

TRADE

Businesses want stability in Andean trade pact

The renewal of trade benefits for Andean nations is down to the wire, and many in the international trade sector are already fretting over the stop-and-start program.

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BY JANE BUSSEY

jbusssey@MiamiHerald.com

Although Congress plans a short-term extension for the soon-to-expire Andean trade benefits program, U.S. importers and producers in the region are increasingly frustrated at the unpredictable nature of last-minute fixes.

Without renewal, the Andean Trade Preferences Program will expire at the end of the month, forcing importers in Miami and elsewhere to start paying import duties on a wide range of goods from Bolivia, Colombia, Ecuador and Peru.

Congress voted last summer to extend the program for just nine months. On Thursday, the House Ways and Means Committee approved a new 10-month extension, less than a third of the three years proposed by Ways and Means Committee Chairman Charles B. Rangel, D-N.Y.

"Most business don't just look at their business in two months or four months," said Christine Boldt, executive vice president of the Association of Floral Importers of Florida, located in Miami.

"They have to look at it long-term," said Boldt, adding that for the fresh-cut flower industry, the erratic nature of the trade program is causing uncertainty at the busiest time of the year.

"People don't know what they can do for Mother's Day or Easter," she said.

Miami serves as the import hub for 85 percent of Colombian and Ecuadorean fresh-cut flowers brought into the United States. The flower imports comprise a large share of the annual volume of imports at Miami International Airport and have created a major local industry.

Boldt said the uncertainty was forcing some flower importers to consider switching to flower-producing countries such as Ethiopia or Kenya, which have guaranteed trade preferences.

For Latin American companies, the uncertainty is equally worrisome.

PROGRAM VITAL

In Ecuador, John Nevado, president of Nevado Roses, a Fair Trade rose grower, said the duty-free program is vital to an industry that employs some 80,000 people and works on thin profit margins.

"A 7 percent to 12 percent increase in Customs duties would kill some farms," Nevado said. "We are really dependent on this coming through and at some point need a more stable arrangement between the United States and Ecuador."

The duty-exemption program, started in 1991 and extended in 2002 as the Andean Trade Promotion and Drug Eradication Act, was launched as an effort to encourage the region to export legitimate goods and not illegal drugs.

POLITICS

But extension has become a prisoner of the politics of free trade agreements and some animosity in Congress to governments in Bolivia and Ecuador, which have taken tough stances in business disputes with U.S. corporations.

The full House and Senate will take up the trade extension in the last week of February and President Bush must sign it to become law.

One of the reasons for the short-term extension is that Senate Finance Committee member Charles Grassley, R-Iowa, wants to pressure Congress to consider the trade and investment agreement with Colombia, according to *Inside US Trade*. Democrats have balked at approving the trade agreement because of Colombia's improving -- but still dismal -- record of violence against trade unionists.

Compounding the problem was the news that Peru would not be able to enact laws to make it fully qualify for implementation of the Peruvian trade agreement until early next year, raising the possibility that Peru's trade benefits could expire before the bilateral trade agreement can go into effect.

"Ten months is better than nothing; 10 months is better than nine," said Stephen Lamar, executive vice president of the American Apparel & Footwear Association in Arlington, Va. "[But] 10 months is not sufficient.

NEED PREDICTABILITY

"If you really want to inject the predictability that people need, these last-minute extensions are not the way to go," he said.

Lamar said all the problems associated with the piecemeal implementation of the Central American Free Trade Agreement at the same time an old program expired are "hard-wired" into the Andean trade agreements.

"We know that stopping a preference program at the same time you start a free trade agreement is very disruptive," he said.