Andean Trade Preference Act

Impact on U.S. Industries and Consumers and on Drug Crop Eradication and Crop Substitution

Seventh Report 1999
Investigation No. 332-352

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ABSTRACT

The submission of this study to the Congress continues a series of annual reports by the U.S. International Trade Commission (Commission) on the impact of the Andean Trade Preference Act (ATPA) on U.S. industries and consumers. The current study fulfills the Commission's reporting requirement for calendar year 1999 and represents the seventh in the series.

ATPA, enacted on December 4, 1991, authorized the President to proclaim duty-free treatment for eligible articles from Bolivia, Colombia, Ecuador, and Peru. The President proclaimed preferential duty treatment for Bolivia and Colombia in 1992, and for Ecuador and Peru in 1993. Section 206 of the act requires the Commission to report to the President and the Congress on the economic impact of the act "on United States industries and consumers, and in conjunction with other agencies, the effectiveness of this Act in promoting drug-related crop eradication and crop substitution efforts of beneficiary countries." The Commission is required to submit its report to the Congress by September 30 of each year until ATPA benefits expire in 2001.

The overall effect of ATPA-exclusive imports (those ineligible for other tariff preferences) on the U.S. economy and consumers continued to be negligible in 1999. However, U.S. imports of ATPA-exclusive products were estimated to have potentially significant effects on domestic industries producing asparagus; chrysanthemums, carnations, anthuriums, and orchids; and fresh-cut roses. U.S. imports of all of the 20 leading ATPA-exclusive categories produced net welfare gains for U.S. consumers in 1999. The probable future effect of ATPA on the United States, as estimated by an examination of export-oriented investment in the beneficiary countries, is also expected to be minimal in most sectors. To analyze the effects of ATPA on the beneficiary countries, country case studies were conducted together with a general equilibrium analysis. The case studies on Bolivia and Peru and the general equilibrium analysis suggest that ATPA has had a small but positive effect on the economies of the ATPA beneficiaries.

ATPA continued to have a slight but positive effect on drug-crop eradication and crop substitution in the Andean region in 1999. Eradication efforts contributed to an overall decline of 4 percent in the volume of land under coca cultivation, despite an increase in Colombian production. Alternative development efforts to introduce new products and expand licit-crop production in the region are continuing to show promising results, especially in Bolivia and Peru.

The information provided in this report is for the purpose of this report only. Nothing in this report should be construed as indicating what the Commission's determination would be in an investigation involving the same or similar subject matter conducted under other statutory authority.

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EXECUTIVE SUMMARY

The Andean Trade Preference Act (ATPA), which was signed into law in December 1991, eliminates or reduces U.S. tariffs on eligible products from four Andean mountain countries—Bolivia, Colombia, Ecuador, and Peru. The primary goal of ATPA is to promote broad-based economic development in those Andean countries. ATPA also aims to develop viable economic alternatives to coca cultivation and cocaine production by offering Andean products broader access to the U.S. market. ATPA applies to the same categories covered by the more restrictive U.S. Generalized System of Preferences (GSP) program, but offers broader product coverage and more liberal product-qualifying rules.

This report covers the impact on the United States of ATPA during calendar year 1999. Section 206 of the ATPA requires the Commission to prepare an annual report assessing both the actual and the probable future effects of ATPA on the U.S. economy generally, on U.S. industries, and on U.S. consumers, and to estimate the effect of ATPA on drug-related crop eradication and crop substitution.

Partial-equilibrium analysis was used to estimate the impact of ATPA on the United States. The probable future effect of ATPA on the United States was estimated by an examination of export-oriented investment in the beneficiary countries. The report also provides an evaluation of the effect of ATPA on the beneficiary countries by presenting country case studies assessing the effectiveness of ATPA in promoting export-led growth and export diversification in the beneficiary countries as well as an applied general equilibrium analysis. Sources of information included data from the U.S. Department of Commerce and Statistics Canada, interviews with other government agencies, reports from U.S. embassies, and other published sources. In addition, the Commission solicited public comment for this investigation by publishing a notice in the *Federal Register*.[1]

Main Commission findings

- Of the $1.75 billion in U.S. imports that entered under ATPA in 1999, imports valued at $0.9 billion could not have received tariff preferences under any other program. The five leading items benefiting exclusively from ATPA in 1999 were copper cathodes from Peru (which exceeded its GSP competitive-need limit); fresh-cut roses; chrysanthemums, carnations, anthuriums, and orchids from Colombia (which exceeded its GSP competitive-need limit); tunas and skipjack; and gold compounds from Colombia (which exceeded its GSP competitive-need limit).
- The overall effect of ATPA-exclusive imports on the U.S. economy and on consumers continued to be negligible in 1999. In 1999, the value of duty-free U.S. imports under ATPA was a little under 0.02 percent of U.S. gross domestic product (GDP). The total value of U.S. imports from ATPA countries was 0.97 percent of total U.S. imports.

[1] Appendix A contains a copy of the *Federal Register* notice and Appendix B contains a summary of those submissions received in response to the notice.

- Fresh-cut roses provided the largest gain in consumer surplus from lower prices and higher consumption ($12.2 million to $12.4 million). Chrysanthemums, carnations, anthuriums, and orchids provided the second-largest gain in consumer surplus ($8.5 million to $8.6 million) resulting exclusively from ATPA tariff preferences in 1999. U.S. imports of all of the 20 leading ATPA-exclusive items produced net welfare gains (consumer surplus net of U.S. Treasury losses) for U.S. consumers in 1999. Asparagus yielded the largest net welfare gain, valued at $424,000 to $1.1 million, followed by fresh-cut roses, and chrysanthemums, carnations, anthuriums, and orchids.

- The Commission's economic and industry analyses indicated that U.S. industries that may have experienced displacement of more than 5 percent of the value of U.S. production in 1999, based on upper range estimates, were those producing asparagus (2.3 percent to 8.3 percent displacement, valued at $3.2 million to $11.5 million); chrysanthemums, carnations, anthuriums, and orchids (1.2 percent to 7.5 percent displacement, valued at $0.4 million to $2.3 million); and fresh-cut roses (1.1 percent to 7.0 percent displacement, valued at $0.9 million to $5.8 million).

- The probable future effect of ATPA on the United States is expected to be minimal in most economic sectors. However, the Commission was able to identify recent investments in export-oriented production of ATPA-eligible products, including pigments, sugar cane, candy, gold jewelry, and fruits.

- ATPA continued to have a slight but positive effect on drug-crop eradication and crop substitution in the Andean region during 1999. Important gains were made in drug eradication in the Andean region, as evidenced by the continuing downward trend in illicit coca production. In 1999, the total Andean coca crop declined by 4 percent, to its lowest level in 10 years, despite an increase in Colombian production to a record high. The overall reduction has been substantially assisted by the governments of Bolivia, Colombia, and Peru, which are all actively promoting crop-control efforts through alternative development programs.

- The effectiveness of ATPA in promoting broad-based economic growth and the development of sustainable economic alternatives to drug-crop production in the Andean region was examined by conducting case studies on Bolivia and Peru and by using general equilibrium analysis.

    - The case study on **Bolivia** revealed that between 1990 and 1998, Bolivia's exports to the United States diversified slightly and that exports of jewelry, the principal Bolivian product benefiting from ATPA trade preferences, expanded significantly. In 1998, Bolivian exports of jewelry accounted for about one-quarter of Bolivia's exports to the United States. However, diversification into other ATPA-eligible products has been negligible. Thus, the impact of ATPA on the Bolivian economy has been small, but positive.

    - The case study on **Peru** revealed that exports to the United States diversified moderately between 1990 and 1998. ATPA has encouraged diversification into nontraditional agricultural products, such as asparagus, and other products, such as copper cathodes. Substantial economic and political reforms over the past decade have encouraged progress, while continued judicial reform will likely further improve the investment climate.

    - General equilibrium analysis employing a global model indicates that ATPA has had a small but positive effect on economic development in the Andean region.

Trade-related activities in 1999

- In 1999, bilateral trade with ATPA countries combined resulted, uncharacteristically, in a large deficit for the United States, amounting to $3.6 billion. The deficit was caused by a sharp 27.8-percent decline in U.S. exports to ATPA countries to $6.3 billion, and a simultaneous 17.6-percent increase in U.S. imports from them to $9.8 billion.

- Economic problems, political instability, and the strength of the U.S. dollar restricted the ability of ATPA countries to import. U.S. exports to ATPA countries declined in all leading sectors and to all ATPA countries. U.S. exports of aircraft, motor vehicles, and electrical machinery dropped about 40 percent.

- Sharply higher prices of petroleum products explain about four-fifths of the 17.6-percent increase in overall U.S. imports from ATPA countries in 1999. Colombia, the principal ATPA-country supplier of petroleum products, accounted for virtually all of the increase (98.1 percent).

- Colombia remained the dominant U.S. trading partner among ATPA countries, accounting in 1999 for 55 percent of U.S. exports, 60 percent of U.S. imports, and 46 percent of the portion entering under ATPA provisions. Peru was the second largest trading partner, followed by Ecuador and Bolivia.

- The portion of U.S. imports from ATPA countries entering under ATPA dropped from their peak ratio of 19.7 percent in 1998 to 17.8 percent in 1999, primarily reflecting the increased importance of imports of petroleum products among total imports.

- In 1999, U.S. imports under ATPA rose by 6.4 percent to $1.8 billion. Imports of some major leading products under the program declined, including flowers and jewelry, but imports of some other ATPA goods, including refined copper cathodes, unalloyed zinc, pigments, processed tuna, and asparagus continued to rise.

CHAPTER 1
Introduction

The United States enacted the Andean Trade Preference Act (ATPA)[1] in 1991 to encourage the South American Andean countries of Bolivia, Colombia, Ecuador, and Peru to reduce drug-crop cultivation and production by fostering production and exports of nontraditional products. ATPA authorizes the President to proclaim preferential rates of duty on many Andean products entering the United States. The preferential trade benefits provided under ATPA are similar to those provided to Caribbean Basin countries under the Caribbean Basin Economic Recovery Act (CBERA).[2]

This report fulfills a statutory mandate under ATPA that the U.S. International Trade Commission (the Commission) report annually on the economic impact of ATPA on U.S. industries, consumers, and the economy in general, as well as on the estimated effect of ATPA on drug-related crop eradication and crop substitution efforts of the beneficiary countries.[3] The report is the seventh in the series and covers calendar year 1999.

Organization

The present chapter summarizes the ATPA program and describes the analytical approach used in the report. Chapter 2 analyzes U.S. trade with ATPA beneficiaries during 1999. Chapter 3 addresses the estimated effects of ATPA in 1999 on the U.S. economy generally, as well as on U.S. industries and consumers. That chapter also examines the probable future effects of ATPA. Chapter 4 examines the impact of ATPA on the beneficiary countries by presenting two country case studies and an applied general equilibrium analysis. Chapter 5 considers the impact of ATPA on drug-crop eradication and crop substitution in the beneficiary countries.

Appendix A reproduces the *Federal Register* notice by which the Commission solicited public comment; appendix B contains a summary of those submissions received in response to the *Federal Register* notice. Appendix C explains the economic models used to derive the findings presented in chapter 3 and chapter 4. Appendix D includes tables underlying some of the analysis of trade trends in chapter 2. Finally, appendix E contains a list of frequently used abbreviations.

Summary of the ATPA Program

ATPA authorizes the President to grant certain unilateral preferential trade benefits to Bolivia, Colombia, Ecuador, and Peru in the form of reduced-duty or duty-free treatment of eligible products imported into the customs territory of the United States, based on importer claims for this treatment. ATPA preferential tariffs are scheduled to remain in effect through December 3, 2001, 10 years after the date of enactment. The World Trade Organization (WTO) renewed the United States' temporary waiver for the program on October 14, 1996 until December 4, 2001.[4] The following sections summarize ATPA provisions concerning beneficiaries, trade benefits, and qualifying rules, and the relationship between ATPA and the U.S. Generalized System of Preferences (GSP).

[1] ATPA was passed by the Congress on November 26, 1991, and signed into law on December 4, 1991. Public Law 102-182, title II; 105 Stat. 1236, 19 U.S.C. 3201 et seq. Minor amendments to ATPA were made by Public Law 102-583. ATPA became effective July 22, 1992, for Colombia and Bolivia (Presidential Proclamation 6455, 57 F.R. 30069, and Presidential Proclamation 6456, 57 F.R. 30087, respectively); April 30, 1993, for Ecuador (Presidential Proclamation 6544, 58 F.R. 19547); and August 31, 1993, for Peru (Presidential Proclamation 6585, 58 F.R. 43239).

[2] CBERA was enacted August 5, 1983, as Public Law 98-67, title II; 97 Stat. 384, 19 U.S.C. 2701 et seq. and became effective January 1, 1984 (Presidential Proclamation 5133, 48 F.R. 54453). Minor amendments to CBERA were made by Public Laws 98-573, 99-514, 99-570, and 100-418.

[3] The reporting requirement is set forth in sec. 205(b) of ATPA (19 U.S.C. 3204(b)).

[4] WTO General Council, "United States-Andean Trade Preference Act-Decision of 14 October 1996," (WT/L/184). A waiver is required because benefits are not extended on a most-favored-nation (MFN) basis.

Beneficiaries

Colombia, Bolivia, Peru, and Ecuador are the only countries eligible to be designated by the President for ATPA benefits;[5] the President can terminate such designations or suspend or limit a country's ATPA benefits at any time.[6] In determining whether to designate a country for ATPA benefits, the President must take into account whether that country has met the criteria for U.S. narcotics cooperation certification.[7] By 1993, all four countries had been designated for full ATPA benefits.[8]

ATPA beneficiaries are required, among other things, to afford internationally recognized worker rights as defined under the GSP program[9] and to provide effective protection of intellectual property rights (IPR), including copyrights for film and television material.[10] To date, ATPA benefits have not been withdrawn from any country on the basis of worker rights, inadequate protection of IPR, or lack of U.S. certification for cooperation on narcotics.[11] None of the ATPA beneficiaries was the subject of a GSP review in 1999.[12] In April 1999, the United States Trade Representative (USTR) conducted a review of country practices pertaining to IPR protection under the so-called Special 301 provisions of the Trade Act of 1974, as amended, and placed 37 countries, including Bolivia, Colombia, and Ecuador, on the watch list of countries to be monitored for progress in implementing IPR protection commitments and for providing comparable market access for U.S. intellectual property products. In addition, USTR elevated Peru to the priority watch list for IPR monitoring.[13] In April 2000, the USTR placed 39 countries, including Bolivia, Colombia, and Ecuador, on the watch list, and continued the placement of Peru on the priority watch list for IPR monitoring.[14]

[5] 19 U.S.C. 3202(b).

[6] 19 U.S.C. 3202(e).

[7] 19 U.S.C. 3202(d)(11). These criteria are set forth in section 2291(h)(2)(A) of title 22.

[8] Bolivia and Colombia were designated for ATPA benefits in 1992; Ecuador and Peru were designated in 1993.

[9] Sec. 502(a)(4), Trade Act of 1974, and title V generally (Public Law 93-618, 88 Stat. 2066 and following), as amended.

[10] 19 U.S.C. 3202(c).

[11] See ch. 5 for a discussion of U.S. certification for ATPA beneficiaries in 1999.

[12] There were no active GSP country eligibility reviews of ATPA countries as of July 12, 2000. Staff interview with USTR, July 1, 2000.

[13] USTR, "USTR Announces Results of Special 301 Annual Review," press release 99-41, Apr. 30, 1999.

[14] USTR, "USTR Releases Super 301, Special 301 and Title VII Reports," press release 00-30, May 1, 2000, and "2000 Special 301 Report," Apr. 30, 2000.

Trade Benefits Under ATPA

ATPA affords preferential rates of duty below the column 1-general duties, formerly known as most-favored nation (MFN) duties and now known as normal trade relations (NTR) rates.[15] The preferential rates are applied to most products of Andean countries by reducing these tariff rates to free or, for a small group of products, by up to 2.5 percent ad valorem.[16] For some products, duty-free entry under ATPA is subject to certain conditions in addition to basic preference eligibility rules. Imports of sugar and beef, like those of some other agricultural products, remain subject to any applicable and generally imposed U.S. quotas and food-safety requirements.[17] Although not eligible for duty-free entry, certain leather handbags, luggage, flat goods (such as wallets and portfolios), work gloves, and leather wearing apparel from ATPA countries are eligible to enter at reduced rates of duty.[18] Not eligible for any ATPA preferential duty treatment by law are most textiles and apparel, certain footwear, canned tuna, petroleum and petroleum derivatives, certain watches and watch parts, certain sugar products, and rum.[19]

Qualifying Rules

To be eligible for ATPA treatment, ATPA products must either be wholly grown, produced, or manufactured in a designated ATPA country or be "new or different" articles made from substantially transformed non-ATPA inputs.[20] The cost or value of

[15] For some products, the general or normal trade relations rate is free.

[16] General note 3(c) to the Harmonized Tariff Schedule (HTS) summarizes the special tariff treatment for eligible products of designated countries under various U.S. trade programs, including ATPA. General note 11 covers ATPA.

[17] These U.S. measures include tariff-rate quotas on imports of sugar, dairy products, and beef, established pursuant to sections 401 and 404 of the Uruguay Round Agreements Act (URAA). These provisions abolished former absolute quotas on imports of agricultural products of WTO members; U.S. quotas had been created under section 22 of the Agricultural Adjustment Act of 1933 (7 U.S.C. 624) and under the Meat Import Act of 1979 (Public Law 88-482). The URAA also amended ATPA by excluding from tariff preferences any imports from beneficiary countries in quantities exceeding the new tariff-rate quotas' global trigger levels. Imports of agricultural products from beneficiary countries remain subject to sanitary and phytosanitary restrictions, such as those administered by the U.S. Animal and Plant Health Inspection Service.

[18] This applies to articles that were not designated for GSP duty-free entry as of August 5, 1983. Under ATPA provisions, beginning in 1992, duties on those goods were reduced by a total of 20 percent, not to exceed 2.5 percent ad valorem, in five equal annual stages. 19 U.S.C. 3203(c).

[19] 19 U.S.C. 3203(b).

[20] Products undergoing the following operations do not qualify: simple combining or packaging operations, dilution with water, or dilution with another substance that does not materially alter the characteristics of the article. 19 U.S.C. 3203(a)(2).

the local (ATPA region) materials and the direct costs of processing in one or more ATPA countries must total at least 35 percent of the appraised customs value of the product at the time of entry. ATPA countries are permitted to pool their resources to meet the value-content requirement and to count inputs from Puerto Rico, the U.S. Virgin Islands, and countries designated under CBERA[21] in full toward the value threshold. In addition, goods with an ATPA content of 20 percent of the customs value and the remaining 15 percent attributable to U.S.-made (excluding Puerto Rican) materials or components[22] and goods containing inputs that undergo "double substantial transformation" within the ATPA countries and are counted with other qualifying inputs to total 35 percent, are deemed to meet the 35 percent value-content requirement.[23]

ATPA and GSP

The four ATPA beneficiaries are also GSP beneficiaries.[24] ATPA and GSP are similar in many ways, and many products may enter the United States free of duty under either program. Both programs offer increased access to the U.S. market. Like ATPA, GSP requires that eligible imports (1) be imported directly from beneficiaries into the customs territory of the United States, (2) meet the (usually double) substantial transformation requirement for any foreign inputs, and (3) contain a minimum of 35 percent qualifying value content. The documentary requirements necessary to claim either ATPA or GSP duty-free entry are identical–a Certificate of Origin Form A is to be presented at the time the qualifying products enter the United States, though slightly varying value-related information may be required under the two programs.

However, the two programs differ in several ways that tend to make Andean producers prefer the more liberal ATPA. First, ATPA covers more tariff categories than GSP. Unless specifically excluded, all product categories under ATPA can be designated as having a tariff preference. Second, by law, U.S. imports under ATPA are not subject to GSP competitive-need and country-income restrictions. Under GSP, products that achieve a specified level of imports (either in absolute terms or as a percentage of U.S. imports) in the United States (the competitive need limit) may be excluded from GSP eligibility; products so restricted under GSP may continue to enter free of duty under ATPA. Countries may lose all GSP privileges once their national income grows to exceed a specified amount. Third, ATPA qualifying rules for individual products are more liberal than those of GSP. GSP requires that 35 percent of the value of the product be added in a single beneficiary or in a specified association of GSP-eligible countries, whereas ATPA allows regional aggregation within ATPA, plus U.S. and Caribbean content.

In addition, starting July 31, 1995, the U.S. GSP program has been in effect intermittently,[25] which has encouraged suppliers to use ATPA rather than GSP. Most recently, the program expired on June 30, 1999, but was renewed December 17, 1999, retroactive to July 1, 1999 and continuing through September 30, 2001.[26] All imports of goods designated as eligible for claiming the GSP tariff preference that entered during periods when GSP was not in effect were generally subject to ordinary column 1-general duties at the time of entry unless other preferential treatment–such as ATPA–was claimed. Duties paid on such articles were eligible for refund after the GSP became operative again. Because the lapse in GSP was particularly long in 1995 and 1996, suppliers in ATPA-eligible countries could be sure only that the preferential tariff provisions

[21] Those countries were Antigua, Aruba, The Bahamas, Barbados, Belize, British Virgin Islands, Costa Rica, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Montserrat, Netherlands Antilles, Nicaragua, Panama, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago.

[22] 19 U.S.C. 3203(a).

[23] "Double substantial transformation" involves transforming foreign material into a new or different product that, in turn, becomes the constituent material used to produce a second new or different article in the beneficiary country. Thus, ATPA countries may import inputs from non-ATPA countries, transform the inputs into intermediate material, and transform the intermediate material into ATPA-eligible articles. The cost or value of the constituent intermediate material may be counted toward the 35 percent ATPA content requirement. For additional information, see U.S. Department of Commerce and U.S. Agency for International Development, *Guidebook to the Andean Trade Preference Act* (Washington, DC: Government Printing Office, July 1992), p. 5.

[24] The U.S. GSP program was originally enacted pursuant to title V of the Trade Act of 1974 (Public Law 93-618, 88 Stat. 2066 and following) and was renewed for an additional 10 years pursuant to title V of the Trade and Tariff Act of 1984 (Public Law 98-573, 98 Stat. 3018 and following), as amended (19 U.S.C. 2461 and following). Since that time, the GSP program has expired and been renewed several times. GSP expiration and renewal issues are discussed later in this section.

[25] It expired at midnight on July 31, 1995; the provisions of the program were renewed Oct. 1, 1996, retroactive to Aug. 1, 1995 through May 31, 1997 (61 F.R. 52078-52079). The program expired again on May 31, 1997, but was renewed Aug. 5, 1997, retroactive to June 1, 1997 through June 30, 1998 (62 F.R. 46549-46550). On June 30, 1998, the program expired again but was renewed Oct. 21, 1998, retroactive to July 1, 1998 through June 30, 1999 (63 F.R. 67169-67170).

[26] 65 F.R. 11367-11368.

of ATPA were in force. As a result, there was a marked shift away from using GSP to ATPA in 1995 and 1996, although the trend was already apparent. Many Andean suppliers continued to enter GSP-eligible goods under ATPA even after GSP was reauthorized.[27]

Analytical Approach

The ATPA program allows duty-free or reduced-duty treatment for qualifying products of designated beneficiary countries. The duty elimination for almost all eligible products occurred in a single action as countries became designated beneficiaries–there was no phase-in of duty elimination. Subsequent duty reductions for the remaining eligible goods were phased in over 5 years. Direct effects of such a one-time duty elimination can be expected to consist primarily of increased U.S. imports from beneficiary countries resulting from trade and resource diversion to take advantage of lower duties in the U.S. market, including: (1) a diversion of beneficiary-country production away from domestic sales and non-U.S. foreign markets; and (2) a diversion of variable resources (such as labor and materials) away from production for domestic and non-U.S. foreign markets. In general, these direct effects are likely to occur within a short time (probably 1 or 2 years) after the duty elimination. It is therefore likely that these effects have been fully realized, because ATPA became effective for all beneficiary countries in 1992-93. Over a longer period, the effects of ATPA will flow mostly from investment in industries in beneficiary countries that benefit from the duty elimination or reduction. Both the short-term and long-term effects are limited by the small size of the ATPA beneficiary-country economies, and the long-term effects are likely to be difficult to distinguish from other market forces in play since the programs were initiated. Investment, however, has been tracked in past ATPA reports in order to examine the trends in, and composition of, investment in the Andean region.

The effects of ATPA on the U.S. economy, industries, and consumers were assessed through an analysis of (1) imports entered under the program and trends in U.S. consumption of those imports; (2) estimates of gains to U.S. consumers due to lower prices or greater availability of goods, losses to the U.S. Treasury resulting from reduced tariff revenues, and potential displacement in U.S. industries competing with the leading U.S. imports that benefited exclusively from the ATPA program in 1999;[28] and (3) an examination of trends in production and other economic factors in the industries identified as likely to be particularly affected by such imports. General economic and trade data came from official statistics of the U.S. Department of Commerce and from materials developed by country/regional and industry analysts of the Commission. The report also incorporates public comments received in response to the Commission's *Federal Register* notice regarding the investigation.[29]

As in previous reports in this series, the effects of ATPA were analyzed by estimating the differences in benefits to U.S. consumers, levels of U.S. tariff revenues, and U.S. industry production that would likely have occurred if ordinary tariffs had been in place for beneficiary countries in 1999. Actual 1999 market conditions were compared with a hypothetical case in which column 1-general duties were imposed for the year. The effects of ATPA duty reductions for 1999 were estimated by using a standard economic approach for measuring the impact of a change in the prices of one or more goods. Specifically, a partial-equilibrium model was used to estimate gains to consumers, losses in tariff revenues, and industry displacement.[30] Previous analyses in this series have shown that since ATPA has been in effect, U.S. consumers have benefited from lower prices and higher consumption, competing U.S. producers have had lower sales, and tariff revenues to the U.S. Treasury have been lower.

Generally, the net welfare effect was measured by adding three components: (1) the change in consumer surplus, (2) the change in tariff revenues to the U.S. Treasury resulting from the ATPA duty reduction, and (3) the change in producer surplus.[31] The model used

[27] See ch. 2 for an analysis of the trends in the use of GSP and ATPA.

[28] That is, those that are not excluded or do not receive unconditional column 1-general duty-free treatment or duty-free treatment under other preference programs such as GSP.

[29] A copy of the notice is contained in appendix A.

[30] A more detailed explanation of the approach can be found in appendix C.

[31] Consumer surplus is a dollar measure of the total net gain to U.S. consumers from lower prices. It is defined as the difference between the total value consumers receive from the consumption of a particular good and the total amount they pay for the good.

Producer surplus is a dollar measure of the total net loss to competing U.S. producers from increased competition with imports. It is defined as the return to entrepreneurs and owners of capital over and above what they would have earned in their next-best opportunities. See Walter Nicholson, *Microeconomic Theory: Basic Principles and Extensions* (New York: The Dryden Press, 1989), for further discussion of consumer and producer surplus.

The welfare effects do not include short-run adjustment costs to the economy from reallocating resources among different industries.

in this analysis assumes that the supply of U.S. domestic production is perfectly elastic; that is, U.S. domestic prices do not fall in response to ATPA duty reductions. Thus, decreases in U.S. producer surplus were not captured in this analysis. The effects of ATPA duty reductions on most U.S. industries were expected to be small.

Ranges of potential net welfare and industry displacement estimates are reported, which reflect a range of assumed substitutabilities between ATPA products and competing U.S. output. The upper range estimates reflect the assumption of high substitution elasticities.[32] The lower range estimates reflect the assumption of low substitution elasticities. Upper range estimates were used to identify items that could be most affected by ATPA.

The analysis was conducted on the 20 leading items that benefited exclusively from ATPA tariff preferences (table 3-2).[33] Estimates of welfare and potential U.S. industry displacement were made, and industries for which estimated upper range potential displacement was over 5 percent of the value of U.S. production were selected for further analysis.

Probable future effects of ATPA are discussed on the basis of a qualitative analysis of economic trends and investment patterns in beneficiary countries and in competing U.S. industries. Information on investment in ATPA-related production facilities was obtained from U.S. embassies in the region.

To assess the impact of ATPA on drug-crop eradication and crop substitution, Commission investigators evaluated the extent of drug-crop production in the Andean region country by country. The primary sources for this information were other U.S. Government agencies, such as the Department of State.

In addition to the statutory requirements, this year's report also includes an evaluation of the impact of ATPA on the beneficiary countries by using two analytical approaches: (1) country case studies that assess the effectiveness of ATPA in promoting export-oriented growth and nontraditional exports in the beneficiary countries, and (2) an applied general equilibrium analysis. Commission investigators conducted case studies of two countries–Bolivia and Peru.[34] The case studies describe economic and trade developments in the selected ATPA beneficiaries since ATPA's implementation, including trends in total trade and the composition of exports, and how these developments may relate to ATPA. The analysis also incorporated information obtained from published sources and from other U.S. Government agencies on macroeconomic developments and the investment climate. The Global Trade Analysis Project (GTAP) general equilibrium trade model, a multicountry and multisector model, was used to quantify the effects of ATPA tariff preferences on the Andean region. The standard data set (based on 1995 data) was modified to reflect an environment in which all ATPA tariff preferences are completely implemented. Thus, all results should be interpreted as if ATPA had taken place in 1995, and all its effects were felt immediately.[35]

[32] Commission industry analysts provided evaluations of the substitutability of ATPA products and competing U.S. products, which were translated into a range of substitution elasticities–3 to 5 for high substitutability, 2 to 4 for medium, and 1 to 3 for low. Although there is no theoretical upper limit to elasticities of substitution, a substitution elasticity of 5 is consistent with the upper range of estimates in the economics literature. Estimates in the literature tend to be predominantly lower. See, for example, Clinton R. Shiells, Robert M. Stern, and Alan V. Deardorff, "Estimates of the Elasticities of Substitution Between Imports and Home Goods for the United States," *Weltwirtschaftliches Archiv*, 122 (1986), pp. 497-519.

[33] Commission industry analysts provided estimates of U.S. production and exports for the 20 leading items that benefited exclusively from ATPA, as well as evaluations of the substitutability of ATPA-exclusive imports and competing U.S. products.

[34] Case studies on Colombia and Ecuador were included in last year's report. U.S. International Trade Commission, *Andean Trade Preference Act: Impact on U.S. Industries and Consumers, Sixth Report*, USITC publication 3234, Sept. 1999, pp. 103-121.

[35] A more detailed explanation of the approach can be found in appendix C.

CHAPTER 2
U.S. Trade with the Andean Region

Introduction

This chapter covers U.S. trade with the four countries that are designated as ATPA beneficiaries: Bolivia, Colombia, Ecuador, and Peru. The principal purpose of the chapter is to examine U.S. imports under ATPA preferential provisions in 1999. However, imports under ATPA are analyzed in the context of overall bilateral trade between the United States and ATPA beneficiaries because imports under ATPA represent only a small portion of total U.S. imports from the region and they are affected by other factors and programs, such as GSP.

In this chapter, trade is discussed on a 2-digit Harmonized Tariff Schedule (HTS) chapter and an 8-digit HTS provision basis in terms of (a) two-way trade, (b) overall U.S. imports from the beneficiaries, (c) the portion of U.S. imports that enter under ATPA preferences, and (d) U.S. exports to ATPA countries. The relative importance of individual beneficiary countries as sources of and destinations for this trade also is covered. When so indicated, developments during 1999 are discussed in the context of longer term trends.[1]

The year 1999 was marked by the first notable trade deficit that the United States registered with ATPA countries since 1991. The deficit was caused by a sharp decline in U.S. exports to ATPA countries (27.8 percent), and a simultaneous increase in U.S. imports from them (17.6 percent) during the year (table 2-1 and figure 2-1). U.S. exports dropped because economic problems and political instability restricted the ability of ATPA countries to buy foreign goods and the strength of the U.S. dollar weakened their purchasing power. U.S. imports rebounded in 1999 after declining in 1998, largely because of higher prices for petroleum products the United States imports from ATPA countries, especially from Colombia. Excluding petroleum products, growth of U.S. imports was 5.2 percent. Similarly small was the 6.4-percent

[1] In 1992, Colombia and Bolivia were the only countries designated under ATPA. During 1993, Ecuador and Peru were also designated, but 1994 was the first full year during which all four countries enjoyed ATPA treatment. Therefore, only data covering 1994 or subsequent years are comparable with 1999 data.

Table 2-1
U.S. trade with ATPA countries, 1991-99

Year	U.S. exports[1]	Share of U.S. exports to the world	U.S. imports[2]	Share of U.S. imports from the world	U.S. trade balance
	Million dollars	*Percent*	*Million dollars*	*Percent*	*Million dollars*
1991	3,798.2	.9	4,969.5	1.0	-1,171.3
1992	5,319.7	1.3	5,058.7	1.0	261.0
1993	5,359.1	1.2	5,282.3	.9	76.7
1994	6,445.0	1.3	5,879.5	.9	565.5
1995	7,820.2	1.4	6,968.7	.9	851.4
1996	7,718.7	1.3	7,867.6	1.0	-148.9
1997	8,681.8	1.3	8,673.6	1.0	8.2
1998	8,670.1	1.4	8,361.0	.9	309.1
1999	6,263.2	1.0	9,830.2	1.0	-3,567.0

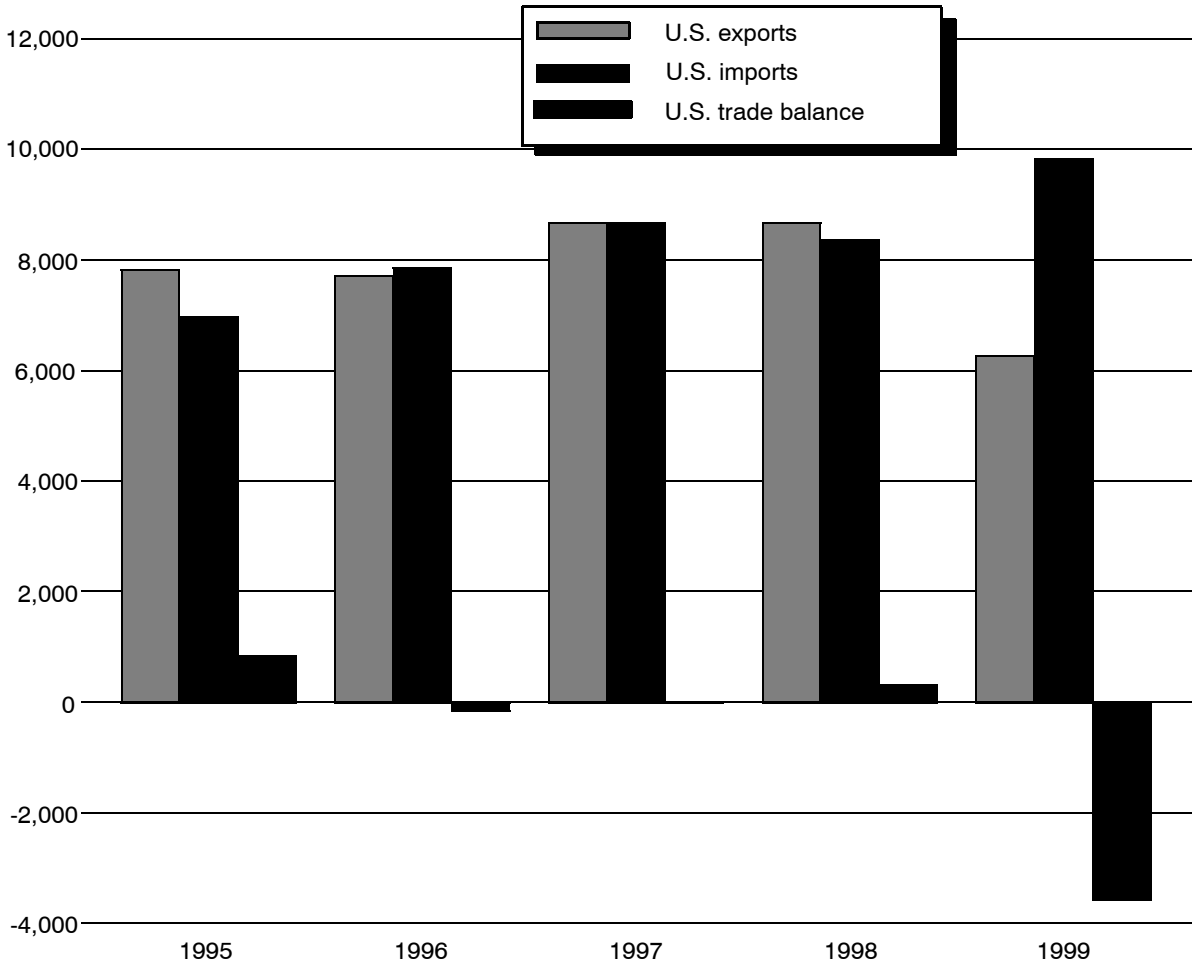
[1] Domestic exports, f.a.s. basis.

