

AMBASSADOR'S TESTIMONY IN SUPPORT OF PETITIONS TO ADD FRESH CUT ROSES, FROZEN BROCCOLI, AND PRESERVED ARTICHOKEs TO THE LIST OF GSP ELIGIBLE PRODUCTS FOR DEVELOPING BENEFICIARY COUNTRIES

February 2013

Thank you for the opportunity to testify in support of the petitions to add fresh cut flowers, frozen broccoli, and preserved artichokes to the list of eligible products under the Generalized System of Preferences for developing beneficiary countries. My name is Nathalie Cely and I am Ambassador to the Republic of Ecuador in the United States. I am testifying today on behalf of the Ecuadorian Government.

The Government of Ecuador submits that fresh cut roses, frozen broccoli, and preserved artichokes should be included in the GSP, for all beneficiary developing countries including Ecuador, because they promote positive growth in the U.S. economy, they have a tremendous impact in job creation and economic growth in Ecuador, and they do not pose a threat to exports by other developing and least developed beneficiary countries. These are the essential reasons that justify the inclusion of these products in the GSP.

Fresh cut roses, frozen broccoli, and preserved artichokes are currently eligible for trade preferences under the Andean Trade Promotion and Drug Eradication Act (ATPDEA). ATPDEA provides duty free treatment for certain products and has been essential in sustaining, diversifying, and increasing economic growth and job creation in Ecuador. Trade preferences for products such as fresh cut roses, frozen broccoli, and preserved artichokes support thousands of jobs for farmers, transportation and distribution employees, vendors, and customers both in the United States and Ecuador.

Moreover, trade preferences provide more choices for U.S. consumers, who have recognized Ecuadorian products as having competitive prices and high quality, without substantially competing with U.S. products. These economic and social development benefits for the United States and Ecuador will continue if fresh cut roses, frozen broccoli, and preserved artichokes are added as eligible under GSP.

Although this hearing focuses on GSP eligibility for products rather than countries, I want to take this opportunity to reiterate Ecuador's compliance with all of the criteria for GSP eligibility. While understanding that the focus of this hearing is the eligibility of fresh cut roses, frozen broccoli, and preserved artichokes, I am happy to answer any questions regarding all the eligibility criteria during the question and answer portion of this hearing.

Adding fresh cut roses, frozen broccoli, and preserved artichokes to GSP will contribute to growth in the U.S. economy. Fresh cut roses, frozen broccoli, and preserved artichokes, generate revenue and jobs in the U.S., and are part of an integrated international value chain.

With regard to fresh cut roses, a tariff on Ecuadorian fresh cut roses will force a majority of Ecuadorian producers to reduce or cut their exports. Ecuador provided 24 percent of the imported roses to the U.S. in 2012. Moreover, for every dollar the final consumer spends on fresh cut roses, approximately only 27 percent remains with Ecuadorian rose producers, 6 percent remains with airlines, and 67 percent remains with American transportation, wholesalers, florists, designers, and other related American businesses.

According to the Economic Census, in 2007 there were almost 20 thousand florist shops in the U.S., generating 94 thousand jobs. 82 percent of these shops sell less than half a million yearly and 87 percent have less than ten employees. If fresh cut roses are not added to GSP, these small business employees and their families will suffer greatly from a lack of supply, higher prices, and lower quality of roses. Finally, because the quality of Ecuadorian roses is unmatched by any other competitors, reducing production will increase prices to U.S. consumers and make this quality product less available.

With regard to frozen broccoli, Ecuadorian producers supply high quality frozen broccoli at a competitive price, throughout the entire year, for the American companies who use it as an input in production. U.S. production is sold fresh and does not meet the American demand for broccoli. Broccoli growers and other suppliers depend on Ecuadorian broccoli to complete their inventory. Ecuadorian production takes place in small farms, allowing Ecuador to provide high quality product as demanded by American businesses and consumers.

With regard to preserved artichokes, such imports satisfy an unmet demand for specialty artichokes which are regarded as having a high quality that is valued by customers and can be supplied throughout the entire year. This creates a consumer surplus and serves as an input in high value-added services.

Ecuador's trade with the United States generates thousands of jobs in both countries. In fact, two-way trade between the countries totaled approximately 17 billion dollars in 2012. U.S. exports to Ecuador have more than doubled from US. 2.6 billion to 6.7 billion dollars in just 6 years.

This trade, with the help of trade preference programs such as ATPDEA, has contributed to Ecuador's economic growth and development. In five years, the Government of Ecuador has reduced poverty from about 38 percent in 2006 to 27 percent in 2012.

National unemployment has also been reduced from 11 percent in 2006 to 4 percent in 2012. Access to secondary education has increased substantially, from 47% to 62%. Also access to health service had doubled in the same period.

Further, Ecuador's development is also reflected in the country's increased infrastructure and public services. Ecuador's investments have resulted in almost 8 million kilometers of roads, 3 new airports, and almost 3 million new broadband internet users. Finally, thanks to growth in the fresh cut roses, frozen broccoli, and preserved artichokes industries, drug cultivation has been displaced and Ecuador is a country virtually free of drug production.

The Ecuadorian flower industry generates 30 thousand local jobs in Ecuador and about 51 percent of these employees are women. The industry has become essential to the Ecuadorian economy and one of the main employers in some of the poorest areas of the country, which have little to no economic alternatives and at risk of the narcotics trade. With regard to frozen broccoli, in 2011, the Ecuadorian industry generated over 3 thousand direct jobs and almost 10 thousand indirect jobs in Ecuador. Frozen broccoli production is labor intensive and employs low skill labor, an important social benefit.

With regard to preserved artichokes, approximately 839 direct jobs and almost 3 thousand indirect jobs are produced by the artichoke industry in Ecuador.

And, it is estimated that almost 10 thousand people are indirectly benefitted by the Ecuadorian preserved artichoke industry. The preserved artichoke industry links traditional small-scale agricultural workers with the international market through the processing of the vegetable.

If added to the GSP, fresh cut roses, frozen broccoli, and preserved artichokes would not compete with exports from least developed beneficiary countries.

With regard to fresh cut roses, Ethiopia, Kenya, South Africa, Uganda, and Tanzania are the only LDBCs that have exported fresh cut roses to the United States since 2009. Ecuador has had duty free access to American markets since the 1990s. Thus, granting GSP eligibility will not alter the current market structure against or in favor of LDBCs a significant way.

With regard to frozen broccoli, the main suppliers providing 87 percent of imports of frozen broccoli to the United States in 2012 have free trade agreements. With regard to preserved artichokes, the United States has not imported preserved artichokes from any LDBC since 2009.

As highlighted in my testimony, adding fresh cut roses, frozen broccoli, and preserved artichokes to GSP is a win-win proposition. These products generate thousands of jobs and economic growth in the U.S. and Ecuador. Moreover, both countries benefit greatly from trade related to these products, which are also deeply integrated with the U.S. value chain.

Thank you for the opportunity to testify at this hearing and I look forward to answering any questions you may have.