The Office of the United States Trade Representative

U.S. Trade Representative Schwab Applauds Trade Bill Signing

12/20/2006

WASHINGTON, D.C. – U.S. Trade Representative Susan C. Schwab today issued the following statement upon President Bush's signing of legislation authorizing him to grant Permanent Normal Trade Relations (PNTR) to Vietnam and extending major trade preference programs.

"With his signature today, the President ushered in a new era of economic opportunity and cooperation between the United States and Vietnam. He also extended trade preference programs that have helped alleviate poverty and created economic opportunities for people in dozens of developing countries, strengthened our economic relationships with those countries, and given consumers here at home more choices.

"This comprehensive legislation, approved with broad bipartisan support in Congress, underscores the United States' commitment to advancing trade policies that benefit all Americans while also promoting economic development.

"I am confident that this commitment will continue in the 110th Congress as the Bush Administration and lawmakers from both parties work on the U.S. trade agenda, starting with free trade agreements with our Latin American allies, Peru and Colombia."

BACKGROUND

Before adjourning, the Congress passed comprehensive trade legislation that was signed by President Bush on December 20. The key trade-related provisions of the legislation are as follows:

Vietnam Permanent Normal Trade Relations (PNTR)

PNTR permits the United States to enter into the reciprocal "most favored nation" relationship that is necessary for the United States and Vietnam to enjoy the benefits of Vietnam's membership in the World Trade Organization (WTO). Vietnam's commitments in joining the WTO include wide-ranging reforms to its economy and substantial reduction in tariffs. Vietnam has already passed more than 80 laws to implement fully its commitments, including substantial changes to its regime on intellectual property rights protection. Vietnam is scheduled to become a WTO member on January 11, 2007.

Vietnam will join 149 other members of the WTO. As a WTO member, Vietnam will be required to abide by international trading rules and will provide greater access to its fast-growing market of over 82 million people. Vietnam will also be required to enhance transparency in government processes and increase economic freedoms.

Trade Preference Programs

The legislation also extends or broadens four trade preference programs that have helped spur economic growth and alleviate poverty in developing countries. First, the bill extends the

Generalized System of Preferences (GSP) program, which provides for duty-free treatment for thousands of items from 133 beneficiary developing countries. Second, the bill continues the Andean Trade Preference Act (ATPA), which is aimed at creating economic incentives to move Andean countries away from the cultivation and production of drugs. Third, the bill extends the eligibility under the African Growth and Opportunity Act (AGOA) system of trade preferences of certain apparel made in sub-Saharan African countries from third-country fabric. Fourth, the bill adds a new provision to the Caribbean Basin Initiative, entitled the Haitian Hemispheric Opportunity through Partnership Encouragement Act (HOPE), which allows duty-free treatment for certain products from Haiti.

Generalized System of Preferences (GSP)

Congress created the GSP program as part of the Trade Act of 1974 to create economic opportunities for developing countries, while expanding the choices of American industry and consumers. The GSP program provides duty-free treatment for 3,400 products from 133 designated beneficiary developing countries and territories. Least-developed beneficiary developing countries (currently 42 of the 133 GSP beneficiaries) can export an additional 1,400 articles to the United States duty-free under GSP.

The United States imported $26.7 billion of products under the GSP program in 2005, an 18 percent increase over 2004. From January through September 2006 (YTD), the United States has imported $24.1 billion in GSP-eligible products, reflecting a 26.7 percent increase over GSP imports during the same period in 2005. U.S. imports under GSP have comprised 1.8 percent of total U.S. imports YTD 2006, as compared to 1.6 percent for the same period in 2005.

African Growth and Opportunity Act

The African Growth and Opportunity Act (AGOA), enacted in 2000, is the cornerstone of our trade and investment policy with sub-Saharan African countries. Congress has amended AGOA twice before to improve and expand preferential access for beneficiary countries. AGOA rewards reforming countries with preferences that have been proven to help reduce barriers to trade, increase exports, create jobs, and expand business opportunities for African and U.S. entrepreneurs.

In 2005, over 98 percent of imports from AGOA-eligible countries entered the United States duty-free. U.S. imports from sub-Saharan Africa under AGOA increased to $38.1 billion in 2005, an increase of 44 percent relative to 2004. Due, in part, to the improved business environment that AGOA has promoted in many beneficiary countries, U.S. exports to sub-Saharan Africa increased by 22 percent to $10.3 billion in 2005.

AGOA's third-country fabric provision is a key element of AGOA's success in the African apparel sector, attracting millions of dollars in investment and creating hundreds of thousands of jobs. Though accounting for only a small share of total U.S. apparel imports (about 2 percent), apparel imports under AGOA accounted for nearly half of non-oil AGOA trade in 2005.

Andean Trade Preference Act

The legislation grants a straightforward six-month extension for Peru, Colombia, Ecuador, and Bolivia, followed by an additional six-month extension for each country only if the United States and that country both complete their legislative process to approve a trade promotion agreement (the additional six months would be used to finalize implementation in the other country prior to entry into force of the agreement). The Andean Trade Preference Act (ATPA) was enacted in December 1991, and authorizes eligible products from four Andean countries – Bolivia, Colombia, Ecuador, and Peru – to enter the United States duty-free. The primary goal of ATPA is to promote economic alternatives to the production, processing, and shipment of illegal drugs by offering Andean products improved access to the U.S. market. ATPA expired on December 4, 2001. On August 6, 2002, President Bush signed into law the Andean Trade Promotion and Drug Eradication Act, which renewed ATPA trade preferences through December 31, 2006, and authorized the extension of ATPA preferences to additional products.

Total (two-way) goods trade between the United States and the four ATPA countries in 2005 was $29.9 billion. U.S. goods imports from ATPA countries totaled $20 billion in 2005, up 29.1% from 2004. U.S. imports from ATPA countries for 2005 were: Colombia ($8.8 billion), Ecuador ($5.8 billion), Peru ($5.1 billion), and Bolivia ($293 million). U.S. goods exports to ATPA countries in 2005 were $9.9 billion, up 17 percent from 2004. Together, the ATPA countries ranked 19th as an export market for the United States in 2005. U.S. goods exports to the ATPA countries for 2005 were: Colombia ($5.4 billion), Peru ($2.3 billion), Ecuador ($2.0 billion), and Bolivia ($218 million). U.S. foreign direct investment in ATPA countries was $8.2 billion in 2005.

Haitian Hemispheric Opportunity through Partnership Encouragement Act

The Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2006 (HOPE Act) makes Haiti eligible for new trade benefits, in addition to those it currently receives under the Caribbean Basin Initiative (CBI). Under current law, apparel imports from Haiti qualify for duty-free treatment only if they are made from U.S. or Haitian fabric. The HOPE Act will also allow apparel imports from Haiti to enter the United States duty free if at least 50 percent of the value of inputs and/or costs of processing are from any combination of U.S. FTA and regional preference program partner countries. The quantity of apparel eligible for duty-free treatment under this provision is subject to a limit in the first year equivalent to 1% of overall U.S. apparel imports. This limit will expand gradually over five years, reaching 2% in the fifth year.

The HOPE Act also removes duties for three years on a specified quantity of woven apparel imports from Haiti made from fabric produced anywhere in the world. Finally, the HOPE Act will allow automotive wire harnesses imported from Haiti that contain at least 50% by value of materials produced in Haiti, U.S. FTA or regional preference program countries to qualify for duty-free treatment.