomplished without affecting or threatening in any way the US-based textiles and apparel industry.

Finally, the extension of the ATPA to include trade preferences for the Bolivian apparel industry amounts to nothing more than affording to our country the benefits of the Free Trade Area of the Americas (FTAA), but this decision will make a considerable difference to our ability to compete successfully with other nations which already enjoy trade preferences in the US market.

We trust that the US Congress will help Bolivia.

STATEMENT OF HON. MARIA SOLARES, VICE-MINISTER OF TRADE AND ECONOMICS, BOLIVIAN MINISTRY OF FOREIGN AFFAIRS

[The following testimony was interpreted from Spanish]

Ms. SOLARES. Thank you, Mr. Chairman. First of all, I would like to thank you for taking the initiative to invite us to participate in this panel to deal with the incorporation of the Andean Trade Preferences Act (ATPA) which is of great importance to the Andean Community nations.

Thank you also for your personal interest in this subject.

I have provided a written document to explain in detail my presentation, but given the time constraints, I shall be brief and direct myself to specific aspects I wish to highlight.

However, Mr. Chairman, I hope you will give me your consideration with regard to time because I will be using an interpreter.

Chairman CRANE. If you will yield, we will, indeed. All of the written testimony will be a part of the permanent record as well.

Ms. SOLARES. Thank you.

First of all, I would like to indicate that the countries of the Andean Region present here today are currently visiting this country to reaffirm and encourage a new life to the terms of the strategic alliance that was agreed on ten years ago between our countries to face a common problem: drug trafficking.

This strategic alliance was conceived with an integral approach to promote actions to confront the drug trafficking problem and its levels of demand, consumption and distribution—a circuit which is totally linked—as well as to develop cooperation which in economic terms would result in trade and investment.

The ATPA has been an expression of this strategic alliance, which in the past ten years has been most effective in encouraging trade in both directions between our countries. Indeed, we have seen that, as a result of the ATPA agreement, there has been an increase in exports to the United States. There has also been a generation of imports to the Andean countries from the United States in machinery products and goods, which are greater than imports from Israel and Brazil.

The ATPA is a means or an instrument to lead to free trade, which is something that we all desire. Nevertheless, we must return to the original concept that led to the agreement which is to create alternative jobs for those sectors in the Andean countries who are involved in illicit drug production to generate jobs in legal activities.

Therefore, we should recognize that the ATPA was conceived to confront a common problem affecting our national security, the health of our people and *democratic* stability in the Andean countries. Mr. Chairman, we have made tremendous strides over the past ten years, but asyou know, drug trafficking never sleeps. We must preserve our accomplishments, but also strengthen our efforts.

Today more than ever, we must renew the terms of the ATPA, broaden its scope and also incorporate Venezuela among the ATPA beneficiary countries.

In order to do this, we would like to propose a new modality. We suggest a general opening of the U.S. markets, considering even exceptions for a list of sensitive products to the United States. In this regard, we hope to see priority given to the textile sector, in which all aspects of the chain of production are included using inputs from the U.S. as well as those from our own region.

Mr. Chairman, please allow me to refer to the situation in my country. As you know, Bolivia has accomplished tremendous progress with great difficulties and efforts. By applying the Dignity Plan, we have almost completely eradicated the coca plantations and removed my country from the vicious cycle of drug trafficking.

We have withdrawn from international markets 240 tons of cocaine, which would have multiplied tremendously on the streets of large cities. Mr. Chainnan, we need to preserve this progress. One way to cant' this forward is by opening alternative employment sources to reduce the effects of unemployment resulting from eradication. The only way to do this is to produce more and export more because we have a very small market in Bolivia. Thus, we have a tremendous need to have access to the international markets, especially that of the United States.

In this regard, textiles are crucial for Bolivia, but not as assembly plants. If the opening became a reality and was conditioned to this modality, then Bolivia would not be able to take advantage of this opportunity. The opening then would be nominal. With regard to the purchases made by the United States in this sector, our purchases are very small in number.

Mr. Chainnan, we trust that the opening of U.S. markets will show to the Andean Community your solidarity in struggling against the common problem that we share.

Thank you very much.

Statement of the American Chamber of Commerce of Bolivia

[SUBMITTED BY JAIME URJEL, PRESIDENT]

This document refers to the extension and expansion of the Andean Trade Preference Act (ATPA), which is the subject of a hearing to be conducted by the Subcommittee on International Trade of the Committee on Finance on the 3 August 2001, under the chair of Senator Max Baucus.

The members of the American Chamber of Commerce of Bolivia (AMCHAM-Bolivia) after careful consideration have agreed that the extension of trade preferences by the US to the textile and apparel industry of the Andean countries is a positive and welcome step towards creating real economic opportunities for the people of this region.

This benefit is of particular importance to Bolivia and is necessary to allow the Bolivian apparel industry to compete under the same conditions with Columbia and the CBI countries, in light of its geographical location and the transport costs that the same generates.

If this consideration is not taken into account Bolivia will not benefit from the extension of the ATPA and it is unlikely to improve on the three percent share of the total trade that all ATPA beneficiary countries have with the US.

The proposition that the apparel industry in Bolivia can import cotton yarn or fabric into the US and competitively manufacture apparel articles for export to the US is not correct. For Bolivia to effectively benefit from this initiative, it is necessary to incorporate in the proposal for the extension of the ATPA the provision that Bolivia be allowed to import cotton yam from any of the ATPA beneficiary countries.

Only under such provisions will Bolivia's apparel industries compensate for market distance and have an incentive to integrate vertically to provide "quick response" and "full package" services, which may give them the edge to compete effectively in the US market. Any other arrangement will simply exclude Bolivia from the extended ATPA initiative.

It is in this context that AMCHAM-Bolivia requests that trade preferences should be expanded to apparel articles manufactured in one or more ATPA beneficiary countries from fabric formed and cut in one or more ATPA beneficiary **countries from yarns wholly formed in the US or one or more ATPA beneficiary countries.**

If these expanded trade preferences are not enacted into law, the impact of the extended ATPA initiative will be lost to Bolivia and the efforts made by this country to eliminate coca plantations from non traditional areas will have been wasted, as people will return to coca growing activities in the absence of alternative economic opportunities.

Democracy may also be threatened as the reduction in the income from illicit-drug trafficking has reduced aggregate demand dramatically and Bolivia is at present in the throes of its deepest and longest economic recession in fifteen years, with unemployment rising fast. In a country where there is chronic underemployment and 70% of its population live with less that US$ 2 a day, increased unemployment has resulted in massive social unrest, which if unchecked is likely to threaten the rule of law and all democratically elected institutions.

Additionally, and as a direct consequence of the former, foreign direct investment will be reduced to token flows of capital and all the economic, social and institutional reforms which the country has undertaken in the past fifteen years to consolidate a climate fit to attract foreign investment, including the signing with the US of a recent Treaty for the mutual protection and promotion of investment in both countries, will have been in vain.

It is also necessary to consider that in spite of the existing trade restriction applied to Bolivia regarding apparel production and exports to the US, the apparel industry employs 10,000 workers and exports US$ 40 million worth of products to this market. If new trade preferences are granted by the US, it is estimated that this industry alone will create 30,000 new direct jobs and 150,000 indirect jobs, with exports of US$ 400 million.

