

United States International Trade Commission

The Impact of the Andean Trade Preference Act

Eighth Report 2001

Investigation No. 332-352
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U.S. International Trade Commission

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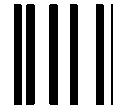
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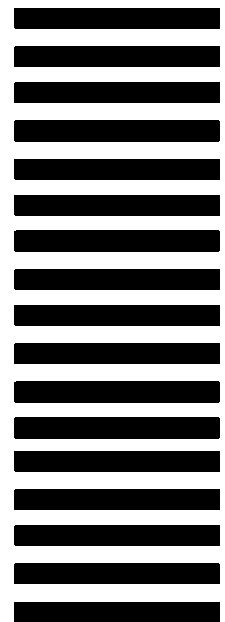
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Andean Trade Preference Act: Impact on U.S. Industries and Consumers and on Drug Crop Eradication and Crop Substitution

Eighth Report 2001

Investigation No. 332-352



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ABSTRACT

The submission of this study to the Congress continues a series of 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 covers calendar year 2001 and represents the eighth 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. ATPA expired 10 years later on December 4, 2001. Previous reports in this series were submitted to the President and the Congress under section 206 of the ATPA. With the expiration of ATPA, this report was prepared at the request of the Committee on Ways and Means of the U.S. House of Representatives under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)). Each report in the series assesses the economic impact of ATPA on the U.S. economy generally and on U.S. industries and consumers, and the effectiveness of the Act in promoting drug-related crop eradication and crop substitution efforts of beneficiary countries. On August 6, 2002, President Bush signed into law the Andean Trade Promotion and Drug Eradication Act, which renews ATPA through December 31, 2006.

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 2001. However, U.S. imports of ATPA-exclusive products were estimated to have potentially significant effects on domestic industries producing fresh-cut roses; chrysanthemums, carnations, anthuriums, and orchids; and asparagus. U.S. imports of all of the 20 leading ATPA-exclusive items produced net welfare gains for U.S. consumers in 2001. The probable future effect of ATPA on the United States, as estimated by an examination of export-oriented investment in the beneficiary countries, also is expected to be minimal in most sectors.

ATPA continued to have a small, indirect, but positive effect on drug-crop eradication and crop substitution efforts in Bolivia and Peru in 2001. ATPA appeared to have a limited effect on such efforts in Colombia, where net coca cultivation continued to increase in 2001. However, ATPA trade preferences helped strengthen Colombia's macroeconomic performance and provided jobs for workers who might otherwise have participated in illicit coca cultivation.

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) was signed into law in December 1991 and expired 10 years later on December 4, 2001. During that period, ATPA authorized eligible products from four Andean mountain countries—Bolivia, Colombia, Ecuador, and Peru—to enter the United States free of duty or at reduced rates of duty. The primary goal of ATPA was to promote broad-based economic development and viable economic alternatives to coca cultivation and cocaine production by offering Andean products broader access to the U.S. market. ATPA applied to the same categories covered by the more restrictive U.S. Generalized System of Preferences (GSP) program, but offered broader product coverage and more liberal product-qualifying rules. On August 6, 2002, the President signed into law the Andean Trade Promotion and Drug Eradication Act (ATPDEA), which renews ATPA preferences through December 31, 2006 and authorizes the extension of ATPA preferences to additional products.

This report, the eighth in a series, covers the impact on the United States of ATPA (in the form and product coverage in effect in 2001) during calendar year 2001. Previous reports in the series were submitted to the U.S. Congress under section 206 of the ATPA. With ATPA's expiration, this report was prepared at the request of the Committee on Ways and Means of the U.S. House of Representatives under section 332(g) of the Tariff Act of 1930. Each report assesses 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 estimates 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 ATPA-eligible investment in the beneficiary countries during 2001. Sources of information included data from the U.S. Department of Commerce, 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 \$1.67 billion in U.S. imports that entered under ATPA in 2001, imports valued at \$1.1 billion could not have received tariff preferences under any

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

other program. The five leading items benefiting exclusively from ATPA in 2001 were copper cathodes from Peru, which exceeded its GSP competitive-need limit; pigments from Colombia, which exceeded its GSP competitive-need limit; fresh-cut roses; chrysanthemums, carnations, anthuriums, and orchids from Colombia, which exceeded its GSP competitive-need limit; and certain asparagus.

- The overall effect of ATPA-exclusive imports on the U.S. economy and on consumers continued to be negligible in 2001. In 2001, the value of duty-free U.S. imports under ATPA accounted for just 0.15 percent of total U.S. imports, or about 0.02 percent of U.S. gross domestic product (GDP).
- Fresh-cut roses provided the largest gain in consumer surplus from lower prices and higher consumption (\$11.7 million to \$11.9 million). Asparagus provided the second-largest gain in consumer surplus (\$6.1 million to \$6.5 million) resulting exclusively from ATPA tariff preferences in 2001. 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 2001. Fresh-cut roses yielded the largest net welfare gain, valued at \$389,000 to \$514,000, followed by asparagus and pigments.
- 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 2001, based on upper-range estimates, were those producing fresh-cut roses (1.1 percent to 6.8 percent displacement, valued at \$0.7 million to \$4.4 million); chrysanthemums, carnations, anthuriums, and orchids (1.0 percent to 6.2 percent displacement, valued at \$0.3 million to \$1.8 million); and asparagus (1.7 percent to 5.9 percent displacement, valued at \$2.5 million to \$9.1 million).
- The probable future effect of ATPA (in the form that was in effect in 2001) on the United States is expected to be minimal in most economic sectors. Poor economic conditions in most of the ATPA countries, as well as globally, adversely affected investment in 2000 and 2001. Also, ATPA's expiration and the uncertainty regarding its renewal likely dampened investment in some ATPA-eligible products. However, the Commission was able to identify recent investments in the export-oriented production of ATPA-eligible products, including jewelry, leather goods, tuna, and wooden doors and frames.
- ATPA had small, indirect, and positive overall effects in support of illicit coca eradication and crop substitution efforts in Bolivia and Peru during 2001. ATPA appeared to have few, if any, discernable direct effects on coca eradication and crop substitution efforts in Colombia during 2001, where net coca cultivation continued to increase. Nevertheless, ATPA duty reductions helped strengthen Colombia's macroeconomic performance. As was particularly evident in the flower export sector and its supporting industries, ATPA remained an important source of employment creation and export revenue for Colombia as well as for Ecuador during 2001—providing jobs for workers who might otherwise have participated in illicit coca cultivation.

Trade-related activities in 2001

- In 2001, the U.S. trade deficit with ATPA countries narrowed slightly. U.S. imports from ATPA countries declined by 13.5 percent to \$9.6 billion, while U.S. exports to them increased 1.1 percent to \$6.4 billion. In 2001, the share of total U.S. imports that originated in ATPA countries fell to its lowest level since ATPA began—just 0.84 percent of total U.S. imports.
- Mineral fuels, oils, and bituminous substances continued to be the leading product category among U.S. imports from ATPA countries in 2001, accounting for over two-fifths of the total. Because of falling oil prices during the year, this group alone accounted for more than half of the decline in U.S. imports from ATPA countries in 2001. However, U.S. imports also declined in most other major product categories, reflecting weak U.S. demand resulting from the economic slowdown.
- The portion of overall U.S. imports from ATPA countries entering under ATPA dropped to 17.5 percent in 2001 from 17.8 percent in 2000 and from its peak ratio of 19.7 percent in 1998. The decline in the 2001 ratio reflected, in part, the shorter than 12-month duration of ATPA, which expired on December 4, 2001. Imports of most leading articles under the program declined, including flowers, refined copper cathodes, pigments, jewelry, and asparagus.
- In 2000 and 2001, copper and copper articles (primarily copper cathodes) was the number one product category imported under ATPA. From the implementation of ATPA through 1999, flowers was the leading category imported under ATPA.
- In 2001, Colombia was responsible for 42.9 percent of all imports under the program, Peru for 41.0 percent, Ecuador for 12.9 percent, and Bolivia for 3.2 percent.
- While weak economic performance in the Andean region continued to limit U.S. exports to Colombia, Peru, and Bolivia during 2001, U.S. exports to Ecuador increased 31.9 percent. Ecuador has benefited from a deceleration in inflation, as well as the jobs and investment associated with initial construction of the Transandean Heavy Oil Pipeline.

CHAPTER 1

Introduction

The U.S. Congress enacted the Andean Trade Preference Act (ATPA)¹ in 1991 for a 10-year period 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 authorized the President to proclaim preferential rates of duty on many Andean products entering the United States. The preferential trade benefits provided under ATPA were similar to those provided to Caribbean Basin countries under the Caribbean Basin Economic Recovery Act (CBERA).² ATPA expired on December 4, 2001.

This report—the eighth in a series—analyzes the impact on the United States of ATPA during calendar year 2001. Previous reports in this series were submitted to the U.S. Congress under section 206 of the ATPA.³ With the expiration of ATPA, this report was prepared at the request of the Committee on Ways and Means of the U.S. House of Representatives, but covers the same topics required under section 206 of the ATPA.⁴ Each report in the series analyzes the economic impact of ATPA on U.S. industries, consumers, and the economy in general, as well as the estimated effect of ATPA on drug-related crop eradication and crop substitution efforts of the beneficiary countries.

Throughout 2001, the Administration strongly supported renewal of ATPA and extension to include additional products.⁵ In November 2001, the House of Representatives passed a bill (H.R. 3009, the Andean Trade Promotion and Drug Eradication Act (ATPDEA)) to renew and extend ATPA. However, by year-end 2001, the program had not been renewed. During the period in December 2001 when ATPA was not in effect, all imports of goods otherwise eligible for claiming the ATPA tariff preference were subject to ordinary column 1-general duties at the time of entry. Because the U.S. Generalized System of Preferences (GSP) program also had lapsed

¹ ATPA was passed by the Congress on Nov. 26, 1991, and signed into law on Dec. 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); Apr. 30, 1993, for Ecuador (Presidential Proclamation 6544, 58 F.R. 19547); and Aug. 31, 1993, for Peru (Presidential Proclamation 6585, 58 F.R. 43239).

² CBERA was enacted Aug. 5, 1983, as Public Law 98-67, title II; 97 Stat. 384, 19 U.S.C. 2701 et seq. and became effective Jan. 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. Major amendments were made to CBERA by Public Law 106-200, the Caribbean Basin Trade Partnership Act.

³ The reporting requirement was set forth in sec. 206(b) of ATPA (19 U.S.C. 3204(b)).

⁴ A copy of the request letter can be found in appendix A.

⁵ USTR, *2002 Annual Report*, March 2002, p. 120, found at Internet address <http://www.ustr.gov>, retrieved June 13, 2002.

during this time period, GSP tariff preferences were not available for goods eligible under that program.⁶

On August 6, 2002, the President signed into law the ATPDEA as part of the Trade Act of 2002.⁷ The ATPDEA renewed the ATPA program and also extended its coverage to include certain products previously ineligible for ATPA trade preferences (see discussion later in this chapter). It also restored the Commission's reporting requirement without change.

Organization of the Report

The present chapter summarizes ATPA provisions as they applied in 2001 and describes the analytical approach used in the report. Chapter 2 analyzes U.S. trade with ATPA beneficiaries during 2001. Chapter 3 estimates the effects of ATPA in 2001 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, in the form and product coverage in effect in 2001. Chapter 4 analyzes the impact of ATPA on drug-crop eradication and crop substitution in the beneficiary countries.

Appendix A contains a copy of the request letter. Appendix B reproduces the *Federal Register* notice by which the Commission solicited public comment and appendix C contains a summary of those submissions received in response to the *Federal Register* notice. Appendix D explains the economic model used to derive the findings presented in chapter 3. Finally, appendix E contains a list of frequently used abbreviations.

Summary of the ATPA Program

ATPA authorized 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.⁸ ATPA trade preferences expired at midnight on December 4, 2001, 10 years after the date of enactment. The following

⁶ Effective Feb. 15, 2002, importers of articles that formerly qualified for duty-free treatment under ATPA were granted the option to defer the payment of estimated duties and fees after entry of these products until May 16, 2002. Because Congress did not renew or extend ATPA prior to May 16, 2002, importers were required to pay all applicable duties and fees by May 16, 2002. See 67 F.R. 7070 and U.S. Customs Service memo, "Expiration of Deferred Payment Period for Merchandise Previously Eligible for Duty-Free Treatment under the Andean Trade Preference Act," May 6, 2002, found at Internet address <http://www.customs.gov/impoexpo/expandean.htm>, retrieved June 13, 2002.

⁷ Public Law 107-210, title XXXI.

⁸ The World Trade Organization (WTO) renewed the United States' temporary waiver for the program on Oct. 14, 1996 until Dec. 4, 2001. A waiver is required because benefits are not extended on a most-favored-nation (MFN) basis. WTO General Council, "United States-Andean Trade Preference Act-Decision of 14 Oct. 1996, (WT/L/184).

sections summarize ATPA provisions as they applied through December 4, 2001, concerning beneficiaries, trade benefits, and qualifying rules, and the relationship between ATPA and the GSP. In addition, ATPA's renewal through enactment of the Andean Trade Promotion and Drug Eradication Act in August 2002 is addressed briefly.

Beneficiaries

Bolivia, Colombia, Ecuador, and Peru were the only countries eligible under the statute to be designated by the President for ATPA benefits.⁹ The statute authorized the President to terminate such designations or suspend or limit a country's ATPA benefits at any time.¹⁰ In determining whether to designate a country for ATPA benefits, the statute required the President to take into account whether that country had met the criteria for U.S. narcotics cooperation certification.¹¹ By 1993, all four countries had been designated for full ATPA benefits.¹²

ATPA beneficiaries were required, among other things, to afford internationally recognized worker rights as defined under the GSP program¹³ and to provide effective protection of intellectual property rights (IPR), including copyrights for film and television material.¹⁴ During the 10 years that ATPA was in effect, ATPA benefits were not withdrawn from any country on the basis of worker rights, inadequate protection of IPR, or lack of U.S. certification for cooperation on narcotics. None of the ATPA beneficiaries was the subject of a GSP review in 2001.¹⁵ In April 2001, the United States Trade Representative (USTR) conducted a review of country practices pertaining to IPR protection under the Special 301 provisions of the Trade Act of 1974, as amended, and placed 32 countries, including Bolivia, Colombia, and Peru, 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.¹⁶ Ecuador was removed from the watch list in 2001. In April 2002, the USTR placed 33 countries, including Bolivia and Peru, on the watch list, and elevated Colombia to the priority watch list for IPR monitoring.¹⁷ In general, piracy levels in the Andean region are high and enforcement efforts remain inadequate.¹⁸

⁹ 19 U.S.C. 3202(b).

¹⁰ 19 U.S.C. 3202(e).

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

¹² Bolivia and Colombia were designated for ATPA benefits in 1992; Ecuador and Peru were designated in 1993.

¹³ Sec. 502(a)(4), Trade Act of 1974, and title V generally (Public Law 93-618, 88 Stat. 2066 and following), as amended.

¹⁴ 19 U.S.C. 3202(c).

¹⁵ There were no active GSP country eligibility reviews of ATPA countries during 2001. Commission staff interview with USTR, June 18, 2002.

¹⁶ USTR, *2001 Special 301 Report*, Apr. 30, 2001, found at Internet address <http://www.ustr.gov>, retrieved June 13, 2002.

¹⁷ USTR, *2002 Special 301 Report*, Apr. 30, 2002, found at Internet address <http://www.ustr.gov>, retrieved June 13, 2002.

¹⁸ USTR, *2002 Annual Report*, p. 120, found at Internet address <http://www.ustr.gov>, retrieved June 13, 2002.

Trade Benefits Under ATPA

ATPA afforded 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.¹⁹ The preferential rates applied to most products of Andean countries were either tariff rates reduced to free or, for a small group of products, reduced by up to 2.5 percent ad valorem.²⁰ For some products, duty-free entry under ATPA was subject to certain conditions in addition to basic preference eligibility rules. Imports of sugar and beef, like those of some other agricultural products, remained subject to any applicable and generally imposed U.S. quotas and food-safety requirements.²¹ 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 were eligible to enter at reduced rates of duty.²² Not eligible for any ATPA preferential duty treatment by law were most textiles and apparel, certain footwear, canned tuna, petroleum and petroleum derivatives, certain watches and watch parts, certain sugar products, and rum.²³

Qualifying Rules

To be eligible for ATPA treatment, ATPA products either had to be wholly grown, produced, or manufactured in a designated ATPA country or had to be “new or different” articles made from substantially transformed non-ATPA inputs.²⁴ The cost or value of the local (ATPA region) materials and the direct costs of processing in one or more ATPA countries had to total at least 35 percent of the appraised customs value of the product at the time of entry. ATPA countries were permitted to pool their resources to meet the value-content requirement and to count inputs from Puerto Rico,

¹⁹ For some products, the general or normal trade relations rate is free.

²⁰ 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.

²¹ These U.S. measures included 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 continued to be subject to sanitary and phytosanitary restrictions, such as those administered by the U.S. Animal and Plant Health Inspection Service.

²² This provision applied to certain articles that were not designated for GSP duty-free entry as of Aug. 5, 1983 (the date of enactment of the CBERA). 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).

²³ 19 U.S.C. 3203(b).

²⁴ Products undergoing the following operations did 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 U.S. Virgin Islands, and countries designated under CBERA²⁵ 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 components²⁶ and goods containing inputs that had undergone double substantial transformation within the ATPA countries and counted with other qualifying inputs to total 35 percent, were deemed to meet the 35 percent value-content requirement.²⁷

ATPA and GSP

The four ATPA beneficiaries also were GSP beneficiaries.²⁸ ATPA and GSP provisions were similar in many ways in 2001, and many products could enter the United States free of duty under either program. Both programs offered increased access to the U.S. market. Like ATPA, GSP required 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 were identical—a Certificate of Origin Form A had to be presented at the time the qualifying products entered the United States, though slightly varying value-related information was required under the two programs.

However, the two programs differed in several ways that tended to make Andean producers prefer the more liberal ATPA. First, ATPA covered more tariff categories than GSP. Unless specifically excluded, all products under ATPA could be designated as having a tariff preference. Second, by law, U.S. imports under ATPA were not subject to GSP competitive-need and country-income restrictions. Under GSP, products that achieved a specified level of imports into the United States, either in absolute terms or as a percentage of U.S. imports—the competitive need limit—could be excluded from GSP eligibility; products so restricted under GSP could continue to

²⁵ Those countries are 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.

²⁶ 19 U.S.C. 3203(a).

²⁷ 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 could 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 could 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.

²⁸ The U.S. GSP program originally was 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.

enter free of duty under ATPA. Countries could lose all GSP privileges once their national income grew to exceed a specified amount. Third, ATPA qualifying rules for individual products were more liberal than those of GSP. GSP required 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 allowed 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,²⁹ which has encouraged suppliers to use ATPA rather than GSP. Most recently, the program expired on September 30, 2001, but was renewed August 6, 2002, retroactive to October 1, 2001 and continuing through December 31, 2006.³⁰ 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 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.³¹

Andean Trade Promotion and Drug Eradication Act

On August 6, 2002, the President signed into law the Andean Trade Promotion and Drug Eradication Act (ATPDEA),³² which renews ATPA and enhances it for separately designated Andean beneficiary countries. ATPDEA authorizes the extension of duty-free treatment to certain products previously excluded from ATPA preferences, including certain textiles and apparel,³³ footwear, petroleum and petroleum derivatives, watches and watch parts, and leather handbags, luggage, flat goods, work gloves, and leather wearing apparel. It also allows expanded benefits for certain tuna in smaller foil or other flexible packages (not cans). All of these enhanced benefits will be implemented by Presidential proclamation when at least one of the four countries is designated under the ATPDEA. The renewal is retroactive to December 4,

²⁹ 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). The program expired on June 30, 1999, but was renewed Dec. 17, 1999, retroactive to July 1, 1999 through Sept. 30, 2001 (65 F.R. 11367-11368).

³⁰ Public Law 107-210, sec. 4101.

³¹ See chapter 2 for an analysis of the trends in the use of GSP and ATPA.

³² Public Law 107-210, title XXXI.

³³ For a more detailed discussion of the provisions addressing textiles and apparel trade, see the chapter 2 section on textiles and apparel.

2001, when ATPA expired; thus, duties paid on eligible articles when ATPA was not in effect are now eligible for refund. The new law renews ATPA through December 31, 2006.

Analytical Approach

The ATPA program allowed 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 limited 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 likely 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 2001;³⁴ 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.³⁵

³⁴ 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.

³⁵ A copy of the notice is contained in appendix B.

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 likely would have occurred if NTR tariffs had been in place for beneficiary countries in 2001. Actual 2001 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 2001 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.³⁶ 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.³⁷ The model used 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, but the effects of ATPA duty reductions on most U.S. industries were expected to be small.

This analysis estimates potential net welfare effects and industry displacement, and these estimates 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.³⁸ 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).³⁹ Estimates of welfare and potential U.S. industry

³⁶ A more detailed explanation of the approach can be found in appendix D.

³⁷ 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 that exceeds earnings for 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.

³⁸ 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.

³⁹ 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.

displacement were made, and industries for which estimated upper-range potential displacement was more than 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 and the Agency for International Development.

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 during 2001. 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,¹ and because 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 countries as sources of and destinations for this trade also is covered. When appropriate, developments during 2001 are discussed in the context of longer-term trends.

During 2001, the economies of the four Andean nations continued to stagnate due to a slowdown in the world economy, including a recession in the United States—which is their major export market; low world market prices of their exports; and political uncertainty. Colombia was hit particularly hard by ongoing illegal narcotics-related terrorism that disrupted transportation, reduced supplies of electricity, and discouraged investment in manufacturing and agriculture. However, these nations continued to register a collective surplus in trade with the United States, which they have had since 1999 (figure 2-1).

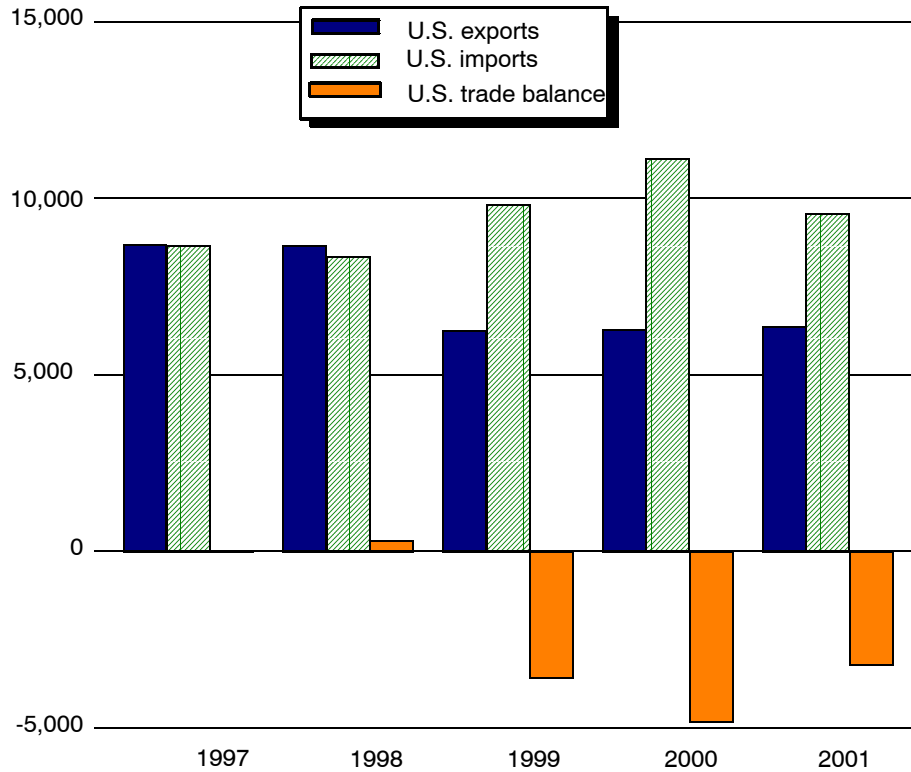
Since 1999, U.S. exports to ATPA countries have remained slightly higher than \$6 billion, substantially below the levels registered during each of the prior 5 years. Meanwhile, U.S. imports from ATPA countries rose steadily between 1998 and 2000, exceeding \$11 billion in 2000, before falling to \$9.6 billion in 2001. Since the sale of petroleum and its derivatives to the United States is an important portion of this trade, lower world market prices of petroleum was a major factor in the 2001 decline of U.S. imports from ATPA countries. The economic slowdown in the United States also dampened U.S. demand for most imports, including imports from the Andean region.

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 a peak 1.4 percent in 1995 and 1998. With

¹ In 2001, 17.5 percent of total U.S. imports from ATPA countries was reported under ATPA. After adjustments made for erroneous entries, the ratio was 17.3 percent.

Figure 2-1
U.S. trade with ATPA countries, 1997-2001

Million dollars



■ U.S. exports	8,681.8	8,670.1	6,263.2	6,295.1	6,363.3
▨ U.S. imports	8,673.6	8,361.0	9,830.2	11,117.2	9,568.7
■ U.S. trade balance	8.2	309.1	-3,567.0	-4,822.1	-3,205.3

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

lower U.S. exports to ATPA countries in the period 1999 through 2001, this share dropped to 1.0 percent or less (table 2-1). The combined share of ATPA countries as a supplier to the U.S. market had alternated between 0.9 percent and 1.0 percent of overall U.S. imports from the world through the year 2000. This ratio dropped, however, to 0.8 percent in 2001 for the first time in recent years.

Total Imports

Total U.S. imports from ATPA countries (including both the portions affected and unaffected by ATPA preferences) amounted to \$11.1 billion in 2000, and declined to \$9.6 billion or by 13.9 percent in 2001. ATPA countries collectively were the 23rd largest supplier of U.S. imports from the world, larger than Switzerland but smaller than Hong Kong. Table 2-2 and figure 2-2 show the composition of total U.S. imports

Table 2-1
U.S. trade with ATPA countries, 1991-2001

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
	<i>Million dollars</i>	<i>Percent</i>	<i>Million dollars</i>	<i>Percent</i>	<i>Million dollars</i>
1991	3,798.2	0.9	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	0.9	76.7
1994	6,445.0	1.3	5,879.5	0.9	565.5
1995	7,820.2	1.4	6,968.7	0.9	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	0.9	309.1
1999	6,263.2	1.0	9,830.2	1.0	-3,567.0
2000	6,295.1	0.9	11,117.2	0.9	-4,822.1
2001	6,363.3	1.0	9,568.7	0.8	-3,205.3

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.

from ATPA countries in 1997-2001 by major product categories. They show a significant increase in the relative shares of copper and knitted apparel products, plummeting shares of coffee and fish, and the receding importance of flowers and jewelry in the total.

Table 2-3 lists the 20 leading U.S. import items from ATPA countries from 1999 through 2001 on an 8-digit HTS provision basis, ranked by their 2001 import value. Notably, imports of most products on this list dropped by value during 2001. In the case of petroleum-related and other natural resource-based products, slackening demand due to recession in the United States and lower world market prices caused the decline. With respect to ATPA-eligible products, the expiration of ATPA on December 4, 2001, and the resulting reduction of such ATPA-eligible U.S. imports in December further restricted overall 2001 U.S. imports from ATPA countries.²

Product Composition and Leading Items

Despite the growth of nontraditional exports, some of which enter the United States under ATPA, traditional products, including petroleum, bituminous coal, coffee, and bananas, remain an important component of the ATPA countries' export mix to the United States.

² Those leading articles that enter free of duty under ATPA are discussed under "Imports under ATPA" later in this chapter.

Table 2-2
Leading U.S. imports for consumption from ATPA countries, by major product categories, 1997-2001

HTS Chapter	Description	1997	1998	1999	2000	2001
<i>Value (1,000 dollars)</i>						
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	2,928,673	2,397,896	3,555,699	4,783,829	3,916,000
74	Copper and articles thereof	257,242	240,448	353,731	601,776	506,178
08	Edible fruit and nuts; peel of citrus fruit or melons	487,308	516,568	587,067	517,442	497,762
61	Articles of apparel and clothing accessories, knitted or crocheted	320,815	370,696	463,069	536,544	483,580
06	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	446,675	454,385	438,735	441,745	408,752
09	Coffee, tea, mate and spices	1,009,732	834,876	629,643	541,473	371,385
03	Fish and crustaceans, molluscs and other aquatic invertebrates	759,982	729,590	533,682	345,307	365,743
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	596,926	912,388	704,196	467,933	358,474
29	Organic chemicals	161,051	132,313	292,501	477,396	307,416
62	Articles of apparel and clothing accessories, not knitted or crocheted	245,172	242,985	245,379	294,488	270,133
	Subtotal	7,213,574	6,832,145	7,803,703	9,007,934	7,485,422
	All other	1,459,989	1,528,892	2,026,513	2,109,291	2,083,239
	Total	8,673,564	8,361,036	9,830,217	11,117,225	9,568,661

See notes at end of table.

