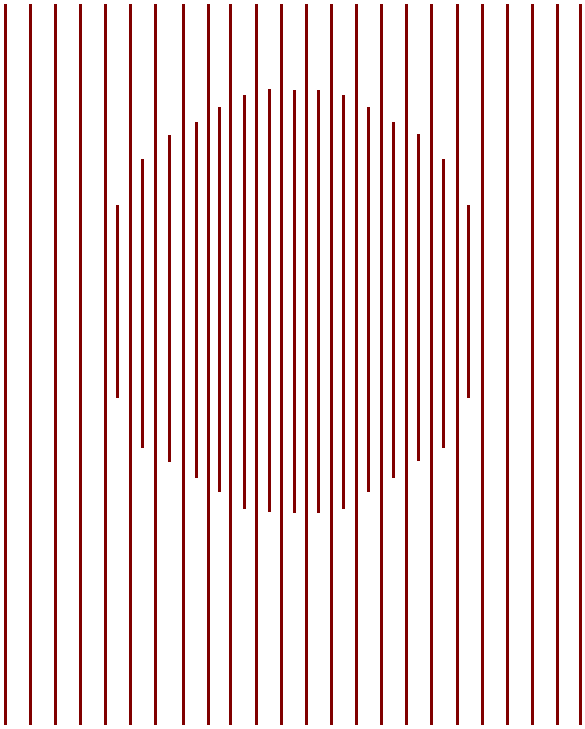
CBO PAPERS

THE ANDEAN INITIATIVE: OBJECTIVES AND SUPPORT

March 1994



CONGRESSIONAL BUDGET OFFICE

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March 1994

CONGRESSIONAL BUDGET OFFICE
SECOND AND D STREETS, S.W.
WASHINGTON, D.C. 20515

NOTES

Numbers in the text and tables of this paper may not add to totals because of rounding.

All years are fiscal years unless otherwise noted.

All figures are in nominal terms unless otherwise noted.

PREFACE

In September 1989, the Bush Administration inaugurated a broad-based counternarcotics strategy. One component of that strategy, the so-called Andean Initiative, was intended to stem the flow of cocaine into the United States by reducing production and trafficking in Colombia, Peru, and Bolivia. As submitted in 1989 and revised in later years, the initiative called for substantial increases in narcotics-related funding for the three countries.

The Clinton Administration is reviewing the size and effectiveness of the U.S. counternarcotics strategy, including funding for programs to combat illegal drugs in Colombia, Peru, and Bolivia. (President Clinton submitted the 1994 publication of the *National Drug Control Strategy* to the Congress in February 1994. Although this report contains references to that strategy, including an appendix with budget information, the Congressional Budget Office (CBO) has not fully analyzed or applied its contents to the text of this report.) Moreover, the Congress has expressed concerns about the efficacy and future of the Andean Initiative and has placed a moratorium on certain types of economic and military assistance appropriated for the initiative under the Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1994. As this report is being printed, the Administration and the Congress are working to alleviate those concerns and end the moratorium.

This paper was requested by the House Committee on Foreign Affairs to provide a clear and consistent measure of past funding on which to base future policy decisions. Using data provided by key executive branch departments and agencies, this report documents the funding and other resources used to support the Andean Initiative over the 1990-1992 period, along with estimates of support for 1993 and 1994. In so doing, CBO finds a significant gap between the funding suggested by the Bush Administration and the funding and other resources obligated during the 1990-1994 period.

Victoria A. Greenfield of CBO's Natural Resources and Commerce Division wrote the report under the supervision of Jan Paul Acton and Elliot Schwartz. Melissa L. Sampson of CBO's Tax Analysis Division provided budget estimates for the Andean Trade Preference Act. Stephen M. Celio, Kent R. Christensen, Michael O'Hanlon, and Joseph C. Whitehill, also of CBO, offered useful comments and suggestions. The author wishes to thank Raphael F. Perl of the Congressional Research Service for his helpful insights. A draft of this paper was circulated for comment and verification to each of the departments and agencies that provided data.