The estimated increase in export revenue represents 25% of Bolivia's current total export revenue and, consequently, has the potential to transform our economy significantly. Also, it creates the opportunity to finally reduce the balance of trade between our two countries which has historically favored the US. All this without affecting or threatening in any way the US-based textile and apparel industry.

STATEMENT OF THE GOVERNMENT OF COLOMBIA

The Colombian Government is pleased to express its very strong support for legislation to renew and enhance the Andean Trade Preferences Act (ATPA). We greatly appreciate the decision of the Finance Committee to hold a hearing on this important issue and are very thankful for the leadership of Senator Graham, and each of the co-sponsors, for initiating the process by introducing 5.525 early in this Congress. S. 525 is an important step toward crafting an enhanced and meaningful ATPA.

U.S. Commitment to Andean Region

As the Committee knows, we are in the midst of a difficult situation in Colombia, and in the Andean region generally. Despite the positive bilateral benefits of the ATPA over the past several years, the Andean nations are mired in an economic downturn that is causing staggering unemployment and political instability. Unemployment rates in Colombia alone have reached an unprecedented 20 percent. Investors have remained on the sidelines due to the uncertainty that has plagued emerging markets since the Asian economic crisis of 1998. Additionally, we have been faced with the lowest world coffee prices in decades, and coffee is a crop that still contributes greatly to the livelihood of many rural families in the Andean countries.

A good deal of the current turmoil also can be attributed to the intensification of the war on drugs in Colombia. This war has cost the Andean nations immeasurable development dollars and many precious lives over the past several decades. Unfortunately, virtually all cocaine and an increasing amount of heroin consumed in the United States still continues to be processed and grown in the Andean region. In the United States, more than 52,000 deaths are attributed to the consumption of drugs, and the U.S. Government spends more than $110 billion a year on anti-drug law enforcement and treatment efforts within the country. Further, in the Andean countries the chemicals used in drug production are accused of having ravaged the dynamic and delicate ecosystems in the region.

Last year, the United States made a serious, long-term commitment to the Andean region by investing $1.3 billion to intensify counter-narcotics activities and to aid the implementation of Plan Colombia. The monies are dedicated to reducing illicit crops, and funding alternative development programs, social programs, democratic institution building, and judicial reforms. As a next step, the Bush Administration has developed the Andean Regional Initiative (ARI), an additional $882 million to extend counternarcotics aid to other nations in the region and increase funding for social programs. The ARI currently is working its way through the congressional appropriations process.

These investments are significant because they are critical to U.S. national security interests. They are devised to stem the flow of drugs into the U.S., strengthen regional stability through democratic institution-building, and encourage a continued unfettered flow of trade with the U.S. Yet, these goals are threatened by the impending expiration on December 4 of the ATPA.

Our experience with ATPA

The ATPA is an essential economic weapon in the war on drugs. Extension and enhancement of the ATPA will provide an assurance that U.S. counter-narcotics investments in the region can succeed. It is the firm belief of each of the ATPA countries that expanded trade offers the most effective means for the Andean countries and the United States to work together to make progress against illegal narcotics production and trafficking.

As originally enacted ten years ago, ATPA was designed to promote export diversity and to create new legal employment in our countries, and thus help to confront the destabilizing threats to our democracies posed by illegal narcotics production and trafficking. The current ATPA has been meaningful for both the Andean countries and the United States. It has served to strengthen the legitimate economies of the countries in the region and is an important component in the U.S. effort to contain the spread of the illegal drug trade. It has resulted in export diversification for our countries and net coca cultivation has declined.

Expanded trade will complement the investments we have made together to combat drugs. Indeed, our partnership to fight drug production and trafficking will not succeed without economic growth spurred in part by expanded trade between our countries. It is absolutely essential that Colombia and other Andean countries create jobs to assist those who are displaced by eradication of illegal crops and to lure workers back to those areas where legitimate employment can develop.

Andean industries benefiting from ATPA—including cut flowers, non-traditional fruits and vegetables, jewelry and electronic components—have generated $3.2 billion in new output since ATPA's inception in 1991, and $1.7 billion in new exports. Over the last nine years ATPA has created 140,000 new jobs in the region.

Significantly, ATPA also has provided two-way benefits. The United States is an extremely important trading partner for the Andean countries, with the United States serving as the leading source of imports for each of the ATPA countries as well as our leading export market. In dollar terms, U.S. exports to ATPA countries rose 65 percent between 1991 and 2000, with two-way trade increasing dramatically from $9.2 billion in 1992 to $17.9 billion in 2000. As a result, ATPA benefits have generated employment in the U.S. as well as in the Andean region. In fact, many of the items shipped by the United States to the Andean region are used to generate ATPA qualifying goods. These items include, among others, fertilizers, paperboard and plastics, which are used in our flower industry, including for the greenhouses in which these flowers are grown.

Need for enhanced ATPA

However, we could do so much more and we need to do much more. It is not enough that after ten years, as a report of the Office of U.S. Trade Representative states, that the ATPA has just "begun to show important successes." Last year, only about 10 percent of all Andean exports to the United States were eligible for ATPA benefits. ATPA must be expanded to cover ALL products. Strengthening the legal economies in our countries is absolutely vital to stabilizing the region economically and politically. *Only through such enhancement of the ATPA will we generate the level of new employment opportunities needed to help those workers whose jobs are eliminated as a result of crop eradication as well as the many skilled workers who are currently unemployed.*

An enhanced ATPA that provides duty-free access to the U.S. market for a maximum variety of labor intensive goods would offer great support for democratic institutions in the region. A long-term enhanced ATPA would also attract new investment and economic development, thereby creating jobs that redirect the unemployed and underemployed away from the coca and poppy fields and replace the jobs eliminated through crop eradication.

Key to such success, however, is an ATPA renewal that is sufficiently broad in scope, without being overly complicated, and of a duration that is adequate to ensure that investors believe there is sufficient time to reap a return.

Textiles and Apparel

One of the sectors offering the greatest opportunities for the generation of employment is textiles and apparel. The Andean countries understand that this is a sensitive issue in the U.S. However, if you look more closely at the facts, it should be clear that our countries offer greater opportunities to the U.S. in this sector, not a threat. The ATPA countries are currently a minor player in the U.S. apparel market. Like Sub-Saharan Africa, we currently account for only one percent of total apparel imports. By comparison, the CBI countries account for almost 23 percent of total U.S. apparel imports, and their share of the U.S. market has been growing over the past decade.

Unlike the CBI region, the Andean region is not dominated by so-called 807 assembly operations. The apparel industry in the ATPA countries is highly vertical, meaning that we manufacture yarns, fabrics, and finished garments and textile goods, offering our customers a "full package" of services. To do this, we import a great deal of inputs from the United States. For example, today the Andean countries already import far more raw cotton from the United States than the CBI countries, even though there are only four ATPA countries and there are two dozen CBI countries ($72 million versus $58 million worth of raw cotton). The United States is by far Colombia's top supplier of raw cotton, accounting for 50 percent of our imports. We would import even more if there were benefits for our textile and apparel exports to the U.S. under ATPA. Moreover, we believe we would be competing with Asian suppliers in the U.S. market.

What an enhanced ATPA should include

Simply providing the ATPA countries with the same benefits as the CBI countries will not induce investors or U.S. importers to do business with the Andean countries. We need a greater incentive to overcome the higher cost of labor in our countries and to overcome the security concerns of American business.

