ATPA Renewal: Background and Issues

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Summary

The Andean Trade Preference Act (ATPA) extends duty-free treatment to certain U.S. imports that meet domestic content and other requirements from designated countries in the Andean region. The purpose of ATPA is to promote economic growth in the Andean region and to encourage a shift away from dependence on illegal drugs by supporting legitimate economic activities. ATPA (Title II of P.L. 102-182) was enacted on December 4, 1991. It was renewed and modified under the Andean Trade Promotion and Drug Eradication Act (ATPDEA; Title XXXI of P.L. 107-210) on August 6, 2002, extending trade preferences until December 31, 2006. Since that time, Congress has provided several short-term extensions of ATPA. The most recent extension took place on October 12, 2011, when the 112th Congress enacted implementing legislation for the U.S.-Colombia Trade Promotion Agreement (P.L. 112-42). As part of the free trade agreement implementing legislation, ATPA was renewed for Colombia and Ecuador until July 31, 2013.

The countries originally designated to qualify for trade preferences under ATPA were Bolivia, Colombia, Ecuador, and Peru. Trade preferences for Peru were not renewed in 2010 because Peru has a free trade agreement with the United States, which entered into force in February 2009. In the case of Bolivia, trade preferences were suspended in December 2008 because Bolivia failed to meet ATPA eligibility criteria related to counter-narcotics cooperation. Bolivia may only be reinstated as a beneficiary country under ATPA if Congress approves legislation to do so.

The impact of the ATPA on coca production in Andean countries has been small and mostly indirect, according to a 2010 study by the U.S. International Trade Commission. The study reports that illegal coca cultivation fell substantially in Andean countries from a 20-year peak of 232,500 hectares in 2007 to 192,000 in 2008. The study also reports that the ATPA, in combination with other alternative development programs, may indirectly have helped support job growth in certain exports from Andean countries, such as fresh-cut flowers, asparagus, bananas, and pineapples.

The trade effects of ATPA on the U.S. economy have been minimal because the amount of U.S. trade with the Andean region is low. The value of duty-free U.S. imports under ATPA accounts for about 0.8% of total U.S. imports, or 0.1% of the U.S. gross domestic product (GDP). Approximately 90% of U.S. imports from ATPA countries enter duty-free under various trade preference programs or through normal trade relations. Duty-free imports under ATPA account for 49.9% of total U.S. imports from ATPA countries. Leading U.S. ATPA imports in 2010 were crude petroleum oil, cut flowers, petroleum-oil products (other than crude), refined copper, t-shirts and similar apparel, and fish and caviar products.

During the remainder of the 112th Congress, policymakers may consider whether or not to continue renewing ATPA for Colombia or Ecuador, or whether to reinstate Bolivia as a beneficiary country. Policymakers may also consider broader reform of U.S. trade preference programs, including the Generalized System of Preferences. Some Members of Congress maintain that ATPA has been responsible for helping the Andean region progress economically over the 18-year life of the program. Critics of ATPA argue that unilateral trade programs are ineffective; that the ATPA has forced U.S. producers to compete with lower-cost Andean imports; and that, in cases such as Bolivia and Ecuador, trade preferences should not be extended to countries that do not support U.S. foreign and trade policies.

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ATPA Overview

The United States extends duty-free treatment to certain imports from Colombia and Ecuador under a regional trade preference program that began under the Andean Trade Preference Act (ATPA). ATPA was enacted on December 4, 1991 (Title II of P.L. 102-182), and was originally authorized for 10 years with Bolivia, Colombia, Ecuador, and Peru as designated beneficiary countries.[1] It lapsed on December 4, 2001, and was renewed and modified on August 6, 2002, under the Andean Trade Promotion and Drug Eradication Act (ATPDEA; Title XXXI of P.L. 107-210). ATPDEA amended ATPA by expanding trade preferences to include additional products that were previously excluded under ATPA. These products include certain items in the following categories: petroleum and petroleum products, textiles and apparel products, footwear, tuna in flexible containers, and others. Since the enactment of ATPDEA, Congress has favored extending ATPA short periods of time.

