

An Atypical Year in the History of U.S. Imports Under the Andean Trade Preference Act

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The expiration of the Andean Trade Preference Act at the end of 2001, followed by the Act's retroactive renewal and amendment in August 2002, profoundly affected imports under this program in 2002 from the beneficiary countries Bolivia, Colombia, Ecuador, and Peru. These developments also affected overall U.S. imports from these Andean countries during the year.

The year 2002 was atypical in the 10-year history of the Andean Trade Preference Act (ATPA). For 10 years, ATPA provided duty-free and reduced-duty treatment to qualifying imports from its beneficiaries: Bolivia, Colombia, Ecuador, and Peru. The purpose of the program 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. The original ATPA expired on December 4, 2001.

Eight months later—on August 6, 2002—President Bush signed into law the Andean Trade Promotion and Drug Eradication Act (ATPDEA), which renewed ATPA preferences retroactively, and amended ATPA to cover additional products. During 2002, these changes in the program's legal status, and in the scope of the preferences it provided, profoundly affected eligible U.S. imports as well as overall U.S. imports from the beneficiaries. For this reason, neither U.S. imports under ATPA nor overall U.S. imports from ATPA countries are comparable in 2002 with such imports, respectively, of earlier years. Because 2002 imports will not be comparable with such imports in years to come either, the year 2003 will have to serve as the base year in analyzing trade trends in the future.

ATPDEA authorizes the extension of duty-free treatment to certain products previously excluded from ATPA preferences, including certain textiles and apparel, footwear, petroleum and petroleum derivatives, watches and watch parts (including cases,

bracelets, and straps), and certain tuna in smaller foil or other flexible airtight packages (generally referred to as pouched tuna). However, the expansion took effect only on October 31, 2002, when the four ATPA countries were designated as eligible for ATPDEA.²

According to these legal developments, the year 2002 can be subdivided (with some approximation) into three discrete periods: (1) January–July, when ATPA had lapsed; (2) August–October, when the original ATPA was in effect again; and (3) November–December, during which ATPA as amended (ATPDEA) was in operation. Figure 1 shows how the changes in the status of ATPA during these three periods affected U.S. imports under the program compared with the same period of 2001. Figure 2 shows how the changes may have affected overall U.S. imports from ATPA countries during these periods.

ATPA Not in Effect from January through July 2002

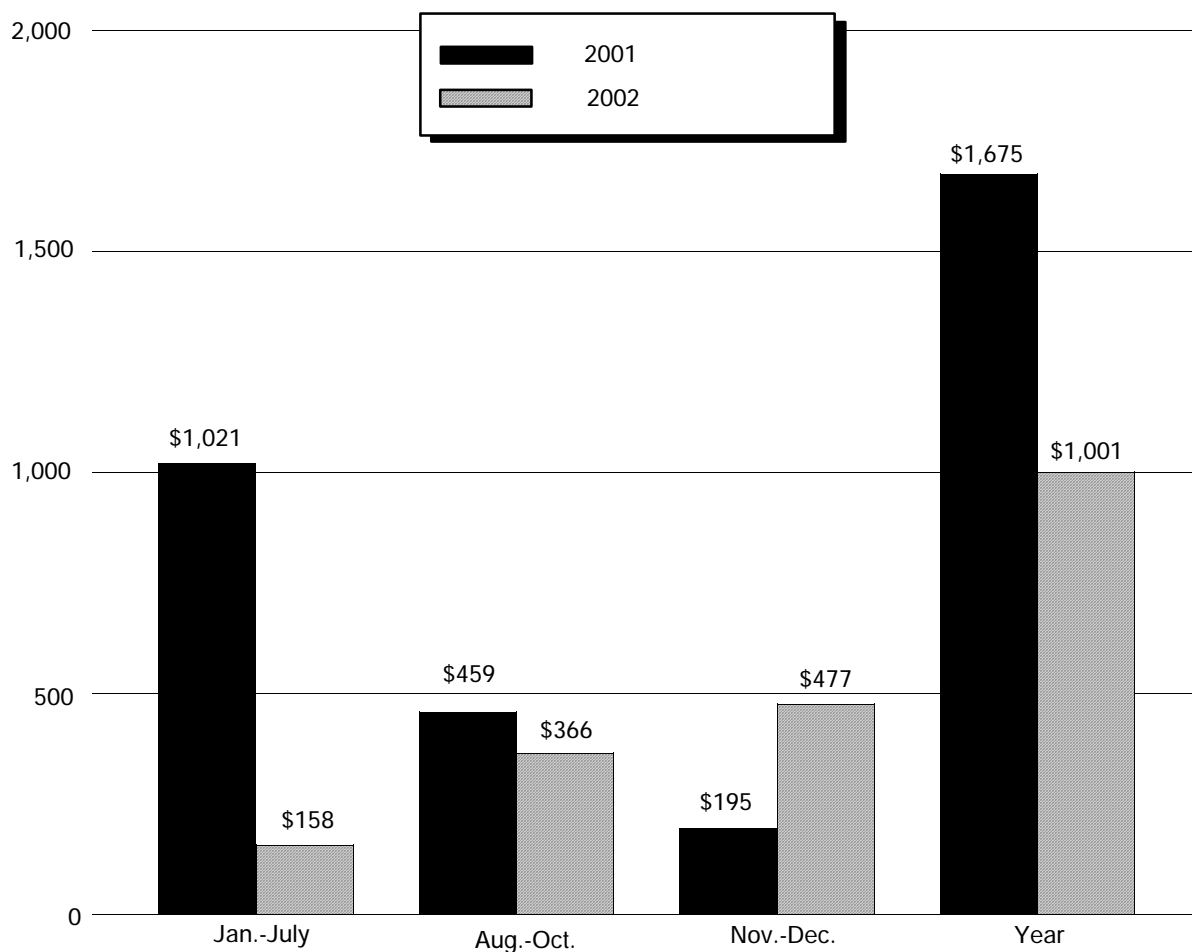
Despite ATPA's expiration at the end of 2001, entries under the program continued to be reported during January–July 2002. One reason might be that on February 15, 2002, the U.S. Customs Service published a temporary rule that granted importers of articles that formerly qualified for duty-free treatment under ATPA the option to defer the payment of estimated duties and fees after entry of these products until May 16, 2002. Nonetheless, U.S. imports under ATPA fell sharply in January–July 2002, by 84.5 percent compared with January–July 2001 (figure 1).

