

**Some considerations on the possible
effects of the failure of the United States
Congress to renew the ATPDEA**

José E. Durán L.



NACIONES UNIDAS



This document was prepared by José E. Durán L., Economic Affairs Officer of the International Trade and Integration Division of the Economic Commission for Latin America and the Caribbean (ECLAC).
The views expressed in this document, which has been reproduced without formal editing, are those of the author and do not necessarily reflect the views of the Organization.

United Nations Publication

LC/W.131

Copyright ©United Nations, May 2007. All rights reserved

Printed in Santiago, Chile – United Nations

Application for the right to reproduce this work are welcomed and should be sent to the Secretary of the Publications Board, United Nations Headquarters, New York, N.Y. 10017, U.S.A. Member States and their governmental institutions may reproduce this work without prior authorization, but are requested to mention the source and inform the United Nations of such reproduction.

Contents

I.	Introduction	5
II.	Andean Trade Preferences Act and Trade with the United States. General Context	7
III.	The ATPDEA and the reduction of drug crops	11
IV.	Impact on welfare in the ATPDEA beneficiary countries and the United States	13
V.	Impact on employment in the ATPDEA beneficiary countries and in the United States: <i>Loss of jobs in the Andean Community and migration pressures on the U.S.</i>	17
VI.	Determining the weight of the ATPDEA in the United States economy as compared with the Andean Community economies.....	21
VII.	What benefits could be gained from extending the ATPDEA?	23
VIII.	Conclusion.....	25
	Bibliography	26

I. Introduction

This brief note presents some thoughts about the possible effects of the failure to renew the Andean Trade Preferences and Drug Eradication Act (ATPDEA) and its possible expiration this coming December 31. United States President, George W. Bush, asked his country's Congress to extend the validity of the trade preferences granted to the Andean countries under the ATPDEA. That news was welcomed and applauded by the Andean countries, which hailed this measure and promptly thanked the U.S. leader for his gesture.

Even so, it is evident that there are Congressmen in the United States who do not back the bill to extend the ATPDEA. Considering this situation and the possible risk of the failure of President Bush's initiative and of the efforts made by the Andean Governments and the Secretariat of the Andean Community,¹ ECLAC, conscious of the pressing need for that extension, has prepared the following technical note to contribute to an understanding of the problem, pointing up the risks the countries would face if they were to lose the present conditions for their access to the United States market.

Our intention is to voice a warning to the political bodies and business organizations of the United States, informing investors, businessmen, sector authorities, representatives of non governmental organizations, and multilateral international institutions about the grave risk the neighboring countries of Bolivia, Ecuador, Colombia and Peru run in the light of the uncertain trade situation of their businessmen, investors, exporters and, above all, labor force, whose destabilized jobs are now in serious jeopardy.

The lines below explain the true importance of the ATPDEA regime for the four Andean countries and for the United States, in the areas of trade, welfare, employment, migration pressures, drug control efforts, energy security, regional political stability and contribution to the economic development to which the less favored countries of the region so aspire.

The autonomy of the United States Congress in its political decision-making is not open to doubt. Even so, we deem it a legitimate concern to point up some elements that should not be overlooked in the debate, particularly because the possible consequences affect the very lives,

¹ Throughout this document, we refer to the four beneficiary countries of the ATPDEA (Bolivia, Colombia, Ecuador, and Peru) as the Andean Community.

security and stability of the citizens and countries of the hemisphere, placing at risk not only a large percentage of the inhabitants of the countries affected, but also, indirectly, those of the United States and the rest of the international community. The cost of failing to renew the ATPDEA --measured in loss of jobs, political instability, recession, loss of welfare, etc.-- appears to be very high, if one considers that the imports covered by that Act represent barely 0.64% of total United States imports.

All the advances effectively made in reducing the number of hectares sown with drug crops from over 200 thousand to barely 160 thousand, in the contribution toward diversifying Andean exports and in the positive contribution to the growth and creation of jobs in both the beneficiary countries and the United States are threatened by the possible failure to extend the ATPDEA. If this happens, a vicious circle would be put into play that would, inter alia, a) reverse the accomplishments in drug eradication; b) increase migration pressures on the United States; c) complicate the political panorama as a result of pro-cyclical economic pressures; d) make the United States look in the eyes of the world as though it were turning its back on its commitments to help improve living conditions in the developing countries; and, indirectly, it would reduce the welfare of local consumers already benefited by the ATPDEA, also complicating the labor situation in the sectors that generate direct and indirect jobs in the United States.