During the 112th Congress, policymakers may consider whether or not to continue renewing ATPA for Colombia or Ecuador, or whether to reinstate Bolivia as a beneficiary country. The most recent extension of ATPA renewed trade preferences for Colombia and Ecuador until July 31, 2013, as part of the implementing legislation for the U.S.-Colombia free trade agreement. The free trade agreement, formally known as the U.S.-Colombia Trade Promotion Agreement, was approved by the Congress on October 12, 2011, and signed into law on October 21, 2011 (P.L. 112-42). Although the agreement has been approved by the governments of both countries, it cannot enter into force until President Barack Obama certifies that Colombia has taken the necessary measures to comply with its obligations under the agreement. Once the FTA enters into force, it is possible that the Congress may no longer consider ATPA renewal for Colombia. Trade preferences for Peru have not been renewed because the United States and Peru have a free trade agreement, which entered into force on February 1, 2009 (P.L. 110-138).

Bolivia's designation as a beneficiary country was terminated in November 2008 by President George W. Bush because of Bolivia's failure to meet the eligibility criteria due to its lack of cooperation on counter-narcotics efforts. In 2009, President Barack Obama continued the determination that Bolivia was not meeting the eligibility criteria. The President's option of reinstating Bolivia as an ATPA beneficiary country expired on June 30, 2009. Bolivia can only be reinstated as a beneficiary country under ATPA if Congress approves legislation to do so.

ATPA, as amended by ATPDEA, is part of a broader U.S. initiative with Andean countries to address the drug trade problem with Latin America. The act (as a complement to crop eradication, interdiction, and other counter-narcotics efforts) was intended to promote economic growth in the Andean region and to encourage a shift away from dependence on illegal drugs by supporting legitimate economic activities. Increased access to the U.S. market was expected to help create jobs and expand legitimate opportunities for workers in the Andean countries in alternative export sectors.

[1] Bolivia and Peru were originally designated as beneficiary countries under the Andean Trade Preference Act (ATPA). Peru is no longer a beneficiary country because of the U.S.-Peru free trade agreement which entered into force in February 2009. Bolivia's designation as a beneficiary country was suspended by the President as of December 2008 because the country failed to meet the requirements set forth by the ATPA.

U.S. Trade with Andean Countries

U.S. Trade with Bolivia, Colombia, Ecuador, and Peru

In 2010, the United States imported $28.9 billion (1.5% of total U.S. imports) from the four Andean countries that were originally designated as ATPA beneficiaries (Bolivia, Colombia, Ecuador, and Peru), as shown in **Table 1**. Colombia is the leading source of U.S. imports from the region. In 2010, total U.S. imports from Colombia amounted to $15.7 billion; leading import items were crude petroleum oil, gold, and coal. The next leading supplier of U.S. imports from the Andean countries is Ecuador ($7.3 billion in 2010), followed by Peru ($5.2 billion), and Bolivia ($0.7 billion). The four countries collectively were the 15th-leading supplier of U.S. imports. Colombia and Ecuador have the highest market share of exports going to the United States, with approximately 42% of Colombia's and 33% of Ecuador's exports headed to the United States. Leading U.S. imports from this region in 2010 consisted of crude petroleum oil (50%), gold (7%), petroleum oil other than crude (5%), coffee (4%), and coal (3%).

The region accounts for a very small market share of total U.S. exports (1.2%). In 2010, the four countries collectively were the 14th-largest market for total U.S. exports. Exports from the United States to the region totaled $22.5 billion in 2010, with Colombia accounting for the largest share of U.S. exports to the region ($11.0 billion), followed by Peru ($6.1 billion), Ecuador ($5.0 billion), and Bolivia ($0.4 billion), as shown in **Table 2**. Leading U.S. exports to the region in 2010 were petroleum oil products other than crude (22%), machinery parts (3%), polymers of ethylene (2%), bulldozers and related products (2%), and aircraft and related products (2%).

U.S. ATPA Imports

Duty-free imports accounted for 87.4% of U.S. imports from the region in 2010. ATPA duty-free imports accounted for 49.9% of total U.S. imports from the region, as shown in **Table 3**. Of the remaining duty-free imports, a small share (1.3%) entered into the United States under GSP and the remainder entered under normal trade relations, which applies on a nondiscriminatory basis to almost all U.S. trading partners. Only 12.6% of the value of U.S. imports from the four countries was dutiable in 2010. Leading U.S. ATPA imports in 2009 were crude petroleum oil, cut flowers, petroleum oil other than crude, t-shirts and similar apparel, and fish and caviar products.