Table 2-2—Continued

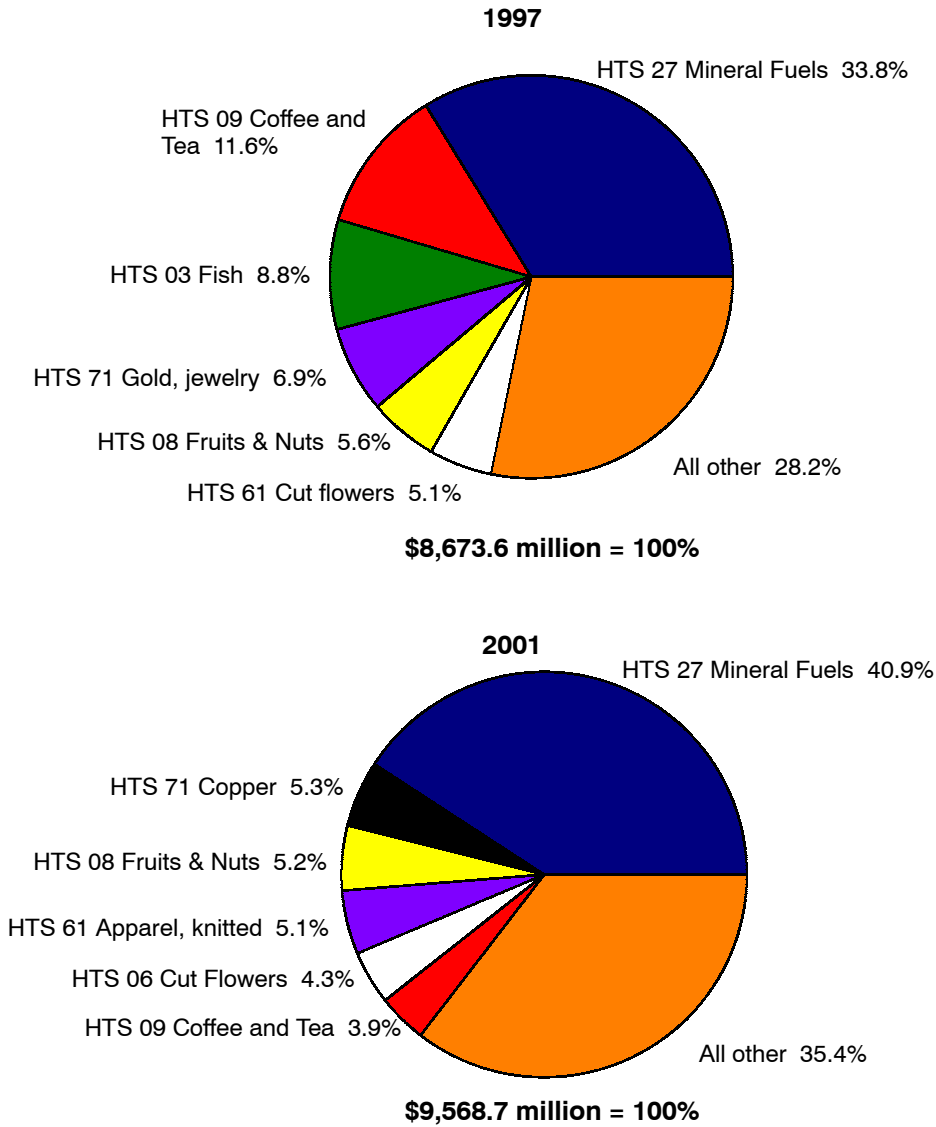
Leading U.S. imports for consumption from ATPA countries, by major product categories, 1997–2001

HTS Chapter	Description	1997	1998	1999	2000	2001
<i>Percent of total</i>						
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	33.77	28.68	36.17	43.03	40.93
74	Copper and articles thereof	2.97	2.88	3.60	5.41	5.29
08	Edible fruit and nuts; peel of citrus fruit or melons	5.62	6.18	5.97	4.65	5.20
61	Articles of apparel and clothing accessories, knitted or crocheted	3.70	4.43	4.71	4.83	5.05
06	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	5.15	5.43	4.46	3.97	4.27
09	Coffee, tea, mate and spices	11.64	9.99	6.41	4.87	3.88
03	Fish and crustaceans, molluscs and other aquatic invertebrates	8.76	8.73	5.43	3.11	3.82
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	6.88	10.91	7.16	4.21	3.75
29	Organic chemicals	1.86	1.58	2.98	4.29	3.21
62	Articles of apparel and clothing accessories, not knitted or crocheted	2.83	2.91	2.50	2.65	2.82
	Subtotal	83.17	81.71	79.38	81.03	78.23
	All other	16.83	18.29	20.62	18.97	21.77
	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, 1997 and 2001



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

Only certain petroleum and apparel products listed in table 2-3 are dutiable under the column 1-general duty rates of the HTS, formerly known as MFN duty rates and now known as normal trade relations (NTR) rates. Other leading items are eligible for duty-free treatment under ATPA, including cut flowers, refined copper cathodes, and pigments.³ The remaining items on the list are free under NTR rates, including coffee, bituminous coke and coal, tin, shrimp and prawns, and bananas.

³ Ibid.

Table 2-3
Leading U.S. imports for consumption from ATPA countries, by HTS provisions, 1999-2001

HTS Provision	Description	1999	2000	2001	Change 2001 over 2000
		1,000 dollars			Percent
2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more	1,039,092	1,142,458	786,975	-31.12
2709.00.10	Petroleum oils and oils from bituminous minerals, crude, testing under 25 degrees A.P.I.	581,463	1,057,583	686,221	-35.11
2710.00.05	Distillate and residual fuel oils (including blends) derived from bituminous minerals, testing under 25 degrees A.P.I.	477,059	678,109	612,889	-9.62
7403.11.00	Refined copper cathodes and sections of cathodes	327,252	566,402	455,889	-19.51
0803.00.20	Bananas, fresh or dried	482,761	413,633	391,052	-5.46
2713.11.00	Coke, petroleum, not calcined	278,307	317,019	318,232	0.38
0901.11.00	Coffee, not roasted, not decaffeinated	558,133	478,781	317,053	-33.78
2701.12.00	Coal, bituminous, whether or not pulverized, but not agglomerated	131,537	199,410	314,231	57.58
2710.00.10	Distillate and residual fuel oils (including blends) derived from bituminous minerals, testing 25 degrees A.P.I. or more	296,604	298,867	258,790	-13.41
0306.13.00	Shrimps and prawns, cooked in shell or uncooked, dried, salted or in brine, frozen	447,397	223,270	252,137	12.93
2711.29.00	Petroleum gases and other gaseous hydrocarbons, except natural gas	214,310	302,419	228,046	-24.59
3212.90.00	Pigments dispersed in nonaqueous media, in liquid or paste form, used in making paints; dyes & coloring matter packaged for retail sale	160,939	200,722	196,836	-1.94
2710.00.25	Naphthas (ex. motor fuel or mtr fuel blend. stock), fr. petro oils and bitumin. minrls, o/than crude, or preps. 70%+ by wt. fr. petro. oils	110,448	164,646	189,322	14.99
0603.10.60	Roses, fresh cut	182,986	192,436	188,521	-2.03
6110.20.20	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, nesoi	132,514	196,032	180,538	-7.90
7108.12.10	Gold, nonmonetary, bullion and dore	351,466	198,376	100,264	-49.46
0603.10.70	Chrysanthemums, standard carnations, anthuriums and orchids, fresh cut	138,125	121,322	99,098	-18.32
8001.10.00	Tin (o/than alloy), unwrought	78,883	104,812	92,884	-11.38
0603.10.80	Cut flowers and flower buds suitable for bouquets or ornamental purposes, fresh cut, nesoi	74,789	92,044	90,491	-1.69
2711.14.00	Ethylene, propylene, butylene and butadiene, liquefied	54,075	108,176	89,962	-16.84
	Subtotal	6,118,140	7,056,517	5,849,430	-17.11
	All other	3,712,076	4,060,708	3,719,231	-8.41
	Total	9,830,217	11,117,225	9,568,661	-13.93

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.

Mineral fuels, oils, and bituminous substances (HTS chapter 27) continued to be the leading HTS category in U.S. imports from the ATPA countries in 2001, accounting for over two-fifths of all U.S. imports from these countries (table 2-2 and figure 2-2). Heavy petroleum oils (HTS provision 2709.00.20) and light petroleum oils (HTS provision 2709.00.10) were the number one and number two U.S. import items, respectively, from ATPA countries (table 2-3). Trade-related NTR ad valorem equivalent tariffs on these two items averaged less than 1 percent in 2001.

Some 70 percent of chapter 27 imports from ATPA countries originated in Colombia, and more than 20 percent in Ecuador during 2001. Chapter 27 imports from Colombia encompass several petroleum-based products, but heavy oils (crude petroleum testing 25 degrees A.P.I. or more) were dominant, accounting for about one-third of all chapter 27 imports from that country. Petroleum-related U.S. imports from Ecuador are concentrated in light oils (crude petroleum testing 25 degrees A.P.I. or less), which account for about four-fifths of all petroleum-based imports from that country. The value of petroleum-based imports increased by one-third during 2000 when petroleum prices were high, but was down in 2001, as world petroleum prices declined. Lower world market prices reflected excess production capacity for crude petroleum and diminished demand, as the economic climate deteriorated worldwide. In addition, demand for commercial jet fuel declined sharply following the September 11 terrorist attacks.

Copper and copper articles (HTS chapter 74), the second-largest import chapter from ATPA countries, has a significant component of ATPA-eligible items; therefore, it is discussed below in the section "Imports under ATPA." Similarly, HTS chapter 06, which consists almost entirely of ATPA-eligible cut flowers, and HTS chapter 71, which includes ATPA-eligible jewelry, are discussed in that section.

About four-fifths of edible fruit (HTS chapter 08) imports, the third most important product category from ATPA countries, is accounted for by fresh or dried bananas (HTS provision 0803.00.20), the fourth leading item imported from ATPA countries (table 2-3). U.S. banana imports from ATPA countries peaked in 1999, and declined somewhat thereafter. In 2001, Ecuador, the world's largest banana producing country, ranked as the second largest U.S. supplier of bananas among all countries, after Costa Rica.⁴ Another ATPA country, Colombia, was the fourth largest supplier among all countries, after Guatemala.

Although knitted and nonknitted apparel (HTS chapters 61 and 62), the fourth and tenth major U.S. import chapters from ATPA countries, were not eligible for duty-free treatment under ATPA during 2001, their shares in total U.S. imports from ATPA countries increased. In 1997, the combined share of these two HTS categories in all U.S. imports was 6.5 percent, and in 2001, it was 7.9 percent. Knitted sweaters and pullovers (HTS provision 6110.20.20) were a leading import item from ATPA countries

⁴ A transfer of quota allocations formerly reserved for former European colonies in Africa, the Caribbean, and the Pacific areas improved access to the European Union for bananas grown in Ecuador (including those from U.S. growers such as Chiquita Brands International), beginning Jan. 1, 2002.

in 2001, supplied mostly by Peru. Imports of sweaters and pullovers increased sharply through the year 2000; they declined, however, in 2001 as imports have for most other items (table 2-3).⁵

Goods in HTS chapter 09 constituted the sixth-largest category from ATPA countries in 2001, with coffee accounting for most of the imports (table 2-2 and figure 2-2). Coffee, not roasted, not decaffeinated (HTS provision 0901.11.00) was the seventh leading import item from ATPA countries (table 2-3). U.S. imports were up during the year by volume, but low prices caused the value of U.S. imports to fall by some one third, compared with 2000.⁶ In addition, the Colombian Government eliminated price support for coffee production in 2001, depressing prices further. Such low prices, which in many cases did not even cover costs, led to decreased investments in fertilizer and other inputs into coffee production.

Colombia is the number one coffee supplier to the United States among all countries of the world, accounting in 2001 for 22 percent of all U.S. imports, followed by Guatemala and Brazil. Colombia was the source of more than four-fifths of U.S. coffee imports from ATPA countries, and Peru the source of 14.7 percent. U.S. imports from Peru declined in both volume and value in 2001.

More than two-thirds of U.S. seafood (HTS chapter 03) imports from ATPA countries consist of shrimp (HTS provision 0306.13.00), which was a leading seafood item from these countries in 2001. Ecuador was the fifth largest foreign supplier of shrimp to the United States.⁷ The coastal areas of Ecuador provide ideal conditions for shrimp aquaculture. However, production has suffered in recent years, because Ecuador's shrimp industry has been weakened by a virus that stunts the growth of shrimp larvae.

Finally, nonalloyed tin (HTS provision 8001.10.00) is a major U.S. import from ATPA countries. Peru was the leading provider among all countries (36.8 percent of the total) and Bolivia ranked third (16.6 percent), following China.

Textiles and Apparel

The ATPA countries are a small source of U.S. imports of textiles and apparel, almost all of which were ineligible for duty-free entry under ATPA. Imports of such goods from ATPA countries fell for the first time in 4 years in 2001, falling by 9.7 percent from the 2000 level to \$816 million (table 2-4), or 1 percent of total U.S. textile and apparel imports.⁸ The decline largely reflected a slowdown in U.S. economic activity and keen

⁵ For more detail, see "Textiles and Apparel" later in this chapter.

⁶ World oversupply of coffee has led to the lowest world market prices in decades, a decline of 41 percent in 2001, compared with 2000. The maturation of trees planted in Vietnam in anticipation of normalized trade relations with the United States contributed to the global oversupply.

⁷ Thailand, Mexico, Vietnam, and India ranked ahead of Ecuador in supplying the United States with shrimp.

⁸ The data presented here and in table 2-4 include apparel in HTS chapters 61 and 62 (i.e., the vast majority of imports from ATPA countries) as well as textile articles classified in HTS chapters 50-60 and 63.

Table 2-4
Textiles and apparel: U.S. imports for consumption from ATPA countries,
by sources, 1997-2001

(1,000 dollars)

Source	1997	1998	1999	2000	2001
Peru	222,806	245,697	325,705	407,920	386,369
Colombia	384,039	397,746	414,400	450,927	382,762
Ecuador	23,809	18,680	22,873	26,555	28,878
Bolivia	12,789	17,241	15,696	18,991	18,303
Total	643,443	679,364	778,673	904,394	816,310

Note.—The data in this table include apparel in HTS chapters 61 and 62 (i.e., the vast majority of imports from the ATPA countries) as well as textile articles classified in HTS chapters 50-60 and 63.

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

price competition from low-cost countries in Asia following the Asian financial crisis of 1997-98, and from Caribbean Basin countries benefiting from new U.S. trade benefits.⁹ The ATPA shipments consist mostly of apparel and come almost entirely from Peru and Colombia, the latter of which is the only ATPA country subject to U.S. textile and apparel quotas.¹⁰

Peru supplanted Colombia as the largest ATPA supplier of textiles and apparel to the United States for the first time in 2001; Peru's shipments fell by a smaller amount (\$22 million) than those from Colombia (\$68 million). Unlike Peru, which uses very few U.S. textile inputs, Colombia uses large quantities of U.S. inputs in the production of apparel for export to the United States. Almost one-half, or \$177 million, of U.S. textile and apparel imports from Colombia in 2001 involved apparel production-sharing trade, in which U.S. firms ship cut pieces offshore for assembly and reimport the finished goods for sale in the U.S. market.¹¹

⁹ The United States-Caribbean Basin Trade Partnership Act provides for duty-free and quota-free treatment for imports of qualifying textiles and apparel from Caribbean Basin countries during a transition period that began on Oct. 1, 2000, and ends on the earlier of Sept. 30, 2008, or on the date on which the Free Trade Area of the Americas or a comparable free-trade agreement between the United States and Caribbean Basin countries enters into force.

¹⁰ U.S. import quotas on textiles and apparel from Colombia and other WTO countries will be phased out on Jan. 1, 2005, as required under the Uruguay Round Agreements. Colombia filled neither of its 2001 quotas on cotton printcloth (less than 1 percent filled) or men's and boys' wool suits (92 percent filled); these two products represented less than 1 percent of U.S. textile and apparel imports from Colombia in 2001.

¹¹ Imports of the assembled goods enter under heading 9802.00.80 (formerly 807) of the HTS, which provides a duty exemption for U.S. components returned to the United States in the form of finished articles. In general, the duty is assessed only on the value-added abroad.

ATPA textile and apparel industry¹²

The textile and apparel industry is a major source of economic activity and jobs for ATPA countries.¹³ Five percent of Colombia's labor force, or approximately 800,000 people, worked directly or indirectly in the textile and apparel industry in 2000. Many of the textile and apparel workers are women, who are heads of households in poor rural areas. Peru's textile and apparel industry employs 180,500 workers, or less than 2 percent of its economically active population, but provides support directly to about 1 million people (based on the average size of a Peruvian family of 4.7 people). The textile and apparel industry reportedly employed an estimated 22 percent of the workforce in Bolivia in 2000 and generated direct employment for 100,000 workers in Ecuador, or roughly 4 percent of its workforce.

Colombia's textile and apparel industry has stagnated over the last decade, losing ground to countries that benefit from preferential access to the U.S. apparel market, particularly Mexico and the Caribbean Basin countries. Industry sources in Colombia stated that local firms have delayed investment in facilities, though some reportedly have signed contracts with U.S. firms contingent on inclusion of textiles in any new ATPA legislation. The Colombian industry relies heavily on imported inputs; for example, imports, mainly from the United States, account for more than 65 percent of the cotton and 90 percent of the synthetic fibers used by the industry. In addition, the industry has established itself as a high-quality, just-in-time assembly point for apparel, importing cut pieces and reexporting finished apparel articles.¹⁴ The industry seeks to compete in a post-2004 quota-free world market by focusing on markets where it is already established (e.g., swimwear, women's underwear and jeans, children's apparel, and men's and women's suits and hosiery).

Peru's textile and apparel industry, unlike the Colombian industry, is vertically integrated from fiber to finished product. Almost exclusively, it uses tanguis and pima cotton grown in the coastal valleys of northern Peru¹⁵ and the wool of alpaca, llama, and vicuna raised in the mountains of southern Peru. The textile industry is a major focus of efforts by the Government of Peru to broaden the national economy and to

¹² Unless otherwise indicated, information in this section is from U.S. Department of State cables, prepared by U.S. Embassy, Bogota, "Colombia's Textile Industry After Quotas: Stagnant or Worse?" (message reference No. 3809), Apr. 26, 2002; U.S. Embassy, Lima, "Peru After Textile Quotas" (No. 2590), May 21, 2002; U.S. Embassy, Quito, "Ecuador's Textile Industry" (No. 1926), June 5, 2002; and U.S. Embassy, La Paz, "Bolivians Propose Tariff and Quota-Free Access to U.S. Textiles Market" (No. 3788), Aug. 11, 2000.

¹³ Colombia and Peru are the second- and fourth-largest textile producers in South America, based on 2001 mill fiber consumption of 475 million pounds for Colombia and 346 million pounds for Peru. Consumption totaled 3,542 million pounds in Brazil and 361 million pounds in Argentina. Fiber Economics Bureau, Inc., *Fiber Organon* (Washington, DC), May 2002, pp. 75-80.

¹⁴ Most of the apparel destined for the U.S. market is sewn in assembly plants located in export processing zones near the Caribbean port cities of Cartagena and Barranquilla. Clothing for domestic consumption in Colombia, which for the most part is made from domestically grown cotton, is produced chiefly in Cali, Medellin, and Bucaramanga.

¹⁵ The only exception is pima cotton imported from the United States for processing locally. Peru is the United States' second-largest export market for cotton in Latin America after Mexico. In 2000, the United States supplied almost 40 percent, or \$18.7 million, of Peru's cotton imports. U.S. Department of State, "Peru After Textile Quotas" (No. 2590), May 21, 2002.

diversify away from base materials and their derivatives like copper, gold, and tin. Sources in Peru stated that the industry is highly efficient and competitive and that it focuses on making quality apparel, especially for export. In 2001, the United States accounted for 80 percent of Peru's apparel exports. Sources in Peru contend that inclusion of textiles in any new ATPA legislation would generate an estimated 13 percent additional growth in the Peruvian textile industry each year for the next 5 years and that this growth could create between 300,000 and 400,000 new jobs in cotton harvest and 140,000 in textile processing by 2006. One-half of Peru's cotton-growing industry reportedly lies idle.

Ecuador's textile and apparel industry is small and focuses mainly on the production of cotton and cotton-blended fabrics for the local market. However, its cotton production only meets 10 percent of demand. The balance is imported, and the United States is the largest supplier. In general, the industry is vertically integrated, with spinning, weaving, cutting, and sewing operations usually managed by the same firm. Ecuador is a net importer of textiles, with imports of \$222 million (f.o.b.) and exports of \$69 million in 2001. Although Ecuador's major textile trading partner is the Andean Community, the United States accounted for 20 percent of both its textile exports and imports in 2001.

Bolivia's textile and apparel industry reportedly comprises about 10,000 firms, most of which are small, family-run operations. The industry is based on cotton, although it uses significant quantities of specialty wool and other fine animal hairs from llamas and alpaca sheep indigenous to the country.

ATPA renewal legislation

The Trade Act of 2002, signed into law by President Bush on August 6, 2002, for the first time authorizes the extension of duty-free and mainly quota-free treatment to certain textiles and apparel from ATPA countries. Title XXXI, the Andean Trade Promotion and Drug Eradication Act (ATPDEA), authorizes duty-free and quota-free treatment to imports of qualifying textile and apparel articles made in designated ATPDEA countries (i.e., made from U.S. yarns and fabric, dyed and finished in the United States) as well as specified quantities of apparel made from regional fabrics formed in these countries. Central to the legislation is a provision that would grant duty-free access to apparel made from regional fabric up to 2 percent by volume of all U.S. apparel imports in 2001. This limit would be gradually increased in equal increments to a total 5 percent in 2006, the last year covered by the legislation. Again, these new benefits will be proclaimed for eligible goods of separately designated ATPDEA countries when the review is complete.¹⁶

Imports by Country

Table 2-5 shows overall U.S. imports from each ATPA country. Colombia accounted for 58.8 percent of total U.S. imports from ATPA countries in 2001, Ecuador for 20.6

¹⁶ For more information on the ATPDEA, see chapter 1.

Table 2-5
U.S. imports for consumption from ATPA countries, total imports, by sources, 1997-2001

Source	1997	1998	1999	2000	2001
<i>Value (1,000 dollars)</i>					
Colombia	4,614,873	4,441,685	5,882,599	6,680,611	5,622,631
Ecuador	2,139,354	1,773,919	1,852,631	2,266,975	1,975,377
Peru	1,705,929	1,925,291	1,870,819	1,985,389	1,805,523
Bolivia	213,408	220,142	224,167	184,250	165,130
Total	8,673,564	8,361,036	9,830,217	11,117,225	9,568,661
<i>Percent of total</i>					
Colombia	53.2	53.1	59.8	60.1	58.8
Ecuador	24.7	21.2	18.8	20.4	20.6
Peru	19.7	23.0	19.0	17.9	18.9
Bolivia	2.5	2.6	2.3	1.7	1.7
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.

percent, Peru for 18.9 percent, and Bolivia for 1.7 percent. U.S. imports from all ATPA countries dropped during 2001. Throughout 1997-2001, Colombia was the leading source of U.S. imports from ATPA countries, contributing well over one-half of the total.¹⁷ More than one-half of total U.S. imports from Colombia in 2001 consisted of crude petroleum or refined petroleum products, and coffee accounted for an additional 5.4 percent. The decline of several nontraditional imports that entered under ATPA, notably flowers, also contributed to reducing overall U.S. imports from Colombia.¹⁸ This downtrend was offset in part by sharply rising import volumes of bituminous coal (HTS provision 2701.12.00). Colombia supplied more than one-half of all U.S. imports of this item in 2001, followed by Venezuela and Canada.

Total U.S. imports from Ecuador dropped by 12.6 percent in 2001. U.S. imports of bananas, the second-ranking product from Ecuador after petroleum-related imports, were also smaller in 2001 in both volume and value than they were in their peak years of 1998 and 1999. This decline can be attributed to generally stagnant U.S. demand for bananas in recent years. On the supply side, improved access to Central and Eastern European markets may have caused some shift in the direction of Ecuadorian banana exports.

One major U.S. import product from Ecuador that increased in value in 2001 was fish, mostly shrimp. Although shrimp imports recovered during the year from their low 2000 value, they remained well below their 1997 peak value. ATPA-eligible flowers from Ecuador also registered strong growth during the year.¹⁹

¹⁷ In 2001, the United States remained Colombia's major trading partner, taking 49.8 percent of its total exports, and providing 40 percent of its imports. U.S. Department of State, "Background Note: Colombia," released in April, 2002, found at Internet address <http://www.state.gov/>, retrieved May 29, 2002.

¹⁸ For more information, see "Imports under ATPA" later in this chapter.

¹⁹ Ibid.

U.S. imports from Peru dropped by 9.1 percent in 2001, owing to a decline in imports of coffee, apparel, and copper cathodes. Copper cathodes are an important ATPA-eligible item.²⁰ A decline of imports of nonmonetary (unrefined) gold from Peru, which began in 1999, continued throughout 2000 and 2001. A shift in marketing agreements between foreign mining companies operating in Peru and multinational refiners and fabricators reduced Peru's share in total U.S. nonmonetary gold imports to 3.1 percent in 2001, from 4.8 percent in 2000 and 11.6 percent in 1999. Even so, Peru was the fourth largest U.S. supplier of this item for 2001.

U.S. imports from Bolivia dropped 10.4 percent during the year. Imports declined in virtually all major leading product categories, including unwrought tin, gold jewelry, and wood products, which are the leading U.S. imports from Bolivia.

Dutiability

In 2001, the dutiable share of total U.S. imports from ATPA countries, based on reported data, was 33.5 percent,²¹ less than the 37.5 percent reported in 2000 (table 2-6).²² This smaller share was probably caused by a decline in the petroleum-related portion of total imports, which is dutiable. Meanwhile, the average rate of duty at 3.79 percent ad valorem was much higher in 2001 than in 2000; also, the calculated duty revenues, at \$144.1 million, exceeded such revenues in 2000. The higher average rates of duty and larger duty revenues in 2001 were caused by a change in the composition of the dutiable portion of imports; i.e., the relative increase of apparel products, which are dutiable at relatively high rates, at the expense of petroleum-based import value, which is dutiable at low rates.

Duty-free imports entered in 2001 in one of the following ways: (1) unconditionally free under column 1-general tariff rates (38.2 percent of all imports); (2) conditionally free under GSP (1.9 percent); (3) conditionally free treatment for the value of U.S. components incorporated in articles assembled under the production-sharing provisions of HTS chapter 98 (1.0 percent); or (4) conditionally free under ATPA (table 2-7).²³

²⁰ To be discussed in the "Imports under ATPA" section later in this chapter.

²¹ If adjusted for misreporting, the dutiable share of total imports in 2001 was 38.8 percent (table 2-7).

²² If adjusted for misreporting, the dutiable share of total imports in 2000 was 39.5 percent (table 2-7).

²³ Table 2-7 shows this breakdown of duty-free imports. Table 2-7 is the only table in this report that presents adjusted data; e.g. the data that have been adjusted for entries erroneously reported in inappropriate categories. All other tables are based on entries as reported. Therefore, the data presented in table 2-7 may conflict with the data in table 2-6 and the other tables in the report. For example, the share of imports under ATPA is 17.3 percent, as adjusted, in table 2-7. But a 17.5 percent share, based on reported entries, is used for this ratio throughout the report.

Table 2-6
U.S. imports for consumption from ATPA countries: Dutiable value, calculated duties, and average duty, 1997-2001

Item	1997	1998	1999	2000	2001
Dutiable imports ¹ (1,000 dollars)	2,915,126	2,661,246	3,459,748	4,517,161	3,798,848
Dutiable as a share of total (percent)	33.6	31.8	35.2	42.6	39.7
Calculated duties (1,000 dollars) ¹	95,374	104,950	123,263	142,367	144,098
Average duty (percent) ²	3.27	3.94	3.56	3.15	3.79

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.

Table 2-7
U.S. imports for consumption from Bolivia, Colombia, Ecuador, and Peru, by duty treatments, 1997-2001

Item	Bolivia	Colombia	Ecuador	Peru	ATPA total	Share of total
						Percent
	<i>1,000 dollars</i>					
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	0.3
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	94,139	16,845	47,279	159,732	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	0.3
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	0.8

See footnotes at end of table.

Table 2-7—Continued
U.S. imports for consumption from Bolivia, Colombia, Ecuador, and Peru, by duty treatments, 1997-2001

Item	Bolivia	Colombia	Ecuador	Peru	ATPA total	Share of total
						Percent
	<i>1,000 dollars</i>					
1999:						
Total imports	216,819	5,476,398	1,798,628	1,781,803	9,273,638	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	0.4
Duty-free value ²	176,734	3,417,095	1,210,828	1,331,171	6,135,827	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)	205	201	2,886	3,291	(⁸)
2000:						
Total imports	184,250	6,601,802	2,266,975	1,979,099	11,032,16	100.0
Dutiable value ¹	30,523	2,505,479	1,250,278	571,965	4,358,245	39.5
ATPA reduced duty	675	25,393	370	100	26,538	0.2
Duty-free value ²	153,727	4,096,323	1,016,697	1,407,134	6,673,881	60.5
Col. 1-general ³	86,240	2,968,505	729,924	515,885	4,300,554	39.0
GSP ⁴	5,783	66,144	28,569	45,054	145,549	1.3
ATPA ⁵	60,786	800,951	247,084	845,849	1,954,670	17.7
Production Sharing ⁶ ...	420	130,189	5,475	29	136,112	1.2
Other duty free ⁷	499	130,534	5,646	317	136,994	1.2
2001:						
Total imports	165,130	5,606,493	1,964,503	1,805,483	9,541,609	100.0
Dutiable value ¹	27,204	2,169,325	925,450	584,511	3,706,491	38.8
ATPA reduced duty	780	21,357	246	56	22,439	0.2
Duty-free value ²	137,926	3,437,168	1,039,053	1,220,971	5,835,118	61.2
Col. 1-general ³	66,557	2,427,508	735,723	416,658	3,646,446	38.2
GSP ⁴	9,543	68,247	33,007	73,446	184,242	1.9
ATPA ⁵	53,220	696,607	216,054	686,285	1,652,166	17.3
Production Sharing ⁶ ...	318	86,120	5,912	7	92,357	1.0
Other duty free ⁷	8,288	158,686	48,357	44,576	259,907	2.7

¹ Dutiable value excludes the U.S. content entering under HTS heading 9802.00.80 and subheading 9802.00.60, and misreported imports.

² Calculated as total imports less dutiable value.

³ Value of imports which 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 that were exported and returned U.S.-origin products or components.

⁷ Calculated as a remainder, and represents imports entering free of duty under column 1-special.

⁸ Not meaningful.

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.

Imports Under ATPA

After growing each year through 2000, U.S. imports entered under ATPA provisions dropped during 2001 to \$1.7 billion, or by 15.5 percent below their 2000 value.²⁴ One of the reasons was the expiration of ATPA on December 4, 2001, which caused articles otherwise qualified for duty-free treatment under ATPA, to become once again dutiable.²⁵ Total U.S. imports of some leading ATPA-eligible products dropped significantly in December 2001, compared with their December 2000 value, which depressed ATPA imports for the entire year.²⁶ Another reason for the decline of imports under ATPA in 2001 was softening U.S. demand for major imports under ATPA, including flowers, because of the recession.

The portion of overall U.S. imports from ATPA countries entering under ATPA dropped slightly to 17.5 percent in 2001, from 17.8 percent in 2000. The ATPA portion in total imports from ATPA countries peaked in 1998, at 19.4 percent. Table 2-8 and figure 2-3 show U.S. imports under ATPA by broad product categories; that is, by 2-digit HTS chapter. They show that in 2000, copper articles replaced cut flowers as the number one import category under ATPA, and that dye and paint imports became more important than jewelry imports. Table 2-9 lists the leading U.S. imports under ATPA by 8-digit HTS product. The table shows the decline in 2001 in imports of most articles on the list.

As previously mentioned, the expiration of ATPA on December 4, 2001 reduced not only imports under the program itself, but contributed to a decline in total imports from ATPA countries as well. While imports of several formerly ATPA products continued in December despite becoming dutiable, imports declined or did not take place at all for other formerly ATPA products, once duty exemptions ceased. Such December declines in imports will be noted in footnotes in the following section.

Product Composition and Leading Items

Table 2-8 shows that, during the short ATPA year of 2001, U.S. imports under the program declined in all major product categories, except edible vegetables (HTS chapter 07); sugar (HTS chapter 17); and prepared vegetables, fruits, and nuts (HTS chapter 20).

From the implementation of ATPA through 1999, fresh-cut flowers (HTS chapter 06) was the leading category of articles imported under the program. In 2000 and 2001,

²⁴ Imports under ATPA are based on entries as reported. In addition, 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.

²⁵ A temporary rule implemented by Customs on Feb. 15, 2002, gave importers of such merchandise the option to defer payment of duties until May 16, 2002 (67 F.R. 7070).

²⁶ The decline for the leading 20 ATPA items in December 2001 compared with December 2000 ranged between 8.1 percent and 96.2 percent. Imports of only one item, rope made of precious metal, were higher in December 2001 than in December 2000.

