U.S. moves to suspend trade benefits for Bolivia

By Doug Palmer
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WASHINGTON (Reuters) - President George W. Bush is moving to suspend longtime U.S. trade benefits for Bolivia because of that country's failure to cooperate in drug-fighting efforts in the past year, the top U.S. trade official said on Friday.

The move reflects the increasingly strained relations between the United States and Bolivia under the leadership of Bolivian President Evo Morales.

"The Morales administration's recent actions related to narcotics cooperation are not those of a partner and are not consistent with the rules of these programs," U.S. Trade Representative Susan Schwab said in a statement.

Earlier this month, Morales expelled the U.S. ambassador after accusing Washington of fomenting violence against him in Bolivia.

"We regret that the proposed suspension that is prompted by the Bolivian government's action could affect hard-working Bolivians," Schwab said. "Once imposed, the suspension could be lifted as soon as the Bolivian government improves its performance."

Bolivia, Ecuador, Peru and Colombia have received duty-free status for most of their goods under a program dating to 1991 to help fight the illegal drug trade.

Last year, total U.S. imports from Bolivia were $362.6 million, far smaller than from the other Andean countries. That included $73 million worth of jewelry and about $20 million of clothing and household textile goods, as well as $64 million of tin, $46 million of crude oil and $20 million of fuel oil.

The law governing the program requires the U.S. Trade Representative's office to hold a hearing on the proposed suspension before it takes effect. That hearing has not yet been scheduled, Schwab's office said.

COCA DISPUTE

Bolivia's recent expulsion of U.S. Agency for International Development personnel and removal of U.S. Drug Enforcement Administration officials from the country's main illegal coca production areas are two reasons behind the proposed suspension of benefits, U.S. trade officials said.

"A marked increase in cocaine production, the government's failure to close illegal coca markets, and publicly stated policies that increase government-sanctioned coca

cultivation, have placed in doubt the Bolivian government's commitment to cooperate in the fight against drug trafficking," the U.S. Trade Representative's office said.
The decision came one day after five leading U.S. business groups urged the Bush administration and Congress to consider ending trade benefits for both Bolivia and Ecuador because of what they described as inadequate protections for foreign investors in both countries.

The Andean trade preference program will expire at the end of the year unless Congress renews it. The Bush administration has pushed Congress to extend benefits for Colombia and Peru, while mulling what to do about Bolivia and Ecuador.

A spokeswoman for the U.S. Trade Representative's office said the Bush administration has not yet decided whether to propose suspending Ecuador from the program.

Ecuador's ambassador to Washington, Luis Gallegos, said on Friday he was surprised by the business groups' letter

"Ecuador is the only country in the Andean region with zero coca cultivation. The purpose of (the trade benefit program) is to combat drugs and there is no better success story in the region than Ecuador in this regard," Gallegos said.

"Ecuador has consistently followed the rule of law regarding investor-state disputes with foreign companies," including a $100 million government payment last spring to Occidental Petroleum Corp based on a ruling by the United Nations Commission on International Trade Law, he said.

Rep. Eliot Engel, a New Jersey Democrat who chairs the House Foreign Affairs subcommittee on the Western Hemisphere, said on Friday it would be a "major strategic blunder" to end trade benefits for Ecuador.