



July 14, 2010

Secretary  
United States International Trade Commission  
500 E Street SW  
Washington, DC 20436

**RE: Investigation No. 332-352, Andean Trade Preference Act:  
Impact on the U.S. Economy and on Andean Drug Crop  
Eradication**

To Whom It May Concern:

Thank you for providing us this opportunity to provide this written submission for use in the development of your report to Congress on the Andean Trade Preference Act (ATPA).

The American Apparel & Footwear Association (AAFA) is the national trade association representing the apparel and footwear industries, and their suppliers. Our members produce and market sewn products throughout the United States and the world, including the Andean region. In short, our members make everywhere and sell everywhere.

AAFA strongly supports the ATPA, as amended, and has lobbied Congress for its continuation in the face of numerous short-term extensions and pending expirations of the program.

AAFA would like to address two issues critical to the continued success of ATPA. The first is AAFA's firm belief in the need to keep Peru in the program. Second, AAFA strongly believes that Ecuador's continuation of so-called Balance of Payments safeguard measures not only violates international trade obligations, but also flies in the face of both the letter and spirit of ATPA.

**Peru – An Integral Part of ATPA's Success**

When ATPA was expanded through the Andean Trade Promotion and Drug Eradication Act (ATPDEA), Andean countries under the program were now allowed to produce apparel, under certain rules, and export that apparel to the United States duty-free.

ATPDEA was designed to encourage regional integration, both between the United States and the Andean countries as well as between the Andean countries themselves. In order to get duty-free access to the U.S. market, the Andean countries had to make their garments using U.S. *or regional* yarn and fabric.

The program was a wild success, with U.S. apparel imports from the Andean region almost doubling between 2001 and 2004. Regrettably, the constant threat of expiration of the Andean program due to numerous short-term extensions and, more recently, the U.S. economic recession, has returned trade to pre-2001 levels.

That trade was not only built on the use of U.S. yarns and fabrics, but on a vibrant trade in regionally produced yarns and fabrics between Peru and Colombia.

In the interim, the United States and Peru have implemented the U.S./Peru Trade Promotion Agreement. That agreement only allows duty-free treatment for apparel from Peru if it is made solely from U.S. or Peruvian yarn and fabric. The free trade agreement does not allow for the use of Colombian yarn and fabric.

As a result, over 70 percent of the apparel Peru shipped duty-free to the United States in 2009 entered under the Andean program, not the free trade agreement.

Furthermore, Colombia utilizes a significant amount of Peruvian yarn and fabric in the apparel it exports duty-free to the United States under ATPDEA. If Peru is “graduated” from the Andean program, those Colombian garments using Peruvian inputs would no longer receive duty-free access to the U.S. market.

Although the percent of apparel imports from Peru that use the Andean program dropped to about 30 percent for the first five months of 2010, that number is still unacceptably high to prevent disruption if Peru is removed from the Andean program.

Therefore, AAFA urges the U.S. International Trade Commission to consider the importance of this issue in the development of its report to Congress.

### **Ecuador – BoP Safeguard Measures Must End**

In January 2009, Ecuador implemented Balance of Payments (BoP) restrictions and surcharges on apparel and footwear under rubric of the World Trade Organization (WTO). Ecuador imposed surcharges of \$10 per pair (U.S. dollars) on ALL footwear imports and \$12 per kilogram on most apparel imports.

The surcharges essentially closed the Ecuador market to U.S.-made and U.S.-branded apparel and footwear.

Ecuador committed to the WTO that it would end these restrictions on January 22, 2010. However, Ecuador announced shortly before that deadline that it would extend these surcharges for another six months.

For footwear, Ecuador recently announced it has replaced this \$10 per pair surcharge with a mixed ad valorem/specific duty of 10 percent + \$6 per pair (U.S. dollars) duty. Ecuador claims that this duty does not exceed its 30 percent WTO tariff binding and, therefore, the new mixed duty complies with Ecuador’s WTO obligations.

This claim could not be farther from the truth. Most footwear imported into Ecuador has an average FOB value ranging from \$3 to \$18 (U.S. dollars) and retail for the equivalent of from \$9 to \$48 (U.S. dollars). At the new duty-rate, these footwear imports are now subject to an actual duty of anywhere from 43 percent to an astronomical 210 percent.

While Ecuador's initial justification for these measures was always suspect, Ecuador's balance of payments today is again strong and does not justify the continuation of any form of protection.

Because of Ecuador's current position under the Andean program, we feel that these safeguard measures are an appropriate and necessary topic for inclusion in the U.S. International Trade Commission's report to Congress.

Thank you for your time and consideration in this matter. Please contact Nate Herman of my staff at 703-797-9062 or [nherman@apparelandfootwear.org](mailto:nherman@apparelandfootwear.org) if you have any questions or would like additional information.

Please accept my best regards,

Kevin M. Burke

A handwritten signature in cursive script that reads "Kevin M. Burke".

President & CEO