Sherwood Kohn edited the manuscript, and Christian Spoor provided editorial assistance. Aaron Zeisler produced the figures. Donna Wood produced the tables, and she and Angela Z. McCollough prepared the paper for publication.

Robert D. Reischauer
Director

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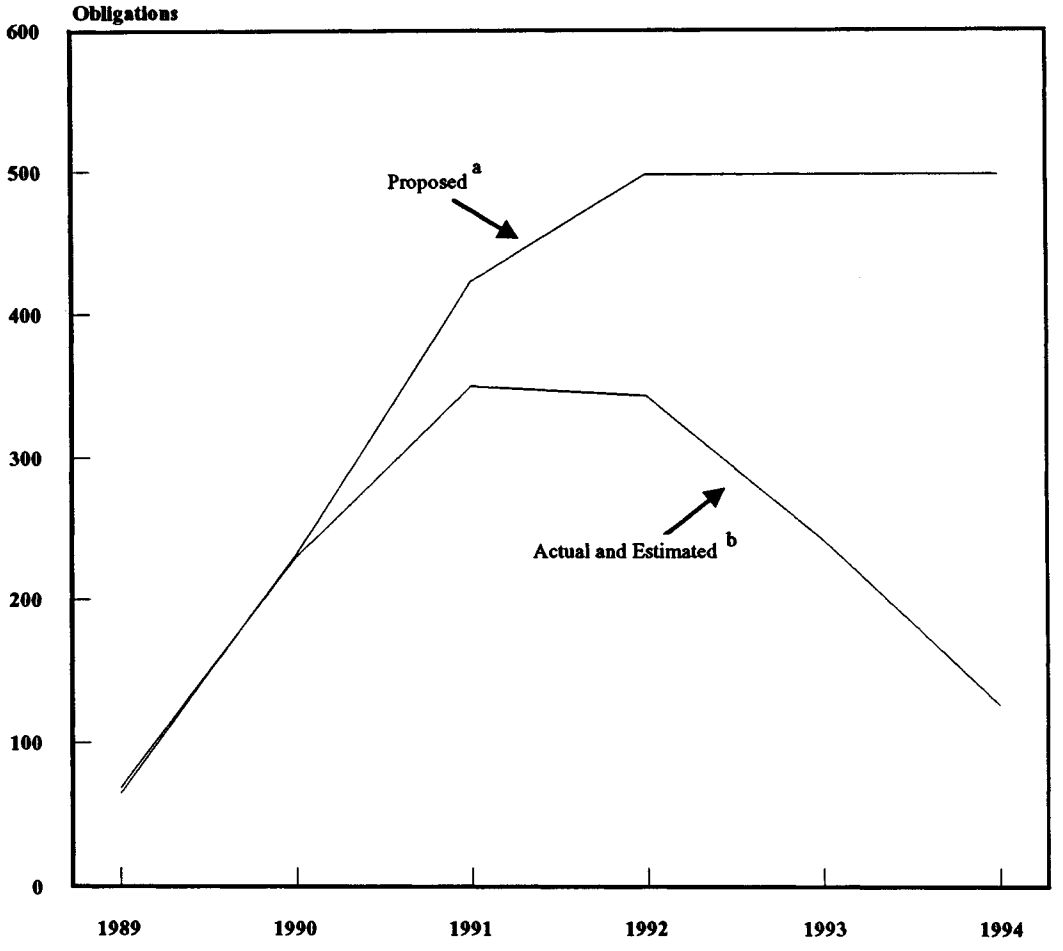
SUMMARY

The Andean Initiative--the Andean component of the U.S. counternarcotics strategy--was introduced by the Bush Administration in 1989 and revised in later years. It was intended to stem the flow of cocaine into the United States by reducing drug production and trafficking in Colombia, Peru, and Bolivia. In recent years, the initiative has claimed a small and declining fraction of the overall budget for the war on drugs, but the level of funding is still significant. Now, at a time when the resources of the Treasury are stretched especially thin, funding for the initiative is under review.