II. Andean Trade Preferences Act and Trade with the United States. General Context

The United States is the Andean countries' most important trading partner. In 2005, nearly 38% of the group's total exports went to that country, which, in turn, was responsible for 22% of all Andean imports. On the other hand, only 1.6% of total United States exports go to the CAN countries. The Andean exports consist for the most part of petroleum and mining (54%), heavy manufacturing (21%) and, to a lesser extent, light manufacturing (13%) and agricultural (7.6%) products. Fuels and petroleum products together account for 56% of these exports, although metals (7%), textiles and apparel (6.5%) and other crops and chemical products (roughly 4% each) are also important. In the case of the CAN's imports from the United States, heavy manufactures represent over 70% of the total. More than 60% of these manufactures consist of machinery and equipment, chemical, rubber and plastic products and other manufactures, led basically by capital equipment.

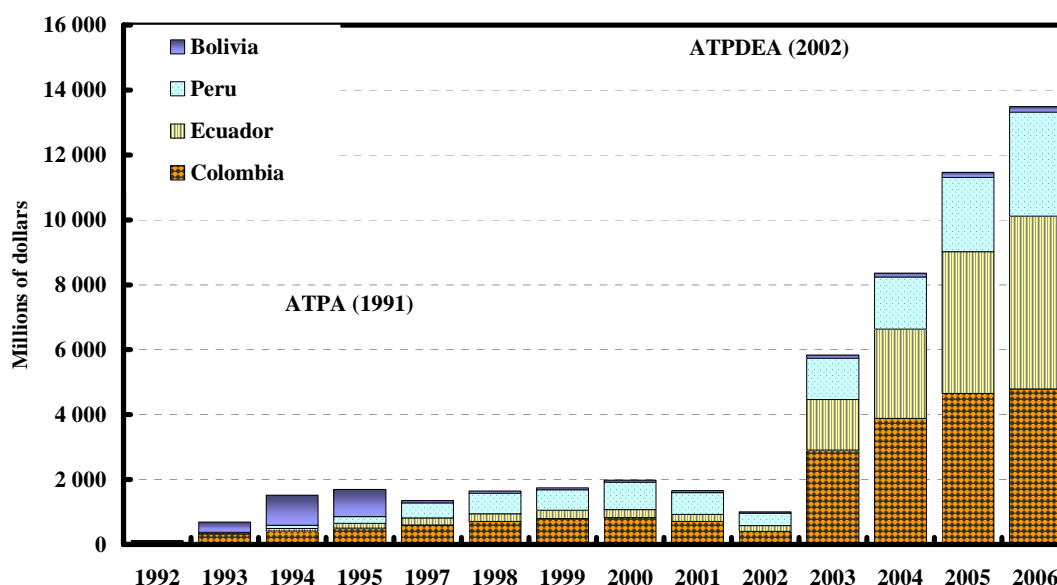
The original Andean Trade Preferences Act (ATPA) undoubtedly had an important impact on relations between the Andean countries and the United States, as did the expanded APTDEA in August 2002, after the expiration of the original act in late 2001. Both of these legal instruments, despite being a part of United States trade policy because of their unilateral nature, have been at the heart of the trade policy of the three Andean countries that embarked on negotiations to sign an FTA.

The first ATPA was signed by the United States Congress in December 1991, provided for access by 5,600 tariff items to the U.S. market, and granted trade preferences to four Andean countries (Bolivia, Colombia, Ecuador and Peru), in order to give them better alternatives for trade than illegal trade in drugs with the United States, and to contribute to their economic development and the consolidation of democratic institutions. This mechanism expired in 2001 and for that reason the United States government approved a new Andean Trade Preferences Drug Eradication Act (ATPDEA) to replace the former ATPA. The law was enacted on August 6, 2002 and the benefits it granted were made retroactive to the date of expiration of the former Act. The new law increased by 700 the number of products covered, raising the total list of products

with free access to the U.S. market to approximately 6.300 ² and extending the validity of the ATPDEA to December 31, 2006.

Exports of the Andean ATPDEA beneficiaries to the United States rose rapidly between 1992 and 2005, driven by the improvements in their access to the United States market, especially during the last four years, 2003-2006. The fastest growing products were basically raw materials, particularly minerals and manufactures based on natural products like textiles and fuels (see the following table and chart 1). Generally speaking, the tariff preferences under the ATPDEA system represent a large proportion of each country's total exports, which are expected, by the end of 2006, to have reached levels approaching 13,500 million U.S. dollars. In 2006, the products entering the United States market under the ATPDEA amounted to 59.9% of that country's total Andean imports (USITC, 2007).

GRAPHIC 1
UNITED STATES IMPORTS FROM THE ANDEAN COUNTRIES UNDER THE ATPA AND ITS
EXPANSION TO THE ATPDEA, 1992-2006
(In millions of dollars)



Source: ECLAC, DCIII based on official data of the United States Department of Commerce (USITC).

