TRADE AND EMPLOYMENT EFFECTS OF THE ANDEAN TRADE PREFERENCE ACT

Twentieth Annual Report for 2013
Submitted to the Congress
Pursuant to Section 207 of the
Andean Trade Preference Act

Prepared by
The U.S. Department of Labor
Bureau of International Labor Affairs

TRADE AND EMPLOYMENT EFFECTS OF THE ANDEAN TRADE PREFERENCE ACT

The submission of this report to the Congress continues a series of annual reports by the U.S. Department of Labor (DOL) on the trade and employment effects of the Andean Trade Preference Act (ATPA).[1] This twentieth report covers calendar year 2012 and comes to the same conclusion as the previous nineteen editions of this report, namely that preferential tariff treatment under the provisions of the original ATPA and its subsequent amendments has neither had an adverse impact on, nor posed a significant threat to, overall levels of U.S. employment.

HISTORY AND SCOPE OF THE ATPA

The ATPA, enacted on December 4, 1991 (Pub. L. No. 102-182, Title II, 105 Stat. 1236), was part of a larger Andean Initiative that the United States launched that year. The primary goal of the Andean Initiative was to expand private sector opportunities and investment in nontraditional sectors of the Andean countries as an alternative to production of illegal drugs and to help them diversify their economies and expand their exports. The ATPA authorized the President to proclaim duty-free treatment for eligible articles from Bolivia, Colombia, Ecuador, and Peru. The President proclaimed duty-free treatment of certain eligible articles from Bolivia and Colombia on July 2, 1992, Ecuador on April 13, 1993, and Peru on August 11, 1993.

ATPA preferential duty treatment expired on December 4, 2001, but was renewed retroactively from the expiration date by the Andean Trade Promotion and Drug Eradication Act (ATPDEA) as part of the Trade Act of 2002 (Pub. L. No. 107-210, Div. C, Title XXXI, 116 Stat. 1024) on August 6, 2002. The ATPDEA significantly expanded the product coverage of the ATPA program until December 31, 2006. The ATPA, as amended and expanded by the ATPDEA, will be referred to hereafter in this report as the ATPA. Since 2006, Congress authorized several short-term extensions of the program, before allowing the ATPA to lapse on February 12, 2011. On October 21, 2011, the ATPA was renewed retroactively until the program expired on July 31, 2013.

While the 2002 amendments significantly expanded the product coverage of the ATPA, the number of beneficiary countries eligible under the ATPA has narrowed. Bolivia’s designation as a beneficiary country under the ATPA was suspended on December 15, 2008, due to Bolivia’s failure to meet ATPA eligibility criteria related to counternarcotics cooperation. Bilateral trade promotion agreements with Peru (2009) and Colombia (2012) have also curtailed the use of ATPA preferences by these countries.[2] As of May 16, 2012, after the United States – Colombia Trade Promotion Agreement entered into force, Ecuador was the only remaining ATPA beneficiary country until the program expired on July 31, 2013.

[1] Section 207 of the ATPA directed the Secretary of Labor to undertake a continuing review and analysis of the impact of ATPA preferences on U.S. employment and submit a summary report of such analysis annually to the Congress.

[2] The United States – Peru Trade Promotion Agreement (PTPA) and the United States – Colombia Trade Promotion Agreement (CTPA) made permanent some benefits similar to the ones that Peru and Colombia received under the ATPA and further liberalized trade with the United States in other areas. The PTPA entered into force on February 1, 2009, and Peru remained a designated beneficiary country of the ATPA until December 31, 2010. The CTPA entered into force on May 15, 2012, and Colombia lost its ATPA beneficiary status at that time.

