October 27, 2009

The Honorable Max Baucus
Chairman
Senate Finance Committee
215 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Charles Grassley
Ranking Member
Senate Finance Committee
215 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Charles Rangel
Chairman
House Committee on Ways and Means
1100 Longworth House Office Building
Washington, DC 20010

The Honorable Dave Camp
Ranking Member
House Committee on Ways and Means
1100 Longworth House Office Building
Washington, DC 20010

Dear Chairman Baucus, Ranking Member Grassley, Chairman Rangel and Ranking Member Camp:

We are writing to urge you in the most urgent terms to seek expeditious renewal of the Andean Trade Preference Act (ATPA). ATPA currently is set to expire on December 31. As you know, ATPA has enjoyed bipartisan support since 1992. We ask that you support an extension of this important program in the coming weeks to avoid an unnecessary lapse in benefits as we approach 2010.

Almost 2 million jobs in the region depend on ATPA preferences and the region is a steadily growing market for U.S. exports. In fact, U.S. exports to the Andean region have <u>more than tripled</u> since ATPA was expanded in 2002, with U.S. exports to the region totaling $31.6 billion in 2008.

ATPA has provided important, measurable benefits to workers in the United States as well. For example, Colombia's flower sector, which now employs nearly a quarter of a million Colombians – both in direct farm jobs and in many thousands of indirect support jobs – supports tens of thousands of jobs in the United States. These jobs are in sectors such as transportation, import brokerage, wholesale operations, retails florist shops, internet providers, supermarkets and convenience stores and are dependent on Colombian flower imports.

A centerpiece of U.S. anti-narcotics policy in the region, the ATPA program currently grants preferential trade benefits to Colombia, Peru and Ecuador. A lapse in these preferences, even for a short period, would threaten to undo many of our economic and foreign policy successes and objectives in the region. Past experience shows that letting the program lapse with the aim of renewing it retroactively is fraught with serious problems, not the least of which is harm to U.S. and regional employment as well as U.S. investment in our hemisphere. For example, when ATPA expired in 2002, U.S. importers of flowers from the region paid approximately $2.5 million per month in duties for eight months. As a result, many companies went out of business and U.S. jobs were lost.

A long-term extension of ATPA is absolutely necessary to ensure the continued success of the program. The last extension of ATPA was enacted at the end of 2008 for a period of just one year. In fact, Congress has extended ATPA a total of five times in the last three years alone. These short extensions create an environment of extreme unpredictability for U.S. companies that are invested in the region or who are planning to start new operations. In order for companies to be able to use the program with confidence and certainty, it is necessary to extend ATPA <u>for at least two years</u>.

U.S. apparel imports from the Andean region that enter the United States duty-free under the program utilize U.S. cotton, yarns, and fabrics. In 2008 alone, U.S. cotton exports to the region totaled almost $150 million, while U.S. yarn and fabric exports to the region in 2008 totaled $160 million.

Faced with the uncertainty of continued trade benefits, however, some apparel production has shifted to Asia, depriving the region of much-needed jobs and U.S. cotton growers and U.S. textile workers of valued customers for their products. U.S. apparel imports from the region fell over 10 percent from 2007 to 2008 and have dipped another 30 percent in the first eight months of this year. In turn, U.S. textile exports to the region in 2008 were down over 10 percent from 2006 and have fallen another 35 percent in just the first eight months of this year alone. U.S. cotton exports to the region have also declined, sliding over 24 percent in just the first eight months of this year.

It should be noted that even though Peru has a free trade agreement (FTA) with the United States, it still needs ATPA due to co-production that takes place for certain products in both Peru and Colombia, which does not yet enjoy an FTA with the United States. In fact, almost 75 percent of Peru's apparel exports to the United States in the first eight months of this year entered duty-free under the regional yarn provision under ATPA. This trade may disappear if the program is allowed to lapse.

While the ATPA has been critical to our partnership with the Andean region, it is only temporary and excludes some products and services. Further, it does not grant any benefits to U.S. products exported to beneficiary countries. The pending free trade agreement with Colombia, however, would provide permanent, reciprocal treatment for products traded between the United States and Colombia. We do not see the ATPA program as a substitute for the Colombia FTA, but rather as a bridge to the eventual implementation that important agreement.

Without quick renewal of ATPA, there will be no bridge, nor will there be any platform from which to make the free trade agreement with Colombia a success when that agreement is finally implemented.

Therefore, we again strongly urge you to renew ATPA before the program expires at the end of this year.

Sincerely,

American Apparel & Footwear Association
American & Efird, Inc.
Association of Colombian Flower Exporters
Cabela's Inc.
Coalition for Safe and Affordable Childrenswear, Inc.
Coats North America
College Concepts, LLC
Fishman & Tobin, Inc.

J.C. Penney Co., Inc.
Jockey International, Inc.
Levi Strauss & Co.
Mansfield Plumbing Products
National Council of Textile Organizations
National Cotton Council
National Retail Federation
Orchid Ceramics
Outdoor Industry Association
Parkdale Mills
Patagonia, Inc.
Perry Ellis International
Retail Industry Leaders Association
Robinson Manufacturing Company, Inc.
VF Corporation