Petroleum and petroleum products, mainly from Colombia and Ecuador, lead Andean exports under the ATPDEA, accounting for 69.3% of the United States' total imports under that Act. They are followed in importance by textiles and apparel, in which Colombia, Peru and Ecuador and, to a lesser degree, Bolivia, compete. Peru is the foremost copper supplier, while Colombia and Ecuador compete in the market for fresh flowers and Peru has the largest advantage in the area of asparagus (see table 1 and chart 2).

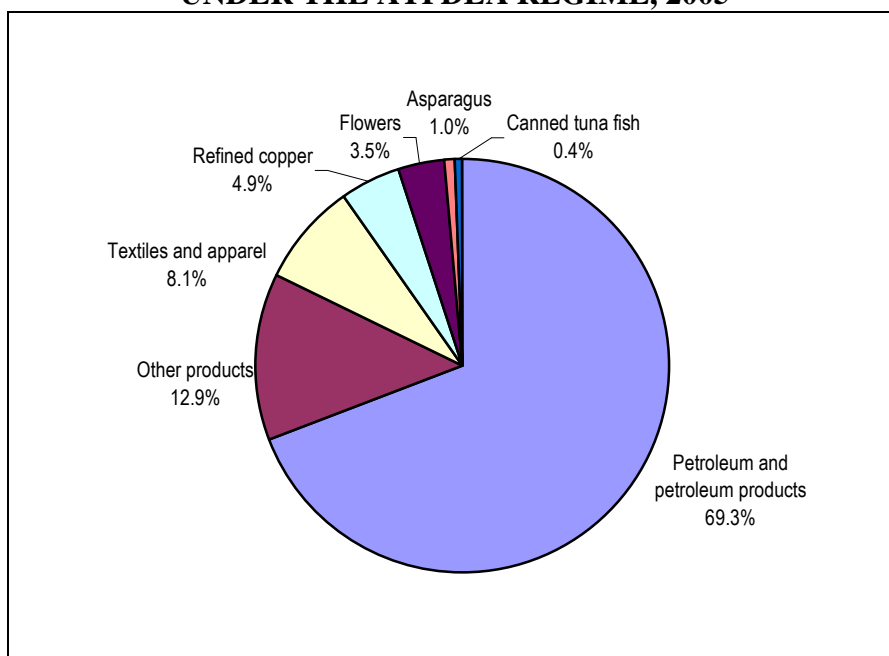
² The most important of the new products are, inter alia, petroleum and petroleum products, refined copper, fresh flowers, asparagus, textiles, apparel, footwear, leather goods, tuna fish and cigarettes.

TABLE 1
ANDEAN COMMUNITY: PRINCIPAL PRODUCTS EXPORTED TO THE UNITED STATES
AND PERCENTAGE OF UTILIZATION OF THE ATPDEA, 2005
(Percentages)

Countries	Principal products, by country (% of the total under the ATPDEA)	Percentages within each country's total exports		Each country's contribution to total exports under the ATPDEA	
		2001	2005	2001	2005
Bolivia	Precious metals, zinc, walnuts, tshirts, cotton knits, wooden articles (95%)	41.1%	53.7%	3.3%	1.5%
Colombia	Petroleum and petroleum products, gold, coal, coffee, bananas, and textile, aluminum and ceramic products (96%)	50.5%	50.6%	43.1%	41.8%
Ecuador	Petroleum and petroleum products, bananas, shrimp, flowers, tuna fish, cocoa, and cocoa butter (98%)	77.3%	64.2%	13.1%	35.7%
Peru	Copper, gold, t-shirts, pullovers, petroleum, zinc, silver, asparagus, coffee, and mangos (91%)	43.5%	43.9%	40.6%	21.0%
4 ATPDEA beneficiary countries		56.2%	53.0%	100.0%	100.0%

Source: ECLAC, DCIII based on official data of the United States Department of Commerce (USITC).