[2] Imports for consumption, customs value.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Figure 2-1
U.S. trade with ATPA countries, 1995-99

Million dollars



U.S. exports	7,820.2	7,718.7	8,681.8	8,670.1	6,263.2
U.S. imports	6,968.7	7,867.6	8,673.6	8,361.0	9,830.2
U.S. trade balance	851.4	-148.9	8.2	309.1	-3,567.0

Source: Compiled from official statistics of the U.S. Department of Commerce.

increase in 1999 of U.S. imports reported under ATPA provisions. In fact, the portion of imports under ATPA dropped to 17.8 percent of overall U.S. imports from ATPA countries from their peak share of 19.7 percent in 1998.[2]

The collective share of ATPA countries as a market for U.S. exports rose from 0.9 percent of the world market in 1991 to 1.4 percent in 1995, and again 1.4 percent in 1998. However, with U.S. exports to ATPA countries sharply down in 1999, this share dropped back to 1.0 percent. The combined share of ATPA countries as a supplier of the U.S. market also amounted to 1.0 percent of overall U.S. imports from the world in 1999, largely unchanged from the rest of the 1990s.

Total Imports

Total U.S. imports from ATPA countries (including both the portions affected and unaffected by ATPA preferences) amounted to $9.8 billion in 1999. The 17.6-percent increase in the value of U.S. imports from ATPA countries from 1998 to 1999 was caused by higher prices of petroleum-based products. Colombia, the principal supplier of petroleum products in the ATPA community, accounted for virtually all of the increase. In 1999, ATPA countries collectively were the 19th largest supplier of U.S. imports from the world–larger than Switzerland but smaller than Israel.

Product Composition and Leading Items

Table 2-2 shows the composition of total U.S. imports from ATPA countries by major product categories in 1995-99. Figure 2-2 shows that in 1999 this composition was not significantly different from the one in 1995. Table 2-3 lists the 20 leading U.S. import items during 1998 and 1999 on an 8-digit HTS provision basis, ranked by their 1999 import value. Only petroleum and apparel products in table 2-3 are dutiable under the column 1-general duty rates of the HTS, formerly known as MFN duty rates and now as normal trade relations (NTR) rates. Other leading items, while dutiable, are eligible for ATPA tariff exemption, including cut flowers and refined copper cathodes.[3] The remaining items on the list are free under column 1-general duty rates, including coffee, shrimp and prawns, and bananas.

Mineral fuels (HTS chapter 27) continued to be the leading HTS import category (table 2-2 and figure 2-2), and petroleum oils (HTS provisions 2709.00.20 and 2709.00.10) were the number one and number two U.S. import items from ATPA countries in 1999 (table 2-3). The import values of petroleum oils and several other leading petroleum-based items in category 27–especially of distillate and residual fuels, petroleum gases, propane, and naphtas–were up sharply during the year. Four-fifths of chapter 27 imports originated in Colombia and 16 percent in Ecuador.

U.S. imports by value of chapter 27 products increased by 48.3 percent, even though the volume of imports has not risen.[4] In fact, supply was limited because petroleum exploration in Colombia and Ecuador had slowed in recent years as low international oil prices before 1999 and political instability in these countries dampened investors' interest in the petroleum industry.

Precious metals, stones, and jewelry (HTS chapter 71), the second-largest import chapter from ATPA countries, has a significant component of ATPA-eligible items; therefore chapter 71 will be discussed separately in the section entitled "Imports under ATPA." Similarly, some other chapters, such as HTS chapter 6, which includes cut flowers, and HTS chapter 74, which includes copper and copper articles, will be discussed in that section.

Goods of HTS chapter 9 constituted the third-largest category from ATPA countries, with coffee accounting for the bulk of imports in 1999 (table 2-2 and figure 2-2). Coffee not roasted, not decaffeinated (HTS provision 0901.11), was the third leading import item (table 2-3). The volume of U.S. imports was slightly up during the year but, as in 1998, lower prices caused the value of imports in the chapter to fall by 24.6 percent. The likely causes of the 1999 price decline included a large Brazilian crop, combined with higher than expected yields in other producing countries. Almost four-fifths of coffee imports from ATPA countries originated in Colombia, and some 15 percent in Ecuador.

[2] The analysis of U.S. imports throughout this chapter is based on tables 2-1 through 2-5, tables 2-7 through 2-9, and table D-1. These tables are based on entries as reported. An exception is table 2-6, which is based on entries adjusted for misreporting, i.e. for entering imports in inappropriate duty categories. According to table 2-6, 18.9 percent of all imports from ATPA countries should have entered under ATPA in 1999.

[3] Those leading articles that enter free of duty under ATPA are discussed under "Imports under ATPA" later in this chapter.

[4] See also a later section on U.S. exports for an explanation of the decline in U.S. exports of petroleum-related machinery and equipment to ATPA countries.

Table 2-2
Leading U.S. imports for consumption from ATPA countries, by major product categories, 1995-99

HTS Chapter	Description	1995	1996	1997	1998	1999
		Value *(1,000 dollars)*				
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	2,442,637	3,200,265	2,928,673	2,397,896	3,555,699
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	588,903	670,858	596,926	912,388	704,196
09	Coffee, tea, maté and spices	755,975	640,163	1,009,732	834,876	629,643
08	Edible fruit and nuts; peel of citrus fruit or melons	442,859	416,361	487,308	516,568	587,067
03	Fish and crustaceans, molluscs and other aquatic invertebrates	601,109	511,913	759,982	729,590	533,682
61	Articles of apparel and clothing accessories, knitted or crocheted	261,207	235,202	320,815	370,696	463,069
06	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	373,539	437,836	446,675	454,385	438,735
74	Copper and articles thereof	60,389	163,915	257,242	240,448	353,731
29	Organic chemicals	15,391	61,030	161,051	132,313	292,501
62	Articles of apparel and clothing accessories, not knitted or crocheted	250,948	246,367	245,172	242,985	245,379
	Subtotal	5,792,957	6,583,911	7,213,574	6,832,145	7,803,703
	All other	1,175,772	1,283,735	1,459,989	1,528,892	2,026,513
	Total	6,968,729	7,867,646	8,673,564	8,361,036	9,830,217

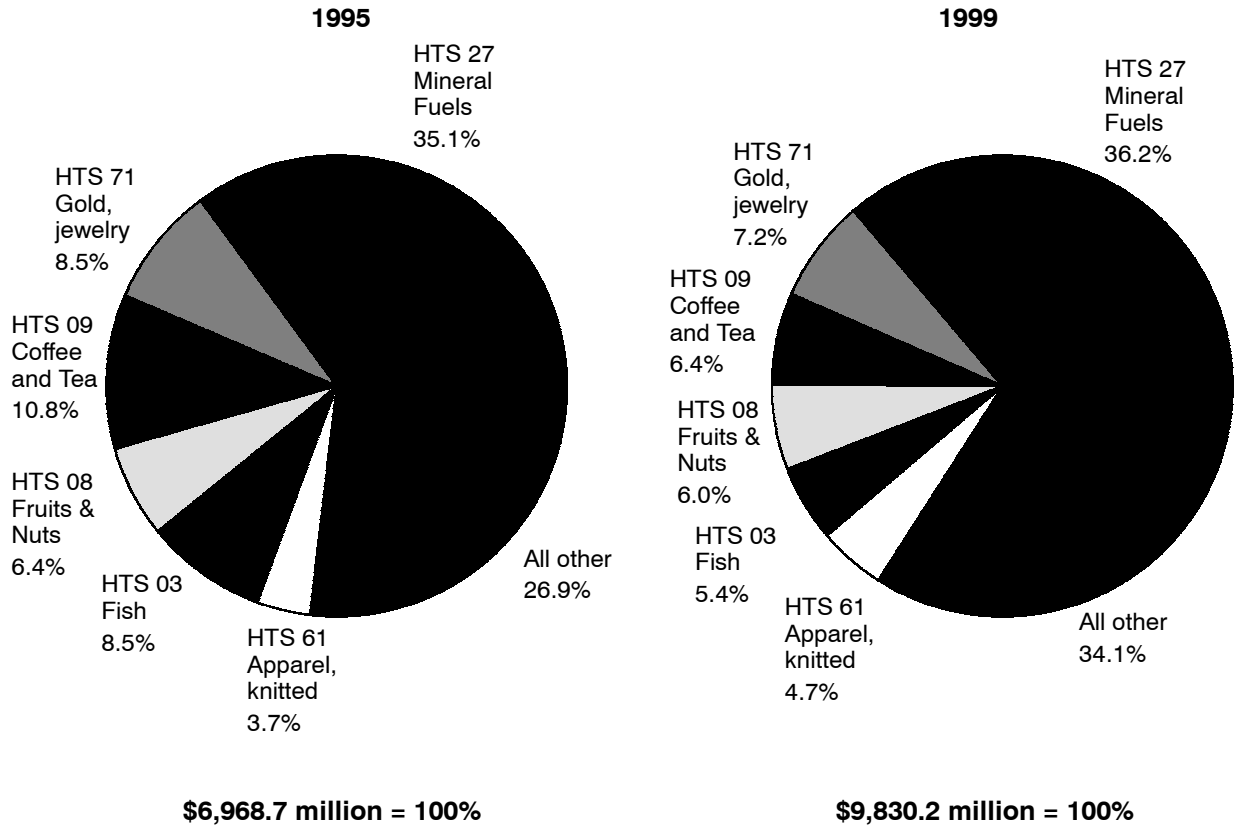
See notes at end of table.

Table 2-2—*Continued*
Leading U.S. imports for consumption from ATPA countries, by major product categories, 1995-99

HTS Chapter	Description	1995	1996	1997	1998	1999
		Percent of total				
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	35.05	40.68	33.77	28.68	36.17
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	8.45	8.53	6.88	10.91	7.16
09	Coffee, tea, maté and spices	10.85	8.14	11.64	9.99	6.41
08	Edible fruit and nuts; peel of citrus fruit or melons	6.35	5.29	5.62	6.18	5.97
03	Fish and crustaceans, molluscs and other aquatic invertebrates	8.63	6.51	8.76	8.73	5.43
61	Articles of apparel and clothing accessories, knitted or crocheted	3.75	2.99	3.70	4.43	4.71
06	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	5.36	5.57	5.15	5.43	4.46
74	Copper and articles thereof	.87	2.08	2.97	2.88	3.60
29	Organic chemicals	.22	.78	1.86	1.58	2.98
62	Articles of apparel and clothing accessories, not knitted or crocheted	3.60	3.13	2.83	2.91	2.50
	Subtotal	83.13	83.68	83.17	81.71	79.38
	All other	16.87	16.32	16.83	18.29	20.62
	Total	100.00	100.00	100.00	100.00	100.00

Note.—Because of rounding, figures may not add to totals shown.
Source: Compiled from official statistics of the U.S. Department of Commerce.

Figure 2-2
Composition of U.S. imports for consumption from ATPA countries, by major product categories, 1995 and 1999



Note.—Percentages may not add to 100 because of rounding.
Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 2-3
Leading U.S. imports for consumption from ATPA countries, by HTS provisions, 1998-99

HTS Provision	Description	1998	1999	Change, 1999 over 1998
		1,000 dollars		*Percent*
2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more	1,088,453	1,039,092	-4.53
2709.00.10	Petroleum oils and oils from bituminous minerals, crude, testing under 25 degrees A.P.I.	265,417	581,463	119.08
0901.11.00	Coffee, not roasted, not decaffeinated	721,985	558,133	-22.69
0803.00.20	Bananas, fresh or dried	436,467	482,761	10.61
2710.00.05	Distillate and residual fuel oils (including blends) derived from bituminous minerals, testing under 25 degree A.P.I.	367,522	477,059	29.80
0306.13.00	Shrimps and prawns, cooked in shell or uncooked, dried, salted or in brine, frozen	636,767	447,397	-29.74
7108.12.10	Gold, nonmonetary, bullion and dore	292,616	351,466	20.11
7403.11.00	Refined copper cathodes and sections of cathodes	212,614	327,252	53.92
9999.95.00	Informal entries under $1,251	199,328	309,914	55.48
2710.00.10	Distillate and residual fuel oils (including blends) derived from bituminous minerals, testing 25 degrees A.P.I. or more	122,552	296,604	142.02
2713.11.00	Coke, petroleum, not calcined	139,054	278,307	100.14
2711.29.00	Petroleum gases and other gaseous hydrocarbons, except natural gas	100,205	214,310	113.87
0603.10.60	Roses, fresh cut	195,895	182,986	-6.59
9801.00.10	U.S. goods returned without having been advanced in value or improved in condition while abroad	106,278	177,713	67.21
3212.90.00	Pigments dispersed in nonaqueous media, in liquid or paste form, used in making paints; dyes & coloring matter packaged for retail sale	39,564	160,939	306.78
0603.10.70	Chrysanthemums, standard carnations, anthuriums and orchids, fresh cut	147,359	138,125	-6.27
6110.20.20	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, nesoi	96,152	132,514	37.82
2701.12.00	Coal, bituminous, whether or not pulverized, but not agglomerated	108,552	131,537	21.17
2711.12.00	Propane, liquefied	31,241	113,679	263.88
2710.00.25	Naphthas (ex. motor fuel or motor fuel blend. stock), from petroleum oils and bitumin. minerals, o/than crude, or preps. 70%+ by wt. from petroleum oils	55,085	110,448	100.51
	Subtotal	5,363,106	6,511,700	21.42
	All other	2,997,930	3,318,516	10.69
	Total	8,361,036	9,830,217	17.57

Note.—The abbreviation “nesi” stands for “not elsewhere specified or included.” The abbreviation “nesoi” stands for “not elsewhere specified or otherwise included.”

Source: Compiled from official statistics of the U.S. Department of Commerce.

Fresh or dried bananas, the fourth leading item from ATPA countries, are responsible for most U.S. imports in the edible fruits and nuts category (HTS chapter 8). In 1999, as in 1998, banana imports from ATPA countries increased faster by volume (17.7 percent) than by value (10.6 percent). Unit values were lower because excess supply in world banana markets caused prices to slump. U.S. imports increased only from Colombia, the second-ranking ATPA supplier of bananas, while imports from Ecuador, the leading supplier, were unchanged from 1998. Before 1999, Ecuador was the principal U.S. banana supplier, not only in the ATPA community but among all countries of the world. In 1999, however, Costa Rica became the number one U.S. supplier, and Ecuador slipped to second place.

A large portion of U.S. seafood (HTS chapter 3) imports from ATPA countries consists of shrimp, which is the sixth leading import item from these countries after three petroleum products, coffee, and bananas. The coastal areas of Ecuador, Peru, and Colombia provide ideal conditions for shrimp aquaculture. Production has grown steadily in the region for many years, despite a leveling off in prices. In 1999, however, the volume of shrimp imports from ATPA countries dropped steeply (by 24.8 percent), and their value even more, by 29.7 percent. Ecuador, the principal source of shrimp imports from ATPA countries, accounted predominantly for the decline. Ecuador's shrimp industry was weakened by a virus that stunted the growth of shrimp larvae.[1] In 1998, Ecuador was the leading source of U.S. shrimp imports by volume, not only among ATPA countries, but among all countries of the world. In 1999, however, Ecuador dropped to second place after Thailand.[2]

Imports by Country

Table 2-4 shows overall U.S. imports from each ATPA country. Colombia accounted for 59.8 percent of all U.S. imports from ATPA countries in 1999, as imports from that country increased by almost one third during the year. Peru and Ecuador were each responsible for 19 percent of combined U.S. imports from ATPA countries, and Bolivia–by far the smallest U.S. supplier among them–for 2.3 percent.

The almost 60-percent share held by Colombia reflected sharply higher prices of petroleum-based products in 1999, which boosted import values from Colombia, the principal ATPA-country supplier of oil products. Throughout 1995-99, Colombia has been the leading source of U.S. imports from ATPA countries, contributing well above one-half of the total.[3]

U.S. imports from Peru dropped by 2.8 percent in 1999,[4] owing largely to a decline in imports of gold, especially some semi-manufactured items made of

[1] Reported by *Washington Trade Daily,* Feb. 11, 2000, p. 4.

[2] Thailand already was the leading source of U.S. shrimp imports from all countries by value in 1998, even though Ecuador was still the leading source by volume.

[3] For details on the economy of Colombia and the impact of ATPA, see USITC, *Andean Trade Preference Act: Sixth Report, 1998,* USITC publication 3234, Sept. 1999, p. 127.

[4] For details on the economy of Peru and the impact of ATPA, see ch. 4 of this report.

Table 2-4
U.S. imports for consumption from ATPA countries, by sources, 1995-99

Source	1995	1996	1997	1998	1999
	Value (1,000 dollars)				
Colombia	3,807,348	4,421,492	4,614,873	4,441,685	5,882,599
Peru	965,370	1,202,788	1,705,929	1,925,291	1,870,819
Ecuador	1,939,218	1,975,027	2,139,354	1,773,919	1,852,631
Bolivia	256,795	268,339	213,408	220,142	224,167
Total	6,968,729	7,867,646	8,673,564	8,361,036	9,830,217
	Percent of total				
Colombia	54.6	56.2	53.2	53.1	59.8
Peru	13.9	15.3	19.7	23.0	19.0
Ecuador	27.8	25.1	24.7	21.2	18.8
Bolivia	3.7	3.4	2.5	2.6	2.3
Total	100.0	100.0	100.0	100.0	100.0

Note.—Because of rounding, figures may not add to totals shown.
Source: Compiled from official statistics of the U.S. Department of Commerce.

gold.[5] This was the first decline of U.S. imports from Peru in years; Peru's share of total U.S. imports from ATPA countries had, in fact, increased markedly in recent years, from 13.9 percent of the total in 1995 to 23.0 percent in 1998. Peru (like Bolivia) has experienced a mining boom in recent years, as Latin American countries liberalized their foreign-investment and mining laws in the early 1990s.

In 1999, U.S. imports from Ecuador increased by 4.4 percent.[6] Some major U.S. imports from Ecuador, notably shrimp and some other seafood products, dropped during the year and imports of bananas re-mained stable.[7] Unlike Colombia, Ecuador did not significantly benefit from higher oil prices, because a number of major oil companies abandoned production during previous years in response to low oil prices and the poor investment climate. Indeed, Ecuador's export performance mirrored the country's weak economy in 1999. Real GDP fell by about 8 percent during the year, and the sucre, Ecuador's currency, depreciated by almost 200 percent.[8] To lure back foreign investors, Gustavo Noboa, Ecuador's recently elected President, instituted the U.S. dollar as Ecuador's new currency, effective March 9, 2000.

U.S. imports from Bolivia increased less than 2 percent in 1999 due to the low world-market prices of agricultural and mineral products, the country's major exports. Bolivia's share in U.S. imports from all ATPA countries continued to decline.[9]

[5] See also section "Imports under ATPA" later in this chapter.

[6] For details on the economy of Ecuador and the impact of ATPA, see USITC, *Andean Trade Preference Act: Sixth Report, 1998,* USITC publication 3234, Sept. 1999, p. 129.

[7] Notably, Ecuador was among those countries that felt disadvantaged by the European Union's (EU) trading practices concerning bananas, and requested in 1997 a WTO dispute-settlement panel to examine the importation, sale, and distribution of this fruit by the EU. On May 18, 2000, the WTO authorized Ecuador to retaliate against the EU for its failure to make its banana import system conform with global trading rules. Specifically, the WTO gave Ecuador the right to suspend intellectual property protection and wholesale distribution rights for imports from the EU, and impose punitive tariffs on imported consumer goods from the EU. See WTO, "Overview of the State-of-play of WTO Disputes," found at Internet address *http://www.wto.org/english/tratop_e/dispu_e.htm*, retrieved August 10, 2000, May 19, 2000. In 1999, the WTO authorized the United States to retaliate against the EU for its restrictive banana regime.

[8] International Monetary Fund, Ecuador, "Letter of Intent, Memorandum of Economic Policies, and Technical Memorandum of Understanding," April 4, 2000. This Letter of Intent of the Government of Ecuador describes the policies that Ecuador intends to implement in the context of its request for financial support from the IMF. Found at *http://www.imf.org/external/country/ECU/index.htm*, retrieved May 4, 2000.

[9] For details on the economy of Bolivia and the impact of ATPA, see ch. 4 of this report.

Dutiability

In 1999, the dutiable share of total U.S. imports from ATPA countries was 35.2 percent,[10] compared with 31.8 percent in 1998 and a high of 42.9 percent in 1996 (table 2-5). The average rate of duty was 3.56

[10] Adjusted for misreporting, the dutiable share of total imports should have been only 33.8 percent (table 2-6).

Table 2-5
U.S. imports for consumption from ATPA countries: Dutiable value, calculated duties, and average duty, 1995-99

Item	1995	1996	1997	1998	1999
Dutiable imports[1] *(1,000 dollars)*	2,970,978	3,379,043	2,915,126	2,661,246	3,459,748
Dutiable as a share of total *(percent)*	42.6	42.9	33.6	31.8	35.2
Calculated duties *(1,000 dollars)*[1]	86,325	87,124	95,374	104,950	123,263
Average duty (*percent*)[2]	2.91	2.58	3.27	3.94	3.56

[1] Dutiable value and calculated duty exclude the U.S. content entering under HTS heading 9802.00.80 and subheading 9802.00.60 and misreported imports. Data based on product eligibility corresponding to each year.

[2] Average duty = (calculated duty/dutiable value) * 100.

Source: Compiled from official statistics of the U.S. Department of Commerce.

percent ad valorem, and duty revenues amounted to $123.3 million. The rise in 1999 in three of these indicators can be explained by a much higher share of dutiable petroleum-based goods in total imports from ATPA countries than in 1998. Less than 1 percent of imports entered under reduced-duty ATPA provisions each year in the period under review (table 2-6). Products eligible for reduced duties are limited to luggage and handbags of leather, work gloves, flat goods, and leather wearing apparel.

Duty-free imports entered in one of the following ways: (1) unconditionally free under column 1-general tariff rates (44.7 percent of all imports); (2) conditionally free under GSP (1.4 percent); (3) conditionally free under the production sharing provisions of HTS chapter 98 (1.6 percent); (4) conditionally free under ATPA (table 2-6).[11] Because higher petroleum prices inflated the dutiable portion of U.S. imports from ATPA countries, the duty-free portion dropped from 68.2 percent of the total in 1998 to 64.6 percent in 1999 (table 2-5). The only increasing component of the duty-free portion was the share unconditionally free under column 1-general tariff rates.

Imports Under ATPA

U.S. imports under ATPA provisions rose in 1999 by 6.4 percent, to just under $1.8 billion. The portion of overall U.S. imports from ATPA countries entering under ATPA dropped, however, to 17.8 percent,[12] reflecting primarily the faster increase of overall importsfrom the region, boosted by petroleum products. The peak ratio of the portion entering under ATPA was reached in 1998, at 19.7 percent. U.S. imports of major leading ATPA entries, including flowers and jewelry, dropped during 1999; imports of some other goods, including refined copper cathodes, unalloyed zinc, pigments, asparagus, and processed tuna not in cans continued to rise.

[11] Table 2-6 shows this breakdown of duty-free imports. In this table, data have been adjusted for entries erroneously reported in inappropriate categories, therefore they conflict with some data in table 2-5, which are based on entries, as reported. The share of imports under ATPA is 18.5 percent as adjusted in table 2-6, but 17.8 percent (as reported) will be used for this ratio throughout the report.

[12] Imports under ATPA are based on entries as reported. Such imports are cited from tables other than table 2-6, which is the only table in the report that contains adjusted entries. Numbers cited hereinafter as imports under ATPA provisions, although predominantly free of duty, may include a minimal amount of imports that are dutiable under ATPA at reduced rates.

Table 2-7 and figure 2-3 show U.S. imports under ATPA by broad product categories; that is, by 2-digit HTS chapter. Table 2-8 lists the leading U.S. imports under ATPA by 8-digit HTS item.

Product Composition and Leading Items

From the beginning of the program, fresh-cut flowers (HTS chapter 6) have been the leading category of articles imported under ATPA (table 2-7 and figure 2-3). U.S. demand for cut flowers surged most rapidly in the early 1990s.[13] The competitive edge of ATPA countries in meeting U.S. demand is attributable to a favorable climate for growing flowers, relatively low production costs, adequate air-freight service and distribution infrastructure, and duty-free treatment under ATPA. In 1999, virtually all U.S. flower imports entered under the program.[14] Yet, despite their ATPA-assisted rapid growth, fresh-cut-flower imports diminished during the ATPA years as a share of all U.S. imports under ATPA, from 43.3 percent in 1994 to 27.5 percent in 1998 and 24.9 percent in 1999. ATPA countries have diversified their economies, and imports of some other product categories eligible under ATPA–especially copper cathodes, pigments, zinc plates, and processed tuna–have grown even faster than imports of flowers (tables 2-7, 2-8, and figure 2-3).

Notably, the rapid growth of U.S. flower imports from ATPA countries in the early 1990s slowed down after 1996 in response to diminishing U.S. demand.[15] In 1999, while HTS chapter 6 remained the leading import category, imports of cut flowers (HTS provision 0603) dipped 3.5 percent below their 1998 level. The year 1999 was the second one after 1998 in which a cut-flower product was not the top HTS 8-digit item entering under ATPA. Nonetheless, the list of 20 leading imports under the program continued to include four cut-flower products (table 2-8).

In 1999, Colombia provided nearly 80 percent of U.S. cut-flower imports under ATPA, and was the principal source of all four flower items in table 2-8: roses, chrysanthemums, other cut flowers suitable for bouquets, and miniature carnations. U.S. companies

[13] Colombia, the principal flower producer among ATPA countries, became eligible for ATPA in 1992.

[14] Eligibility for duty-free entry under ATPA does not preclude the obligation to pay compensatory duties under U.S. law. For years, encompassing the ATPA period, affirmative determinations in antidumping and countervailing duty cases filed by U.S. flower interests resulted in the imposition of compensatory duties that varied considerably according to the source of imports in ATPA countries.

[15] U.S. flower imports from all countries have been declining since 1995. The 1999 decline from all countries was 22.6 percent.

Table 2-6
U.S. imports for consumption from Bolivia, Colombia, Ecuador, and Peru, by duty treatments, 1995-99

Item	Bolivia	Colombia	Ecuador	Peru	ATPA total	Share of total
			1,000 dollars			*Percent*
1995:						
Total imports	256,795	3,807,348	1,929,218	965,370	6,968,729	100.0
Dutiable value[1]	18,974	1,716,998	766,565	360,541	2,863,078	41.1
ATPA reduced duty	1,317	21,715	138	6	23,176	.3
Duty-free value[2]	237,821	2,090,350	1,172,653	604,829	4,105,653	58.9
Col. 1-general[3]	137,083	1,330,470	1,000,602	273,575	2,741,730	39.3
GSP[4]	15,470	75,737	23,125	113,908	228,240	3.3
ATPA[5]	82,783	477,546	147,721	207,563	915,613	13.1
Production sharing[6]	2,106	169,028	907	185	172,226	2.5
Other duty free[7]	379	37,569	298	9,598	47,844	.7
1996:						
Total imports	268,338	4,421,492	1,975,027	1,202,788	7,867,645	100.0
Dutiable value[1]	30,656	2,108,721	783,551	456,115	3,379,043	42.9
ATPA reduced duty	1,468	23,489	226	22	25,205	.3
Duty-free value[2]	237,682	2,312,771	1,191,476	746,673	4,488,602	57.1
Col. 1-general[3]	126,128	1,520,542	941,542	277,798	2,866,010	36.4
GSP[4]	2,446	45,538	17,837	64,788	130,609	1.7
ATPA[5]	104,323	537,057	218,193	385,276	1,244,849	15.8
Production sharing[6]	2,102	126,148	1,676	1,018	130,944	1.7
Other duty free[7]	2,683	83,486	12,228	17,793	116,190	1.5
1997:						
Total imports	213,408	4,614,873	2,139,354	1,705,929	8,673,564	100.0
Dutiable value[1]	33,492	1,662,344	692,408	526,881	2,915,126	33.6
ATPA reduced duty	1,882	25,157	139	45	27,224	.3
Duty-free value[2]	179,916	2,952,528	1,446,946	1,179,048	5,758,438	66.4
Col. 1-general[3]	90,957	2,041,264	1,195,364	566,376	3,893,961	44.9
GSP[4]	18,885	78,162	17,312	140,910	255,271	2.9
ATPA[5]	65,730	579,205	215,247	424,057	1,284,238	14.8
Production sharing[6]	2,874	159,759	2,178	427	165,238	1.9
Other duty free[7]	1,469	94,148	16,845	47,279	159,740	1.8
1998:						
Total imports	220,140	4,425,163	1,773,917	1,925,286	8,344,507	100.0
Dutiable value[1]	34,989	1,736,822	441,474	447,961	2,661,246	31.9
ATPA reduced duty	1,070	24,800	308	8	26,187	.3
Duty-free value[2]	185,151	2,688,341	1,332,443	1,477,325	5,683,261	68.1
Col. 1-general[3]	108,453	1,795,720	1,081,552	682,198	3,667,923	44.0
GSP[4]	7,773	42,645	14,579	125,054	190,051	2.3
ATPA[5]	68,559	685,088	232,694	632,668	1,619,010	19.4
Production sharing[6]	258	155,813	2,210	292	158,572	1.9
Other duty free[7]	108	9,075	1,408	37,113	47,705	.8

See footnotes at end of table.

Table 2-6—*Continued*
U.S. imports for consumption from Bolivia, Colombia, Ecuador, and Peru, by duty treatments, 1995-99

Item	Bolivia	Colombia	Ecuador	Peru	ATPA total	Share of total
			1,000 dollars			*Percent*
1999:						
Total imports	216,819	5,476,338	1,798,628	1,781,803	9,273,589	100.0
Dutiable value[1]	40,086	2,059,293	587,800	450,632	3,137,811	33.8
ATPA reduced duty	886	35,746	499	613	37,743	.4
Duty-free value[2]	176,734	3,417,045	1,210,828	1,331,171	6,135,777	66.2
Col. 1-general[3]	108,101	2,467,748	926,701	645,836	4,148,385	44.7
GSP[4]	7,934	46,485	19,190	51,684	125,293	1.4
ATPA[5]	60,606	761,370	259,675	630,511	1,712,162	18.5
Production sharing[6]	93	141,287	5,062	253	146,695	1.6
Other duty free[7]	([8])	155	201	2,886	3,242	.-

[1] Dutiable value excludes the U.S. content entering under HTS subheading 9802.00.80 and misreported imports.

[2] Calculated as total imports less dutiable value.

[3] Value of imports that have a col. 1-general duty rate of free.

[4] Reduced by the value of col. 1-general duty-free imports and ineligible items that were misreported as entering under the GSP program.

[5] Reduced by the value of col. 1-general duty-free imports and ineligible items that were misreported as entering under ATPA.

[6] HTS 9802.00.60 and 9802.00.80. Refers to the value of non dutiable items exported and returned U.S.-origin products or components.

[7] Calculated as a remainder, and represents imports entered free of duty under special rate provisions.

[8] Less than $500.

Note.—Because this table corrects entries reported in inappropriate categories of dutiability, it includes data that differ from their counterparts in the other tables. Data in all other tables are based on entries as reported.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 2-7
Leading U.S. imports for consumption under ATPA, by major product categories,1995-99

HTS Chapter	Description	1995	1996	1997	1998	1999
		Value *(1,000 dollars)*				
06	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	371,882	435,871	444,922	451,926	436,434
74	Copper and articles thereof	26,512	105,608	187,826	214,196	331,138
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	177,124	245,316	219,040	360,970	186,826
32	Tanning or dyeing extracts; tannins and derivatives; dyes, pigments and other coloring matter; paints and varnishes; putty and other mastics; inks	2,390	2,627	4,516	40,314	163,004
16	Edible preparations of meat, fish, crustaceans, molluscs or other aquatic invertebrates	39,442	61,232	51,129	49,603	86,922
79	Zinc and articles thereof	7,040	37,634	22,777	43,233	83,420
07	Edible vegetables and certain roots and tubers	27,020	37,544	39,757	46,367	63,922
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	417	2,261	72,259	49,998	60,017
39	Plastics and articles thereof	39,435	44,673	42,676	43,578	51,756
44	Wood and articles of wood; wood charcoal	18,644	30,093	32,125	33,284	40,132
	Subtotal	709,906	1,002,860	1,117,027	1,333,469	1,503,572
	All other	228,883	267,194	235,828	311,727	246,707
	Total	938,789	1,270,054	1,352,855	1,645,196	1,750,279

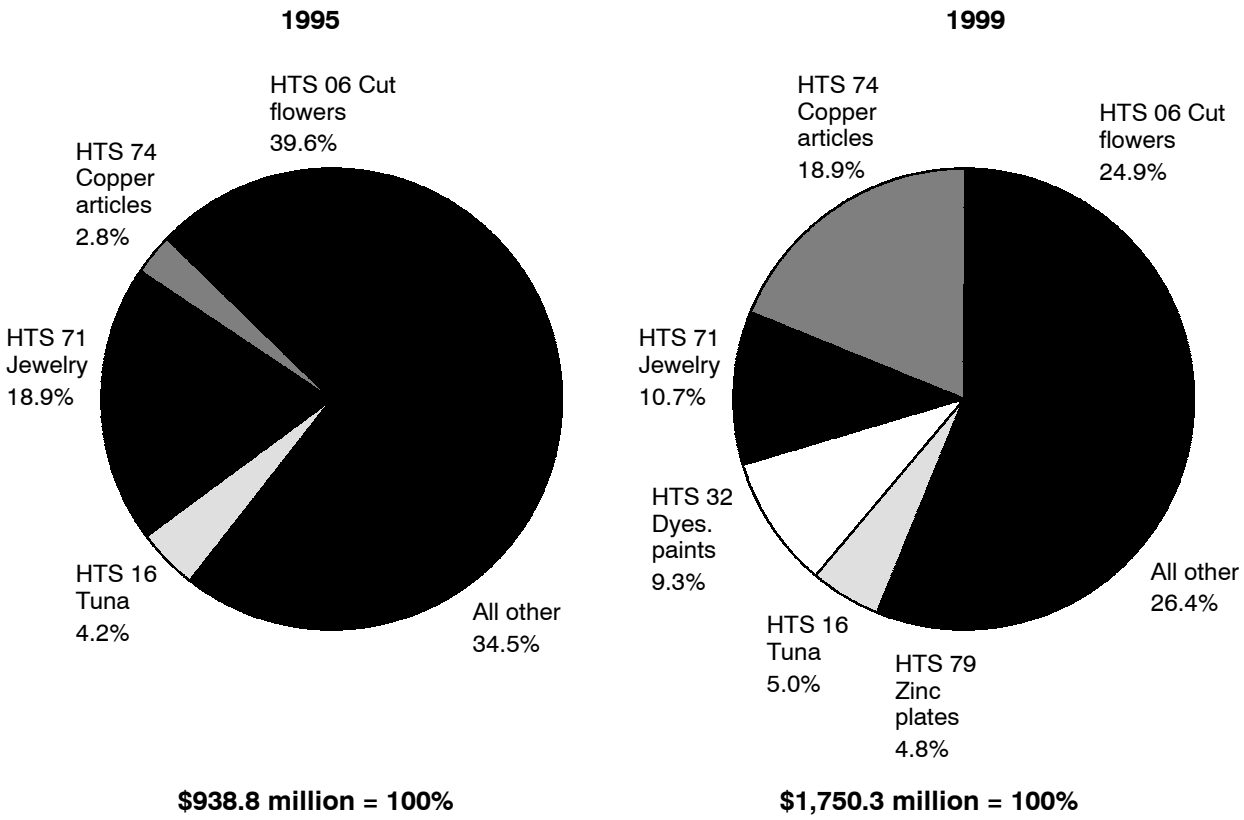
See footnotes at end of table.