In addition to the reduction in the number of countries eligible for benefits under the ATPA, the margin of preference available to ATPA beneficiary countries vis-à-vis other countries has eroded due to the expansion of other trade preference programs, the negotiation and entry into force of a number of free trade agreements, and the reduction of various tariffs for all Normal Trade Relation (NTR) trading partners through World Trade Organization (WTO) negotiations.[3]

ASSESSMENT OF THE TRADE AND EMPLOYMENT EFFECTS OF THE ATPA

This report covers calendar year 2012. During this year, Ecuador was a beneficiary country for the full year, and Colombia was a beneficiary country for the period from January 1 through May 15, 2012.[4] Due to the continued declines in amount and share of U.S. ATPA duty-free imports, this year's report includes an abbreviated analysis. First, overall trade with the beneficiary countries is placed in the context of findings of previous reports. Second, trade in specific industries where the ATPA may have plausibly had an effect are examined in detail and also placed in the context of findings of previous reports.

Table 1 presents statistics on overall trade with ATPA beneficiary countries over the years 1992 to 2012.[5] Throughout the period from 1992 to 2010, DOL was unable to detect an impact on overall U.S. employment.[6] Because the overall levels of trade with the beneficiary countries in 2012 are declining and within the ranges observed over earlier years, and the very small share of total U.S. imports that benefited from the ATPA, it remains unlikely that the ATPA had an impact on overall U.S. employment in 2012.

Even when the effect on overall U.S. employment is negligible, there may still be important effects on certain industries. This report briefly examines industries (based on the North American Industrial Classification System (NAICS)) where the ATPA plausibly may have affected employment levels.[7] Any adverse U.S. employment effects due to the exclusive benefits of the

---

[3] For more information on trade preference programs, see: http://www.ustr.gov/trade-topics/trade-development/preference-programs. For more information on free trade agreements, see: http://www.ustr.gov/trade-agreements/free-trade-agreements. For more information on the WTO, see: http://www.ustr.gov/trade-agreements/wto-multilateral-affairs.

[4] Throughout this report, figures for imports from the "beneficiary countries" refer to the beneficiary countries in that specific year. For 2012, the beneficiary countries are Ecuador for the full year and Colombia for the period from January through May 2012. (Trade data for partial months are not available.) The beneficiary countries for 2011 are Colombia and Ecuador. The beneficiary countries for 2009 and 2010 are Colombia, Ecuador, and Peru. The beneficiary countries for previous years also include Bolivia.

[5] Trade data reported in all editions of this report are DOL compilations from official statistics by the U.S. Department of Commerce, Bureau of the Census. In recent years, data have been extracted from the U.S. International Trade Commission's (USITC) Interactive Tariff and Trade Dataweb. The USITC Interactive Tariff and Trade Dataweb is available at http://dataweb.usitc.gov/.

[6] Previous reports are available at http://www.dol.gov/ilab/media/reports/otla/atpamain.htm. Data series reported are U.S. imports for consumption and U.S. domestic exports. All trade data are in nominal terms. During 2011, the ATPA lapsed for a little more than seven months. Although the renewal of the program in October 2011 allowed for exporters to the United States from Ecuador or Colombia to apply retroactively for ATPA benefits, trade statistics available to the DOL do not include retroactive entries.

[7] For the purposes of relating international trade statistics to U.S. industrial output and employment, the Bureau of the Census has mapped 10-digit Harmonized Tariff Schedule (HTS) numbers used for U.S. exports and import statistics to their closest NAICS-based code.

ATPA would be associated with increased imports of items due to ATPA tariff preferences.[8] In addition to the value of imports and the market share of total U.S. imports in a given industry, any potential employment effect would also be dependent upon the size of the tariff forgone based on the ATPA preferences and the substitutability between domestic and imported products.[9]

In 2012, there were three NAICS-based industries where U.S. ATPA duty-free imports exceeded $20 million *and* accounted for more than 3.0 percent of total U.S. industry imports from all sources.

- **NAICS 21111— Oil and gas**
- **NAICS 11142— Nursery products, flowers, seeds, and foliage**
- **NAICS 31171— Prepared, canned, and packaged seafood products**

These three industries have been among the industries identified for detailed analysis for many years (each year since 2006 for prepared, canned, and packaged seafood products, each year since 2004 for oil and gas, and most years since 1993 for nursery products). Of these three industries, the nursery products industry (specifically, certain fresh-cut flowers) is the only industry that previous reporting has suggested that imports due to the ATPA trade preferences may have displaced some growers and workers in the United States. However, prior editions of this report have noted that it is difficult to isolate conclusively the factors responsible for these trends.