GRAPHIC 2
PRINCIPAL PRODUCTS IMPORTED BY THE UNITED STATES
UNDER THE ATPDEA REGIME, 2005



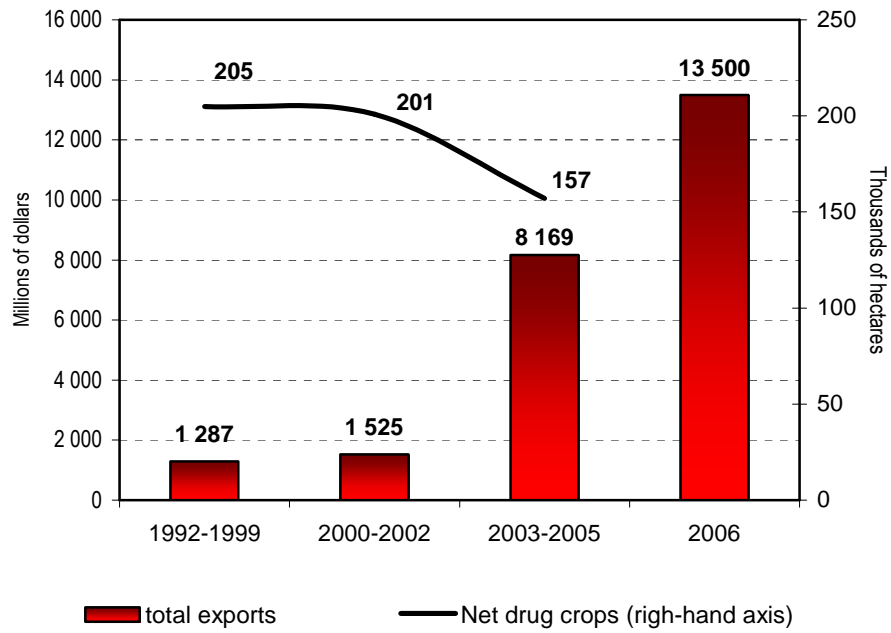
Source: ECLAC/DCII, based on United States Department of Commerce official data.

III. The ATPDEA and the reduction of drug crops

Although the Tariff Preferences Act was in effect as of 1991 and was applied throughout almost the rest of the nineties, in practice, Andean exports under the ATPA did not rise as expected, but remained stationary at an average of roughly 1,300 million dollars a year. Nor were any major changes forthcoming between 2000 and 2002, when exports settled at 1,515 million on average and the reduction in the drug growing area was minimum, declining from 205 thousand to 201 thousand hectares.

The expansion of the Act and the full application of the new ATPDEA, between 2003 and 2006, triggered a surprising rise in exports of the beneficiary countries to the United States, accompanied by a significant reduction in the drug crop growing area. Note that in this recent period, the countries have been able to bring down drug growing levels to no more than 157 thousand hectares on average. This is certainly a good indication of the effectiveness of the policy of providing more and better conditions for access to the United States market. It would be most unfortunate if this effort of over a decade of a policy of active support were to be interrupted by the suspension and withdrawal of ATPDEA benefits.

GRAPHIC 3
EVOLUTION OF ATPDEA EXPORTS AND OF THE
NET DRUG GROWING AREA
1992-1999; 2000-2002, 2003-2005 AND 2006
(In annual averages)



Sources: ECLAC, International Trade and Integration Division, based on data published by the United States Department of Commerce and the United Nations: UNODC (2006), 2006 World drug report. Volume 2: Statistics.

IV. Impact on welfare in the ATPDEA beneficiary countries and in the United States

Schushny, Durán and de Miguel (2006), using the computable general equilibrium (CGE) approach, found empirical evidence of improvements in welfare in the Andean countries that can be attributed to the advantages in market access they received in 2002, with the enlargement of the number of products benefiting from the unilateral system granted by the United States. At December 2004, the Andean countries had obtained combined gains in welfare on the order of 0.2% of GDP, amounting to 239 million dollars,³ with a larger benefit in the case of Peru. The ATPDEA tariff preferences apparently offset to some degree the losses in welfare that can be traced to the trade diversions created by the granting of United States preferences to other countries in the region like Mexico and Chile.

In a complementary study to that referred to above, Durán, de Miguel and Schushny (2006), simulated the possible effects of the withdrawal of the ATPDEA Andean trade preferences, as an alternative scenario to the signing of three simultaneous FTAs by Colombia, Ecuador, and Peru with the United States. In this case, the study considered the reversion of the preferences for those sectors that obtained them in 2002. The findings were, unsurprisingly, that losses were to be expected in the welfare of all the countries, with the strongest impact in the case of Peru. It should be stressed here that the changes in welfare for the United States economy, in the event the ATPDEA is not renewed, although positive are, when weighted against the GDP, almost negligible (see Table 2), which is not the case for the Andean countries.

³ This number is merely indicative of the direction taken by the effects, in a static scenario of perfect competition, no benefits and full employment, without considering dynamic effects like the accumulation of investment or episodes of disinvestment.

TABLE 2
EFFECTS OF ATPDEA CONCESSIONS ON WELFARE VS. SIMULATIONS
OF THE CONCLUSION OF THE ATPDEA

(Changes in the equivalent variation between 2001 and 2004, as percentages of GDP)

	Gains and/or losses in welfare associated with the entry into effect of the ATPDEA regime^a Simulated scenario in 2004	Gains and/or losses in welfare associated with the possible withdrawal of the ATPDEA on December 31, 2006
	% of GDP	% of GDP
Andean Community	0.2	-0.2
Bolivia	0.2	-0.1
Colombia	0.2	-0.1
Ecuador	0.2	-0.1
Peru	0.3	-0.3
United States	0.0	0.0

Source: CEPAL/DCII, based on simulations carried out by Schushny, Durán and de Miguel, (2006), and Durán, de Miguel and Schushny (2006) using the Global Trade Analysis Project (GTAP) 6.1 model.

