

**BEFORE
THE UNITED STATES
INTERNATIONAL TRADE COMMISSION
(USITC)**

2012 GSP ANNUAL REVIEW

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**STATEMENT BY CRISTIAN ESPINOSA, EXECUTIVE DIRECTOR OF THE
ECUADORIAN-AMERICAN CHAMBER OF COMERCE (AMCHAM QUITO)
IN SUPPORT OF THE DESIGNATION OF FROZEN BROCCOLI AS ELIGIBLE
PRODUCT FROM ECUADOR UNDER THE GENERALIZED SYSTEM OF
PREFERENCES**

INVESTIGATION NO. 332-538

February 27, 2013

Mr. Chairman, and fellow commissioners, thank you very much for allowing us to testify in today's hearing. My name is Cristian Espinosa; I am the Executive Director of the Ecuadorian-American Chamber of Commerce, also referred as AMCHAM Quito, in our briefs. Mr. Alfredo Zeller, President of the Ecuadorian Association of Growers and Exporters of Fruits and Vegetables (APROFEL), accompanies me. Together, we have presented a petition to the 2012 GSP Annual Review to include "Ecuadorian broccoli, fresh and frozen, in all sizes and packages, during the whole year" as an eligible article under the Generalized System of Preferences (GSP) permitting it to enter the United States free of tariffs. I am aware that the USTR's GSP Subcommittee has accepted the review of only the tariff subheadings that refer to frozen broccoli.

Mr. Alfredo Zeller will complete this statement addressing the perspective of a producer and exporter of broccoli, and the view of an American investor working in Ecuador for several decades. We are fortunate to have the Mr. Zeller's views as he can testify, based on his own experience, about the benefits derived from the U.S. tariff preference systems.

Time is short, so please allow me today to make some basic, but essential comments that justify our petition and your careful consideration of this matter.

Ecuadorian exports of broccoli to the United States have increased continuously since the implementation of the Andean Trade Preference Act (ATPA). Despite a recent downturn in employment last year, this sector generates important job opportunities and wealth to vulnerable sectors, especially employment for women in the Ecuadorian highlands. This increase has been possible due to the fact that Ecuadorian broccoli enters the U.S. market free of tariffs under ATPA.

The Andean preference program is due to expire in July 2013 and the likelihood of its renovation is extremely low because Ecuador is now the only beneficiary country of ATPA preferences; Peru and Colombia now enjoy the benefits of their respective bilateral free trade agreements. Consequently, as of July 2013, Ecuadorian broccoli exports would no longer enjoy duty-free treatment and will be facing a 14.9% ad valorem tariff upon entry into the U.S. market. In the short term, moving from current ATPA status to GSP eligible status does not represent any advantage in terms of tariffs.

The main point of this testimony is precisely the fact that the competitiveness of the U.S. market for broccoli will not be altered if Ecuadorian broccoli becomes eligible under the U.S. General System of Preferences. Rather, the loss of preferential treatment for broccoli originating in Ecuador can negatively disrupt the market for U.S. consumers and important segments of the U.S. food industry

that benefit in terms of revenue and employment from duty free market access of products such as Ecuadorian broccoli.

Bringing broccoli on board to the U.S. GSP does not affect the local market conditions because the most important suppliers of this product are Mexico and Guatemala: both countries have free access to the U.S. market under their respective free trade agreements with the United States. China, the other important supplier, does not benefit from the GSP treatment. Even though China does not have the duty advantages of the other two countries, it maintains a very competitive cost structure. Therefore, if Ecuadorian broccoli loses the tariff preferences it now has and is forced to pay the 14.9% duties, the offer of those three countries might replace the Ecuadorian product in the U.S. market, hurting both Ecuadorian producers and American importers and consumers.

It should be noted that imports of Ecuadorian broccoli have been entering the U.S. market free of tariffs for more than a decade. This has not caused any problem whatsoever for U.S. producers since these producers basically supply fresh broccoli, which in turn does not compete with the frozen product. I believe Mr. Zeller's testimony and the testimony of several U.S. importers will make this point abundantly clear.

We have submitted to the USTR in our petition an analysis of the benefits derived from GSP treatment, which basically points in the direction of a continuous presence and growth of Ecuadorian broccoli in the U.S. market. We have also provided a counterfactual analysis, which presents a scenario in which Ecuadorian broccoli faces full MFN tariff levels. We have made use of partial equilibrium models that support our estimates. The results derived from the application of these models were corroborated by our observation of what happened during the seven months in 2011 when the ATPA had expired and Ecuadorian broccoli lost preferential treatment. The presence of our competitors increased in the U.S. market, Ecuadorian exports declined, despite the fact that importers expected a highly probable extension of ATPA, which included a retroactive clause that included the reimbursement of paid tariffs.

Time constrains during this hearing do not allow us to enter into details and elaborate on figures regarding the estimates on the effect of maintaining the preferences for broccoli or the correspondent counterfactual analysis of losing the preferences. Our petition and pre-hearing submission develop these analyses in detail. I would, however, say at this point that we would be glad to elaborate on our views if you require additional information, either responding to your questions in writing or presenting an additional post hearing submission.

Thank you for your attention, and I now pass the floor to Mr. Zeller.