In each of the three industries, the share of all U.S. imports accounted for by U.S. ATPA duty-free imports in 2012 was less than that for 2010, the most recent year for which historical data are available. This is largely due to Colombia losing its beneficiary status in May 2012.[10] As such, the previous findings about the effects of the ATPA are expected to remain true. Nevertheless, trends in U.S. imports in these three industries are briefly discussed below.

Oil and Gas (NAICS 21111)

U.S. ATPA duty-free imports of oil and gas from the beneficiary countries in 2012 were $10.0 billion and accounted for 3.9 percent of U.S. imports of these items from all countries (down from 5.3 percent in 2010). Imports of oil and gas accounted for 87.9 percent of all U.S. ATPA duty-free imports in 2012. The following two HTS-8 items benefitted exclusively from the ATPA:

- **HTS 2709.00.10— Petroleum oils and oils from bituminous minerals, crude, testing under 25 degrees API[11]**

  In 2012, U.S. ATPA duty-free imports of this item from the beneficiary countries were $8.3 billion and accounted for 7.3 percent of all U.S. imports of this item (down from 10.4 percent in 2010).[12] The ATPA duty-free imports of this item were from both Ecuador (63.6

[8] Items from Colombia and Ecuador that benefit exclusively from the ATPA are those items that are not eligible for duty-free treatment under any other program.
[9] Estimating and employing elasticities of substitution between domestic and imported items is beyond the scope of this report and are not discussed further.
[10] U.S. imports of these items from Colombia continued to be granted duty-free treatment under the CTPA; however, analysis of the impacts of the CTPA is outside the scope of this report.
[11] API gravity is a measure of the density of petroleum oil developed by the American Petroleum Institute.
[12] Minor adjustments were made to data extracted from the USITC Interactive Tariff and Trade Dataweb to correct

percent) and Colombia (36.4 percent). This item faces a NTR tariff rate of 5.25 cents per barrel, or approximately 0.1 percent.

- **HTS 2709.00.20— Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees API or more**

  In 2012, U.S. ATPA duty-free imports of this item from the beneficiary countries were $1.5 billion and accounted for 1.3 percent of all U.S. imports of this item (down from 2.8 percent in 2010). Nearly all (97.6 percent) of the ATPA duty-free imports of this item were from Colombia. This item faces a NTR tariff rate of 10.5 cents per barrel, or approximately 0.1 percent.

Previous editions of this report have concluded that due to the relatively small share of U.S. imports of oil and gas accounted for by the beneficiary countries and the very low tariff benefit provided, that it is unlikely that the duty-free provisions of the ATPA have had any measurable effect on domestic employment in the oil and gas extraction industry. Given the continued declining share of U.S. ATPA duty-free imports in 2012, this assessment remains for 2012.

<u>Nursery Products, Flowers, Seeds, and Foliage (NAICS 11142)</u>

U.S. ATPA duty-free imports of nursery products, flowers, seeds, and foliage from the beneficiary countries in 2012 were $473.5 million and accounted for 28.3 percent of U.S. imports of these items from all countries (down significantly from 47.1 percent in 2010). The following three eight-digit Harmonized Tariff Schedule (HTS-8) items benefitted exclusively from the ATPA:

- **HTS 0603.11.00—Fresh-cut sweetheart, spray, and other roses**

  In 2012, U.S. ATPA duty-free imports of fresh cut sweetheart, spray, and other roses (HTS 0603.11.00) from all the beneficiary countries were $244.9 million and accounted for 64.4 percent of all U.S. imports of fresh cut roses (down from 96.4 percent in 2010). Colombia and Ecuador were, by far, the leading suppliers of fresh cut roses to the United States in 2012. Total imports from Colombia (including those that entered duty-free under the CTPA) accounted for 71.5 percent of all U.S. imports of this item. Total imports from Ecuador accounted for 24.1 percent. This item faces a NTR tariff rate of 6.8 percent.