Table 2-8
Leading U.S. imports for consumption under ATPA, by major product categories, 1997-2001

HTS Chapter	Description	1997	1998	1999	2000	2001
		<i>Value (1,000 dollars)</i>				
74	Copper and articles thereof	187,826	214,196	331,138	580,044	440,307
06	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	444,922	451,926	436,434	439,614	382,689
32	Tanning or dyeing extracts; tannins and derivatives; dyes, pigments and other coloring matter; paints and varnishes; putty and other mastics; inks	4,516	40,314	163,004	200,862	195,244
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	219,040	360,970	186,826	159,548	152,661
07	Edible vegetables and certain roots and tubers	39,757	46,367	63,922	63,258	78,107
17	Sugars and sugar confectionery	33,944	41,443	25,943	35,576	44,413
39	Plastics and articles thereof	42,676	43,578	51,756	53,631	44,225
79	Zinc and articles thereof	22,777	43,233	83,420	67,588	40,333
44	Wood and articles of wood; wood charcoal	32,125	33,284	40,132	37,545	31,941
20	Preparations of vegetables, fruit, nuts, or other parts of plants	20,608	18,186	38,373	21,190	30,576
	Subtotal	1,048,191	1,293,498	1,420,949	1,658,856	1,440,497
	All other	304,665	351,699	329,330	322,776	234,110
	Total	1,352,855	1,645,196	1,750,279	1,981,632	1,674,607

See notes at end of table.

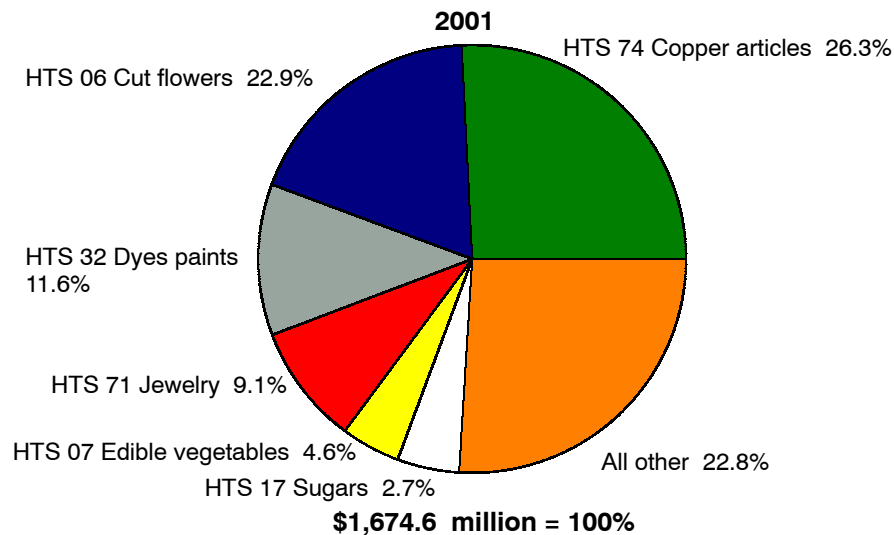
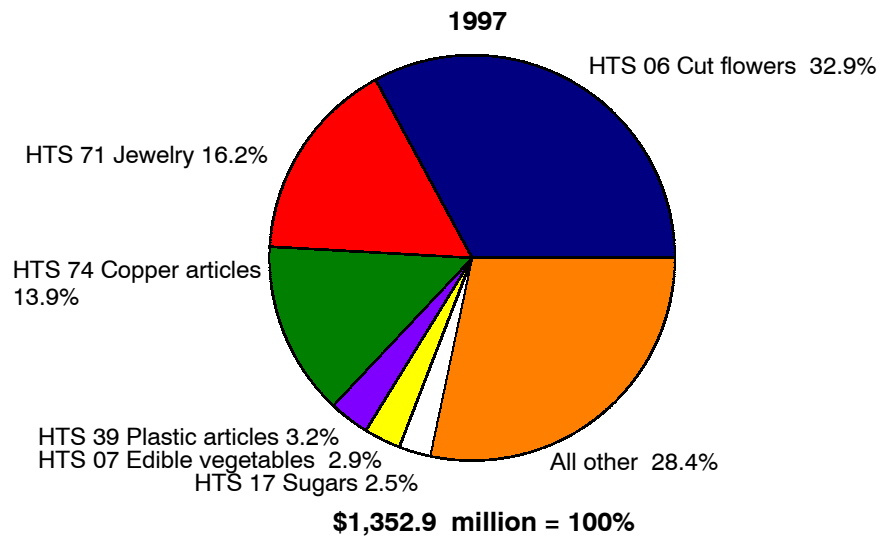
Table 2-8—Continued
Leading U.S. imports for consumption under ATPA, by major product categories, 1997-2001

HTS Chapter	Description	1997	1998	1999	2000	2001
		<i>Percent of total</i>				
74	Copper and articles thereof	13.88	13.02	18.92	29.27	26.29
06	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	32.89	27.47	24.94	22.18	22.85
32	Tanning or dyeing extracts; tannins and derivatives; dyes, pigments and other coloring matter; paints and varnishes; putty and other mastics; inks	0.33	2.45	9.31	10.14	11.66
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	16.19	21.94	10.67	8.05	9.12
07	Edible vegetables and certain roots and tubers	2.94	2.82	3.65	3.19	4.66
17	Sugars and sugar confectionery	2.51	2.52	1.48	1.80	2.65
39	Plastics and articles thereof	3.15	2.65	2.96	2.71	2.64
79	Zinc and articles thereof	1.68	2.63	4.77	3.41	2.41
44	Wood and articles of wood; wood charcoal	2.37	2.02	2.29	1.89	1.91
20	Preparations of vegetables, fruit, nuts, or other parts of plants	1.52	1.11	2.19	1.07	1.83
	Subtotal	77.48	78.62	81.18	83.71	86.02
	All other	22.52	21.38	18.82	16.29	13.98
	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, 1997 and 2001



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

however, flowers were replaced by copper and copper articles (HTS chapter 74) as the number one product group (table 2-8 and figure 2-3).²⁷ The surge of U.S. copper imports from Peru in recent years is partly attributable to a sharp increase in foreign investment in the country's copper industry in response to liberalized mining and

²⁷ Copper articles were the second largest category among all U.S. imports from ATPA countries both years (table 2-2).

investment laws. The surge also is due to low-cost copper production in Peru, where deposits are typically richer than in the United States.²⁸ In 2001, after many years of planning and development, the Antamina copper-zinc mining operations began in northern Peru.

Virtually all of HTS chapter 74 imports consist of refined copper cathodes (HTS provision 7403.11.00) from Peru, which is the sole U.S. supplier of this product under ATPA. Refined copper cathodes are the major traded form of copper produced by mining companies. For the fourth year in a row, refined copper cathodes were the number one HTS 8-digit product on the list of leading U.S. imports under ATPA (table 2-9). Imports from Peru continued to increase in 2000; however, imports dropped by 9.7 percent in volume and 24.1 percent by value in 2001, as worldwide oversupply depressed copper prices. Among all countries, Peru was the largest U.S. supplier of refined copper cathodes, accounting for nearly one-third of all U.S. imports, somewhat more than Canada, the second-largest supplier.²⁹ In the past, refined copper cathodes had been eligible to enter under GSP as well as ATPA. However, in recent years, most imports from Peru entered under ATPA, because in 1997, imports from Peru exceeded the GSP competitive-need limit for this product, and thus were eligible for duty-free entry only under ATPA.³⁰

Imports of cut flowers, virtually all of HTS chapter 06 imports under ATPA, diminished during the ATPA years from 43.3 percent of all U.S. imports under ATPA in 1994 to 22.9 percent in 2001.³¹ U.S. demand for cut flowers surged most rapidly in the early 1990s, but imports declined after 1996. In 2001, such imports under ATPA dropped 13 percent by value, as the sluggish U.S. economy further weakened demand for flowers.³²

The diminishing significance of flowers in the ATPA import profile reflected not only the slackening of U.S. flower imports, but also the diversification by ATPA countries of their economies and exports. Even during the period of fast-growing flower imports from ATPA countries, U.S. imports of some other product categories eligible under ATPA—especially copper cathodes, pigments, zinc plates, and processed tuna—increased faster than imports of flowers (tables 2-8, 2-9, and figure 2-3).

²⁸ The United States is a major producer of mined copper.

²⁹ In 2001, refined copper cathodes was also the leading U.S. import to benefit exclusively from ATPA (see chapter 3).

³⁰ Copper cathodes became dutiable after the expiration of ATPA in December 2001, when total U.S. imports dropped 32 percent, compared with December 2000.

³¹ In 2001, HTS chapter 06 (flowers) was the fifth leading 2-digit group among all imports from ATPA countries (table 2-2).

³² ATPA's expiration on Dec. 4, 2001, restricted December imports of flowers to a lesser extent than imports of some other ATPA items. For roses, chrysanthemums, and other cut flowers suitable for bouquets, the decline in December was less than 10 percent. In December, roses and chrysanthemums were imported under normal rates of duty. Other cut flowers suitable for bouquets, and miniature carnations were entered in part under GSP. However, according to the Colombian Flower Exporters Association, the "continuation of the loss of the ATPA would be devastating for the industry as the profit margins in the majority of cases are less than the tariff preference granted by the ATPA." Submission to the Commission by Susan M. Schmidt, Counsel for the Colombian Flower Exporters Association, received July 2, 2002.

Table 2-9
Leading U.S. imports for consumption under ATPA, by HTS provisions, 1999-2001

HTS Provision	Description	1999	2000	2001	Change, 2001 over 2000	Leading ATPA source
		1,000 dollars			Percent	
7403.11.00	Refined copper cathodes and sections of cathodes	323,788	565,651	429,379	-24.1	Peru
3212.90.00	Pigments dispersed in nonaqueous media, in liquid or paste form, used in making paints; dyes & coloring matter packaged for retail sale	160,939	199,393	194,628	-2.4	Colombia
0603.10.60	Roses, fresh cut	182,878	192,420	180,283	-6.3	Colombia
0603.10.70	Chrysanthemums, standard carnations, anthuriums and orchids, fresh cut	137,925	121,311	92,342	-23.9	Colombia
0603.10.80	Cut flowers and flower buds suitable for bouquets or ornamental purposes, fresh cut, nesi	74,569	91,947	85,244	-7.3	Colombia
7113.19.50	Precious metal (o/than silver) articles of jewelry and parts thereof, whether or not plated or clad with precious metal, nesoi	59,352	64,663	78,685	21.7	Peru
7113.19.10	Precious metal (o/than silver) rope, curb, etc. in continuous lengths, whether or not plated/clad precious metal, for jewelry manufacture	63,099	44,860	29,560	-34.1	Peru
0709.20.90	Asparagus, nesi, fresh or chilled	26,605	33,412	28,261	-15.4	Peru
1701.11.10	Cane sugar, raw, in solid form, w/o added flavoring or coloring, subject to add. US note 5 to ch.17	399	21,847	26,818	22.8	Colombia
7901.11.00	Zinc (o/than alloy), unwrought, containing o/99.99% by weight of zinc	52,001	49,032	26,637	-45.7	Peru
1604.14.40	Tunas and skipjack, not in air-tight containers, not in oil, in bulk or in immediate containers weighing with contents over 6.8 kg each . . .	83,054	74,620	26,505	-64.5	Ecuador
0603.10.30	Miniature (spray) carnations, fresh cut	40,523	33,673	24,584	-27.0	Colombia
7113.19.29	Gold necklaces and neck chains (o/than of rope or mixed links)	25,337	18,302	24,449	33.6	Peru
3921.12.19	Nonadhesive plates, sheets, film, foil and strip, cellular, of polymers of vinyl chloride, combined with textile materials, nesoi	(1)	22,837	20,532	-10.1	Colombia
0804.50.40	Guavas, mangoes, and mangosteens, fresh, if entered during the period September 1 through May 31, inclusive	19,214	20,530	17,742	-13.6	Peru

See footnote at end of table.

Table 2-9—Continued
Leading U.S. imports for consumption under ATPA, by HTS provisions, 1999-2001

HTS Provision	Description	1999	2000	2001	Change,	Leading ATPA source
					2001 over 2000	
		1,000 dollars			Percent	
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	13,553	9,991	15,239	52.5	Peru
2402.20.80	Cigarettes containing tobacco but not containing clove, paper-wrapped	(1)	937	13,781	1371.0	Colombia
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	13,331	13,515	1.4	Colombia
4421.90.98	Articles of wood, nesoi	15,140	12,927	12,689	-1.8	Ecuador
0703.10.40	Onions, other than onion sets or pearl onions not over 16 mm in diameter, and shallots, fresh or chilled	10,234	4,285	11,131	159.8	Peru
	Subtotal	1,292,646	1,595,968	1,352,004	-15.3	
	All other	437,633	385,664	322,602	-16.4	
	Total	1,730,279	1,981,632	1,674,607	-15.5	

¹ Not meaningful.

Note.—Because of rounding, figures may not add to totals shown. The abbreviation “nesoi” stands for “not elsewhere specified or otherwise included.”

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

About three-fourths of all U.S. flower imports originate in ATPA countries, mostly Colombia (55 percent in 2001) and Ecuador (18 percent in 2001), the number one and number two U.S. suppliers, respectively, among all countries of the world. The Dole Fresh Fruit International Co. owns and operates 23 flower farms in Colombia and Ecuador through its subsidiary, Americaflor Limitada, the world’s largest grower of fresh flowers.³³ Through the years, Ecuador’s importance has increased relative to Colombia as a source of U.S. flower imports. In fact, during 2001, U.S. imports of flowers (HTS provision 0603.10) declined from Colombia by 13.1 percent, but increased from Ecuador by 11.6 percent.³⁴ Ecuadorian producers made significant recent investments in new production facilities, and are therefore able to offer new varieties of high-quality, disease-free flowers of large size. Also labor costs are slightly lower in Ecuador relative to Colombia.

³³ Richard Harrah, President, Dole Fresh Fruit International Co., prepared statement to the Subcommittee on International Trade, United States Senate, for a hearing held on the Andean Trade Preference Act, Aug. 3, 2001.

³⁴ Although flower exports from Colombia to the United States are flat, Colombian flower production is reportedly increasing as new markets in Eastern Europe and Russia open up for Colombia’s exports.

The competitive edge of both Colombia and Ecuador in meeting U.S. demand for flowers is attributable to a favorable climate, relatively low production costs, and adequate air-freight service and distribution infrastructure. Prior to its expiration, duty-free treatment for flowers under ATPA had been an additional major competitive advantage. Most U.S. flower imports have entered under the program.³⁵ All four flower items imported from ATPA countries—roses, chrysanthemums, other cut flowers suitable for bouquets, and miniature carnations—appear on the 2001 list of leading imports under ATPA (table 2-9).³⁶

In 2000 and 2001, tanning and dyeing extracts and derivatives (HTS chapter 32) advanced to third rank among the leading groups of imports under ATPA (table 2-8, figure 2-3). Pigments (HTS provision 3212.90.00) from Colombia accounted for virtually all imports in this group (table 2-9). Colombian pigments were first imported into the United States in 1997 and became a leading import item under ATPA the following year.³⁷ Virtually all imports from Colombia entered under the program. Imports surged in 1999, when Colombia became by far the leading U.S. supplier of pigments among all countries in the world. Imports continued to grow in 2000, with pigments becoming the second leading ATPA item that year (table 2-9). In 2001, pigments remained second on the list of leading items, but imports dipped somewhat during this short ATPA year.³⁸ Colombia provided about one-half of U.S. imports from all countries; the other half is supplied principally by Germany, Canada, and Japan.

Precious metals, gemstones, and jewelry (HTS chapter 71) made up the fourth leading import category under ATPA provisions during 2001 (table 2-8, figure 2-3).³⁹ Notably, more than half of U.S. imports in this HTS chapter enter outside ATPA, because many items (precious metals and gemstones) are unconditionally free of duty. In 2001, Peru supplied 53 percent of total HTS 71 imports, and Colombia supplied 31 percent. Peru was also the principal source of HTS chapter 71 items entering under ATPA (60 percent), but Bolivia was second (28 percent).⁴⁰

Imports in HTS chapter 71 overall (table 2-2, figure 2-2), as well as under ATPA (table 2-8, figure 2-3), continued to slide in both 2000 and 2001 from their peaks in 1998. The list of leading imports under ATPA in 2001 contained three predominantly gold

³⁵ 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 (AD) and countervailing (CVD) duty cases filed by U.S. flower interests resulted in the imposition of compensatory duties. No such duties are presently in effect.

³⁶ Roses and chrysanthemums are on the list of leading items that benefited exclusively from ATPA in 2001 (see chapter 3).

³⁷ Pigments are also on the list of leading items that benefited exclusively from ATPA in 2001 (see chapter 3). The pigments probably include concentrated dispersions, sometimes called “pearl essence,” which are forms of dyes and other coloring matter put for retail sale.

³⁸ In December 2001, U.S. imports of pigments from ATPA countries dropped 77 percent, compared with such imports in December 2000.

³⁹ HTS chapter 71 (precious metals, gemstones, and jewelry) was the eighth leading 2-digit group of all imports from ATPA countries (table 2-2).

⁴⁰ Colombia supplied a large portion of those products of HTS chapter 71 that entered free of duty, but it was only third under ATPA for this product category.

jewelry products classified under HTS provision 7113.19 (table 2-9). Gold jewelry combined under this provision accounted in 2001 for 37 percent of all chapter 71 imports.⁴¹ Such U.S. imports were higher in 2001 from Peru than in 2000, but still below their value in the last few years of the 1990s. The same imports from Bolivia have declined steadily since 1996.⁴²

During the ATPA years, the United States imported significant volumes of gold rope necklaces and chains (HTS provision 7113.19.21), virtually all under ATPA and from Peru. Such imports peaked in 1996 and 2000. Imports dropped by more than half in 2001, removing these articles from the 2001 list of leading imports under ATPA (table 2-9). An apparent shift in U.S. jewelry imports (HTS provision 7113) away from most South American sources to Asian ones—India, Thailand, Hong Kong, and China—played a role in the downtrend. After Italy, which is the number one source of imported jewelry in the United States, these four Asian countries are now the leading U.S. suppliers of jewelry.

U.S. imports under ATPA of edible vegetables (HTS chapter 07), the fifth-ranking product category, almost doubled in 2001, compared with 1997 (table 2-8, figure 2-3). Imports in 2001 were up by 23.5 percent, compared with 2000, even during the short ATPA year of 2001.⁴³ More than four-fifths of all vegetable imports from ATPA countries entered under ATPA during the year. Asparagus and onions have typically accounted for 70 percent to 80 percent of all imports in the edible vegetables category; the rest consists mainly of potatoes, cassava, and peas.⁴⁴

The Peruvian asparagus industry has dramatically increased production in the past decade. According to the Peruvian Asparagus Institute, ATPA has played an important role in expanding production and making asparagus Peru's second-largest export crop, after coffee.⁴⁵ Because the crop cannot be harvested for the first 3 years, asparagus production represents a significant long-term investment for growers. Peruvian asparagus, a labor-intensive, high-value crop, generally enters the U.S. market in periods when domestic production is low, resulting in an increased supply of fresh asparagus in the market place. Peru is the second-ranking U.S. supplier of fresh

⁴¹ Gold rope necklaces are also on the list of leading items that benefited exclusively from ATPA (see chapter 3).

⁴² Jewelry articles and parts of gold and platinum (HTS provision 7113.19.50) were the exception; they rose both in 2000 and 2001. Supplies from Peru surged in 2001 by 57 percent, but they continued to decline from Bolivia, which until a few years ago was still a major ATPA supplier of jewelry. In December 2001, about one-half of these imports was entered under GSP; the other half entered under ATPA or under normal tariff rates.

⁴³ In December 2001, U.S. imports of asparagus (HTS provision 0709.20.90) from ATPA countries dropped 15.4 percent, and onions by 28.3 percent, compared with December 2000. The bulk of both asparagus and onion imports entered under normal tariff rates that month.

⁴⁴ Asparagus is also on the list of leading items that benefited exclusively from ATPA in 2001 (see chapter 3).

⁴⁵ The Peruvian Asparagus Institute is a nonprofit trade association representing the Peruvian asparagus industry. U.S. General Accounting Office, "Agricultural Trade: Impacts of the Andean Trade Preference Act on Asparagus Producers and Consumers," GAO-01-315, section on Agricultural Trade, found at Internet address <http://www.gao.gov>, retrieved on June 3, 2002.

asparagus among all countries, after Mexico.⁴⁶ Asparagus under two subheadings, HTS 0709.20.90 and HTS 0709.20.10 (seasonal), have been consistently among the leading ATPA import products (table 2-9).

In 2001, onions joined asparagus in the vegetable category as a leading import item under ATPA. The United States began importing onions in meaningful volumes under ATPA in 1999, mostly from Peru. Peru was the third-ranking U.S. supplier of imported onions among all countries in 2001, accounting for 7 percent of the total. Most onions imported by the United States originate in Mexico (three-fourths of the total in 2001), followed by Canada (13 percent in 2001). Ecuador and Colombia also export small amounts of onions to the United States.

U.S. imports of sugar and sugar confectionery (HTS chapter 17) were up moderately under ATPA in 2000 and 2001, from their low base in 1999. Raw cane sugar not flavored or colored (HTS provision 1701.11.10) was the ninth leading import item under ATPA in 2001, accounting for more than one-half of all chapter 17 imports under the program (tables 2-8 and 2-9). Imports were up from all four ATPA providers. The product is subject to U.S. tariff-rate quotas (TRQs), but is eligible to enter free of duty either under ATPA or GSP, when these programs are in effect. The tariff benefit is limited to each country's allocated quota share and, with regard to GSP, by competitive need limits.

In 2001, more than 60 percent of all U.S. imports of HTS provision 1701.11.10 entered under ATPA. Imports under the program surged from negligible in 1999 to \$21.8 million in 2000 and \$26.8 million in 2001, as some ATPA countries have taken advantage of their accumulated TRQ allocations left unfilled in prior years. Colombia, whose exports surged during 2000, only shifted entries in 2001 from the GSP to the ATPA program. Peru, which generally entered its shipments to the United States under both programs, increased its 2001 exports steeply under GSP, but expanded them under ATPA as well. Ecuador and Bolivia have both increased their shipments to the United States in 2001 and, as in prior years, entered them under ATPA.

Meanwhile, imports of sugar to be used for certain polyhydric alcohols (HTS provision 1701.11.20), another raw cane sugar product, declined sharply in both 2000 and 2001. The United States generally reexports goods under HTS provision 1701.11.20, which is not subject to TRQs, as sugar or sugar-containing products. Notably, in 1999, this product was the only sugar product on the list of leading imports under ATPA. Importers apparently switched from importing under HTS provision 1701.11.20 to HTS provision 1701.11.10 after 1999, because the latter covers sugar that is being entered for consumption and that is a higher value-added product.

⁴⁶ Mexico continues to be the most important source of imported fresh asparagus in the United States. Mexico's advantage of lower transportation costs to U.S. markets is believed to offset any advantages ATPA countries may have in the production process. U.S. General Accounting Office, "Agricultural Trade: Impacts of the Andean Trade Preference Act on Asparagus Producers and Consumers," GAO-01-315, section on Agricultural Trade, found at Internet address <http://www.gao.gov>, retrieved on June 3, 2002.

Colombia is the only ATPA country that provides plastics and plastic articles (HTS chapter 39) in meaningful amounts to the United States. Colombia was the leading supplier among all countries of plastic nonadhesive plates (HTS provision 3921.12) in 1996, but during the following years its share of U.S. imports dropped gradually. U.S. imports declined in 2000 and 2001 from all sources, after peaking in 1999.⁴⁷ In 2001, Canada provided 24 percent of all U.S. imports of plastic, nonadhesive plates; Colombia, 18 percent; and Germany, 16 percent.

U.S. imports of a certain kind of plastic nonadhesive plate (HTS subheading 3921.12.19) from Colombia began in 2000, when they immediately appeared on the list of leading import items under ATPA (table 2-9). These products are used as upholstery or upholstery coverings in a variety of end uses, including automotive, restaurant seating, boats, wheelchairs, etc. In both 2000 and 2001, Colombia was the leading U.S. supplier of this product among all countries, followed by Taiwan.⁴⁸ HTS subheading 3921.12.19 covers a softer, more resilient version of plastic nonadhesive plates than those under HTS subheading 3921.12.11, of which Colombia had been the leading U.S. provider through 1997, and the second-leading source through 1999 after Canada. Imports of this product have tapered off as Colombia switched during the year 2000 to exporting under HTS subheading 3921.12.19 instead.

Zinc accounted for nearly three-fourths of HTS chapter 79 imports from ATPA countries in 2001, under HTS provision 7901.11.00 (zinc, other than alloyed, unwrought, containing over 99.99 percent by weight of zinc).⁴⁹ Peru was the only ATPA-country supplier to the United States of this product. Virtually all imports of this item from Peru have entered the United States under preferential provisions, mostly under ATPA, some under GSP. All such imports, including those entered under ATPA, decreased steeply in 2000 and 2001 from their peak in 1999. In 2001, such imports declined 45.7 percent by value and about 30 percent by volume. As a result, Peru, which had been the second-largest U.S. supplier after Canada, was displaced to third place by Mexico in 2001.⁵⁰

The decline of zinc imports from Peru reflected worldwide oversupply, high inventories, falling prices, and plummeting U.S. demand caused by a slowing economy. Several U.S. zinc operations cut back production. Strikes and protests affecting Peruvian zinc operations in June 2001 may have been an additional factor depressing Peruvian exports to the United States.

Wood and articles of wood (HTS chapter 44) ranked ninth among U.S. imports under ATPA in 2001. Such imports fell 14.9 percent in 2001, compared with 2000. Two major

⁴⁷ The Colombian plastic processing industry grew rapidly during the last decade, but slowed down during recent years. U.S. Department of Commerce, "Colombia, Country Commercial Guide FY 2002," chapter 5, found at Internet address <http://www.usatrade.gov>, retrieved May 30, 2002.

⁴⁸ In December 2001, U.S. imports of plastic, nonadhesive plates and sheets (HTS subheading 3921.12.19) from ATPA countries dropped 46.4 percent, compared with December 2000.

⁴⁹ Goods under HTS provision 7901.11.00 also are on the list of leading items that benefited exclusively from ATPA in 2001 (see chapter 3).

⁵⁰ Most of the zinc from Peru reportedly is imported by a Canadian company that also has U.S. operations in the states of Washington and Alaska.

wood products—articles of wood not elsewhere specified (HTS provision 4421.90.98) and doors of wood (HTS provision 4418.20.80)—made up the bulk of this category. Imports of articles of wood, which were on the list of leading items imported under ATPA in 2001 (table 2-9), fell slightly in 2001 compared with 2000.⁵¹ Ecuador was the principal source for these imports.

Tuna, processed but not in cans (HTS provision 1604.14.40), continued to be a leading import item under ATPA in 2001. However, U.S. imports declined by more than one-half in 2001, compared with 2000, owing primarily to the closure of the Starkist cannery in Puerto Rico.⁵² This cannery previously had imported the Ecuadorian intermediate product to produce canned tuna, the final product. As a result, in 2001, Fiji displaced Ecuador as the leading U.S. supplier of this article. Ecuador's share of total U.S. imports fell to 35.5 percent, and Fiji's share soared to 53 percent. For years, Ecuador, the region's only big exporter, had been the leading U.S. supplier among all countries. According to the H.J. Heinz company, still the parent company of Starkist during 2001,⁵³ the further expansion of Ecuador's tuna exports depends on whether ATPA privileges are extended.⁵⁴

Leading U.S. imports under ATPA in 2001 contain four items that were not on the 1999 list: raw sugar not containing added flavoring or coloring (HTS provision 1701.11.10), cigarettes, iron or nonalloy steel tubing,⁵⁵ and onions. The United States imported cigarettes (HTS provision 2402.20.80)⁵⁶ in 2001 for the first time in meaningful quantities from the ATPA region, principally Colombia. U.S. imports of iron or nonalloy steel tubing (HTS provision 7306.20.60) under ATPA from Colombia surged both in 2000 and 2001,⁵⁷ reflecting higher levels of oil drilling activity.⁵⁸

These new leading items replaced four products on the 1999 list of leading items imported under ATPA: gold compounds, raw sugar (HTS provision 1701.11.20), zinc plates, and gold rope necklaces. Imports of gold compounds, a leading import under ATPA in 1999, virtually disappeared in 2001. The replacement of raw sugar imports

⁵¹ In December 2001, total U.S. imports of doors of wood (HTS provision 4418.20.80) dropped 24.7 percent compared with December 2000.

⁵² In December 2001, U.S. imports of tuna, processed, but not in cans (HTS provision 1604.14.40) from ATPA countries dropped 77.7 percent compared with December 2000.

⁵³ In June 2002, the Del Monte Foods Co. acquired numerous food divisions of the H. J. Heinz Co., including StarKist.

⁵⁴ K. Ward Rodgers, retired General Manager of Technical Services for StarKist Seafood, representing the H.J. Heinz Co., prepared statement submitted to the Subcommittee on International Trade of the United States Senate, for hearing held on the Andean Trade Preference Act, Aug. 3, 2001. On Aug. 6, 2002, the President signed into law the ATPDEA, which authorizes the expansion of duty-free treatment to certain tuna in smaller foil or other flexible packages (not cans).

⁵⁵ Iron and nonalloyed steel is also on the list of leading items that benefited exclusively from ATPA in 2001 (see chapter 3).

⁵⁶ These cigarettes are also on the list of articles that benefited exclusively from ATPA in 2001 (see chapter 3).

⁵⁷ U.S. imports of iron or nonalloy steel tubing are largely attributable to a marketing agreement between Tubos del Caribe S.A. (Tubocaribe) and Lone Star Steel, which began in 1997.

⁵⁸ In December 2001, U.S. imports of iron or nonalloy steel tubing (HTS provision 7306.20.60) from ATPA countries declined by 71.9 percent, compared with December 2000.

under HTS provision 1701.11.20 by raw sugar imports under HTS provision 1701.11.10 in 2001 was discussed earlier, as was the sharp decline of imports of zinc plates and sheet, and of gold rope necklaces and chains from Peru.

Imports by Country

In 2001, Colombia was the leading source of U.S. imports under ATPA, followed by Peru, Ecuador, and Bolivia (table 2-10 and figure 2-4). Colombia has ranked as the leading source of imports under ATPA for most of the ATPA years. Ecuador entered a significantly smaller portion of its exports to the United States under ATPA (10.9 percent) than did Peru (38.0 percent) in 2001 (see table 2-5).

As the leading source of imports under ATPA, Colombia was responsible for 42.9 percent of all imports under the program. Nonetheless, Colombia's once commanding share of imports under ATPA—60.2 percent in 1994—has generally shrunk over the years, owing largely to a continued decline in the predominance of flowers in this trade. In 2001, imports under the program from Colombia were down 13.1 percent.