The year 2008 marked the sixth full year that ATPA provisions were in effect after its renewal under ATPDEA and also the last year that trade preferences were in effect for all four countries originally designated as ATPA beneficiaries. Between 2001 and 2008, total U.S. ATPA imports increased from $1.7 billion (17% of total imports from ATPA countries) to $17.2 billion (61% of total imports from ATPA countries), an increase of more than 900%. Between 2008 and 2010, however, ATPA imports fell from $17.2 billion to $14.4 billion, a decrease of $2.8 billion, or 16.3%, mostly as a result of lower imports from Bolivia and Peru. Bolivia was removed from the list of ATPA designated countries in December 2008, which was the last year that imports from Bolivia received ATPA preferences. As shown in **Table 3**, U.S. ATPA imports from Bolivia went down to zero in 2010. Because of the U.S.-Peru free trade agreement, which went into force on February 1, 2009, U.S. ATPA imports from Peru declined from $3.2 billion in 2008 to $759 million in 2010.

Table 1. Total U.S. Imports from Original ATPA Countries: 2006-2010

(US$ billions)

Country	2006	2007	2008	2009	2010	Leading U.S. import items in 2010[a]
Bolivia	0.4	0.3	0.5	0.5	0.7	Crude petroleum oil, tin, silver
Colombia	9.2	9.3	13.1	11.2	15.7	Crude petroleum oil, gold, coal
Ecuador	7.0	6.1	9.0	5.2	7.3	Crude petroleum oil, bananas, crustaceans
Peru	5.9	5.2	5.8	4.2	5.2	Copper, petroleum oil (other than crude), gold
Total	**22.5**	**20.9**	**28.5**	**21.2**	**28.9**	

Source: U.S. International Trade Commission (USITC) Interactive Tariff and Trade DataWeb, http://dataweb.usitc.gov. Compiled by CRS.

Notes:

a. Imports at the HTS 4-digit level.

Table 2. Total U.S. Exports to Original ATPA Countries: 2006-2010

(US$ billions)

Country	2006	2007	2008	2009	2010	Leading U.S. export items in 2010
Bolivia	0.2	0.3	0.4	0.4	0.4	Aircraft, data processing machines, jewelry
Colombia	6.2	7.9	10.6	8.8	11.0	Petroleum oils (other than crude), machinery parts, polymers of ethylene
Ecuador	2.5	2.7	3.2	3.6	5.0	Petroleum oils (other than crude), petroleum gases, aircraft
Peru	2.7	3.8	5.7	4.4	6.1	Petroleum oils (other than crude), bulldozers, machinery parts
Total	**11.6**	**14.6**	**19.8**	**17.1**	**22.5**	

Source: USITC Tariff and Trade DataWeb, http://dataweb.usitc.gov. Compiled by CRS.

Notes:

a. Exports at the HTS 4-digit level.

Table 3. U.S. Imports from ATPA Countries: 2001, 2008, and 2010

(US$ billions)

	Bolivia[a]	Colombia	Ecuador	Peru	Total	% of Total Imports
2001 Total Imports	165.1	5,622.6	1,975.4	1,805.5	9,568.7	
Duty-Free Imports	137.3	3,281.0	1,038.1	1,221.0	5,677.3	59.3%
ATPA	53.2	696.6	216.1	686.3	1,652.2	17.3%
GSP	9.5	68.2	33.0	73.4	184.2	1.9%
Other duty-free	74.5	2,516.1	789.0	461.3	3,840.9	40.1%
2008 Total Imports	540.4	13,058.8	9,043.8	5,839.9	28,483.0	
Duty-Free Imports	471.2	12,001.2	7,915.4	5,507.9	25,895.7	90.9%
Total ATPA (including ATPDEA)	140.0	7,339.2	6,594.8	3,168.7	17,242.7	60.5%
ATPDEA	83.0	6,527.8	6,311.1	1,648.6	14,544.4	51.1%
ATPA	57.0	811.5	283.7	1,520.1	2,698.2	9.5%
GSP	47.6	235.8	57.1	271.0	611.6	2.1%
Other duty-free	283.6	4,426.2	1,263.5	2,068.1	8,041.4	28.2%
2010 Total Imports	675.9	15,672.6	7,333.8	5,172.5	28,854.8	
Duty-Free Imports	457.4	14,536.6	5,507.1	4,729.2	25,230.3	87.4%
Total ATPA (including ATPDEA)	0.0	9,472.6	4,179.1	759.3	14,410.9	49.9%
ATPDEA	0.0	8,538.9	3,886.6	534.1	12,959.5	44.9%
ATPA	0.0	933.7	292.5	225.2	1,451.4	5.0%
GSP	155.7	158.5	54.3	0	368.5	1.3%
Other duty-free	301.7	4,905.5	1,273.7	3,969.9	10,451.0	36.2%

