

## Inside Trade

# Bush Suspends Bolivia's ATPDEA Benefits; Reinstatement Unclear

December 5, 2008

President George W. Bush has suspended Bolivia's duty-free access to the U.S. market under the Andean Trade Promotion and Drug Eradication Act (ATPDEA) effective December 15, according to a U.S. proclamation issued on Nov. 25. Bush found Bolivia failed to cooperate with the United States on anti-narcotics efforts, which is an eligibility requirement of the program.

In announcing the decision on Nov. 26, White House Spokeswoman Dana Perino pointed out that the United States has the discretion to return to Bolivia its trade benefits, if it were to "improve its performance under the [Andean Trade Preference Act] ATPA and ATPDEA programs' criteria."

But White House officials have not laid out what specific conditions Bolivia would have to meet to have its duty-free access to the United States restored under the ATPDEA, according to informed sources.

Originally enacted in 1991, the ATPA offers trade benefits to Bolivia, Colombia, Ecuador and Peru as part of an effort to lessen drug production and trafficking in those Andean countries. The name was changed to ATPDEA when the program was expanded to provide duty-free access to the U.S. for more than 5,600 products from those countries.

The loss of ATPDEA benefits could have a deep impact on Bolivia's economy, resulting in an estimated \$155 million in annual export losses and 12,000 jobs, according to an October report by the Confederation of Private Entrepreneurs of Bolivia (CEPB).

Jose Miguel Insulza, secretary general of the Organization of American States, said the loss of trade benefits might result in the loss of as many as 50,000 jobs in Bolivia, according to a Sept. 26 press release.

Estimates of the impact of the loss of trade benefits vary dramatically since it is unclear how Bolivian businesses will react to the loss of duty-free access to the U.S. market, sources said. One source speculated that businesses might cut their workforce in response to the loss of trade benefits or might relocate to another Andean country to keep the duty-free access under ATPDEA.

A Bolivian source pointed out that Bolivian companies could still have duty-free access for many of the products currently covered under the ATPDEA through the Generalized System of Preference (GSP) program. However, textiles are not covered by the GSP program.

Bolivian companies exported about \$63 million in textile products last year and now they will have to pay anywhere from a 5 to 15 percent duty on those products, due to the lack of ATPDEA benefits for Bolivia.

According to the CEPB's report, roughly 3 percent of Bolivia's total exports benefited from ATPDEA, including nearly 46 percent of exports to the U.S. The report claims that the loss of the ATPDEA benefits would only further hurt Bolivia, a country that already ranks 118th out of 134 countries in the World Economic Forum's Global Competitiveness Index.

Sources said the impact of Bush's suspension on the U.S. economy would be minimal. U.S. trade with Bolivia totaled less than \$278 million in exports and less than \$362 million in imports in 2007, according to U.S. Census Bureau statistics.

By comparison, U.S. exports to Colombia totaled roughly \$8.6 billion and U.S. imports from that country amount to \$9.4 billion in 2007, according to Census figures.

A Bolivian official said the Bolivian government was not even informed of Bush's Nov. 25 proclamation suspending Bolivia's trade benefits until Perino announced that step the next day. The White House press office and a spokeswoman for the Office of the U.S. Trade Representative declined to comment.

The official said the Bush administration's "lack of courtesy" in not informing the Bolivian government about the loss of trade benefits demonstrates that the suspension was solely motivated by politics.

"We are convinced that there were only political reasons to do this," the official said. Similarly, Bolivian President Evo Morales, a socialist, said in a Nov. 27 press conference in Bolivia that the U.S. suspension of unilateral trade benefits was an act of political revenge, and rejected as "totally false" the U.S. claims that his country was not cooperating in counternarcotics efforts.

Morales has frequently railed against U.S. capitalism. On Sept. 11, he expelled U.S. Ambassador Philip Goldberg, claiming he was fomenting civil unrest and colluding with Morales' political foes in Bolivia. In retaliation, Bolivian Ambassador Gustavo Guzman was thrown out of the U.S. and the U.S. withdrew all Peace Corps volunteers from Bolivia.

On Sept. 15, just four days after Morales expelled Goldberg from Bolivia, Bush designated Bolivia as "a country that has failed demonstrably" over the past 12 months to adhere to counternarcotics agreements required under the ATPDEA, according to a Sept. 26 announcement from USTR Susan Schwab. A week after Schwab's announcement, Morales announced on Nov. 4 that he would expel all Drug Enforcement Administration (DEA) agents from Bolivia within three months.

Bush cited the expulsion of U.S. Agency for International Development and DEA personnel from areas where U.S. officials claim coca was being illegally produced, an increase in cocaine production in Bolivia and the Bolivian government's "failure" to close illegal coca markets as evidence that Bolivia was not adequately fighting the drug trade in the country.

Several U.S. government and business sources said they were confident that Bolivia could have kept or at least quickly recovered its ATPDEA benefits until Morales ordered the expulsion of all DEA agents from his country. "That really complicates things more than they need to be complicated," said one government source.

Sources speculated that Morales's decision to expel the DEA agents could compel President-elect Barack Obama to uphold Bush's suspension, although they said neither Obama nor

members of his transition team have given any indication of how they will handle the suspension. "Obviously, it's not [Obama's] top priority, but it's completely unclear what he's going to do," one source said.

Morales traveled to Washington in mid-November in an effort to improve relations with the U.S. before Obama takes over the White House, sources said. Morales did not meet with any Obama advisers during his visit, since Morales knew Obama's team would be too busy to meet with him and Morales felt it would be inappropriate to meet with Obama before he was sworn into office, according to a Bolivian source.

Morales did meet separately with Sen. Richard Lugar (R-IN), the ranking member on the Senate Committee on Foreign Relations, and Rep. Eliot Engel (D-NY), the chairman of the House subcommittee on the Western Hemisphere. He also had one meeting with Senate Majority Leader Harry Reid (D-NV) and Sens. John Kerry (D-MA), Christopher Dodd (D-CT), Robert Menendez (D-NJ) and Ken Salazar (D-CO).

During those meetings, Morales highlighted the importance of the ATPDEA benefits to his country. Some of the lawmakers Morales met with have called for restoring ATPDEA benefits for Bolivia.

"Lifting the suspension on the ATPDEA with Bolivia will strengthen the growing political and economic relationship between our nations and help bring new jobs and good will to the region," Lugar said in a statement following his Nov. 18 meeting with Morales.

Engel, who wants the suspension lifted, has said without trade benefits, Bolivia could form trade and political alliances with countries like China, Iran and Russia, which could "lead to a further corrosion of U.S.-Bolivia relations" (Inside U.S. Trade, Oct 24).

According to the Office on Drugs and Crime's 2007 World Drug Report, Bolivia cultivated 28,900 hectares of coca in 2007. Colombia, an ATPA beneficiary, cultivated 99,000 hectares, while ATPA beneficiary Peru cultivated 53,700 hectares, according to the report. Bolivia manufactured an estimated 104 metric tons of cocaine in 2007, while Colombia manufactured an estimated 600 metric tons and Peru manufactured an estimated 290 metric tons, according to the report.

During his press conference, Morales downplayed the impact of having the trade benefits with the U.S. stripped and assured Bolivian exporters that they would have other export opportunities.