

Statement of

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Andean Trade Preference Act:
Impact on the U.S. Economy and on Andean Drug Crop Eradication

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Distinguished Commissioners,

Thank you for the opportunity to address the United States International Trade Commission and to submit this written statement for the record.

As Chief Executive Officer of the largest private company and employer in Bolivia, it is a privilege to offer testimony regarding the positive impact of the U.S. Andean Trade Preference Act (ATPA).

Ametex, the firm over which I preside, is a vertically-integrated apparel manufacturing company based in La Paz, the administrative capital of Bolivia.

We produce and export garments to the U.S. under the Andean Trade Promotion and Drug Eradication Act (ATPDEA), which built upon ATPA by extending duty-free status to designated apparel products.

Andean trade preferences are successful.

Until 1985—20 years after Ametex was founded—our firm employed fewer than 200 workers, generated total annual sales of less than USD \$1.5 million, managed operations using technology from the 1930s, and provided solely to the local market.

Competitiveness was based on a strictly protected market from imported products. Sales, to a large degree, depended on government acquisitions.

Then, in 1985, the local market practically disappeared due to an extreme hyper-inflation process that almost completely destroyed the Bolivian economy. In order to survive, we had to search for an export market and we found one in the United States, which soon resulted in modest annual revenues of USD \$1.2 million.

Then, in 2002, with the enactment of ATPDEA and the extension of textile benefits to Bolivia, the economic landscape changed in such a way that it is nearly impossible to overstate its effect.

Ever since, Ametex has enjoyed sustained yearly growth rates of up to 30 percent and has been able to export 85 percent of our total annual production, with almost all of our 10 million garments annually produced going directly to or through the United States.

Because of ATPDEA, Ametex today operates five factories, maintains annual revenues of USD \$45 million dollars, and employs 4,000 people—making it Bolivia’s largest employer.¹

The 4,000 jobs we provide—which owe their very existence to ATPDEA—have created real, formal, dignified, and stable opportunities for working people and their families in a country where 75 percent of the economy is in the informal, or worse, illegal markets.

According to the Bolivian Institute of Foreign Trade, in 2007, ATPA was responsible for a total of 40,000 Bolivian jobs, spread among over 350 businesses.² According to the American Chamber of Commerce of Bolivia, since the enactment of ATPDEA, the total annual value of exports to the U.S. under the program has risen steadily from USD \$37 million in 2002 to USD \$166 million in 2006.³

In the Bolivian economy, where a majority of jobs are in the informal sector, skilled workers are increasingly forced to emigrate to Brazil, Argentina, Spain, and the U.S. to find work. In this environment, Ametex stands as an example of how an export-oriented company—employing formal business practices and in strict compliance with the law—can achieve sustained success and continue to grow, while providing sustainable livelihoods and hope for the futures of thousands of Bolivian workers and their families.

This success is a direct result of U.S. Andean trade preferences.

Andean trade preferences benefit the United States.

Andean trade preferences benefit U.S. producers of raw materials—yarns, fabrics, fibers, cotton, and other textile inputs—that are used by Andean clothing manufacturers.

As a result of ATPDEA’s apparel designations, the four Andean countries—Bolivia, Colombia, Ecuador, and Peru—have become an important market for U.S. exports with an estimated USD \$250 million worth of apparel inputs sent to the region in 2007. These

¹ In the last year, due to the uncertainty of the short-term renewals of ATPDEA, Ametex has been forced to lay off 500 employees.

² “Dos horas...,” Gary Antonio Rodríguez A., *La Razón* (Bolivia), February 11, 2008, http://www.la-razon.com/versiones/20080211_006179/nota_246_546660.htm.

³ “Oportunidades Y Desafíos Del Comercio Con EE.UU.,” Cámara Americana de Comercio de Bolivia (AMCHAM), November 2007.

inputs are incorporated by Andean manufacturers into finished garments, which are then exported back to the U.S. duty-free.⁴

Andean trade preferences also benefit U.S. workers by contributing to employment in downstream sectors in the U.S. economy, including the transportation, logistics, and retail industries associated with the shipment, distribution, and sales of U.S. imports from the Andean region.

Each month, using our U.S. distribution partner, Intertrade Purchasing & Consulting and U.S. customs broker, First Choice Customs Brokers, Ametex exports 150 tons of garments—USD \$3 million dollars—to the U.S. through the Port and Airport of Miami.⁵

For the Andean region as a whole, in 2007, the total U.S. customs value of ATPDEA apparel imports—through the Port of Miami alone—was over USD \$500 million.⁶ Total U.S. apparel imports from the Andean region—through various U.S. ports of entry—totaled USD \$1.2 billion in 2007.⁷

These imports from the Andean region under ATPDEA contribute to U.S. jobs.

U.S. imports from the Andean region under ATPDEA benefit the U.S. textile and apparel sector, which is one of the largest manufacturing and wholesale employers in the U.S., employing more than 500,000 workers.⁸

Imports from the Andean region under ATPDEA also benefit the U.S. transportation and logistics sectors. For example, according to Mike Eskew, Chairman and CEO of United Parcel Service (UPS), “For every 40 new international packages that we deliver each day, one UPS job will be created in the U.S.”⁹

⁴ “Andean Trade Preference Act,” American Apparel & Footwear Association (AAFA), <http://www.apparelandfootwear.org/LegislativeTradeNews/Andean.asp?>

⁵ Intertrade P&C is based in Miami, Florida. Ametex has been Intertrade’s largest foreign customer for the last 21 years and accounts for approximately 90 percent of its revenues. Intertrade also coordinates Ametex’s purchases of raw material inputs from U.S. producers required to produce many of our finished goods that make their way back to the U.S. market.