Source: USITC Interactive Tariff and Trade DataWeb, http://dataweb.usitc.gov. Compiled by CRS.

a. Bolivia's designation as an ATPA beneficiary country was suspended on December 15, 2008.

ATPA Impact

The trade effects of ATPA on the U.S. economy are minimal because the amount of U.S. trade with the region is low. The value of duty-free U.S. imports under ATPA accounts for about 0.7% of total U.S. imports, or 0.1% of the U.S. gross domestic product (GDP). A 2010 U.S. International Trade Commission (USITC) study on the ATPA states that the overall effect of ATPA-eligible imports on the U.S. economy continued to be minimal in 2008 and 2009. The study estimates that U.S. imports under ATPA of fresh-cut roses and fresh-cut chrysanthemums provided the most significant impact on U.S. consumers through lower prices. For U.S. producers, the study estimates that the most significant adverse impact of ATPA tariff preferences occurred in 2008 and 2009 as a result of reduced domestic production in fresh-cut chrysanthemums.[2]

The impact of the ATPA on coca production in Andean countries has been small and mostly indirect, according to the USITC study.[3] The ATPA, combined with U.S. economic assistance through alternative development programs,[4] may have contributed to the U.S. counter-narcotics effort. The USITC study states that, in 2008 and 2009, ATPA continued to have a small, indirect effect in support of illicit coca eradication and crop substitution efforts in the Andean region. Although coca cultivation has decreased notably since 2007, ATPA was not a major cause of this and there were likely other factors that contributed to the decline. The study reports that, according to U.S. State Department data, illegal coca cultivation fell substantially in the Andean countries of Bolivia, Colombia, and Peru, from a 20-year peak of 232,500 hectares (ha) in 2007 to 192,000 ha in 2008. The study also states that Ecuador effectively eradicated its coca cultivation by 1992, but remains a major transit country for illegal drugs trafficked from Colombia and Peru.[5]

The rapid rise in the value of imports from ATPA countries since it was modified by ATPDEA was primarily due to an increase in the value of imports of petroleum-related products. Imports of crude petroleum oils accounted for over 70% of U.S. imports under ATPA in 2009. The ATPA, in combination with other alternative development programs, may have helped support job growth in certain export sectors, such as fresh-cut flowers and legal crops (asparagus, bananas, pineapples, and other crops), and expanded alternatives to workers who may have otherwise engaged in drug-crop production.[6]

Possible Sectoral Effects

The USITC study identified the fresh-cut chrysanthemum flower industry as the one U.S. sector that had an estimated displacement of 5% or more due to the ATPA in 2009. In 2007, the two industries that were identified as having an estimated displacement of 5% or more were asparagus and fresh-cut flowers (roses and chrysanthemums). ATPA countries supplied 82% of the total value of U.S. imports of fresh-cut flowers and 99% of the total value of U.S. imports of chrysanthemums in 2009. U.S. imports of fresh-cut flowers from ATPA countries are primarily sourced from Colombia, and to a much lesser extent, from Ecuador.[7] Almost all imports in this category enter the United States duty-free under ATPA. The United States is an important fresh-cut flower export market for ATPA countries, accounting for 80% of the total value of Colombian exports ($1.02 billion) and 42% of Ecuadorian exports ($471 million) in 2009. The USITC reports that U.S. companies have invested more than $250 million in the Colombian flower industry and own approximately 17% of total Colombian cut-flower production.[8] Colombia's association of flower exporters estimates that the industry provided for 220,000 jobs in Colombia

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[2] U.S. International Trade Commission, *Andean Trade Preference Act: Impact on U.S. Industries and Consumers and on Drug Crop Eradication and Crop Substitution, 2009: Fourteenth Report,* USITC Publication 4188, September 2010 (hereinafter USITC Publication 4188).