Table 2-7—*Continued*
Leading U.S. imports for consumption under ATPA, by major product categories,1995-99

HTS Chapter	Description	1995	1996	1997	1998	1999
		Percent of total				
06	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	39.61	34.32	32.89	27.47	24.94
74	Copper and articles thereof	2.82	8.32	13.88	13.02	18.92
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	18.87	19.32	16.19	21.94	10.67
32	Tanning or dyeing extracts; tannins and derivatives; dyes, pigments and other coloring matter; paints and varnishes; putty and other mastics; inks	.25	.21	0.33	2.45	9.31
16	Edible preparations of meat, fish, crustaceans, molluscs or other aquatic invertebrates	4.20	4.82	3.78	3.02	4.97
79	Zinc and articles thereof	.75	2.96	1.68	2.63	4.77
07	Edible vegetables and certain roots and tubers	2.88	2.96	2.94	2.82	3.65
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	.04	.18	5.34	3.04	3.43
39	Plastics and articles thereof	4.20	3.52	3.15	2.65	2.96
44	Wood and articles of wood; wood charcoal	1.99	2.37	2.37	2.02	2.29
	Subtotal	75.62	78.96	82.57	81.05	85.90
	All other	24.38	21.04	17.43	18.95	14.10
	Total	100.00	100.00	100.00	100.00	100.00

Note.—Because of rounding, figures may not add to totals shown.
Source: Compiled from official statistics of the U.S. Department of Commerce.

Figure 2-3
Composition of U.S. imports for consumption under ATPA, by major product categories, 1995 and 1999



Note.—Percentages may not add to 100 because of rounding.
Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 2-8
Leading U.S. imports for consumption under ATPA, by HTS provisions, 1998-99

HTS Provision	Description	1998	1999	Change, 1999 over 1998	Leading ATPA source
		1,000 dollars		*Percent*	
7403.11.00	Cathodes and sections of cathodes, of refined copper	200,984	323,788	61.1	Peru
0603.10.60	Roses, fresh cut	195,740	182,878	-6.6	Colombia
3212.90.00	Pigments dispersed in nonaqueous media, in liquid or paste form, used in making paints; dyes & coloring matter packaged for retail sale	39,560	160,939	306.8	Colombia
0603.10.70	Chrysanthemums, standard carnations, anthuriums and orchids	147,339	137,925	-6.4	Colombia
1604.14.40	Tunas and skipjack, not in airtight containers	46,114	83,054	80.1	Ecuador
0603.10.80	Cut flowers and flower buds suitable for bouquets, nesi	70,812	74,569	5.3	Colombia
7113.19.10	Rope and chain for jewelry, of precious metal except silver	66,107	63,099	-4.6	Peru
7113.19.50	Articles of jewelry and parts thereof, of precious metal except silver, except necklaces and clasps	64,244	59,352	-7.6	Peru
2843.30.00	Gold compounds	48,139	56,649	17.7	Colombia
7901.11.00	Zinc, not alloyed, unwrought, containing 99.99% or more by weight of zinc	24,242	52,001	114.5	Peru
0603.10.30	Miniature (spray) carnations, fresh cut	37,647	40,523	7.6	Colombia
3921.12.11	Nonadhesive plates, sheets, film, foil, strip	31,120	30,102	-3.3	Colombia
0709.20.90	Asparagus, fresh or chilled, not reduced in size, not entered Sept. 15-Nov.15	23,201	26,605	14.7	Peru
7113.19.29	Gold necklaces and neck chains, other than rope or mixed links	24,648	25,337	2.8	Bolivia
7905.00.00	Zinc, plates, sheets, strip and foil	16,769	23,755	41.7	Peru
0804.50.40	Guavas, mangoes, and mangosteens, fresh, if entered during the period September 1 through May 31, inclusive	8,033	19,214	139.2	Peru
4421.90.98	Articles of wood, nesoi	14,152	15,140	7.0	Ecuador
0709.20.10	Asparagus, fresh or chilled, not reduced in size, if entered September 15 to November 15, inclusive, and transported to the U.S. by air	7,492	13,553	80.9	Peru
7113.19.21	Gold rope necklaces and neck chains	5,949	12,949	117.7	Peru
1701.11.20	Cane sugar, raw, in solid form, to be used for certain polyhydric alcohols	1,613	12,656	684.8	Colombia
	Subtotal	1,073,906	1,414,086	31.7	
	All other	571,291	336,192	-41.2	
	Total	1,645,196	1,750,279	6.4	

Note.—Because of rounding, figures may not add to totals shown.

Note.—The abbreviation “nesoi” stands for “not elsewhere specified or otherwise included.”

Source: Compiled from official statistics of the U.S. Department of Commerce.

reportedly own approximately 17 percent of total Colombian flower production and account for nearly 20 percent of total exports to the United States.[1] Ecuador, which accounted for some 20 percent of the total, provided mainly roses and other cut flowers suitable for bouquets (see also table D-1).[2]

Copper articles (HTS chapter 74) were the second leading group of U.S. imports under ATPA (table 2-7, and figure 2-3). Virtually all of these imports were refined copper cathodes from Peru that entered under ATPA (table D-1). Peru was not only the sole supplier of refined copper cathodes under ATPA during the year, but it also became the second-largest U.S. supplier among all countries after Canada, displacing Chile to third place and Mexico to the fourth.

The surge of U.S. copper imports in the 1990s is attributable to a sharp increase in foreign investment in Peru's copper industry in response to liberalized mining and investment laws and opportunities for low-cost production (copper deposits are typically richer in Peru than in the United States).[3] In 1999, for the second year in a row, refined copper cathodes were the number one HTS 8-digit item on the list of leading U.S. imports under ATPA (table 2-8). Imports increased in 1999 by 61.1 percent by value (more than 70 percent by volume).[4]

Precious metals, gemstones, and jewelry (HTS chapter 71) made up the third leading import category under ATPA provisions, and the second leading import category in overall U.S. imports from ATPA countries (table 2-2 and figures 2-2 and 2-3). Some three-fourths of imports in this HTS chapter enter outside ATPA, because many items in this category (precious metals and stones) are unconditionally free of duty. After having surged in 1998, imports of articles in HTS chapter 71 declined in 1999 by 22.8 percent overall (table 2-2), although the portion under ATPA–mostly jewelry and manufactured gold products–fell by almost one half of their 1998 value (table 2-7 and figure 2-3). Lower prices of gold, other metals and gemstones contributed to the decline. The decline was also caused by an apparent shift in U.S. jewelry imports (HTS provision 7113) during the year away from most South American sources to Asian ones, including India, Thailand, Hong Kong, and China.

Among the list of leading U.S. imports under ATPA in HTS chapter 71 (table 2-8), U.S. imports of precious metal rope for jewelry (HTS provision 7113.19.10) declined from both Peru, the principal ATPA-country supplier, and from Bolivia, the second-ranking ATPA supplier. Also, imports of articles and parts of jewelry (HTS provision 7113.19.50) declined from Peru, the leading ATPA supplier. Fabricated articles of gold other than jewelry or goldsmith wares (HTS provision 7115.90.30)[5] supplied by Colombia plummeted, and vanished from all other ATPA countries in 1999. However, fabricated gold articles remained a leading chapter 71 import (table 2-8). There were no imports in 1999 of semi-manufactured nonmonetary gold articles (HTS subheading 7108.13.70), even though they were a leading item from Peru in 1998. This development can be explained in part by a sharp decline in U.S. demand for these items during the year and a shift of U.S. imports away from ATPA countries, notably to Singapore.

Pigments (HTS provision 3212.90.00) proved to be one of the most successful import items under ATPA. In 1999, U.S. imports more than doubled by volume and quadrupled by value, becoming the third leading import item under the program. Sales of pigments to the United States, supplied by Colombia, began in 1997. Already in 1998, pigments were the 12th leading item under ATPA, with Colombia providing about one half of U.S. imports from all countries. In 1999, Colombia supplied about four-fifths of the total. All such imports were entered under ATPA (table D-1).

Tuna, processed but not in cans (HTS provision 1604.14.40), became the fifth leading import item under ATPA in 1999 (they were tenth in 1998), as such imports increased by 80.1 percent. This product comes mostly from Ecuador, the leading U.S. supplier worldwide. However, a surge in 1999 of processed tuna imports from Colombia, much steeper than from Ecuador, made Colombia a notable ATPA supplier too. In fact, Colombia was the third U.S. supplier among all countries, after Thailand. Virtually all imports of processed tuna not in cans from Ecuador and Colombia enter under ATPA.

Peru was the only ATPA-country supplier of unalloyed, unwrought zinc (HTS provision 7901.11.00), and the second-largest U.S. supplier among all countries in 1999. U.S. imports of this item under ATPA more than doubled, in part because imports previously under GSP entered under ATPA.[6] In addition, Peru was virtually the only ATPA-country

[1] Manatt, Phelps, and Phillips, *The Colombia Flower Industry, Background Briefing Book,* June, 1999.

[2] For more information on flowers, see ch. 3.

[3] The United States is a major producer of mined copper.

[4] Refined copper cathodes are eligible to enter under GSP as well as ATPA. Peru's exports of copper cathodes to the United States exceeded the GSP competitive-need limit in 1997, and Peru lost GSP eligibility for this item.

[5] HTS provision 7115.90.30 may include wires, stampings, beads, cast shapes, native-style jewelry, or decorative articles produced by small artisans.

[6] For an explanation of this shift, see ch. 1, section on "ATPA and GSP."

supplier of zinc plates, sheets, strip and foil (HTS provision 7905.00.00), and the leading source of U.S. imports of this item. U.S. imports, virtually all under ATPA, were up by 114.5 percent during the year.

All nonadhesive vinyl chloride plates and sheets (HTS provision 3921.12.11) from ATPA countries enter under ATPA. Colombia, the sole ATPA source, is the second U.S. supplier of this item among all countries, after Canada. U.S. imports dropped slightly in 1999.

U.S. imports of asparagus from ATPA countries (HTS provision 0709.20) continued to rise during the year. Virtually all imports entered under ATPA, principally from Peru. Peru is the second-ranking U.S. supplier of asparagus from all countries, after Mexico. Both asparagus subheadings, HTS 0709.20.90 and HTS 0709.20.10, were among the leading import categories under ATPA.[7]

U.S. sugar imports from ATPA countries may enter free of duty either under ATPA or under GSP. Imports of raw cane sugar not flavored or colored (HTS provision 1701.11.10) are subject to tariff rate quotas (TRQ's), which ATPA countries generally fill. In fiscal year 1998-99 (ending September 30, 1999), raw cane sugar allocations to ATPA countries (as well as overall TRQ allocations) were smaller than in the prior fiscal year.[8] On the other hand, U.S. imports of cane sugar to be used for certain polyhydric alcohols (HTS provision 1701.11.20) increased sharply during the year and the item became one of the leading imports under ATPA. These imports, which the United States generally reexports as sugar or sugar-containing products, are not counted toward the TRQ.

Leading U.S. imports under ATPA in 1999 (table 2-8) contain five items that were not on the 1998 list: guavas and mangoes (HTS provision 0804.50.40), wood articles (HTS provision 4421.90.98), a second provision of asparagus (HTS subheading 0709.20.10) mentioned previously, gold rope necklaces and chains (HTS provision 7113.19.21), and sugar to be used for certain polyhydric alcohols (HTS subheading 1701.11.20), also mentioned in table 2-8. Guavas and mangoes, entering virtually all under ATPA, surged in 1999. Most originated in Peru and some from Ecuador. Peru was the second-leading U.S. supplier of these fruits among all countries, after Mexico. Wood articles, while they have not appeared on the list of leading items under ATPA each year, have had a history of fairly stable imports, principally from Ecuador. With imports edging up in 1999, wood articles became once again a leading ATPA import item.

These new leading imports replaced five goods that were on the 1998 list but in 1999 no longer qualified as leading imports under ATPA: semi-manufactured, nonmonetary gold articles (HTS provision 7108.13.70), gold articles other than jewelry (HTS provision 7115.90.30), watch cases of precious metals (HTS provision 9111.90.40), fresh and chilled fish (HTS provision 0302.69.40) and raw cane sugar not flavored or colored (HTS provision 1701.11.10). As mentioned earlier, U.S. imports of semi-manufactured gold articles other than jewelry, which amounted to $115 million in 1998, ceased completely in 1999. Imports of watch cases of precious metals from Peru were a one-time import, as explained in the previous report.[9] Fresh and chilled fish imports disappeared from the list, because in 1999 they became free of duty under general tariff rates, so their entry under ATPA or any other preferential program was no longer necessary. In fact, imports of this duty-free item edged up in 1999.

Imports by Country

In 1999, ATPA beneficiaries ranked in the same order under the program as they ranked in overall exports to the United States: Colombia, Peru, Ecuador, and Bolivia (table 2-9, table 2-4, and figure 2-4). In 1999, although imports under ATPA declined from Peru and Bolivia, the relative importance of both countries as ATPA beneficiaries continued to be comparatively larger than their importance as overall U.S. suppliers (tables 2-4 and 2-9).

Colombia, the leading source of ATPA imports, was responsible for over 80 percent of the rise of 1999 imports under the program. U.S. imports under ATPA from Colombia were up by 12.3 percent, and the country's share rebounded from 43.2 percent of all imports from ATPA countries in 1998 to 45.6 percent in 1999 (table 2-9). Yet, Colombia's once commanding share of imports under ATPA–60.2 percent in 1994–has generally shrunk over the years, owing to a continued decline in the predominance of flowers in this trade.

[7] For more information on asparagus, see ch. 3.

[8] In this discussion of sugar and sugar products, the Commission relied on data reported by the Customs Bureau and the Sugar TRQ Licensing Authority, instead of the data on U.S. imports of sugar shown in the tables of this report. The data used are on a fiscal year basis; therefore they cover Oct. 1, 1998 through Sep. 30, 1999, rather than calendar year 1999.

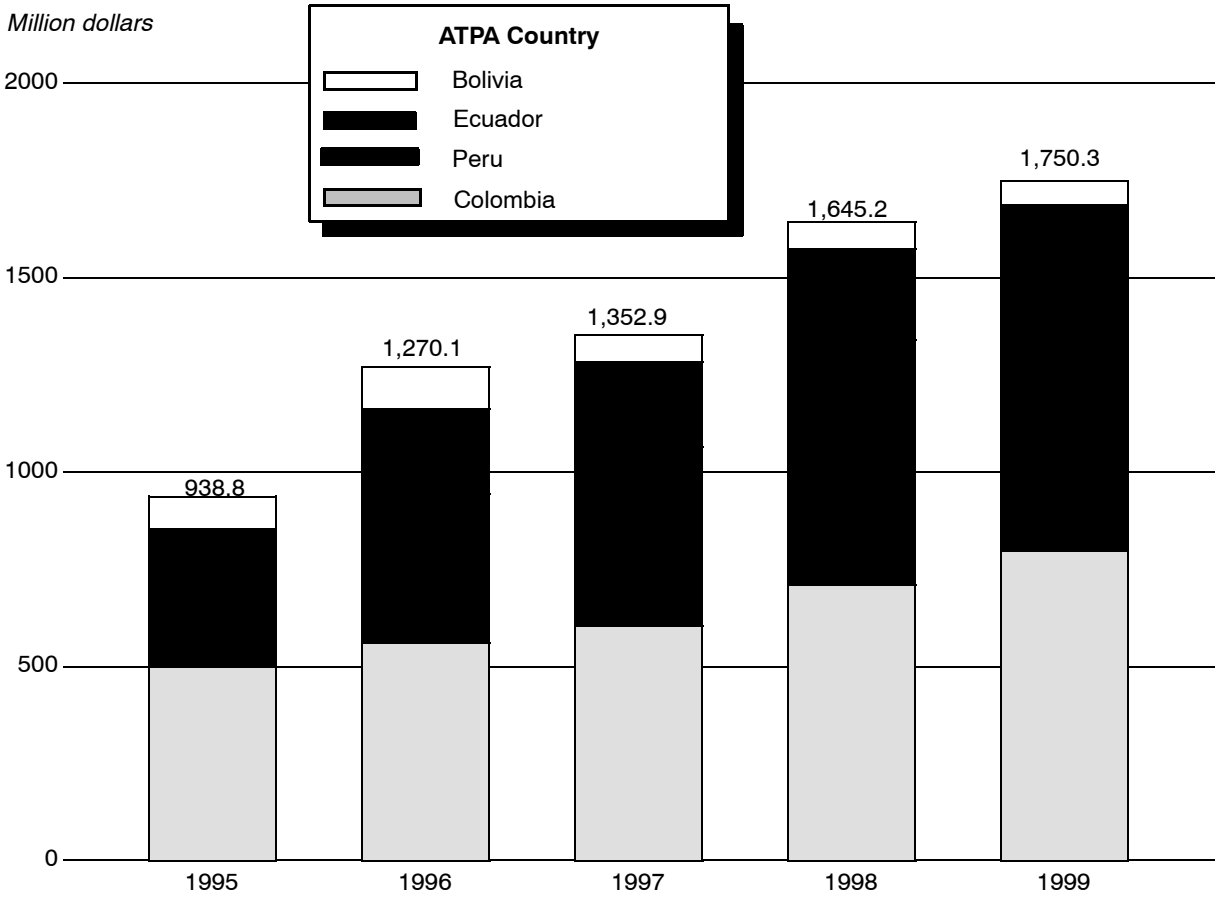
[9] USITC, *Andean Trade Preference Act: Sixth Report, 1998,* USITC publication 3234, Sept. 1999, p. 80.

Table 2-9
U.S. imports for consumption under ATPA, by sources, 1995-99

Source	1995	1996	1997	1998	1999
			Value (1,000 dollars)		
Colombia	$499,262	$560,546	$605,472	$709,889	$797,305
Peru	207,569	385,298	460,992	632,676	631,180
Ecuador	147,859	218,419	217,437	233,002	260,301
Bolivia	84,100	105,791	68,955	69,630	61,492
Total	938,789	1,270,054	1,352,855	1,645,196	1,750,279
			Percent of total		
Colombia	53.18	44.14	44.76	43.15	45.55
Peru	22.11	30.34	34.08	38.46	36.06
Ecuador	15.75	17.20	16.07	14.16	14.87
Bolivia	8.96	8.33	5.10	4.23	3.51
Total	100.00	100.00	100.00	100.00	100.00

Note.—Because of rounding, figures may not add to totals shown.
Source: Compiled from official statistics of the U.S. Department of Commerce.

Figure 2-4
U.S. imports for consumption under ATPA, by source, 1995-99



Source: Compiled from official statistics of the U.S. Department of Commerce.

Colombia was the source of eight leading items entering under ATPA during the year (table 2-8). Four were flowers which, despite their diminishing significance, remained Colombia's largest nontraditional sales under ATPA.[10] The others were pigments, gold compounds, nonadhesive plates, and cane sugar. The overall growth of Colombia's ATPA trade during the year is attributable largely to the quadrupling of pigments' exports and larger exports of gold compounds under the program than in 1998 (table D-1).

In 1999, Peru provided goods in 9 of the 20 leading tariff items under ATPA shown in table 2-8, including refined copper cathodes, the country's leading export under ATPA, jewelry, zinc plates, and asparagus. The decline of ATPA imports in 1999 from Peru resulted from the cessation of entries of watch cases and certain gold products that were both major items in this trade in 1998, and a significant decline in U.S. imports of certain types of jewelry from that country. These losses were not fully offset by the substantial increases in imports under the program of some other items: refined copper cathodes and, especially, unwrought zinc. Peru's share in overall ATPA imports dropped to 36.1 percent of the total from 38.5 percent in 1998 (table 2-9). Notably, through 1998, imports under the program from Peru had continued to grow much faster than imports from the other ATPA countries. Peru accounted for just 15.7 percent of U.S. imports under ATPA in 1994.

Despite Ecuador's serious economic problems in 1999, U.S. imports under ATPA from that country were up by 11.7 percent, boosted by sales of processed tuna, which rebounded from 1998, and some increase in imports of wood products (table D-1). These were the two leading items under ATPA that originated in Ecuador (table 2-8).

The value of imports under ATPA from Bolivia and the country's significance in ATPA trade continued to decline in 1999. Compared with 9 percent in 1995, only 3.5 percent of total U.S. imports under the program originated in Bolivia (table 2-9). Bolivia supplied only one leading ATPA item listed in table 2-8: gold necklaces and neck chains. U.S. imports of this item surged in 1999 by more than one half, but imports of other jewelry and gold articles dropped during the year. Most major ATPA imports from Bolivia were jewelry products and doors of wood (table D-1). The plight in recent years of Bolivia's jewelry exports is attributed to a tax imposed in 1995 on domestic gold.[11] Imports of wooden doors increased during 1999 by close to one half.

Exports

The expansion of U.S. exports to ATPA countries, in evidence during most of the 1990s, ceased in 1998. In 1999 exports were down 27.8 percent, to $6.3 billion (table 2-10). Exports dropped across the board due to the poor economic performance of all ATPA countries. U.S. exports declined to each ATPA country (table 2-10), as well as in many leading items (table 2-11), and in all major sectors (table 2-12). ATPA

[10] According to the Colombian Flower Industry, "The Colombian flower industry is extremely reliant on the U.S. market, and the industry's survival depends on its profitability here. ATPA preferences - which give Colombia no market advantages over U.S. or other producers - help to offset the enormous currency and inflation risks borne by Colombian exporters. Without them, U.S. sales would be largely uneconomical" (Source: Manatt, Phelps and Phillips, *The Colombia Flower Industry, Background Briefing Book,* June, 1999).

[11] See USITC, *Andean Trade Preference Act: Sixth Report, 1998,* USITC publication 3234, Sept. 1999, p. 83.

Table 2-10
U.S. exports to ATPA countries, by destination, 1995-99

Market	1995	1996	1997	1998	1999
			Value (1,000 dollars)		
Colombia	4,448,541	4,517,570	5,024,535	4,657,748	3,429,513
Peru	1,715,902	1,709,896	1,886,570	1,991,049	1,630,743
Ecuador	1,449,494	1,228,471	1,486,460	1,628,753	896,255
Bolivia	206,269	262,804	284,189	392,518	306,659
Total	7,820,206	7,718,742	8,681,754	8,670,068	6,263,169
			Percent of total		
Colombia	56.89	58.53	57.87	53.72	54.76
Peru	21.94	22.15	21.73	22.96	26.04
Ecuador	18.54	15.92	17.12	18.79	14.31
Bolivia	2.64	3.40	3.27	4.53	4.90
Total	100.00	100.00	100.00	100.00	100.00

Note.—Because of rounding, figures may not add to totals shown.
Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 2-11
Leading U.S. exports to ATPA countries, by HTS provisions, 1998-99

HTS Provision	Description	1998	1999	Change, 1999 over 1998
		1,000 dollars		*Percent*
1005.90.20	Yellow dent corn	181,855	226,833	24.73
8431.43.80	Parts for boring or sinking machinery of 8430.41 or 8430.49, nesi	472,201	215,413	-54.38
1001.90.20	Wheat & meslin other than durum or seed wheat	147,054	187,576	27.56
8473.30.00	Parts and accessories of the ADP machines of heading 8471, (automatic data processing machines & units thereof): not incorporating a cathode ray tub	176,261	124,308	-29.48
4804.11.00	Uncoated, unbleached kraftliner, in rolls or sheets	119,335	108,375	-9.18
8474.90.00	Parts for the machinery of heading 8474	76,660	98,544	28.55
3100.00.00	Fertilizer and fertilizer materials	108,134	87,790	-18.81
8525.20.90	Transmission apparatus incorp. reception app. (other than transceivers) for radiotelephony, radiotelegraphy, radiobroadcasting or television	228,719	82,831	-63.78
2304.00.00	Oilcake and other solid residues, resulting from the extraction of soybean oil	97,480	80,079	-17.85
8803.30.00	Parts of airplanes and helicopters, nesoi	98,313	79,337	-19.30
7108.12.10	Gold, nonmonetary, bullion and dore	51,406	77,826	51.40
2903.21.00	Vinyl chloride (Chloroethylene)	35,645	75,254	111.12
8411.82.80	Gas turbines, other than turbojets or turbopropellers of a power exceeding 5,000 kW, other than aircraft	32,077	70,206	118.87
3901.10.00	Polyethylene having a specific gravity of less than 0.94, in primary forms	58,304	57,256	-1.80
8525.20.30	Transceivers nesi, for radiotelephony, radiotelegraphy or radiobroadcasting	59,826	57,090	-4.57
8431.41.00	Buckets, shovels, grabs and grips suitable for use solely or principally with the machinery of headings 8426, 8429, or 8430	48,677	56,654	16.39
8704.10.50	Mtr. vehicles for transport of goods, complete dumpers designed for off$highway use	24,499	55,673	127.25
8802.40.00	Airplanes and other powered aircraft, nesoi, with an unladen weight over 15,000 kg	89,500	54,500	-39.11
8431.39.00	Parts suitable for use solely or principally with the machinery of heading 8428, nesi	([1])	52,807	-
8411.99.40	Parts of nonaircraft gas turbines	23,791	48,523	103.96
	Subtotal	2,129,739	1,896,876	-10.93
	All other	6,540,329	4,366,293	-33.24
	Total	8,670,068	6,263,169	-27.76

[1] Less than $500.

Note.—Because of rounding, figures may not add to totals shown.
Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 2-12
Leading U.S. exports to ATPA countries, by major product categories, 1995-99

HTS Chapter	Description	1995	1996	1997	1998	1999
		Value *(1,000 dollars)*				
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	1,855,747	1,887,436	2,247,209	2,158,671	1,598,029
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	772,256	863,194	1,180,874	1,017,754	618,746
10	Cereals	471,209	603,810	361,991	499,602	444,363
29	Organic chemicals	535,333	448,371	453,264	376,097	347,206
39	Plastics and articles thereof	445,312	380,033	434,977	386,741	289,268
48	Paper and paperboard; articles of paper pulp, paper or paperboard	306,277	270,755	308,721	260,464	238,738
87	Vehicles, other than railway or tramway rolling stock, and parts and accessories thereof	508,524	367,707	408,628	358,902	210,929
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	220,089	221,963	263,179	265,848	185,958
88	Aircraft, spacecraft, and parts thereof	127,364	115,591	123,251	313,133	176,770
38	Miscellaneous chemical products	160,690	169,182	177,471	176,781	141,733
	Subtotal	5,402,800	5,328,041	5,959,566	5,813,992	4,251,740
	All other	2,417,406	2,390,701	2,722,188	2,856,076	2,011,430
	Total	7,820,206	7,718,742	8,681,754	8,670,068	6,263,169

See notes at end of table.

Table 2-12—*Continued*
Leading U.S. exports to ATPA countries, by major product categories, 1995-99

HTS Chapter	Description	1995	1996	1997	1998	1999
		Percent of total				
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	23.73	24.45	25.88	24.90	25.51
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	9.88	11.18	13.60	11.74	9.88
10	Cereals	6.03	7.82	4.17	5.76	7.09
29	Organic chemicals	6.85	5.81	5.22	4.34	5.54
39	Plastics and articles thereof	5.69	4.92	5.01	4.46	4.62
48	Paper and paperboard; articles of paper pulp, paper or paperboard	3.92	3.51	3.56	3.00	3.81
87	Vehicles, other than railway or tramway rolling stock, and parts and accessories thereof	6.50	4.76	4.71	4.14	3.37
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	2.81	2.88	3.03	3.07	2.97
88	Aircraft, spacecraft, and parts thereof	1.63	1.50	1.42	3.61	2.82
38	Miscellaneous chemical products	2.05	2.19	2.04	2.04	2.26
	Subtotal	69.09	69.03	68.64	67.06	67.88
	All other	30.91	30.97	31.36	32.94	32.12
	Total	100.00	100.00	100.00	100.00	100.00

Note.—Because of rounding, figures may not add to totals shown.
Source: Compiled from official statistics of the U.S. Department of Commerce.

countries combined ranked 22d as a U.S. export market, ahead of Venezuela but behind Israel; they ranked 18th as recently as 1998.

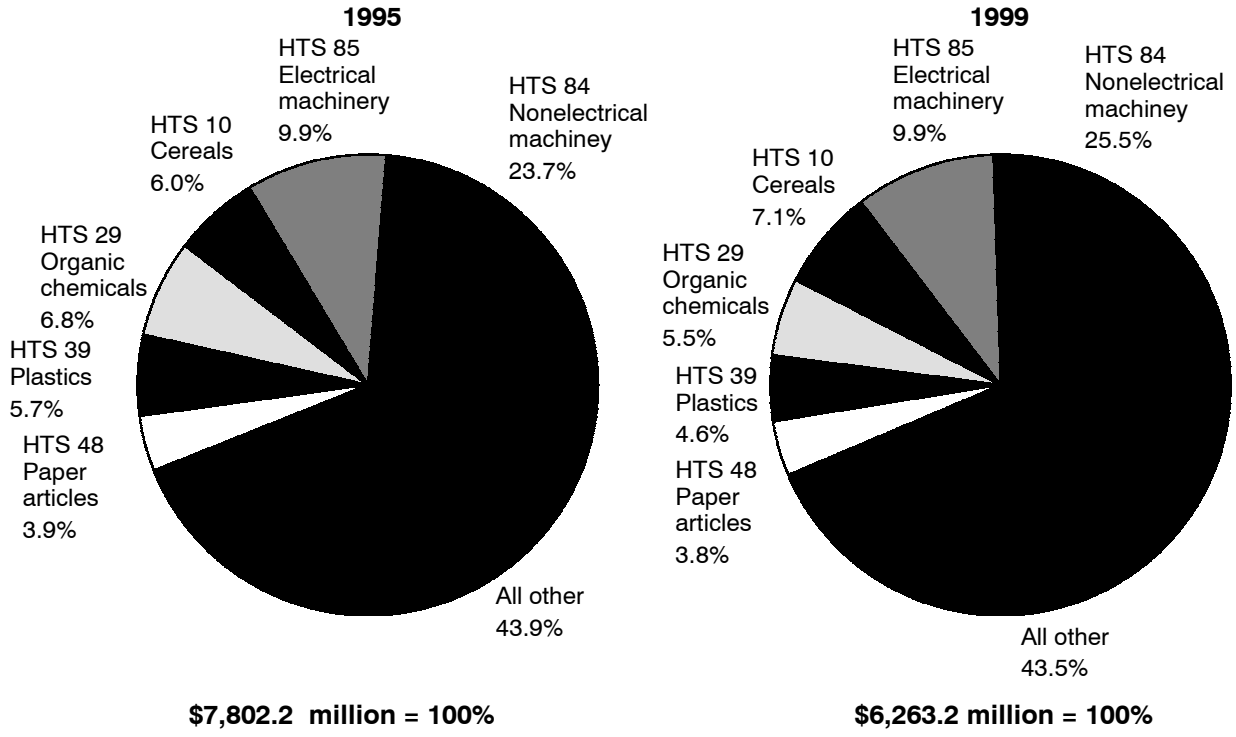
In 1999, the individual ranking of ATPA countries as U.S. export markets (table 2-10) was the same as their ranking as U.S. suppliers overall: Colombia, Peru, Ecuador, and Bolivia (table 2-4). Colombia accounted for 54.8 percent of U.S. exports to all ATPA countries during the year. Through the 1990s, Colombia lost some of its dominant share among ATPA markets, mostly to Peru, whose relative significance steadily rose to constitute 26 percent of the total in 1999. Ecuador received 14.3 percent of all U.S. exports to ATPA countries in 1999, compared with 18.8 percent in 1998, because U.S. exports to Ecuador dropped by almost one half during the year. While Bolivia's significance as an export market increased somewhat during the period shown, that country still accounted for only 4.9 percent of U.S. exports to ATPA countries in 1999.

U.S. exports to ATPA countries in all leading HTS 2-digit chapters were down during 1999; for aircraft,[1] motor vehicles, and electrical machinery, the decline was around 40 percent for each group. Because exports of cereals and organic chemicals fell less dramatically, these groups gained relative significance in the composition of U.S. exports to ATPA countries (table 2-12).

Electrical and nonelectrical machinery, equipment and parts (HTS chapters 84 and 85) dominate U.S. exports to ATPA countries. Items classified in these two chapters constitute more than one third of the total; the remainder of exports includes chemicals, cereals, plastics, paper products, and a multitude of other products (figure 2-5). In 1999, among the 20 leading exports in terms of 8-digit HTS provision, nine were classified in HTS chapters 84 and 85 (table 2-11).

[1] Notably, 1998 was a record-high year for U.S. exports of aircraft to ATPA countries.

Figure 2-5
Composition of U.S. exports to ATPA countries, by major product categories, 1995 and 1999



Note.—Percentages may not add to 100 because of rounding.
Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. exports of oil field machinery parts (HTS provision 8431.43.80) to ATPA countries rose sharply through 1998. In 1999, however, such exports dropped by more than one half, pushing oil field machinery parts to second place on the list of leading export items. Exports fell especially to Ecuador, but also to Colombia and Peru. In Ecuador, the oil industry has been adversely affected by the comparatively low prices of the Ecuadorian crude oil[1] and, as mentioned earlier, by low international oil prices before 1999. It has also been depressed by a generally poor investment climate in that country. Oil exploration also slowed in Colombia, where political instability and poor infrastructure in the country's oil regions dampened the interest of foreign investors.[2]

U.S. exports of parts and accessories for automatic data processing (ADP) machines, the fourth item in table 2-11 (HTS provision 8473.30.00), also declined in 1999. All ATPA countries buy ADP products from the United States, and all, especially Peru, purchased significantly less in 1999 than in 1998. Similarly, exports of HTS provision 8525.20.90 fell sharply, principally cellular telephones other than for installation in motor vehicles, which was the number two U.S. export item to ATPA countries in 1998. Exports were down 63.8 percent and the product slid to eighth place as shown in table 2-11.

Some major export items surged in 1999. Exports of trucks designed for highway transportation (HTS provision 8704.10.50) rose most rapidly; sales increased to all ATPA countries, except Ecuador. The bulk of such exports went to Colombia. U.S. exports of gas turbines (HTS provision 8411.82.80) were also up sharply, particularly to Bolivia and Colombia.

In 1999, U.S. exports of corn and wheat were up to all ATPA countries but Bolivia. Over 60 percent of corn and about one half of wheat exports went to Colombia. Corn became the leading U.S. export item to ATPA countries, and wheat became the third leading item. Adverse weather conditions generated increased demand for cereals in the region. Notably, corn and wheat were the only leading agricultural exports to the region, because exports of cotton and soybean oil, which had been leading items in 1998, dropped sharply in 1999. Exports of rice virtually ceased during the year.[3]

Other top U.S. export items showing increases in 1999 include vinyl chloride and nonmonetary gold.[4]

[1] U.S. Department of Commerce,"Ecuador, 2000 Country Commercial Guide," found at *http://www.stat-usa.gov,* retrieved June 20, 2000.

[2] U.S. Department of Commerce, "Colombia, 2000 Country Commercial Guide," found at *http://www.stat-usa.gov,* retrieved June 20, 2000, and *United Press International,* "U.S. Energy Industry Bullish on Most of Latin America," Comtex Wire, May 16, 2000, found at *http://today.newscast.com*, retrieved June 20, 2000.