In 1990, the Bush Administration issued a proposal for a five-year program of "Andean Strategy Narcotics-Related Funding" to support the initiative. The proposal, which called for about $2.1 billion during the 1990-1994 period, included funding for economic and military assistance, law enforcement, and support from the U.S. Drug Enforcement Administration in Colombia, Peru, and Bolivia. Although year-to-year comparisons of funding are difficult, it is clear that the Bush Administration intended significant increases in counternarcotics funding for the three countries (see Figure S-1). Moreover, based on assessments of actual and estimated obligations for the 1990-1994 period, it is also clear that the intended increases have not and will not be met. Among the many factors contributing to the estimated shortfall are cutbacks in funding for Peru (following President Fujimori's decision to suspend the Peruvian constitution in 1992), overall cutbacks in funding for military assistance, emerging needs for economic assistance in other regions, and tightening budgetary constraints.

FIGURE S-1. SUPPORT FOR THE ANDEAN INITIATIVE: THE BUSH ADMINISTRATION'S PROPOSAL FOR FUNDING COMPARED WITH ACTUAL AND ESTIMATED LEVELS OF FUNDING
(By fiscal year, in millions of dollars)



SOURCES: Congressional Budget Office based on data from the following agencies and departments of the U.S. government: the Agency for International Development, Office of Planning and Budget, Finance and Administration; Agency for International Development, "Congressional Presentation" (fiscal years 1991-1994); Defense Security Assistance Agency, Legislative and Planning Division; Defense Security Assistance Agency, FMS Control and Reports Division, "Foreign Military Sales, Foreign Military Construction Sales and Military Assistance Facts, as of September 1992;" Department of Justice, Drug Enforcement Administration; Department of State, Bureau of International Narcotics Matters; Department of State, Office of Legislative Affairs; Department of State and Defense Security Assistance Agency, "Congressional Presentation for Security Assistance Programs" (fiscal years 1991-1994); and Office of National Drug Control Policy.

NOTE: This figure includes funding for military and economic assistance, law enforcement, and support from the U.S. Drug Enforcement Administration in Colombia, Peru, and Bolivia. For additional information, see Box 2 and Tables 1-4.

a. The Bush Administration issued a proposal for funding for the 1990-1994 period with a comparative assessment of funding for 1989 (dated June 20, 1990).
b. "Actual funding" refers to the 1989-1992 period and "estimated funding" refers to the 1993-1994 period.

INTRODUCTION

The Andean Initiative, broadly defined, is the Andean component of the U.S. counternarcotics strategy. Introduced by the Bush Administration in 1989 and revised in later years, it was intended to stem the flow of cocaine into the United States by reducing drug production and trafficking in Colombia, Peru, and Bolivia. (Taken together, these three "source countries" account for the majority of all cocaine production.) In recent years, the Andean Initiative has claimed a small and declining fraction of the budget for the war on drugs, but the level of funding remains significant. Based on current estimates for 1994, funding for the initiative will claim about 1 percent of a budget of approximately $12 billion, down from about 2 percent in 1993.

Now, at a time when the resources of the Treasury are stretched especially thin and the counternarcotics policies of the Clinton Administration are under review, the Congress is questioning the value of the initiative and the merits of additional funding for the Andean region. In particular, the Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1994 specified that certain forms of economic and military assistance appropriated by the act may not be made available for the Andean Initiative until the Secretary of State consults with and provides a new Andean counternarcotics strategy (with budget estimates) to the Appropriations Committees.[1]

The process of review raises a number of important questions regarding the nature, implementation, and achievements of the Andean Initiative:

- What were the objectives of the initiative and to what extent did the Bush Administration call for additional narcotics-related funding for Colombia, Peru, and Bolivia?