⁶ U.S. Department of Commerce and the U.S. International Trade Commission data for apparel customs value for ATPDEA imported through Miami.

⁷ “U.S./Andean Trade - Textiles & Apparel: Just the Facts, March 4, 2008,” American Apparel & Footwear Association (AAFA).

⁸ “Testimony Before the Senate Finance Committee Hearing on the United States-Peru Trade Promotion Agreement,” Kevin M. Burke, President & Chief Executive Officer, American Apparel & Footwear Association (AAFA), September 11, 2007, <https://www.apparelandfootwear.org/letters/peruftasenatefinancecomments070911.pdf>.

⁹ “UPS Chairman Appointed to President’s Export Council,” UPS Press Release, February 26, 2003, <http://www.pressroom.ups.com/pressreleases/archives/archive/0,1363,4268,00.html>.

Employment data for Florida's 18th Congressional District—where the Port of Miami is located—indicate nearly 16,000 jobs in the transportation and warehousing sector alone.¹⁰

From the Port of Miami, Ametex's shipments make their way to the distribution centers of our U.S. buyers—Polo Ralph Lauren, Abercrombie & Fitch, Urban Outfitters, and Vanity Fair, and others—located in North Carolina, Maryland, Ohio, Pennsylvania, and Virginia.¹¹

These companies have chosen to work with us because of our hemispheric proximity to the U.S., quick turn-around ability, and focus on high-end garments.¹²

Ametex also helps make these American brands more competitive across the globe, in places such as Europe and parts of Latin America, including Argentina and Mexico.

For example, by taking advantage of the Andean Community's duty-free status in Europe, Ametex produces and ships garments for Polo Ralph Lauren to Italy.

In addition, together with our U.S. customers, we are working on unique initiatives to develop other foreign markets for U.S. companies where duties and logistics are an advantage.

Andean trade preferences benefit the people of Bolivia.

Ametex is just one of hundreds of Bolivian businesses that are proof of the successful role that Andean trade preferences play in economic development, job creation, and employment alternatives to drug cultivation.

Ametex's commitment to sound business practices and respect for workers and working conditions was recently highlighted in testimony before the U.S. Congress Senate Committee on Finance at its hearing on "Oversight of U.S. Trade Preference Programs" on June 12, 2008.

In response to a question by Chairman Max Baucus regarding the degree to which Andean trade preferences are helping in Bolivia and their effect on people, panel witness Grant Aldonas, former U.S. Under Secretary for International Trade (2001-2005), referenced Ametex, saying:

¹⁰ "Services Drive U.S. Jobs and Growth: The Importance of Services by State and Congressional District," Coalition of Service Industries, Research and Education Foundation, June, 2007, <http://servicesdrivegrowth.com/>.

¹¹ Transportation for Ametex in the U.S. is coordinated by Intertrade through its U.S. air and trucking partner firms, including Forward Air (Greeneville, Tennessee), U.S. Xpress Enterprises (Chattanooga, Tennessee), and Werner Enterprises (Omaha, Nebraska).

¹² Ametex's additional U.S. customers include The Territory Ahead (California) and Vineyard Vines (Connecticut), among others.

[Ametex] implements one of the most forward-looking policies with respect to workers and worker rights of anyone in the hemisphere. And it's a remarkable story about the incentives – and certainly [Ametex] is thinking about our market [and] – is responding, and is making available, rights to [its] workers well beyond those that are guaranteed under local law. And so that's exactly the sort of thing I think we'd want to highlight and reinforce.

Ametex pays its workers three times the national minimum wage. We have five in-house unions. Our working standards are in full compliance with human rights and fair labor practices, as certified by the World Responsible Apparel Production (WRAP) organization, which monitors and certifies compliance with internationally-recognized standards for manufacturing practices.

Ametex recently became a member—a “participating supplier”—of the Fair Labor Association, the Washington, DC-based non-profit organization, which monitors the treatment of workers in factories that supply numerous American brands.

These actions—and those of many other Bolivian businesses—are a direct consequence of ATPDEA, which provides a framework and an incentive to constantly improve our business practices.

Andean trade preferences need a long-term renewal to ensure the security of the business cycle.

Andean trade preferences have been an economically stabilizing force in the region, contributing to the expansion of the private sector and the growth of good paying, high quality jobs—the intention of the Act's framers.

Andean trade preferences also benefit the United States, through U.S. apparel inputs exported to the Andean region and through job creation in downstream industries in the U.S. resulting from increased trade activity.

Unfortunately, since the end of 2006, short-term, last minute extensions of the program by Congress—the most recent one for 10 months and expiring at the end of this year—have created business uncertainties that have discouraged companies from sourcing Andean garments.

The results have been alarming.

Since rising to a highpoint of over USD \$700 million in 2005, the total U.S. customs value of ATPDEA apparel imports from the Andean region through the Port of Miami has steadily decreased in the past two years.

In the last year, there has been an almost 22 percent decrease.

In Bolivia, the decrease was almost 45 percent.¹³

It is clear that the lack of certainty surrounding ATPA has contributed to unpredictability in the trade relationship between the U.S. and the Andean region.

Due to this situation, the U.S. textile and apparel industry has called for a long-term renewal of ATPA.

At Ametex, we agree. A long-term renewal of ATPA would bring greater predictability and thus ensure the future success of Andean trade preferences.

While great strides have already been made, much more can be achieved in the trade relationship between the U.S. and the Andean region.

For this reason, we believe in the success of Andean trade preferences and its many benefits to the U.S., to our region, and to my country, Bolivia.

We sincerely wish it will continue.

Thank you very much.

¹³ U.S. Department of Commerce and the U.S. International Trade Commission data for apparel customs value for ATPDEA imported through Miami.