Table 2-10
U.S. imports for consumption under ATPA, by sources, 1997-2001

Source	1997	1998	1999	2000	2001
<i>Value (1,000 dollars)</i>					
Colombia	605,472	709,889	797,305	826,559	717,966
Peru	460,992	632,676	631,180	846,014	686,341
Ecuador	217,437	233,002	260,301	247,595	216,300
Bolivia	68,955	69,630	61,492	61,464	53,999
Total	1,352,855	1,645,196	1,750,279	1,981,632	1,674,607
<i>Percent of total</i>					
Colombia	44.76	43.15	45.55	41.71	42.87
Peru	34.08	38.46	36.06	42.69	40.99
Ecuador	16.07	14.16	14.87	12.49	12.92
Bolivia	5.10	4.23	3.51	3.10	3.22
Total	100.00	100.00	100.00	100.00	100.00

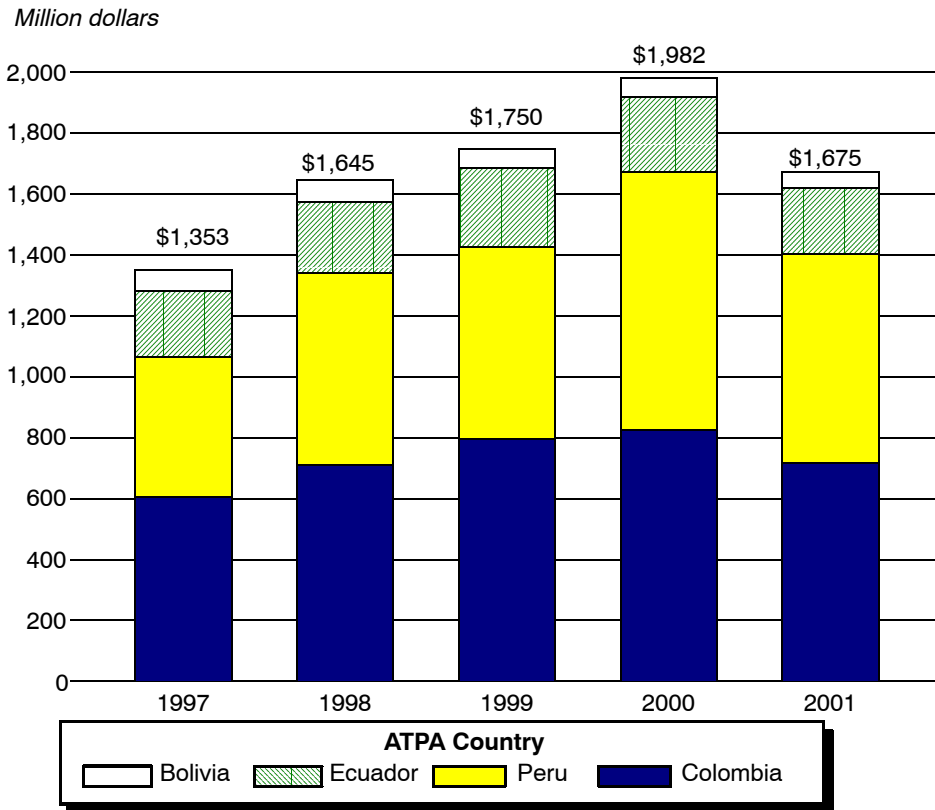
Note.—Because of rounding, figures may not add to totals shown.

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

Colombia was the source of nine of the leading 20 items entering under ATPA in 2001, of which four were flowers (table 2-9). Flowers continued to be the largest category traded under ATPA from Colombia, despite their gradually diminishing significance compared with other items.⁵⁹ Nearly two-thirds of all flowers purchased in the United

⁵⁹ As a means of consolidating their markets, Colombian exporters and importers in Florida formed the Colombia Flower Council in 1987 in Miami, FL, with the objective of promoting the consumption of Colombian flowers in the U.S. market. Found at Internet address <http://www.colombianflowers.com>, retrieved June 3, 2002.

Figure 2-4
U.S. imports for consumption under ATPA, by source, 1997-2001



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

States reportedly are grown in Colombia.⁶⁰ By the same token, flowers accounted in large measure for the decline of Colombia's ATPA trade in 2001. Imports of two other leading products under ATPA from Colombia—pigments and nonadhesive plastic plates—also were smaller in 2001 than in 2000 (see table 2-11).

In 2001, U.S. imports under ATPA from Peru dropped by 18.9 percent, following their considerable surge during 2000 (table 2-10). This trade largely has been defined by U.S. imports of refined copper cathodes, which also surged in 2000 and fell in 2001. As mentioned earlier, copper cathodes are the leading item imported under ATPA from all ATPA countries. In 2001, Peru provided nine of the 20 leading items under ATPA, as shown in table 2-9. In addition to minerals—refined copper cathodes and zinc—the list included three items of jewelry, asparagus, and onions. Only imports of gold jewelry increased in 2001 (see also table 2-11).

⁶⁰ William Cambrell, The Association of the American Chambers of Commerce in Latin America, prepared statement submitted to the Subcommittee on International Trade of the United States Senate, for hearing held on the Andean Trade Preference Act, Aug. 3, 2001.

U.S. imports under ATPA from Ecuador were down in 2001 by 12.6 percent, following a decline in 2000, from a peak value in 1999. The steep decline in imports of processed tuna (not in cans) was largely responsible for the overall declines in 2000 and 2001. Imports of wood articles, another ATPA product almost exclusively from Ecuador, fell both years (table 2-11). Tuna and wood articles were the only two products from Ecuador on the list of leading imports under ATPA in 2001 (table 2-9). Imports of ATPA-eligible fresh fruit (mangoes, guavas) from Ecuador also dropped significantly in 2001 (table 2-11).

The contraction of imports under ATPA from Ecuador accounted for by these products in 2001 was partly offset by an increase in U.S. imports under the program of flowers, gold jewelry (HTS provision 7113.19.50), and cane sugar. Flowers replaced processed tuna during 2001 as Ecuador's leading product under ATPA. Flowers are now Ecuador's fourth largest export to all countries, after oil, bananas, and shrimp.⁶¹

Imports under ATPA from Bolivia declined by 12.1 percent in 2001. The country's significance in ATPA trade has declined gradually since ATPA was implemented. In 2001, only 3.2 percent of total U.S. imports under the program originated in Bolivia, compared with 9 percent in 1995 (table 2-10). Bolivia supplied none of the leading ATPA items listed in table 2-9. The major ATPA imports from Bolivia were gold jewelry products and wood doors, and imports of these products declined from 2000 to 2001 (see table 2-11). Bolivian officials believe that the extension of ATPA trade preferences to the textile and apparel industry would be the only way to boost Bolivia's exports to the United States.⁶²

Exports

U.S. exports to ATPA countries, while still below the levels experienced in the mid-1990s, increased modestly during 2001. In 2001 exports increased to \$6.4 billion, up 1.1 percent compared with 2000 (table 2-12).⁶³ While weak economic performance within the ATPA region continued to have unfavorable effects on the total value of U.S. exports to Colombia, Peru, and Bolivia during 2001, U.S. exports to Ecuador increased 31.9 percent (table 2-12). Ecuador has benefited from a deceleration in inflation associated with adoption of the U.S. dollar as its official currency in 2000, as well as the jobs and investment associated with initial construction of the Transandean Heavy Oil Pipeline.⁶⁴ U.S. exports increased in seven of 10 major sectors (table 2-13), and in 11 of 20 leading item categories (table 2-14). The ATPA

⁶¹ The Ecuadorian flower boom began in the early 1980s, when a handful of Colombian growers discovered favorable growing conditions and cheap labor just across their southern border. Found at Internet address <http://www.florastream.com>, retrieved June 20, 2002.

⁶² Prepared Statement of Jaime Urjel, President, American Chamber of Commerce, Bolivia, submitted to the Subcommittee on International Trade of the United States Senate, Aug. 3, 2001.

⁶³ In the United States, export numbers are commonly referred to as Schedule B numbers within the Harmonized Tariff System. For purposes of this report, and for ease of comparison with the analysis on imports, we will refer to Schedule B numbers as HTS provisions.

⁶⁴ U.S. Department of Commerce, "Ecuador, 2002 Country Commercial Guide," found at Internet address <http://www.stat-usa.gov>, retrieved June 26, 2002.

Table 2-11
Leading U.S. imports for consumption entered under ATPA, by sources, 1999-2001

Source	HTS Provision	Description	1999	2000	2001	Change, 2001 over 2000
			————— 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	160,939	195,546	194,628	-0.47
	0603.10.60	Roses, fresh cut	123,737	133,214	117,095	-12.10
	0603.10.70	Chrysanthemums, standard carnations, anthuriums and orchids, fresh cut	133,376	119,480	91,664	-23.28
	0603.10.80	Cut flowers and flower buds suitable for bouquets or ornamental purposes, fresh cut, nesi	46,019	62,309	52,896	-15.11
	0603.10.30	Miniature (spray) carnations, fresh cut	39,169	32,670	24,023	-26.47
	3921.12.19	Nonadhesive plates, sheets, film, foil and strip, cellular, of polymers of vinyl chloride, combined with textile materials, nesoi	(1)	22,837	20,532	-10.09
	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	13,331	13,515	1.38
		Total	507,276	579,388	514,352	-11.22
Peru	7403.11.00	Refined copper cathodes and sections of cathodes	323,788	565,651	429,379	-24.09
	7113.19.50	Precious metal (o/than silver) articles of jewelry and parts thereof, whether or not plated or clad with precious metal, nesoi	26,484	21,633	37,622	73.92
	0709.20.90	Asparagus, nesi, fresh or chilled	23,287	30,863	26,660	-13.62
		Total	373,559	618,147	493,661	-20.14
Ecuador	0603.10.60	Roses, fresh cut	59,130	59,127	63,145	6.80
	0603.10.80	Cut flowers and flower buds suitable for bouquets or ornamental purposes, fresh cut, nesi	26,930	27,267	30,126	10.49
	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	75,682	68,994	25,547	-62.97
	4421.90.98	Articles of wood, nesoi	15,044	12,827	12,566	-2.04

Table 2-11—Continued
Leading U.S. imports for consumption entered under ATPA, by sources, 1999-2001

Source	HTS Provision	Description	1,000 dollars			Change, 2001 over 2000
			1999	2000	2001	Percent
Ecuador	7113.19.50	Precious metal (o/than silver) articles of jewelry and parts thereof, whether or not plated or clad with precious metal, nesoi	5,365	6,583	8,523	29.47
	1701.11.10	Cane sugar, raw, in solid form, w/o added flavoring or coloring, subject to add. US note 5 to Ch.17	(1)	3,910	4,624	18.25
	0804.50.40	Guavas, mangoes, and mangosteens, fresh, if entered during the period September 1 through May 31, inclusive	6,578	8,163	4,489	-45.00
	2005.90.97	Vegetables nesoi, & mixtures of vegetables, prepared or preserved otherwise than by vinegar or acetic acid, not frozen, not preserved by sugar	757	1,019	4,276	319.59
		Total	189,486	187,889	153,296	-18.41
Bolivia	7113.19.50	Precious metal (o/than silver) articles of jewelry and parts thereof, whether or not plated or clad with precious metal, nesoi	21,412	29,233	24,437	-16.40
	4418.20.80	Doors of wood, other than French doors	9,536	10,385	8,890	-14.39
	7113.19.29	Gold necklaces and neck chains (o/than of rope or mixed links)	14,007	8,428	6,997	-16.98
		Total	44,954	48,046	40,325	-16.07

¹ Not meaningful.

Note.—Because of rounding, figures may not add to totals shown. The abbreviation “nesoi,” stands for “not elsewhere specified or otherwise included.”

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

countries combined ranked 21st as a U.S. export market, ahead of Israel but behind Ireland.

In 2001, the individual ranking of ATPA countries as U.S. export markets (table 2-12) differed from their ranking as sources for overall U.S. imports with respect to the relative importance of Peru and Ecuador (table 2-5). Colombia accounted for 53.3 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 through 1999, but has since fallen to 22.8 percent of

Table 2-12
U.S. exports to ATPA countries, by markets, 1997-2001

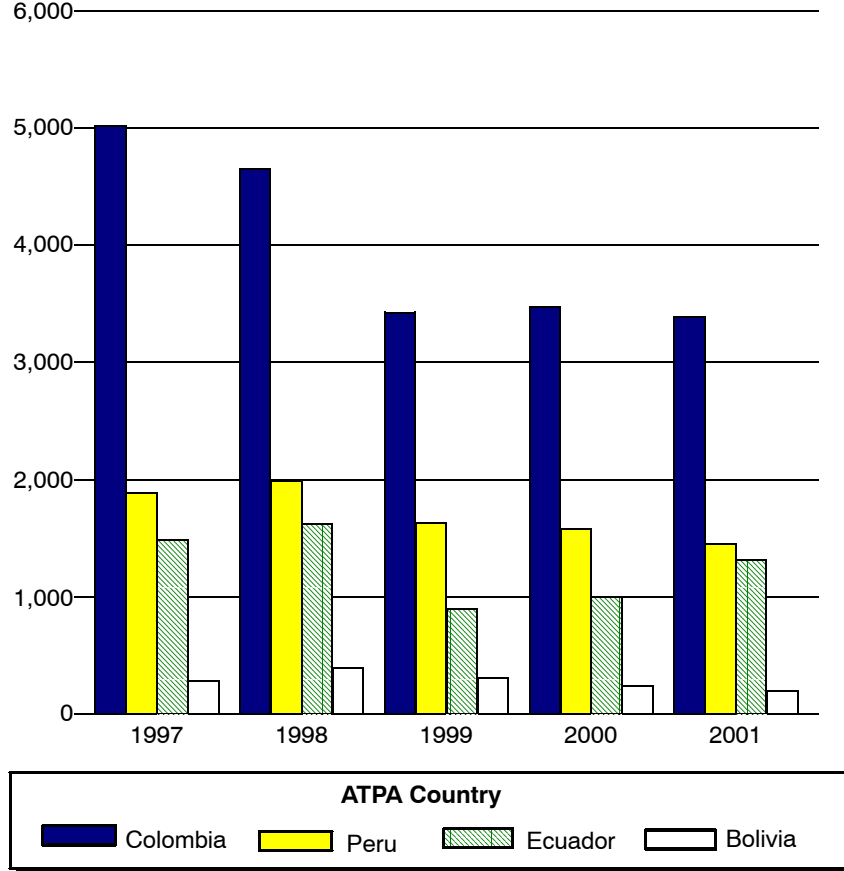
Market	1997	1998	1999	2000	2001
<i>Value (1,000 dollars)</i>					
Colombia	5,024,535	4,657,748	3,429,513	3,474,881	3,391,561
Peru	1,886,570	1,991,049	1,630,743	1,579,760	1,450,497
Ecuador	1,486,460	1,628,753	896,255	999,858	1,319,141
Bolivia	284,189	392,518	306,659	240,590	202,136
Total	8,681,754	8,670,068	6,263,169	6,295,089	6,363,334
<i>Percent of total</i>					
Colombia	57.87	53.72	54.76	55.20	53.30
Peru	21.73	22.96	26.04	25.10	22.79
Ecuador	17.12	18.79	14.31	15.88	20.73
Bolivia	3.27	4.53	4.90	3.82	3.18
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 2-5
U.S. exports to ATPA countries, by destination, 1997-2001

Million dollars
 6,000



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

Table 2-13
Leading U.S. exports to ATPA countries, by major product categories, 1997-2001

HTS Chapter	Description	1997	1998	1999	2000	2001
<i>Value (1,000 dollars)</i>						
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	2,247,209	2,158,671	1,598,029	1,602,759	1,720,395
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	1,180,874	1,017,754	618,746	602,835	629,030
29	Organic chemicals	453,264	376,097	347,206	472,660	417,604
10	Cereals	361,991	499,602	444,363	331,085	359,635
39	Plastics and articles thereof	434,977	386,741	289,268	365,905	350,532
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	263,179	265,848	185,958	198,485	224,113
48	Paper and paperboard; articles of paper pulp, paper or paperboard	308,721	260,464	238,738	247,955	220,542
87	Vehicles, other than railway or tramway rolling stock, and parts and accessories thereof	408,628	358,902	210,929	163,728	192,938
38	Miscellaneous chemical products	177,471	176,781	141,733	149,675	160,120
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	217,950	173,041	94,053	104,335	134,404
	Subtotal	6,054,266	5,673,899	4,169,023	4,239,421	4,409,313
	All other	2,627,488	2,996,169	2,094,146	2,055,668	1,954,021
	Total	8,681,754	8,670,068	6,263,169	6,295,089	6,363,334

See notes at end of table.

Table 2-13—Continued
Leading U.S. exports to ATPA countries, by major product categories, 1997-2001

HTS Chapter	Description	1997	1998	1999	2000	2001
<i>Percent of total</i>						
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	25.88	24.90	25.51	25.46	27.04
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	13.60	11.74	9.88	9.58	9.89
29	Organic chemicals	5.22	4.34	5.54	7.51	6.56
10	Cereals	4.17	5.76	7.09	5.26	5.65
39	Plastics and articles thereof	5.01	4.46	4.62	5.81	5.51
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	3.03	3.07	2.97	3.15	3.52
48	Paper and paperboard; articles of paper pulp, paper or paperboard	3.56	3.00	3.81	3.94	3.47
87	Vehicles, other than railway or tramway rolling stock, and parts and accessories thereof	4.71	4.14	3.37	2.60	3.03
38	Miscellaneous chemical products	2.04	2.04	2.26	2.38	2.52
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	2.51	2.00	1.50	1.66	2.11
	Subtotal	69.74	65.44	66.56	67.34	69.29
	All other	30.26	34.56	33.44	32.66	30.71
	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 2-14
Leading U.S. exports to ATPA countries, by HTS provisions, 1999-2001

HTS Provision	Description	1999	2000	2001	Change, 2001 over 2000
		1,000 dollars			Percent
8431.43.80	Parts suitable for use solely or principally with boring or sinking machinery, n.e.s.o.i.	215,413	224,328	228,897	2.04
1005.90.20	Yellow dent corn	226,833	189,484	184,109	-2.84
1001.90.20	Wheat and meslin, other than durum or seed wheat	187,576	116,781	158,945	36.10
8525.20.90	Transmission apparatus with reception apparatus, nor transceivers, for radiotelephony, radiotelegraphy, radiobroadcasting, or television	82,831	104,101	124,142	19.25
8473.30.00	Parts and accessories of automatic data processing machines and units thereof	124,308	138,607	104,335	-24.73
8431.39.00	Parts suitable for use solely or principally with lifting, handling, loading, or unloading machinery, n.e.s.o.i.	52,807	67,826	95,791	41.23
4804.11.00	Kraft liner, uncoated, unbleached, in rolls or sheets	108,375	131,903	94,705	-28.20
8471.50.00	Digital processing units other than those of subheading 8471.41 and 8471.49, n.e.s.o.i.	36,383	69,921	93,164	33.24
3100.00.00	Fertilizers covered under 2510.10/20.0000, 2809.20.0010/20, 2814.10.0000, or 3101.00.0000-3105.90.0000, aggregated to prevent disclosure	87,790	84,282	92,275	9.48
2903.21.00	Vinyl chloride (chloroethylene)	75,254	128,335	73,687	-42.58
8474.90.00	Parts for machinery used in sorting, screening, grinding, mixing, shaping, etc., earth, stone, ores, or other mineral substances	98,544	65,827	72,726	10.48
5201.00.10	Cotton, not carded or combed, having a staple length under 28.575 mm (1 1/8 inches)	30,863	66,231	70,993	7.19
8802.12.00	Helicopters, with an unladen weight over 2,000 kilograms	(1)	(1)	58,677	(1)
8431.41.00	Buckets, shovels, grabs, grips suitable for use solely or principally with cranes, earth moving, grading, extracting, or boring machinery	56,654	61,691	50,578	-18.01
8704.10.50	Motor vehicles for transport of goods, with rear dump, designed for off-highway use, not with cab chassis ...	55,673	23,625	48,604	105.73

See footnotes at end of table.

Table 2-14—Continued
Leading U.S. exports to ATPA countries, by HTS provisions, 1999-2001

HTS Provision	Description	1999	2000	2001	Change, 2001 over 2000
		1,000 dollars			Percent
8431.49.10	Parts suitable for use solely or principally with ships' derricks, cranes, mobile lifting frames, and straddle carriers, n.e.s.o.i.	3,172	39,703	48,364	21.82
8803.30.00	Parts of airplanes and helicopters, n.e.s.o.i.	79,337	86,674	48,199	-44.39
7108.12.10	Gold, nonmonetary, bullion and dore ...	77,826	53,605	48,045	-10.37
3901.10.00	Polyethylene having a specific gravity of less than 0.94, in primary forms ...	57,256	58,548	47,460	-18.94
2902.50.00	Styrene (vinylbenzene; phenylethylene)	39,330	58,777	44,785	-23.81
	Subtotal	1,696,225	1,770,250	1,788,482	1.03
	All other	4,566,944	4,524,839	4,574,853	1.11
	Total	6,263,169	6,295,089	6,363,334	1.08

¹ Not meaningful.

Note.—Because of rounding, figures may not add to totals shown. The abbreviation “nesoi” stands for “not elsewhere specified or otherwise included.”

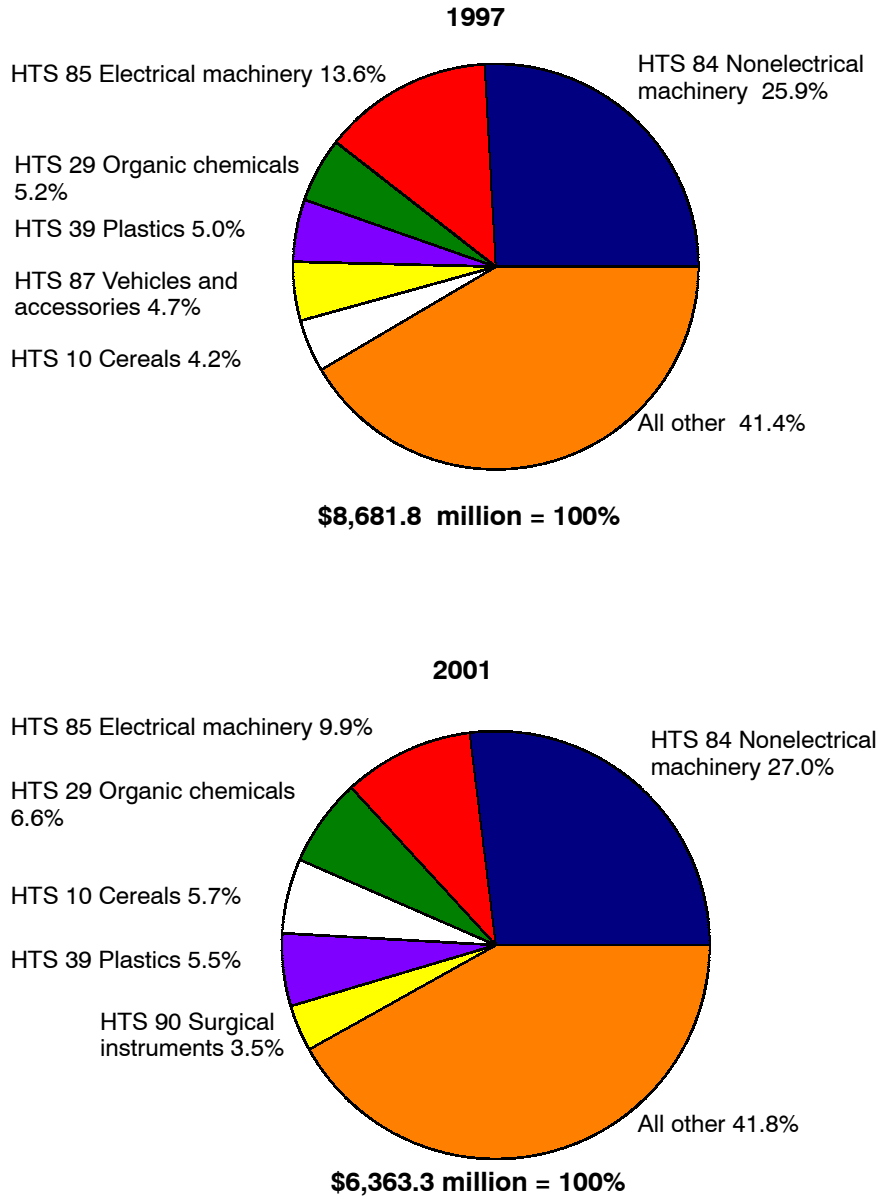
Source: Compiled from official statistics of the U.S. Department of Commerce.

the ATPA total in 2001. U.S. exports to Ecuador increased to 20.7 percent of all U.S. exports to ATPA countries in 2001, compared with 15.9 percent in 2000, because U.S. exports increased by almost one-third during the year. Bolivia's significance as an export market declined during the past 2 years, and accounted for only 3.2 percent of U.S. exports to ATPA countries in 2001 (figure 2-5).

U.S. exports to ATPA countries in most leading HTS 2-digit chapters increased during 2001, with the strongest gain occurring in mineral fuels and mineral oils (HTS chapter 27), which increased 28.8 percent due in large part to significant increases in exports of petroleum oils and oils from bituminous minerals (other than crude) to Ecuador and Peru. U.S. exports of vehicles and vehicle parts (HTS chapter 87) experienced a significant gain of 17.8 percent, and optical, photographic, medical, and measuring instruments (HTS chapter 90) experienced a gain of 12.9 percent (see table 2-13). U.S. exports of passenger cars and motor vehicles for the transport of goods, among the most influential products in HTS chapter 87, increased to all ATPA countries except Bolivia, while U.S. exports of motor vehicle parts and accessories increased significantly to Ecuador and Peru. Within HTS chapter 90, U.S. exports of surveying instruments increased significantly to all ATPA countries.

Electrical and nonelectrical machinery, equipment and parts (HTS chapters 84 and 85) continued to dominate U.S. exports to ATPA countries. Items classified in these two chapters constituted more than one-third of the total in 2001; the remainder of exports included chemicals, cereals, plastics, and many other products (figure 2-6). Among the 20 leading exports in terms of 8-digit HTS provision, eight were classified in HTS chapters 84 and 85 (table 2-14). Half of the exports under chapter 85 were products used in the mining, oil, and gas extraction industries.

Figure 2-6
Composition of U.S. exports to ATPA countries, by major product categories, 1997 and 2001



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

Among the leading export items to ATPA countries, the top products of oil and gas field machinery (HTS provision 8431.43.80) showed relative stability, compared to the more volatile percentage changes for these products in the late 1990s. Machinery export items that experienced notable gains in 2001 were cellular telephones (HTS provision 8525.20.90), parts for lifting and handling machinery (HTS provision 8431.39.00), and miscellaneous digital processing units (HTS provision 8471.50.00). Much of the increase in these items was due to exports to Ecuador, where use of the

U.S. dollar as the official currency and extensive pipeline construction had positive effects on the country's economy. Exports of parts and accessories of automatic data processing units (HTS provision 8473.30.00) declined to ATPA countries in 2001 despite increased demand for these products in Ecuador and Bolivia. The significantly larger markets for these products in Colombia and Peru experienced weaker demand, and thus pulled overall exports lower for these products in 2001.

Transportation-related export items included in the list of leading U.S. exports to ATPA countries were helicopters (HTS provision 8802.12.00), dump trucks (HTS provision 8704.10.50), and miscellaneous parts of airplanes and helicopters (HTS provision 8803.30.00). All helicopter exports under 8803.30.00 went to Colombia, and represented the only exports of such helicopters to ATPA countries since 1998.⁶⁵ Exports of dump trucks (typically used in mining and construction industries) to the ATPA region more than doubled in 2001, with Ecuador experiencing the largest increase in purchases, although the largest overall purchaser continues to be Peru. Exports of miscellaneous airplane and helicopter parts declined significantly to all ATPA countries except Ecuador, where such exports increased 8.7 percent.

Among the leading chemical, fertilizer, and plastic exports to ATPA countries, fertilizers (HTS provision 3100.00.00) was the only product category to increase in 2001. Vinyl chloride (HTS provision 2903.21.00), polyethylene (HTS provision 3901.10.00), and styrene (HTS provision 2905.50.00) all declined in 2001. U.S. exports of vinyl chloride to the ATPA region, where virtually all of the product is purchased by Colombia, declined to a level slightly below what was experienced in 1999. Exports of polyethylene fell to all ATPA countries with the exception of Ecuador, where such exports increased 18.3 percent. U.S. exports of styrene to the ATPA region, where the majority of the product is purchased by Colombia, declined to all ATPA countries except Bolivia, which traditionally is not a buyer of this product.

Agricultural products comprised the second, third, and twelfth leading export items to the ATPA region in 2001. While U.S. exports of yellow dent corn (HTS provision 1005.90.20) experienced a small decline, exports of wheat and meslin (HTS provision 1001.90.20) moved from sixth to third place among leading exports to the ATPA region in 2001, with significant increases to Peru and Bolivia, where reduced plantings in Peru and localized flooding and drought in Bolivia affected wheat output.⁶⁶ Exports of cotton (HTS provision 5201.00.10) also increased modestly. Other top U.S. export items to ATPA countries were kraft liner (a paper product) and nonmonetary gold, which both declined in 2001.⁶⁷

⁶⁵ U.S. military exports, such as helicopters for use in illicit drug crop eradication, generally are not reported in the trade data series used by the Commission. Exports of helicopters reported here are for civilian use.

⁶⁶ United Nations, Food and Agriculture Organization, "FAO/GIEWS - Food Crops & Shortages No. 1, March 2001" found at Internet address <http://www.fao.org/WAICENT/faoinfo/economic/giews/english/fs/fs0102/pays/soam0102.htm>, retrieved July 3, 2002.

⁶⁷ Nonmonetary gold is subject to two-way trade and it is more important among U.S. imports from ATPA countries than among U.S. exports to ATPA countries. See also the import section of 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 trade preference program on the United States in 2001 and the probable future effects of the program.¹ 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 countries was the main source for estimates of probable future effects. This information was collected from U.S. embassies in the region.

Impact of ATPA on the United States in 2001

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 2001, the value of ATPA duty-free U.S. imports has been 0.02 percent or less 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 2001, amounting to 0.84 percent of total U.S. imports.

In addition, the value of the ATPA program to countries and its potential for affecting the U.S. economy, consumers, and industries fell over time because of the erosion of the margin of preference for many ATPA products.² Sources of this erosion include phased tariff cuts under the Uruguay Round, 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.³

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 countries can enter the United States free of duty, making investment related to such products more attractive than would be the case in the absence of ATPA. Investment that depends

¹ The impact of ATPA and the probable future effects of ATPA were analyzed based on the form and product coverage of ATPA that was in effect in 2001.

² 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.

³ For a more detailed analysis of the erosion of the margin of preference, see USITC, *ATPA, Fifth Report, 1997*, p. 132.

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 2001, both GSP and ATPA expired—GSP on September 30 and ATPA on December 4—introducing additional uncertainties for ATPA country exporters.⁴In the analysis described in this chapter, no attempt was made to quantify any of these uncertainties.

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 2001 and had the largest potential impact on competing U.S. industries.