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² For further detail and legal citations, see Joanne Guth and Magda Kornis, "The Andean Trade Preference Act: An Update," USITC, *International Economic Review*, Nov./Dec. 2002.

Figure 1
U.S. imports under ATPA, in selected periods, 2001 and 2002

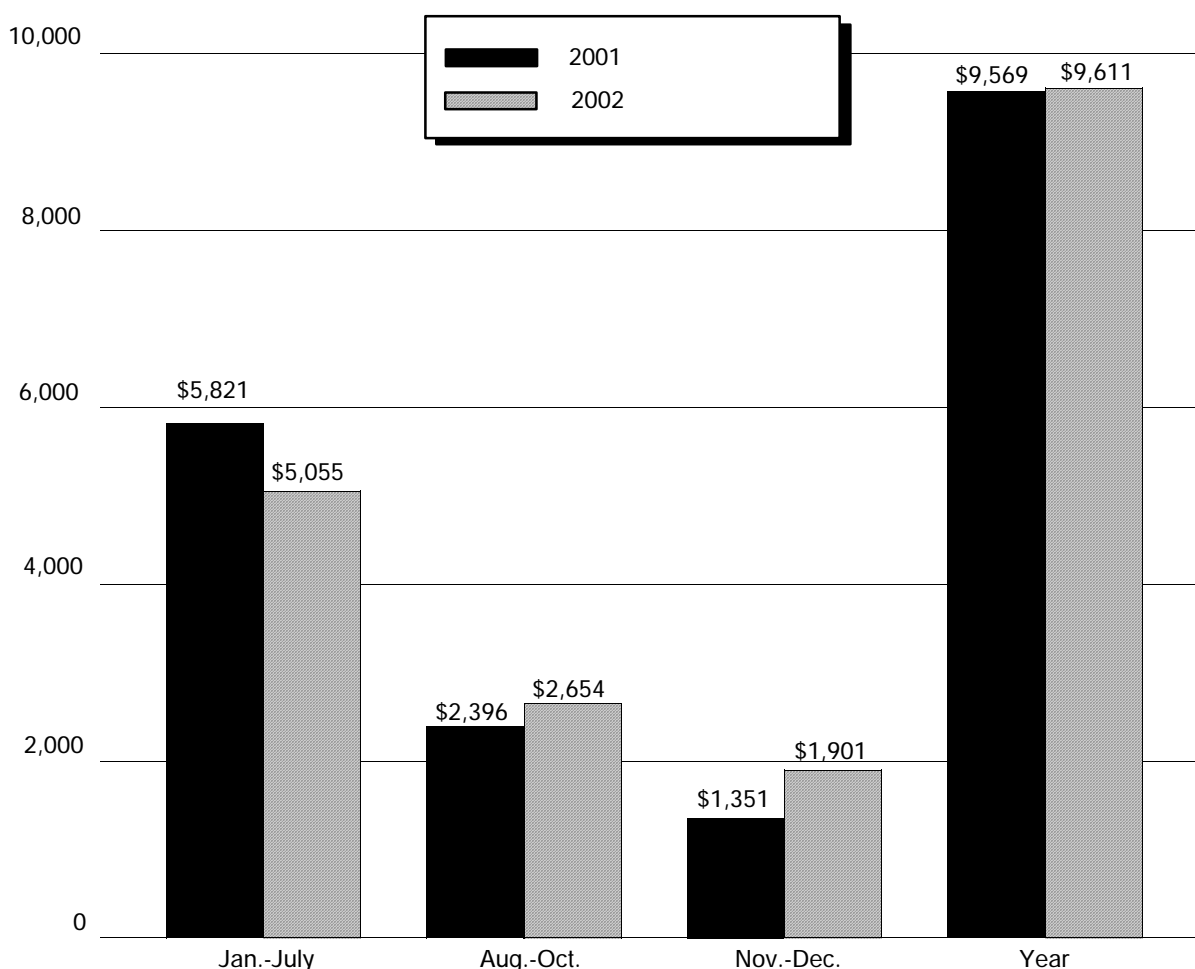
Million dollars



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

Figure 2
U.S. imports from ATPA countries, in selected periods, 2001 and 2002

Million dollars



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

Imports of some products formerly eligible under ATPA were also eligible under the Generalized System of Preferences (GSP), thus they shifted to GSP. Even though the GSP program was also inoperative in January–July 2002, the experience of Andean suppliers with previous lapses in the GSP reportedly left them more hopeful that GSP rather than ATPA would be renewed retroactively.

Several former ATPA-eligible products became dutiable again, entering at tariff rates applicable under normal trade relations (NTR). Notable examples among leading imports under ATPA included refined copper cathodes from Peru, and pigment dispersions from Colombia, whose imports had exceeded GSP competitive limits, therefore they were not allowed to enter under that program either.

ATPA's lapse during January–July 2002 not only restricted imports under ATPA, it also may have depressed overall U.S. imports from ATPA countries, as shown in figure 2. Thus, the lapse may have contributed to the 13.2 percent decline of overall U.S. imports from ATPA countries in January–July 2002, compared with the same period of 2001.

Original ATPA is Reauthorized for August through October 2002

During the 3 months following the renewal of ATPA, eligible entries under the original program became free of duty once again, and some importers may have shifted from GSP back to ATPA. Nonetheless, the unavailability of ATPA preferences for several months had a delayed negative effect,