- How was the initiative carried out in terms of funding and other resources under the Bush Administration, and how has it been carried out, thus far, under the Clinton Administration?

- What has the initiative achieved?

---

1. See section 561 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1994 (P.L. 103-87). The 1994 publication of the *National Drug Control Strategy* indicates a renewed interest in source-country programs. It contains a budget summary and funding request for 1995, but the moratorium is still in effect. (See Appendix A for a summary of the Andean component of the strategy and the President's request for funding.)

This paper focuses on the first and second questions, examining the objectives of the initiative, the programs used to support it, and the funding and other resources committed to those programs. The Congressional Budget Office (CBO) does not attempt to evaluate the merit or achievements of the initiative. The General Accounting Office, the Congressional Research Service, and others have approached this and related issues in separate reports.[2] Regardless of whether the initiative was "optimal," it provides a yardstick for assessing the intentions of the Bush Administration and for measuring actual and estimated levels of funding over the 1990-1994 period.

In June 1990, the Bush Administration proposed funding for the Andean Initiative of about $2.1 billion during the 1990-1994 period, to be channeled through economic and military assistance, law enforcement programs, and support from the Drug Enforcement Administration (DEA). Although year-to-year comparisons of funding are difficult, it is clear that the Bush Administration intended significant increases: roughly speaking, the level of funding in 1994 would have been more than seven times higher than that in 1989. But it is also clear, based on assessments of actual and estimated obligations for the 1990-1994 period, that the intended increases have not and will not be met. Among the many factors contributing to the estimated shortfall are cutbacks in funding for Peru (following President Fujimori's decision to suspend the Peruvian constitution in April 1992), overall cutbacks in funding for military assistance, emerging needs for economic assistance in other regions, and tightening budgetary constraints. (For a survey of budget terms used in this report, see Box 1.)

THE OBJECTIVES OF THE ANDEAN INITIATIVE AND PROPOSED LEVELS OF FUNDING

Broadly defined, the Andean Initiative is the Andean component of the U.S. counternarcotics strategy. The Bush Administration introduced the initiative in 1989 and revised it in later years to strengthen support for counternarcotics programs in Colombia, Peru, and Bolivia.[3] Narrowly defined, it is section 2

2. For an overview of preliminary findings, see Raphael F. Perl, *The Andean Drug Initiative: Background and Issues for Congress*, 92-172F (Congressional Research Service, February 13, 1992). For an updated assessment of the war on drugs in Colombia, see General Accounting Office, *The Drug War: Colombia Is Undertaking Antidrug Programs, but Impact Is Uncertain*, GAO/NSIAD-93-158 (August 1993). In addition, see James Brooke, "U.S. Aid Hasn't Stopped Drug Flow From South America, Experts Say," *The New York Times*, November 21, 1993, p. 10.

3. Under the Clinton Administration, Chapter 5 of the 1994 publication of the *National Drug Control Strategy*, entitled "Focusing on Source Countries," describes "Drug-Specific Approaches" and a "Cocaine Strategy" for the Andean region (see Appendix A).

of the International Narcotics Control Act of 1989, entitled the "Andean Drug Initiative." (Unless otherwise noted, this paper uses the broad definition.)

In September 1989, the Bush Administration submitted a national drug control strategy to the Congress. The strategy included a chapter entitled "International Initiatives" that outlined a set of objectives for the Andean region. Shortly thereafter, the Congress adopted the International Narcotics Control Act of 1989 with its "Andean Drug Initiative," which established a foundation for future legislation. In 1990, the Bush Administration revised its initial objectives and in 1991 added a new objective, namely, to promote legitimate income-earning activities in the Andean countries to offset the economic effects of the intended reductions in cocaine production and trafficking. In December 1991, in a move largely related to the fourth and final objective, President Bush signed the Andean Trade Preference Act.