Products That Benefited Exclusively From ATPA in 2001

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.⁵

The value of U.S. imports that benefited exclusively from ATPA decreased from \$1.3 billion in 2000 to \$1.1 billion in 2001, a 17 percent decrease (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, ranging from around 5 percent in 1993 and 1994 to around 13 percent in 1996, when uncertainties surrounding the long lapse in the GSP program in 1995 and 1996 increased the amount of imports that could benefit exclusively from ATPA.⁶ The

⁴ President Bush signed legislation to renew both programs retroactively on Aug. 6, 2002.

⁵ A beneficiary developing country lost GSP benefits for an eligible product when U.S. imports of the product exceeded 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 had no competitive-need limits. Thus, eligible products that were excluded from duty-free entry under GSP because their competitive-need limits had been exceeded could still receive duty-free entry under ATPA.

⁶ The U.S. GSP program was not in effect from Aug. 1, 1995 through Sept. 30, 1996. Because of 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 issued before 1995, despite the similar analytical approach used. See USITC, *ATPA, Fourth Report, 1996*, pp. 71-72, for further explanation. Although GSP lapsed in 1997, 1998, 1999, and 2001, the lapses were considerably shorter than in 1995 and 1996, and quick and retroactive renewals were widely anticipated. Therefore, those lapses were not considered significant enough to warrant a repeat in the post-1996 reports of the assumptions used in the 1995 and 1996 reports. The lower estimates for years after 1996 derive from the assumptions used in designating items that benefit exclusively from ATPA, not from the change in actual usage.

exclusively benefiting share was 11.3 percent in 2001 and has been in the range of 10 percent to 12 percent in recent years, mainly because imports of refined copper cathodes from Peru (HTS provision 7403.11.00) have come to dominate this category.⁷ Without copper cathodes, the share benefiting exclusively from ATPA would have been 6.9 percent in 2001. Also, because ATPA expired on December 4, 2001, the share of imports benefiting exclusively in 2001 is probably somewhat lower than it would have been had the program remained in effect for the full year.

Table 3-1
Total imports from ATPA beneficiaries, imports entered under ATPA, and imports that benefited exclusively from ATPA, 1997-2001

Item	1997	1998	1999	2000	2001
Total imports from ATPA beneficiaries:					
Value (million dollars) ¹	8,674	8,361	9,830	11,117	9,569
Imports entered under ATPA provisions: ²					
Value (million dollars) ¹	1,353	1,645	1,750	1,982	1,675
Percent of total	15.6	19.7	17.8	17.8	17.5
Imports that benefited exclusively from ATPA provisions:					
Value (million dollars) ¹	635	915	939	1,312	1,086
Percent of total	7.3	10.9	9.6	11.8	11.3

¹ Customs value

² Includes articles entered free of duty and at reduced duties under ATPA provisions (table 2-7). Those provisions are discussed in chapter 1.

Source: U.S. International Trade Commission estimates from official statistics of the U.S. Department of Commerce.

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, which decreased by \$136 million in value, or 24 percent, from 2000 to 2001. Exclusively benefiting imports of copper cathodes increased rapidly in recent years, more than tripling from 1997 to 2000. They now dominate the list of items benefiting exclusively with 40 percent of the total. The duty rate for copper cathodes is only 1 percent, indicating that ATPA preferences probably have a very small influence on imports of such items. The second leading item, fresh-cut roses (HTS provision 0603.10.60), accounted for 17 percent in 2001. Because copper cathodes dominate the list, they accounted for 80 percent of the drop in the value of items benefiting exclusively from ATPA in 2001.⁸ Other notable changes include exclusively benefiting imports of pigments (HTS provision 3212.90.00) from Colombia, up by 42 percent from 2000 to 2001; tunas and skipjack (HTS provision 1604.14.40), down by

⁷ For a more detailed discussion of copper cathodes see Walker Pollard, "Renewal and Expansion of ATPA Could Enhance Effectiveness of the Program," *International Economic Review*, USITC publication 3442, July/August 2001, pp. 17-22.

⁸ Imports of exclusively benefiting copper cathodes fell 24.1 percent in value from 2000 to 2001. The import unit value fell 10.1 percent, accounting for more than a third of the drop in value. The price drop for copper cathode imports accounted for about 20 percent of the decrease in the value of all imports benefiting exclusively from ATPA.

Table 3-2
Leading imports that benefited exclusively from ATPA, 2001

(1,000 dollars)

HTS number	Description	Customs value	C.i.f. value
7403.11.00 ¹	Refined copper cathodes and sections of cathodes	429,379	439,409
0603.10.60	Roses, fresh cut	180,283	229,593
3212.90.00 ²	Pigments dispersed in nonaqueous media, in liquid or paste form, used in making paints; dyes & coloring matter packaged for retail sale	194,628	194,782
0603.10.70 ²	Chrysanthemums, standard carnations, anthuriums and orchids, fresh cut	91,664	117,316
0709.20.90	Asparagus, nesi, fresh or chilled	28,261	45,271
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	26,505	28,489
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	14,759	26,525
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	13,515	14,178
2402.20.80	Cigarettes containing tobacco but not containing clove, paper-wrapped	13,781	14,094
7113.19.21 ¹	Gold rope necklaces and neck chains	9,065	9,072
6908.90.00	Glazed ceramic flags and paving, hearth or wall tiles; glazed ceramic mosaic cubes and the like, nesi	7,209	8,625
4202.91.00 ³	Cases, bags and containers nesi, with outer surface of leather, of composition leather or patent leather	8,105	8,555
0710.80.97	Vegetables nesi, uncooked or cooked by steaming or boiling in water, frozen, reduced in size	6,846	8,049
7905.00.00 ¹	Zinc, plates, sheets, strip and foil	5,615	5,964
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.	5,027	5,218
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.	3,614	3,825
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	3,354	3,622
7901.12.10	Zinc (o/than alloy), unwrought, casting-grade zinc, containing at least 97.5% but less than 99.99% by weight of zinc	3,453	3,603
0804.30.40	Pineapples, fresh or dried, not reduced in size, in crates or other packages	2,393	3,317
4202.11.00 ³	Trunks, suitcases, vanity & all other cases, occupational luggage & like containers, surface of leather, composition or patent leather	2,806	2,953

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.

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

Source: U.S. International Trade Commission estimates from official statistics of the U.S. Department of Commerce.

64 percent from 2000 to 2001; and fresh-cut chrysanthemums, standard carnations, anthuriums, and orchids (HTS provision 0603.10.70) from Colombia, down by 23 percent. There were other large relative changes in the value of imports of leading items, but these changes were generally from relatively small bases.

Four items were added to the list of 20 leading items in 2001—pigments from Colombia and cigarettes (HTS provision 2402.20.80)—both of which experienced large import increases; and unwrought zinc (HTS provision 7901.12.10) and fresh pineapples (HTS provision 0804.30.40)—which moved up from the 22nd and 25th positions, respectively, among items benefiting exclusively in 2000.

Leading imports that were identified in previous annual ATPA reports as benefiting exclusively from ATPA between 1992 and 1999 continued to rank among the leading U.S. imports in 2001. Those imports were fresh-cut roses and chrysanthemums and other flowers under 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 2001

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 D. 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).⁹ 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 2001; they are ranked on the basis of their c.i.f. import values.¹⁰ Those products represented 97 percent of the \$1.1 billion in imports that

⁹ 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.

¹⁰ 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

benefited exclusively from ATPA during 2001.¹¹ The five leading ATPA-exclusive imports in 2001 were (1) copper cathodes from Peru (which exceeded its GSP competitive-need limit), (2) fresh-cut roses, (3) pigments from Colombia (which exceeded its GSP competitive-need limit), (4) chrysanthemums and other flowers under HTS provision 0603.10.70 from Colombia (which exceeded its GSP competitive-need limit), and (5) certain asparagus (HTS provision 0709.20.90). Colombia was the leading supplier of each of the two flower provisions, as well as pigments; and Peru was the leading supplier of copper cathodes and asparagus.¹² Copper cathodes ranked first, and fresh-cut roses ranked second in 2000.¹³

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.¹⁴ These market shares varied considerably in 2001 (table 3-3). For instance, the market share of ATPA-exclusive imports of fresh-cut roses was approximately 71 percent, whereas the market share of ATPA-exclusive imports of cigarettes was 0.04 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 2001.¹⁵ 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 next.

Effects on U.S. consumers

Fresh-cut roses provided the largest gain in consumer surplus, from \$11.7 million to \$11.9 million, resulting exclusively from ATPA tariff preferences in 2001 (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 approximately 5.3 percent higher (the ad

¹⁰—*Continued*

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.

¹¹ The import values reported in tables 3-2 and 3-3 reflect only that portion of imports under each HTS provision that entered free of duty 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.

¹² Leading ATPA suppliers are shown in table 2-8.

¹³ For the list of items benefiting exclusively from ATPA in 2000, see Walker Pollard, "Renewal and Expansion of ATPA Could Enhance Effectiveness of the Program," *International Economic Review*, USITC publication 3442, July/August 2001, pp. 17-22.

¹⁴ 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.

¹⁵ The methodology used is described in appendix D.

Table 3-3
Leading imports that benefited exclusively from ATPA, apparent U.S. consumption, and ATPA
exclusive market share, 2001

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 . .	439,409	6,046,086	7.27
0603.10.60	Roses, fresh cut	229,593	324,746	70.70
3212.90.00	Pigments dispersed in nonaqueous media, in liquid or paste form, used in making paints; dyes & coloring matter packaged for retail sale	194,782	1,281,991	15.19
0603.10.70	Chrysanthemums, standard carnations, anthuriums and orchids, fresh cut	117,316	170,386	68.85
0709.20.90 ²	Asparagus, nesi, fresh or chilled	45,271	315,280	22.77
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	28,489	(³)	(³)
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	26,525	-	-
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	14,178	347,230	4.08
2402.20.80	Cigarettes containing tobacco but not containing clove, paper-wrapped	14,094	39,651,181	0.04
7113.19.21	Gold rope necklaces and neck chains	9,072	56,051	16.18
6908.90.00	Glazed ceramic flags and paving, hearth or wall tiles; glazed ceramic mosaic cubes and the like, nesoi . .	8,625	1,641,721	0.53
4202.91.00 ⁴	Cases, bags and containers nesi, with outer surface of leather, of composition leather or patent leather	8,555	286,079	3.09
0710.80.97	Vegetables nesi, uncooked or cooked by steaming or boiling in water, frozen, reduced in size	8,049	(³)	(³)
7905.00.00	Zinc, plates, sheets, strip and foil	5,964	111,428	5.35
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.	5,218	445,800	1.25
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.	3,825	205,721	2.00
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	3,622	707,357	0.51
7901.12.10	Zinc (o/than alloy), unwrought, casting-grade zinc, containing at least 97.5% but less than 99.99% by weight of zinc	3,603	13,614	26.47
0804.30.40	Pineapples, fresh or dried, not reduced in size, in crates or other packages	3,317	236,578	1.40
4202.11.00 ⁴	Trunks, suitcases, vanity & all other cases, occupational luggage & like containers, surface of leather, composition or patent leather	2,953	231,585	1.35

See footnotes at end of table.

Table 3-3—Continued

Leading imports that benefited exclusively from ATPA, apparent U.S. consumption, and ATPA exclusive market share, 2001

¹ Apparent U.S. consumption defined as U.S. production plus total imports (landed, duty-paid basis) minus exports.

² 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.

³ U.S. production data not available.

⁴ Market share based on landed, duty-paid value.

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

Source: U.S. International Trade Commission estimates from official statistics of the U.S. Department of Commerce.

valorem duty rate, adjusted for freight and insurance charges). Asparagus (HTS provisions 0709.20.10 and 0709.20.90) provided the second-largest gain in consumer surplus, from \$6.1 million to \$6.5 million. Without ATPA, the price of imports of asparagus from ATPA countries would have been approximately 9.4 percent higher.¹⁶ 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 glazed ceramic tiles (HTS provision 6908.90.00), lower tariff revenues offset 83 percent to 91 percent of the gain in consumer surplus; for gold rope (HTS provision 7113.19.21) from Peru, the offset was about 90 percent to 93 percent; and for asparagus, the offset was about 90 percent to 96 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 fresh-cut roses (\$389,000 to \$514,000), asparagus (\$233,000 to \$614,000), and pigments (\$231,000 to \$366,000). Asparagus and fresh-cut roses also had the largest net welfare gains in 1999.¹⁷

Effects on U.S. producers

Estimates of the potential displacement of domestic production (table 3-5) were small for most of the individual sectors.¹⁸ The analysis indicates that the largest potential

¹⁶ Weighted average for both asparagus categories.

¹⁷ See USITC, *ATPA, Seventh Report, 1999*, pp. 39-40.

¹⁸ 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, 2001

(1,000 dollars)

HTS number	Description	Gain in consumer surplus (A)		Loss in tariff revenue (B)		Net welfare effect (A-B) ¹	
		Upper range	Lower range	Upper range	Lower range	Upper range	Lower range
7403.11.00	Refined copper cathodes and sections of cathodes	4,198	4,235	4,103	4,178	94	58
0603.10.60	Roses, fresh cut	11,720	11,854	11,206	11,465	514	389
3212.90.00	Pigments dispersed in nonaqueous media, in liquid or paste form, used in making paints; dyes & coloring matter packaged for retail sale	5,647	5,793	5,281	5,562	366	231
0603.10.70	Chrysanthemums, standard carnations, anthuriums and orchids, fresh cut	5,620	5,684	5,384	5,508	236	176
0709.20.90 ²	Asparagus, nesi, fresh or chilled	6,075	6,508	5,462	6,275	614	233
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	(³)	(³)	(³)	(³)	(³)	(³)
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	-	-	-	-	-	-
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	80	80	79	80	1	1
2402.20.80	Cigarettes containing tobacco but not containing clove, paper-wrapped	1,244	1,302	1,134	1,244	110	58
7113.19.21	Gold rope necklaces and neck chains	406	423	364	395	43	28
6908.90.00	Glazed ceramic flags and paving, hearth or wall tiles; glazed ceramic mosaic cubes and the like, nesi	697	763	579	695	119	67
4202.91.00	Cases, bags and containers nesi, with outer surface of leather, of composition leather or patent leather	79	80	78	79	2	1
0710.80.97	Vegetables nesi, uncooked or cooked by steaming or boiling in water, frozen, reduced in size	(³)	(³)	(³)	(³)	(³)	(³)
7905.00.00	Zinc, plates, sheets, strip and foil	148	151	139	146	9	6
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.	87	88	84	86	3	2
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.	69	70	66	69	3	2
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	20	20	20	20	(⁴)	(⁴)
7901.12.10	Zinc (o/than alloy), unwrought, casting-grade zinc, containing at least 97.5% but less than 99.99% by weight of zinc	(⁵)	(⁵)	(⁵)	(⁵)	(⁵)	(⁵)
0804.30.40	Pineapples, fresh or dried, not reduced in size, in crates or other packages	53	54	51	52	2	1
4202.11.00	Trunks, suitcases, vanity & all other cases, occupational luggage & like containers, surface of leather, composition or patent leather	43	44	42	43	2	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, 2001

¹ Differences computed from unrounded data.

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

³ Welfare and displacement effects were not calculated because of unavailability of U.S. production data.

⁴ Less than \$500.

⁵ Welfare and displacement effects were not calculated because there was no U.S. production in 2001.

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

Source: U.S. International Trade Commission estimates 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, 2001

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	2,988,196	9,518	5,284	0.32	0.18
0603.10.60	Roses, fresh cut	64,529	4,416	716	6.84	1.11
3212.90.00	Pigments dispersed in nonaqueous media, in liquid or paste form, used in making paints; dyes & coloring matter packaged for retail sale	1,017,498	19,905	10,333	1.96	1.02
0603.10.70	Chrysanthemums, standard carnations, anthuriums and orchids, fresh cut	28,530	1,779	289	6.23	1.01
0709.20.90 ¹	Asparagus, nesi, fresh or chilled	153,838	9,077	2,540	5.9	1.65
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	(²)	(²)	(²)	(²)	(²)
0709.20.10 ¹	Asparagus, fresh or chilled, not reduced in size, if entered Sept. 15 to Nov. 15, inclusive, and transported to the U.S. by air	-	-	-	-	-
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	246,911	241	126	0.1	0.05
2402.20.80	Cigarettes containing tobacco but not containing clove, paper-wrapped	39,450,165	2,306	1,011	0.01	(³)
7113.19.21	Gold rope necklaces and neck chains	22,600	541	179	2.4	0.79
6908.90.00	Glazed ceramic flags and paving, hearth or wall tiles; glazed ceramic mosaic cubes and the like, nesi	491,459	837	359	0.17	0.07
4202.91.00	Cases, bags and containers nesi, with outer surface of leather, of composition leather or patent leather	34,950	32	12	0.09	0.03
0710.80.97	Vegetables nesi, uncooked or cooked by steaming or boiling in water, frozen, reduced in size	(²)	(²)	(²)	(²)	(²)
7905.00.00	Zinc, plates, sheets, strip and foil	100,386	631	350	0.63	0.35
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.	108,949	70	26	0.06	0.02
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.	10,774	12	5	0.11	0.04
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	220,158	26	14	0.01	0.01
7901.12.10	Zinc (o/than alloy), unwrought, casting-grade zinc, containing at least 97.5% but less than 99.99% by weight of zinc	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)
0804.30.40	Pineapples, fresh or dried, not reduced in size, in crates or other packages	61,591	68	39	0.11	0.06
4202.11.00	Trunks, suitcases, vanity & all other cases, occupational luggage & like containers, surface of leather, composition or patent leather	125,619	77	29	0.06	0.02

¹ Analysis for HTS subheadings 0709.20.10 and 0709.20.90 is combined under HTS subheading 0709.20.90.

² Welfare and displacement effects were not calculated because of unavailability of U.S. production data.

³ Less than 0.005 percent.

⁴ Welfare and displacement effects were not calculated because there was no U.S. production in 2001.

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

Source: U.S. International Trade Commission estimates from official statistics of the U.S. Department of Commerce.

displacement effects were for fresh-cut roses (an estimate of 1.1 percent to 6.8 percent displaced, valued at \$0.7 million to \$4.4 million), chrysanthemums, etc. (1.0 percent to 6.2 percent of U.S. domestic shipments displaced, valued at \$0.3 million to \$1.8 million), and asparagus (1.7 percent to 5.9 percent displaced, valued at \$2.5 million to \$9.1 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 2001, only a few products that benefited exclusively from ATPA met this criterion: chrysanthemums and other flowers under HTS provision 0603.10.70, fresh-cut roses, and asparagus. These three product categories also were identified as having estimated displacements of 5 percent or more in 1999.¹⁹ An industry-by-industry analysis follows of the items most significantly affected in 2001.

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 countries. Fresh-cut roses (HTS provision 0603.10.60) were the 14th leading U.S. import item from ATPA countries in 2001, up from 15th place in 2000, accounting for 2.0 percent of the total value of all imports from ATPA countries. Fresh-cut chrysanthemums and other flowers under HTS provision 0603.10.70 ranked 17th among such imports in 2001, up from 19th in 2000, with a share of 1.0 percent of all ATPA imports in 2001. Fresh-cut roses were the third leading U.S. import item that entered free of duty under the ATPA program in 2001, accounting for 10.8 percent of the total value of such imports. Fresh-cut chrysanthemums and other flowers were fourth, accounting for about 5.5 percent.²⁰ ATPA countries supplied 91.7 percent of the total value of U.S. imports of fresh-cut roses and 90.0 percent of the total value of U.S. imports of chrysanthemums, etc. in 2001. Virtually all U.S. imports of the two fresh-cut flower categories considered here from 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 are a major nontraditional agricultural export product for both Colombia and Ecuador. Although the Netherlands was the world's leading exporter of these flowers in 2000, Colombia ranked second and Ecuador third in these exports.²¹

¹⁹ The Commission's last ATPA report covered the year 1999; see, USITC, *ATPA, Seventh Report, 1999*, p. 38.

²⁰ Rankings based on the customs value of imports.

²¹ Computed from official data from the United Nations. Data for 2001 are not available as of this writing.

Both Colombia and Ecuador enjoy year-round production and benefit from abundant water, labor, and quality land. The United States is the principal fresh-cut flower export market for ATPA countries, accounting for 82 percent of the total value of Colombian exports (\$580.7 million) and 72 percent of Ecuadorian exports (\$154.7 million) in 2000.²²

Transportation costs for cut flowers from ATPA countries are high, especially 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 and other flowers under HTS provision 0603.10.70. 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 could translate into modest impacts 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 not imported, or into other greenhouse products means that the absence of ATPA duties on fresh-cut roses and chrysanthemums, etc. may have a minimal impact on the U.S. industry as a whole. Increasing import volumes of these flowers from ATPA countries have had a positive impact on U.S. consumers who are able to consume high-quality flowers in multiple varieties at low prices.

The relationship between U.S. and Colombian cut-flower producers underwent a significant change in the late 1990s. In 1999, long-standing antidumping duty orders on fresh-cut flowers from Colombia and Ecuador, and a countervailing duty order on pompon chrysanthemums from Peru were revoked as a result of the withdrawal of participation in the proceedings by interested parties in the United States. That same year, U.S. and Colombian cut-flower growers and importers reached a mutually beneficial arrangement to market flowers in the United States. The resulting Flower Promotion Organization was set up to increase sales of all cut flowers in the United States by increasing short-term and long-term demand for flowers through promotional campaigns.²³ Despite the success of the campaign, measured in terms of consumer recognition of the positive benefits of cut flowers, the U.S. economy was generally soft in 2001. This caused sales of cut flowers in the United States to stagnate, reflecting a sensitivity to increased unemployment and weak economic activity.²⁴

U.S. market and trade developments during 2001 for the two subject fresh-cut flower categories are analyzed in greater detail next.

²² Ibid. According to the Colombian Flower Exporters Association, the share of Colombia's flower exports destined for the United States declined to 78 percent in 2001. Submission to the Commission by Susan M. Schmidt, Counsel for the Colombian Flower Exporters Association, received July 2, 2002.

²³ Flower Promotion Organization fact sheet, published by the Colombian Flower Exporters Association, found at Internet address <http://www.asocolflores.org/promo/Art%EDculo%20N%B01.pdf>, retrieved July 3, 2002.

Fresh-cut roses

U.S. imports of fresh-cut roses in 2001 were dutiable at the column 1-general rate of 6.8 percent ad valorem. Such imports were eligible in 2001 for duty-free treatment under the ATPA, CBERA, NAFTA, the United States-Israel Free Trade Agreement, and the United States-Jordan Free Trade Agreement.²⁵ Imports of fresh-cut roses are not eligible for duty-free entry under GSP.

U.S. sales of domestically produced roses (including hybrid tea and sweetheart) increased slightly to 187.6 million stems in 2001 from 186 million stems the previous year.²⁶ Despite the increased volume of domestic sales, the price per stem fell by one cent, causing total sales value to drop by 2.3 percent, from \$69.3 million in 2000 to \$67.7 million in 2001. This continued the downward trend in the value of U.S. domestic production of fresh-cut roses, which began in the late 1980s as imported roses entered the United States in increasing quantities.

In terms of quantity, U.S. consumption of fresh-cut roses increased slightly in 2001 to 1.2 billion stems, or by 2.2 percent. The lower price of roses, both domestically produced and imported, resulted in a slight decrease in the value of total consumption (2.7 percent) to \$324 million in 2001. Imports of roses from all sources accounted for 84.7 percent of quantity and 80.1 percent of the value of U.S. consumption of all roses in 2001. Imports from ATPA countries in 2001 supplied 79.4 percent of the quantity and 74.1 percent of the value of U.S. consumption, compared with 77.6 percent of its quantity and 73.1 percent of its value in 2000.²⁷ Colombia was the leading supplier with imports from that country accounting for 48.6 percent of quantity and 45.9 percent of value of U.S. consumption in 2001. Ecuador was second, with imports accounting for 30.7 percent of quantity and 28.2 percent of value of U.S. consumption in 2001.

U.S. imports of fresh-cut roses from all sources totaled \$205.7 million in value in 2001, a decline of 3.4 percent over the previous year. Colombia and Ecuador were the leading suppliers, accounting for 59.5 percent and 32.2 percent, respectively, of the total value in 2001. U.S. imports of fresh-cut roses from all ATPA sources totaled \$188.5 million in 2001, a decline of 2.0 percent from the previous year, virtually all of which entered free of duty under ATPA. Colombia supplied 65.0 percent of the fresh-cut rose imports under the ATPA program in 2001, and Ecuador accounted for 35.0 percent. Peru supplied less than one-tenth of one percent and no imports of fresh-cut roses were reported from Bolivia in 2001.

²⁴ *Floriculture and Environmental Yearbook Summary*, Economic Research Service, May 2002.

²⁵ Imports of fresh-cut roses were eligible for duty-free treatment under the United States-Jordan Free Trade Agreement as of Dec. 17, 2001.

²⁶ In 2000, a new data series for U.S. production of roses was introduced by the National Agricultural Statistics Service of USDA, replacing two previously available series for hybrid tea and sweetheart roses separately. Data on quantity for the new "all roses" category is reported in number of stems, while the previous rose categories had been reported in number of blooms. The change in reporting numbers of blooms versus stems was necessary as the "all roses" category includes spray roses, a new variety, which have more than one bloom per stem.

²⁷ Market shares are calculated using all imports of fresh-cut roses from ATPA countries, not those that benefit exclusively from the ATPA program.

Fresh-cut chrysanthemums, standard carnations, anthuriums, and orchids

U.S. imports of fresh-cut chrysanthemums, standard carnations, anthuriums, and orchids were dutiable in 2001 at the column 1-general rate of 6.4 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, the United States-Israel Free Trade Agreement, and the United States-Jordan Free Trade Agreement.²⁸ In 2001, nearly all U.S. imports of fresh-cut chrysanthemums and other flowers under HTS provision 0603.10.70 from Colombia entered free of duty under the ATPA program. The vast majority of imports entering free of duty from Ecuador were entered under ATPA, with less than 1 percent entered under GSP in 2001.

U.S. sales of domestically produced fresh-cut chrysanthemums, etc. dropped from 117.7 million blooms in 2000 to 105.3 million blooms in 2001, or by 10.6 percent. The value of U.S. production of such flowers decreased at a slower rate, or by 5.4 percent, from \$31.7 million in 2000 to \$30.0 million in 2001. Among the major flowers in this category, sales of chrysanthemums and carnations fell while sales of orchids increased slightly, 3.2 percent by volume and 10.1 percent by value.

U.S. consumption of fresh-cut chrysanthemums, etc. declined in 2001 to \$169.8 million, a decrease of 17 percent. Imports from all sources accounted for 83.2 percent of the value of consumption in 2001, down slightly from the 2000 share. Imports from all ATPA countries supplied 74.6 percent of the value of total U.S. consumption in 2001, down from 75.7 percent in 2000. Imports from Colombia, by far the leading import supplier, accounted for 74.1 percent of the value of such consumption, only slightly less than the previous year.

U.S. imports of fresh-cut chrysanthemums, etc. from all sources fell from \$135.8 million in 2000 to \$110.1 million in 2001. The decline was accounted for mainly by reduced imports of standard carnations and chrysanthemums from Colombia. Among ATPA countries, Colombia was by far the leading supplier, accounting for 89.4 percent of the total import value from all sources in 2001. Ecuador, the next largest ATPA supplier, accounted for less than 1 percent of total imports. Bolivia accounted for a relatively insignificant share of imports and no imports from Peru of these fresh-cut flowers were recorded for 2001. ATPA countries supplied \$99.1 million of U.S. imports of these flowers in 2001, down 18.3 percent over the previous year. Colombia supplied nearly all, or 99.3 percent, of the value of such U.S. imports under ATPA in 2001.

Fresh or chilled asparagus

U.S. imports of fresh or chilled asparagus in 2001 entered under HTS provision 0709.20.10, were dutiable at the column 1-general rate of 5.0 percent ad valorem; imports under HTS provision 0709.20.90 were dutiable at the column 1-general rate of 21.3 percent ad valorem. Imports entered under both HTS provisions are eligible for

²⁸ Imports of fresh-cut chrysanthemums, etc. were eligible for duty-free treatment under the United States-Jordan Free Trade Agreement as of Dec. 17, 2001.

duty-free treatment under ATPA, CBERA, the United States-Israel Free Trade Agreement, and, after Dec. 17, 2001, the United States-Jordan Free Trade Agreement. Under NAFTA, duties on imports of fresh or chilled asparagus (HTS provision 0709.20.10) from Mexico were eliminated in 1999 and the duty on imports of fresh asparagus under HTS provision 0709.20.90 from Mexico are being phased to zero in 2009.²⁹ 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 lost GSP eligibility because it exceeded the competitive-need limit in 2001. Imports entered under HTS provision 0709.20.90 are eligible for duty-free treatment under GSP only if they originate in least-developed beneficiary developing countries, none of which is an ATPA beneficiary.

U.S. imports of fresh asparagus increased by more than 200 percent throughout the 1990s and currently comprise about one-half of total U.S. fresh asparagus consumption.³⁰ U.S. imports of fresh or chilled asparagus rose by 2 percent from \$114.7 million in 2000 to \$116.9 million in 2001, with increased shipments from Mexico and Peru accounting for the bulk of the rise.³¹ Other important foreign suppliers included Chile and Colombia. U.S. imports of fresh or chilled asparagus from ATPA countries rose by 14 percent from \$43.4 million in 2000 to \$49.6 million in 2001, with imports from Peru accounting for 95 percent, and Colombia for 4 percent, of total imports from ATPA countries in 2001. Peru has remained the principal Andean supplier of U.S. fresh asparagus imports in recent years, supplying 40 percent of the total value of U.S. fresh asparagus imports in 2001, as compared with 36 percent in 2000.

U.S. production of fresh asparagus amounted to 137.8 million pounds in 2001, down by 8 percent from the volume in 2000 and virtually the same as the production volume 10 years ago. Production value rose by 10 percent, from \$176.0 million in 2000 to \$193.6 million in 2001.³² The leading states producing fresh asparagus are California, Washington, and Michigan, with virtually all California production intended for fresh-market sales. Washington is the largest producer for the processed market, followed by Michigan which has had increasing amounts of production in recent years intended for fresh-market sales. U.S. per capita consumption of fresh asparagus was forecast at 1.0 pounds in 2001, the same as in 2000, but up from 0.6 pounds annually in the years prior to ATPA.³³

²⁹ Imports of fresh or chilled asparagus from Canada already are accorded duty-free status.

³⁰ *Impacts Of The Andean Trade Preference Act On Asparagus Producers And Consumers*, Report To Congressional Subcommittees, U.S. General Accounting Office, Washington, DC, GAO-01-315, Mar. 2001, p. 1.

³¹ Includes HTS provisions 0709.20.10 and 0709.20.90. Fresh or chilled asparagus entered under HTS provision 0709.20.10 is the same product as that entered under HTS provision 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.

³² USDA, National Agricultural Statistics Service, *Vegetables*, publication No. Vg 1-2 (02), January 2002, p. 48.

³³ USDA, Economic Research Service, *Vegetables and Specialties-Situation and Outlook Yearbook*, publication No. VGS-284, July 2001, p. 13.