upsetting the continuity of the program. Although imports under ATPA recovered from their low level recorded during January-July, they remained 20 percent lower during August-October 2002 than in the comparable period of 2001 (figure 1). Total U.S. imports from ATPA countries also recovered after ATPA's renewal. As figure 2 shows, such imports were 11 percent higher in August-October 2002 than in the comparable 3 months of 2001.

ATPDEA is Implemented for November through December 2002

The new eligibility of petroleum and derivatives for ATPA tariff preferences resulted in a substantial increase in imports under the amended ATPA for this short period. Imports under the expanded ATPA were 145 percent higher during November-December 2002 than they had been in the comparable period of 2001 (figure 1). Overall U.S. imports were up 41 percent (figure 2).

Calendar Year 2002

The positive effect on U.S. imports of the implementation of ATPDEA during the last 2 months of the atypical year of 2002 only partly offset the negative effect of the lapse of ATPA during the first 7 months. This resulted in a 40 percent decline of imports under ATPA in 2002 (figure 1). Leading

imports mostly affected included the already mentioned copper cathodes and pigment dispersions, but also various flower and jewelry articles. Overall U.S. imports from ATPA countries remained essentially unchanged in 2002 from 2001, apparently also showing the effects of the long lapse of ATPA (figure 2).

Because ATPDEA was in effect only for 2 months during 2002, U.S. imports benefitting from ATPDEA preferences were negligible in 2002, with the exception of petroleum. Petroleum-based products accounted for the vast majority of U.S. imports under ATPDEA. No imports of textiles and apparel articles, or pouched tuna, and only negligible imports of the other newly eligible items were officially recorded under ATPDEA during the year.