Note: Equivalent Variation based on the accumulated effects since 2001 for all scenarios, including the 2004 base scenario.

^a Includes the effects of the trade diversions occasionally caused by the FTAs signed by Chile, Mexico and other Latin American countries with the United States.

The United States Trade Commission estimated the effects produced on welfare by ATPDEA imports (USITC, 2006), using partial equilibrium methodology that compared open market conditions with a zero tariff in 2005, with the possible close-down of the sectors supported by ATPDEA preferences. This contra-factual scenario concludes with the calculation of the consumer's surplus, the losses associated with the reduction of collections of tariff duties, and a net effect combining both elements.

The results of those estimates revealed, in general, that consumers experience welfare gains in the textile and apparel sector that range from 90 to 100 million dollars, with surpluses in cotton knitwear and cotton t-shirts. In both cases, consumers obtained prices that were 19% and 16% lower than if the sector were protected. The situation is similar in the cases of flowers, asparagus and petroleum, among others. Table 3 presents an aggregate summary of the 20 top products, which represent 87.6% of the total basket of products benefited to date by the ATPDEA preferences. In all of the cases, the increases in welfare offset the lower customs duties collected, making the net effect positive (see Table 3).

TABLE 3
ESTIMATED EFFECTS OF ATPDEA TARIFF PREFERENCES
ON WELFARE IN THE UNITED STATES

(In millions of dollars of 2005)

Summary of the principal 20 products	Consumer surplus (A)		Loss of customs duties (B)		Net effect on welfare (C)=(A) - (B)	
	Upper limit	Lower limit	Upper limit	Lower limit	Upper limit	Lower limit
Textiles and apparel (5 lines of the HS at the 8-digit level)	90 006	100 450	71 219	89 329	18 789	11 117
Flowers (3 lines of the HS at the 8-digit level)	25 747	25 935	24 705	25 159	1 043	824
Asparagus (2 lines of the HS at the 8-digit level)	18 017	19 056	16 484	18 447	1 533	609
Petroleum and petroleum products (5 lines of the HS at the 8-digit level)	10 318	10 333	10 280	10 309	39	23
Refined copper (HS 7403.11.00)	5 435	5 485	5 308	5 408	126	77
Canned tuna fish (HS 1604.1430)	4 585	5 081	3 468	4 308	1 117	773
Cigarettes (HS 2402.20.80)	4 262	4 506	3 808	4 262	454	244
Ceramics (HS 6908.90.00)	1 466	1 555	1 299	1 464	167	91
Principal 20 products	159 836	172 401	136 571	158 686	23 268	13 758

Source: ECLAC, International Trade and Integration Division, based on USITC (2006), the Impact of the Andean Trade Preference Act. Twelfth Report 2005. Investigation No. 332-352. USIT Publication 3888. September.

V. Impact on employment in the ATPDEA beneficiary countries and in the United States: *Loss of jobs in the Andean Community and migration pressures on the U.S.*

In recent years, the ATPDEA has been not only an appropriate mechanism for expanding the export capacity of certain key economic sectors of the Andean Community countries, but also an important source of employment. This has been pointed out in several different national studies and even in investigations conducted by the U.S. Department of Commerce (Andean Community, 2004, USITC, 2005; USIT, 2006.)

To cite just a few important employment figures, the number of jobs (direct and indirect) associated with sectors benefited by the ATPDEA in Ecuador is in the neighborhood of 500 000,⁴ in Colombia, the figure is closer to one million,⁵ and in Peru, it is over 800 000.⁶ In Bolivia, the number of committed jobs is on the order of 80 000. Overall, the labor associated directly or indirectly with the ATPDEA amounts to roughly 5.8% of the Economically Active Population (EAP), or over 2.3 million people. It should be stressed that a large percentage of the labor in certain sectors, like the textile and apparel industry, flower growing, asparagus, and fish processing are women and heads of household (see table 4).

⁴ Fishing and industry, with over 250 000 workers, is the most important sector for creating jobs. It is followed in importance by the textile and flower sectors with 125 000 y 100 000 people, respectively. Other non-traditional sectors that have created employment are the mango (22 500 jobs) and broccoli sectors (11 500 jobs). See the OAS (2006) and USITC (2006).

⁵ Of this total, a little over 800 000 work in the textile sector and 100 000 in the flower growing sector (USITC 2006).

⁶ In Bolivia, the textile and apparel, leather goods, and wood industries and the sectors associated with gold and silversmithing are those in which the most new jobs have been created. In the area of La Paz alone, there are nearly 5 000 enterprises, most of which are micro and small businesses. This is the area that concentrates the largest percentage of employment under the ATPDEA (USITC, 2006 and IBCE, 2006).