[3] USITC Publication 4188, pp. 4-1 and 4-2.

[4] The Alternative Development program is a program funded under the U.S. Agency for International Development's Andean Counterdrug Initiative (ACI).

[5] USITC Publication 4188, pp. 4-2 and 4-3.

[6] Ibid., pp. x and xi.

[7] Ibid., pp. 3-10 through 3-13.

[8] Ibid.

in 2010 and that the U.S. government has recognized the Colombian flower industry as an important ally in efforts to combat the illegal drug trade. The flower industry also provides for jobs in the United States, including airline industry employees, customs personnel, custom brokers, flower importers, retail flower shops employees, and others. However, some U.S. producers of fresh-cut flowers have been adversely affected by ATPA imports and contend that many U.S. flower farmers in California have been forced to give up their farms due to increased flower imports from Colombia and Ecuador.[9]

Another sector that has been affected is the asparagus industry. Peru is the leading exporter of asparagus in the world and, by far, the major Andean supplier of fresh asparagus to the U.S. market. In 2009, Peru supplied nearly all U.S. asparagus imports under ATPA and 57% of all U.S. fresh asparagus imports. Asparagus imports from ATPA countries in 2007 totaled $162.7 million, an increase of 24% from 2006. U.S. asparagus imports from ATPA countries increased in 2008 to $153.5 million and then increased to $162.3 million in 2009.[10] Although U.S. producers may have been adversely affected by lower prices resulting from ATPA, U.S. consumers have benefitted from a greater availability of fresh asparagus throughout the year and from lower retail prices. The Peruvian Asparagus Importers Association states that U.S. consumers have benefited from asparagus imports from Peru because there is now greater availability of fresh asparagus throughout the year. The association also states that most imports from Peru are destined predominantly to the eastern United States in areas where local production is minimal. The Peruvian asparagus industry provides jobs for an estimated 60,000 workers in Peru and is considered to be an important part of overall economic development in Peru. The Peruvian Asparagus and Vegetables Institute (IPEH) estimated that nearly 40% of the workers in the asparagus industry in 2006 came from areas that formerly supplied workers to illegal coca cultivation.[11]

Since the ATPA was amended by ATPDEA, investment in the textiles and apparel industries has increased in the Andean region. Textiles and apparel production has been a leading source of economic activity, particularly in Colombia and Peru. In 2009, the textiles and apparel industries provided jobs for 129,434 workers and accounted for 20% of Colombia's manufacturing jobs. Peru has been the leading Andean textile and apparel supplier to the United States for the past several years. In 2009, Peru accounted for 70% ($620 million) of U.S. textiles and apparel imports from the region.[12]

Effects of Bolivia's Suspension under ATPA

The effect of the suspension of trade preferences for Bolivia is difficult to measure because of other factors affecting trade and investment, such as political and economic conditions. A likely impact has been a possible loss of investor confidence and reduced private investment, which would subsequently affect jobs. However, investment in Bolivia is also affected by other economic factors and by the internal political situation. The policies of current Bolivian President Evo Morales, an indigenous leader elected in December 2005, have restricted foreign direct

[9] USITC Publication 4188, pp. 5-8 through 5-11.

[10] Based on data from the U.S. International Trade Commission trade database.

[11] Peruvian Asparagus Importers Association, *Written Statement for the House Committee on Ways and Means,* July 12, 2006.

[12] USITC Publication 4188, pp. 3-22 and 3-23.

investment (FDI) in Bolivia and subsequently caused a great deal of uncertainty for foreign investors. President Morales has nationalized a number of industries since 2006, including hydrocarbons, telecommunications and electricity. Bolivia has stringent rules on foreign ownership and profit repatriation. [13] In addition, U.S.-Bolivian relations have been strained by the Morales government's drug policy and close relationship with Venezuela. In September 2008, Bolivia broke off diplomatic ties with the United States over accusations of political interference.[14] Though diplomatic ties with the United States have not been restored, the two countries have been engaged in a dialogue to improve relations since May 2009.[15] The political uncertainty in Bolivia has likely affected the potential for long-term investments in Bolivia and probably contributed to volatility in Bolivia's FDI flows as well as potential ATPA-related investment. Though foreign investment flows to Bolivia are relatively low, any negative impact on the economy could be significant because the size of the Bolivian economy is so small.