The impact of ATPA on the U.S. fresh-market asparagus industry has been negligible mainly because the season for U.S. production differs from the season of most imports from ATPA countries. The displacement of U.S. production by imports from ATPA countries is likely to be in the lower range of estimates shown in table 3-5—closer to 1.7 percent than 5.9 percent. The bulk of fresh asparagus imports from ATPA countries enters between July and the following January, when overall U.S. production is low but California production is starting to become available. Although harvested acreage of asparagus produced for all uses was down 7 percent and the quantity of asparagus by 8 percent in 2001, compared with 2000, the value of production was up 4 percent during the same period.³⁴ Asparagus production for all uses was valued at \$230.2 million in 2001, up by 4 percent from \$221.3 million in 2000.³⁵

Mexico is still the most important source of U.S. fresh-asparagus imports, with its export shipments benefiting from lower transportation rates to U.S. markets that offset any production advantages in ATPA countries. Frost and excessive rain during the 2001 production season led to reduced overall Mexican production which, together with a gradual shift in production from asparagus to other crops, has tempered somewhat any future increases in shipments to the United States.³⁶ In the meantime, the growth of U.S. fresh-asparagus imports from ATPA countries is expected to remain steady in the near future. Peru is currently one of the largest global producers of asparagus, with annual production levels greater than those in the United States and Mexico combined. Asparagus has become the second-leading agricultural export from Peru in recent years, contributing an estimated \$150 million in annual export sales.³⁷ Peruvian asparagus production rose 24 percent from 1997 to 2001, and was forecast to rise 5 percent from 2001 to 2002.³⁸ Changes in land tenure are allowing for the privatization of agricultural cooperatives, with large tracts of land opened up for the production of exportable products with a stable foreign demand, including asparagus.³⁹ The climate in Peru is quite diverse and very favorable in many areas for year-round asparagus production. Exports of fresh asparagus from Peru have risen steadily each year since 1999, but were down slightly from 2000 to 2001 as Peruvian exporters responded to an overall world surplus and falling world market prices.⁴⁰ The United States has been the major export market for Peruvian shipments of green asparagus for a number of years and continues to be so, accounting for about 82 percent of such exports in 2001.⁴¹

The impact of ATPA on U.S. consumers has been significant. Peruvian fresh asparagus enters the United States principally when U.S.-produced fresh asparagus is not as

³⁴ USDA, National Agricultural Statistics Service, *Vegetables*, publication No. Vg 1-2 (02), January 2002, p. 47.

³⁵ *Ibid.*

³⁶ USDA, Foreign Agricultural Service (FAS), *Mexico Asparagus Annual 2001*, GAIN Report #MX1094, June 15, 2001, p. 2.

³⁷ USDA, FAS, *Peru Asparagus Annual 2001*, GAIN Report #PE1008, June 13, 2001, p. 1.

³⁸ USDA, FAS, *Peru Asparagus Annual 1999, 2000, and 2001*, GAIN Report #PE9009, June 14, 1999, p. 2; GAIN Report #PE0008, July 6, 2000, p. 6; and GAIN Report #PE1008, June 13, 2001, pp. 1-2.

³⁹ USDA, FAS, *Peru Asparagus Annual 2001*, GAIN Report #PE1008, June 13, 2001, p. 3.

⁴⁰ *Ibid.*, pp. 1-3.

⁴¹ *Ibid.*, p. 4.

readily available, resulting in greater availability of fresh asparagus over these other months.⁴² This extended availability in supply has been partly responsible for the slight rise in per capita consumption of fresh asparagus in recent years.⁴³ Further, extended product availability seems to have positively affected overall consumption of all asparagus and to have resulted in lower prices, which benefited consumers.

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, despite ATPA's expiration in December, the Commission continued to monitor ATPA-related investment in the Andean region in 2001,⁴⁴ using investment expenditures as a proxy for future trade effects of ATPA on the United States.⁴⁵

Official foreign direct investment (FDI) statistics show that FDI flows into the ATPA region decreased in both 1999 and 2000 after reaching an all-time high in 1998 of more than \$7.8 billion (table 3-6).⁴⁶ In 2000, inflows of FDI fell by more than two-thirds compared to 1999, reflecting declines in FDI flows into Bolivia, Colombia, and Peru. The global economic slowdown as well as a decline in receipts from privatization, which peaked during the 1990s when these countries were undertaking major economic reforms, contributed to the decline. FDI flows into Ecuador increased in 2000, primarily reflecting investment in the oil sector, including initial construction of the Transandean Heavy Oil Pipeline. Although 2001 statistics are not yet available, the United Nations has estimated that FDI flows into Latin America and the Caribbean declined because of adverse international economic conditions, including the U.S. recession; and a decline in mergers and acquisitions, including privatizations, due to the completion of economic reform programs.⁴⁷

⁴² For more information, see USITC, *ATPA, Seventh Report, 1999*, p. 46.

⁴³ Ibid.

⁴⁴ Although ATPA renewal legislation under consideration by the U.S. Congress in 2001-02 generally extended the list of products eligible for ATPA trade preferences, this section is based on an examination of investment made in those products eligible for ATPA preferences during 2001.

⁴⁵ 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, September 1986, p. 4-1.

⁴⁶ United Nations Conference on Trade and Development, *World Investment Report 2001: Promoting Linkages*, Geneva, 2001, pp. 30, 292-293.

⁴⁷ United Nations, Economic Commission for Latin America and the Caribbean, "Foreign Investment in Latin America and the Caribbean Falls," press release, June 17, 2002, found at Internet address <http://www.eclac.org>, retrieved June 18, 2002.

Table 3-6
Foreign direct investment inflows, by host regions and by economies, 1989-2000

(Million dollars)

Host region/economy	1989-94 (annual average)	1995	1996	1997	1998	1999	2000
World	200,145	331,068	384,910	477,918	692,544	1,075,049	1,270,764
Developing countries	59,578	113,338	152,493	187,352	188,371	222,010	240,167
Latin America and the Caribbean	17,506	32,311	51,279	71,152	83,200	110,285	86,172
ATPA	1,386	4,213	6,039	6,204	7,852	7,621	2,268
Bolivia	96	374	426	879	955	1,014	731
Colombia	346	1,321	1,880	2,933	4,186	4,002	273
Ecuador	271	470	491	695	831	636	708
Peru	673	2,048	3,242	1,697	1,880	1,969	556

Source: UNCTAD, *World Investment Report 2001: Promoting Linkages*.

Because it is difficult to isolate trends in investment related to ATPA-eligible products alone, information on ATPA-related investment activity and trends during 2001 was obtained from U.S. embassies in the Andean region. The information that follows was drawn from official telegrams from these U.S. embassies, except as noted.

All four U.S. embassies in ATPA countries responded to the Commission's request for information regarding new or expansion investments related to ATPA-eligible products. Of the four, two were able to provide specific information regarding new or expansion ATPA-related investment. The U.S. Embassy in Bolivia reported that in 2001, companies made new or expansion investments to support the production of jewelry, leather goods, and wooden doors and frames. More than \$1 million worth of new and expansion investments were made in the manufacture of jewelry, Bolivia's largest export to the United States under ATPA, and nearly \$2 million worth of new and expansion investments were made in wooden doors and frames. Companies invested about \$500,000 in the leather goods industry. Investments made in the agricultural sector introduced through alternative development projects, including palm hearts and flowers, have flourished, but have not yet produced exports to the United States because the products do not meet the quality and volume requirements for the U.S. market. Overall, the U.S. Embassy reported that "the role of ATPA in encouraging investment in nontraditional export-oriented products has been extremely important in Bolivia."⁴⁸

According to the U.S. Embassy in Ecuador, the country's Central Bank reported that foreign investment flows into Ecuador in 2001 reached \$1.32 billion, with the energy sector accounting for \$1.1 billion. FDI also was made in agriculture (\$18.7 million),

⁴⁸ U.S. Department of State telegram, "USITC Andean Investment and Drug Crop Survey for Report on ATPA: Request for Information," message reference No. 3547, prepared by U.S. Embassy, La Paz, July 17, 2002.

manufacturing (\$59 million), construction (\$55 million), and commerce (\$54 million) in 2001. Although data on ATPA-related investment were not available, the embassy was able to identify \$13 million in new investment in the tuna industry in anticipation of the inclusion of tuna benefits in a renewed ATPA. In addition, the embassy noted that ATPA has encouraged the development of nontraditional export-oriented products, in particular, cut flowers. The flower industry generates 500,000 direct and indirect jobs in Ecuador. According to the embassy, ATPA has also facilitated the export of nontraditional agricultural products, such as mangoes. About 70 percent of Ecuadoran mangos are exported to the United States.⁴⁹

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 throughout the last few years. In 2001, Colombian exports under ATPA declined, probably due to the U.S. economic downturn. According to the embassy, the main products exported to the United States under ATPA in 2001 were fresh-cut flowers, pigments, plastic products, steel tubes, handbags, and candy products. Other products, including gelatin capsules, fresh and frozen asparagus, frozen orange juice, and chewing gum, which had gained importance in previous years, lost market share during the last 2 years under ATPA. Flowers remains the largest sector benefiting from ATPA trade preferences. However, no new investments were made in the flower sector in 2001. U.S. Embassy contacts also indicated that "there was capital divestment in sectors such as candy products and asparagus, and no new investment in the remaining sectors due to the uncertainty during 2001 and the first half of 2002 regarding ATPA's extension after it expired in December 2001." However, the embassy reported that "ATPA-related investment has flourished" and "in terms of production, the [Colombian] Ministry of Foreign Trade has estimated that ATPA generated \$1.3 billion in new goods for export in 2001."⁵⁰

The U.S. Embassy in Colombia also reported that "Andean countries have not been able to compete on an equal basis for the U.S. market with beneficiaries of the North American Free Trade Agreement, particularly Mexico." According to the embassy, this disadvantage is particularly relevant in apparel, which was not eligible for ATPA benefits in 2001, and in such ATPA-eligible goods as sugar and tropical fruits. The Colombian Association of Exporters has estimated that the negative effect of NAFTA on Colombian exports is \$380 million annually.⁵¹

Although the U.S. Embassy in Peru was unable to provide specific data regarding investment in ATPA-related industries, the embassy reported that asparagus cultivation has "prospered greatly under ATPA." The industry has created more than 50,000 jobs in the past decade, thereby reducing incentives for labor to migrate to coca-growing regions. Also, the success of asparagus exports has had secondary

⁴⁹ U.S. Department of State telegram, "USITC Survey," message reference No. 2455, prepared by U.S. Embassy, Quito, July 25, 2002.

⁵⁰ U.S. Department of State telegram, "Colombia's ATPA Related Investment Activity During 2001," message reference No. 6078, prepared by U.S. Embassy, Bogota, July 9, 2002.

⁵¹ Ibid.

benefits; for example, Peru's primary cargo air carrier, Cielos del Peru, has doubled the size of its fleet and support staff in direct response to the increase in asparagus exports. According to the embassy, "with few bright spots in the economy," the Government of Peru will continue to focus on asparagus as a way to diversify the economy away from Peru's traditional reliance on exports of base materials and their derivatives.⁵²

The textile industry is a second focus of the Peruvian Government's efforts to diversify the country's economy. According to the embassy, the expansion of ATPA tariff preferences to cover textiles and apparel would generate exports that would greatly benefit the Peruvian economy while having a negligible effect on the U.S. market. The embassy reported that the inclusion of the sector in ATPA, particularly with a provision allowing regional fabrics, could generate a large number of jobs and an important alternative to illicit crop cultivation. According to the embassy,

Peru's textile sector averaged 23 percent annual growth from 1985 to 2000 before contracting in 2001,⁵³ representing one of the few bright spots in an otherwise stagnant economy....The textile sector in Peru currently employs 180,500 workers, [and] provides support directly to about one million people. Thus, while inclusion of regional fabric in ATPA may have a negligible impact on the U.S. market, it could make an enormous difference to Peru by generating 13 percent growth per annum over and above other growth during the next five years—about 40,000 additional direct new jobs in the textile industry and some 80,000 indirect new jobs. Further, industry sources believe that inclusion of regional fabrics in ATPA could create between 300,000 and 400,000 new jobs in cotton cultivation in coastal areas alone as an alternative, like asparagus, to illicit crop cultivation in the highland jungles.⁵⁴

Based on an examination of ATPA-related investment in 2001, 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 composed of imports from ATPA countries in 2001 was small (0.84 percent by value). Imports that benefited exclusively from ATPA in 2001 made up an even smaller share—just 0.10 percent. Moreover, in addition to the poor international economic environment, ATPA's expiration in December 2001 and the accompanying uncertainty regarding its renewal likely dampened investment in certain ATPA-eligible goods during the year. In fact, the new

⁵² U.S. Department of State telegram, "ATPA Scorecard for Peru: Input for ITC Report," message reference No. 3607, prepared by U.S. Embassy, Lima, July 16, 2002.

⁵³ The U.S. Embassy noted that the contraction of Peru's textile sector in 2001 and the first half of 2002 resulted partly from competition on the U.S. market from Central American countries, which benefited from expanded trade preferences under the Caribbean Basin Trade Partnership Act of 2000.

⁵⁴ U.S. Department of State telegram, "ATPA Scorecard for Peru: Input for ITC Report," message reference No. 3607, prepared by U.S. Embassy, Lima, July 16, 2002.

jewelry and wood door investments identified in Bolivia, as well as the new tuna investment in Ecuador, represent sectors showing declining U.S. imports under ATPA from these two countries in 2001 (see chapter 2). Thus, the probable future effect of ATPA, including the new investment identified in the ATPA countries, also is likely to be minimal in most economic sectors.

CHAPTER 4

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

As discussed in chapter 1, the United States enacted ATPA to improve access to U.S. markets of certain imports from Bolivia, Colombia, Ecuador, and Peru, thereby promoting economic alternatives to illicit drug activity. This chapter assesses the estimated effects of ATPA on drug-related crop eradication and crop substitution efforts of each of these countries during 2001.

Overview

According to the U.S. Department of State, “[t]he drugs that most concern the United States are cocaine, heroin and synthetic amphetamine-type stimulants, in that order. . . . Among these drugs, cocaine still poses the greatest threat.”¹ The coca plant is the raw material for cocaine, and virtually all of the cocaine sold in the United States originates in the Andean countries of Bolivia, Colombia, and Peru.² Ecuador, also an ATPA beneficiary, is primarily a drug transit country that shares porous borders with Colombia and Peru.³ Colombia also accounts for an estimated 2 percent of world opium poppy production, the raw material for heroin, with nearly all of the resulting heroin destined for the United States. In addition, a small amount of opium poppy production has begun in Peru in recent years.⁴ Unlike the case for coca cultivation, the U.S. Department of State did not report opium poppy cultivation data for Colombia and Peru for 2001, due to data collection difficulties.⁵ For these reasons, this chapter focuses exclusively on the effects of ATPA on coca cultivation, production, eradication, and crop substitution.

The Commission recognizes that ATPA, while it was in effect, was 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. The difficulties of isolating the effects of ATPA on coca eradication and crop substitution have been pointed out in previous reports in this

¹ U.S. Department of State, *International Narcotics Control Strategy Report (INCSR)*, March 2002, p. II-3.

² *Ibid.*

³ According to the U.S. Department of State, “[t]here is no evidence that illicit crops are cultivated to any significant degree in Ecuador.” *Ibid.*, p. IV-30. For this reason, the discussion of Ecuador in this chapter is brief.

⁴ *Ibid.*, p. II-14.

⁵ Data collection difficulties reportedly were in estimating the size of the Colombian opium poppy crop and the fact that no crop yield studies had been done for Peru. *Ibid.*, pp. II-5 and II-14.

series.⁶ For example, coca eradication and alternative development programs have been going on for years in the Andean region and many such programs predate or overlap with ATPA. In addition, few licit commercial crops can compete viably with coca; illicit coca can be cultivated in soil and climate conditions unsuitable for many commercial crops and often is cultivated in regions controlled by armed insurgent organizations; it can take time for countries to develop products of sufficient quality and in sufficient quantity to penetrate the U.S. market; and the success of alternative development programs often is contingent on improvements in the economic infrastructure, such as the construction of roads or other measures to promote the development of new, licit economic activities. Moreover, assessments of the impact of ATPA are further complicated because, as discussed in chapter 3, the value of the ATPA program to beneficiary countries has declined in recent years because of the eroding margin of preference for many products.

During 2001, the Commission estimates that ATPA had small, indirect, and positive overall effects in support of illicit coca eradication and crop substitution efforts in Bolivia and Peru. ATPA appeared to have few, if any, discernable effects on coca eradication and crop substitution efforts in Colombia—where net coca cultivation continued to increase, according to the most recent U.S. Government estimates.⁷ Nevertheless, Colombia's overall macroeconomic performance appeared to benefit from ATPA duty reductions. As was particularly evident in the flower export sector and its supporting industries, ATPA remained an important source of employment creation and export revenue for Colombia as well as for Ecuador during 2001—providing jobs for workers who might otherwise have participated in illicit coca cultivation.

The Commission's assessments in this chapter are based on analysis of ATPA-related trade flows, a review of relevant literature on the Andean region including 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.⁸

Coca Cultivation

Coca is the common name for a tropical evergreen shrub (*Erythroxylon coca*) indigenous to the Andean mountain region as well as certain regions in Africa,

⁶ For example, *Second Report, 1994*, p. 48.

⁷ *INCSR*, p. II-12. For an analysis and assessment of drug control efforts in Colombia, see U.S. General Accounting Office (GAO), *Drug Control: Efforts to Develop Alternatives to Cultivating Illicit Crops in Colombia Have Made Little Progress and Face Serious Obstacles, Report to Congressional Requesters*, February 2002, GAP-02-291.

⁸ The Commission relied extensively on data and factual information provided by other government and nongovernment organizations in preparing this assessment because a USITC fact-finding field trip to the Andean region was not undertaken due to time constraints. Information on the letter from the House Ways and Means Committee requesting this report is presented in chapter 1, and a copy of the letter can be found in appendix A.

Australia, and India. Cocaine alkaloid, a chemical compound found in the leaves of the coca plant, is the source of the drug cocaine. In the main processing stages, coca leaves are chemically converted into cocaine base (an intermediate, more concentrated and more compact form, which is often transported to other countries for further processing). Cocaine base is further refined into cocaine hydrochloride (HCl), the illicit white crystalline powder form (often diluted with a variety of substances) commonly sold in the U.S. market, which can be further converted into a solid, chunky, smokeable form known as "crack."⁹ Coca leaves produced in Bolivia, Colombia, and Peru are the source of cocaine sold in the United States.¹⁰ In its traditional use, dating from pre-Columbian times to the present, coca leaves are chewed to release low doses of cocaine alkaloid as a mild stimulant and an appetite depressant; other traditional uses include brewing coca leaves as a tea.¹¹ Cocaine has been federally regulated in the United States since 1914, and its use restricted to a limited number of medical applications.¹²

In the wild, coca mainly grows in moist and woody regions on the eastern slopes of the Andes, from 2,000 to 10,000 feet above sea level. Leaves can be harvested from the plants 3-to-8 times per year beginning, depending on the variety,¹³ as soon as the coca bushes reach 6-to-8 months old.¹⁴ Multiple harvests make it easier for farmers to salvage their coca harvests after eradication operations, as discussed next in the Bolivia and Colombia country profiles. Each coca variety has distinct traits and growing conditions, with some coca varieties having a life span of as long as 20 years.¹⁵

⁹ U.S. Drug Enforcement Agency (DEA), *Cocaine*, found at Internet address <http://www.usdoj.gov/dea/concern/cocaine.html>, retrieved July 1, 2002.

¹⁰ *INCSR*, p. II-3.

¹¹ United Nations Office for Drug Control and Crime Prevention (UNODCCP), *Terminology and Information on Drugs*, October 1998, p. 7, found at Internet address http://www.odccp.org/report_1998-10-01_1_page007.html, retrieved June 24, 2002.

¹² White House, *Cocaine*, found at Internet address <http://www.whitehousedrugpolicy.gov/drugfact/cocaine/index.html>, retrieved July 3, 2002.

¹³ Researchers have identified two species of Andean region coca, each with two varieties. The four varieties are: *Erythroxylum coca* var. *coca* (Huanuco, or Bolivian coca), believed to be the ancestral variety, *E. coca* var. *Ipuda* (Amazon coca), *E. novogranatense* var. *novogranatense* (Colombian coca), and *E. novogranatense* var. *truxillense* (Trujillo coca). Information compiled from UNODCCP, *Terminology and Information on Drugs*, October 1998, p. 7; U.S. Central Intelligence Agency (CIA), *Coca Fact Paper: A Primer*, found at Internet address http://www.cia.gov/saynotodrugs/cocaine_i.html, retrieved June 21, 2002; and April Rottman, *Ethnobotanical Leaflets*, Southern Illinois University, <http://www.siu.edu/~ebl/leaflets/coca.htm>, retrieved June 21, 2002.

¹⁴ CIA, *Coca Fact Paper: A Primer*.

¹⁵ Huanuco, or Bolivian, coca found in Bolivia and Peru is the only variety that is both cultivated as well as found growing in the wild; it has a life span of 15-20 years, and is the major source of commercially produced coca leaves and cocaine. Amazon coca is cultivated in the lowland Amazon River basin and has the shortest life span of about 6 years. Drought tolerant Colombian coca, cultivated primarily in Colombia, is grown in both moist and dry mountain areas. Hardy, drought resistant Trujillo coca is cultivated in river valleys of coastal Peru and other arid areas of this region. Information compiled from multiple sources, including CIA, *Coca Fact Paper*, and April Rottman, *Ethnobotanical Leaflets*.

Role of ATPA in Counternarcotics Efforts

Cutting off the flow of cocaine entering the United States has been the principal U.S. international counternarcotics goal for more than a decade.¹⁶ According to U.S. Government sources, “cocaine prices in 2001 remained low and stable, suggesting a steady supply to the United States.”¹⁷ Controlling supply by attacking critical points along the grower-to-user chain that links the consumer in the United States to the grower in a source country is a key element of U.S. counternarcotics programs.¹⁸

Crop control is considered “by far the most cost-effective means of cutting supply,” because “[w]hen crops are destroyed or left unharvested, no drugs can enter the system.”¹⁹ However, “[c]rop reduction has enormous political and economic consequences for the producing country. It inevitably means attacking the livelihood of an important—often the poorest—sector of the population. Implementing lasting crop control programs takes time, as governments must develop viable alternatives for the affected population.”²⁰ ATPA was enacted to support such government efforts to develop viable economic alternatives by broadening opportunities for beneficiaries to sell their products on the U.S. market, thereby promoting export-led alternatives to illicit drug-crop production in the Andean region.²¹ “ATPA represents a critical intersection of our trade and antinarcotics policies. . . . ATPA functions as a U.S. trade policy tool that contributes to our fight against drug production and trafficking,” according to one U.S. Government official.²²

ATPA, while it was in force, provided trade-based incentives to reduce illicit coca cultivation by reducing tariff rates on products that otherwise would have faced higher tariffs. As discussed in chapter 3, the presence of ATPA also guaranteed that GSP-eligible products from ATPA beneficiaries would enter the United States free of duty, making investment in such products more attractive than would have been the case in the absence of ATPA. Industry sources report that ATPA has been an incentive for U.S. foreign direct investment in the fresh-cut flower industries of both Colombia and Ecuador,²³ thus encouraging beneficiaries to develop and expand the production of exports for the U.S. market. Industry sources further reported that investor concerns about the future of ATPA beyond its scheduled December 4, 2001 expiration was a

¹⁶ *INCSR*, p. II-3.

¹⁷ DEA, *Cocaine*, found at Internet address <http://www.usdoj.gov/dea/concern/cocaine.html>, retrieved July 23, 2002.

¹⁸ *INCSR*, p. II-8.

¹⁹ *Ibid.*

²⁰ *Ibid.*

²¹ USTR, *Third Report to Congress on the Operation of the Andean Trade Preference Act*, Jan. 31, 2001, p. 5, found at Internet address <http://www.ustr.gov/regions/whemisphere/atpa3.pdf>, retrieved July 3, 2002.

²² Alan Larson, Under Secretary of State for Economic, Business and Agricultural Affairs, U.S. Department of States, testimony before the Senate Finance Committee, Aug. 3, 2001, found at Internet address <http://www.state.gov/e/rls/rm/2001/4421.htm>, retrieved July 3, 2002.

²³ Rich Harrah, President, Dole Food Company, Inc. Latin America, testimony before the U.S. Senate Finance Committee, Subcommittee on International Trade, Aug. 3, 2001, found at Internet address <http://www.senate.gov/~finance/080301rhstest.pdf>, retrieved July 2, 2002.

reason for the lack of new investment in Colombia's flower sector during 2001, as discussed below in the section on Colombia.²⁴

While they were operative, ATPA's trade-based incentives generally encouraged new production and the growth of new industries that otherwise might not have been developed in the beneficiary countries. Not all such products or industries were direct substitutes for illicit coca cultivation, were produced in coca cultivating regions, or directly employed or attracted workers or capital from coca cultivating regions. Nevertheless, such ATPA-encouraged activities contributed to economic development in the beneficiary countries through increased domestic production, exports, and employment, "providing the citizenry with jobs, thus preventing them from becoming involved in growing narcotics crops and, consequently, preventing the entrenchment of narcotics trafficking."²⁵ Overall production, employment, and exports in the ATPA countries most likely would have been lower during 2001 in the absence of ATPA benefits.

Along with ATPA trade benefits, the United States also assists the Andean countries in reducing illicit coca production through eradication operations and alternative development programs. The U.S. Department of State's Agency for International Development (USAID) and the Department's Bureau for International Narcotics and Law Enforcement Affairs (INL), in conjunction with other foreign bilateral and multilateral aid donors, provide economic and technical assistance for alternative development programs in Bolivia, Colombia, Ecuador, and Peru. Through alternative development programs, coca farmers are encouraged to cultivate licit agricultural products or engage in licit economic activities to create alternative income and employment. Alternative development programs include research to determine viable legitimate substitute crops or economic activities, training, technical and marketing assistance, and infrastructure development, such as providing education and health services, supplying agricultural credit, and constructing roads.²⁶

Regional Cultivation and Eradication Trends During 2001

Since 1991, the year ATPA entered into effect, combined net coca cultivation in Bolivia, Colombia, and Peru has not varied significantly from 200,000 hectares, rising to a period peak of 223,700 hectares in 2001. Table 4-1 shows coca cultivation and eradication trends in the Andean region during 1991-2001 for each ATPA beneficiary

²⁴ Ibid. Trade benefits under ATPA are discussed in more detail in chapter 1. See chapter 3 for a discussion of U.S. imports that benefited exclusively from ATPA duty reductions.

²⁵ Office of the U.S. Trade Representative, *Third Report to the Congress on the Andean Trade Preference Act*, Jan. 31, 2001, found at Internet address <http://www.ustr.gov/regions/hemisphere/atpa3.pdf>, retrieved July 9, 2002.

²⁶ UNODCCP, *Alternative Development: What Is Alternative Development?*, found at Internet address http://www.undcp.org/alternative_development.html, retrieved July 3, 2002.

Table 4-1
Coca cultivation and eradication in the ATPA beneficiaries, 1991-2001

(Hectares)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Bolivia											
Total Cultivation	53,388	48,652	49,597	49,158	54,093	55,612	52,612	49,621	38,799	22,253	¹ 19,900
Eradicated	5,488	3,152	2,397	1,058	5,493	7,512	6,812	11,621	16,999	7,653	² 9,395
Net Cultivation	47,900	45,500	47,200	48,100	48,600	48,100	45,800	38,000	21,800	14,600	¹ 19,900
Colombia											
Total Cultivation	38,472	38,059	40,493	49,610	59,650	72,800	98,500	115,450	165,746	183,200	NA
Eradicated	972	959	793	4,910	8,750	5,600	19,000	13,650	43,246	47,000	(³)
Net Cultivation	37,500	37,100	39,700	44,700	50,900	67,200	79,500	101,800	122,500	136,200	⁴ 169,800
Ecuador											
Total Cultivation	120	0	0	0	0	0	0	0	0	0	5
Eradicated	80	0	0	0	0	0	0	0	0	0	5
Net Cultivation	40	0	0	0	0	0	0	0	0	0	0
Peru											
Total Cultivation	120,800	129,100	108,800	108,600	115,300	95,659	72,262	58,825	52,500	40,200	⁵ 40,437
Eradicated	0	0	0	0	0	1,259	3,462	7,825	13,800	6,200	⁶ 6,437
Net Cultivation	120,800	129,100	108,800	108,600	115,300	94,400	68,800	51,000	38,700	34,000	34,000
Total ATPA beneficiaries											
Total Cultivation	212,780	215,811	198,890	207,368	229,043	224,071	223,374	223,896	257,045	245,653	NA
Eradicated	6,540	4,111	3,190	5,968	14,243	14,371	29,274	33,096	74,045	60,853	NA
Net Cultivation	206,240	211,700	195,700	201,400	214,800	209,700	194,100	190,800	183,000	184,800	223,700

¹ As of June 1, 2001. Data for 2001 and 2000 are not directly comparable. Beginning in 2001, data for Bolivia cover the 12-month period beginning June 1, rather than January 1, because of the impact of weather conditions on the timing of crop surveys. *INCSR*, p. II-20. Of the 19,900 hectares of total coca cultivation in Bolivia, there were 12,000 hectares of legal coca fields in the Yungas region, 3,400 hectares of illicit coca in the Yungas, 4,200 hectares of illicit coca in the Chapare region, and 300 hectares of illicit coca for traditional consumption in the Apolo region. *INCSR*, p. IV-8.

² Eradicated in the Chapare region. However, source notes that "massive illegal replanting led to increased cultivation." *INCSR*, p. IV-7.

³ 84,250 hectares sprayed, but not confirmed as eradicated. USITC staff interview with official from U.S. Department of State, July 25, 2002.

⁴ Data provided by the White House, Office of National Drug Control Policy, "Coca Cultivation in Colombia, 2001," press release, March 7, 2002, found at Internet address <http://www.state.gov/g/inl/rls/prsrl/ps/8865pf.htm>, retrieved July 9, 2002. The source also stated that one-third of the 2000-2001 increase was due to the inclusion of an area that was not reported in 2000; in addition, some coca subsequently eradicated was reported included in the 2001 estimate.

⁵ Calculated by USITC staff based on data provided by U.S. Department of State. See note 6. Estimate is consistent with data presented in White House, ONDCP, "Fact Sheet: Bilateral Cooperation with Peru," March 2002, found at Internet address <http://www.whitehousedrugpolicy.gov/publications/international/factsht/peru.html>, retrieved Aug. 2, 2002.