In Bolivia, the number of sectors benefited by the ATPDEA, although lower than in the rest of the Andean countries, is still important: textiles, leather goods, wood and sectors associated with silver and goldsmithing and manufactures incorporating gold. In the El Alto zone of La Paz alone, there are nearly 5,000 enterprises, most of which are micro and small businesses. These enterprises survive largely on the products exported under the ATPDEA.

TABLE 4
ESTIMATED EMPLOYMENT ASSOCIATED WITH ATPDEA SECTORS, 2006
(Millions of people and percentages)

Countries	Jobs associated with ATPDEA tariff preferences			Population that would be affected by the failure to renew the ATPDEA		
	EAP (2005) millions of people	millions of people	% of the EAP	millions of people ^a	% of the EAP	% of the total population
Andean Community	40 704	2 369	5.8%	7 047	17.3%	7.3%
Bolivia	3 669	80	2.2%	240	6.5%	2.5%
Colombia	19 348	960	5.0%	2 880	14.9%	6.3%
Ecuador	5 440	509	9.4%	1 527	28.1%	11.6%
Peru	12 247	800	6.5%	2 400	19.6%	8.6%
United States	138 000	400 ^b	0.3%	1 200 ^b	0.7%	0.3%

Source: ECLAC, International Trade and Integration Division, based on the following studies: General Secretariat of the Organization of American States (2006), The Andean Trade Promotion and Drug Eradication Act: Its impact on Prosperity, Security, and Democracy, Washington, D.C., September; USITC (2006), the Impact of the Andean Trade Preference Act. Twelfth Report 2005. Investigation No. 332-352. USIT Publication 3888. September; Instituto Boliviano de Comercio Exterior (2006), EE.UU. un mercado de oportunidades para las exportaciones bolivianas. Revista Boliviana de Comercio Exterior (<http://www.ibce.org.bo/periodico/comex142/comex142principal.htm>); and ECLAC (2006), Anuario Estadístico de América Latina y el Caribe, 2005. Santiago de Chile.

^a A linear multiplier factor of 3 is assumed for the total jobs associated with ATPDEA sectors. In Ecuador's case, the figure coincides with that given by the OAS, (2006)

^b Preliminary estimates.

Based on this information, a large part of which was compiled by the United States Department of Commerce, and in the light of the possible conclusion of the ATPDEA tariff preferences on December 31, 2006, it can be stated that the number of jobs committed and at risk is over 2.3 million. This figure could be multiplied by 3, considering that the workers have families to support. The Andean population that would be affected by this situation could exceed 7 million people, almost 17% of the EAP and 7% of the overall population of the Andean zone, with the greatest risks existing in Ecuador and Bolivia, where the population is more vulnerable.

Although total data on employment associated with the ATPDEA in the United States is not available, there are partial figures that reveal the creation of direct and indirect jobs in the United States. It is estimated, for example, that the expansion in the volume of flowers contributed to the creation of about 226 000 direct and indirect jobs in the United States, in areas relating to transportation companies, florists, and supermarkets, among others (USITC, 2006). Furthermore, the Association of Food Industries in the United States, with over 200 member companies, declared in a public hearing in the United States House of Representatives that the

food sector had been able to create approximately 5 000 new jobs in the distribution chain for imported asparagus from Peru alone (Levin, 2006).

The United States Department of Labor, in 2003, conducted a study into the possible effects on employment in the United States of extending the ATPDEA. The conclusion reached was that a reduction of jobs in the United States as a result of the ATPDEA was highly unlikely (US Department of Labor, 2003), as the evidence provided in the previous paragraph indicates.

Failure to renew the ATPDEA can be expected to directly harm the exporters of the most dynamic sectors of recent times⁷ and the destruction of jobs would not be limited to the Andean countries, but would also extend to sectors of the distribution chain in the United States, as can be inferred from the examples given.

Uncertainty over the loss of ATPDEA preferences is apparently building up pressures for the destruction of employment in Andean countries, as already pointed out, and triggering the growth of migration flows from those countries to the United States, Europe and other neighboring countries. The economic and political crisis rocking Ecuador since the mid nineties, which provoked the exodus of over three million people, offers a tangible example of the importance of migration movements. Poor labor expectations within the CAN countries will only fuel that trend, swelling the flow of migrants from the developing to the developed countries (Mitchell, 2006). This is a trend that has been widely documented by available empirical evidence and that has been a subject of considerable concern recently, to such an extent that one of the latest United Nations reports points out that labor in developed countries, which today amounts to only 20% of the world's labor force, is being augmented by 60% of the labor force of the developing countries (GCMi, 2005; IOM, 2005).

⁷ Among the sectors that would be hardest hit are textiles and apparel, the flower growing sector, canned tuna fish, and fruits and vegetables like broccoli and asparagus, in addition to petroleum products, and particularly gold and silversmithing products in Bolivia's case.