We therefore sincerely hope that the Senate will work with the House of Representatives to craft an ATPA enhancement law that is simple and uncomplicated. The Andean countries need duty-free access for virtually all products. We urge Congress to eliminate all of the exclusions that are part of the current ATPA. In our view, just as in the African Growth & Opportunity Act, duty-free access should be provided to all footwear, leather goods, watches, canned tuna, petroleum products, and any other product eligible for GSP treatment, if the GSP rules of origin are met.

For example, the labor intensive fishing industries of the ATPA beneficiary countries have developed significantly during the last years, but have been precluded from becoming competitive in the U.S. market because of the high duties and restrictive access rules that apply. Thus, ATPA countries account for only $10 million of the $600 million worth of tuna imported into the U.S. each year. Additionally, 90 percent of the capital goods and inputs necessary to produce canned tuna reflects U.S. investment in the ATPA countries. Improved access to the U.S. market would serve the interests of this U.S. investment in tuna processing plants and also provide new employment opportunities.

It should be noted also that oil exports are excluded from the current ATPA as well. However, the Andean region is a source of more than 20 percent of foreign oil imports to the United States. Venezuela, Colombia, and Ecuador are major producers and the United States is the leading destination for each of these countries' oil exports.

Additionally, we would like the Senate to consider that while four of the five members of the Andean Community have benefited from ATPA, these preferences do not cover Venezuela. Our trading bloc, as well as the United States, would benefit if ATPA were expanded to include ALL the members of the Andean Community.

Conclusion

Mr. Chairman, members of the Committee, the Andean countries greatly appreciate your support in holding this hearing today to discuss renewal of the ATPA. We are very hopeful that the Congress will act quickly to enact a new ATPA before the current program expires. Time is of the essence. Colombia needs to promote new foreign investment in key economic sectors to achieve an economic recovery and effectively fight the drug war. While the original ATPA, with its 10-year term, initially brought new investment into the region, new investment has declined considerably. In order to generate new interest in the region, we need ATPA to be extended for a term sufficient to ensure that the Free Trade Area of the Americas, of which we are strong supporters, has come into force before the ATPA completes another term. Only then will investors trust that they will have sufficient time to see a real return on that investment.

We welcome the opportunity to work with you, and with the Administration, to achieve an enhanced ATPA as soon as possible. It is absolutely vital that this legislation is passed this year before the current ATPA expires on December 4. Thank you.

COMMENTS OF THE GOVERNMENT OF COLOMBIA ON THE AREEMENT OF THE INTERNATIONAL DOLPHIN CONSERVATION PROGRAM AND DOLPHIN SAFE TUNA CERTIFICATION

"A Good Samaritan's Sustainable Fishery in the Eastern Pacific Ocean (EPO)"

- Colombia has been exporting an average of US$42 million in tuna to the European Union for the last six years (since1995). However, Colombia does not export this product to the United States because of a de facto tuna embargo, resulting from a decision by U.S. courts regarding the labeling of dolphin safe tuna; which is not consistent with ecologically sound international standards. A copy of NOAA Form 370, Fisheries Certificate of Origin, must accompany any tuna imported into the United States. At present, line 4(D) of Form 370 requires certification that the tuna in the shipment was not caught through the intentional encirclement of dolphins in order for the tuna to be labeled dolphin safe. This will remain to be true until the U.S. definition of dolphin safe changes, as recommended by the U.S. Administration.
- The U.S. is presently the only nation that has a non-encirclement definition of dolphin safe, as a result of a lawsuit filed by Earth Island Institute. This definition is not supported by the current U.S. Administration, nor the previous Administration. It seems that Earth Island Institute and Defenders of Wildlife in demanding the release of Tuna Tracking Forms would like to extend the U.S. definition of dolphin safe to all other markets of the world through threats of consumer boycott.
- Colombia complies with all international standards pertaining to dolphin safe and sustainable fishing. These standards were developed by the Inter-American Tropical Tuna Commission (IATTC) and are based on sound science and guidance. They are supported by most important international non-governmental conservation organizations (NGOs), such as the Ocean Conservancy, World

Wildlife Fund, National Wildlife Federation, Greenpeace, and the Environmental Defense Fund, among others.

- In addition, Colombia and the United States are parties to the Agreement on the International Dolphin Conservation Program (AIDCP) signed in 1999. Other member countries are Costa Rica, Ecuador, El Salvador, the European Union, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru, Vanuatu and Venezuela. Colombia is a longtime supporter of efforts to put into practice sustainable fishing standards as a signatory of La Jolla Agreement (1992) and the Panama Declaration in 1995.
- The primary objective of the AIDCP is to reduce incidental mortality of dolphins and other species while ensuring sustainable tuna catch. To implement the AIDCP provisions, international observers must be on board of all ships catching tuna. Among their duties, the observers record the segregation of tuna captured without mortality or harm to dolphins. This system is known as the Tuna Tracking System and provides the basis for certifying that tuna taken in accordance with the program is dolphin safe. In 2000 the IATTC certified that 91% of all net settings made on tuna associated with dolphins were accomplished with no mortality or serious injury to dolphins. Furthermore, the total mortality of dolphins in the fishery has been reduced from about 132,000 in 1986 to less than 2,000 last year.
- The IATTC has the only tracking and verification system for any fishery in the world. The IATTC is a multilateral organization created in 1950 that is responsible for the conservation and management of fisheries for tuna and other species taken by tuna-fishing vessels in the Eastern Pacific Ocean. Member countries are Costa Rica, Ecuador, El Salvador, France, Guatemala, Japan, Mexico, Nicaragua, Panama, the United States, Vanuatu, and Venezuela. Currently Colombia and the European Union are seeking to join the organization.
- In June of this year, the nations participating in the management of the Eastern Pacific Ocean tuna fishery and the International Dolphin Conservation Program operating within that fishery established the AIDCP dolphin safe tracking, verification and certification program. These countries, including the United States, agreed by consensus to prohibit the public release of the tuna tracking forms (TTFs) given the likelihood that certain groups with a financial interest in their own so-called “tracking” and labeling programs would seek to undermine the international program.
- In fact, a number of the countries made it clear that a failure to protect the confidentiality of the TTFs would cause them to abandon the entire tracking and verification system. At the same time, the nations established mechanisms for countries to gain access to the TTFs to verify the precise status of the tuna consistent with their own laws and regulations.
- Because of the international program and the verification options it offers to the National Marine Fisheries Service and the U.S. Customs Service, the release of TTFs would not only be unnecessary, but would also be inconsistent with the Agreement on the International Dolphin Conservation Program, to which the U.S. is a signatory and of which the U.S. is the depository. Any change in the confidentiality of TTFs would require the consensus of all parties to the Agreement on the International Dolphin Conservation Program.
- Unfortunately, a decision from the U.S. Court of Appeals on dolphin safe tuna has caused nations to engage in fishing practices that have had a serious impact on other by catch species, and could be harmful to the marine environment and the ecosystem of the Eastern Pacific Ocean (EPO). In addition, scientific evidence supports that association between tuna and dolphins is not limited to the EPO, a fact that is not taken into account by current US domestic dolphin standard.

Final remarks

On trade and environment—Colombia will back the U. S. proposal in the World Trade Organization to end government measures that distort the international seafood markets, such as subsidies and import restrictions, in order to enhance sustainable fisheries practices.