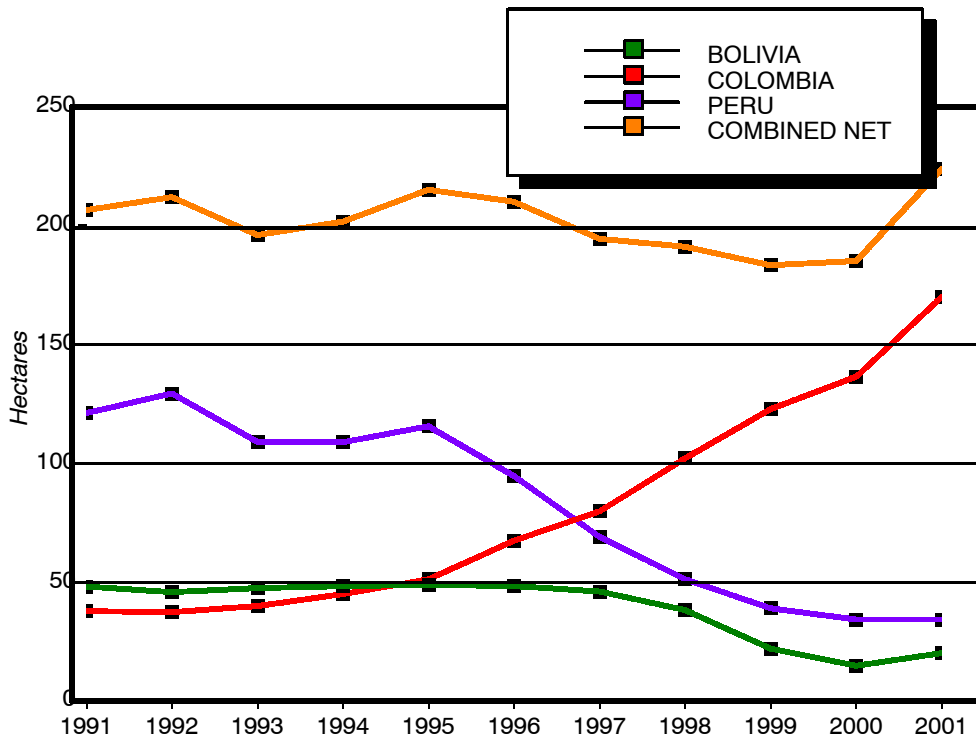
⁶ Data provided by U.S. Department of State telegram, "ATPA Scorecard for Peru: Input for ITC Report," message reference No. 3607, prepared by U.S. Embassy, Lima, July 16, 2002.

Note.—Figures for 2001 may not add to total where data were compiled from different sources or where data were compiled for different time periods, as indicated.

Source: U.S. Department of State, *International Narcotics Control Strategy Report*, 2001, unless otherwise stated.

and for all four countries combined. Net coca cultivation trends in Bolivia, Colombia, and Peru during the same period are shown in figure 4-1. Country contributions to combined total regional coca cultivation have changed significantly since 1991. Net cultivation in Peru has fallen sharply since ATPA entered into effect, moving that country from the region's largest coca leaf producer to the region's second largest producer behind Colombia since 1997. Net cultivation in Bolivia, steady at just under 50,000 hectares during 1991-1997, declined to a period low of 14,600 hectares in 2000, but rose somewhat to 19,900 hectares in 2001.²⁷ Net coca cultivation in Colombia has risen steadily since 1992, leading Colombia to rank as the region's top coca producer since 1997. Increased net coca cultivation in Colombia is almost entirely making up for reduced cultivation in Peru and Bolivia.

Figure 4-1
Bolivia, Colombia, and Peru: net coca cultivation, 1991-2001



Source: U.S. Department of State, *International Narcotics Control Strategy Report*, 2001, and White House, ONDCP, "Coca Cultivation in Colombia, 2001," press release, March 7, 2002.

Figure 4-2 shows the major coca-growing regions in the ATPA countries during 2001. Country-specific developments in illicit coca cultivation and eradication, alternative crop development, and the role of ATPA, are discussed in more detail in the following country profiles.

²⁷ As of June 1, 2001. Data for 2001 and 2000 are not directly comparable. Beginning in 2001, annual data for Bolivia cover the 12-month period beginning June 1, rather than January 1, because of the impact of weather conditions on the timing of crop surveys. *INCSR*, p. II-20. See also table 4-1, note 1.

Figure 4-2
Coca growing areas in the ATPA countries



Source: Designed by the USITC from U.S. government publications.

Country Profiles

Bolivia

Bolivia again ranked as the world's third largest producer of coca leaves and resulting cocaine in 2001, although a significant portion of Bolivian coca leaves were chemically processed and refined into cocaine HCl in other countries, notably Colombia.²⁸ In recent years, Bolivia increasingly has been used as a transit country for Peruvian cocaine base destined for Argentina and Brazil.²⁹ Bolivian law³⁰ defines three geographic coca cultivation zones: (1) zones where coca historically has been grown for traditional uses and where coca cultivation remains legal so long as production is in quantities sufficient only to meet local demand, including the North and South Yungas provinces of steep jungle-covered mountains east of the Andes; (2) transition regions where coca is grown in quantities in excess of local demand for illicit uses, including the tropical lowlands of the Chapare province that is the focus of crop reduction and alternative development programs; and (3) all other parts of the country, where coca cultivation is illegal.³¹

The Bolivian Government's 5-year antinarcotics program, the Strategy for the Fight Against Drug Trafficking 1998-2002, began in 1998 with a stated goal of eliminating all illicit coca cultivation by December 31, 2001.³² The drug control component of that strategy, the Dignity Plan, was based on a combination of voluntary and forced coca eradication.³³ The Bolivian Government also prepared a complementary National Action Plan 1997-2002, reflecting the government's overall social and economic development strategy. The Action Plan sets as its main economic targets for the period annual economic growth rates of 6 percent and annual inflation rates of below 5 percent, as well as the goals of promoting and diversifying exports, increasing employment opportunities, and improving Bolivia's economic competitiveness.³⁴

²⁸ *INCSR*, p. IV-18.

²⁹ *INCSR*, p. IV-6.

³⁰ Bolivia's 1988 Coca and Controlled Substances Law (Law No. 1008) remains the country's primary antinarcotics legal instrument. Among other things, Law 1008 regulates the production, distribution, and commercialization of coca; regulates the importation, distribution, and sale of precursor chemicals and controlled substances; and establishes the framework of judicial procedures and penalties for drug-related offenses. UNODCCP, *Bolivia: Country Profile*, found at Internet address http://www.undcp.org/bolivia/country_profile.html, retrieved July 1, 2002.

³¹ Government of Bolivia, Law No. 1008: Ley del Régimen de la coca y sustancias controladas of July 19, 1988, found at Internet address http://www.cicad.oas.org/es/desarrollo_juridico/Legislacion/Indexleye, retrieved July 1, 2002.

³² Organization of American States (OAS), *Bolivia: Evaluación del progreso de control de drogas, 1999-2000*, found at Internet address http://www.cicad.oas.org/InformesMEM/Esp/Bolivia_spa.rev2.pdf, retrieved July 3, 2002, and UNODCCP, *Bolivia: Country Profile*.

³³ Farmers initially were given \$2,500 per hectare to voluntarily manually eradicate their fields. That voluntary program has ended. Fields planted after 1988 are now subject to forced eradication without compensation. CIA, *Coca Fact Paper*.

³⁴ UNODCCP, *Bolivia: Country Profile*.

Overall, Bolivia's coca eradication program has made significant achievements since 1996. Bolivian law provides for up to 12,000 hectares of coca to be cultivated annually to meet domestic demand for traditional uses.³⁵ Total illicit coca cultivation in Bolivia has declined from the 1996 peak of 55,612 hectares to 19,900 hectares in 2001 (table 4-1).³⁶ A total of 9,395 hectares of coca in the Chapare province was reported as eradicated³⁷ in 2001.³⁸ Most commercially viable illicit coca production in the Chapare province, previously one of the world's largest coca producing areas, has been eliminated.³⁹ Of the 19,900 hectares of total coca cultivation in Bolivia, there were 12,000 hectares of legal coca fields and 3,400 hectares of illicit coca in the Yungas region, 4,200 hectares of illicit coca in the Chapare province, and 300 hectares of illicit coca for traditional consumption elsewhere in Bolivia.⁴⁰

Despite Bolivia's significant overall success in coca eradication since 1996, progress during 2001 appeared to stagnate. The expansion of the forced eradication campaign into the Yungas provinces beginning in June 2001 "was met with a large and well-organized resistance force of coca growers which surrounded and trapped 500 of the initial 800 elements of the . . . [Bolivian] eradication force."⁴¹ The violent confrontations eventually led the Bolivian Government to reverse its policy of forced eradication in the Yungas region.⁴² According to one estimate, implementation of the Plan Colombia counterterrorism and counternarcotics program in Colombia (discussed next) and eradication programs in Colombia and Peru caused coca leaf prices in Bolivia to rise, thereby stimulating coca replanting in the Chapare province.⁴³ Massive illegal coca planting led to increased net coca cultivation in both the Chapare, where some eradicated areas were replanted, and the Yungas, where existing illicit excess production was supplemented with newly seeded cultivation.⁴⁴

³⁵ Government of Bolivia, Law No. 1008, article 29.

³⁶ As of June 1, 2001. Data for 2001 and 2000 are not directly comparable. Beginning in 2001, data for Bolivia cover the period June-June, rather than January-December because of the impact of weather conditions on the timing of crop surveys. *INCSR*, p. II-20.

³⁷ Bolivian law (Law No. 1008, article 18) stipulates that only manual and mechanical methods can be used to eradicate coca, and specifically prohibits the use of chemicals, herbicides, biological agents, and defoliants. Prior to October 1998, individual farmers were given \$2,500 per hectare to voluntarily eradicate their fields; that voluntary eradication and direct compensation program has since been phased out, and a forced eradication program implemented that provides funds to communities instead of to individuals. UNODCCP, *Bolivia: Country Profile*.

³⁸ See footnote 36.

³⁹ *INCSR*, p. IV-6. See also table 4-1, note 2.

⁴⁰ *INCSR*, p. IV-8.

⁴¹ U.S. Department of State telegram, "Narcotics Activity Report (April, May and June 2001)," message reference No. 3368, prepared by U.S. Embassy, La Paz, Aug. 13, 2001. Similar violence was reported later in the year in the Chapare region. See U.S. Department of State telegram, "Narcotics Activity Report (September 2001)," message reference No. 4536, prepared by U.S. Embassy, La Paz, Nov. 6, 2001.

⁴² *INCSR*, p. IV-6.

⁴³ U.S. Department of State, INL, *International Narcotics and Law Enforcement: FY 2003 Budget Justification*, May 2002, found at Internet address <http://www.state.gov/g/inl/rls/rpt/cbj/fy2003/10559.htm>, retrieved July 8, 2002.

⁴⁴ *INCSR*, p. IV-7. See also U.S. Department of State telegram, "Narcotics Activity Report (September 2001)," message reference No. 4536, prepared by U.S. Embassy, La Paz, Nov. 6, 2001; and U.S. Department of State telegram, "Controlling the Legal Coca Market," prepared by U.S. Embassy, La Paz, message reference No. 4990, Dec. 7, 2001.

Economic and political factors also may have contributed to eradication setbacks during 2001. Bolivia's gross domestic product growth rate declined from an annual average of more than 4 percent from 1993 through 1998 to 2.4 percent in 2000, and to 1.2 percent in 2001. Urban unemployment increased from 7.7 percent in 2000 to nearly 10 percent in 2001.⁴⁵ Slower economic growth and rising unemployment in Bolivia may have encouraged former coca farmers to begin replanting coca.⁴⁶ In addition, the transition to a new Bolivian administration in August 2001⁴⁷ appeared to reduce the Bolivian Government's momentum in continuing to implement the Dignity Plan. The U.S. Department of State reported that "the Quiroga administration has been reluctant to take certain measures, such as closing . . . illicit coca markets in the Chapare and prosecuting violators who continue to grow and sell illicit coca."⁴⁸ Finally, in one new trend emerging during 2001, a U.S. government report noted that "[t]he gains in the reduction of coca and cocaine production have been partially offset by Bolivia's growing importance as a transit country for Peruvian cocaine base."⁴⁹ The cocaine travels to Argentina, Brazil, Mexico, Europe, and the United States.⁵⁰

Alternative development activities in Bolivia focus on efforts to enable farmers to support themselves and their families without the need to cultivate coca. Two USAID-administered and INL-funded alternative development projects were ongoing in Bolivia during 2001—the Yungas Development Initiative (YDI), and the Counternarcotics Consolidation of Alternative Development Efforts Project (CONCADE) in the Chapare province. Coca farmer resistance to forced eradication in 2001 prevented significant progress in the YDI.⁵¹ In the Chapare province, CONCADE promoted the development of numerous alternative products during 2001, including honey, bananas, passion fruit drinks, dehydrated fruit, spices, wood products, dairy products, and handicrafts.⁵² CONCADE also has provided financial and technical assistance as well as phytosanitary inspections to palm heart, banana, and black pepper nurseries, and encouraged the production and sale of higher quality bananas, pineapples, and palm hearts for export. The U.S. Embassy in Bolivia reported that ATPA has had a significant impact on drug crop eradication and alternative development in Bolivia because "non-traditional sectors, like manufactured wood products, cereals, jewelry, and art products have generated and absorbed important

⁴⁵ Economist Intelligence Unit *Viewswire*, "Bolivia: Economy: Economic Structure," Apr. 24, 2002, and U.S. Department of State telegram, "Bolivian Economic Outlook Report 2001-2002," message reference No. 2129, prepared by U.S. Embassy, La Paz, June 10, 2002.

⁴⁶ U.S. Department of State Telegram, "Bolivian Labor Market Feeling the Squeeze from Economic Crisis," message reference No. 2280, prepared by U.S. Embassy, La Paz, May 23, 2001, and Anthony Faiola, "In Bolivia's Drug War, Success Has Price," *Washington Post*, Mar. 4, 2001, p. A1.

⁴⁷ Bolivian president Hugo Banzer Suarez resigned office on Aug. 6, 2001, due to health reasons; to complete his term in office, vice president Jorge Quiroga Ramirez was inaugurated president the following day.

⁴⁸ *INCSR*, p. IV-6.

⁴⁹ *Ibid.*

⁵⁰ *INCSR*, p. IV-8.

⁵¹ U.S. Department of State, INL, *International Narcotics and Law Enforcement: FY 2003 Budget Justification*, May 2002, found at Internet address <http://www.state.gov/g/inl/rls/rpt/cbj/fy2003/10559.htm>, retrieved July 8, 2002.

⁵² U.S. Department of State telegram, "Narcotics Activity Report (April, May and June 2001)," message reference No. 3368, prepared by U.S. Embassy, La Paz, Aug. 13, 2001.

levels of employment that would otherwise [have] gone to illegal coca cultivating areas like the Chapare.”⁵³

Despite these efforts, alternative development projects in Bolivia encountered setbacks in 2001. Several global macroeconomic trends worked against Bolivian exports. Unfavorable climate conditions during 2001 reduced Bolivian crop yields, and low international prices reduced Bolivian export earnings.⁵⁴ Increased competition from lower-cost countries reportedly displaced some Bolivian products in world markets; sources reported that Bolivian manufactured wood products lost market share to more competitive products from Brazil, China, and France.⁵⁵ Although shipments of some products such as bananas to Argentina and Chile increased during the fourth quarter of 2001, pineapple production in the Chapare province was disrupted by protesting coca farmers, with the result that most of the pineapples produced either rotted in the field or found their way to the local markets at distressed prices. Such disruptions contributed to negative trends: the combined wholesale value of licit agricultural products leaving the Chapare province declined from an estimated \$44 million during 2000 to \$37 million during 2001.⁵⁶ Moreover, according to another source, while ATPA remained an incentive for investment in nontraditional sectors of the Bolivian economy, such as manufactured wood products and jewelry, many Bolivian products currently “do not have the required quality or cannot [be produced in] the required quantity to penetrate U.S. and European markets.”⁵⁷

Colombia

Colombia again ranked as the world’s largest producer and distributor of cocaine in 2001.⁵⁸ With a net total of 169,800 hectares of coca cultivation in 2001,⁵⁹ Colombia also ranked as the world’s largest coca producer. Coca cultivation in Colombia has increased steadily in the ATPA years, with net cultivation doubling between 1997 and 2001 (table 4-1). Coca cultivation is centered primarily in Colombia’s southern departments of Caqueta, Putumayo, and Amazonas. These regions also have a strong presence of armed insurgent groups which, in some cases, not only tax the illicit drug

⁵³ U.S. Department of State telegram, “USITC Andean Investment and Drug Crop Survey for Report on ATPA,” message reference No. 2535, prepared by U.S. Embassy, La Paz, July 17, 2002.

⁵⁴ U.S. Department of State telegram, “Bolivian Economic Outlook Report, 2001-2002: Weak Economic Growth Continues,” message reference No. 2129, prepared by U.S. Embassy, La Paz, June 10, 2002.

⁵⁵ *Ibid.*

⁵⁶ U.S. Department of State telegram, “CONCADE Quarterly Reports, July-December 2001,” message reference No. 00868, prepared by U.S. Embassy, La Paz, Mar. 6, 2002.

⁵⁷ U.S. Department of State telegram, “USITC Andean Investment and Drug Crop Survey for Report on ATPA,” message reference No. 2535, prepared by U.S. Embassy, La Paz, July 17, 2002.

⁵⁸ *IVCSR*, p. IV-18.

⁵⁹ This represents an increase of 33,600 hectares over 2000 levels. However, one-third of that increase was due to the inclusion of an area that was not reported in 2000. In addition, some coca subsequently eradicated was reported included in the 2001 estimate. The White House, Office of National Drug Control Policy (ONDCP), “Coca Cultivation in Colombia, 2001,” press release, Mar. 7, 2002, found at Internet address <http://www.state.gov/g/inl/rls/prstl/ps/8865pf.htm>, retrieved July 9, 2002.

trade to raise money for their operations, but also reportedly have taken direct control of some cocaine production operations. Unlike Bolivia and Peru, where almost all coca is grown on small land holdings, a significant portion of Colombian coca is produced on large plantations.⁶⁰ In addition to Colombian coca cultivation, up to three-fourths of the world's cocaine HCl is processed in Colombia from locally grown coca as well as from cocaine base imported from Bolivia and Peru.⁶¹

Plan Colombia is the Colombian Government's integrated strategy to end terrorism, combat the illicit narcotics industry, revive the Colombian economy, and strengthen democracy. While largely funded by the Colombian Government, the United States and other members of the international community are providing additional funding. The United States is providing a \$1.3 billion package of assistance for Plan Colombia, in addition to previously approved U.S. assistance.⁶² Key operational elements of Plan Colombia during 2001 included aerial eradication (spraying coca crops from the air with herbicide), jointly done with U.S. support, in the Putumayo and Caqueta departments, as well as the initiation of alternative development efforts in those departments.⁶³

Aerial coca eradication in Colombia targets crops on both large plantations as well as small land holdings.⁶⁴ Plan Colombia-related aerial spray operations in the Caqueta and Putumayo departments commenced in December 2000 to counter the large agroindustrial-size growing operations in those regions.⁶⁵ Increased replanting in eradicated areas appeared to stymie efforts to reduce net coca cultivation. Despite high rates of reported effectiveness of aerial eradication, there was observed "a good deal of pruning and replanting that had taken place immediately after spraying, in some cases allowing growers to save their plants, and a large number of seedbeds. . . . indicat[ing] that growers have both the resources to engage in labor-intensive efforts to save their crops," according to State Department reports.⁶⁶

The United States is the single largest provider of alternative development assistance to Colombia.⁶⁷ The USAID alternative development program in Colombia began in August 1999 with the eventual goal of eliminating 30,000 hectares of coca.⁶⁸ U.S.

⁶⁰ UNODCCP, *Colombia: Country Profile*, found at Internet address http://www.undcp.org/colombia/country_profile.html, retrieved July 9, 2002.

⁶¹ *INCSR*, p. IV-18.

⁶² U.S. Department of State, "Support for Plan Colombia," found at Internet address <http://www.state.gov/p/wha/rt/plncol/>, retrieved July 9, 2002.

⁶³ U.S. Department of State telegram, "Scenesetter for the Visit of Amb. Zoellick," message reference No. 2169, prepared by U.S. Embassy, Bogota, Mar. 7, 2002.

⁶⁴ UNODCCP, *Colombia: Country Profile*, found at Internet address http://www.undcp.org/colombia/country_profile.html, retrieved July 9, 2002.

⁶⁵ Rand Beers, Assistant Secretary for International Narcotics and Law Enforcement Affairs, U.S. Department of State, testimony Before Senate Caucus on International Narcotics Control, Feb. 28, 2001, "Plan Colombia: An Initial Assessment," found at Internet address http://www.state.gov/g/inl/rls/rm/2001/jan_apr/1079.htm, retrieved July 9, 2002.

⁶⁶ U.S. Department of State telegram, "Coca Verification: Eradication Effective in South, Some Problems in North," message reference No. 5489, prepared by U.S. Embassy, Bogota, June 18, 2001.

⁶⁷ USITC staff interview with U.S. Department of State official, July 25, 2002.

⁶⁸ USAID, "USAID-Colombia: Alternative Development," fact sheet, Apr. 2, 2001.

efforts are coordinated with the Colombian Government's National Plan for Alternative Development (PLANTE), Colombia's alternative development agency. The program focused on the southwestern Putumayo department during 2000-01, reportedly the densest area of coca cultivation in the world,⁶⁹ and sought to increase legal economic opportunities that will result from the permanent abandonment of illicit crop cultivation.⁷⁰ A voluntary eradication program was implemented to assist small farmers who grow coca on plots of three hectares or less to eradicate their coca plots and to obtain a licit income from agriculture, forestry, or livestock. In exchange for the farmers' signed agreements to eliminate coca, PLANTE provides them with food-crop seeds and plants, as well as USAID-financed licit cash crops, including food crops for local sale and crops for shipment to other Colombian markets.⁷¹ USAID provided support in such areas as applied research on crops with identified markets; extension of an assistance package to farmer groups; credit and land titling; and productive infrastructure, such as packing sheds, storage, and drainage systems.⁷²

Alternative development efforts in Colombia continue to face many challenges. Coffee is one of Colombia's traditional leading export commodities and, in many parts of the country, is the only licit crop that can be commercially grown on the steep Andean mountainsides—areas where coca also can thrive.⁷³ Global coffee prices have been declining for several years,⁷⁴ with the average annual world price for arabica coffee (the type grown in Colombia) down from 192 cents per kilogram (¢/kg) in 2000 to 137.3 ¢/kg in 2001.⁷⁵ Low prices reportedly have encouraged some coffee farmers to plant coca either by replacing large portions of their coffee crop with coca,⁷⁶ or by planting coca side by side with coffee, sensing the Colombian Government's unwillingness to conduct aerial eradication that might in any way damage the coffee crop and jeopardize official export earnings.⁷⁷

U.S. Government assessments of the USAID alternative development program in Colombia indicate that "the poor quality of the soil and infrastructure and the remoteness of project sites in coca-growing areas" are key obstacles to alternative development in southern Colombia.⁷⁸ Progress has been slow and uneven, in part

⁶⁹ *INCSR*, p. II-12.

⁷⁰ *INCSR*, p. IV-20.

⁷¹ USAID, "USAID-Colombia: Alternative Development," fact sheet, Apr. 2, 2001, found at Internet address <http://www.usaid.gov/press/releases/2001/fs010402.html>, retrieved July 9, 2002.

⁷² U.S. Department of State, Bureau of Western Hemisphere Affairs, "Fact Sheet: U.S. Social, Economic, and Development Support of Plan Colombia," Feb. 20, 2001, found at Internet address <http://www.state.gov/p/wha/rls/fs/2001/1370.htm>, retrieved July 9, 2002.

⁷³ U.S. Department of State telegram, "Notes From the Field: The Colombian Coffee Belt," message reference No. 6488, prepared by U.S. Embassy, Bogota, July 19, 2002.

⁷⁴ Peter Fritsch, "An Oversupply of Coffee Beans Deepens Latin America's Woes," *Wall Street Journal*, July 8, 2002, p. A1.

⁷⁵ World Bank, *World Bank Development Prospects: Commodity Price Data Pinksheet*, May 2002, found at Internet address <http://www.worldbank.org/prospects/pinksheets/pink0502.htm>, retrieved July 23, 2002.

⁷⁶ Scott Wilson, "Coca Invades Colombia's Coffee Fields," *Washington Post*, Oct. 30, 2001, p. A. 17.

⁷⁷ U.S. Department of State telegram, "Notes From the Field: The Colombian Coffee Belt," message reference No. 6488, prepared by U.S. Embassy, Bogota, July 19, 2002.

⁷⁸ GAO, *Drug Control: Efforts to Develop Alternatives to Cultivating Illicit Crops in Colombia Have Made Little Progress and Face Serious Obstacles, Report to Congressional Requesters*, February 2002, GAP-02-291, p. 15.

because most of Putumayo is jungle, with soil unsuited to most other agricultural activities aside from coca cultivation. Coca pickers come to Putumayo explicitly to pick coca and make money, and alternative development cannot offer them incomes at even a fraction of what they earn through coca.⁷⁹ Furthermore, evidence indicates that many growers, faced with the option of moving to legal crops or continuing to grow coca, have opted to continue with the most viable cash crop—coca.⁸⁰

The large presence of armed insurgents and inadequate infrastructure also make it difficult to support alternate development projects in Putumayo,⁸¹ and “pose formidable obstacles to the long-term likelihood of success of alternative development” in that region.⁸² During 2001, the Colombian Government did not control large parts of the Putumayo and Caqueta areas where much of the coca was grown, which limited the Government’s ability to carry out sustained interdiction operations and put into question Colombia’s ability to effectively coordinate eradication and alternative development activities.⁸³ Agricultural extension workers and development workers have been kidnaped and murdered, further impeding potential progress.⁸⁴ Moreover, off limits to U.S. and Colombian government antinarcotics operations during 2001 was a large demilitarized zone in southern Colombia east of the Andes, officially ceded to the Fuerzas Armadas Revolucionarias de Colombia (FARC) insurgent group by the Colombian Government in 1998 in an effort to promote peace negotiations; that zone reportedly was a source of increased coca cultivation during 2001.⁸⁵ Such obstacles reportedly have led the Colombian and U.S. governments to consider the possibility of focusing future alternate development efforts in neighboring areas where a greater number of legal economic activities already exist and demonstrate potential for success.⁸⁶

As noted in the chapter 3 discussion of the leading imports that benefited exclusively from ATPA, Colombia was the main supplier of the two categories of flowers—fresh-cut roses, the second-leading item, and fresh-cut chrysanthemums, standard carnations, anthuriums, and orchids, the fourth-leading item.⁸⁷ Although there was no new investment in the flower sector in 2001,⁸⁸ the fresh-cut flower sector

⁷⁹ U.S. Department of State telegram, “Scenesetter for the Visit of Amb. Zoellick,” message reference No. 2169, prepared by U.S. Embassy, Bogota, Mar. 7, 2002.

⁸⁰ *INCSR*, p. IV-21.

⁸¹ *INCSR*, p. IV-20.

⁸² *INCSR*, p. IV-21.

⁸³ GAO, *Drug Control: Efforts to Develop Alternatives to Cultivating Illicit Crops in Colombia*, p. 12.

⁸⁴ USITC staff interview with U.S. Department of State official, Washington, DC, July 25, 2002.

⁸⁵ GAO, *Drug Control: Efforts to Develop Alternatives to Cultivating Illicit Crops in Colombia*, p. 13. The Colombian government abolished the demilitarized zone and retook the area in February 2002. U.S. Department of State telegram, “Scenesetter for the Visit of Amb. Zoellick,” message reference No. 2169, prepared by U.S. Embassy, Bogota, Mar. 7, 2002.

⁸⁶ *INCSR*, p. IV-21.

⁸⁷ Fresh-cut roses are HTS provision 0603.10.60; fresh cut chrysanthemums, standard carnations, anthuriums, and orchids are HTS provision 0603.10.70.

⁸⁸ The lack of new investment in the flower sector was attributed to investor uncertainty about the United States extending ATPA beyond its scheduled Dec. 4, 2001 expiration. U.S. Department of State telegram, “Colombia’s ATPA Related Investment Activity During 2001,” message reference No. 6078, prepared by U.S. Embassy, Bogota, July 9, 2002.

remained the principal Colombian beneficiary of ATPA concessions.⁸⁹ One industry source noted that, without ATPA benefits, “the commercial rationale for investing in Colombia . . . would be significantly reduced.”⁹⁰ According to the Colombian Flower Exporters Association (Asocolflores), the fresh-cut flower industry directly employs 79,000 individuals and indirectly employs an additional 75,000.⁹¹

Asocolflores estimates that the loss of ATPA benefits would undermine the Colombian economy and domestic stability because FARC is active in the areas in which flowers are grown, and a loss of employment in the flower sector would leave few legitimate employment options for unemployed workers. A destabilizing effect could ripple through the whole range of suppliers, service industries, and other businesses and individuals involved in the economic chain from production to marketing of cut flowers.⁹² Another source reported that the availability of ATPA benefits encouraged the Colombian private sector to support counternarcotics efforts in that country. U.S. Government sources consider such private sector support important for the Colombian Government to maintain its momentum in drafting and implementing effective counternarcotics and counterterrorism legislation.⁹³

Ecuador

Ecuador remains a major transit country for illicit drugs and the chemicals used to process them but, according to the U.S. Department of State, there is no evidence that illicit crops are cultivated to any significant degree within the country.⁹⁴ Nevertheless, there is longstanding concern about the security situation along Ecuador’s porous northern border with Colombia, particularly in the principal border provinces of Sucumbios (where most of the country’s petroleum resources are located), Carchi, and Esmeraldas. U.S.-funded alternative development programs have worked to improve basic infrastructure in poor communities in these northern provinces with the goal of creating a productive buffer by strengthening local government, improving infrastructure, and supporting alternative production options to encourage small farmers and fishermen not to cultivate or traffic in illicit drugs.⁹⁵ Since 2000, the Government of Ecuador’s agency for northern border development (UDENOR) has worked to preventatively coordinate economic and social development for the part of the country bordering Colombia.⁹⁶

⁸⁹ U.S. Department of State telegram, “Scenesetter for the Visit of Amb. Zoellick,” message reference No. 2169, prepared by U.S. Embassy, Bogota, Mar. 7, 2002.

⁹⁰ Rich Harrah, President, Dole Food Company, Inc. Latin America, testimony before the U.S. Senate Finance Committee, subcommittee on international trade, Aug. 3, 2001, found at Internet address <http://www.senate.gov/~finance/080301rhstest.pdf>, retrieved July 2, 2002.

⁹¹ Irwin P. Altschuler and Susan M. Schmidt, Manatt, Phelps & Phillips, LLP, on behalf of Colombian Flower Exporters Association (Asocolflores), written submission received July 2, 2002.

⁹² *Ibid.*

⁹³ U.S. Department of State telegram, “Colombia’s ATPA Related Investment Activity During 2001,” message reference No. 6078, prepared by U.S. Embassy, Bogota, July 9, 2002.

⁹⁴ *INCSR*, p. IV-30.

⁹⁵ U.S. Department of State, INL, “Fact Sheet– Country Program: Ecuador,” June 20, 2001, found at Internet address http://www.state.gov/g/inl/rls/fs/2001/jun_aug/3687.htm, retrieved July 9, 2002.

⁹⁶ *INCSR*, p. IV-33.