[3] The year 1998 was the only year in recent memory when Colombia and Ecuador bought significant amounts of rice from the United States.

[4] Nonmonetary gold is subject to two-way trade and it is more important on the U.S. import side from ATPA countries than on the export side to them. See also the import section in this chapter.

CHAPTER 3
Impact of ATPA on the United States and Probable Future Effects

Two issues are addressed in this chapter: the impact of the ATPA preference program on the United States in 1999 and the probable future effects of the program. Items most affected by the ATPA preferences were identified in an impact analysis and specific U.S. industries were examined. Information on ATPA-related investment in the beneficiary countries was the main basis for the writeup on probable future effects. This information was collected from U.S. embassies in the region.

Impact of ATPA on the United States in 1999

Since its implementation in 1992, ATPA has had a minimal effect on the overall economy of the United States. In each year from 1992 through 1999, the value of ATPA duty-free U.S. imports has been less than 0.02 percent of U.S. gross domestic product. As pointed out in chapter 2, the total value of U.S. imports from ATPA countries remained small in 1999, amounting to 0.97 percent of total U.S. imports.

In addition, the value of the ATPA program to beneficiary countries and its potential for affecting the U.S. economy, consumers, and industries have fallen since the implementation of the program because of the erosion of the margin of preference for many products.[1] Sources of this erosion include phased tariff cuts under the Uruguay Round of trade concessions, tariff cuts and eliminations under sectoral trade negotiations, the extension of preferential trading arrangements under NAFTA, and the erosion of the ad valorem equivalent of specific duties because of inflation.[2]

[1] The higher the ad valorem column 1-general duty rate for any given product, the greater is the benefit to ATPA beneficiaries–the higher the margin of preference. ATPA beneficiaries also benefit more if the column 1-general rate is more extensively applied–that is, if fewer non-ATPA countries enjoy preferential rates.

[2] For a more detailed analysis of the erosion of the margin of preference, see USITC, *ATPA, Fifth Report, 1997*, p. 132.

Because most U.S. imports from ATPA countries can enter the United States free of duty at general rates or under GSP or are excluded from the program, the Commission focused its analysis of the impact of ATPA on products that can enter free of duty or at reduced duties only under ATPA and not under other programs.

The presence of ATPA guarantees that GSP-eligible products from ATPA beneficiary countries can enter the United States free of duty, making investment in such products more attractive than would be the case in the absence of ATPA. Investment that depends solely on GSP for duty-free preferences is riskier because of the recent uncertainties about the periodic renewals of GSP and because certain products from particular countries may exceed competitive-need limits and face loss of GSP eligibility, as discussed in chapter 1. In the analysis described in this chapter, no attempt was made to quantify those effects.

The material that follows in this section defines products that benefit exclusively from ATPA; presents quantitative estimates of the impact of ATPA on U.S. consumers, the U.S. Treasury, and U.S. industries whose goods compete with U.S. imports under ATPA; and describes the U.S. imports that benefited exclusively from ATPA in 1999 and had the largest potential impact on competing U.S. industries.

Products That Benefited Exclusively From ATPA in 1999

U.S. imports of products benefiting exclusively from ATPA are defined as those that enter free of duty under ATPA or under ATPA reduced-duty provisions and are not eligible to enter free of duty under column 1-general rates or under other provisions, such as GSP. Consistent with this definition, GSP-eligible items

imported from ATPA countries that entered under ATPA preferences are considered to benefit exclusively from ATPA only if imports of the item from a certain country exceeded GSP competitive-need limits.[3]

The value of U.S. imports that benefited exclusively from ATPA increased from $915 million in 1998 to $939 million in 1999, an increase of under 3 percent (table 3-1). Since the implementation of the ATPA program, U.S. imports that benefit exclusively from ATPA have accounted for a relatively small portion of total U.S. imports from ATPA countries. This portion was substantially higher in 1995 and 1996 than in the first 3 years of the program due mainly to the lapse in the GSP program from August 1, 1995 through September 30, 1996, and subsequent increased use of ATPA provisions to ensure duty-free entry.[4] The share then dropped in 1997, rose substantially in 1998, then fell slightly in 1999 to 9.6 percent of total U.S. imports from ATPA.

The 20 leading items that benefited exclusively from ATPA are shown in table 3-2. The most notable change in the value of such imports was for refined copper cathodes from Peru (HTS provision 7403.11.00), which increased by $123 million in value, or 61 percent, from 1998 to 1999. Exclusively benefiting imports of copper cathodes have increased so rapidly in recent years, more than doubling from 1997 to 1999, that they now dominate the list of items benefiting exclusively with 31 percent of the total. The second leading item, fresh-cut roses, accounted for 17 percent in 1999. Other notable changes include exclusively benefiting imports of tunas and skipjack (HTS provision 1604.14.40), up by 80 percent from 1998 to 1999, gold compounds (HTS provision 2843.30.00) from Colombia, up by 65 percent, and leather cases, bags, etc. (HTS provision 4202.91.00),

[3] A beneficiary developing country loses GSP benefits for an eligible product when U.S. imports of the product exceed either a specific annually adjusted value or 50 percent of the value of total U.S. imports of the product in the preceding calendar year–the so-called competitive-need limit. Sec. 504(c)(1) of the Trade Act of 1974, as amended. ATPA has no competitive-need limits. Thus, eligible products that are excluded from duty-free entry under GSP because their competitive-need limits have been exceeded can still receive duty-free entry under ATPA.

[4] The U.S. GSP program was not in effect from Aug. 1, 1995 through Sept. 30, 1996. Consequently, articles eligible for GSP duty-free entry were subject to ordinary column 1-general duties during this period unless the articles were eligible to enter under another preferential program, such as ATPA, and were entered under that program. The analysis used in the 1995 and 1996 ATPA reports implicitly assumed that importers did not expect the GSP program to be reinstated or the duties to be refunded; therefore, products normally eligible for GSP that entered the United States

[4]—*Continued*
under ATPA provisions during that period were counted as having benefited exclusively from ATPA. Hence, the effects of duty-free entry of those otherwise GSP-eligible products were attributed to ATPA for the period Aug. 1, 1995 through Sept. 30, 1996, which resulted in higher estimates of the effects of ATPA than would have been the case if the GSP program had been operative during that period. See USITC, *ATPA, Fourth Report, 1996*, pp. 71-72, for further explanation.

Because of the assumptions about GSP made in the 1995 and 1996 ATPA reports, the findings derived from the analysis in those reports are not strictly comparable to the findings in subsequent reports in this series or in reports previous to the 1995 report, despite the similar analytical approach used. Although GSP lapsed in 1997, 1998, and 1999, the lapses were considerably shorter than in 1995 and 1996, and quick renewals were widely anticipated. Therefore, those lapses were not considered significant enough to warrant a repeat in the 1997, 1998, and current reports of the assumptions used in the 1995 and 1996 reports. The lower estimates for 1997, 1998, and 1999 derive from the assumptions used in designating items that benefit exclusively from ATPA, not from the change in actual usage.

Table 3-1
Total imports from ATPA beneficiaries, imports entered under ATPA, and imports that benefited exclusively from ATPA, 1995-99

Item	1995	1996	1997	1998	1999
Total imports from ATPA beneficiaries (*million dollars*[1])	6,969	7,868	8,674	8,361	9,830
Imports entered under ATPA provisions:[2]					
Value (*millions dollars*[1])	939	1,270	1,353	1,645	1,750
Percent of total	13.5	16.1	15.6	19.7	17.8
Imports that benefited exclusively from ATPA provisions:					
Value (*million dollars*[1])	699	1,033	635	915	939
Percent of total	10.0	13.1	7.3	10.9	9.6

[1] Customs value.

[2] Includes articles entered free of duty and at reduced duties under ATPA provisions (table 2-6). Those provisions are discussed in chapter 2.

Source: Estimated by the staff of the U.S. International Trade Commission from official statistics of the U.S. Department of Commerce.

Table 3-2
Leading imports that benefited exclusively from ATPA, 1999

(*1,000 dollars*)

HTS number	Description	Customs value	C.i.f value
7403.11.00[1]	Refined copper cathodes and sections of cathodes	323,788	333,374
0603.10.60	Roses, fresh cut	182,878	227,429
0603.10.70[2]	Chrysanthemums, standard carnations, anthuriums and orchids, fresh cut	133,376	162,457
1604.14.40	Tunas and skipjack, not in airtight containers, not in oil, in bulk or in immediate containers weighing with contents over 6.8 kg each	83,054	89,186
2843.30.00[2]	Gold compounds	56,649	56,685
0709.20.90	Asparagus, nesi, fresh or chilled	26,605	41,235
7905.00.00[1]	Zinc, plates, sheets, strip and foil	23,489	24,418
0709.20.10[1]	Asparagus, fresh or chilled, not reduced in size, if entered September 15 to November 15, inclusive, and transported to the U.S. by air	13,036	20,102
7113.19.21[1]	Gold rope necklaces and neck chains	12,360	12,370
4202.91.00[3]	Cases, bags and containers nesi, with outer surface of leather, of composition leather or patent leather	9,378	9,850
6908.90.00	Glazed ceramic flags and paving, hearth or wall tiles; glazed ceramic mosaic cubes and the like, nesi	6,994	8,173
4202.11.00[3]	Trunks, suitcases, vanity & all other cases, occupational luggage & like containers, surface of leather, composition or patent leather	5,642	6,096
2002.90.80	Tomatoes, other than whole or in pieces, prepared or preserved otherwise than by vinegar or acetic acid, nesi	4,438	4,808
4412.29.45[4]	Plywood nesi, at least one hardwood outer ply nesi, no particle board, surface covered other than clear/transparent	4,192	4,678
7306.20.60	Iron or nonalloy steel, seamed, w/ext. diam. 406.4mm or less or o/ than circ. x-sect, tubing of a kind used for drilling for oil/gas	4,036	4,275
7306.30.50	Iron or nonalloy steel, welded, w/circ. x-sect & ext. diam. 406.4mm or less, pipes, tubes & holl. prof., w/wall thick. of 1.65 mm or more	3,845	4,283
4202.21.60[3]	Handbags, with or without shoulder strap or without handle, with outer surface of leather, composition or patent leather, nesi, n/o $20 ea.	3,280	3,414
4202.21.90[3]	Handbags, with or without shoulder strap or without handle, with outer surface of leather, composition or patent leather, nesi, over $20 ea.	3,262	3,335
7210.49.00	Iron/nonalloy steel, width 600mm+, flat-rolled products, plated or coated with zinc (other than electrolytically), not corrugated	2,865	3,131
0710.80.97	Vegetables nesi, uncooked or cooked by steaming or boiling in water, frozen, reduced in size	2,442	2,691

[1] Includes only imports from Peru. Item is GSP-eligible, but imports from Peru exceeded the competitive-need limit and thus were eligible for duty-free entry only under ATPA.

[2] Includes only imports from Colombia. Item is GSP-eligible, but imports from Colombia exceeded the competitive-need limit and thus were eligible for duty-free entry only under ATPA.

[3] Subject to reduced duties under ATPA provisions.

[4] Includes only imports from Ecuador. Item is GSP-eligible, but imports from Ecuador exceeded the competitive-need limit and thus were eligible for duty-free entry only under ATPA.

Note.—The abbreviation “nesi” stands for “not elsewhere specified or included.”

Source: Estimated by the staff of the U.S. International Trade Commission from official statistics of the U.S. Department of Commerce.

down by 29 percent. There were other large relative changes in the value of imports of leading items, but these changes were generally from relatively small bases.

Six items were added to the list of 20 leading items in 1999–tomato paste and puree (HTS provision 2002.90.80), iron or steel tubes (HTS provision 7306.30.50), and iron or steel galvanized sheet (HTS provision 7210.49.00)–all of which experienced large import increases; leather handbags valued not over $20 (HTS provision 4202.21.60), and frozen vegetables (HTS provision 0710.80.97)–which moved up from the 21st and 22nd positions, respectively, among items benefiting exclusively in 1998; and plywood (HTS provision 4412.29.45) from Ecuador, which recorded a full year in 1999 as an ATPA-exclusive item after recording a half year in 1998, having lost GSP eligibility in mid-1998.

Leading imports that were identified in previous annual ATPA reports as benefiting exclusively from ATPA between 1992 and 1998 continued to rank among the leading U.S. imports in 1999. Those imports were fresh-cut roses (HTS provision 0603.10.60) and fresh-cut chrysanthemums, standard carnations, anthuriums, and orchids (chrysanthemums, etc.) (HTS provision 0603.10.70) from Colombia, which have consistently ranked among the leading items benefiting exclusively from ATPA since the implementation of the program.

Welfare and Displacement Effects of ATPA on U.S. Industries and Consumers in 1999

The analytical approach for estimating the welfare and displacement effects of ATPA is described in the introduction to this report and is discussed in more detail in appendix C. A range of estimates is reported, reflecting those made assuming higher substitution elasticities (upper range), and those made assuming lower substitution elasticities (lower range).

The analysis was conducted on the 20 leading items that benefited exclusively from ATPA (table 3-2).[5] Estimates of welfare and potential U.S. industry displacement effects were made. Industries that experienced estimated displacement of more than 5 percent of the value of U.S. production, based on upper range estimates, were selected for further analysis.

Items Analyzed

Although a large number of products are eligible for duty-free or reduced-duty entry under ATPA, a relatively small group of products accounts for most of the imports that benefit exclusively from ATPA. Table 3-2 presents the 20 leading items that benefited exclusively from ATPA in 1999; they are ranked on the basis of their c.i.f. import values.[6] Those products represented 86 percent of the $939 million in imports that benefited exclusively from ATPA during 1999.[7] The five leading ATPA-exclusive imports in 1999 were (1) copper cathodes from Peru (which exceeded its GSP competitive-need limit), (2) fresh-cut roses, (3) chrysanthemums, etc. from Colombia (which exceeded its GSP competitive-need limit), (4) tunas and skipjack, and (5) gold compounds from Colombia (which exceeded its GSP competitive-need limit). Colombia was the leading supplier of each of the two flower provisions, as well as gold compounds; Peru was the leading supplier of copper cathodes; and Ecuador was the leading supplier of tunas and skipjack.[8] Copper cathodes and fresh-cut roses ranked first and third, respectively, in 1998.

For any particular item, the U.S. market share accounted for by ATPA-exclusive imports (value of imports benefiting exclusively from ATPA relative to apparent consumption) was a major factor in determining the estimated impact on competing domestic producers;[9] market shares varied considerably in 1999 (table 3-3). For instance, the

[5] USITC industry analysts provided estimates of U.S. production and exports for the 20 leading items that benefited exclusively from ATPA, as well as evaluations of the substitutability of ATPA-exclusive imports and competing U.S. products.

[6] In the analysis, U.S. market expenditure shares were used to compute estimates of welfare and domestic production displacement effects. Because U.S. expenditures on imports necessarily include freight and insurance charges and duties, when applicable, the analysis, where indicated in the text and supporting tables, used c.i.f. values for duty-free items and landed, duty-paid values for reduced-duty items benefiting exclusively from ATPA, and landed, duty-paid values for the remaining imports. Technically, landed, duty-paid values are equal to c.i.f. values for items entering free of duty.

[7] The import values reported in tables 3-2 and 3-3 reflect only that portion of imports under each HTS provision that entered duty free or at reduced duty under ATPA. Even though all of these items were eligible for ATPA tariff preferences, full duties were paid on a certain portion of imports under each HTS provision for a variety of reasons, such as failure to claim preferences or insufficient documentation.

[8] Leading ATPA suppliers are shown in table 2-8.

[9] Other factors include the ad valorem equivalent tariff rate; the substitutability among beneficiary imports, nonbeneficiary imports, and domestic production; and the overall demand elasticity for the product category.

Table 3-3
Leading imports that benefited exclusively from ATPA, apparent U.S. consumption, and ATPA-exclusive market share, 1999

HTS number	Description	Imports from ATPA countries (c.i.f. value) (A)	Apparent U.S. consumption (B)[1]	Market share (A/B)
			(*1,000 dollars*)	*Percent*
7403.11.00	Refined copper cathodes and sections of cathodes	333,374	4,513,680	7.39
0603.10.60	Roses, fresh cut	227,429	330,324	68.85
0603.10.70	Chrysanthemums, standard carnations, anthuriums and orchids, fresh cut	162,457	217,352	74.74
1604.14.40	Tunas and skipjack, not in airtight containers, not in oil, in bulk or in immediate containers weighing with contents over 6.8 kg each	89,186	([2])	([2])
2843.30.00	Gold compounds	56,685	845,766	6.70
0709.20.90[3]	Asparagus, nesi, fresh or chilled	61,337	281,277	21.81
7905.00.00	Zinc, plates, sheets, strip and foil	24,418	([2])	([2])
0709.20.10[3]	Asparagus, fresh or chilled, not reduced in size, if entered September 15 to November 15, inclusive, and transported to the U.S. by air	20,102	-	-
7113.19.21	Gold rope necklaces and neck chains	12,370	73,457	16.84
4202.91.00[4]	Cases, bags and containers nesi, with outer surface of leather, of composition leather or patent leather	9,850	254,628	4.00
6908.90.00	Glazed ceramic flags and paving, hearth or wall tiles; glazed ceramic mosaic cubes and the like, nesi	8,173	1,602,621	0.51
4202.11.00[4]	Trunks, suitcases, vanity & all other cases, occupational luggage & like containers, surface of leather, composition or patent leather	6,096	175,809	3.67
2002.90.80	Tomatoes, other than whole or in pieces, prepared or preserved otherwise than by vinegar or acetic acid, nesi	4,808	634,881	0.76
4412.29.45	Plywood nesi, at least one hardwood outer ply nesi, no particle board, surface covered other than clear/ transparent	4,678	180,444	2.59
7306.30.50	Iron or nonalloy steel, seamed, w/ext. diam. 406.4mm or less or o/than circ. x-sect, tubing of a kind used for drilling for oil/gas	4,283	772,507	0.55
7306.20.60	Iron or nonalloy steel, welded, w/circ. x-sect & ext. diam. 406.4mm or less, pipes, tubes & holl. prof., w/wall thick. of 1.65 mm or more	4,275	252,549	1.69
4202.21.60[4]	Handbags, with or without shoulder strap or without handle, with outer surface of leather, composition or patent leather, nesi, n/o $20 ea.	3,414	161,567	2.28
4202.21.90[4]	Handbags, with or without shoulder strap or without handle, with outer surface of leather, composition or patent leather, nesi, over $20 ea.	3,335	372,012	0.96
7210.49.00	Iron/nonalloy steel, width 600mm+, flat-rolled products, plated or coated with zinc (other than electrolytically), not corrugated	3,131	6,475,718	0.05
0710.80.97	Vegetables nesi, uncooked or cooked by steaming or boiling in water, frozen, reduced in size	2,691	([2])	([2])

[1] Apparent U.S. consumption defined as U.S. production plus total imports (landed, duty-paid basis) minus exports.
[2] U.S. production data not available.
[3] Apparent consumption for HTS subheadings 0709.20.10 and 0709.20.90 were aggregated into one category and reported under HTS subheading 0709.20.90.
[4] Market share based on landed, duty-paid value.

Note.—The abbreviation "nesi" stands for "not elsewhere specified or included."

Source: Estimated by the staff of the U.S. International Trade Commission from official statistics of the U.S. Department of Commerce.

market share of ATPA-exclusive imports of chrysanthemums, etc. was approximately 75 percent, whereas the market share of ATPA-exclusive imports of iron or steel galvanized sheet was 0.05 percent.

Estimated Effects on Consumers and Producers

Tables 3-4 and 3-5 present the estimated impact of ATPA tariff preferences on the U.S. economy in 1999.[10] Estimates of the gains in consumer surplus and the losses in tariff revenue, as well as measures of the potential displacement of U.S. production, are discussed below.

Effects on U.S. consumers

Fresh-cut roses provided the largest gain in consumer surplus ($12.2 million to $12.4 million) resulting exclusively from ATPA tariff preferences in 1999 (table 3-4). Without ATPA, the price U.S. consumers would have paid for imports of fresh-cut roses from ATPA countries would have been 5.6 percent higher (the ad valorem duty rate adjusted for freight and insurance charges). Chrysanthemums, etc. provided the second-largest gain in consumer surplus ($8.5 million to $8.6 million). Without ATPA, the price of imports of chrysanthemums, etc. from ATPA countries would have been 5.5 percent higher. In general, items providing the largest gains in consumer surplus also have either the highest column 1-general tariff rates or the largest volumes of imports, or both.

ATPA preferences also reduced U.S. tariff revenues, offsetting much of the gain in consumer surplus. For example, for tomato paste and puree, lower tariff revenues offset 77 percent to 85 percent of the gain in consumer surplus; for glazed ceramic tiles (HTS provision 6908.90.00), the offset was about 80 percent to 89 percent; and for asparagus (HTS provisions 0709.20.10 and 0709.20.90), the offset was about 84 percent to 94 percent. For most of the other items listed in table 3-4, lower tariff revenues offset nearly all the gain in consumer surplus; this typically occurs when column 1-general duty rates are relatively low, as is the case with most ATPA-exclusive items.

Overall, the estimated net welfare effects of ATPA were small. The gain in consumer surplus (column A of table 3-4) was greater than the corresponding decline in tariff revenue (column B) for all of the products analyzed for which data were available. Of the resulting estimated net welfare gains, the largest were for asparagus ($424,000 to $1.1 million), fresh-cut roses ($429,000 to $573,000), and chrysanthemums, etc. ($289,000 to $370,000). Asparagus and fresh-cut roses also had the largest net welfare gains in 1998.[11]

Effects on U.S. producers

Estimates of the potential displacement of domestic production (table 3-5) were small for most of the individual sectors.[12] The analysis indicates that the largest potential displacement effects were for asparagus (2.3 percent to 8.3 percent displaced, valued at $3.2 million to $11.5 million), chrysanthemums, etc. (an estimate of 1.2 percent to 7.5 percent of U.S. domestic shipments displaced, valued at $0.4 million to $2.3 million), and fresh-cut roses (1.1 percent to 7.0 percent displaced, valued at $0.9 million to $5.8 million). However, the estimated displacement share for the majority of the products benefiting exclusively from ATPA was less than 1 percent, even in the upper range of estimates.

Highlights of U.S. Industries Most Affected by ATPA

Industries having estimated displacements of 5 percent or more, based on upper range estimates, were chosen for further analysis. In 1999, only a few products that benefited exclusively from ATPA met this criterion: chrysanthemums, etc., fresh-cut roses, and asparagus. These three products were also identified as having estimated displacements of 5 percent or more in 1998. An industry-by-industry analysis of the items most significantly affected in 1999 follows.

Fresh-Cut Flowers

Fresh-cut flowers traditionally have been a major component of U.S. imports from ATPA countries as well as under the ATPA program and represent an important economic activity of ATPA beneficiary countries. Fresh-cut roses (HTS provision 0603.10.60) were the 13th leading U.S. import item from ATPA countries in 1999, down from 10th in 1998, accounting for 1.9 percent of the total of such imports. Fresh-cut

[10] The methodology used is described in appendix C.

[11] See USITC, *ATPA, Sixth Report, 1998*, p. 95.

[12] U.S. market share, ad valorem equivalent tariff rate, and elasticity of substitution between beneficiary imports and competing U.S. production are the main factors that affect the estimated displacement of U.S. domestic shipments. In general, the larger the ATPA share of the U.S. market, ad valorem equivalent tariff rate, and substitution elasticity, the larger the displacement of domestic shipments.

Table 3-4
Estimated welfare effects on the United States of leading imports that benefited exclusively from ATPA, 1999

(*1,000 dollars*)

HTS number	Description	Gain in consumer surplus (A)		Loss in tariff revenue (B)		Net welfare effect (A-B)	
		Upper range	Lower range	Upper range	Lower range	Upper range	Lower range
7403.11.00	Refined copper cathodes and sections of cathodes	3,166	3,194	3,095	3,151	71	43
0603.10.60	Roses, fresh cut	12,198	12,355	11,625	11,926	573	429
0603.10.70	Chrysanthemums, standard carnations, anthuriums and orchids, fresh cut	8,548	8,635	8,179	8,346	370	289
1604.14.40	Tunas and skipjack, not in airtight containers, not in oil, in bulk or in immediate containers weighing with contents over 6.8 kg each	(1)	(1)	(1)	(1)	(1)	(1)
2843.30.00	Gold compounds	2,527	2,764	2,249	2,698	278	66
0709.20.90[2]	Asparagus, nesi, fresh or chilled	7,359	8,143	6,287	7,719	1,072	424
7905.00.00	Zinc, plates, sheets, strip and foil	(1)	(1)	(1)	(1)	(1)	(1)
0709.20.10[2]	Asparagus, fresh or chilled, not reduced in size, if entered September 15 to November 15, inclusive, and transported to the U.S. by air	-	-	-	-	-	-
7113.19.21	Gold rope necklaces and neck chains	554	577	496	538	58	39
4202.91.00	Cases, bags and containers nesi, with outer surface of leather, of composition leather or patent leather	92	93	90	91	2	1
6908.90.00	Glazed ceramic flags and paving, hearth or wall tiles; glazed ceramic mosaic cubes and the like, nesi	776	864	619	773	157	91
4202.11.00	Trunks, suitcases, vanity & all other cases, occupational luggage & like containers, surface of leather, composition or patent leather	87	88	84	87	3	2
2002.90.80	Tomatoes, other than whole or in pieces, prepared or preserved otherwise than by vinegar or acetic acid, nesi	410	453	315	387	96	66
4412.29.45	Plywood nesi, at least one hardwood outer ply nesi, no particle board, surface covered other than clear/transparent	284	303	239	274	45	29
7306.30.50	Iron or nonalloy steel, seamed, w/ext. diam. 406.4mm or less or o/than circ. x-sect, tubing of a kind used for drilling for oil/gas	38	38	37	37	1	1
7306.20.60	Iron or nonalloy steel, welded, w/circ. x-sect & ext. diam. 406.4mm or less, pipes, tubes & holl. prof., w/wall thick. of 1.65 mm or more	39	40	39	39	1	1
4202.21.60	Handbags, with or without shoulder strap or without handle, with outer surface of leather, composition or patent leather, nesi, n/o $20 ea.	63	64	60	62	3	2
4202.21.90	Handbags, with or without shoulder strap or without handle, with outer surface of leather, composition or patent leather, nesi, over $20 ea.	56	57	54	56	2	1
7210.49.00	Iron/nonalloy steel, width 600mm+, flat-rolled products, plated or coated with zinc (other than electrolytically), not corrugated	85	88	79	84	6	4
0710.80.97	Vegetables nesi, uncooked or cooked by steaming or boiling in water, frozen, reduced in size	(1)	(1)	(1)	(1)	(1)	(1)

See footnotes at end of table.

Table 3-4—*Continued*
Estimated welfare effects on the United States of leading imports that benefited exclusively from ATPA, 1999

[1] Welfare and displacement effects were not calculated because of unavailability of U.S. production data.

[2] Analysis for HTS subheadings 0709.20.10 and 0709.20.90 is combined under HTS subheading 0709.20.90.

Note.—The abbreviation “nesi” stands for “not elsewhere specified or included.”

Source: Estimated by the staff of the U.S. International Trade Commission from official statistics of the U.S. Department of Commerce.

Table 3-5
Estimated displacement effects on the United States of leading imports that benefited exclusively from ATPA, 1999

HTS number	Description	U.S. domestic shipments	Reduction in domestic shipments			
			Value		Share	
			Upper range	Lower range	Upper range	Lower range
		1,000 dollars			*Percent*	
7403.11.00	Refined copper cathodes and sections of cathodes	3,278,838	10,550	5,857	0.32	0.18
0603.10.60	Roses, fresh cut	82,269	5,777	936	7.02	1.14
0603.10.70	Chrysanthemums, standard carnations, anthuriums and orchids, fresh cut	31,274	2,336	378	7.47	1.21
1604.14.40	Tunas and skipjack, not in airtight containers, not in oil, in bulk or in immediate containers weighing with contents over 6.8 kg each	(1)	(1)	(1)	(1)	(1)
2843.30.00	Gold compounds	785,923	10,393	51	1.32	0.01
0709.20.90[2]	Asparagus, nesi, fresh or chilled	137,321	11,457	3,180	8.34	2.32
7905.00.00	Zinc, plates, sheets, strip and foil	(1)	(1)	(1)	(1)	(1)
0709.20.10[2]	Asparagus, fresh or chilled, not reduced in size, if entered September 15 to November 15, inclusive, and transported to the U.S. by air	-	-	-	-	-
7113.19.21	Gold rope necklaces and neck chains	32,000	798	264	2.49	0.82
4202.91.00	Cases, bags and containers nesi, with outer surface of leather, of composition leather or patent leather	29,805	35	13	0.12	0.04
6908.90.00	Glazed ceramic flags and paving, hearth or wall tiles; glazed ceramic mosaic cubes and the like, nesi	595,760	1,188	509	0.2	0.09
4202.11.00	Trunks, suitcases, vanity & all other cases, occupational luggage & like containers, surface of leather, composition or patent leather	56,465	92	35	0.16	0.06
2002.90.80	Tomatoes, other than whole or in pieces, prepared or preserved otherwise than by vinegar or acetic acid, nesi	564,320	2,061	1,168	0.37	0.21
4412.29.45	Plywood nesi, at least one hardwood outer ply nesi, no particle board, surface covered other than clear/transparent	175,000	1,391	759	0.79	0.43
7306.30.50	Iron or nonalloy steel, seamed, w/ext. diam. 406.4mm or less or o/than circ. x-sect, tubing of a kind used for drilling for oil/gas	376,000	78	41	0.02	0.01
7306.20.60	Iron or nonalloy steel, welded, w/circ. x-sect & ext. diam. 406.4mm or less, pipes, tubes & holl. prof., w/wall thick. of 1.65 mm or more	235,500	157	82	0.07	0.03
4202.21.60	Handbags, with or without shoulder strap or without handle, with outer surface of leather, composition or patent leather, nesi, n/o $20 ea.	11,100	14	5	0.13	0.05
4202.21.90	Handbags, with or without shoulder strap or without handle, with outer surface of leather, composition or patent leather, nesi, over $20 ea.	115,200	58	22	0.05	0.02
7210.49.00	Iron/nonalloy steel, width 600mm+, flat-rolled products, plated or coated with zinc (other than electrolytically), not corrugated	5,853,000	342	179	0.01	(3)
0710.80.97	Vegetables nesi, uncooked or cooked by steaming or boiling in water, frozen, reduced in size	(1)	(1)	(1)	(1)	(1)

See footnotes at end of table.

Table 3-5
Estimated displacement effects on the United States of leading imports that benefited exclusively from ATPA, 1999

[1] Welfare and displacement effects were not calculated because of unavailability of U.S. production data.

[2] Analysis for HTS subheadings 0709.20.10 and 0709.20.90 is combined under HTS subheading 0709.20.90.

[3] Less than 0.005 percent.

Note.—The abbreviation "nesi" stands for "not elsewhere specified or included."

Source: Estimated by the staff of the U.S. International Trade Commission from official statistics of the U.S. Department of Commerce.

chrysanthemums, etc. (HTS provision 0603.10.70) ranked 16th among such imports, down from 11th in 1998, with a share of 1.4 percent in 1999. Fresh-cut roses were the second leading U.S. import item that entered free of duty under the ATPA program in 1999, accounting for 10.4 percent of the total value of such imports. Fresh-cut chrysanthemums, etc. were third, accounting for about 7.9 percent. ATPA countries supplied just over 91 percent of the total value of U.S. imports of fresh-cut roses and just under 92 percent of the total value of U.S. imports of chrysanthemums, etc. in 1999. Virtually all U.S. imports of the two fresh-cut flower categories considered here from beneficiary countries were entered free of duty under ATPA. U.S. imports of the subject fresh-cut flowers from ATPA countries are concentrated between Colombia and Ecuador, with Colombia dominating, particularly in chrysanthemums, etc.

Fresh-cut flowers lost importance in the economies of ATPA countries in 1999, particularly those of Colombia and Ecuador, but still remain a major nontraditional agricultural export item. Colombia has become the second leading fresh-cut flower exporter, trailing only the Netherlands.[13] The United States is the principal fresh-cut flower export market for ATPA countries, accounting for 78 percent of the total value ($544.4 million) of Colombian exports in 1997.[14]

U.S. imports of certain cut flowers from ATPA beneficiary countries have been subject to various antidumping and countervailing duties in recent years. However, on May 28, 1999, the Department of Commerce announced in the *Federal Register* (64 FR 28975) the revocation of the antidumping duty order on fresh-cut flowers from Colombia because the domestic interested parties had withdrawn their participation in the sunset review. The antidumping duty order ceased to apply on merchandise from Colombia entered, or withdrawn from warehouse, on or after January 1, 2000. On October 19, 1999, the Department of Commerce announced in the *Federal Register* (64 FR 56327) the revocation of the antidumping duty order on fresh-cut flowers from Ecuador and on the countervailing duty order on pompon chrysanthemums from Peru, based on the fact that the domestic interested parties no longer have an interest in maintaining the antidumping duty or countervailing duty orders.

[13] USITC staff conversation with Philip Nowers, managing director, Colombia Flowers Council, June 7, 2000.

[14] *Super Floral Advisor*, pamphlet published by Colombia Flowers Council, p. 2.

Transportation costs for cut flowers from ATPA countries are high, especially so when transportation costs from Miami (the main port of entry) to other U.S. destinations are included. Therefore, the roughly 7 percent duties forgone make up a much smaller portion of the final cost to consumers, mitigating the impact of ATPA. Much of the current high market share of imports from ATPA countries was attained before ATPA was implemented, especially for chrysanthemums, etc. The remaining U.S. growers have differentiated their product to some extent by offering services not available from importers, such as quick turnaround times on special orders. Despite these factors, the high market share held by imports from ATPA countries means that the small advantages they have from ATPA may translate into a modest impact on U.S. growers of roses and chrysanthemums, etc. However, looking at the flower-growing industry as a whole, U.S. grower diversification into flower types that are not imported in significant volumes, or flower types that are not imported, or into other greenhouse products means that the absence of ATPA duties on roses and chrysanthemums, etc. may have a minimal impact on the industry as a whole.

U.S. market and trade developments during 1999 for the two subject fresh-cut flower categories are analyzed in greater detail below.

Fresh-cut roses

U.S. imports of fresh-cut roses in 1999 were dutiable at the column 1-general rate of 7.0 percent ad valorem. Such imports were eligible for duty-free treatment under ATPA, CBERA, NAFTA, and the United States-Israel Free Trade Area. Imports of fresh-cut roses are not eligible for duty-free entry under GSP.

U.S. sales of domestically produced fresh-cut roses (including hybrid tea and sweetheart) declined from 317.1 million blooms, valued at $102.4 million, in 1998 to 258.0 million blooms, valued at $85.3 million, in 1999. The production area declined by 29.7 percent, to 23,097 thousand square feet in 1999.[15]

U.S. consumption of fresh-cut roses declined to less than 1.2 billion blooms, valued at $283.8 million, in 1999, or by 9.7 percent in quantity and 10.7 percent in value. Imports from all sources accounted for about 79 percent of the quantity and 71 percent of the value of U.S. consumption in 1999. ATPA countries supplied 73 percent of the quantity and 65 percent of the value of such consumption. Colombia, the leading import

[15] U.S. Department of Agriculture, National Agricultural Statistics Service, *Floriculture Crops, 1999 Summary*, Apr. 2000. Data for 1998 are revised.

supplier, accounted for 46 percent of the quantity and 44 percent of the value, while Ecuador, the second leading import supplier, accounted for 26 percent of the quantity and 21 percent of the value of consumption in 1999.[16]

U.S. imports of fresh-cut roses from all sources totaled $201 million in value in 1999, a decline of 7.7 percent from the previous year's level. Colombia and Ecuador, both ATPA beneficiary countries, were the leading suppliers, accounting for 62 percent and 29 percent, respectively, of the total value in 1999. Bolivia accounted for a minor share (less than 0.01 percent), whereas Peru supplied no imports of fresh-cut roses in 1999. U.S. imports of fresh-cut roses from all ATPA sources totaled $183 million in 1999, a decline of 6.6 percent from the previous year, virtually all of which entered free of duty under ATPA. Colombia supplied 68 percent of the fresh-cut rose imports under the ATPA program in 1999, and Ecuador accounted for 32 percent.

