

Statement by Congressman Philip M. Crane
Senate Finance Committee Hearing on the Andean Trade Preference Act
August 3, 2001

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.