- **HTS 0603.12.70—Fresh-cut other carnations from Colombia**

  Imports of this item are normally also eligible for duty-free treatment under GSP; however, Colombia has lost its GSP eligibility for this item because it exceeded the program's competitive need limitations. In 2012, U.S. ATPA duty-free imports of fresh cut other carnations (HTS 0603.12.70)[13] from Colombia were $25.9 million and accounted for 46.4 percent of all U.S. imports of this item (down from 98.9 percent in 2010). Colombia

---

$216.4 million in imports of this item from Colombia in June through August 2012 that were designated as ATPA imports (when Colombia was no longer an ATPA beneficiary).

[13] This HTS classification for "fresh-cut other carnations" covers all fresh cut carnations that are not miniature (spray) carnations.

remained, by far, the leading supplier of fresh cut other carnations to the United States in 2012. Total imports from Colombia (including those that entered duty-free under the CTPA) accounted for 95.8 percent of all U.S. imports of this item. This item faces a NTR tariff rate of 6.4 percent.

- **HTS 0603.14.00—Fresh-cut chrysanthemums from Colombia**

  Imports of this item are normally also eligible for duty-free treatment under GSP; however, Colombia has lost its GSP eligibility for this item because it exceeded the program's competitive need limitations. In 2012, U.S. ATPA duty-free imports of fresh cut chrysanthemums (HTS 0603.14.00) from Colombia were $51.6 million and accounted for 40.0 percent of all U.S. imports of this item (down from 99.5 percent in 2010). Colombia remained, by far, the leading supplier of fresh cut chrysanthemums to the United States in 2012. Total imports from Colombia (including those that entered duty-free under the CTPA) accounted for 97.0 percent of all U.S. imports of this item. This item faces a NTR tariff rate of 6.4 percent.

Historically, the benefits provided exclusively by the ATPA have helped the ATPA beneficiary countries, and specifically Colombia, to become the dominant suppliers of fresh cut roses, carnations, and chrysanthemums to the U.S. market. Other factors, such as proximity to the United States and climate, have also been important. Previous editions of this report have concluded that trends in U.S. domestic production and U.S. imports from the beneficiary countries since implementation of the ATPA suggest that increased imports of fresh cut roses, carnations, and chrysanthemums due to the ATPA trade preferences may have displaced some domestic growers and workers located in the United States. As of May 2012, Colombia is no longer an ATPA beneficiary, and these items now enter the United States duty free under the CTPA. As such, the ATPA is much less relevant to the cut flower industry.

Prepared, Canned, and Packaged Seafood Products (NAICS 31171)

U.S. ATPA duty-free imports of prepared, canned and packaged seafood products from the beneficiary countries in 2012 were $97.1 million and accounted for 3.3 percent of U.S. imports of these items from all countries (down from 3.5 percent in 2010). The following three HTS-8 items benefitted exclusively from the ATPA:

- **HTS 1604.14.10—Tunas and skipjack, whole or in pieces, but not minced, in oil, in airtight containers**

  In 2012, U.S. ATPA duty-free imports of this item from the beneficiary countries were $12.3 million and accounted for 32.5 percent of all U.S. imports of this item (down from 43.8 percent in 2010). All of the ATPA duty-free imports of this item were from Ecuador, the leading supplier of this item to the United States. This item faces a NTR tariff rate of 35 percent.

- **HTS 1604.14.30—Tunas and skipjack, not in oil, in airtight containers, not over 7 kg, not of U.S. possessions, over quota**

  In 2012, U.S. ATPA duty-free imports of this item from the beneficiary countries were $52.8 million and accounted for 7.3 percent of all U.S. imports of this item (up from 7.0 percent in 2010). All of the ATPA duty-free imports of this item were from Ecuador, the fourth leading supplier of this item to the United States. This item faces a NTR tariff rate of 12.5 percent.