The losses due to the suspension of ATPA trade preferences have likely been concentrated in certain sectors or regions of the country and, therefore, costly to certain communities. Some reports on Bolivia's economy and the effect of the removal of ATPA trade preferences for Bolivia concluded that the main impacts have been a loss of investor confidence and reduced private investment, subsequently affecting jobs. The government of Bolivia estimated that before Bolivia's suspension, ATPA trade preferences created 19,300 jobs, mostly in the clothing sector. One report cited by the USITC study estimates that the suspension of trade preferences for Bolivia resulted in thousands of job losses in the textiles and leather sectors. Another report estimates that employment in the textile sector fell 30% since trade preferences were suspended.[16]

A 2008 private sector report by a group of Bolivian business owners called the *Confederación de Empresarios Privados de Bolivia* (CEPB) stated that the Bolivian economy was going through a major crisis due to the political situation and a weakening of free trade practices in the country.[17] The report argued that the suspension of ATPA benefits for Bolivia would increase investor uncertainty, increase unemployment, and have a detrimental effect on attempts to reduce the production of drugs in Bolivia.[18] According to the report, the suspension of ATPA duty benefits for Bolivian exports would mostly affect Bolivia's manufacturing industry because such a high percentage (55%) of Bolivia's total exports in this industry are headed to the United States. The report estimated that the removal of duty-free benefits for Bolivian exports to the United States could eliminate 12,000 direct jobs in the textile sector and up to 85,000 other jobs indirectly.[19] The report also stated that the La Paz region in Bolivia would be the most affected region, especially within the El Alto area, which has high levels of poverty. The study argued that any negative effects in this region can add to political instability and pose a high risk for democracy in Bolivia.[20]

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[13] EIU, *Country Report: Bolivia,* January 2010.

[14] Ibid., p. 5.

[15] U.S. Department of State, *Background Note: Bolivia,* August 1, 2011, p. 10.

[16] USITC Publication 4188, pp. 3-15 through 3-17.

[17] Confederación de Empresarios Privados de Bolivia*, The Importance of ATPDEA for Bolivia,* October 2008.

[18] Ibid., p. 1.

[19] The study does not present a methodology explaining how it estimated job losses.

[20] Confederación de Empresarios Privados de Bolivia*, The Importance of ATPDEA for Bolivia,* October 2008, p. 6.

Another report, by the Université de Lausanne (Unil), estimated the effects of ATPA suspension on Bolivian real incomes.[21] The Unil study stated that most industries affected by the removal of ATPA duty benefits are mostly situated in La Paz and El Alto in Bolivia. It estimated that the effect of ATPA termination on households with employees in the manufacturing industry is sizable, but the proportion of those households to the economy as a whole is very small. The study estimated that the termination of ATPA duty benefits would cause a 0.13% drop in manufacturing employment in Bolivia, in general, and a 2% decline in the textile and apparel sector, the most affected sector according to the authors of the study. However, the study's projected job losses fall more than proportionately on indigenous people and the authors argue that indigenous people would have fewer "outside opportunities" for earning money once they lose their job.[22]

Policy Implications

Supporters of ATPA argue that the program should continue to reinforce the U.S. commitment to the "alternative development" counternarcotics strategy. Critics of ATPA argue that unilateral trade programs are ineffective; that the ATPA has forced U.S. producers to compete with lower-cost Andean imports; and that trade preferences should not be extended to countries that do not support U.S. foreign and trade policies. In the Andean countries, ATPA supporters state that the program has had a positive impact in the region by increasing investor confidence; creating thousands of jobs in alternative sectors; preventing organized crime; and reducing the production of drugs. They believe that maintaining confidence in the trade relationship with the United States is key to the long-term stability of the region.