The IATTC can remit to the Finance Committee the basic evidence regarding the sound science that supports the AICDP and the AITTC and can answer any questions regarding the issue of sustainable tuna fishing in the Eastern Pacific Ocean. For this information, please contact:

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STATEMENT OF THE INTERNATIONAL MASS RETAIL ASSOCIATION

The International Mass Retail Association is the world's leading alliance of retailers and their product and service suppliers committed to bringing price-competitive value to the world's consumers. IMRA represents many of the best-known and most successful retailers in the world who operate thousands of stores worldwide. IMRA equally values among its members hundreds of the world's top-tier product and service suppliers, working with their retailer partners to further the growth of the mass retail industry.

Because mass retailers and their product suppliers import products from around the world, they have a strong interest in seeing a renewal of the Andean Trade Preferences Act. In addition, mass retailers support expanding the ATPA beyond its current benefits. We believe such an expansion is warranted because it will enhance the U.S. policy of encouraging diversification of the economies of the region.

Like the nations of the Caribbean and Sub-Saharan Africa, the nations of the Andean region (Columbia, Bolivia, Ecuador and Peru) are still at a relatively low level of development. More important, these nations are struggling politically and in the grip of drug lords who threaten their free markets and who pose a significant national security threat to the United States. The United States has offered military aid to some of the nations of the region at the same time that it has stepped up efforts to end the export of drugs from these countries. These policies are fine, as far as they go, but without an economic strategy to offset the lost revenue that drug exports provide, these policies will not be enough. Efforts to help these besieged economies diversify into legitimate businesses that create wealth and job opportunities must be a key part of U.S. hemispheric policy.

Despite its problems, the Andean region might be able to competitively produce labor-intensive products like clothing or footwear. Clearly, this region will find it considerably more difficult to compete in infrastructure- and capital-intensive goods production. Investment in labor-intensive production—such as clothing, footwear or textile manufacturing—is almost always the first step toward industrial development and should be an important goal in the U.S. attempt to diversify the economies of this region.

Unfortunately, recent U.S. actions to expand special access programs for the Caribbean have had a counter-productive impact on the Andean region. These new special access programs are driving investment *away* from the Andean region at a time when the countries in this region most need the investment to diversify their economies.

For these twin reasons, mass retailers strongly support an expansion of benefits for the Andean nations to include benefits for footwear, apparel and textiles. Most simply, the United States should remove the exclusions included in the original ATPA, thereby providing duty-free import for a wide range of products including textiles, apparel and footwear. Simply providing duty-free treatment would give this region a significant advantage over other producers and could make an important impact in stopping the flow of drugs from this region.

There is absolutely no reason what the United States should not move forward with this simple and basic approach to expanding trade with these besieged nations, especially for footwear, where there are only a handful of U.S. producers and where tariffs are particularly high. IMRA would recommend using the basic U.S. rule of origin for qualifying for duty-free treatment on footwear exports. Such an approach could be very beneficial to U.S. consumers and the Andean Nations, and would avoid the difficulties the United States has encountered in implementing the complex trade regimes recently enacted for Africa and the Caribbean.

While IMRA would also prefer this simple and basic approach for textile and apparel products, we do recognize that there may be political difficulties of moving directly to free trade in these sectors, even though the case is extremely compelling. We urge Congress to immediately remove all apparel quotas from the region. In addition, we recommend that Congress keep the following principles in mind as it moves forward to craft an expansion of the ATPA for textiles and apparel:

- **Congress should avoid offering the Andean nations exactly the same deal, or a lesser deal than has been offered to the Caribbean nations and Mexico.** A "cookie cutter" approach will not lead to the kinds of results the U.S. wants to see. Such an approach will fail to attract the investment desired. If an investor can get the same deal in the Andean region as in the Caribbean or Mexico, the investment is likely to flow to the Caribbean and Mexico because these regions are politically more stable, enjoy better infrastructure, have a longer history of apparel production and are closer to the U.S. market.

- **Approaches that only allow access to the U.S. market for apparel produced from U.S. produced yarns and/or fabrics is not a particularly attractive option for the Andean nations.** The Caribbean nations and Mexico currently have a better deal. While a U.S. fabric and yarn option might be part of the benefits offered, it cannot be the only option available. Such an option will not attract significant investment when the same option or better options are available in Mexico, the Caribbean and Sub-Saharan Africa.

More important, such an approach closes off the opportunity for these nations to develop their own textile production. **Mass retailers strongly feel that benefits should be offered to the Andean nations for apparel products that are made in the region from fabrics and yarns that are also made in the region.** If the United States is serious about trying to encourage the diversification of the region's economies, then we should reward these nations for products that are completely made within the region. Regional fabric should be an element in any expansion of benefits within the region.

In addition, **Congress should consider providing a benefit to fabric produced from U.S. fibers,** particularly cotton. U.S. Cotton is highly desirable in textile and textile footwear manufacturing and providing an incentive for investment in cotton fabric manufacturing could be highly beneficial not only to the Andean region, but to U.S. cotton growers and exporters whose markets are increasingly overseas.

- **Congress should also consider allowing the region to use raw materials, yarns and fabrics that come from third party sources.** At the least, these countries should be allowed to use third-party fabric and yarns in cases where such fabric and yarns are in short supply in the United States. The government should also consider a third-party fabric provision similar to the one included in the African Growth and Opportunity Act that allows countries to use third-party fabrics in limited volumes and over limited time frames for apparel. Such a provision would give a real boost to the development of apparel footwear and textile manufacturing within the region, giving the region's industry a better chance of surviving when worldwide quotas on apparel are lifted at the end of 2004.

Opponents of expanding the Andean Trade Preferences Act to apparel and textile products have argued that Congress should delay expansion of the preference program because of uncertainties in the implementation of the Caribbean and African trade preference programs. IMRA urges Congress to reject this viewpoint. The slow implementation of these trade preference programs is largely the result of actions by the opponents themselves and a tiny minority in Congress who have waged a months-long battle to rewrite by regulation legislation duly enacted by the majority of Congress. To say that we should delay expansion of this trade pact because of implementation problems caused by the opponents themselves is nothing more than circular reasoning.

These same opponents have called for a delay in action because little trade has developed under other trade preference programs. This also strikes IMRA as specious reasoning. In the case of the African Growth and Opportunity Act, Congress never expected trade growth to be rapid or large. Indeed, trade in apparel is capped at 1 percent of U.S. imports, and it's likely that this region will have difficulty reaching that level any time soon. The same can be said of the Andean Region. The difficulties of doing business within this region—exacerbated by political uncertainty and the criminal element—ensures that growth in trade will be similarly slow. It makes no sense to hold off expanding this program because growth in trade under other programs has been slow. If anything, slow growth should confirm that these countries need an extra helping hand to attract investment and diversify their economies.

Finally, the opponents have also argued that the United States should not provide the Andean nations any kind of trade benefit that exceeds those provided Mexico or the Caribbean. IMRA also rejects this argument and urges Congress to do so. The United States has a compelling national security reason to provide this region benefits tailored specifically to the region's needs that will help the region diversify and stabilize its economies and political systems. The benefits provided under NAFTA, the Caribbean Basin Trade Preference Act, and the African Growth and Opportunity Act are all different—tailored to U.S. objectives and the economic realities of each situation. IMRA reiterates that the U.S. should avoid "cookie cutter" approaches, because they will not achieve the objectives of U.S. policy in this region.

IMRA thanks the committee for providing this opportunity to present our comments. If you have any questions about IMRA or its position on this matter, please contact Mr. Jonathan Gold, Director International Trade at (703) 841–2300.