As was the case for Colombia, ATPA has encouraged the production of fresh-cut flowers for export to the U.S. market, and has been a significant factor encouraging U.S. foreign direct investment in Ecuador's flower sector.⁹⁷ Ecuadorian flower exporters reported their concerns that the loss of ATPA benefits would adversely affect their industries and force them to lay off workers in a sector that provides direct and indirect employment for an estimated 500,000 workers.⁹⁸

Peru

Peru remains the world's second leading cultivator of coca leaf after Colombia. The Peruvian Government continued to make progress in its counternarcotics and alternative development programs during 2001 despite a changing political environment, work stoppages, strikes, and scattered protests. The democratically elected government of Alejandro Toledo took office in July 2001, replacing the transition government in place since the flight of former President Fujimori in November 2000.

Total land under coca cultivation in Peru was estimated to be 40,437 hectares in 2001, a marginal increase from 2000. Nevertheless, total coca cultivation remained significantly below Peru's 1995 peak of 115,300 hectares (table 4-1).⁹⁹ Net coca cultivation in Peru of 34,000 hectares in 2001 was estimated to be unchanged from 2000 due to increased eradication. The bulk of Peruvian coca cultivation is concentrated in the regions of the Huallaga River and the Apurimac and Ene River valleys, in the eastern Amazon. U.S. and Peruvian government officials believe that Peruvian terrorist organizations are involved in the protection of coca crops in these regions and, possibly, cocaine production and trafficking.¹⁰⁰ Eradication has declined from a peak of 13,800 hectares in 1999 to fewer than an estimated 6,437 hectares in 2001 (table 4-1). The U.S.-Peruvian interdiction program and manual coca eradication were major factors in reducing coca cultivation and base production.¹⁰¹ However, the aerial interdiction program was suspended after the deaths of two American citizens when a U.S. missionary aircraft mistaken for a drug plane was shot down in Peru in April 2001.¹⁰² Manual eradication has met with strong resistance by Peruvian coca farmers because of the continued large differential between coca and legal crop prices.¹⁰³

⁹⁷ Rich Harrah, President, Dole Food Company, Inc. Latin America, testimony before the U.S. Senate Finance Committee, subcommittee on international trade, Aug. 3, 2001.

⁹⁸ U.S. Department of State telegram, "Flower Exporters Squeezed Since ATPA Expired," message reference No. 0196, Jan. 17, 2002, prepared by U.S. Embassy, Quito.

⁹⁹ White House, ONDCP, "Fact Sheet: Bilateral Cooperation with Peru," March 2002, found at Internet address <http://www.whitehousedrugpolicy.gov/publications/international/factsht/peru.html>, retrieved Aug. 2, 2002.

¹⁰⁰ *INCSR*, pp. IV-39 to IV-40.

¹⁰¹ U.S. Department of State, INL, "Fact Sheet—Country Program: Peru," May 8, 2002, found at Internet address <http://www.state.gov.g.inl/rls/fs/10026.htm>, retrieved July 9, 2002.

¹⁰² *INCSR*, p. IV-39.

¹⁰³ White House, ONDCP, "Fact Sheet: Bilateral Cooperation with Peru," March 2002.

The USAID alternative development program in Peru¹⁰⁴ focused 70 percent of its development efforts in the regions of the Huallaga River and the Apurimac and Ene River valleys, and 30 percent in areas where coca has declined but could reemerge if the licit economy is not sustained.¹⁰⁵ The program, which aims to help increase employment and income from licit economic activities for farmers who reside in the participating coca growing areas,¹⁰⁶ assisted 13,000 farm families to produce and market alternative crops during 2001.¹⁰⁷ Alternative development activities, such as technical assistance and training for alternative crop production, are provided as long as the community maintains its coca eradication schedule.¹⁰⁸ Other components of the USAID alternative development program in Peru include road rehabilitation and bridge construction to improve access to markets for alternative crops; projects designed to improve the quality of life for people in the coca-producing valleys through improved access to basic services, such as basic health services, education, water, and latrines; leadership training to strengthen the rule of law in local government by encouraging citizen involvement in community affairs and strengthen municipal and financial systems; and public information campaigns on the environmental and social damage caused by illicit drug production and consumption.¹⁰⁹

Coffee¹¹⁰ and cacao (a key ingredient in chocolate),¹¹¹ two key alternative development crops in Peru,¹¹² already are eligible to enter the United States free of duty under column 1-general rates. Therefore, these commodities receive no additional benefits from ATPA. Moreover, low global market prices for coffee were strong disincentives for farmers to increase production of this crop during 2001.¹¹³

ATPA has been an important incentive for Peru to increase production and exports of two seasonal categories of asparagus (HTS provisions 0709.20.90 and 0709.20.10) the fifth and seventh leading imports, respectively, that benefited exclusively from

¹⁰⁴ USAID programs are coordinated with two Peruvian government agencies, the Comisión de Lucha Contra el Consumo de Drogas (Commission to Fight Drugs, or Contradrogas), and the Instituto Nacional de Desarrollo (National Development Institute, or INADE). The mission of Contradrogas is to design, coordinate, direct, and evaluate Peru's counternarcotics program. INADE is charged with leading investment projects in key areas of the country. Found at Internet addresses <http://www.contradrogas.gob.pe/> and <http://www.inade.gob.pe/mgepe.htm> retrieved July 31, 2002.

¹⁰⁵ *INCSR*, p. IV-41.

¹⁰⁶ USAID, Peru: Activity Data Sheet, found at Internet address <http://www.usaid.gov/pubs/cbj2002/lac/pe/527-005.html>, retrieved July 9, 2002.

¹⁰⁷ *INCSR*, p. IV-41.

¹⁰⁸ U.S. Department of State, Bureau for International Narcotics and Law Enforcement Affairs, "Fact Sheet—Country Program: Peru," May 8, 2002, found at Internet address <http://www.state.gov.g.inl/rls/fs/10026.htm>, retrieved July 9, 2002.

¹⁰⁹ USAID, "Fact Sheet—Alternative Development Program in Peru," 2002-031, June 14, 2002. Found at Internet address <http://www.usaid.gov/press/releases/2002/fs020614.html>, retrieved July 31, 2002.

¹¹⁰ Refers to coffee whether or not roasted or decaffeinated and coffee husks and skins (HTS provisions 0901.11.00, 0901.12.00, 0901.21.00, 0901.22.00, and 0901.90.10).

¹¹¹ Refers to cocoa beans whole or broken, raw or roasted (HTS provision 1801.00.00) and cocoa shells, husks, and skins (HTS provision 1802.00.00).

¹¹² U.S. Department of State telegram, "ATPA Scorecard for Peru: Input for ITC Report," message reference No. 3607, prepared by U.S. Embassy, Lima, July 16, 2002.

¹¹³ *INCSR*, p. IV-41.

ATPA and that otherwise would not have been eligible for duty-free entry.¹¹⁴ Asparagus is not grown in regions where coca is cultivated and, thus, is not a direct substitute for coca. However, asparagus became Peru's second largest export crop after coffee while ATPA was operative, creating an export industry that reportedly employs more than 20,000 workers who otherwise might not be employed.¹¹⁵ In addition to employment directly related to the asparagus sector, employment in upstream sectors also has increased. For example, Peru's primary cargo air carrier has doubled the size of its fleet and support staff in response to the increase in asparagus exports, according to one State Department report.¹¹⁶ The employment-creating effect of ATPA on the Peruvian asparagus and related upstream sectors is particularly important given Peru's significant history of high labor mobility among the poor. Development opportunities created in high population areas have the effect of keeping more people from seeking employment in the illicit narcotics economy.¹¹⁷

¹¹⁴ Asparagus is discussed in greater detail in chapter 3.

¹¹⁵ GAO, *Agricultural Trade: Impacts of the Andean Trade Preference Act on Asparagus Producers and Consumers*, Report to Congressional Subcommittees, March 2001, GAO-01-315, p. 7.

¹¹⁶ U.S. Department of State telegram, "ATPA Scorecard for Peru: Input for ITC Report," message reference No. 3607, prepared by U.S. Embassy, Lima, July 16, 2002.

¹¹⁷ *Ibid.*

APPENDIX A

Request Letter

PHILIP M. CRANE, ILLINOIS, CHAIRMAN
SUBCOMMITTEE ON TRADE

BILL THOMAS, CALIFORNIA, CHAIRMAN
COMMITTEE ON WAYS AND MEANS

ALLISON H. GILES, CHIEF OF STAFF
ANGELA PAOLINI ELLARD, SUBCOMMITTEE STAFF DIRECTOR

JANICE MAYS, MINORITY CHIEF COUNSEL
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JIM NUSSLE, IOWA

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CHARLES B. RANGEL, NEW YORK
RICHARD E. NEAL, MASSACHUSETTS
WILLIAM J. JEFFERSON, LOUISIANA
XAVIER BECERRA, CALIFORNIA
JOHN S. TANNER, TENNESSEE

EX OFFICIO:
BILL THOMAS, CALIFORNIA

Congress of the United States House of Representatives

COMMITTEE ON WAYS AND MEANS

WASHINGTON, DC 20515

SUBCOMMITTEE ON TRADE

April 25, 2002

The Chairman Stephen Koplan
U.S. International Trade Commission
500 E Street, SW
Washington, DC 20436

MAY 1 2002 - ER
077

DOCKET NUMBER
2244
Office of the Secretary Int'l Trade Commission

SE

Dear Chairman Koplan:

As you know, section 205(b) of the Andean Trade Preference Act (Public Law 102-182, title II) required that the United States International Trade Commission submit to Congress an annual report regarding the economic impact of ATPA on U.S. industries and consumers and, in conjunction with other agencies, the effectiveness of ATPA in promoting drug-related crop eradication and crop substitution efforts of the beneficiary countries. On December 4, 2001, the ATPA expired, including the Commission's statutory authority to prepare this report.

Given the importance of ATPA to the U.S. counternarcotics strategy in the Andean region, there is an ongoing Congressional need for factual information regarding the effects of ATPA. Therefore, the Committee believes it would be useful for the Commission to continue its work on this report, to cover calendar year 2001.

In light of the current legislative uncertainty regarding ATPA renewal, I therefore request, pursuant to section 332(g) of the Tariff Act of 1930, that the Commission provide a report to the Congress for calendar year 2001 on the economic impact of ATPA on U.S. industries and consumers and, in conjunction with other agencies, the effectiveness of ATPA in promoting drug-related crop eradication and crop substitution efforts of the beneficiary countries. The report shall include, but not be limited to, an assessment by the Commission regarding:

1. The actual effect of ATPA on the United States economy generally as well as on those specific domestic industries which produce articles that are like, or directly competitive with, articles being imported into the United States from beneficiary countries;

Committee on Ways and Means
Trade Subcommittee
April 25, 2002
Page 2 of 2

2. The probable future effect that ATPA will have on the United States economy generally, as well as on such domestic industries; and

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

I request that the Commission submit its report no later than September 30, 2002. I appreciate the Commission's assistance and continuing cooperation in this matter.

Sincerely,



Philip M. Crane
Chairman



Sander M. Levin
Ranking Member

PMC/mb

APPENDIX B
Federal Register Notice

Century, or TEA-21, which established the Refuge Roads Program. TEA-21 requires that all projects funded under the Refuge Roads Program be consistent with agency management plans. The Monument CCP and EIS will address transportation issues to determine current and future transportation needs such as the maintenance or improvement of existing roads, closure and revegetation of existing roads and the construction of new roads, parking lots, comfort stations, signs, or pedestrian trails. Construction of new roads and parking lots can not be funded by the Refuge Roads Program. The plan will explain how the public is going to access Service administered lands and waters within the Monument.

Conclusion

With the publication of this notice, the public is encouraged to help identify potential issues, management actions and concerns; significant problems or impacts; and opportunities or alternatives to resolve them. The public scoping period will continue for 90 days from the date of this notice, however, the Service will accept comments throughout the planning process. The public may provide the Service with written comments at either the mailing address or planning website listed in this notice. Comments may also be provided at scheduled meetings of the Hanford Reach National Monument Federal Advisory Committee. The dates and location of Committee meetings will be published in the **Federal Register** and announced through local media and other appropriate means. All comments and written materials submitted to the Committee will be documented and provided to the Service for their consideration.

All comments received on environmental documents become part of the official public record and may be released. Requests for such comments will be handled in accordance with the Freedom of Information Act, CEQ and NEPA regulations (40 CFR 1506.6(f)), and other Service and DOE policy and procedures. When requested, the Service generally will provide comment letters with the authors' names and addresses. However, the telephone number of the commenting individual will be withheld in response to such requests to the extent permissible by law. Additionally, public comment letters are not required to contain the author's name, address, or other identifying information.

The environmental review of this project will be conducted in accordance with the requirements of NEPA, as amended (42 U.S.C. 4321 *et seq.*), NEPA

implementing regulations (40 CFR 1500-1508), other appropriate Federal laws and regulations, the National Wildlife Refuge System Improvement Act of 1997, and Service policies and procedures for compliance with those regulations.

Dated: June 4, 2002.

William F. Shake,

Regional Director, Region 1, Portland, Oregon.

[FR Doc. 02-14694 Filed 6-11-02; 8:45 am]

BILLING CODE 4310-55-P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332-352]

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

AGENCY: International Trade Commission.

ACTION: Notice of opportunity to submit comments in connection with the 2001 ATPA report.

EFFECTIVE DATE: June 5, 2002.

FOR FURTHER INFORMATION CONTACT:

Joanne Guth (202-205-3264), Country and Regional Analysis Division, Office of Economics, U.S. International Trade Commission, Washington, DC 20436.

Background

This report is being prepared under section 332(g) of the Tariff Act of 1930 following receipt of a request on May 22, 2002, from the Committee on Ways and Means of the United States House of Representatives. Previous reports in this series were provided pursuant to section 206 of the Andean Trade Preference Act (ATPA) (19 U.S.C. 3204). The Committee noted that the Commission's authority to prepare such reports under section 206 expired on December 4, 2001, and requested continuation of the report series for 2001 in light of the current legislative uncertainty regarding ATPA renewal.

As requested by the Committee, the Commission's 2001 report will be similar in scope to that of previous reports in the series, and will analyze the economic impact of ATPA on U.S. industries and consumers and, in conjunction with other agencies, the effectiveness of ATPA in promoting drug-related crop eradication and crop substitution efforts of the beneficiary countries. The report will 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.

Notice of institution of the investigation and the schedule for such reports under section 206 of ATPA was published in the **Federal Register** of March 10, 1994 (59 FR 11308). As requested by the Committee, the Commission's report covering calendar year 2001 will be submitted by September 30, 2002.

Written Submissions

The Commission does not plan to hold a public hearing in connection with the preparation of this eighth 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. The Committee on Ways and Means has asked that the Commission transmit and publish a public report; accordingly, the Commission will not include confidential business information in its report. 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 July 2, 2002.

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: June 6, 2002.

By order of the Commission.

Marilyn R. Abbott,
Secretary.

[FR Doc. 02-14693 Filed 6-11-02; 8:45 am]
BILLING CODE 7020-02-P

INTERNATIONAL TRADE COMMISSION

[USITC SE-02-018]

Sunshine Act Meeting

AGENCY: United States International Trade Commission.

Time and Date: June 20, 2002 at 11:00 a.m.

Place: Room 101, 500 E Street SW., Washington, DC 20436, Telephone: (202) 205-2000.

Status: Open to the public.
Matters To Be Considered:

1. Agenda for future meeting: None.
2. Minutes.
3. Ratification List.
4. Inv. No. 731-TA-943

(Final)(Circular Welded Non-Alloy Steel Pipe from China)—briefing and vote. (The Commission is currently scheduled to transmit its determination and Commissioners' opinions to the Secretary of Commerce on or before June 28, 2002.)

5. Inv. No. 731-TA-948 (Final) (Individually Quick Frozen Red Raspberries from Chile)—briefing and vote. (The Commission is currently scheduled to transmit its determination and Commissioners' opinions to the Secretary of Commerce on or before June 28, 2002.)

6. *Outstanding action jackets:* none. In accordance with Commission policy, subject matter listed above, not disposed of at the scheduled meeting, may be carried over to the agenda of the following meeting.

Issued: June 10, 2002.

By order of the Commission:

Marilyn R. Abbott,
Secretary to the Commission.

[FR Doc. 02-14942 Filed 6-10-02; 12:20 pm]
BILLING CODE 7020-02-P

DEPARTMENT OF LABOR

Employment and Training Administration

[TA-W-40,495 and NAFTA-05581]

G & L Service Company, North America (USA), Incorporated, Eagle Pass, Texas; Notice of Negative Determination Regarding Application for Reconsideration

By application of April 4, 2002, the petitioners requested administrative

reconsideration of the Department's negative determination regarding eligibility for workers and former workers of the subject firm to apply for Trade Adjustment Assistance (TAA) under petition TA-W-40,495 and North American Free Trade Agreement-Transitional Adjustment Assistance (NAFTA-TAA) under petition NAFTA-5581. The TAA denial notice applicable to workers of G & L Service Company, North America (USA), Incorporated, Eagle Pass, Texas was signed on March 8, 2002 and published in the **Federal Register** on March 29, 2002 (67 FR 15226). The NAFTA-TAA denial notice applicable to workers of G & L Service Company, North America (USA), Incorporated, Eagle Pass, Texas, was signed on March 8, 2002 and published in the **Federal Register** on March 29, 2002 (67 FR 15227).

Pursuant to 29 CFR 90.18(c) reconsideration may be granted under the following circumstances:

- (1) If it appears on the basis of facts not previously considered that the determination complained of was erroneous;
- (2) if it appears that the determination complained of was based on a mistake in the determination of facts not previously considered; or
- (3) if in the opinion of the Certifying Officer, a mis-interpretation of facts or of the law justified reconsideration of the decision.

The TAA petition, filed on behalf of workers at G & L Service Company, North America (USA), Incorporated, Eagle Pass, Texas were engaged in providing support services to a manufacturing facility located in Mexico. There was no separation of workers manufacturing a product at a corporately-affiliated domestic facility. Sales increased in 2000 compared to 1999 and in January-September 2001 compared to the same period in 2000.

The NAFTA-TAA petition for the same worker group was denied because criteria (3) and (4) of the group eligibility requirements in paragraph (a)(1) of section 250 of the Trade Act, as amended, were not met. There was no shift in production from the workers' firm to Mexico or Canada during the relevant period. The workers of the subject firm provided services to a manufacturing facility of their parent company located in Mexico. Increased company imports from Mexico did not cause separations of workers at the subject firm, however, production of men's and women's slacks at the Mexican facility contributed to employment at the subject facility.

The petitioners allege that production at the subject firm declined during the

relevant period of the investigation. The petitioners further state that they believe all criteria at the subject firm have been met and therefore they should qualify for Trade Adjustment Assistance and NAFTA-Transitional Adjustment Assistance.

The Department reviewed the data supplied by the company during the initial investigation and requested clarification from the company concerning the functions performed at the subject firm. Based on further information provided by the company, it has become evident that the workers were not engaged in production of an article, men's and women's pants and shorts. Workers instead, only performed administrative services at the subject facility during the 2000 and 2001 period. The workers provided services in support of a foreign affiliated plant that produced a product.

The subject workers do not produce an article within the meaning of section 222(3) of the Act (TAA) and section 250 of the Trade Act of 1974 (NAFTA-TAA).

The petitioners also allege that a portion of their work was performed in Mexico.

Subject plant worker functions performed outside the subject plant location are not relevant. The Department conducts TAA and NAFTA-TAA investigations for specified locations that are indicated on the TAA and/or NAFTA-TAA petition. Regardless, the work performed by the workers was not producing an article.

The new information provided by the petitioner, which while perhaps altering the basis for the prior decisions, does not provide a basis to change the prior decisions.

Conclusion

After review of the application and investigative findings, I conclude that there has been no misinterpretation of the law or of the facts which would justify reconsideration of the Department of Labor's prior decisions. Accordingly, the application is denied.

Signed at Washington, DC, this 31st day of May, 2002.

Edward A. Tomchick,
Director, Division of Trade Adjustment Assistance.

[FR Doc. 02-14787 Filed 6-11-02; 8:45 am]
BILLING CODE 4510-30-P

APPENDIX C
Summary of Submissions in Response to the
Federal Register Notice

Submissions for the Record Investigation No. 332-352

American Apparel & Footwear Association¹

The submission from the American Apparel & Footwear Association (AAFA) stated that “any meaningful ATPA expansion should include clothing and nonrubber footwear.” AAFA wrote, “we calculate that in 2001, nearly 90 percent of imports from the Andean region entered outside of the ATPA or GSP duty preference program.” Furthermore, AAFA stated that the expansion of ATPA to include clothing and nonrubber footwear “would not have an adverse impact on the United States.” According to the submission, “U.S. apparel industries would benefit if these products are included by gaining access to more flexible sourcing operations to counter the inexorable pull to China and low-cost Asian suppliers.” Not only would the U.S. apparel industry benefit, according to AAFA, but “ATPA expansion will help create jobs in the Andean region to provide legitimate alternatives to the narcotics trade.”

Association of Floral Importers of Florida²

The submission from the Association of Floral Importers of Florida (AFIF) stated that the December 2001 termination of ATPA and consequent loss of duty-free treatment for flowers has had an adverse impact on the South Florida fresh-cut flower import industry and the members of AFIF. “The loss of duty-free status makes flowers less competitive with other gift items, which could jeopardize the continued viability of AFIF’s members and its 6,100 employees, as well as jeopardize the 220,000 jobs throughout the U.S. that are dependent on imported flowers from the Andean region.” AFIF wrote that, since the expiration of ATPA, duties paid on imported flowers entered at Miami International Airport cost the floral industry \$2.4–\$2.6 million per month while current demand for flowers in the United States is flat and/or declining. AFIF further stated that “immediate payment of the new duties adds increased cash-flow pressure for our members and this industry,” and encouraged the renewal of ATPA.

¹ Submission to the Commission by Stephen Lamar, Sr. Vice President of the American Apparel & Footwear Association, received July 2, 2002.

² Submission to the Commission by Lin Watts, Executive Vice President of Association of Floral Importers of Florida, received June 28, 2002.

The Colombian Flower Exporters Association³

The Colombian Flower Exporters Association (Asocolflores) provided a variety of data, including export and employment statistics, on the Colombian flower industry. According to the submission, “while the value of sales to the United States has risen since ATPA took effect, Colombia’s share of the U.S. floral market has actually decreased due to increasing overall demand. In 2001, the quantity of flowers imported to the United States declined by 13 percent.” The submission also stated that “the Colombian flower industry is a major source of legitimate and stable employment in Colombia,” and that the cut-flower industry employs 79,000 workers directly and 75,000 workers indirectly, and supports more than 220,000 U.S. jobs. According to the submission, ATPA is essential for the Colombian flower industry. Asocolflores warned that any increase in unemployment in Colombia resulting from the loss of ATPA benefits could result in instability and an increase in social, economic and security problems, particularly in areas where the FARC terrorist group is active. According to Asocolflores, “ATPA has been a major, stabilizing force in Colombia’s flower industry, a major economic sector in the country.”

International Intellectual Property Alliance⁴

The International Intellectual Property Alliance (IIPA) is a private sector coalition that represents the U.S. copyright-based industries in efforts to improve international protection of copyrighted materials. IIPA wrote that “inadequate and ineffective copyright enforcement continues to inflict significant trade distortions in the Andean region,” and that such measures adversely affect employment, job creation, and revenues in the United States. According to IIPA, ATPA provisions for the protection of intellectual property rights do not prevent the “high levels of piracy of music, audio cassettes and compact discs, business entertainment and multimedia software on all platforms, films, television programs, videocassettes, textbooks, trade books, reference and professional publications and journals [that] all hurt U.S. creators.” IIPA confirmed its support for ATPA renewal, but with provisions for “technical adjustments in order to make the program more effective for copyright owners. . . . to provide incentives to generate substantial improvements in the copyright laws and enforcement practices throughout the Andean region.”

³ Submission to the Commission by Susan M. Schmidt, Counsel for Colombian Flower Exporters Association, received July 2, 2002.

⁴ Submission to the Commission by Maria Strong, Vice President and General Counsel of the International Intellectual Property Alliance, received July 2, 2002.

Tile Council of America, Inc.⁵

The submission from the Tile Council of America, Inc. reported that ATPA has had a negative impact on the U.S. ceramic tile industry. The negative impact results from increased imports of low-priced ceramic tile from Colombia, enabling Colombian producers to take market share away from U.S. producers. According to the Council, tile imports from Colombia have “increased dramatically” since ATPA was initiated, and such imports remained at high levels in 2001. The submission stated that the evidence of damage to the U.S. market was in the disparity between the percentage increase of imports of Colombian ceramic tile and the increase in U.S. domestic shipments. According to the Council, between 1991 and 2001, imports from Colombia increased by 270.5 percent, while domestic shipments rose by only 19.2 percent. The Council also cited as a problem the extremely low per-unit value of Colombian tile relative to tile produced in the United States. The Council stated that ATPA “has made Colombia an economically injurious force to domestic producers in the U.S. ceramic tile market.” The Tile Council also stated that “Colombia is not an appropriate beneficiary of continued duty-free trade benefit bestowed under the ATPA” because it “continues to have a poor record of drug crop eradication and to have achieved little in the prevention of the drug trade.”

⁵ Submission to the Commission by Juliana M. Cofrancesco, Counsel for Tile Council of America, Inc., received July 12, 2002.

APPENDIX D

Technical Notes to Chapter 3

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 2001. The economic effects of ATPA duty reductions¹ were evaluated with a comparative static analysis. Since ATPA tariff preferences were already in effect in 2001, 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 2001. 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 D-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

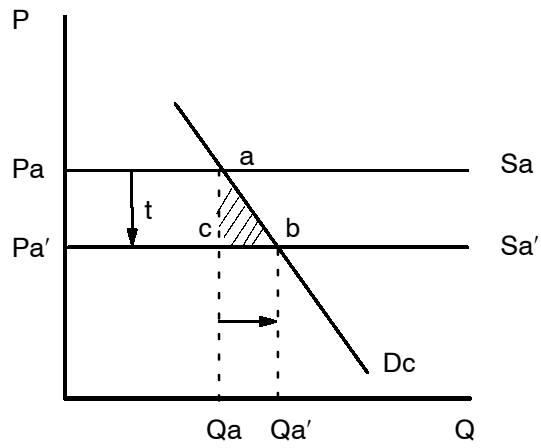
¹ Although the term *duty reduction* is used, the methodology employed in the analysis for this report applies equally to a duty elimination (which is a duty reduction in the full amount of the duty).

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.

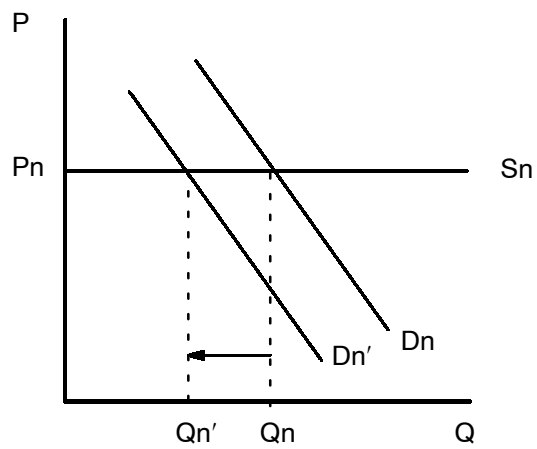
³ This is technically true only if income effects are negligible. Given the small U.S. expenditure on goods from ATPA countries, income effects are likely to be negligible for the products under consideration. See R. Willig, “Consumer’s Surplus Without Apology,” *American Economic Review*, 66, pp. 589-597.

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

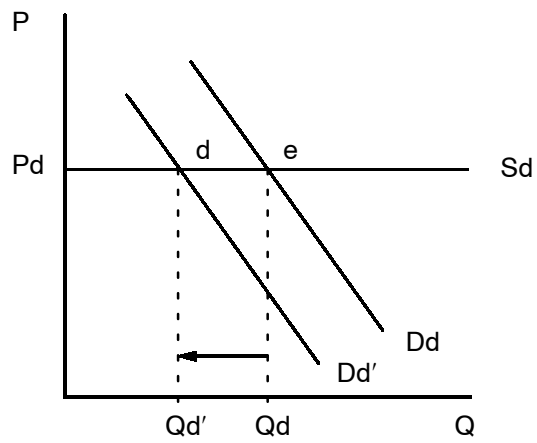
Figure D-1
Partial equilibrium analysis of the effects of ATPA duty provisions on U.S. imports



a. ATPA imports



b. non-ATPA imports



c. U.S. domestic output

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.

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_aabP_a' in panel a. There also is an accompanying decrease in the tariff revenue collected from ATPA imports. This is measured by the area of the rectangle P_aacP_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_aabP_a' minus the rectangle P_aacP_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.

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.

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.

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:

$$(1) \quad (Q_a / Q_a') = (P_a / P_a')^{\epsilon_{aa}}$$

$$(2) \quad (Q_n / Q_n') = (P_a / P_a')^{\epsilon_{na}}$$

$$(3) \quad (Q_d / Q_d') = (P_a / P_a')^{\epsilon_{da}}$$

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

$$(1)' \quad (Q_a / Q_a') = (1+t)^{\epsilon_{aa}}$$

$$(2)' \quad (Q_n / Q_n') = (1+t)^{\epsilon_{na}}$$

$$(3)' \quad (Q_d / Q_d') = (1+t)^{\epsilon_{da}}$$

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

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

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

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

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 i th and j th 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

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 and M. Galloway, C. McDaniel, and S. Rivera, "Long-Run Industry-Level Estimates of U.S. Armington Elasticities," USITC Working Paper 2000-09A, Sept. 2000.

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)

area of
trapezoid P_aabP_a'

$$= \int_{P_a'}^{P_a} k P_a^{\epsilon_{aa}} dP_a$$

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

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

Tariff revenue from U.S. imports from ATPA partners

area of
rectangle P_aacP_a'

$$= (P_a - P_a') Q_a$$

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

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

Domestic output

area of
rectangle $Q_d'deQ_d$

$$= P_d(Q_d - Q_d')$$

APPENDIX E

List of Frequently Used Abbreviations and Acronyms

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ATPA	Andean Trade Preference Act
ATPDEA	Andean Trade Promotion and Drug Eradication Act
CBERA	Caribbean Basin Economic Recovery Act
CBTPA	Caribbean Basin Trade Partnership Act
EU	European Union
FDI	foreign direct investment
FTAA	Free-Trade Area of the Americas
GAO	General Accounting Office
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GSP	Generalized System of Preferences
HTS	Harmonized Tariff Schedule
<i>INCSR</i>	<i>International Narcotics Control Strategy Report</i>
IPR	intellectual property rights
MFN	most-favored-nation
NAFTA	North American Free-Trade Agreement
NTR	normal trade relations
ONDCP	Office of National Drug Control Policy
PLANTE	Plan Nacional de Desarrollo Alternativo (National Plan for Alternative Development)
TRQs	Tariff-rate quotas
UNODCCP	United Nations Office for Drug Control and Crime Prevention
USAID	United States Agency for International Development
USITC	U.S. International Trade Commission
USTR	United States Trade Representative
WTO	World Trade Organization