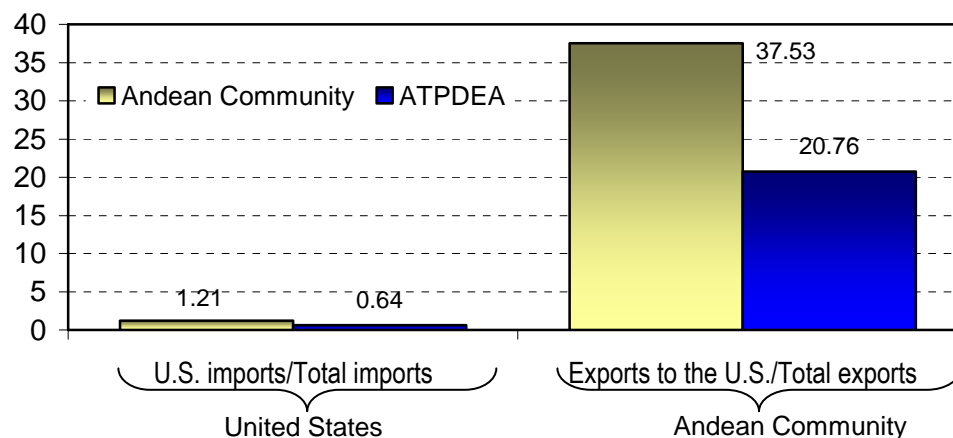
VI. Determining the weight of the ATPDEA in the United States economy as compared with the Andean Community economies

Inasmuch as United States imports from the Andean countries account for a very tiny percentage of its total imports --barely 1.25% in 2005, and only 0.64% of its imports under that regime-- the probable effects on the United States of extending the ATPDEA will be minimum (see chart 5). This is not the case, however, of the countries that have benefited from this preferential system, inasmuch as their ATPDEA exports account for one-fifth of all their exports to the United States. This places them in a more vulnerable situation, because of the larger concentration of their foreign trade targeting the United States.

At the individual level, the importance of the United States market vis-à-vis their total exports is much more pronounced in the cases of Ecuador, Colombia and Peru, than in that of Bolivia. Even so, in the case of the universe of export products under the ATPDEA regime, the proportion of total exports going to the United States is much more surprising, even in the case of Bolivia (see Table 5).

GRAPHIC 5
WEIGHT OF THE ANDEAN AREA IN THE EXPORTS TO THE UNITED STATES, 2005

(In percentages of the total)



Source: ECLAC, International Trade and Integration Division, based on USITC (2006), the Impact of the Andean Trade Preference Act. Twelfth Report 2005. Investigation No. 332-352. USIT Publication 3888. September, and official information published by the Statistics Offices and Central Banks of the Andean Community countries.

TABLE 5
ANDEAN EXPORTS TO THE UNITED STATES AND ATPDEA PREFERENCES, 2005
(Millions of dollars and percentages)

Countries	Total exports A	Exports to the United States B	ATPDEA exports C	U.S. / World B/A	% of ATPDEA exports / total exports per country C/B
	Millions of dollars			In percentages of the total (%)	
Andean Community	51 571	19 355	10 704	37.5%	55.3%
Bolivia	2 734	383	157	14.0%	41.1%
Colombia	21 187	8 849	4 472	41.8%	50.5%
Ecuador	10 649	4 950	3 826	46.5%	77.3%
Peru	17 001	5 173	2 249	30.4%	43.5%

Source: ECLAC, International Trade and Integration Division, based on USITC (2006), the Impact of the Andean Trade Preference Act. Twelfth Report 2005. Investigation No. 332-352. USIT Publication 3888. September and official information published by the Statistics Offices and Central Banks of the Andean Community countries.

VII. What benefits could be gained from extending the ATPDEA?

The final section of this technical note briefly summarizes the principal benefits that could be obtained from extending the ATPDEA preferences, from both the perspective of the Andean countries and that of the potential interest of the United States. The following are mentioned, among others:

- Continuity of support for the commitment to eradicate drugs in Colombia, Peru and Bolivia, and for the control of its illegal transit through Ecuador. In 2001, a total of 221 thousand net hectares were sown with drug crops in the subregion and by 2005 this figure had been reduced to 159 thousand hectares. Failure to extend the ATPDEA could put an end to that process, prompting a rise in drug growing in the subregion because of the loss of the existing favorable conditions for access to the United States market.
- A reduction of migration pressures brought to bear by the beneficiary countries due to the consolidation of the employment obtained through the ATPDEA preferences. Extension of the ATPDEA would reduce the pressure on and uncertainty experienced by more than two million workers over the imminent prospect of the conclusion of the ATPDEA on December 31, 2006.
- Extension of the ATPDEA would improve the prospects for good governance in the region's countries, particularly Ecuador and Bolivia, where this problem has arisen repeatedly in recent times.
- The United States, together with other developed countries, has repeatedly committed itself on different occasions and in varying forums (Rio 1992, Millennium 2000, Financing 2002, Sustainable Development 2002) to support the relatively less developed countries. Given this context, the extension of the ATPDEA would send a powerful signal of the United States' commitment to the principles it defended in those meetings and international conferences organized by the United Nations.