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August 17, 2001

The Honorable Max Baucus
Chairman, Committee on Finance
U.S. Senate
Washington, D.C. 20510

Dear Chairman Baucus:

In connection with the Senate Finance Committee's August 3 hearing on the Andean Trade Preference Act (ATPA), I am writing you on behalf of Mattel, Inc. to urge that Congress renew the ATPA beyond its December 4, 2001 expiration. The renewal of the ATPA is important in continuing to promote the development of the Andean countries.

Headquartered in El Segundo, California, Mattel is the world's largest toy company with 2000 sales of $4.7 billion in over 150 countries. Mattel has 30,000 employees, of whom 7,700 are in the United States.

Mattel and other U.S. toy companies are committed to expanding foreign markets, particularly since only three percent of the world's children live in the United States. As a result, Mattel supports efforts to promote economic development in overseas markets, and the renewal of the Andean Trade Preferences Act would represent a positive step toward this goal.

Please feel free to contact me if you have any questions regarding Mattel's interest in this matter.

Sincerely,

Tom St. Maxens

Thomas F. St.Maxens

STATEMENT OF THE MICHIGAN FARM BUREAU

Michigan Farm Bureau appreciates the opportunity to present this written testimony on the impact the Andean Trade Preference Act (ATPA) has had on our domestic asparagus industry. Michigan Farm Bureau is the state's largest general farm organization, representing more than 45,000 farmer member families.

The ATPA provides the four Andean countries of Bolivia, Columbia, Ecuador and Peru with duty free and reduced duty access to our market. ATPA was enacted to assist those countries in their fight against narcotics trafficking. The extent to which the ATPA has advanced narcotics eradication in Peru, however, is highly questionable largely because cultivation of asparagus and other crops in Peru occurs in the desert region along Peru's coastline, not in the foothills and mountains where Peruvian drug cultivation is known to exist.

Providing this duty free and reduced duty treatment to imports from these countries has measurably affected trade in certain horticultural products and has had a significant impact on domestic production of these commodities.

The duty free treatment provided to asparagus growers in Peru has further enhanced an already competitive industry that existed in Peru prior to enactment of the ATPA. Once a small industry in the early 1980's, Peru has become the world's largest producer and exporter of asparagus. Asparagus is Peru's second largest agricultural export item with about 5150 million in annual export earnings. Export production is for two different markets: green asparagus (primarily fresh) for export to the United States, and processed white asparagus for the European market. Peruvian cultivation of asparagus occurs year round with very high yields per acre experienced by its growers.

The U.S. market consumes 75% of the fresh asparagus produced in Peru. Peru's fresh exports to the U.S. market have increased by 10-fold in the last decade, doubling in just the last two years. Peru ranks second to Mexico in fresh asparagus sales to the U.S.

As the Peruvian industry has matured they have also begun to ship larger quantities of processed asparagus to the U.S. In 2000, Peru shipped 813 metric tons of canned asparagus and 1,560 metric tons of frozen asparagus to the United States. Processed asparagus imports from Peru in 2000 were almost eight times greater than the amount shipped in 1994. Peru is the largest offshore source of processed asparagus with a total volume exceeding the amounts imported from all other sources combined.

U.S. industry sources indicate that five to ten million pounds of Peruvian frozen asparagus have been made available to the U.S. market in the past year. Imports of this magnitude are significant because the total U.S. market for frozen asparagus is only ten million pounds annually. Duty free access for Peruvian frozen asparagus has exacerbated the situation. **Peruvian imports are displacing U.S. asparagus production at an alarming rate.**

As evidence, prices received by Michigan growers for processed asparagus declined from 62 cents per pound in 2000 to 42 cents per pound in 2001, a price reduction of over 1/3 in just one year.

U.S. Asparagus Production and Imports from Peru -- Metric Tons

	U.S. Production	Imports From Peru	Peru as a Percent of U.S. Production
1994	99,656	8,593	8.6%
1995	91,808	10,032	10.9%
1996	90,220	11,574	12.8%
1997	91,899	13,368	14.5%
1998	92,806	15,151	16.3%
1999	99,383	23,424	23.6%
2000	103,572	32,196	31.1%

Asparagus production in the U.S. is centered in California, Washington and Michigan. These three states make up over 95% of annual production. Minor production is found in New Jersey, Illinois, Indiana, Maryland, Minnesota and Oregon.

Over the past decade U.S. asparagus acreage has declined by 17%, while production has deceased 7%. Per capita consumption of asparagus in the U.S. has increased slightly in recent years.

In recent reports to Congress, the U.S. International Trade Commission [1] and the U.S. General Accounting Office [2] concluded the following about ATPA and the asparagus industry:

- The ATPA has encouraged the production of nontraditional agricultural commodities, such as asparagus, in Peru (ITC).
- The Peruvian asparagus industry has dramatically increased production in the past decade and is projected to increase as much as 40% from 1999 to 2000 (ITC).
- Peru's substantial increase in asparagus production has allowed them to become a major exporter of frozen product, complementing their already strong position in canned and fresh asparagus (GAO).
- As U.S. imports of asparagus have increased, demand for domestic processed asparagus has declined (GAO).
- Imports of ATPA—exclusive products were estimated to have had a potentially significant effect on a number of domestic industries, including asparagus (ITC).
- Asparagus production in the U.S., particularly processed production, has been displaced by duty-free imports from Peru under ATPA, and reauthorization of ATPA will result in continued displacement of domestic producers (GAO).
- A portion of this displacement will continue even without reauthorization of ATPA, due to Peru's climate and cost advantages (GAO).
- Asparagus is not listed as one of the crops that provide an alternative to the production of coca in Peru's major drug producing areas. However, asparagus production was found in areas adjacent to coca producing regions (ITC).
- Farmers and pro-coca local officials in Peru's coca areas have actively resisted coca eradication efforts and have shunned the development of alternative crops (ITC).

For the reasons noted above, Michigan Farm Bureau requests that significant modifications be made to the ATPA *should it be renewed at all*. First, we request that duty free treatment not be accorded for specific commodities wherein a country is deemed economically competitive. The determination of economic competitiveness should follow the criteria now used in the Generalized System of Preferences (GSP) program requirements. Once a country has reached the established level of economic competitiveness, it would no longer be eligible for duty-free access to the U.S. market for that commodity. Instead, the tariff for that product would revert to the MFN level.

Instituting this change would support the objective of the ATPA of providing economic alternatives to narcotics production, but would not allow foreign imports to put U.S. producers out of business in the process. We do not oppose competition with foreign imports, but we do oppose providing trade preferences to countries to the extent that such preferences result in the elimination of otherwise competitive U.S. production.

Second, a safeguard mechanism should be instituted to address import surges of perishable agricultural commodities. Import surges can be extremely disruptive to U.S. agricultural markets, especially considering seasonality concerns and the price variability of perishable agricultural products. Criteria now exist in the NAFTA and the WTO agreement on agriculture that enable safeguard actions to be taken under specified conditions. Certain trade remedies, such as the U.S. 201 law, allow the administration to take action to mitigate import surges when they are determined to be causing or threatening injury to U.S. producers. However, imports from ATPA and other countries are exempt from consideration in the investigation of 201 cases.