Issues Regarding Suspension of Bolivia

Bolivia can only be reinstated as a beneficiary under an act of Congress. Numerous Members of Congress believe that there is no reason to consider a reinstatement of Bolivia as a beneficiary country because of Bolivia's continued lack of progress on the issue of counternarcotics and because of the lack of support for U.S. trade and foreign policies in Bolivia. Other policymakers, however, have been opposed to the suspension of trade preferences for Bolivia and contend that the suspension would empowering champions of anti-Americanism; decrease the relevance of the United States in Bolivia; and leave thousands of people unemployed.[23] In a hearing held on March 3, 2009, by the House Western Hemisphere Subcommittee on the future of U.S.-Bolivia relations, Representative Engel called for the administrations of Evo Morales and Barack Obama to initiate a high-level bilateral dialogue between the United States and Bolivia to consider a renewed strategy for joint counternarcotics efforts and the possible reinstatement of ATPA preferences for Bolivia.[24]

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[21] Université de Lausanne (Unil), *ATPDEA's End: Effects on Bolivian Real Incomes,* by Olivier Cadot, Etchel M. Fonseca, and Synabout Yaye Sakho, February 2008.

[22] Ibid.

[23] Press Release from the Office of Representative Eliot Engel, "Engel Objects to Suspension of Bolivia from Andean Trade Preferences," October 23, 2009.

[24] Press Release from the Office of Representative Eliot Engel, "Engel Calls for Immediate High Level Bilateral Dialogue Between U.S. and Bolivia," March 3, 2009.

The United States and Bolivia began bilateral talks under the auspices of the U.S.-Bolivia Dialogue in La Paz, Bolivia, in May 2009.[25] The talks have been led by the U.S. State Department and Bolivia's Ministry of Foreign Affairs with the objective of reviewing and improving relations between the two countries. The second meeting took place on October 27, 2009, in Washington, DC.[26] The talks have focused on a framework covering trade, counternarcotics, human rights, economic development, and environmental issues.

Issues Regarding Ecuador

The 112th Congress may consider issues related to Ecuador's ability to meet ATPA eligibility requirements. One issue is related to a recent breakdown in diplomatic relations between the United States and Ecuador, and the second is related to a U.S. investment dispute in Ecuador. Diplomatic ties between the United States and Ecuador deteriorated in April 2011 when the U.S. ambassador to Ecuador, Heather M. Hodges, was expelled by Ecuadorean President Rafael Correa's government as a result of a cable exposed by WikiLeaks. [27] Parts of a sensitive U.S. government cable exposed by WikiLeaks were published on April 4, 2011, by the Spanish newspaper *El Pais*. The government of Ecuador reportedly issued the following statement after the cable was published: "This information, in addition to being unacceptable, is malicious and imprudent." [28] In retaliation to the expulsion, the Obama Administration expelled the Ecuadorean ambassador to the United States on Thursday, April 7, 2011.[29] The United States and Ecuador currently maintain relations at the Charges d'Affaires level.

Some business groups have called for a reconsideration of trade preferences for Ecuador. One group of business associations stated in October 2010 that Congress should, at a minimum, require periodic reviews of Ecuador's fulfillment of ATPA eligibility criteria. The group contends that Ecuador is falling short of ATPA criteria related to rule of law, foreign investment, and intellectual property rights protection.[30] A major issue has to do with a long-running, multibillion-dollar lawsuit brought against the U.S. oil company Chevron by Ecuadorian indigenous peoples in which they claim they are the victims of toxic waste. The case goes back to a period between 1964 and 1990 in which Texaco (which has since merged with Chevron) is accused of dumping more than 18 billion gallons of toxic wastewater into Ecuador's waterways and forests. Chevron claims that the environmental damage was caused by Texaco and that the government of Ecuador exempted the oil companies from liability in exchange for a cleanup and payment in the early 1990s.[31] On February 9, 2011, an Ecuadorean judge ordered Chevron to pay $18.2 billion in clean up costs for environmental damages in the Amazon region. Chevron is in the process of appealing the ruling in Ecuador.[32] Chevron has long argued that the judgment was based on fraudulent

[25] U.S. Department of State, "United States-Bolivia Bilateral Dialogue," Press Release, October 26, 2009.

[26] Ibid.

[27] Simon Romero, "U.S. Ambassador Expelled Over Cable," *The New York Times,* April 6, 2011.

[28] Ibid.

[29] Matthew Lee, "U.S. expels Ecuadorean ambassador," *The Miami Herald," April 7, 2011.*

[30] Rosella Brevetti, "Business Groups Urge Renewal of GSP and ATPA for Peru, Colombia," *International Trade Reporter,* October 7, 2010.

