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Highlights

Highlights of [GAO-10-654](#), a report to congressional committees

Why GAO Did This Study

In 2006, Congress passed the Haitian Hemispheric Opportunity through Partnership Encouragement Act (HOPE), giving preferential access to U.S. imports of Haitian apparel. In 2008, Congress amended HOPE (now HOPE II), expanding existing trade preference provisions and creating new ones, including the Earned Import Allowance Program (EIAP). Under the EIAP, for every 3-square-meter equivalents (SME) of U.S. or other qualifying fabric a firm imports into Haiti, it earns a credit to export 1 SME of apparel produced in Haiti to the United States, duty-free, regardless of the fabric source. The Haiti Economic Lift Program (HELP) Act of 2010 amended the EIAP, reducing the qualifying fabric requirement from 3 to 2 (see figure). HOPE II also mandated GAO to review the effectiveness of the EIAP and to look for potential improvements. GAO examined (1) the extent to which the program has been used, (2) how U.S. government agencies implemented it, and (3) how might the program be improved.

To address these questions GAO reviewed data from the Department of Commerce's Office of Textiles and Apparel (OTEXA); interviewed U.S. agency officials, Haitian and Dominican apparel producers, U.S. apparel buyers, and U.S. textile manufacturers; and reviewed relevant literature. Additionally, this report informs Congress of options provided by stakeholders to modify the program. GAO is making no recommendations in this report.

View [GAO-10-654](#) or key components. For more information, contact Loren Yager at (202) 512-4347 or yagerl@gao.gov.

INTERNATIONAL TRADE

Exporters' Use of the Earned Import Allowance Program for Haiti Is Negligible because They Favor Other Trade Provisions

What GAO Found

No apparel has been exported to the United States under the Haiti EIAP because exporters prefer to use other trade preferences. Three EIAP accounts have been opened, but not all have earned credits and no credits have been redeemed. According to industry stakeholders, other trade preferences, like the duty-free rules for woven and knit apparel under HOPE II, offer more benefits with fewer requirements. Those preferences are considered to be simpler and allow for fabric inputs from any source up to certain limits known as Tariff Preference Levels. The share of U.S. apparel imports from Haiti entering under these HOPE and HOPE II provisions has grown from 3 percent in 2007 to about 27 percent in 2009. Experts indicated the EIAP was not likely to be used unless exports under other HOPE II provisions approach their limits.

Participating firms are generally satisfied with the way OTEXA has implemented the EIAP; however, firms that are not currently taking part in the program often perceive the EIAP as too complicated. OTEXA administers the program through an online system where firms can establish an account, deposit credits, and receive an import allowance certificate. According to participating firms, this system is operating satisfactorily and the program in general is being well managed.

Industry stakeholders suggested several options to improve the EIAP. However, these options include potential trade-offs, which may benefit firms that export Haitian apparel, but be disadvantageous for certain U.S. textile producers. A frequent suggestion by stakeholders was to reduce the ratio of qualifying to nonqualifying fabric from 3-for-1 to 2-for-1, or 1-for-1. A ratio reduction to 2-for-1, expected to lower the average input costs, was incorporated in the HELP Act. Other suggestions included allowing the use of foreign (non-U.S.) yarn in qualifying knit fabrics, allowing qualifying fabrics to be finished and dyed outside of the United States, and expanding the EIAP concept beyond apparel.

Example of EIAP Transaction Process as Amended under the HELP Act



Source: GAO analysis of information from OTEXA; Map Resources (maps).