In order to address the often-irreparable damage caused to U.S. producers of perishable products due to import surges, we request that any extension or renewal of the ATPA include an automatic, transparent, and temporary safeguard mechanism. The safeguard mechanism would provide much needed import relief to U.S. producers being injured by an import surge and would still provide market access for ATPA beneficiary countries during the remedy phase.

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[1] *Andean Trade Preference Act, Impact on U.S. Industries and Consumers and on Drug Crop Eradication and Crop Substitution*. USITC Publication 3358, September 2000. Seventh Report 1999, Investigation No. 332–352.

[2] *Agricultural Trade; Impacts of the Andean Trade Preference Act on Asparagus Producers and Consumers*. Government Accounting Office, March 2001.

STATEMENT OF THE NATIONAL RETAIL FEDERATION

[SUBMITTED BY ERIC O. AUTOR, VICE PRESIDENT, INTERNATIONAL TRADE COUNSEL]

The National Retail Federation (NRF) submits these comments on behalf of the U.S. retail industry. NRF is the nation's largest trade association representing the U.S. retail industry. NRF members cover the entire spectrum of retailing—department, specialty, discount, catalog, Internet, and independent stores—and also include 32 national retail associations and all 50 state retail associations. NRF speaks for an industry that encompasses over 1.4 million retail establishments, employs more than 23 million people—about 1 in 5 American workers, and registered sales of over $3 trillion in 2000.

NRF and the U.S. retail industry strongly support expanding the current trade program under the Andean Trade Preferences Act (ATPA) and view it as an important stepping-stone towards creation of the Free Trade Area of the Americas (FTAA). Initially, we would make the following general points on the ATPA initiative:

- A "robust" trade initiative is critical to achieving the larger U.S. foreign, economic, and drug policy goals for the region.
- An essential component of a "robust" Andean trade initiative is to provide trade benefits for apparel products produced in the Andean region with strong incentives to encourage U.S. investment and business in the region and create jobs in legitimate industries.

It should first be emphasized that the United States has critical foreign policy interests in the Andean Region. This region is the most politically and economically unstable area in the hemisphere and is a major production point for illegal narcotics smuggled into this country. Economic and political instability has also resulted in an increase in illegal aliens coming into the United States from countries in the region. It is, therefore, in the interests of the United States to implement policies that will effectively address these problems—curtail the production and trafficking of illegal narcotics, encourage political and economic stability in the Andean countries, help build democratic institutions, foster market-based economic reforms, generate economic growth, and create decent employment opportunities in legitimate industries.

With these larger goals in mind, we do not believe that an expanded Andean initiative should be seen primarily as a unilateral trade preferences program and certainly not mainly as a textile and apparel trade initiative. Bigger issues are at stake. Indeed, we might even suggest that the Congress consider a new name for this initiative—The Andean Regional Stabilization and Development Act (ARSDA).

That being said, we believe it will be difficult, if not impossible to achieve these larger policy goals without a trade component that will actually work to encourage U.S. investment and trade with the region. Only U.S. trade and investment can provide the capital necessary to reverse the massive unemployment in the Andean countries and create economic and employment opportunities in legitimate industries as an alternative to coca production and narcotics trafficking.

On this point, U.S. retailers can play an important role. Many retailers are interested in new apparel sourcing opportunities in the Andean region. The countries of the Andean region—Colombia, Peru, Ecuador, and Bolivia—have integrated textile andapparel industries that, while comparatively small, produce high-quality cotton knit shirts and trousers, baby garments, and specialty items, such as swimwear. However, to increase sourcing of apparel in the region, retailers need the right incentives in place. The obstacles to doing business in much of the Andean region are daunting. Crime, corruption fed by the insidious influence of narco-traffickers, political instability, and lack of adequate infrastructure present huge disincentives for American companies doing business in the region when other alternatives in Asia, Mexico, and the Caribbean Basin are available. However, the picture is not all bleak. As the example of the development of a thriving cut flower industry in Colombia and other Andean countries under the current ATPA program demonstrates, when the right incentives are in place, legitimate industries can grow and prosper in the region.

Other than a handful of industries, like cut flowers, workers in the Andean countries currently have few decent employment opportunities. Many peasants in the Andean highlands have few economic alternatives to growing coca. However, the members of the drug cartels take the lion's share of the profits from drug trafficking, not the peasant growers, most of whom survive at a bare subsistence level. The region also has large unemployed and underemployed urban populations. Moreover, jobs in the region's existing apparel industry are threatened as companies have begun moving production to Mexico and countries in the Caribbean Basin, which are more competitive than the Andean region, have closer proximity to the U.S. market, and can take advantage of existing trade preferences under the NAFTA, the U.S.-Caribbean Basin Trade Partnership Act (CBTPA) and the Caribbean Basin Initiative (CBI).

Increased trade with the United States would lead to the building of new textile and particularly apparel factories that would quickly provide jobs to thousands of rural peasants and urban workers. Following the current pattern in developing countries, jobs in these factories would pay wages at higher levels than the national average wage. They would also provide employment opportunities, particularly for women. The pattern of economic development in every country, including the United States and Japan, has shown that the establishment of a viable textile and apparel industry has *always* been the first rung on the ladder to creating a modern, industrial economy. The pattern has also shown, that giving women employment opportunities and control over their family's finances is the best way to provide people in developing countries the economic resources to move up the economic ladder and obtain marketable education and training.

It is important that we take quick action to stop the flight of apparel production from Colombia to Mexico and the Caribbean Basin and make the textile and apparel industries in the Andean region more competitive. Like the sub-Saharan African countries, the small textile and apparel producers in the Andean region are likely to be big losers to the more efficient producers in Asia once textile and apparel quotas are eliminated at the end of 2004. Just as AGOA has given the sub-Saharan African countries a fighting chance to get into the game, we need an Andean initiative that will allow the textile and apparel producers in the region to become more competitive and attractive to U.S. business in preparation for a quota-free world in 2005. This goal cannot be achieved without a sensible, incentive-based textile and apparel program.

It should be emphasized that an increase in textile and apparel jobs and production in the Andean region does not threaten U.S. jobs. In 2000, American consumers spent about $300 billion on apparel. U.S. textile and apparel imports from the ATPA region totaled just $831 million (before markup) or about 0.5 percent of the U.S. market. This level of trade is comparable to that of the sub-Saharan region. In contrast, Mexico and the Caribbean Basin region account for 27 percent of total U.S. textile and apparel imports. Therefore, for the foreseeable future, it is evident that, the Andean region is likely to be a comparatively small, niche player in supplying apparel to the United States and that any sourcing shifts created as a result of increased trade with the Andean countries will come at the expense of other foreign producers, most likely in Asia.

The question arises—what incentives would U.S. retailers need to increase sourcing and investment in the Andean region? The experience of the CBTPA over the last year provides us some useful lessons. Unfortunately, with the CBTPA we have faced a host of implementation problems, in which the Customs Service has interpreted many of the ambiguities in the language in the most trade restrictive way. Moreover, the complex rules of origin, exclusions of certain categories of apparel made from regional fabric, quantitative limitations on categories of eligible apparel products made from regional fabric, and weak short-supply procedures, have proven to be disincentives for retailers in using the program. As a result, U.S. retailers, apparel manufacturers, textile and apparel importers, yarn spinners, cotton growers, and fabric manufacturers, as well as the Caribbean Basin countries have been so far disappointed that the program has failed to generate as much trade as hoped.