[31] Rosella Brevetti, "Chevron Brings Arbitration Claim Against Ecuador in Long-Standing Dispute," *International Trade Reporter,* October 1, 2009.

[32] *Latin News Daily Briefing*, "Chevron setback in Ecuador case," September 20, 2011.

evidence and that the legal system in Ecuador will not provide a fair forum because Ecuador's courts are politically influenced.

Chevron filed a claim with the Permanent Court of Arbitration in the Hague to look into whether Ecuador breached international law under the Rules of the United Nations (U.N.) Commission on International Trade Law. In March 2010, the U.N. arbitration panel ruled that the Ecuadorian government violated the Bilateral Investment Treaty (BIT) with the United States with a series of unnecessary court delays in the long-running battle. The panel ruled in Chevron's favor with monetary compensation for the "failure of the Ecuadorian courts to adjudge" the company's claims.[33] On August 31, 2011, the international tribunal in the Hague awarded Chevron $96 million in connection with claims made in Ecuadorean courts in the early 1990's. Ecuador's Attorney General Diego Garcia announced that Ecuador would appeal the arbitration ruling. The case is separate from the ongoing legal dispute in Ecuador.[34]

Some Members of Congress asked the Office of the United States Trade Representative (USTR) to reject Chevron's efforts to suspend trade preferences for Ecuador. They have argued that the USTR should not use trade policy "as leverage to interfere in private claims processing through Ecuador's legal process."[35] The USTR has reportedly rejected similar requests made by Chevron in previous years. Other Members of Congress who would like to see a continuation of trade preferences for Bolivia have argued that renewing ATPA is a pragmatic means to urge President Correa of Ecuador to maintain open market and democratic policies.

Free Trade Agreements with Colombia and Peru

Trade preferences for Peru under ATPA expired at the end of 2010 and were not renewed because the United States has entered into a bilateral free trade agreement (FTA) with Peru. The agreement will eventually eliminate tariffs and other barriers in goods and services trade between the two countries. The U.S.-Peru FTA was approved by Congress and signed into law in December 2007 (P.L. 110-138). It entered into force on February 1, 2009.

The United States also has an FTA with Colombia that was recently approved by Congress, but the agreement has not yet entered into force. The FTA can only enter into force once the Obama Administration certifies that Colombia has taken the necessary measures to comply with its obligations under the agreement. On October 3, 2011, President Barack Obama submitted draft legislation (H.R. 3078/S. 1641) to both houses of Congress to implement the U.S.-Colombia Trade Promotion Agreement (also called the U.S.-Colombia FTA). The implementing legislation was approved by Congress on October 12, 2011, and was signed into law on October 21, 2011 (P.L. 112-42).

If the U.S.-Colombia FTA does not enter into force before ATPA trade preferences expire on July 31, 2013, the 112th Congress may consider renewing ATPA, either for Colombia or Ecuador. It is not known whether the Congress will consider extending ATPA only for Ecuador.

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[33] Lucien O. Chauvin, "U.N. Panel Says Ecuador Violated U.S. BIT Because of Undue Delays in Chevron Case," *International Trade Reporter,* April 8, 2010.

[34] Mercedes Alvaro, "Ecuador to Appeal Arbitration Ruling in Chevron Case – Ecuador Attorney General," Dow Jones Business News, October 5, 2011.

[35] Rosella Brevetti, "Sanchez, 25 House Members Urge USTR to Reject Chevron ATPA Lobbying," *International Trade Reporter,* December 24, 2009.

Possible Trade Preference Program Reform

The 112th Congress may consider legislative action on broader reform of the preference programs based on comprehensive reviews in hearings held in both the House and the Senate in the 111th Congress. In the 111th Congress, numerous Members of Congress expressed interest in examining the possibility of reforming U.S. trade preference programs.[36] Congress has established five other trade preference programs, in addition to ATPA: the Generalized System of Preferences (GSP), which applies to developing countries as a whole; the Caribbean Basin Economic Recovery Act (CBERA); the Caribbean Trade Partnership Act (CBTPA); the African Growth and Opportunity Act (AGOA); and the Haitian Opportunity through Partnership Encouragement (HOPE).

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[36] See CRS Report R41429, *Trade Preferences: Economic Issues and Policy Options*, coordinated by Vivian C. Jones.