- Maintenance of the better welfare conditions of United States consumers who improved their levels of welfare in certain products like textiles and apparel, flowers, asparagus, canned tuna fish, cigarettes and ceramics. Failure to extend the ATPDEA would create an undesired cost for consumers, who would see final prices rise, thereby reducing their welfare margins.
- Extension of the APTDEA would maintain the possibility of creating new jobs in the United States.
- Inasmuch as petroleum and some of its products are the principal import under the ATPDEA regime, the United States would guarantee at least a not inconsiderable supply.

VIII. Conclusion

To briefly summarize, renewal of the ATPDEA holds far more advantages than disadvantages for the Andean countries, as repeatedly stated throughout this note, in comparison with the many disadvantages its conclusion would create. On the contrary, failure to approve the Extension Act and the conclusion of the ATPDEA would complicate the economic, political and commercial scenario by bringing into play many undesired effects in both the United States and in Latin America.

Bibliography

- Durán, José E., Carlos J. de Miguel and Andrés Schuschny (2006), “Andean Countries and USA: how much can be expected from FTAs? Ninth Annual Meeting on Global Economic Analysis: “Multilateralism, Bilateralism and Development,” GTAP Project & United Nations Economic Commission for Africa. Ethiopia, June 15 - 17, 2006. https://www.gtap.agecon.purdue.edu/resources/res_display.asp?RecordID=2045.
- General Secretariat of the Organization of American States (2006), The Andean Trade Promotion and Drug Eradication Act: Its impact on Prosperity, Security, and Democracy, Washington, D.C., September.
- Global Commission on International Migration (GCIM) (2005), Migration in an interconnected world: New directions for action, Report of the GCIM, October 2005.
- Hornbeck, J.F. (2002), The Andean Preference Act: Background and Issues for Reauthorization. Report for Congress. Congressional Research Service. The Library of Congress. August.
- Instituto Boliviano de Comercio Exterior (2006), Estados Unidos: Un mercado de oportunidades para las exportaciones bolivianas. Revista Boliviana de Comercio Exterior. No. 142. (<http://www.ibce.org.bo/periodico/comex142/comex142principal.htm>), May.
- International Organisation for Migration (IOM) (2005) World Migration: Costs and Benefits of International Migration (Geneva: IOM).
- Lebedur, Kathryn and Coletta A. Youngers, (2006), Crisis or Opportunity? Bolivian Drug Control Policy and the U.S. Response. Washington Office on Latin America (WHOLA)
- Levin, Jeffrey (2006), Statement of Jeffrey Levin, Schmeltzer, Aptaker & Shepard, on behalf of the Association of Food Industries, House Committee on Ways and Means, June. (Full Committee Advisory No. FC-24, June 27, 2006, as revised July 10, 2006). (<http://waysandmeans.house.gov/hearings.asp?formmode=view&id=5220>)
- Mitchell, Susanna (2006), Migration and the remittance euphoria: Development or dependency? New Economic Fundation (NEF).
- Schuschny, A., José E. Durán, and Carlos J. de Miguel (2006), El modelo GTAP y las preferencias arancelarias en América Latina y el Caribe: reconciliando su año base con la evolución reciente de la agenda de liberalización regional. CEPAL. En edición en Serie Manuales.
- United Nations Office on Drugs and Crime (2006), 2006 World Drug Report. Volume 2: Statistics.
- United States International Trade Commission (USITC) (2005), The Impact of the Andean Trade Preference Act. Eleventh Report 2004. Investigation No 332-352 (Publication 3803). September.
- _____(2006), 2006 Trade Policy Agenda and 2005 Annual Report of the President of the United States on the Trade Agreements Program. March.

- ____(2006), the Impact of the Andean Trade Preference Act. Twelfth Report 2005. Investigation No. 332-352. USIT Publication 3888. September.
- ____(2007), United States Trade International Trade Commission. On-line dataweb. Version 2.8.4. <http://dataweb.usitc.gov/scripts/query.asp>
- US Department of State (2006). Bureau of International Narcotics and Law Enforcement Affairs, International Narcotics Control Strategy Report, March 2006. <http://www.state.gov/p/inl/rls/nrcrpt/2006/>.
- US Department of Labor (2003), Trade and Employment Effects of the Andean Trade Preference Act. Tenth Annual Report to the Congress Pursuant to Section 207 of the Andean Trade Preference Act. Submitted by the U.S. Department of Labor Bureau of International Labor Affairs.