The decrease in the value of U.S. imports of fresh-cut roses from ATPA sources resulted from a combination of a weaker U.S. demand for roses and a worldwide oversupply of flowers resulting in lower prices.[17] U.S. consumers of roses benefitted from lower prices for roses from ATPA countries because of the lower duties.

Fresh-cut chrysanthemums, etc.

U.S. imports of fresh-cut chrysanthemums, etc. were dutiable in 1999 at the column 1-general rate of 6.7 percent ad valorem. Such imports were eligible for duty-free treatment under the GSP (excluding Colombia, which exceeded the competitive-need limits), ATPA, CBERA, NAFTA, and the United States-Israel Free Trade Area. In 1999, virtually all U.S. imports of fresh-cut chrysanthemums, etc. from Colombia entered free of duty under the ATPA program. Most imports entering free of duty from Ecuador were entered under ATPA, with a minor amount entered under GSP in 1999.

U.S. sales of domestically produced fresh-cut chrysanthemums, etc. increased in quantity from 168.3 million blooms in 1998 to 172.5 million blooms in 1999, or by 2.5 percent.[18] However, the value of U.S. production of such flowers decreased from $49.0 million in 1998 to $37.3 million in 1999, or by 15.2 percent. Among the major flowers in this category, wholesale prices for pompon chrysanthemums fell by 31.1 percent, standard chrysanthemums decreased by 12.8 percent, and standard carnations increased by 5.7 percent in 1999. The decline in prices of standard chrysanthemums and pompon chrysanthemums along with declines in production for standard carnations and standard chrysanthemums resulted in the decrease in the value of production in 1999. The combined production area for the flowers in this category declined substantially (by 10.4 percent), to 28 million square feet in 1999.

U.S. consumption of fresh-cut chrysanthemums, etc. declined in 1999 to $182.1 million, a decrease of 8.8 percent. Imports from all sources accounted for 82.8 percent of the value of consumption in 1999, up slightly from the 1998 share. Imports from all ATPA countries supplied 75.9 percent of the value of total U.S. consumption in 1999. Imports from Colombia, by far the leading import supplier, accounted for 73.4 percent of the value of such consumption, up slightly from its share the previous year.

U.S. imports of fresh-cut chrysanthemums, etc. from all sources fell from $161.6 million in 1998 to $150.8 million in 1999. The decline was accounted for mainly by reduced imports of standard carnations and chrysanthemums from Colombia. Among ATPA beneficiary countries, Colombia was by far the leading supplier, accounting for 89 percent of the total value in 1999. Ecuador, the next largest ATPA supplier, accounted for 3 percent of the total. Bolivia and Peru accounted for relatively insignificant shares. ATPA beneficiary countries supplied $138.1 million of U.S. imports of chrysanthemums, etc. in 1999, down slightly from the previous year. Colombia was the leading supplier under the program, supplying 97 percent of the value of such U.S. imports under ATPA in 1999.

Fresh or Chilled Asparagus

U.S. imports of fresh or chilled asparagus in 1999, entered under HTS provision 0709.20.10, were dutiable at the column 1-general rate of 5.0 percent ad valorem; imports under provision 0709.20.90 were dutiable at the column 1 rate of 21.9 percent ad valorem. Imports entered under HTS provision 0709.20.10 were eligible for duty-free entry under GSP from all designated beneficiary developing countries except Peru, which exceeded the competitive-need limit in 1998. Imports entered under HTS provision 0709.20.90 are eligible for duty-free entry under GSP

[16] Estimated by the staff of the U.S. International Trade Commission based on data from the U.S. Department of Agriculture and the U.S. Department of Commerce.

[17] USITC staff telephone interview with Philip Nowers, managing director, Colombia Flower Council, June 7, 2000.

[18] U.S. Department of Agriculture, National Agricultural Statistics Service, *Floriculture Crops, 1999 Summary*, Apr. 2000.

only if they originate in least developed beneficiary developing countries, none of which are ATPA beneficiaries.[19]

U.S. imports of fresh or chilled asparagus[20] rose by 19 percent from $92.9 million in 1998 to $110.4 million in 1999, with increased shipments from Mexico[21] and Peru accounting for the bulk of the rise. Other important foreign suppliers include Colombia, Chile, and Argentina. U.S. imports of fresh or chilled asparagus from ATPA countries rose by 31 percent from $30.7 million in 1998 to $40.2 million in 1999, with imports from Peru and Colombia accounting for 90 percent and 9 percent, respectively, of total imports from ATPA countries in 1999. Peru has remained the leading Andean source of U.S. fresh asparagus imports in recent years, supplying about 33 percent of the total value of U.S. fresh asparagus imports in 1999, as compared with 28 percent in 1998.

U.S. production of fresh asparagus rose by 22 percent from $156.7 million in 1998 to $190.7 million in 1999.[22] The leading states producing fresh asparagus are California, Washington, and Michigan. Virtually all California production is intended for fresh-market sales, whereas Washington is the largest producer for the processed market. Production in Michigan historically has gone for processing use, but increasing amounts of production in recent years have been intended for fresh-market sales.[23] U.S. per capita consumption of fresh asparagus was forecast at 0.8 pounds in 1999, up slightly from an annual average of 0.6 pounds reported throughout the 1987-96 period.[24]

The impact of ATPA on the U.S. fresh-market asparagus industry has been negligible. The bulk of the fresh asparagus imports from ATPA countries enters between July and January, when U.S. production is low. Harvested acreage of asparagus for all uses was the same or up slightly for all major asparagus-producing states (except Michigan) in 1999. Acreage in Michigan was down in 1999 as a result of increasing yields on the remaining acreage. The value of production for fresh-market use in 1999 was up by 22 percent over production value in 1998 and 41 percent over production value in 1997. The value of asparagus production for all uses amounted to $234.1 million in 1999, up by 18 percent from 1998 and by 28 percent from production value in 1997. Finally, members of the U.S. asparagus industry have increased investment in promotion and product innovation in recent years as a means to stimulate consumer demand for all asparagus.

The growth of fresh-asparagus exports from ATPA countries to the United States is expected to remain steady in the near future, even as U.S. tariffs for Mexican asparagus shipments fall under the NAFTA.[25] Mexico continues to be the most important source of U.S. fresh-asparagus imports, with the benefit of lower transportation costs to U.S. markets that are believed to offset any existing production advantages in ATPA countries.[26] However, Peru is currently the second largest world producer of asparagus, with annual production levels greater than those of the United States and Mexico combined.[27] Peruvian asparagus production has increased dramatically over the past decade and is projected to increase as much as 40 percent from 1999 to 2000. According to one industry source, large asparagus-growing agricultural cooperatives are becoming privatized and extensive tracts of state-run land have been opened up for the production of high-value, export-oriented crops, including asparagus. In addition, the climate in Peru is very favorable for asparagus production such that, unlike in most other major producing countries, asparagus production in Peru takes place year-round. Exports of both fresh and processed asparagus from Peru are expected to rise another 10 percent from 1999 to 2000.[28]

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[19] For a more detailed description of tariff programs applicable to imports of fresh or chilled asparagus, see USITC, *ATPA, Fifth Report 1997*, pp. 131-132.

[20] Includes HTS provisions 0709.20.10 and 0709.20.90. Fresh or chilled asparagus entered under HTS item 0709.20.10 is the same product as that entered under 0709.20.90, except that it has not been reduced in size, has been entered from September 15 to November 15, and has been transported to the United States by air.

[21] Effective Jan. 1, 1999, all imports of fresh or chilled asparagus from Mexico entered under provision 0709.20.10 were free of duty.

[22] USDA, National Agricultural Statistics Service, *Vegetables*, Pub. No. Vg 1-2 (00), Jan. 2000, p. 45. Data for 1998 are revised.

[23] USITC staff contact with Perry De Kryger, Executive Director, Michigan Asparagus Advisory Board, Lansing, MI, May 17, 2000.

[24] USDA, Economic Research Service, *Vegetables and Specialties–Situation and Outlook Report*, Pub. No. VGS-278, July 1999, pp. 11-12.

[25] Duties on fresh or chilled asparagus from Mexico were zero in 1999 for white asparagus entered any time of the year and on any other asparagus entered from July 1 through Dec. 31. For asparagus other than white asparagus, the duty was 10.5 percent ad valorem for product entered during the month of January and 15 percent for product entered from Feb. 1 through June 30. The non-zero rates for product of Mexico are being phased to zero as of Jan. 1, 2008.

[26] U.S. Department of Agriculture, Economic Research Service, *Vegetables and Specialties–Situation and Outlook Report*, Pub. No. VGS-273, November 1997, pp. 22-24.

[27] Washington Asparagus Council, "The WAC International Asparagus Production and Trade Report," found at Internet address *http://www.washingtonasparagus.com*, retrieved June 6, 2000.

[28] Ibid.

The impact of ATPA on U.S. consumers has been significant. Peruvian fresh asparagus enters the United States principally when the U.S.-produced fresh-asparagus supply is low, resulting in an increased supply of fresh asparagus in the marketplace over a greater number of months. This extended product availability throughout most of the year is believed to have been partly responsible for the slight rise in U.S. per capita consumption for fresh asparagus.[29] Also, extended product availability seems to have benefitted the overall consumption of all asparagus[30] and resulted in lower prices for consumers. An influx of fresh asparagus imports prior to the normal U.S. shipping season has been reported to have resulted in the elimination of early-season price premiums for fresh asparagus.[31]

Probable Future Effects of ATPA

As previously reported in this series, most of the effects on the U.S. economy and consumers of the one-time elimination of import duties under a preference program like ATPA were expected to occur within 2 years of the program's implementation. Other effects were expected to occur over time as a result of an increase in export-oriented investment in the region. Such investment in new production facilities or in the expansion of existing facilities may rise in response to the availability of ATPA tariff preferences. Therefore, the Commission continues to monitor ATPA-related investment in the Andean region, using investment expenditures as a proxy for future trade effects of ATPA on the United States.[32]

Official foreign direct investment (FDI) statistics show that FDI in the region increased in each year from 1995 through1997, but fell 26 percent from 1997 to 1998.[33] FDI increased in Bolivia, Ecuador, and Peru, but declined by nearly half in Colombia between 1997 and 1998. Because it is difficult to isolate trends in investment in ATPA-eligible products alone, information on ATPA-related investment activity and trends during 1999 was obtained from U.S. embassies in the Andean region and various published sources. The information that follows was drawn from official telegrams from these U.S. embassies, except as noted.

Three out of the four U.S. embassies in ATPA beneficiary countries responded to the Commission's request for information regarding new or expansion investments in ATPA-eligible products. Of the three, two were able to provide information regarding new or expansion investment. The U.S. Embassy in Bolivia reported that new investments or expansions connected to ATPA-related products were minimal, but grew steadily in 1999.[34] New private local investments were made in the agroindustrial sector and in the manufacture of gold jewelry (Bolivia's major export under ATPA) and other small manufacturing industries. Investments in the agricultural sector are growing and are yielding significant increases in the production of bananas, tangerines, oranges, papaya, pineapple, plantains, rice, and yucca. However, these products are not yet exported to the United States. Investments in textiles and apparel were also undertaken, but these products are not eligible for ATPA trade preferences.[35]

The U.S. Embassy in Colombia reported that Colombian exports to the United States under ATPA have increased in value and as a percentage of total Colombian exports every year since 1993. In Colombia, flowers remains the largest sector benefitting from ATPA trade preferences. However, no new investments were made in the flower sector in 1999. The U.S. Embassy identified new investments in 1999 by producers of sugar cane and candy, as well as polymers for pigment production. There was no additional information available on ATPA-related investment in other sectors, but Embassy contacts indicated that there was "capital divestment in sectors such as asparagus and certain leather products, and no new investment in the remaining sectors due to the uncertainty regarding ATPA's extension after its expiration in 2001."[36]

[29] USITC staff contacts with Perry DeKryger, Executive Director, Michigan Asparagus Advisory Board, June 6, 1999, and Mike Harker, Executive Director, Washington Asparagus Commission, July 10, 1999.

[30] Ibid.

[31] *Vegetables and Specialties–Situation and Outlook Report*, Pub. No. VGS-273, November 1997, pp. 22-26.

[32] The methodology of using investment to assess the probable future economic effects on the United States was developed as part of the Commission's reporting requirement on the Caribbean Basin Economic Recovery Act (CBERA). For a more detailed discussion of the methodology, see USITC, *CBERA*, *First Report, 1984-85*, USITC publication 1907, Sept. 1986, p. 4-1.

[33] UNCTAD, *World Investment Report 1999: Foreign Direct Investment and the Challenge of Development, 1999*, p. 477-481. See table 4-3 in ch. 4, which shows foreign direct investment in ATPA beneficiaries from 1987 to 1998.

[34] For more information on foreign investment in Bolivia, see the case study on Bolivia in ch. 4.

[35] U.S. Department of State telegram, "USITC Annual Report on Andean Trade Preference Act," message reference No. 2632, prepared by U.S. Embassy, La Paz, June 14, 2000.

[36] U.S. Department of State telegram, "ATPA-Related Investment Activity During 1999," message reference No. 4963, prepared by U.S. Embassy, Bogota, June 7, 2000.

The U.S. Embassy in Colombia reported that ATPA has had a "limited effect" on Colombia's exports and investment for a variety of reasons. For example, some of Colombia's most important sectors, such as petroleum and petroleum derivatives, and textiles and apparel, are not eligible for ATPA preferences. In some sectors where a potential U.S. market exists, ATPA provisions have not been sufficient to increase exports because Colombian exporters lack experience in accessing foreign markets. On the other hand, ATPA has promoted the growth of certain nontraditional exports, such as flowers and fruits. Certain Colombian agricultural products would not be competitive in the United States without ATPA, because crops are not produced on a sufficient scale and prices fluctuate dramatically. Also, Colombia has not been able to compete on an equal basis in the U.S. market with NAFTA beneficiaries, particularly Mexico. This disadvantage is particularly relevant in sectors not covered by ATPA, such as textiles and apparel, but has also affected ATPA-eligible products, such as sugar and tropical fruits. The Colombian Association of Exporters has estimated the negative effect of NAFTA on Colombian exports to be $350 million per year. When compared to Mexico, Colombia and the other Andean countries have lost market share in the United States in 78 product sectors, including coffee, coal, petroleum, chemicals, shoes, textiles, apparel, and plastic manufactures.[37]

Although the U.S. Embassy in Ecuador was unable to provide specific data regarding investment in ATPA-related industries, the Embassy reported that ATPA's trade preferences have had only a marginal impact on Ecuador's overall export performance and economic climate. However, ATPA has helped to stimulate nontraditional agriculture and the economic diversification and development of many parts of rural Ecuador. Although the poor performance of the Ecuadoran economy has recently tempered the growth of these investments, exports of cut flowers, one of Ecuador's major ATPA-eligible exports, remain strong. Ecuador is the second largest exporter of roses to the United States, and the world's third largest exporter of flowers overall. About three quarters of Ecuador's flower exports are destined for the United States, and the most expensive and highest value added roses are shipped there. Also, the production of high-value fresh fruits and vegetables has become significant, but these products have not yet become a major proportion of Ecuador's export mix.[38]

ATPA is likely to continue to have minimal future effects on the U.S. economy in general. As described in chapter 2 of this report, the share of total U.S. imports made up of imports from ATPA countries in 1999 was small (1.0 percent by value). Imports that benefited exclusively from ATPA in 1999 made up an even smaller share–just 0.09 percent. The probable future effect of the new investment identified in Bolivia, Colombia, and Ecuador is also likely to be minimal in most economic sectors.

[37] Ibid.

[38] U.S. Department of State telegram, "USITC Annual Andean Investment Survey," message reference No. 1836, prepared by U.S. Embassy, Quito, May 18, 2000.

CHAPTER 4
Effects of ATPA on the Beneficiary Countries

This chapter examines the effects of ATPA on beneficiary countries using two analytical approaches: (1) descriptive case studies that incorporate a qualitative analysis of two of the beneficiary countries, Bolivia and Peru, and (2) a multi-country, multi-sector, applied general equilibrium model. The case studies provide an in-depth country-specific analysis, including a discussion of domestic policy changes that have augmented the effects of ATPA within the countries, whereas the general equilibrium model provides quantitative estimates of the likely impact of ATPA on the Andean region.

The case studies on Bolivia and Peru examine the effectiveness of ATPA in achieving its goal of promoting export diversification and export-led growth in beneficiary countries. Each case study analyzes the country's economic and trade performance since 1990 and its relationship to ATPA. It also describes factors that may affect levels of trade and investment, including the investment climate. Unlike in past reports when fieldwork was conducted, information for these case studies was drawn exclusively from U.S. Government and other published sources. Also, each of the case studies should be considered country-specific, and not representative of the ATPA region as a whole.

The Global Trade Analysis Project (GTAP) model and its corresponding international trade database also are used to analyze the effects of ATPA tariff preferences on the Andean region. The GTAP model offers a standard modeling framework for trade policy analysis, and serves as a potentially useful tool to evaluate the effects of the ATPA on the Andean countries in terms of output, trade, and welfare (or terms of trade).[1]

[1] The terms of trade is the ratio of the index of export prices to the index of import prices. A relative increase in the price of a country's exports is an improvement in the terms of trade for that country.

Case Study: Bolivia

Economic Performance

The Bolivian economy grew an estimated 1 percent in 1999, its lowest rate during the 1990s and a significant decline compared to the 1991-1999 annual average of 3.9 percent.[2] The decline resulted primarily from the poor economic performance of neighboring Latin American countries, which dampened demand for Bolivia's exports, and low commodity prices for some of Bolivia's major exports, including agricultural and mineral products.[3] The fiscal deficit rose to an estimated 4.1 percent of GDP in 1999.[4] However, inflation registered just 2.4 percent (Nov. 1998-Nov. 1999), one of the lowest levels in decades,[5] due to fiscal and monetary discipline reinforced by subdued growth.[6] Economic growth is expected to expand in 2000 as the external sector improves.[7] In particular, opening of the Bolivia-Brazil gas pipeline in late 1999 should increase exports rapidly in 2000.[8]

Bolivia's economy has improved markedly since the mid-1980s, when market-oriented structural reforms were introduced. The most important recent structural change has been the capitalization (or

[2] United Nations, Economic Commission for Latin American and the Caribbean, *Preliminary Overview of the Economies of Latin America and the Caribbean, 1999*, Santiago, Chile, 1999, pp. 28 and 83.

[3] Economist Intelligence Unit, *Latin America Business Intelligence*, "Business Latin America," Nov. 15, 1999.

[4] Ibid.

[5] United Nations, Economic Commission for Latin American and the Caribbean, *Preliminary Overview of the Economies of Latin America and the Caribbean, 1999*, Santiago, Chile, 1999, p. 28.

[6] Economist Intelligence Unit, *Latin America Business Intelligence*, "Business Latin America," Nov. 15, 1999.

[7] Ibid.

[8] Economist Intelligence Unit, *Latin America Business Intelligence*, "Country Reports," Jan. 1, 2000.

privatization) of state enterprises, launched in 1994.[9] State enterprises engaged in hydrocarbon production (natural gas and petroleum), telecommunications, electricity generation and distribution, railroads, air transport, and most recently, mining, have been capitalized, generating significant foreign direct investment. The capitalization program as well as the Corazón Act, which grants special benefits for energy exports from border zones, are important components of Bolivia's development strategy, which is aimed at attracting foreign direct investment (FDI) into specific activities and converting Bolivia into a major energy exporter in South America.[10]

Bolivia's shift to market-oriented policies in the mid 1980s also included trade liberalization. Bolivia acceded to the General Agreement on Tariffs and Trade (GATT) in 1989 and became a member of the World Trade Organization (WTO) in 1995. In 1990, the government simplified its tariff structure and imposed a 5-percent ad valorem tariff on capital goods and a 10-percent tariff on all other products.[11] Recently, in response to poor economic conditions, the government implemented an economic recovery plan that eliminates the 5-percent tariff on capital goods.[12] There are no significant barriers to U.S. exports.

Bolivia has long been a member of the Andean Community, which enjoys free trade among its members (Colombia, Venezuela, Ecuador, and Peru). In 1997, Bolivia became an associate member of Mercosur (Brazil, Argentina, Paraguay, and Uruguay), and over 30 percent of Bolivian goods traded with these countries became duty free. Tariffs on most remaining products are supposed to be eliminated after 10 years. Bolivia signed a free trade agreement with Mexico in 1994, and also is a member of the Latin American Integration Association.[13] Bolivia has stated its full commitment to regional integration, including the Free Trade Area of the Americas (FTAA).[14]

Trade Performance and Trends

Between 1990 and 1998, Bolivia's total trade increased almost 130 percent, but exports and imports climbed at vastly different rates (table 4-1). Bolivian exports grew 34 percent to $1.3 billion in 1998, and Bolivian imports rose nearly 250 percent to $2.6 billion, yielding a trade deficit in each year since 1991. The three major sectors of the Bolivian economy are energy, mining, and agriculture, which constitute the bulk of the country's exports. With a low level of industrialization and a relatively small manufacturing sector, Bolivia relies heavily on imports of capital and consumer goods.[15] The surge in foreign direct investment related to the capitalization program attracted imports at a faster rate, whereas exports climbed less rapidly due to low commodity prices.[16]

Latin America and the Caribbean (LAC) together accounted for the largest proportion of both Bolivia's exports and imports throughout the 1990-98 period (figures 4-1 and 4-2). However, the United States is Bolivia's largest single trading partner. In 1998, the United States accounted for approximately one quarter of Bolivia's exports and imports. The importance of the United States as a destination for Bolivia's exports increased slightly over the 1990-98 period, balanced by a slight decline in the relative importance of the European Union. The share of Bolivia's exports to LAC fluctuated erratically between 40 percent and 50 percent. The U.S. share of Bolivia's imports declined gradually from 1990 to its lowest point of almost 16 percent in 1994, before climbing erratically to account for 23 percent of Bolivia's total imports in 1998, less than half the share imported from LAC.

The trend in Bolivia's trade with the United States is somewhat similar to its trade with the world (table 4-2).[17] Between 1990 and 1999, Bolivian exports to

[9] Capitalization is a variant of privatization under which an investor acquires a 50-percent share and long-term control of the enterprise in exchange for pledged investment.

[10] United Nations, Economic Commission for Latin American and the Caribbean, *Foreign Investment in Latin America and the Caribbean, 1999*, Santiago, Chile, 1999, pp. 19 and 83.

[11] U.S. Department of State, *1999 Country Reports on Economic Policy and Trade Practices–Bolivia*, March 2000, found at Internet address *http://www.state.gov*, retrieved May 5, 2000.

[12] U.S. Department of State, "Bolivia's Economic Recovery Plan: An Overview," message reference No. 1855, prepared by U.S. Embassy, La Paz, Apr. 25, 2000.

[13] U.S. Department of Commerce, *Bolivia: Country Commercial Guide*, found at Internet address *http://www.stat-usa.gov,* retrieved April 14, 2000.

[14] Ganzalo Sanchez De Lozada, Former President of Bolivia, speaking at the Carnegie Economic Reform Network, "Face to Face Discussion with Gonzalo Sanchez de Lozada," Wed., May 17, 2000, Washington, D.C.

[15] U.S. Department of Commerce, *Bolivia: Country Commercial Guide*, found at Internet address *http://www.stat-usa.gov,* retrieved April 14, 2000.

[16] Economist Intelligence Unit, *Latin America Business Intelligence*, "Country Profiles," Aug. 7, 1999.

[17] Note that table 4-1 shows trade from the Bolivian point of view and table 4-2 shows trade from the U.S. point of view. Also, although both tables 4-1 and 4-2 show trade between Bolivia and the United States, the data do not match exactly because the sources of the data are different. Statistical differences result for a variety of reasons, such as timing differences, valuation differences, and the handling of transshipments.

Table 4-1
Bolivia: Total exports, total imports, direction of trade, and trade balance, 1990-98

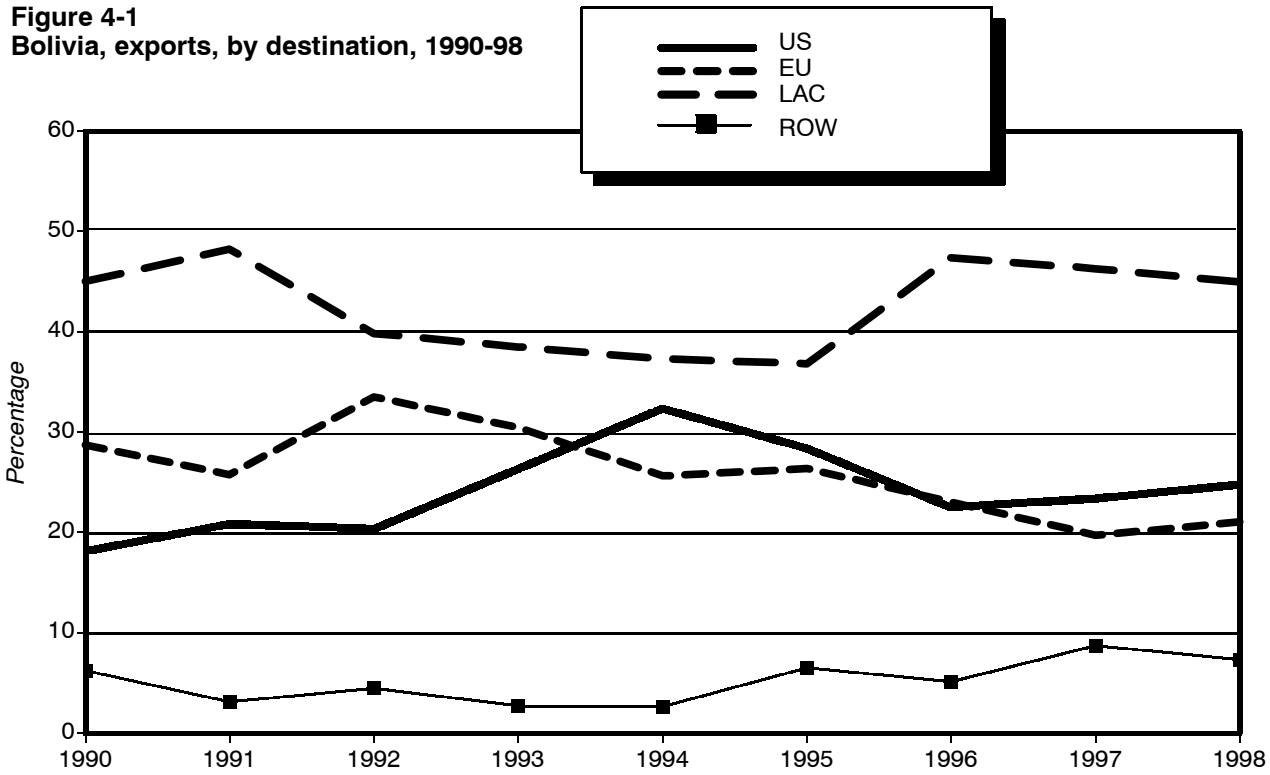
	Exports					Imports					Trade balance
Year	Total	US	EU	LAC[1]	ROW[2]	Total	US	EU	LAC[1]	ROW[2]	Total
	Million dollars		*Percent of total*			*Million dollars*		*Percent of total*			*Million dollars*
1990 . . .	947.7	18.5	29.3	46.0	6.2	757.6	24.2	15.2	48.2	12.4	190.1
1991 . . .	928.2	21.3	26.3	49.3	3.1	1,114.1	24.5	16.9	44.0	14.6	-185.9
1992 . . .	759.2	20.8	34.2	40.7	4.4	1,339.2	21.1	19.1	45.8	14.0	-580.0
1993 . . .	794.3	26.9	31.1	39.3	2.7	1,604.1	17.6	18.1	52.5	11.8	-809.8
1994 . . .	1,157.4	33.1	26.2	38.1	2.6	1,525.5	15.9	15.0	53.5	15.6	-368.1
1995 . . .	1,194.3	29.0	26.9	37.6	6.5	1,829.1	17.4	18.2	51.1	13.3	-634.8
1996 . . .	1,122.5	23.0	23.5	48.4	5.1	1,972.0	22.4	13.0	50.7	13.9	-849.5
1997 . . .	1,188.6	23.9	20.1	47.3	8.7	2,440.3	17.2	10.8	58.0	14.0	-1,251.7
1998 . . .	1,272.2	25.3	21.5	45.9	7.3	2,632.5	23.0	10.5	48.0	18.5	-1,360.3

[1] Latin America and the Caribbean.

[2] Rest of world.

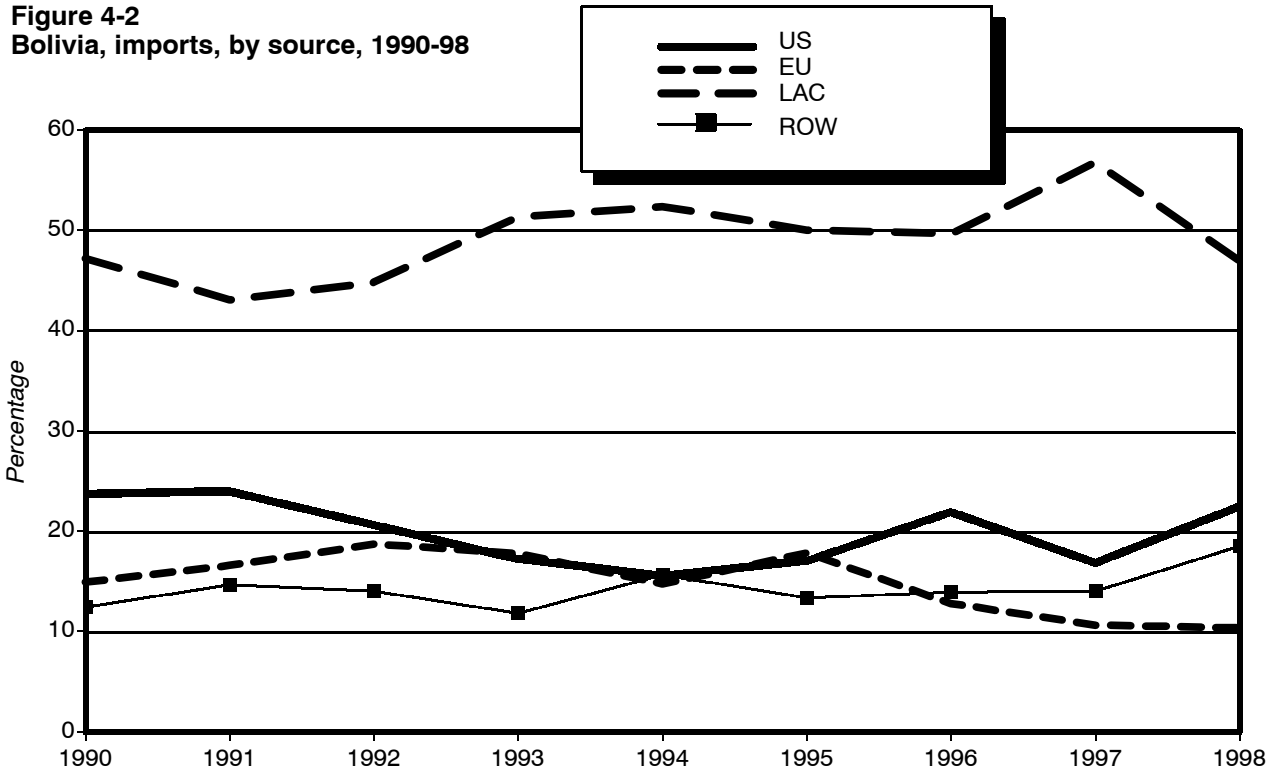
Source: Compiled from official statistics of Statistics Canada*, World Trade Analyzer,* CD-ROM, 2000.

Figure 4-1
Bolivia, exports, by destination, 1990-98



Source: Based on data in table 4-1.

Figure 4-2
Bolivia, imports, by source, 1990-98



Source: Based on data in table 4-1.

Table 4-2
Bolivia: U.S. imports, U.S. exports, and trade balance, 1990-99
(Million dollars)

Year	Imports	Exports	Trade balance
1990	203	139	-65
1991	209	190	-19
1992	161	222	61
1993	191	216	25
1994	260	186	-74
1995	263	213	-49
1996	275	269	-6
1997	223	295	72
1998	224	403	179
1999	218	312	94

Source: Compiled by the staff of the U.S. International Trade Commission from official statistics of the U.S. Department of Commerce.

the United States (U.S. imports from Bolivia) increased less rapidly and more erratically than Bolivian imports from the United States (U.S. exports to Bolivia).[18] Over the past decade, Bolivia has registered both trade deficits and trade surpluses with the United States, most recently a trade deficit in each year over 1997-99.

Bolivia's exports to the world diversified moderately between 1990 and 1998 (figure 4-3). In 1990, four major categories of exports accounted for 97 percent of total exports: food and live animals, crude materials, mineral fuels, and manufactured goods classified by material. These same categories accounted for just 66 percent of Bolivia's exports in 1998.[19] Exports in only one of the four categories–food and live animals–increased between 1990 and 1998. Declines in the value of such exports as live animals and cereals were outweighed by an over 600-percent increase in exports of animal feed from soybeans and a nearly 200-percent increase in exports of fruits and vegetables. Exports in the other three categories declined, reflecting primarily declines in natural gas and output from the mining sector (nonferrous metals). Between 1990 and 1998, the share of exports accounted for by the "all other" category increased, reflecting substantial increases in exports of nonmonetary gold and vegetable fats. The latter reflects the success of nontraditional soybean production. Exports of jewelry and apparel also increased moderately.

Between 1990 and 1998, exports to the United States also diversified moderately. Although the United States is Bolivia's largest trading partner, some of Bolivia's major exports are destined for regional markets, including natural gas and soybean products, and are not important exports to the United States. In 1990, manufactured goods overwhelmingly accounted for by nonferrous metals, was the largest export category, accounting for 60 percent of Bolivia's exports to the United States. Nonferrous metals, together with two other categories–food and live animals, and crude materials–accounted for 94 percent of exports to the United States in 1990, but only 43 percent in 1998. The value of exports in each of the three categories declined between 1990 and 1998, reflecting primarily declines in nonferrous metals; crude wood; and sugar, coffee, and chocolate. Most notable was an increase in the share of exports accounted for by jewelry, which rose from less than 1 percent of exports to the United States in 1990 to 27 percent in 1998. The share of apparel exports also rose substantially–from 3 percent in 1990 to 8 percent in 1998–as well as the share of mineral fuels (petroleum and petroleum products).

Investment Climate and Activity

Bolivia offers an open climate for foreign investment. Bolivian law guarantees all investors national treatment, free currency conversion, unrestricted remittances, and binding international arbitration in all sectors. Foreign ownership is permitted in almost all parts of the economy, with certain limitations applying to mining and forestry along the borders. In 1997, the United States and Bolivia signed a Bilateral Investment Treaty, which awaits U.S. Senate ratification.[20]

Burdensome bureaucratic procedures, corruption, and a weak, nontransparent judicial system reportedly concern foreign investors. However, reforms of the customs service and judicial system are under way. Judicial reforms, including the implementation of a new code of criminal procedure, are expected to show substantial improvements within 5 years.[21] Also, infrastructure is poor and limits economic growth.[22] Furthermore, investors face weak enforcement of intellectual property rights (IPR). In April 2000, USTR placed Bolivia on the watch list of countries to be monitored for IPR protection as part of this year's annual Special 301 review of country IPR practices.[23]

[18] For details on U.S. imports from Bolivia, both total and under ATPA, see ch. 2.