The Bush Administration's Drug Control Strategy and Subsequent Legislation

On September 5, 1989, President Bush unveiled a broad-based counter-narcotics strategy in the 1989 publication of the *National Drug Control Strategy*, a 154-page report covering international and domestic issues.[4] The report asserted the importance of economic and political considerations in the Andean region and concluded that the "challenge is to motivate the governments of cocaine producer countries to cooperate with us in significantly damaging the cocaine industry, while proceeding with anti-drug programs of their own."[5] It advocated a "comprehensive and sustained multi-year effort, involving economic, military, and law enforcement support," calling for cooperation from the governments of cocaine-producing countries to meet the challenge.[6] Moreover, the report called for an Andean drug summit and a number of other foreign policy initiatives to support the effort.

For the Andean region, the report cited five specific objectives, namely:

- ". . . isolation of major coca-growing areas in Peru and Bolivia;
- ". . . interdiction in these countries of the delivery of essential [precursor] chemicals used for cocaine processing;

4. The President submitted the report to the Congress in accordance with the requirements of section 1005 of the Anti-Drug Abuse Act of 1988 (P.L. 100-690).

5. See Office of National Drug Control Policy, *National Drug Control Strategy* (September 1989), p. 63.

6. Ibid., p. 63.

BOX 1.
GLOSSARY OF BUDGET TERMS

The descriptions in this glossary are based on *A Glossary of Terms Used in the Federal Budget Process, Exposure Draft*, published by the General Accounting Office in January 1993. In some cases, they have been abbreviated to be consistent with the specific content or use of this report. For that reason, the descriptions may not apply in other contexts.

Appropriation act: A statute, under the jurisdiction of the House and Senate Committees on Appropriations, that generally authorizes federal agencies to incur obligations and make payments out of the Treasury for specified purposes.

Authorizing legislation: Substantive legislation that establishes or continues the operation of a federal program or agency either indefinitely or for a specific period of time or that sanctions a particular type of obligation or expenditure within a program. Authorizing legislation is normally a prerequisite for appropriations. It may place a limit on the amount of budget authority to be included in appropriation acts or it may authorize the appropriation of "such sums as may be necessary."

Budget authority: Authority provided by law to enter into financial obligations that will result in immediate or future outlays of federal funds. It may be classified by its duration (one-year, multiple-year, or no-year), the timing of the legislation providing the authority (current or permanent), the manner of determining the amount available (definite or indefinite), or its availability for new obligations. The basic forms of budget authority are:

- *Appropriations*: Authority given to federal agencies to incur obligations and to make payments from the Treasury for specified purposes. An appropriation act, the most common means of providing budget authority, usually follows the enactment of authorizing legislation, but in some cases the authorizing legislation itself provides the budget authority.

- *Borrowing authority*: Authority that permits agencies to incur obligations and make payments to liquidate obligations out of borrowed moneys.

- *Contract authority*: Authority that permits obligations to be incurred in advance of appropriations or receipts.

BOX 1.
CONTINUED

- *Offsetting receipts and collections*: Authority to obligate and expend the proceeds of offsetting receipts and collections.

Deobligations: An agency's cancellation or downward adjustment of previously recorded obligations.

Earmarking: Either of the following:

- Dedicating collections by law for a specific purpose or program.
- Dedicating appropriations for a particular purpose. Legislative language may designate any portion of a lump-sum amount for particular purposes.

Obligations incurred: Amounts of orders placed, contracts awarded, services received, and similar transactions during a given period that will require payments during the same or a future period. Such amounts will include outlays for which obligations have not been previously recorded and will reflect adjustments for differences between obligations previously recorded and actual outlays to liquidate those obligations.

Outlay: The issuance of checks, disbursements of cash, or electronic transfer of funds made to liquidate a federal obligation. Outlays during a fiscal year may be for payment of obligations incurred in previous years or in the same year. Outlays, therefore, flow in part from unexpended balances of budgetary resources from previous years and in part from budgetary resources previously provided for the year in which the money is spent.

Reobligation: Obligation of deobligated funds for another purpose.