- **HTS 1604.14.40—Bulk tuna not packed in airtight containers**

  In 2012, U.S. ATPA duty-free imports of this item from the beneficiary countries were $29.3 million and accounted for 7.5 percent of all U.S. imports of this item (no change from 2010). The ATPA duty-free imports of this item were from both Ecuador (52.0 percent) and Colombia (48.0 percent). This item faces a NTR tariff rate of 1.1 cent/kg or 0.2 percent.

Previous editions of this report have concluded that it is unlikely that the duty-free provisions of the ATPA have had a significant effect on domestic employment in this sector. This conclusion was based on the small and generally declining share of total U.S. imports, and the fact that Thailand (which does not receive duty-free treatment) continues to dominate U.S. imports of tuna products. Given the continued declining share of U.S. ATPA duty-free imports in 2012, this assessment remains for 2012.

FINDINGS

The main finding of this report is that preferential tariff treatment under the provisions of the ATPA has neither had an adverse impact on, nor posed a significant threat to, overall levels of U.S. employment. At the industry level there is some historical evidence to suggest that increased imports of certain fresh cut flowers and asparagus due to the ATPA trade preferences may have displaced some growers and workers in the United States, although that remains difficult to demonstrate conclusively and is less relevant in recent years because Peru and Colombia (the historically dominant exporters of cut flowers and asparagus under the ATPA) are no longer beneficiary countries. Because just one country (Ecuador) continued to be eligible for ATPA benefits for the entire year of 2012, the year covered by this report, the ATPA effects that have for many years been negligible to small have become even more so. The ATPA expired on July 31, 2013.

Table 1. Summary of Trade with ATPA Beneficiary Countries, 1993-2012

Year	Percentage of Total U.S. Exports Sent to ATPA Beneficiary Countries	Percentage of Total U.S. Imports Received from ATPA Beneficiary Countries	Percentage of Total U.S. Imports that Received Duty-Free Treatment under the ATPA	Percentage of Total U.S. Imports that Received Duty-Free Treatment under the ATPA (excluding NAICS 21111-Oil and Gas)
2012	0.8	0.9	0.5	0.1
2011	1.4	1.5	Not Available[1]	Not Available[1]
2010	2.0	1.5	0.8	0.1
2009	1.8	1.3	0.6	0.2
2008	1.7	1.4	0.8	0.2
2007	1.4	1.1	0.6	0.2
2006	1.3	1.2	0.7	0.3
2005	1.1	1.2	0.7	0.3
2004	1.1	1.1	0.6	0.3
2003	1.0	0.9	0.5	0.2
2002	1.0	0.8	0.1	0.1
2001	1.0	0.8	0.1	0.1
2000	0.9	0.9	0.2	0.2
1999	1.0	1.0	0.2	0.2
1998	1.4	0.9	0.2	0.2
1997	1.3	1.0	0.2	0.2
1996	1.3	1.0	0.2	0.2
1995	1.4	0.9	0.1	0.1
1994	1.3	0.9	0.1	0.1
1993	1.2	0.9	0.1	0.1
1992	1.3	1.0	<0.1	<0.1

[1] During 2011, the ATPA lapsed for a little more than seven months. Although the renewal of the program in October 2011 allowed for exporters to the United States from Ecuador or Colombia to apply retroactively for ATPA benefits, trade statistics available to the DOL do not include retroactive entries.

Note: The beneficiary countries for 2012 are Ecuador (full year) and Colombia (January through May). The beneficiary countries for 2011 are Colombia and Ecuador. The beneficiary countries for 2009 and 2010 are Colombia, Ecuador, and Peru. The beneficiary countries for previous years also include Bolivia. The value of U.S. exports is the free alongside ship (FAS) value of domestic U.S. merchandise exports at the U.S. port of export. The value of U.S. imports is the customs value of U.S. merchandise imports for consumption.

Source: Compiled from official statistics of the U.S. Department of Commerce, Bureau of Census, and previous editions of this report, available at http://www.dol.gov/ilab/media/reports/otla/atpamain