[19] The export data in this sectoral analysis has been modified to exclude aircraft and associated equipment; spacecraft (including satellites) and spacecraft launch vehicles; and parts thereof (SITC 792). The export data, reported by the Government of Bolivia to the United Nations, shows exports of SITC 792 accounting for over one quarter of Bolivia's exports to the United States in 1998. Such exports were negligible throughout most of the rest of the 1990-98 period. U.S. data do not report any such U.S. imports of SITC 792 from Bolivia. Furthermore, according to the Economist Intelligence Unit (EIU), there was a one-time sale of aircraft by the two main airlines, which inflated export earnings during 1998. (See EIU, *Latin American Business Intelligence*, "Country Reports," Jan. 1, 1999.) Therefore, to better analyze the change in export composition between 1990 and 1998, SITC 792 was excluded from the analysis.

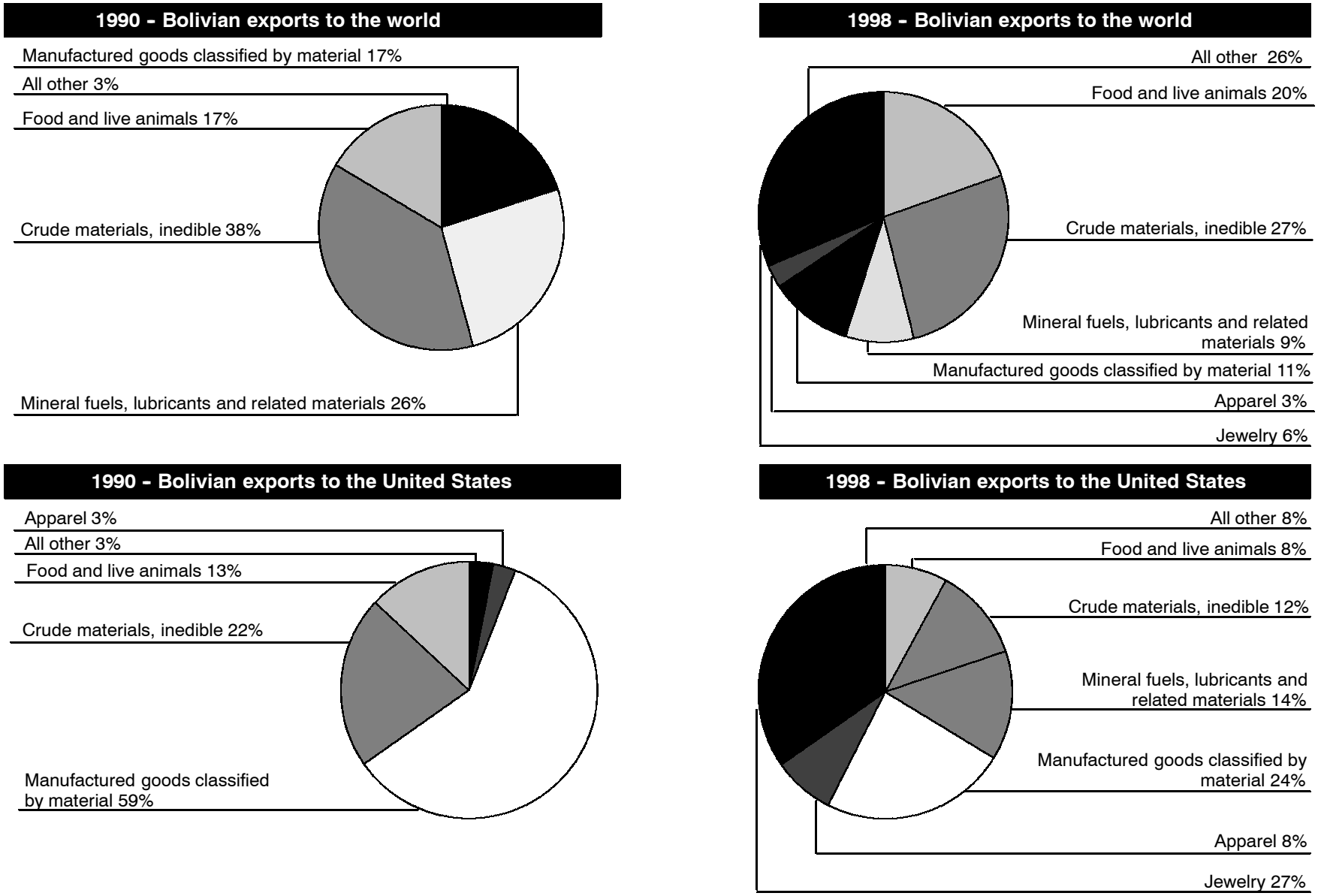
[20] U.S. Department of Commerce, *Bolivia: Country Commercial Guide*, found at Internet address *http://www.stat-usa.gov,* retrieved April 14, 2000.

[21] U.S. Department of State telegram, "Consultations With Allies on Western Hemisphere Issues," message reference No. 2481, U.S. Embassy, La Paz, June 2, 2000; and U.S. Department of Commerce, *Bolivia: Country Commercial Guide*, found at Internet address *http://www.stat-usa.gov,* retrieved April 14, 2000.

[22] Ibid.

[23] USTR, *2000 Special 301 Report*, May 1, 2000, found at Internet address *http://www.ustr.gov,* retrieved May 22, 2000.

Figure 4-3
Bolivia: Composition of exports, 1990 and 1998



Note.—Percentages may not add to 100 because of rounding.

Source: Compiled from official statistics of Statistics Canada, *World Trade Analyzer 1980-98*, CD-ROM, 2000.

The capitalization process generated a steady increase in foreign direct investment in Bolivia between 1993 and 1998 (table 4-3) and accounted for over 50 percent of FDI inflows during the period 1995-98. Over 70 percent of the stock of Bolivia's FDI has entered the country during the 1990s. In 1998, the United States was the largest foreign investor in Bolivia and accounted for about 35 percent of the total invested. Nearly 60 percent of FDI in 1998 was invested in the hydrocarbons sector.[24] FDI in 1999 has been estimated at approximately $800 million, roughly in line with the amount registered in 1998.[25] The Bolivian Government estimates that almost 80 percent of foreign direct investment in 1999 was in the energy, mining, and electricity generation sectors.[26]

During 1999, investments in ATPA-related industries were minimal, but showed slow, steady growth. New investments were made in agroindustry, gold jewelry, and other small manufacturing industries, and in textiles and apparel, which are not ATPA-eligible. As noted earlier, in the agriculture sector investments in alternative development projects are yielding steady increases in the production of such products as bananas, tangerines, oranges, papaya, pineapple, plantains, rice, and yucca, although these products are exported regionally or consumed domestically. However, a new plant to process palm hearts may generate exports to the United States.[27]

Effectiveness of ATPA

Since 1990, Bolivian exports to the United States have diversified slightly. Exports of jewelry, the principal Bolivian product benefiting from ATPA trade preferences, have expanded significantly. However, since 1996 when U.S. imports from Bolivia (both total and under ATPA) reached record highs, such imports have stagnated and the share of U.S. imports from Bolivia entering under ATPA has declined in each year, from 39 percent in 1996 to 27 percent in 1999.[28] Ironically, the decline in U.S. imports under ATPA primarily reflects a decline in Bolivian exports of jewelry, which resulted from changes in internal tax policies.[29] Nontraditional exports other than jewelry, such as wood manufactures and leather products, are increasing to the United States, but shipments remain small. Thus, the impact of ATPA on the Bolivian economy appears to be small, but positive. Moreover, as discussed in chapter 5, ATPA has had a small but positive indirect effect on Bolivia's drug-crop eradication and alternative development efforts.

Bolivia's economy remains heavily dependent on basic commodities in the energy, mining, and agricultural sectors. Because of its level of development, and its distance from the U.S. market, finding products that can compete in a sophisticated market like the United States has been a slow process. The quality and volume of products produced by Bolivia are more competitive in neighboring Latin American countries.[30] The U.S. Embassy in Bolivia reported that Bolivian producers have not taken full advantage of ATPA preferences, primarily due to a lack of knowledge of the program and the country's poor infrastructure, which makes it difficult to get agricultural products to market. According to the Embassy, there is a noticeable lack of the technical knowledge necessary to comply with U.S. standards and product specifications in the agricultural sector. Improvements in sanitary controls and infrastructure, which are slowly being implemented, should expand exports of agricultural products to the United States in the future.[31]

Case Study–Peru

Economic Performance

In 1999, the Peruvian economy rebounded from a recession that Peru, as well as many other South American countries, experienced in previous years. The downturn was caused primarily by El Niño's weather irregularities that disturbed Peru's agricultural sector and the international financial crisis, which reduced capital flows to Peru's economy. Although Peru's economy suffered significantly, it was well-positioned for recovery relative to other Latin American economies due to its comparatively secure fiscal posture and its limited dependence on Brazilian trade.[32] Peru's economic growth rate of 3 percent in

[24] U.S. Department of Commerce, *Bolivia: Country Commercial Guide*, found at Internet address *http://www.stat-usa.gov,* retrieved April 14, 2000.

[25] United Nations, Economic Commission for Latin American and the Caribbean, *Foreign Investment in Latin America and the Caribbean, 1999*, Santiago, Chile, 1999, pp. 19 and 82.

[26] U.S. Department of State telegram, "USITC Annual Report on Andean Trade Preference Act," message reference No. 2632, U.S. Embassy, la Paz, June 14, 2000.

[27] Ibid. For more information on alternative development, see ch. 5 in this report.

[28] U.S. import data is presented in ch. 2.

[29] USITC staff interviews with private sector officials, La Paz, May 1997.

[30] USITC staff interviews with public and private sector officials, La Paz, May 1997.

[31] U.S. Department of State telegram, "USITC Annual Report on Andean Trade Preference Act," message reference No. 2632, prepared by U.S. Embassy, La Paz, June 14, 2000.

[32] Economic Intelligence Unit, "*Latin American Business Intelligence*," Business Latin America, Nov. 1, 1999.

Table 4-3
Foreign direct investment inflows, by host regions and by economies, 1987-98
(Million dollars)

Host region/economy	1987-92 (annual average)	1993	1994	1995	1996	1997	1998
World	173,530	219,421	253,506	328,862	358,869	464,341	643,879
Developing countries	35,326	78,813	101,196	106,224	135,343	172,533	165,936
Latin America and the Caribbean	12,400	20,009	31,451	32,921	46,162	68,255	71,652
ATPA	717	2,240	5,213	3,868	7,313	8,913	6,615
Bolivia	53	124	130	374	474	731	872
Colombia	464	960	1,444	968	3,123	5,701	2,983
Ecuador	150	469	531	470	491	695	830
Peru	50	687	3,108	2,056	3,225	1,786	1,930

Source: UNCTAD, *World Investment Report 1999: Foreign Direct Investment and the Challenge of Development*.

1999 exceeded analysts' predictions of 2.1 percent, and surpassed their 1998 growth rate of 0.1 percent.[33] The 1999 levels of production in nearly all primary industries increased over their 1998 levels, and industries affected by El Niño returned to pre-El Niño levels. Low international prices in the agriculture sector, however, prevented a return to 1997 values.[34]

Government revenues increased in the later half of 1999, and consumer price inflation reached a 29-year low at 4.8 percent in 1999.[35] This uncharacteristically low inflation is due, in part, to reduced domestic demand and better fiscal and monetary policies. However, despite the loss in tax revenue stemming from a slumping economy, government spending remained constant. Consequently, the fiscal deficit increased in 1999 to an estimated 2.6 percent of GDP,[36] the highest level in the 1990s, yet still below the 3.2-percent average for the region.[37]

While Peru's domestic demand was sluggish in 1998 and 1999, commodity exports increased by 13.8 percent in value in 1999, to which economic recovery can be partially attributed. Unlike their primary counterparts, nonprimary industries struggled in 1999. However, signs of recovery appeared in late 1999. Private consumption grew 5.3 percent over the 1998 level, and investment grew by 21.6 percent.[38]

Peru has undergone dramatic economic and structural reforms over the past decade, and the Government continues to pursue major reforms, including the privatization of public enterprises and the liberalization of its investment regime. Other areas addressed include the regulatory framework, financial sector reform, and social programs covering education and health.[39] Reducing the incidence of poverty remains a high priority for the Government.

Peru's reform process also included efforts to open its economy to trade. Accordingly, Peru is signatory to several multilateral and bilateral trade agreements. Peru became a contracting party to the GATT in 1948, and a founding member of the WTO in 1995. Peru is a member of the Asia-Pacific Economic Cooperation (APEC), and a member of the Andean Community, with Venezuela, Ecuador, Colombia, and Bolivia, and will be fully reinstated into the Andean Community's Free Trade Area in 2005, which is the target year for a complete free trade area among Andean Community members.[40] Peru does not adhere to the Community's Common External Tariff,[41] and, as part of the Andean Community, is negotiating with Mercosur to form a free trade area after 2000. In 1998, Peru and Chile agreed to phase out all trade barriers by 2016, though

[33] United Nations, Economic Commission for Latin America and the Caribbean, *Preliminary Overview of the Economies of Latin America and the Caribbean 1999*, Dec. 1999, Statistical Appendix, p. 83.
[34] Ibid., p. 44.
[35] Ibid., p. 42.
[36] Ibid., Statistical Appendix.
[37] Ibid.
[38] Ibid.
[39] APEC, "Peru's Overall Economic Performance," available at Internet address *http://www.apecsec.org.sg/member/peruec_report.html*, retrieved on July 10, 2000.
[40] U.S. Department of State telegram, "Andean Presidents Launch Process to Create Common Market," message reference No. 3565, prepared by U.S. Embassy, Lima, June 16, 2000.
[41] U.S. Department of Commerce, *Peru: Country Commercial Guide*,1999, found at Internet address *http://www.state.gov/www/about_state/business/com_guides/1999/wha/peru99.html,* retrieved on June 30, 2000.

most will be removed by 2002.[42] Peru strongly supports the establishment of the FTAA by the year 2005.[43]

Trade Performance and Trends

Peru's value of total trade has increased over the last decade (table 4-4). During the period 1990-1998, Peru's trade increased by 134 percent, with the 204 percent increase in its imports surpassing the 76 percent increase in its exports. Consequently, Peru's trade deficit has risen, and reached a 10-year record of nearly $2.5 billion in 1998.

The United States was Peru's largest single trading partner in 1998, and has been an important trading partner compared to Peru's primary regional partners (European Union and Latin America and the Caribbean (LAC)). The United States has become increasingly important to Peruvian exporters since 1994, while the EU has become a less important trading partner (figure 4-4). In 1994, nearly one third of Peruvian exports were destined for the EU; in 1999, that percentage declined to one fifth. Peru's primary source of imports throughout 1990-98 was LAC. Around 30 percent of Peru's imports came from the United States, slightly less than the share from LAC (figure 4-5). Corresponding to Peru's (and the United States') economic growth, total trade between Peru and the United States has increased steadily over most of the last decade, with the exception of 1999 (table 4-5).[44] Last year, Peru experienced its first trade deficit with the United States since 1990.

Peru's total exports to the world increased by 76 percent between 1990 and 1998, with increases in every major sector except mineral fuels. The composition of Peruvian exports to the world changed moderately between 1990 and 1998 (figure 4-6). Export shares of crude materials, mineral fuels, nonferrous metals, and textiles and apparel declined, while the share of gold and gold jewelry increased. The sharp increase in nonmonetary gold and gold jewelry affected all other shares.

[42] Ibid.

[43] U.S. Department of State telegram, "Embassy Views on July 13 U.S.-Peru Trade and Investment Council Meeting," message reference No. 4345, prepared by U.S. Embassy, Lima, July 6, 1998.

[44] Both tables 4-4 and 4-5 show trade between Peru and the United States, but the data do not match exactly due to different data sources. Statistical differences result for a variety of reasons, such as timing differences, valuation differences, and the handling of transshipments.

Table 4-4
Peru: Total exports, total imports, direction of trade, and trade balance, 1990-98

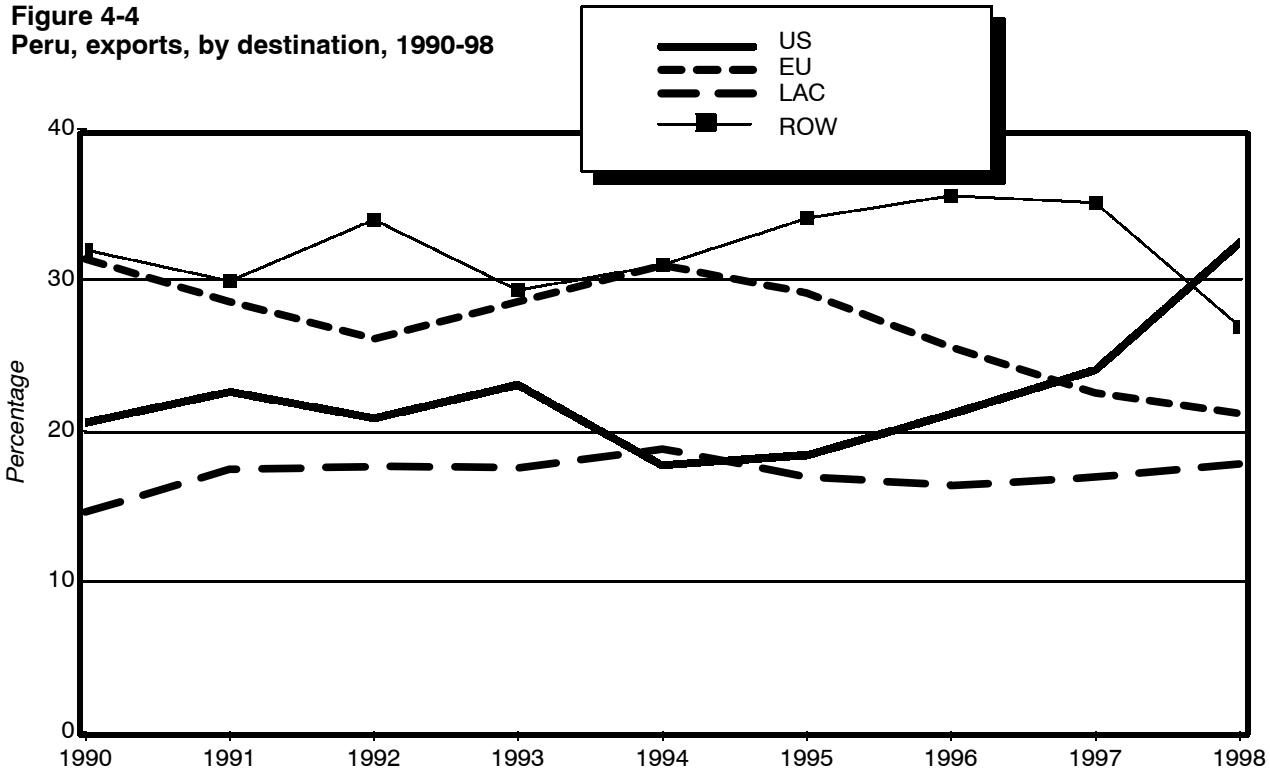
	Exports					Imports					Trade balance
Year	Total	US	EU	LAC[1]	ROW[2]	Total	US	EU	LAC[1]	ROW[2]	Total
	Million dollars	*Percent of total*				*Million dollars*	*Percent of total*				*Million dollars*
1990	3,406.9	21.0	32.1	14.9	32.0	2,784.7	32.3	18.2	34.2	15.3	622.2
1991	3,559.8	23.1	29.2	17.8	29.9	3,131.8	28.0	17.9	37.4	16.7	428.0
1992	3,532.5	21.3	26.7	18.0	34.0	3,670.3	31.0	15.5	33.8	19.7	-137.8
1993	3,493.0	23.6	29.2	17.9	29.3	4,326.7	30.2	15.1	34.6	20.1	-833.7
1994	4,625.6	18.1	31.7	19.2	31.0	5,849.6	29.8	16.9	33.0	20.3	-1,224.0
1995	5,793.8	18.8	29.8	17.3	34.1	7,796.3	27.1	18.0	35.1	19.8	-2,002.5
1996	6,209.1	21.6	26.1	16.7	35.6	8,026.1	28.3	17.5	34.6	19.6	-1,817.0
1997	7,177.1	24.6	23.0	17.3	35.1	8,610.3	28.7	16.0	35.7	19.6	-1,433.2
1998	6,011.0	33.3	21.6	18.2	26.9	8,475.9	29.3	16.0	32.1	22.6	-2,464.9

[1] Latin America and the Caribbean.

[2] Rest of world.

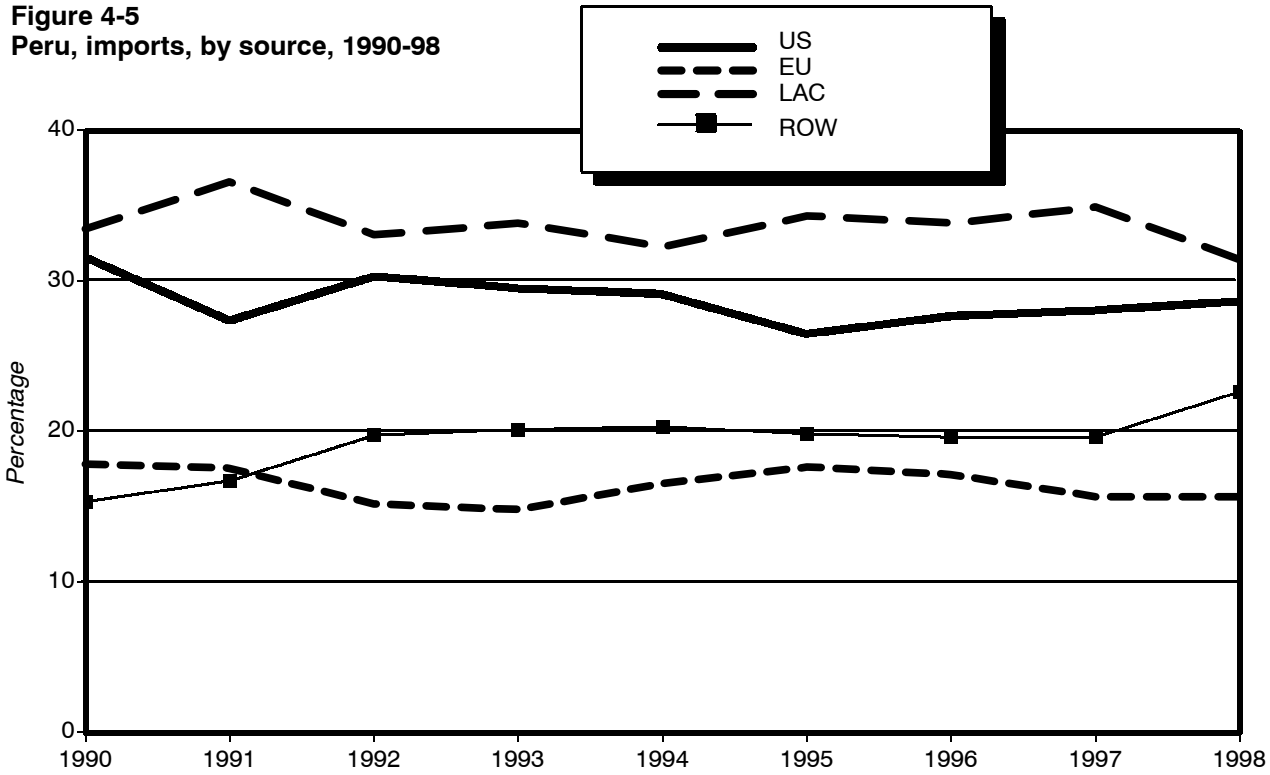
Source: Compiled from official statistics of Statistics Canada, *World Trade Analyzer,* CD-ROM, 2000.

Figure 4-4
Peru, exports, by destination, 1990-98



Source: Based on data in table 4-4.

Figure 4-5
Peru, imports, by source, 1990-98



Source: Based on data in table 4-4.

Table 4-5
Peru: U.S. imports, U.S. exports, and trade balance, 1990-99
(Million dollars)

Year	Imports	Exports	Trade balance
1990	803	778	-25
1991	778	840	63
1992	739	1002	263
1993	754	1069	315
1994	840	1408	568
1995	1035	1775	740
1996	1261	1767	505
1997	1773	1960	187
1998	1977	2056	79
1999	1928	1701	-227

Source: Compiled by the staff of the U.S. International Trade Commission from official statistics of the U.S. Department of Commerce.

The composition of Peruvian exports to the United States was somewhat different from that of Peru's exports to the world. In 1998, while food, crude materials, and manufactured goods accounted for 63 percent of Peru's world exports, these three categories accounted for only 45 percent of Peru's shipments to the United States. Exports of metalliferous ores and metal scrap, and to a lesser extent, fish, animal feed, textile fibers, and crude fertilizers, were primarily responsible for this difference. Also, the share of petroleum exports to the United States in 1998 (9.8 percent) was greater than that to the world (4.4 percent). Similarly, the export share of textiles and apparel to the United States (14 percent) was slightly more than that to the world (9 percent).

Peru's total exports to the United States increased by 180 percent between 1990 and 1998. While the volume of U.S.-bound exports increased in nearly every major sector, the composition of exports to the United States changed moderately as did exports to the world. The sectors that showed notable changes in volume and share include nonferrous metals (silver, copper, zinc), gold and gold jewelry, and textiles and apparel. For example, between 1990 and 1998, the share of nonferrous metals increased from 8 percent to 23 percent, while the share of nonmonetary gold and gold jewelry increased from 10 percent to 27 percent. The share of textiles and apparel increased only slightly, from 12 percent in 1990 to 14 percent in 1998.

Although the share of Peru's exports to the United States of food and live animals declined between 1990 and 1998, the overall volume increased. Most notable was a nearly 700-percent increase in the value of fruit and vegetable exports to the United States. Peru's top five agriculture products exported to the United States in 1999 were unroasted coffee, asparagus, mangoes, onions and shallots, and cocoa butter. Exports of asparagus, a product that benefits directly from ATPA, increased by 45 percent between 1997 and 1999.[45] A total of 25 percent of U.S. imports of asparagus came from Peru in 1999, while 70 percent came from Mexico.[46]

Investment Climate and Activity

Over the past decade, the Government has encouraged foreign investment as part of Peru's liberalization by deregulating capital flows and curtailing terrorism. Foreign investment laws in Peru are considered to be generally the least restrictive in Latin America.[47] Foreign direct investment in 1998, excluding privatization receipts, amounted to 3 percent of GDP, which was higher than that received the previous year, despite the international financial crisis.[48]

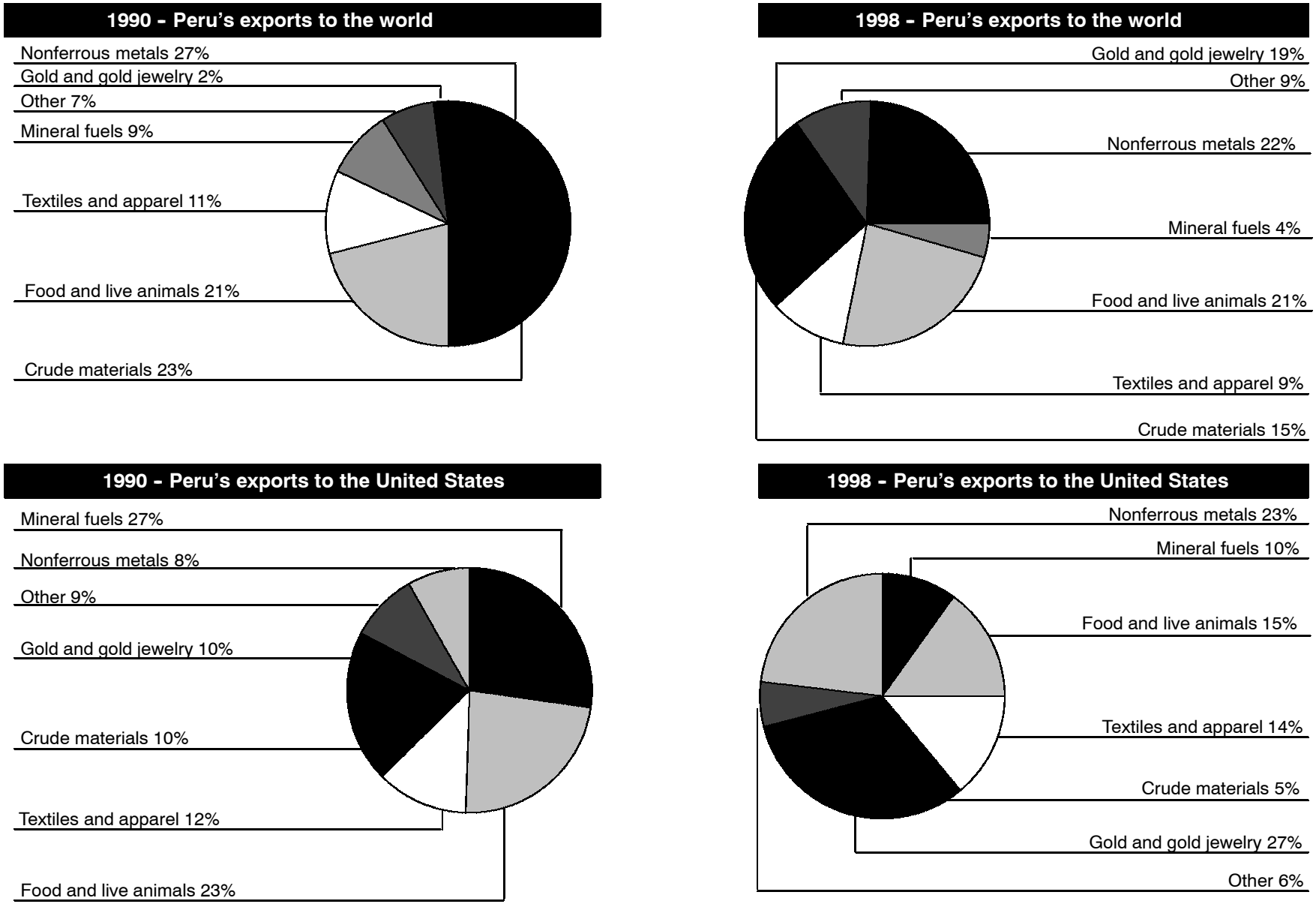
[45] Information obtained from an official letter from the Ministry of International Commercial Integration and Negotiations, to the USITC, dated June 22, 2000.

[46] USITC staff calculations based on data retrieved from USITC Dataweb. For more information on asparagus, see ch. 3.

[47] Economist Intelligence Unit, *Latin American Business Intelligence*, "Country Profiles," Nov. 1, 1999.

[48] APEC, "Peru's Overall Economic Performance," available at Internet address *http://www.apecsec.org.sg/member/peruec_report.html*, retrieved on July 10, 2000.

Figure 4-6
Peru: Composition of exports, 1990 and 1998



Note.—Percentages may not add to 100 because of rounding.

Source: Compiled from official statistics of Statistics Canada, *World Trade Analyzer 1980-98*, CD-ROM, 2000.

In Peru, foreign investors enjoy national treatment, unrestricted remittances,[49] and free currency conversion. Conflicts are resolved with binding international arbitration.[50] Comparatively low government corruption, a judicial system that is improving in terms of transparency and efficiency, and government agencies designated to promote foreign investment, such as the Comisión Nacional de Inversiones y Tecnología Extranjera (CONITE), attract investors to Peru as well.[51] With the exception of radio and television stations, there are no restrictions on foreign ownership.

The resource and services sectors have been important factors in attracting foreign direct investment to Peru, especially in the mining, telecommunication, and banking sectors. However, heavy rains from El Niño exacerbated the already precarious state of infrastructure and resulted in nearly $1 billion in damages.[52] Privatization efforts have led to improvements in the phone network and power grid, but more needs to be done to make these utilities completely reliable. The water utility, the ports, and the railroads were scheduled to be privatized but that has not yet occurred. Air transport remains the only reliable method of shipping goods across the country. Peru is working towards developing its remote border regions. In October 1998, Peru and Ecuador reached an agreement ending their 160-year border dispute,[53] and these two countries have jointly pledged $10 billion in infrastructure improvements over the next 10 years.[54] Also, U.S. companies have been targeted to invest on Peru's north border, long considered neglected by the local governments of that region. In March 1999, Peru pledged to promote investment in the Brazilian border region with infrastructure improvements and fiscal measures.[55]

[49] U.S. Department of Commerce, *Peru: Country Commercial Guide*,1999, found at Internet address *http://www.state.gov/www/about_state/business/com_guides/1999/wha/peru99.html,* retrieved on June 30, 2000.

[50] USITC, *ATPA Fifth Report*, 1997, USITC Publication 3132, p. 147.

[51] U.S. Department of Commerce, *Peru: Country Commercial Guide*,1999, found at Internet address *http://www.state.gov/www/about_state/business/com_guides/1999/wha/peru99.html,* retrieved on June 30, 2000. For more information on Peru's investment and export promotion programs, see *Fifth Report,* pp. 149-50.

[52] U.S. Department of Commerce, *Peru: Country Commercial Guide*, 1999, found at Internet address*http://www.state.gov/www/about_state/business/com_guides/1999/wha/peru99.html,* retrieved on June 30, 2000.

[53] U.S. Department of State telegram, "Peace Creates Investment Opportunities," message reference No. 0262, prepared by U.S. Embassy, Lima, Jan. 14, 1999.

[54] Ibid.

[55] U.S. Department of State telegram, "Peru Promotes Investment in the Amazon Region," message reference No. 1457, prepared by U.S. Embassy, Lima, March 9, 1999. For more information on Peru's investment climate and the effect on the development of nontraditional products, see *Fifth Report,* pp. 147-49.

The value of FDI flows into Peru reached $1.93 billion in 1998, up slightly from almost $1.79 billion in 1997 (table 4-3). Although the level of FDI in Peru has increased each year, the growth of net investment slowed somewhat in the late 1990s, and dropped sharply in 1997, a result of the international financial crisis, and started to show signs of recovery in 1998.

In terms of FDI stock, the largest foreign investor in Peru by the end of 1997 was Spain (34 percent), followed by the United States (21 percent), and United Kingdom (13 percent); however, the United States is the largest source of FDI on a replacement-cost basis. The sectors that have attracted the largest shares of FDI in recent years include communications, energy, mining, and finance.[56]

Peru is pushing for the United States to increase investment overall and in specific industries. No data were available on the size of investment in ATPA-related industries. However, investment opportunities have been identified in fisheries, timber, and oil, and in the agricultural areas of cotton, fruits, and vegetables.[57] As part of the Brazilian border investment strategy, Peru has allowed timber extraction from the area.[58] Prompex, the government agency in charge of export promotion, believes logging to be important for economic growth as timber is a renewable resource, and has the ability to create thousands of jobs in some of Peru's poorest regions.

The recent turmoil over reelection of President Fujimori, thus far, has not had any observable impact on the investment activity in Peru. However, it is possible that continued political instability and lack of planned reforms may have a negative impact on future foreign direct investment.[59]

Effectiveness of ATPA

Peru's economy has undergone fundamental reform and restructuring over the last decade. Concurrently, the Government has helped to deter coca crop production through eradication and interdiction

[56] U.S. Department of Commerce, *Peru: Country Commercial Guide*,1999, found at Internet address *http://www.state.gov/www/about_state/business/com_guides/1999/wha/peru99.html,* retrieved on June 30, 2000.

[57] U.S. Department of State telegram, "Peace Creates Investment Opportunities," message reference No. 0262, prepared by U.S. Embassy, Lima, Jan. 14, 1999.

[58] U.S. Department of State telegram, "Peru Promises Investment in the Amazon Region," message reference No. 1457, prepared by U.S. Embassy, Lima, Mar. 9, 1999.

[59] Official of U.S. Embassy, Lima, USITC telephone interview, July 7, 2000.

efforts. The coincidental effect of ATPA has contributed to and reinforced the Peruvian reforms which preceded the start of the program.