The potential problems that could arise in constructing the Andean initiative are of even greater concern. With their competitive handicaps vis-à-vis the Caribbean Basin countries, it is clear that if Congress merely provides the Andean countries the same trade benefits as under the CBTPA, there will be *no* new trade and investment. In order to avoid the problems in the CBTPA legislation and create a viable program that would be more than window dressing, the trade preferences for apparel must be simple, easy to use, and provide more generous level of incentives than are available under the CBTPA. Specifically, we would advocate that the Andean program provide trade preferences to any apparel assembled or knit-to-shape in one or more Andean countries from:

- Inputs (yarn and fabric) produced in the United States and/or one or more Andean countries.
- Yarn or fabric regardless of origin that is determined to be in short supply.
- Yarn and fabric produced outside the United States and the Andean region subject to reasonable limitations.

Without such incentives, U.S. retailers will not increase sourcing and investment in the Andean countries and will continue to source largely from Asia, Mexico, and the Caribbean Basin. If the incentives in the program are insufficient to attract U.S. retailers, it will also mean lost business opportunities for U.S. cotton growers, yarn spinners, and fabric producers, and apparel manufacturers. If the companies that sell apparel at retail in the U.S. are not doing business in the region, then the U.S. suppliers of inputs to make that apparel will not have any new business in the region. But, more disturbingly, without the business of U.S. retailers in the Andean countries, the likelihood of achieving our country's larger foreign, economic, and drug policy goals for the region is also diminished.

STATEMENT OF RAUL DIEZ CANSECO TERRY, FIRST VICE PRESIDENT OF THE REPUBLIC OF PERU AND MINISTER OF INDUSTRY, TOURISM, INTEGRATION AND INTERNATIONAL TRADE NEGOTIATIONS

1. I am pleased to have the opportunity to address this distinguished Subcommittee on International Trade of the Committee of Finance of the United States Senate, about one of the most important subjects for the Andean countries, which is the renewal and enhancement of the Andean Trade Preference Act—ATPA.

2. Peru is facing a strong economic recession for more than three years now. Peru's Constitutional President, Mr. Alejandro Toledo, in his opening speech of July 28'h, declared that the main objectives of his new democratic government are the fight against poverty and the generation of employment. In this sense, we are convinced that the renewal of a robust ATPA, that includes the textile and apparel industry, would be a major contribution to our economic recovery, creating new jobs and helping us on the fight against illegal drug trafficking.

3. As we know, almost ten years ago the President of the United States, George Bush, enacted the ATPA with the intention to help four Andean countries in their fight against illicit drugs. ATPA's goal was to support our economies by giving preferential market access to Andean products, to promote alternative crops to substitute illegal ones, to generate new opportunities for Andean exports and thus, create alternative licit jobs. During these years, ATPA has significantly contributed to an important expansion of our exports to the United States, as well as American exports to our country, and in the creation of new alternative jobs in coca cultivation areas among other benefits.

4. General conditions in 2001 are different to the ones prevailing in 1991. During these last ten years, the NAFTA and the CBI were adopted. These two agreements have caused Andean products currently excluded from the ATPA program, particularly apparel, to loose competitiveness in the US market.

5. By the end of 2001 ATPA benefits will conclude. We request the United States Administration and Congress to extend this program until it converges with the Free Trade Area of the Americas (FTAA) negotiation process, in which Peru and the other Andean countries are strongly committed.

6. In the same way, we consider that it is of utmost importance for our countries, in order to robust ATPA, to include products that are currently excluded. This is crucial for our economies and it would be an essential element to win the war against drugs that our countries are permanently dealing with.

7. For the Andean countries and specifically, in the case of Peru, we need that the ATPA benefits include our textiles and apparel made with regional materials. This is a crucial element, not only to create new legal jobs but also to maintain the existing ones in our textile industry.

8. In other words, giving CBI parity to ATPA is not the right approach to the Andean reality. The Andean countries have a completely different productive structure to the one CBI's countries have, so there has to be different solutions to different realities. Peru's industry is vertically integrated, from cotton fibers to yarns, fabrics to the final apparel. Therefore, regional production with regional materials is of utmost importance for our countries. ATPA coverage should not be subordinated to the use of only American fabrics or yams, which will restrict market access for our textiles and clothing.

9. ATPA aims to support the extremely difficult fight against drugs and illicit crops eradication, which Andean countries are seriously dealing with high economic and social costs. This is a common problem for both, producers and consumers, in accordance with the principle of shared responsibility. Accordingly, ATPA should seek the best possible alternative to effectively eradicate illegal crops as an ongoing process and to generate legal alternative jobs to those related to drug activities. CBI parity is not enough to achieve this objective.

10. Illicit drugs are a regional problem, so ATPA extension should seek positive effects in all countries involved. This is a national security issue for both, United States and Andean countries. The activities related to illicit drugs have shown a

great mobility in production and trafficking. Peru's efforts to reduce illicit crops have been very important and successful. We have eradicated 66% of the total illegal crops in recent years, but these successes may not be sustainable in time. As mentioned before, an extended ATPA should fully support the goal to create licit jobs as an alternative to those related to illegal drug activities.

11. Peruvian apparel industry is the main non-traditional and highly value-added export of our country and currently subject to a 21 % average tariff. As mentioned previously, is vertically integrated, so any proposal to have a robust ATPA should consider this fact; if not, it may cause the opposite effect: unemployment among the cotton farmers, and workers from the yam and fabric industries.

12. The impact of extending ATPA regime with Andean raw materials will not cause a negative effect on US employment: Andean apparel exports to the United States (US$ 831 million) represents less than 1.45% of the total US apparel imports (US$ 57.3 billion). Peruvian garment exports accounted for 0.67% of the total garments imported by the USA in the year 2000 (US$ 382.87 million). Furthermore, as these figures shows, there will not be a negative effect to the US economy by extending the benefits of ATPA including apparel made with both Andean or American materials, but will have an important positive economic and social impact in employment and, consequently, in the fight against the illegal economy generated by drug production and trafficking.

13. Peruvian textile and clothing industry as a highly integrated industry absorbs a great deal of labor and has strong productive links with other sectors such as agriculture for the cultivation of cotton, fine hair animal raising as a source of threads and fine hairs (alpaca, llama and vicuna), the plastics industry for the manufacture of closures, buttons, as well as the chemical industry for the utilization of chemical ingredients in its various processes of bleaching, dyeing and the finishing of articles of clothing.

14. Regarding vicũna textile products, this fine hair raising activity is very important for our poorest Andean communities whose incomes depend on and does not result in any damage for the specie, as recognized by the Convention on International Trade in Endangered Species of Wild Life and Flora (CITES), allowing international trade in clothes made with wool sheared from live vicũna animals.

15. The competitiveness that our clothing exports have attained has been seriously affected by the US imports of textiles and clothing manufactured in Mexico, Canada, the Caribbean, Central America and Africa, with preferential tariff treatment. This represents a serious threat to the sustainability of Peruvian textile enterprises, which could affect the national industry and compromise the success we have attained in the war on drug trafficking.

16. The textiles and clothing sector is one of the most appropriate for the absorption of labor potentially or effectively devoted to the cultivation of coca. It has the important additional advantage of the fact that female participation in the sector's labor pool is more than 50%.