Developments in the last 2 months of 2002 foreshadow significant and lasting changes in the scope and composition of imports under the expanded ATPA. Five petroleum derivatives that were excluded from preferences under the original ATPA already found their way among the 20 leading imports under ATPA for the year 2002. They displaced other products from the list of leading imports in 2001, as shown in tables 1 and 2, including sugar, tuna not in airtight containers, and nonadhesive plates and sheet. By the end of 2003, after the expanded ATPA will have been in effect for the entire year, major changes will likely emerge in the patterns of ATPA trade by commodity and by country.

Table 1
Leading U.S. imports for consumption from ATPA, by HTS provisions, 2000-02

HTS Provision	Description	2000	2001	2002 ¹	Change, 2001-02	Leading ATPA source
		————— 1,000 dollars —————				Percent
7403.11.00	Cathodes and sections of cathodes, of refined copper . . .	565,651	429,379	248,663	-42.1	Peru
2709.00.10 ²	Petroleum oils and oils from bituminous minerals, crude, testing under 25 degrees A.P.I.	0	0	119,804	(³)	Ecuador
0603.10.60	Roses, fresh cut	192,420	180,283	69,765	-61.3	Colombia
2709.00.20 ²	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more	0	0	66,571	(³)	Colombia
0603.10.70	Chrysanthemums, standard carnations, anthuriums and orchids	121,311	92,342	46,539	-49.6	Colombia
0603.10.80	Cut flowers and flower buds suitable for bouquets, n.e.s.o.i.	91,947	85,244	43,302	-49.2	Colombia
7113.19.50	Gold jewelry, except necklaces and clasps	64,663	78,685	36,704	-53.4	Bolivia
0709.20.90	Asparagus, fresh or chilled, not reduced in size, not entered Sept. 15-Nov. 15	33,412	28,261	31,589	11.8	Peru
3212.90.00	Pigments dispersed in non-aqueous media, in liquid or paste form, used in making paints; dyes and coloring matter packaged for retail sale	199,393	194,628	29,866	-84.7	Colombia
7113.19.29	Gold necklaces and neck chains, other than rope or mixed link . .	18,302	24,449	21,828	-10.7	Peru
2402.20.80	Cigarettes containing tobacco but not clove, paper-wrapped .	937	13,781	20,524	48.9	Colombia
0709.20.10	Asparagus, fresh or chilled, not reduced in size, entered Sept. 15-Nov. 15	9,991	15,239	18,729	22.9	Peru
0603.10.30	Miniature (spray) carnations, fresh cut	33,673	24,584	13,239	-46.1	Colombia
2710.11.25 ²	Naphthas, not motor fuel/blending stock, from petroleum oils/oils from bituminous minerals, minimum 70 percent by weight of such products	0	0	9,722	(³)	Colombia
7113.19.21	Rope necklaces and neck chains of gold	20,700	10,005	9,232	-7.7	Peru
0804.50.40	Guavas, mangoes, and mango-steens, fresh, if entered during the period from September 1, in any year, to the following May 31, inclusive	20,530	17,742	7,601	-57.2	Ecuador

See footnotes at end of table.

Table 1—Continued
 Leading U.S. imports for consumption from ATPA, by HTS provisions, 2000-02

HTS Provision	Description	2000	2001	2002 ¹	Change, 2001-02	Leading ATPA source
		————— 1,000 dollars —————				Percent
2710.19.05 ²	Distillate and residual fuel oil (including blends) derived from petroleum or oils from bituminous minerals, testing under 25 degrees A.P.I.	0	0	7,263	(³)	Colombia
0703.10.40	Onions, other than onion sets or pearl onions not over 16 mm in diameter, and shallots, fresh or chilled	4,285	11,131	6,683	-40.0	Peru
2710.19.10 ²	Distillate/residual fuel oil (including blends) derived from petroleum oils or oil of bituminous minerals, testing 25 degree A.P.I. or more	0	0	6,584	(³)	Ecuador
4421.90.97	Articles of wood, n.e.s.o.i.	0	0	6,571	(³)	Ecuador
	Subtotal	1,377,214	1,205,753	820,779	-31.9	
	All other	604,418	468,854	180,037	-61.6	
	Total	1,981,632	1,674,607	1,000,816	-40.2	

¹ ATPA includes imports under ATPDEA.

² Item is newly eligible under ATPDEA.

³ Not meaningful.

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

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

Table 2
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—Continued

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
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.