While some export diversification has occurred, it is difficult to tell whether or not sharp increases in 1998 in certain product categories are the beginning of a meaningful trend. Overall, the share of ATPA exports of total exports to the United States increased from 14 percent in 1994, to 34 percent in 1999.[60] Peru has increased its exports of certain agriculture products, such as asparagus, and nonferrous metals, such as copper-based cathodes, which both directly benefit from ATPA. For example, asparagus is grown primarily in the state of Ica, which is close to the areas of illicit coca crops, such as Ayacucho and Apurimac (figure 5-1), and many farmers in this area have chosen to cultivate asparagus crops as an alternative to coca crops.[61] This suggests that Peru's asparagus industry benefits directly from ATPA and provides important alternative development opportunities. Thus, labor resources that may have otherwise gone to illicit coca crop cultivation have been pulled to producing these goods.

Peruvian Government officials have noted that Peru was slow to take advantage of ATPA when the program was first implemented, because the country was focused on internal reforms and fighting terrorism.[62] However, according to Peru's Trade Ministry, ATPA is now a critical program for Peru's continued economic development. The Government strongly supports the extension of ATPA beyond its expiration in 2001 and the inclusion of textiles and apparel under ATPA, which the Government claims would reduce unemployment and provide an important alternative to coca production.[63]

In sum, the statistical and anecdotal evidence presented in this case study suggest that ATPA has had a small but positive effect on Peru's export diversification and economic development.

[60] Information obtained from an official letter from the Ministry of International Commercial Integration and Negotiations to the USITC, dated June 22, 2000. Also, see ch. 2, tables 2-4 and 2-9.

[61] Official of U.S. Embassy, Lima, USITC telephone interview, July 7, 2000, and, information obtained from an official letter from the Ministry of International Commercial Integration and Negotiations, to the USITC, dated June 22, 2000.

[62] Officials from Government of Peru, meeting with USITC staff, Washington, D.C., July 17, 2000.

[63] Information obtained from an official letter from the Ministry of International Commercial Integration and Negotiations to the USITC, dated June 22, 2000.

General Equilibrium Analysis

The GTAP model was used to simulate the application of ATPA on the Andean region. The GTAP modeling framework consists of a static computable general equilibrium model and a global database on international trade, country and regional interindustry relationships, and national income accounts.[64] The model allows for comparisons of the global economy in two environments–one in which the base values of policy instruments, such as tariffs, are unchanged, and another in which these measures are changed to reflect the policies that are being studied.[65] A change in policy makes itself felt throughout the countries and regions depicted in the model. However, the model offers no guidance regarding the speed with which changes occur.

The GTAP model uses 1995 as the base year. Thus, the results suggest the probable effects of ATPA had it been applied in 1995. While this approach is reasonable, as ATPA was fully implemented in 1994, it is important to keep in mind that the model does not account for other changes that occurred after ATPA was implemented, including El Niño and the international financial crisis. Indeed, these shocks had a profound effect on the Andean economies.

The current version of the GTAP database (version 4) covers trade in 50 commodity aggregates, among 45 countries and regions. More detailed information about the GTAP model is presented in appendix C. For the purpose of this analysis, the database was aggregated to four commodities and three regions as follows:

Commodity aggregation	Regional aggregation
Agriculture	Andean Region (Bolivia,
Manufacturing	Colombia, Ecuador, Peru)
Other Primary Products	United States
Services	Rest of World

Table 4-6 shows the sectoral composition of the GTAP sectors.

[64] For more discussion of the GTAP framework, see Hertel (ed.), *Global Trade Analysis: Modeling and Application,* Cambridge: Cambridge University Press, 1997.

[65] Tariff reductions resulting from ATPA were modeled for broadly aggregated sectors. Therefore, the effective tariff rate shock was calculated as the product of the tariff change and the share of ATPA-related trade by sector.

Table 4-6
Sectoral composition of GTAP sectors

Sectoral Aggregation	GTAP Sectors
Agriculture	Paddy rice, wheat, cereal grains, vegetables, fruit, nuts, oil seeds, sugar cane, sugar beet, crops not elsewhere classified (nec), meat and meat products, dairy products, processed rice, sugar, food products, beverages, and tobacco.
Manufacturing	Textiles, wearing apparel, leather and wood products, paper products and publishing, petroleum and coal products, chemicals, rubber and plastic products, mineral products, ferrous metals, metals and metal products, motor vehicles, transport equipment, electronic equipment, machinery, manufactures nec.
Other Primary Products	Plant-based fibers, wool, silk-worm cocoons, coal, oil, gas, minerals nec.
Services	Electricity, gas manufacture and distribution, water, construction, trade, transport, finance, business, recreation services, public administration, defense, education, health, dwellings.

Source: *Global Trade, Assistance, and Protection: The GTAP 4 Database,* Center for Global Trade Analysis, Purdue University.

The results suggest that the overall estimated economic effects of ATPA are small but positive, which corresponds to the overall findings of the country-specific case studies. Specifically, findings from the applied general equilibrium analysis indicate that ATPA-related tariff cuts, had they been applied in 1995, would have had the following three effects:

(1) *Agricultural and manufacturing exports from the Andean countries to the United States increase, but exports of other primary products and services decrease slightly.*

Most of the commodities that benefit exclusively from ATPA are in the agriculture and manufacturing sectors (table 3-2). One effect of the tariff reduction is an increase in the price received by the Andean producer, which, in turn, leads to an increase in production and exports in those sectors and a more efficient reallocation of resources. Specifically, there is a higher allocation of resources to agriculture and manufacturing and, because the GTAP model assumes a fixed supply of factor inputs, a lower allocation to other primary products and services. The latter result corresponds to a decrease in exports of other primary products and services.

(2) *The terms of trade (ratio of the index of export prices to the index of import prices) for the Andean region increase by a small amount, while the terms of trade for the United States and the rest of the world do not change.*

The Andean producer price for the U.S.-bound export good increases from the tariff rate decrease, while the import price is held constant. Thus, the price of exports relative to the price of imports for the Andean region increases, generating more favorable terms of trade for the Andean countries.

(3) *The aggregate GDP index for the Andean region increases, but by less than 0.1 percent.*

The Andean region experiences economic growth from the ATPA tariff reductions because Andean producers receive higher prices for their U.S.-bound export goods. In turn, production increases and real factor returns to labor and capital increase, which generates a slight increase in gross domestic product.

CHAPTER 5
Impact of ATPA on Drug-Related Crop Eradication and Crop Substitution

Overview

The coca plant is indigenous to the Andean mountain region, and virtually all of the world's coca production takes place in Bolivia, Colombia, and Peru. Coca cultivation is concentrated on the eastern slopes of the Northern and Central Andes. Figure 5-1 shows the primary coca-producing zones of the Andean countries.

According to the U.S. Department of State, "[cocaine] remains our most serious illegal drug threat." It is at the top of the U.S. Government's drug-control priority list.[1] The main goal of ATPA is to promote broad-based economic growth and development in the Andean countries. Specifically, the program aims to develop sustainable economic alternatives to coca cultivation and cocaine production by offering Andean products broader access to the U.S. market. To assess the effectiveness of the program, ATPA requires that the Commission, "in conjunction with other agencies (provide) an assessment ... regarding ... the estimated effect [of ATPA] ... on the drug-related crop eradication and crop substitution efforts of the beneficiary countries."

This chapter consists of two parts. The first part describes the scope of the analysis and a summary of findings pertaining to the ATPA reporting requirement on eradication and substitution. The second part addresses specific crop eradication and alternative development efforts in individual beneficiary countries during 1999.

Sources of information used include unclassified embassy reports and published reports from, and interviews with, relevant U.S. Government agencies on drug-crop control and alternative development in the Andean region.[2]

During 1999, ATPA continued to have a small, indirect but positive effect on beneficiary countries' drug-control efforts. However, the Commission recognizes that ATPA is only one element in a multifaceted effort to combat the drug problem, and it notes that no precise estimate of the impact of ATPA on drug-related crop eradication and crop substitution or alternative development is possible.

Eradication and Alternative Development

An underlying objective of ATPA is to support the efforts that beneficiary countries are making to stem the supply of illicit drugs. However, few products, if any, can viably replace coca in terms of economic return, marketability, and the supportive infrastructure that is already in place in the Andean cocaine industry.[3] Distinct linkage between supply-control efforts by beneficiary countries and ATPA is tenuous, and it is not possible to infer a conclusive causal relationship from the evidence available. Nevertheless, strong eradication efforts coupled with government-supported alternative development programs help countries realize the benefits of ATPA.

Crop-eradication programs and alternative development efforts in the Andean region thus far appear to be only marginally effective in controlling the supply of illicit drugs that is mostly bound for the United States. Table 5-1 presents figures (in hectares) on net coca cultivation, total cultivation, and eradication in the Andean region. Net cultivation is the total cultivation less eradication. These estimates suggest Andean net coca cultivation has declined by 4 percent since 1998 and 15 percent since 1995. While significant reductions in the illicit coca supply have been achieved by Bolivia and Peru, there has been a major shift of coca cultivation to guerilla-controlled territory in Colombia.

[1] U.S. Department of State, *International Narcotics Control Strategy Report (INCSR),* March 2000, p. 43.

[2] There was no fact-finding field trip to the Andean region as in previous years' reports. Thus, the Commission relied heavily on other organizations, both government and private, for information in preparing this assessment.

[3] For more information, see USITC, *Sixth Report*, pp. 131-132.

Figure 5-1
Coca growing areas in the Andean Region

Source: Designed by USITC staff from official map provided by the Central Intelligence Agency, found at Internet address *http://www.odci.gov/cia/di/products/coca_opium/images/748925.gif,* retrieved on June 15, 2000.

Table 5-1
Coca cultivation and eradication in the Andean region, 1991-99

(*Hectares*)

Year	Bolivia	Colombia	Ecuador[1]	Peru	Total
			Net Cultivation		
1991	47,900	37,500	40	120,800	206,230
1992	45,500	37,100	0	129,100	211,700
1993	47,200	39,700	0	108,800	195,700
1994	48,100	44,700	0	108,600	201,400
1995	48,600	50,900	0	115,300	214,800
1996	48,100	67,200	0	94,400	209,700
1997	45,800	79,500	0	68,800	194,100
1998	38,000	[2]101,800	0	51,000	190,800
1999	21,800	122,500	0	38,700	183,000
			Total Cultivation		
1991	53,388	38,472	120	120,800	212,780
1992	48,652	38,059	0	129,100	215,811
1993	49,597	40,493	0	108,800	198,890
1994	49,158	49,610	0	108,600	207,368
1995	54,093	59,650	0	115,300	229,043
1996	55,612	72,800	0	95,659	224,071
1997	52,612	98,500	0	72,262	223,588
1998	49,621	115,450	0	58,825	223,896
1999	38,799	165,746	0	52,500	257,045
			Eradication		
1991	5,488	972	80	0	6,540
1992	3,152	959	0	0	4,111
1993	2,397	793	0	0	3,190
1994	1,058	4,910	0	0	5,968
1995	5,493	8,750	0	0	14,243
1996	7,512	5,600	0	1,259	14,371
1997	7,026	19,000	0	3,462	29,488
1998	11,612	[3]13,650	0	7,825	33,087
1999	16,999	43,246	0	13,800	74,045

[1] Although small amounts of poppy and coca fields have been found, Ecuador remains primarily a transit country for cocaine.

[2] Potential harvest figures used for Colombian net cultivation for 1998 and 1999.

[3] Source for 1998 Colombian eradication figure: U.S. General Accounting Office, *Narcotics Threat from Colombia Continues to Grow*, June 1999.

Source: U.S. Department of State, *International Narcotics Control Strategy Report*, 2000.

One critical element of a successful crop eradication program appears to be viable alternative development programs.[4] While the Andean countries have experienced economic hardships from an ongoing recession, Bolivia, Colombia, and Peru are all currently engaged in promoting crop control efforts through alternative development. Bolivia's 5-year comprehensive counternarcotics strategy encompasses an alternative development component; Colombia's counternarcotics strategy "Plan Colombia" is coupled with its alternative development agency known as "PLANTE," and, Peru's counterdrug alternative development program continues to work towards strengthening social and economic infrastructure.[5]

[4] For example, see Ricardo Rocha, University of Rosario, "The Colombian Economy after 25 Years of Drug Trafficking," published by United Nations Office for Drug Control and Crime Prevention; *The Economist,* "The Americas: Clashes to Come," Feb. 20, 1999; and Office of National Drug Control Policy, *2000 National Drug Control Policy Annual Report.*

[5] *INCSR,* p. 26.

Eradication

In 1995, the National Security Council recommended that international drug control priorities shift from drug interdiction to drug eradication.[6] Since that time, the United States has increased its eradication efforts, primarily targeting coca cultivation in the South American Andes. In 1999, the U.S. budget for international drug control was $489.2 million, of which approximately 30 percent was allocated to crop eradication and alternative development. In geographical terms, 57 percent of U.S. funds to country programs went to Bolivia, Colombia, Ecuador, and Peru. The Andean countries also are helping to finance and implement eradication programs.[7]

In accordance with the Foreign Assistance Act (FAA),[8] the U.S. Department of State's Bureau for International Narcotics and Law Enforcement Affairs publishes an annual report, entitled the *International Narcotics Control Strategy Report (INCSR)*, that provides the factual basis for the Presidential determinations on antinarcotics cooperation. The FAA requires the State Department to report annually on certain aspects of U.S. narcotics control strategy and to identify major illicit drug-producing countries, major drug-transit countries, and major money-laundering countries. The *INCSR* also provides the factual basis for Presidential determinations affecting foreign assistance and multilateral banking assistance to drug-producing countries.[9] Consideration of whether a country has cooperated fully with the United States or has taken adequate steps on its own to achieve full compliance with the United Nations Convention[10] underlies the required Presidential determination certifying compliance.[11]

The *INCSR* includes the four ATPA countries among those determined to be major drug-producing or drug-transit countries, or both. In 2000, on the basis of information contained in the State Department's annual report, the President fully certified Bolivia, Colombia, Ecuador, and Peru as complying with the U.N. Convention.[12]

Overall, important gains were made in the counternarcotics efforts in the Andean region in 1999 as evidenced by the significant increase in crop eradication and continuing downward trend in illicit coca production. As shown in table 5-1, Bolivia, Colombia, and Peru achieved record levels of eradication in 1999, and an estimated 74,045 hectares of Andean coca were eradicated, representing a 124-percent increase in the number of eradicated hectares since 1998, and a 1,032-percent increase since 1991.

In 1999, total coca cultivation levels in Bolivia and Peru were at their lowest levels in 10 years, while Colombian coca production continued to climb and reached a record high. Overall, in 1999, net coca cultivation in the Andean countries fell by 4 percent from the previous year, to 183,000 hectares. The largest 1999 decline occurred in Bolivia, where net coca cultivation fell by 43 percent. Bolivian net cultivation has declined by 55 percent from 1995 levels, primarily due to an extremely effective eradication program in the Chapare, Bolivia's principal coca-growing region. Peruvian net cultivation declined by 24 percent in 1999, and 66 percent since 1995 levels, because of continued eradication and interdiction programs. Colombian net coca cultivation climbed by 20 percent, from 101,800 hectares in 1998, to 122,500 hectares in 1999, and more than doubled compared with 1995. Net coca cultivation in Colombia has continued to increase over the last 7 years, which may be due to a more potent coca leaf that is being grown within Colombia that yields a greater volume of the coca substance per leaf. Also, several insurgent groups have increased their involvement in illicit narcotic activities and have gained greater control over large portions of Colombia where drug-trafficking activities occur.[13]

Alternative Development

The U.S. policy in assisting ATPA beneficiary countries to meet their targets of reducing illicit coca production includes alternative development programs,

[6] USITC, *Andean Trade Preference Act: Impact on the United States, Sixth Report,* USITC Publication 3234, Sept. 1999, p. 124.

[7] *INCSR,* pp. 9-28.

[8] 22 U.S.C. 2291

[9] Section 490 of the FAA requires a "factual basis for the Presidential narcotics certification determinations for major drug-producing and/or drug-transit countries," *INCSR,* p. 30.

[10] The U.N. Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances addresses issues including illicit cultivation, production, distribution, sale and precursor chemical control, and law enforcement. (See *INCSR*, p. 31.)

[11] Two levels of certification are possible: full certification and national interest certification. The latter is exercised when a country cannot be certified under the standards required for full compliance, and where vital national interests of the United States require that assistance be provided and that the United States not vote against multilateral development lending to that country. For further information, see *INCSR,* p. 31.

[12] The White House, Presidential Determination No. 2000-16, Feb. 29, 2000, contained in *INCSR,* p. 7.

[13] U.S. General Accounting Office, *Narcotics Threat from Colombia Continues to Grow,* June 1999, pp. 1-2.

in conjunction with eradication efforts. The two aspects of supply management that are explicitly cited in the statute are drug-related crop eradication and crop substitution. The latter has evolved into a policy of alternative development, where through an explicit linkage to limiting coca cultivation, farmers are encouraged to begin cultivation of other agricultural products to create alternative income and employment.[14]

Country Profiles

Bolivia

Bolivia, the world's third-largest producer of cocaine, achieved a record-high level of coca crop eradication, and record-low levels of cultivation and net cultivation in 1999 (see table 5-1). The Bolivian Government's first-ever comprehensive counter-narcotics strategy, implemented in 1998, includes an extremely effective eradication and interdiction program. Consequently, Bolivia's cocaine cultivation declined by 22 percent over the past year, while crop eradication increased by 46 percent. Over the period 1995 to 1999, Bolivia achieved a 209-percent increase in coca crop eradication, a 28-percent decline in coca cultivation, and a 55-percent reduction in net coca cultivation (total cultivation less eradication).

In addition, legislative and regulatory reform progressed in 1999, and law enforcement efforts resulted in increased arrests, drug and chemical seizures, and lab destructions. For example, the Bolivian legislature enacted a new code of criminal procedures, the final portion of the judicial reform package, which establishes a public criminal system and will help to improve the credibility of the judicial system.[15]

The Bolivian Government's successful law enforcement efforts to prevent precursor chemicals from being smuggled into the country resulted in a decrease in the purity of cocaine processed in Bolivia, to roughly a 47-percent purity level.[16] Consequently, Brazilian drug traffickers purchased just the cocaine base in Bolivia and finished the processing in Brazil.[17] Additionally, the routes for Bolivian coca base changed in 1999. Previously, Bolivian coca base was transported to Colombia to be processed into cocaine hydrochloride (HCl). Coca base now moves from the Chapare region to other Bolivian locations, such as Santa Cruz and El Beni, where clandestine labs have been set up for the production of cocaine HCL.[18] Though some Bolivian traffickers still deal with Colombians to send their cocaine HCL abroad, many Bolivians have set up networks in Brazil, Chile, Paraguay, Peru, Mexico, and Nigeria.[19]

The Government's 5-year counternarcotics plan includes four parts: eradication, interdiction, alternative development, and prevention. This strategy has been particularly successful with eradication and interdiction efforts. One objective of the plan is to eliminate all illegal coca by 2002, which will be achieved if the current trends in crop eradication and cultivation continue.[20]

Challenges to achieving sustainable alternative development and preventing the rehabilitation of coca crops remain. First, demand for alternative development is outpacing the Government's ability to provide it. Unless long-run economically viable alternative development options are available, coca farmers may return to growing illicit crops.[21] Towards this end, the United Nations Drug Control Program (UNDCP), along with the U.S. Government, are assisting Bolivian farmers in developing diversified agricultural crops that are less vulnerable to pest infestations, and thus, less costly to maintain. Also, in June 1999, the U. S. Agency for International Development (USAID) began the Counternarcotics Consolidation of Alternative Development (CONCADE) program, which plans to build on and consolidate alternative development results obtained by the Government's previous program, the Cochabamba

[14] Conversation with U.S. Department of State officials, Washington, May 19, 2000.

[15] *INCSR,* pp. 100-103.

[16] *INCSR,* p. 10.

[17] To produce cocaine (also referred to as cocaine hydrochloride (HCl)), the coca plant is stripped of its leaves, the leaves are dried and packaged, and transported to a processing plant. Each phase of processing–from coca leaves to coca paste, to cocaine base, to cocaine HCl–results in a more concentrated and compact (and thus, more easily transported) form of the product. For further information on the stages of cocaine production, see USITC, *Annual Report on the Impact of the Andean Trade Preference Act on U.S. Industries and Consumers and on Drug Crop Eradication and Crop Substitution, First Report,* USITC Publication 2814, September 1994, pp. 53-54.

[18] U.S. Department of Justice, "Drug Control: DEA's Strategies and Operations in the 1990s," Chapter Report, July 21, 1999, GAO/GGD-99-108, p. 141, found at Internet address *http://frwebgate.access.gpo.gov,* retrieved April 18, 2000.

[19] Ibid, p. 142.

[20] The Bolivian Government allows 12,000 hectares of coca in the Yungas. *INCSR,* p. 10.

[21] There is some evidence of coca crop rehabilitation in the Yungas. *Latin American Weekly Report,* Feb. 8, 2000, WR-00-06.

Regional Development Project.[22] Second, while the Government has stated its commitment to fight narcotics, many of the local governments are dominated by pro-coca supporters. For example, a pro-coca growing party member recently won the mayoral race in all three municipalities of the Chapare region, and installed 14 of 17 council members. The message of anti-eradication and anti-alternative development is appealing to many of the farmers in the region who do not have access to economically viable and sustainable alternatives to coca.[23]

Nevertheless, Bolivia's achievements with its eradication program in the Chapare are notable and there was significant progress in alternative development in 1999 in that region. Despite a slight downturn in the Bolivian export sector in 1999, export volumes of alternative development crops improved. Alternative development production increased in 1999 in all major areas, including bananas, tangerines, oranges, papayas, pineapples, and plantains.[24] In addition, exports in bananas, cut logs, and pineapple expanded in 1999, and sales volumes of Chapare fruits climbed by 26 percent.[25] Finally, the number of producer associations and communities tied to alternative development assistance in lieu of coca production increased from 73 to 118 in 1999. Taken together, these examples suggest that ATPA has had a positive indirect effect on coca crop eradication and alternative development.

Colombia

An estimated 80 percent of the cocaine that enters the United States originates in or passes through Colombia,[26] and, Colombia is an increasingly important supplier of heroin to the United States.[27] The U.S. Department of State estimates that 75 percent of the world's cocaine is processed in Colombia from cocaine base imported from Peru and Bolivia, and increasingly, from locally grown coca.[28] Figure 5-2 follows the pricing of coca products through the successive stages of production, and illustrates that the price of cocaine HCl is higher in Colombia than in Bolivia or Peru. These country-specific prices correspond with Colombia's relatively intense drug trafficking activity.

In 1999, Colombia cultivated 67 percent of the coca in the Andean region, up from 53 percent in 1998. One study suggests that the income of Colombian drug traffickers represents 2.3 percent of Colombia's GDP.[29] The growth in Colombian cocaine production may reflect a consolidation of the Colombian coca industry, a long-term strategy of drug syndicates to integrate vertically and lessen their dependence on outside and less reliable sources, and larger and more complex cocaine HCl laboratories replacing the less sophisticated labs previously encountered.[30] Further, Colombia is the primary supplier of heroin to the United States, and Colombian opium production is growing.[31]

Coca cultivation in Colombia has increased over the past 10 years, with higher growth rates occurring since 1995. The two primary regions of coca crops are the eastern plains in Guaviare, and along the Ecuadorian and Peruvian borders in the departments of Putumayo and Caqueta. Also, increasing amounts of coca are appearing in the northern departments of Bolivar and Norte de Santander.[32] The Colombian Government's eradication campaign resulted in an all-time high of over 43,000 hectares in 1999. This may reflect the fact that for the first time the Government allowed eradication in the Putumayo department last year, the fastest growing coca cultivation area in the country.[33]

The Colombian Government's crop substitution and alternative development agency, PLANTE, seeks voluntary crop substitution, and reestablishes market conditions for peasant farmers and indigenous communities.[34] To date, the number of farmers to abandon illicit cultivation is small.[35] According to a PLANTE official, between 30,000 and 35,000 peasant families are either directly or indirectly involved in illegal crops, and small farmers are responsible for

[22] "Illegal Coca Eliminated from the Chapare," Activity Data Sheet No. 511-005, USAID, June 2000.

[23] U.S. Department of State telegram, "Chapare Municipal Elections," message reference No. 6229, prepared by U.S. Embassy, La Paz, Dec. 27, 1999.

[24] *INCSR, p*p. 100-103.

[25] U.S. Department of State telegram, "USITC Annual Report on Andean Trade Preference Act," message reference No. 2632, prepared by U.S. Embassy, La Paz, June 14, 2000.

[26] Office of National Drug Control Policy, *National Drug Control Strategy: 2000 Annual Report,* p. 94.

[27] U.S. Department of State, International Narcotics and Law Enforcement Affairs, Country Programs — Colombia, April 23, 1999, found at Internet address *http://www.state.gov/www/global/narcotics_law/fs_colombia.html,* retrieved on June 13, 2000.

[28] *INCSR,* p. 115.

[29] "The Colombian Economy after 25 Years of Drug Trafficking," Richardo Rocha, the University of Rosario, found at Internet address *http://odccp.org:80/adhoc/utopia_colombia/colombia_projects.html,* retrieved June 14, 2000.

[30] Conversation with U.S. Department of State officials, Washington, May 19, 2000; *INCSR,* p. 188.

[31] *INCSR,* pp. 118-122.

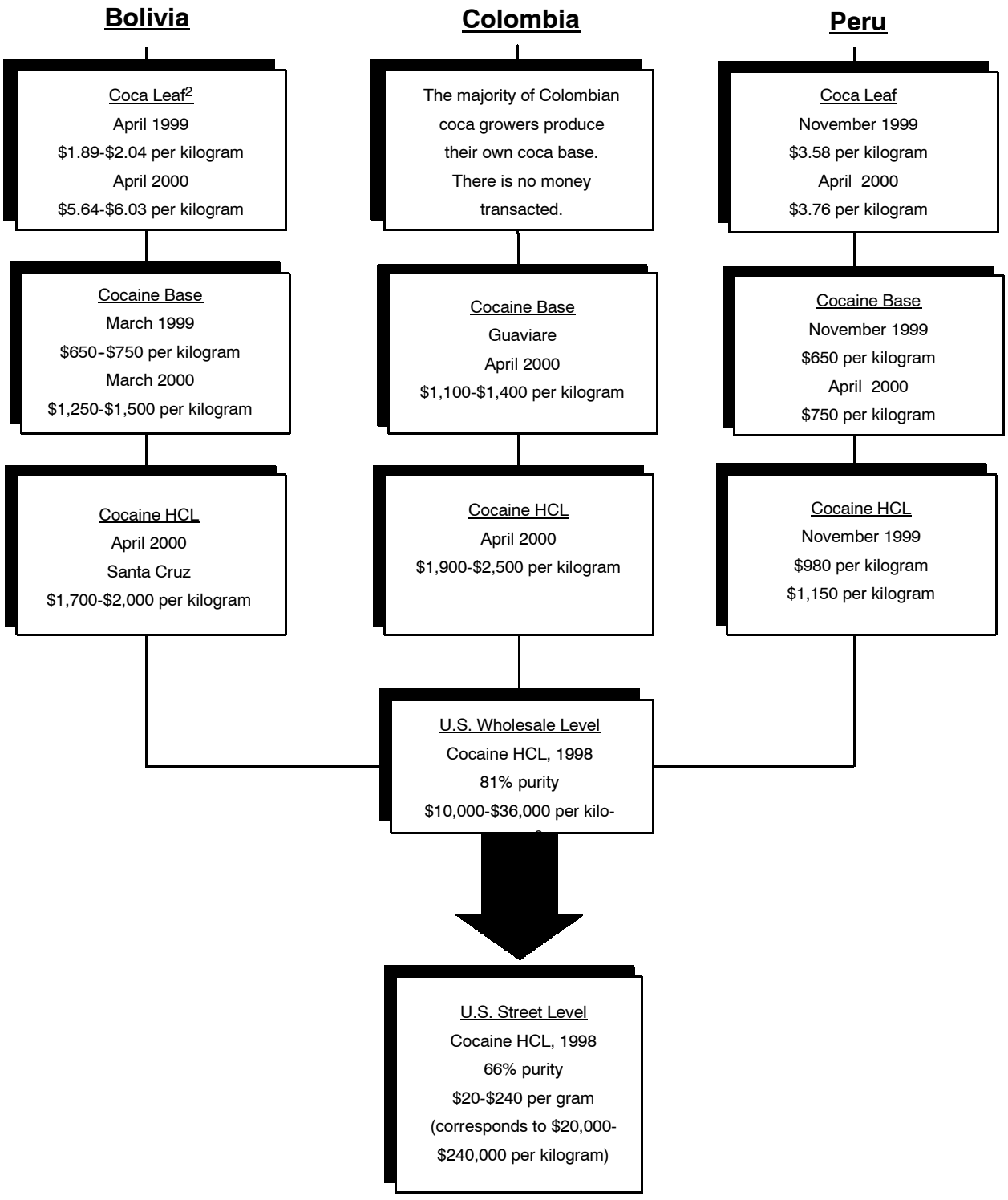
[32] *INCSR,* p. 118.

[33] *INCSR,* p. 116.

[34] *INCSR,* p. 117.

[35] *INCSR,* p. 120.

Figure 5-2
Selling prices of different levels of production[1]



[1] Source: USITC staff calculations based on information retrieved from Law Enforcement Agent, U.S. Department of Justice, Drug Enforcement Administration, USITC staff interview, June, 2000.
[2] The original data were collected in carga units; note that one carga equals 100 pounds or 45.36 kilograms.
[3] The data represent the national average. Price varies greatly from city to city.

roughly 40 percent of coca cultivation, while the remaining 60 percent comes from large commercial fields controlled by drug-trafficking organizations. An estimated 16,000 peasant coca farmers have switched from illicit to licit crops.[36] Alternative development is considered a much newer component of Colombia's counternarcotics strategy as compared with Bolivia and Peru.[37]

President Pastrana introduced Plan Colombia in late 1998 to improve economic development, political reform, negotiations of peace, and citizen security. Alternative development is an integral part of this plan.[38] Plan Colombia is a three-year project with an estimated cost of $7.5 billion. Colombia will provide $4 billion, and the Colombian Government hopes that $3.5 billion will be provided by the international community.[39] The U.S. Government has offered $1.3 billion of financial support of Plan Colombia for fiscal year 2000 and 2001. Approximately 80 percent of these funds is allocated for security forces for counternarcotics operations.[40]

Ecuador

Traditionally, Ecuador has been mainly a transit route for cocaine, and not a coca-producing country. Specifically, unrefined cocaine base is shipped through Ecuador from northern Peru to southern Colombia for processing, and refined cocaine HCl is routed from Colombia through Ecuador's seaports to the U.S. market. Ecuador is also a transit country for precursors and essential chemicals for neighboring cocaine-producing countries.[41]

Notwithstanding economic and political instability, the Government of Ecuador has had continued success in preventing illicit drug cultivation and use. The Government's National Drug Council (CONSEP) has a comprehensive drug prevention program and domestic demand reduction is a high priority. On the production side, the police have recently located and dismantled several small cocaine refineries processing coca paste from Peru and Colombia.[42] Ecuador is working to control the production and routing of these chemicals, and the nation's small size and fairly good roads enable the counternarcotic groups to monitor such chemical firms and establish road blocks more easily than in neighboring countries.[43]

Peru

Eradication of coca in Peru reached an all-time record of 13,800 hectares in 1999. Peruvian coca cultivation declined by 11 percent in 1999, yielding a total reduction of 55 percent since 1995 (table 5-1). Currently, an estimated 52,500 hectares of coca cultivation remain, down from an estimated 115,300 hectares in 1995.

In recent years, the traditional drug trafficking routes have been abandoned, largely due to government interdiction programs. In 1995, the Government of Peru implemented an aerial interdiction program to eliminate the airborne movement of coca base from Peru to Colombia, where it would be processed into cocaine HCl. Airborne drug trafficking still occurs along the Peru-Brazil border, but on a lesser scale than before the program. The success of this airborne suppression program has forced traffickers to find alternative routes. Many traffickers are now using land and river routes as well as sea freighters.[44] In 1999, Peru stepped up its riverine implementation plan to stem the flow of coca base along border rivers.[45] Trafficker success in finding such alternative means to transport drugs from Peru to external markets may have contributed to the 1999 rise in coca prices.

The Government of Peru's counternarcotics efforts have been met with resistance by farmers and pro-coca local governments. For example, eradication efforts in the Apurimac-Ene Valley of Peru caused protests and sometimes violent confrontations between the local population and police units. The mayor of Uchiza, an isolated Peruvian town in the Upper Huallaga region, reflects the sentiments of his constituents when claiming his town will not switch to licit crops while coca is so profitable.[46]

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[36] U.S. Department of State telegram, "ATPA-Related Investment Activity during 1999," message reference No. 4963, prepared by U.S. Embassy, Bogota, June 14, 2000.

[37] Conversation with U.S. Department of State officials, Washington, May 19, 2000.

[38] INCSR, p. 120.

[39] U.S. Department of State, International Narcotics and Law Enforcement Affairs, Country Programs — Colombia, April 23, 1999, found at Internet address *http://www.state.gov/www/global/narcotics_law/fs_colombia.html,* retrieved on June 13, 2000.

[40] "Diplomatic Mail for Peace No. 27," Ministry of Foreign Affairs of Colombia, Vice Minister of Foreign Affairs, Santafé de Bogotá, 10th December 1999, found at Internet address *http://www.emcolbru.org/copaz27in.htm*, retrieved in May 24, 2000.

[41] *INCSR,* pp. 126-127.

[42] *INCSR,* pp. 124-127.

[43] Conversation with U.S. Department of State officials, Washington, May 19, 2000; *INCSR,* p. 188.

[44] U.S. Department of State telegram, "Coca Reduction Strategy in Peru: Future," message reference No. 3537, prepared by U.S. Embassy, Lima, June 10, 1999.

[45] U.S. Department of State telegram, "Riverine Drug Control: Policy and Program Update," message reference No. 2750, prepared by U.S. Embassy, Lima, May 6, 1999.

[46] U.S. Department of State telegram, "Coca Reduction Strategy in Peru: Future," message reference No. 3537, prepared by U.S. Embassy, Lima, June 10, 1999.

The price of coca increased in 1999, and recent estimates as shown in figure 5-2 suggest further increases in 2000. To some extent, this may reflect Peru's decelerated progress in eliminating coca cultivation in 1999. In terms of supply and demand, interdiction efforts shift back the demand curve and result in a lower price. That is, interdiction efforts deter buyers, thus leaving coca farmers with less demand. Similarly, the higher price of coca in 1999 indicates that buyers were more active in the region.[47] In turn, higher coca prices provide economic incentives to cultivate coca and correspond to increases in existing coca production and an abandonment of licit crops for coca crops that yield a higher return. Thus, the price of coca reveals coca crop activity. Accordingly, the Peruvian Government recently developed a system to monitor the price of coca called the "Red Flag System." Under this system, once the Government observes that the price of coca has reached a certain threshold level, or the "red flag" price, it will execute field eradication operations and interdiction efforts, such as roadblocks along trafficking routes.[48]

Like Bolivia, alternative development is an important and active part of Peru's counternarcotics strategy. Also like Bolivia, however, the demand for alternative development is greater than the Government's ability to provide it.[49] The U.S. Agency for International Development reported that Peru's alternative development program benefits almost 400,000 people in roughly 1,600 communities in six of the main eleven coca-growing areas.[50] Licit alternative crops supported in 1999 included 17,500 hectares of coffee, 7,000 hectares of cacao, and 3,100 hectares of other crops that together generated over 8,100 new full-time equivalent jobs, and directly benefited 12,956 rain forest farmers. The alternative development program has been working in Peru's rain forest since 1994 to improve the quality and productivity of alternative crops, develop better production techniques, post-harvest management, and marketing.[51]

Cacao, a key ingredient in chocolate, is becoming a successful alternative crop to coca in Peru.[52] Besides its economic viability, cacao is a favorable alternative crop environmentally, as deforestation is not necessary for cacao. Unfortunately, cacao is often plagued by pest infestation, and there is an apparent lack of new cacao plantings while current yield rates are only 30-to-40 percent of the optimum yield. Consequently, given the sizeable external market for cacao, the Peruvian Government, with the support of the U.S. Government and private sector, plans to develop a cacao biological control regime to ensure the sustainability of cacao as an alternative to coca.[53]

Effectiveness of ATPA

The difficulty of isolating the direct effects of ATPA on coca-crop reduction has been pointed out in previous reports in this series.[54] The fact that coca-eradication and alternative development programs have been going on for years in the Andean region, and that many such programs predate ATPA, makes it difficult to isolate effects solely attributable to ATPA.