17. Regarding the cotton of our apparel exports, Peruvian producers use native cotton—Pima and Tanguis—because of their advantages, good performance in the production process and great acceptance by customers. We use mainly our cotton for exports, but at the same time we import cotton from the United States. During 2000, US$18 million of cotton were imported from the United States, 690.3 TM of Supima cotton and 13,650.2 TM of other different qualities. The imported cotton is mainly used to meet local market needs or in exports where quality standards or destination market require.

18. The niche of market of our industry is in the full package production, which requires flexibility, agility and quickness in relatively small volumes. Peruvian apparel is mostly demanded in the US market because of the high quality of our cotton. Limiting our exports to apparel made only with US cotton will seriously reduce the niche of market we have already gained.

19. Members of the Committee, we appreciate your support in this important issue for the Andean Region, we welcome the opportunity to work with you and the Bush Administration to achieve a robust ATPA, simple in its application, that would really help our countries to generate legal jobs alternative to those from the illegal drugs activities.

STATEMENT OF THE U.S. ASSOCIATION OF IMPORTERS OF TEXTILES AND APPAREL

The U.S. Association of Importers of Textiles and Apparel (USA–ITA), an association founded in 1989 with more than 200 members involved in the textile and apparel business, strongly supports renewal and enhancement of the Andean Trade Preferences Act (ATPA).

Last year, after a multi-year struggle, the Congress enacted legislation providing preferential access to the U.S. market for apparel and luggage made in the Caribbean, Central America and sub-Saharan Africa. This year, four Andean countries—Colombia, Peru, Ecuador and Bolivia—face imminent expiration of the existing ATPA and are seeking expanded benefits similar to those achieved by the CBI and African countries. The Andean countries cannot afford a multi-year legislative debate. The Congress must act promptly because the reasons for swift and favorable action are extremely compelling.

The main purpose of the original ATPA, first enacted in 1991, was to support the efforts of its beneficiary countries in the fight against drug production and trafficking. Consumer nations, such as the United States, agree that strengthening the legitimate economies of drug-producing countries is crucial to provide employment alternatives to illegal crop cultivation and drug trafficking and will help stabilize these democracies.

Although ATPA has had a positive effect for its beneficiaries, the law's exclusions—particularly, the exclusion of apparel—and its expiration date (December 4, 2001) have limited its potential to attract essential trade development and investment. Because of the lack of benefits and because of the increased costs of doing business in the region, including higher labor costs, higher transportation costs, and higher security costs, our member companies are reluctant to do business in the region, even though the quality of worksmanship, and therefore value to U.S. consumers, is recognized.

For our members to consider sourcing in the Andean countries, the United States would have to renew and enhance the ATPA by *extending its coverage to giant duty-free and quota-free treatment for all goods including apparel produced in the Andean region from either U.S. or regional inputs*. Benefits for goods made with third country inputs also should be provided. Such a measure would be the most powerful tool to generate more legitimate jobs. If companies located in the Andean countries are able to export to the United States duty-free, quota-free apparel of regional content, thousands of new jobs will be created in the Andean region. Real access to the US market for labor-intensive industries located in the Andean would constitute the ideal aid for a strategic partner.

USA–ITA recognizes that Senator Bob Graham has introduced S. 525 to provide benefits to the Andean comparable to those provided to the CBI countries under the Caribbean Basin Trade Partnership Act. However, USA–ITA feels strongly that this is approach is not the appropriate one for the Andean countries. S. 525 is a start but is not the answer. It would only treat the ATPA countries like the Caribbean and Central America, and that will not bring new jobs to the Andean region. Moreover, the confusing and detailed terms of the CBTPA have actually served to undermine the success of that legislation and therefore should not be repeated in other legislation. USA–ITA also notes that:

The Andean region's problems are different from those of the CBI countries, particularly because of the importance of ensuring the success of Plan Colombia and preventing any undermining of U.S. national security interests.

The trade involved in the Andean is far smaller than that of the CBI region. As an example: less than 1% of total US imports of apparel come from the ATPA beneficiaries. That is the same level as sub-Saharan Africa. Compare that with 23 percent of U.S. apparel imports coming from the CBI countries. Therefore, the effect of granting benefits to apparel originating from the Andean countries from U.S. or regional inputs, or even third country inputs, would be negligible to United States industries.

The CBI countries are primarily assembly manufacturers while the Andean countries are producers of "full package" goods, meaning that the production of yarn through finished apparel occurs within the region. Benefits limited to "807-type" goods will not address the needs of the many other related businesses in the region.

The issue for the Andean countries at this point is not just maintaining existing jobs; it is creating new jobs that will provide employment to those displaced by an effective coca eradication policy.

USA–ITA hopes that a bipartisan ATPA renewal and enhancement bill will soon be introduced in the House, so that the Senate and House can work together to ensure that legislation is enacted this year, before ATPA expires. There appears to be overwhelming agreement that the ATPA should be renewed and enhanced; the only question is the precise details. Ultimately, the deciding factor should be what terms will provide the greatest likelihood of generating employment to displace coca production and drug trafficking. The simpler and broader the provisions, the more likely that USA–ITA members will choose to do business in the region, as an alternative to Asian sourcing, and that the legislation will achieve its objectives.

STATEMENT OF THE U.S.-COLOMBIA BUSINESS PARTNERSHIP

[SUBMITTED BY CHARLES ANDREAE, EXECUTIVE DIRECTOR]

As Executive Director of the U.S.-Colombia Business Partnership, I am writing to the committee to respectfully urge the renewal and enhancement of the Andean Trade Preferences Act (ATPA). Launched in 1991, the ATPA is scheduled to expire 10 years after the date of enactment, on December 4, 2001.

The U.S.-Colombia Business Partnership members make up a broad coalition of U.S. businesses that are heavily invested in Colombia and believe renewal of ATPA will help bring economic and political stability to Colombia. We believe the Administration's and Congress support for Colombia and the ATPA will continue to provide enhanced economic conditions that will surely benefit both the U.S. and Colombia. The ATPA promotes legitimate commercial activity and jobs for many American and Colombian workers while also providing for the alternative economic development that Colombia so desperately needs.

The U.S. Colombia Business Partnership has total investments of over $8 billion dollars in Colombia. Simply put, our investments and trade with Colombia provide American workers with high paying jobs and Colombian workers with legitimate employment which provides a viable alternative to the illicit narcotics trade threatening the national security of the United States. As corporate citizens in both countries, the U.S. Colombia Business Partnership cares deeply about our employees and families in both nations. Increased trade between the U.S. and Colombia helps us to build roads, schools, medical clinics, and other social development programs in Colombia. When policy makers speak about alternative economic development to help fight against narcotics trafficking from Colombia, we the member companies of the U.S. Colombia Business Partnership are providing it. The U.S. government can help us continue our efforts by renewing the Andean Trade Preferences Act.

The Office of the U.S. Trade Representative reports that only 17.8 percent of all Andean Exports in 1999 qualified for preferences under the ATPA in part because of product exclusions under the act. Enhancing trade preferences to certain products under the ATPA especially in the energy industry will provide for more jobs in both countries and at the same time help the U.S. solve its current energy crisis. Currently, Colombia sends almost all of its petroleum directly to the u.S. gulf coast.

In conclusion, by providing duty free access to the U.S. market for certain Andean products, the ATPA has generated a total of $3.2 billion in new output and $1.7 billion in new exports since its inception. As important, it has created approximately 140,000 new legitimate jobs in the region, economic deterrents for illegal crop production and drug trafficking. As such, the U.S. Colombia Business Partnership respectfully requests that Congress renew the ATPA this year.