Physical and economic infrastructure, such as paved roads, storage facilities, processing plants, and financing in Andean coca-producing areas are generally inadequate to meet the requirements of alternative legal crops and industries. The cost of coca production is generally much lower than that of alternative crops; coca production does not require pesticides, fertilizers, roads, market development, or financing. Moreover, development of an infrastructure better able to support alternatives to drug production tends to be slowed by concerns that the potential benefits of development might profit the coca producers themselves. In other words, paved roads and other infrastructure improvements will facilitate transportation of coca in addition to other goods. In addition, wages in coca-producing areas in Colombia, for example, are 20-percent higher than average, making employment much more attractive in coca.[55]

Industries that produce ATPA-related goods provide alternative development opportunities, and although ATPA-related investment has flourished in regions where there is no presence of illicit crops, the

[47] See *INCSR,* p. 133.

[48] U.S. Department of State telegram, "Coca Reduction Strategy in Peru: Future," message reference No. 3537, prepared by U.S. Embassy, Lima, June 10, 1999.

[49] Conversation with U.S. Department of State officials, Washington, May 19, 2000.

[50] "Reduce Illicit Coca Production in Target Areas of Peru," Activity Data Sheet No. 527-005, USAID, June 2000.

[51] Information obtained from an official letter from Peru's Ministry of International Commercial Integration and Negotiations to the USITC, dated June 22, 2000.

[52] In 1999, private industry committed to purchasing 45 million metric tons from Peru on a concessionary basis, U.S. Department of State telegram, "Alternative Crop Program; Cacao Rehabilitation," message reference No. 3173, prepared by U.S. Embassy, Lima, May 25, 1999.

[53] U.S. Department of State telegram, "Alternative Crop Program; Cacao Rehabilitation," message reference No. 3173, prepared by U.S. Embassy, Lima, May 25, 1999.

[54] For example, *Second Report, 1994,* p. 48.

[55] Wages are also higher in areas where there is a high amount of violence. See *Sixth Report 1998,* p. 129.

program indirectly provides new sources of employment for workers that may otherwise turn to illicit crop-growing activities. For example, in Colombia the flower industry generated approximately 75,000 direct and 50,000 indirect jobs. Also, the sugar cane industry in Colombia generated approximately 40,000 direct jobs in the conflict-ridden "Valle del Cauca" region. In many cases, displaced persons fleeing from violence in drug-producing regions are recruited to work in these industries.[56] In Peru, exports to the United States of specialized coffee, cacao, asparagus, as well as cotton, which grows in areas adjacent to coca-growing regions, are currently providing economic alternatives to coca cultivation.[57]

For alternative crops or industries to challenge coca production, a sufficient quantity and quality of product for market must be guaranteed to make use of economies of scale and to secure a place in both the domestic and import markets. This is especially true for a large market like the United States.[58] In the initial ATPA years, that guarantee was difficult to accomplish largely because of a lack of knowledge about viable alternative crops and the lack of adequate infrastructure. However, opportunities for selling locally have been increasing. Evidence of successful alternative development programs, such as USAID efforts in the Chapare in Bolivia and in the Apurimac in Peru, continues to highlight their potential against illicit coca cultivation. Furthermore, the political steps taken by the governments of Peru, Colombia, and Ecuador in 1999 show a continued and even revitalized commitment to deterring illegal coca cultivation. According to the Government of Peru, ATPA is important because it "generates the legal jobs necessary to impede the migration of the unemployed to illicit activities."[59]

The year under review marks the completion of more than three quarters of the currently legislated life of ATPA. As mentioned previously, considerable interest has been expressed by Andean nations in prolonging and expanding ATPA; that interest is an indication of the perceived beneficial effects of ATPA. Although it is difficult to illustrate the positive impact of ATPA other than anecdotally, the success of eradication and alternative development efforts in the Andean region appears to be spreading.[60] Furthermore, in 1999, Andean beneficiaries acknowledged plans and programs to encourage more alternative development in 2000 and beyond. Continued success in those efforts, coupled with political reform, could help to reduce the supply of illicit drugs to the United States.

[56] U.S. Department of State telegram, "ATPA-Related Investment Activity during 1999," message reference No. 4963, prepared by U.S. Embassy, Bogota, June 14, 2000.

[57] Conversation with U.S. Department of State officials, Washington, May 19, 2000.

[58] In fact, most of the alternative crops that are being introduced in the Andean region have yet to be of sufficient quantity to be exported to the United States.

[59] Information obtained from an official letter from Peru's Ministry of International Commercial Integration and Negotiations, to the USITC, dated June 22, 2000.

[60] See country profiles, *INCSR,* pp. 10-26.

APPENDIX A
Federal Register Notice

Nei, and the Office of Hawaiian Affairs, the Bishop Museum decided that no attempt would be made to determine the age of the human remains. Due to the lack of identifiable individuals, the Bishop Museum has been unable to make any lineal descent determinations. Bishop Museum officials believe the claims of the Hawaii Island Burial Council, Hui Malama I Na Kupuna O Hawai'i Nei, the Department of Hawaiian Homelands, and the Office of Hawaiian Affairs address and encompass individual, family, and community interests.

Based on the above mentioned information, officials of the Bishop Museum have determined that, pursuant to 43 CFR 10.9(d)(1), the human remains listed above represent the physical remains of a minimum of 16 individuals of Native American ancestry. Officials of the Bishop Museum have also determined that, pursuant to 43 CFR 10.2 (d)(2), the one object listed above is reasonably believed to have been placed with or near individual human remains at the time of death or later as part of the death rite or ceremony. Lastly, officials of the Bishop Museum have determined that, pursuant to 43 CFR 10.2(e), there is a relationship of shared group identity which can be reasonably traced between these Native American human remains and associated funerary object and the Hawaii Island Burial Council, Hui Malama I Na Kupuna O Hawai'i Nei, the Department of Hawaiian Homelands, and the Office of Hawaiian Affairs.

This notice has been sent to officials of the Hawaii Island Burial Council, Hui Malama I Na Kupuna O Hawai'i Nei, the Department of Hawaiian Homelands, the Office of Hawaiian Affairs, Henry A. Auwae, and Melvin Kalahiki, Sr. Representatives of any other Indian tribe that believes itself to be culturally affiliated with these human remains and associated funerary object should contact Valerie Free, Unit Manager, Bishop Museum, 1525 Bernice Street, Honolulu, HI 96817, telephone: (808) 847–8205, before May 5, 2000. Repatriation of the human remains and associated funerary object to the Hawaii Island Burial Council, Hui Malama I Na Kupuna O Hawai'i Nei, the Department of Hawaiian Homelands, and the Office of Hawaiian Affairs may begin after that date if no additional claimants come forward.

Dated: March 22, 2000.

Francis P. McManamon,

Departmental Consulting Archeologist, Manager, Archeology and Ethnography Program.

[FR Doc. 00–8351 Filed 4–4–00; 8:45 am]

BILLING CODE 4310–70–F

DEPARTMENT OF THE INTERIOR

Office of Surface Mining Reclamation and Enforcement

Notice of Proposed Information Collection

AGENCY: Office of Surface Mining Reclamation and Enforcement.

ACTION: Notice and request for comments.

SUMMARY: In compliance with the Paperwork Reduction Act of 1995, the Office of Surface Mining and Reclamation and Enforcement (OSM) is announcing its intention to request approval for the collection of information for 30 CFR part 785, Requirements for permits for special categories of mining.

DATES: Comments on the proposed information collection must be received by June 5, 2000, to be assured of consideration.

ADDRESSES: Comments may be mailed to John A. Trelease, Office of Surface Mining Reclamation and Enforcement, 1951 Constitution Ave, NW, Room 210—SIB, Washington, DC 20240. Comments may also be submitted electronically to jtrelease@osmre.gov.

FOR FURTHER INFORMATION CONTACT: To request a copy of the information collection request, explanatory information and related forms, contact John A. Trelease, at (202) 208–2783.

SUPPLEMENTARY INFORMATION: The Office of Management and Budget (OMB) regulations at 5 CFR 1320, which implement provisions of the Paperwork Reduction Act of 1995 (Pub. L. 104–13), require that interested members of the public and affected agencies have an opportunity to comment on information collection and recordkeeping activities [see 5 CFR 1320.8(d)]. This notice identifies an information collection activity that OSM will submit to OMB for extension. This collection is contained in 30 CFR part 785, Requirements for permits for special categories of mining.

OSM has revised burden estimates, where appropriate, to reflect current reporting levels of adjustments based on reestimates of burden or respondents. OSM will request a 3-year term of approval for this information collection activity.

Comments are invited on: (1) The need for the collection of information for the performance of the functions of the agency; (2) the accuracy of the agency's burden estimates; (3) ways to enhance the quality, utility and clarity of the information collection; and (4) ways to minimize the information collection burden on respondents, such as use of automated means of collection of the information. A summary of the public comments will accompany OSM's submission of the information collection request to OMB.

This notice provides the public with 60 days in which to comment on the following information collection activity:

Title: Requirements for permits for special categories of mining, 30 CFR 785.

OMB Control Number: 1029–0040.

Summary: The information is being collected to meet the requirements of sections 507, 508, 510, 515, 701 and 711 of Pub. L. 95–87, which requires applicants for special type of mining activities to provide descriptions, maps, plans and data of the proposed activity. This information will be used by the regulatory authority in determining if the applicant can meet the applicable performance standards for the special type of mining activity.

Bureau Form Number: None.

Frequency of Collection: Once.

Description of Respondents: Applicants for coal mine permits.

Total Annual Responses: 353.

Total Annual Burden Hours: 16,372.

Dated: March 30, 2000.

Richard G. Bryson,

Chief, Division of Regulatory Support.

[FR Doc. 00–8306 Filed 4–4–00; 8:45 am]

BILLING CODE 4310–05–M

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332–357]

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

AGENCY: United States International Trade Commission.

ACTION: Notice of opportunity to submit comments in connection with 2000 annual report.

EFFECTIVE DATE: March 22, 2000.

FOR FURTHER INFORMATION CONTACT: Jeanne Guth (202–205–3264), Country and Regional Analysis Division, Office

of Economics, U.S. International Trade Commission, Washington, D.C. 20436.

Background

Section 206 of the Andean Trade Preference Act (ATPA) (19 U.S.C. 3204) requires that the Commission submit annual reports to the Congress regarding the economic impact of the Act on U.S. industries and consumers and, in conjunction with other agencies, the effectiveness of the Act in promoting drug-related crop eradication and crop substitution efforts of the beneficiary countries. Section 206(b) of the Act requires that each report include:

(1) The actual effect of ATPA on the U.S. economy generally as well as on specific domestic industries which produce articles that are like, or directly competitive with, articles being imported under the Act;

(2) The probable future effect that ATPA will have on the U.S. economy generally and on domestic industries affected by the Act; and

(3) the estimated effect that ATPA has had on drug-related crop eradication and crop substitution efforts of beneficiary countries.

In addition, in this year's report the Commission plans to examine the effectiveness of ATPA in promoting export-oriented growth and diversification of production in the beneficiary countries.

Notice of institution of the investigation and the schedule for such reports was published in the Federal Register of March 10, 1994 (59 FR 11308). The Commission's seventh annual report on ATPA, covering calendar year 1999, is to be submitted by October 2, 2000.

Written Submissions

The Commission does not plan to hold a public hearing in connection with the preparation of the seventh annual report. However, interested persons are invited to submit written statements concerning the matters to be addressed in the report. Commercial or financial information that a party desires the Commission to treat as confidential must be submitted on separate sheets of paper, each clearly marked "Confidential Business Information" at the top. All submissions requesting confidential treatment must conform with the requirements of section 201 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). All written submissions, except for confidential business information, will be made available for inspection by interested persons in the Office of the Secretary to the Commission. To be assured of consideration by the Commission, written statements relating to the Commission's report should be submitted at the earliest practical date and should be received no later than June 23, 2000. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means.

Address all submissions to Office of the Secretary, U.S. International Trade Commission, 500 E St., SW., Washington, DC 20436. Hearing-impaired persons are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on (202) 205-1810.

Issued: March 31, 2000.

By order of the Commission.

Donna R. Koehnke,

Secretary.

[FR Doc. 00-8369 Filed 4-4-00; 8:45 am]

BILLING CODE 7020-02-P

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 731-TA-367-370 (Review)]

Color Picture Tubes From Canada, Japan, Korea, and Singapore

Determinations

On the basis of the record [1] developed in the subject five-year reviews, the United States International Trade Commission determines, pursuant to section 751(c) of the Tariff Act of 1930 (19 U.S.C. 1675(c)) (the Act), that revocation of the antidumping duty orders on color picture tubes from Canada, Japan, Korea, and Singapore would not be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

Background

The Commission instituted these reviews on March 1, 1999 (64 FR 10014) and determined on June 3, 1999 that it would conduct full reviews (64 FR 31609, June 11, 1999). Notice of the scheduling of the Commission's reviews and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register on July 19, 1999 (64 FR 38690).[2] The hearing was held in Washington, DC, on February 17, 2000, and all persons who requested the opportunity were permitted to appear in person or by counsel.

The Commission will transmit its determinations in these reviews to the Secretary of Commerce on April 13, 2000. The views of the Commission are contained in USITC Publication 3291 (April 2000), entitled Color Picture Tubes from Canada, Japan, Korea, and Singapore: Investigations Nos. 731-TA-367-370 (Review).

Issued: March 30, 2000.

By order of the Commission.

Donna R. Koehnke,

Secretary.

[FR Doc. 00-8370 Filed 4-4-00; 8:45 am]

BILLING CODE 7020-02-P

[1] The record is defined in sec. 207.2(f) of the Commission's Rules of Practice and Procedure (19 CFR 207.2(f)).

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 303-TA-21 (Review) and 731-TA-451, 461, and 519 (Review)]

Gray Portland Cement and Cement Clinker from Japan, Mexico, and Venezuela [1]

AGENCY: United States International Trade Commission.

ACTION: Scheduling of full five-year reviews concerning the antidumping duty orders and suspended investigations on gray portland cement from Japan, Mexico, and Venezuela.

SUMMARY: The Commission hereby gives notice of the scheduling of full review pursuant to section 751(c)(5) of the Tariff Act of 1930 (19 U.S.C. 1675(c)(5)) (the Act) to determine whether revocation of the antidumping duty orders and termination of the suspended investigations on gray portland cement and cement clinker from Japan, Mexico, and Venezuela would be likely to lead to continuation or recurrence of material injury. The Commission has determined to exercise its authority to extend the review period by up to 90 days pursuant to 19 U.S.C. 1675(c)(5)(B). For further information concerning the conduct of these reviews and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part

[2] Pursuant to a request by parties in support of continuation of the orders, the Commission revised and extended its schedule for these reviews on November 30, 1999 (64 FR 68116, December 6, 1999).

[1] The investigation numbers are as follows: Japan is 731-TA-461 (Review); Mexico is 731-TA-451 (Review); and Venezuela is 303-TA-21 (Review) and 731-TA-519 (Review).

APPENDIX B
Summary of Submissions in Response to *Federal Register* Notice

Submissions for the Record
Investigation No. 332-352

The Tile Council of America[1]

The submission from the Tile Council of America claims ATPA has damaged the domestic ceramic tile industry. "Colombian ceramic tile exporters to the U.S. market have flourished as a result of ATPA, at the direct expense of U.S. ceramic tile producers." According to the Council, Colombian ceramic tile exports jumped after ATPA's enactment from 4,267,000 sq. ft. in 1991 to 7,222,000 sq. ft. in 1992. In 1999, Colombia exported 13,400,000 sq. ft. of ceramic tiles to the United States. "To compound the problems caused by the influx of ceramic tile imports from Colombia, the per unit value of the Colombian tile has remained extremely low relative to the tile produced in the United States." The Council claims, "Removal of ATPA benefits would not adversely affect [the Colombian] competitive ability." The Tile Council points out that drug eradication has not been successful in Colombia, and therefore ATPA "has made Colombia an economically injurious force to domestic producers in the U.S. ceramic tile market" without realizing any of the hoped for drug eradication benefits.

The Vice Ministry of International Commercial Integration and Negotiations of Peru[2]

According to comments by Peru's Vice Ministry of International Commercial Integration and Negotiations, the ATPA has played a fundamental role in generating employment for workers who might otherwise turn to illicit coca growing. However, the author believes that if the current "high level of unemployment in Peru is not significantly reduced, it will be very difficult for the country to continue to make advances in the struggle [against illicit drugs]." According to the submission, the extension of ATPA an additional 10 years is fundamental to Peru's continued success. In addition, "the important goal is to attain the development of new and profitable economic activities, not only in the Peruvian rain forest, but also in the highlands and on the coast, real alternatives, legal jobs. That is the reason that ATPA must strengthen its role in the promotion of export industries that are intensive in the use of labor and provide a high added value." To this end, the author highly encourages extending ATPA benefits to apparel, a labor intensive industry.

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[1] Submission to the Commission by Juliana M. Cofrancesco, Counsel to the Tile Council of America, Inc., received June 20, 2000.

[2] Submission to the Commission by Victoria Elmore, Advisor to the Vice Minister of International Commercial Integration and Negotiations, received June 23, 2000.

APPENDIX C
Technical Notes to Chapters 3 and 4

Technical Notes to Chapter 3: Partial Equilibrium Analysis

This section presents the methodology used to estimate the impact of ATPA on the U.S. economy in 1999. The economic effects of ATPA duty reductions[1] were evaluated with a comparative static analysis. Since ATPA tariff preferences were already in effect in 1999, the impact of the program was measured by comparing the market conditions currently present (duty-free entry, or 20 percent reduced-duty entry, for eligible products entered under ATPA provisions) with those that might have existed under full tariffs (i.e., no ATPA tariff preferences). Thus, the analysis provides an estimate of what the potential costs and benefits to the U.S. economy would have been if ATPA had not been in place during 1999. However, the material on welfare and displacement effects, in the section titled "Analytical Approach" in the Introduction and in this appendix, discusses the impact of ATPA in terms of duty reductions, rather than the "removal" of duty eliminations already in place.[2] The effects of a duty reduction and a duty imposition are symmetrical and lead to results that are equivalent in magnitude but opposite in sign.[3] Thus, the discussion is framed with respect to the implementation of duty reductions simply for clarity.

A partial equilibrium framework was used to model three different markets in the United States, namely, the markets for ATPA products, competing non-ATPA (foreign) products, and competing domestic products. These three markets are depicted in panels a, b, and c of figure C-1. In the model, imports from ATPA beneficiaries, imports from non-ATPA countries, and competing domestic output are assumed to be imperfect substitutes for each other, and each is characterized by a separate market where different equilibrium prices exist.

The ATPA and non-ATPA import demand curves, D_a and D_n, and the demand curve for domestic output, D_d, are all assumed to be downward sloping with a constant elasticity of demand.[4] It is assumed that the ATPA import supply curve to the U.S. market, the non-ATPA import supply curve, and the domestic industry supply curve, S_a, S_n, and S_d, are all horizontal, that is, perfectly elastic. The assumption of perfectly elastic supply curves greatly simplifies computation although it leads to an upward bias in the estimates of the welfare and domestic displacement effects on the U.S. economy.[5]

The change from full tariffs to duty-free treatment for ATPA imports causes the import supply curve, S_a, in panel a to shift down to S_a' by the amount of the ad valorem tariff, t. Thus, the equilibrium price in the U.S. market for ATPA imports decreases from P_a to P_a', whereas the quantity imported increases from Q_a to Q_a'. The relationship between the price with the tariff (P_a) and the tariff-free price (P_a') is $P_a = P_a'(1+t)$.

The decrease in the price of ATPA imports leads to a decrease in demand for similar goods from other countries and domestic U.S. producers. Thus, the demand curves for both non-ATPA imports and domestic output, D_n and D_d, shift back to D_n' and D_d', respectively. Since the supply curves in both of these markets are assumed to be perfectly elastic, the equilibrium prices do not change. The equilibrium quantity supplied in each market decreases from Q_n and Q_d to Q_n' and Q_d', respectively.

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[1] Although the term *duty reduction* is used, the methodology employed in the analysis for this report applies equally to a duty elimination (which is a duty reduction in the full amount of the duty).

[2] Most comparative static analyses are used to evaluate the effects of an event that has not already happened—such as a proposed tariff elimination. This comparative analysis evaluates the effects of an event that has already happened—ATPA duty elimination has been in effect since 1992. The method described in this section can be used in either situation.

[3] This is technically true only if income effects are negligible. Given the small U.S. expenditure on goods from ATPA countries, income effects are likely to be negligible for the products under consideration. See R. Willig, "Consumer's Surplus Without Apology," *American Economic Review*, 66, pp. 589-597.

[4] The subscripts a, n, and d refer to ATPA imports, non-ATPA imports, and U.S. domestic output, respectively.

[5] Since ATPA imports account for a very small share of U.S. domestic consumption in most sectors, even the upper range estimates were very small. Assuming upward-sloping supply curves would have resulted in even lower estimates.

The impact of ATPA on the U.S. economy was measured by examining the welfare effects of the tariff reduction in the market for ATPA imports and the domestic displacement effects of a decrease in demand in the competing U.S. market. The displacement of non-ATPA country imports because of ATPA tariff preferences was not estimated because the focus of the analysis was on the direct effects of ATPA provisions on the United States.

The decrease in the tariff for ATPA imports leads to an increase in consumer surplus for these products. This is measured by the trapezoid $P_a abP_a'$ in panel a. There is also an accompanying decrease in the tariff revenue collected from ATPA imports. This is measured by the area of the rectangle $P_a acP_a'$ in panel a.

The net welfare effect of ATPA is equal to the increase in consumer surplus plus the decrease in tariff revenue—the trapezoid $P_a abP_a'$ minus the rectangle $P_a acP_a'$ in panel a, that is, triangle abc.[6] The dollar amount by which ATPA imports displace U.S. output is measured by the rectangle $Q_d' deQ_d$ in panel c.

Given the above assumptions and the additional assumption of constant elasticity demand curves, the markets for the three goods are described by the following three equations:

(1) $$(Q_a / Q_a') = (P_a / P_a')\varepsilon_{aa}$$

(2) $$(Q_n / Q_n') = (P_a / P_a')\varepsilon_{na}$$

(3) $$(Q_d / Q_d') = (P_a / P_a')\varepsilon_{da}$$

Given that $P_a = P_a'(1+t)$, these can be restated

(1)′ $$(Q_a / Q_a') = (1+t)\varepsilon_{aa}$$

(2)′ $$(Q_n / Q_n') = (1+t)\varepsilon_{na}$$

(3)′ $$(Q_d / Q_d') = (1+t)\varepsilon_{da}$$

where ε_{ij} is the uncompensated elasticity of demand for good i with respect to price j. The values for the elasticities $\varepsilon\alpha\alpha$, ε_{na}, and ε_{da} are derived from the following relations:

(4) $$\varepsilon_{aa} = V_a\eta - V_n\sigma_{an} - V_d\sigma_{ad}$$

(5) $$\varepsilon_{na} = V_a(\sigma_{na} + \eta)$$

(6) $$\varepsilon_{da} = V_a(\sigma_{da} + \eta)$$

where the V_i's are market shares for ATPA imports, non-ATPA imports, and domestic output, respectively, η is the aggregate demand elasticity, and the σ_{ij}'s are the elasticities of substitution between the ith and jth products.[7] Estimates of the aggregate demand elasticities were taken from the literature.[8] Ranges of potential net welfare and industry displacement estimates are reported. The reported ranges reflect a range of assumed substitutabilities between ATPA products and competing U.S. output. The upper range estimates reflect the assumption of high substitution elasticities. The lower range estimates reflect the assumption of low substitution elasticities.[9]

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[6] Welfare effects typically include a measure of the change in producer surplus. The change in producer surplus for ATPA producers was not considered in this analysis because the focus of the analysis was on the direct effects of ATPA provisions on the United States.

[7] Equations (4) through (6) are derived from P.R.G. Layard and A.A. Walters, *Microeconomic Theory* (New York: McGraw-Hill, 1978).

[8] The aggregate elasticities were taken from sources referenced in USITC, *Potential Impact on the U.S. Economy and Selected Industries of the North American Free-Trade Agreement*, USITC publication 2596, January 1993.

[9] Commission industry analysts provided evaluations of the substitutability of ATPA products and competing U.S. products, which were translated into a range of substitution elasticities—3 to 5 for high substitutability, 2 to 4 for medium, and 1 to 3 for low. Although there is no theoretical upper limit to elasticities of substitution, a substitution elasticity of 5 is consistent with the upper range of estimates in the economics literature. Estimates in the literature tend to be predominantly lower. See, for example, Clinton R. Shiells, Robert M. Stern, and Alan V. Deardorff, "Estimates of the Elasticities of Substitution Between Imports and Home Goods for the United States," *Weltwirtschaftliches Archiv*, 122 (1986), pp. 497-519.

Given equations (1)′ through (4)′, one can derive the following equations for calculating the changes in consumer surplus, tariff revenue, and domestic output:

Consumer surplus (where k is a constant)

$$\text{area of trapezoid } P_a a b P_a' = \int_{P_a'}^{P_a} k P_a^{\varepsilon_{aa}} dP_a$$

$$= [1/(1+\varepsilon_{aa})]\,[(1+t)^{(1+\varepsilon_{aa})} - 1]P_a'Q_a' \quad \text{if } \varepsilon_{aa} \neq -1$$

$$= k \ln(1+t) \quad \text{if } \varepsilon_{aa} = -1$$

Tariff revenue from U.S. imports from ATPA partners

$$\text{area of rectangle } P_a a c P_a' = (P_a - P_a')Q_a$$

$$= P_a' t Q_a \quad \text{given } P_a = P_a'(1+t)$$

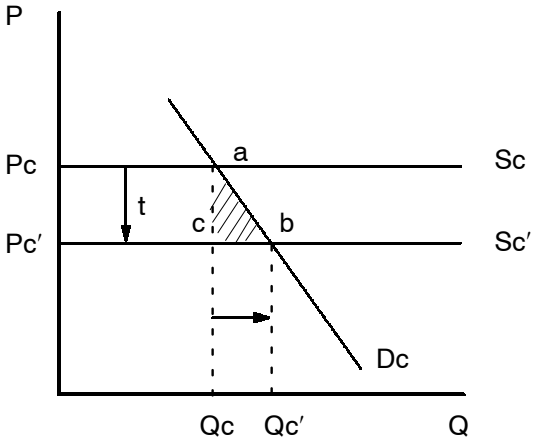
$$= t P_a' Q_a' (1+t)^{\varepsilon_{aa}} \quad \text{given } Q_a = Q_a'(1+t)^{\varepsilon_{aa}}$$

Domestic output

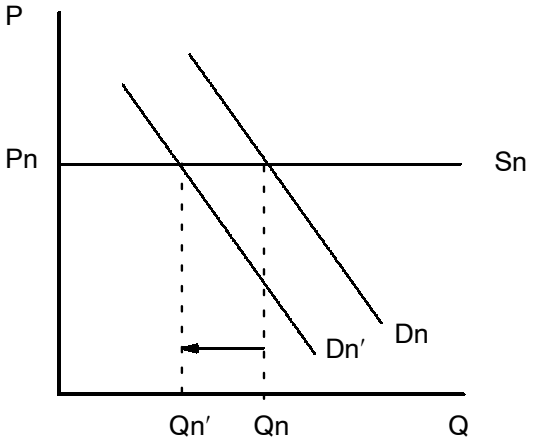
$$\text{area of rectangle } Q_d' d e Q_d = P_d(Q_d - Q_d')$$

$$= P_d Q_d' [(1+t)^{\varepsilon_{da}} - 1]$$

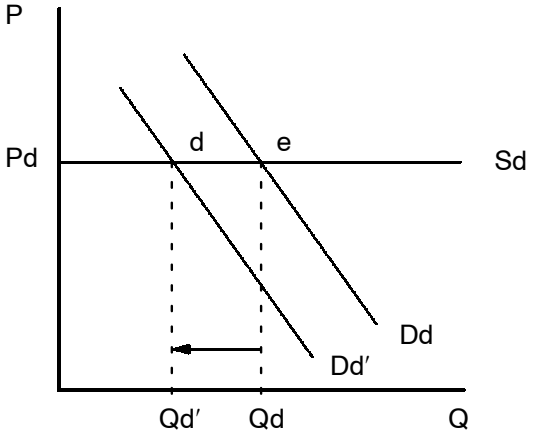
Figure C-1
Partial equilibrium analysis of the effects of ATPA duty provisions on U.S. imports



a. ATPA imports



b. non-ATPA imports



c. U.S. domestic output

Technical Notes to Chapter 4: The GTAP Model

The Global Trade Analysis Project (GTAP) model is a static general equilibrium model consisting of a documented global data base on international trade, country and regional interindustry relationships, national income accounts, and a standard modeling framework to organize and analyze the data.[10] GTAP allows for comparisons of the global economy in two environments–one in which the base values of policy instruments such as tariffs are unchanged, and another in which these measures are changed, or "shocked," to reflect the policies that are being studied. A change in policy makes itself felt throughout the countries or regions depicted in the model. However, the model says nothing about the speed with which changes occur, or about what has happened to change some of the underlying dynamic structures of the economies, such as foreign direct investment or technological changes that may alter the future growth pattern of economies.

Results from the GTAP model are based upon established global trade patterns. This means that the model is unable to estimate changes in trade in commodities that have not been traded historically, nor does the model capture changes in production of illicit commodities such as coca. To be clear, if zero trade now exists between two countries for a particular commodity, the model will assume that there will always be no trade in that commodity. Furthermore, the GTAP model does not account for trade that may exist for such reasons as the distance between countries or cultural preferences. In particular, the model will tend to show smaller effects of policy changes operating on smaller trade flows, and larger effects on larger trade flows.

In the GTAP model, domestic products and imports are consumed by firms, governments, and households. Product markets are assumed to be perfectly competitive (implying zero profits for the firm), with imports as imperfect substitutes for domestic products. That is, consumers are aware of the source of the products and may distinguish between them based on the foreign or domestic origin. Finally, sectoral production is determined by global demand and supply of the output.

Regions and Sectors in the Model

The current version of the GTAP database (version 4) covers trade in 50 commodity aggregates, or GTAP sectors, among 45 countries or regions. For the purpose of this analysis, the database has been aggregated to the following three regions: Andean region, United States, and rest of world; and the following four sectors: agriculture, manufacturing, services, and other primary products (plant-based fibers, forestry products, coal, oil, gas, and minerals).

GTAP Model Trade Data

In addition to the data on trade in each of the commodities between each pair of countries or regions in the model, there are data on the domestic production and use of each commodity (including intermediate products), the supply and use of land, labor, capital, the population, and GDP. The database also contains information on tariffs, most nontariff barriers, and other taxes. However, information on the service sector is limited and highly aggregated. An additional component of the data is a set of parameters which, in the context of the model's equations, determine its behavior. These are principally a set of elasticity values that determine, among other things, the extent to which imports and domestically produced goods are substitutes for one another. The GTAP database is based on the year 1995, i.e., trade flows and barriers, population and other data refer to the world in that year.

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[10] See Thomas W. Hertel (ed.), Global Trade Analysis: Modeling and Applications (New York: Cambridge University Press, 1997).

APPENDIX D
Statistical Tables for Chapter 2

Table D-1
Leading U.S. imports for consumption entered under ATPA, by sources, 1998-99

Source	HTS Provision	Description	Value 1998	Value 1999	Change, 1999 over 1998
			1,000 dollars		*Percent*
Colombia	3212.90.00	Pigments dispersed in nonaqueous media, in liquid or paste form, used in making paints; dyes & coloring matter packaged for retail sale	39,560	160,939	306.82
	0603.10.70	Chrysanthemums, standard carnations, anthuriums and orchids, fresh cut	143,225	133,376	-6.88
	0603.10.60	Roses, fresh cut	138,139	123,737	-10.43
	2843.30.00	Gold compounds	48,139	56,649	17.68
	0603.10.80	Cut flowers and flower buds suitable for bouquets or ornamental purposes, fresh cut, nesi	42,523	46,019	8.22
	0603.10.30	Miniature (spray) carnations, fresh cut	36,612	39,169	6.98
		Total	448,200	559,889	24.92
Peru	7403.11.00	Refined copper cathodes and sections of cathodes	200,984	323,788	61.10
	7113.19.10	Precious metal (o/than silver) rope, curb, etc. in continuous lengths, whether or not plated/clad precious metal, for jewelry manufacture	49,731	53,222	7.02
	7901.11.00	Zinc (o/than alloy), unwrought, containing o/99.99% by weight of zinc	24,242	52,001	114.50
	7113.19.50	Precious metal (o/than silver) articles of jewelry and parts thereo, whether or not plated or clad with precious metal,nesoi	35,172	26,484	-24.70
		Total	310,129	455,495	46.87
Ecuador	1604.14.40	Tunas and skipjack, not in airtight containers, not in oil, in bulk or in immediate containers weighing with contents over 6.8 kg each	45,399	75,682	66.71
	0603.10.60	Roses, fresh cut	57,460	59,130	2.91
	0603.10.80	Cut flowers and flower buds suitable for bouquets or ornamental purposes, fresh cut, nesi	27,164	26,930	-0.86
	4421.90.98	Articles of wood, nesoi	13,991	15,044	7.53
	0804.50.40	Guavas, mangoes, and mangosteens, fresh, if entered during the period September 1 through May 31, inclusive	3,628	6,578	81.34
		Total	147,641	183,364	24.20
Bolivia	7113.19.50	Precious metal (o/than silver) articles of jewelry and parts thereo, whether or not plated or clad with precious metal,nesoi	19,648	21,412	8.98
	7113.19.29	Gold necklaces and neck chains (o/than of rope or mixed links)	9,296	14,007	50.68
	4418.20.80	Doors of wood, other than French doors	6,406	9,536	48.85
		Total	35,350	44,954	27.17

Note.—The abbreviation “nesi” stands for ”not elsewhere specified or included.” The abbreviation “nesoi” stands for “not elsewhere specified or otherwise included.”

Source: Compiled from official statistics of the U.S. Department of Commerce.

APPENDIX E
List of Frequently Used Abbreviations and Acronyms

List of Frequently Used Abbreviations and Acronyms

ATPA	Andean Trade Preference Act
CBERA	Caribbean Basin Economic Recovery Act
EU	European Union
FAA	Foreign Assistance Act
FDI	Foreign direct investment
FTAA	Free-Trade Area of the Americas
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
GSP	Generalized System of Preferences
HTS	Harmonized Tariff Schedule
INCSR	International Narcotics Control Strategy Report
IPR	Intellectual property rights
LAC	Latin America and the Caribbean
MFN	Most-favored-nation
NAFTA	North American Free-Trade Agreement
PLANTE	"Plan Nacional de Desarrollo Alternative" (National Plan for Alternative Development)
ROW	Rest of the world
TRQs	Tariff-rate quotas
UNDCP	United Nations International Drug Control Program
USAID	United Nations Agency for International Development
USITC	U.S. International Trade Commission
USTR	United States Trade Representative
WTO	World Trade Organization

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