Rescission: Legislation enacted by the Congress that cancels the availability of budgetary resources previously provided by the law before the authority lapses.

SOURCE: General Accounting Office, *A Glossary of Terms Used in the Federal Budget Process, Exposure Draft*, GAO/AFMD-2.1.1 (revised January 1993).

- ". . . destruction of cocaine hydrochloride processing facilities;
- ". . . dismantling of drug trafficking organizations; and
- ". . . eradication of the coca crop when it can be made an effective strategy."[7]

In accordance with section 1005 of the Anti-Drug Abuse Act of 1988 (P.L. 100-690), the report also contained measurable objectives. For example, it specified a 10 percent reduction in the estimated amounts of cocaine, marijuana, heroin, and other dangerous drugs entering the United States in two years.[8] (The report also specified a 50 percent reduction in 10 years.) The report did not contain a specific recommendation for additional funding for the war against illegal narcotics in the Andean region, but its emphasis on cocaine production, distribution, and consumption suggests that a significant portion of the proposed increase in international funding--an increase of about $199 million compared with the enacted budget for 1989--was intended for counternarcotics activities in Colombia, Peru, and Bolivia.[9] Final estimates of budget authority for the international component of the antidrug effort suggest that the actual increase was $196 million; from $304 million in 1989 to about $500 million in 1990 (including authority to draw down defense articles and services, and military education and training valued at $65 million in 1989 and $53.3 million in 1990).[10]

Two months later, on December 13, President Bush signed the International Narcotics Control Act of 1989. The new legislation expanded the scope of the Bush Administration's initial strategy by addressing a number of related issues. Section 2 of the act specifically described an "Andean Drug Initiative."[11] Subsection (a) of the initiative, "Findings Relating to Economic Assistance Needs," placed the Andean region at the forefront of the international offensive and set the tone for future legislation. According to subsection (a):

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7. Ibid., p. 63.

8. Section 1005 defined a two-year period beginning on the date of submission of the strategy.

9. See Office of National Drug Control Policy, *National Drug Control Strategy* (September 1989), p. 113.

10. See Office of Management and Budget, *Federal Drug Control Programs, Budget Summary* (April 8, 1993; revised April 23, 1993), Historical Summaries.

11. See section 2 of the International Narcotics Control Act of 1989 (P.L. 101-231).

- ". . . it is crucial to the international antidrug effort that funds be made available for crop substitution programs and alternative employment opportunities to provide alternative sources of income for those individuals in major coca producing countries who are dependent on illicit drug production activities, as well as for eradication, enforcement, rehabilitation and treatment, and education programs in those countries; and

- ". . . the United States and other major donor countries (including European countries and Japan) should provide increased economic assistance, on an urgent basis, to those major coca producing countries which have taken concrete steps to attack illicit coca production, processing, and trafficking, by eradication, interdiction, or other methods which significantly reduce the flow of cocaine to the world market."

Subsection (b) urged the Director of National Drug Control Policy to submit a plan to the Congress in February 1990--as part of the annual *National Drug Control Strategy*--addressing the needs outlined in subsection (a). Subsection (c) urged the President "in the strongest possible terms" to include a number of issues in the formal agenda of the Andean Summit. As suggested in September 1989, a meeting between the heads of government of the United States, Colombia, Peru, and Bolivia had been scheduled for February 1990.[12] The Congress identified five issues (or perceived needs) for the summit agenda, namely:

- Bilateral and multilateral antidrug efforts that make funds available for crop-substitution programs and alternative employment opportunities in major coca-producing countries, as well as for eradication, enforcement, rehabilitation and treatment, and education programs in those countries;

- Initiatives to improve and expand antidrug efforts in the Andean region, including the use of United States international economic, commercial, and other policies;

- Previous bilateral discussions aimed at increasing multilateral economic development assistance from Japan, Canada, and Western European countries for antidrug efforts in the Andean region;

12. The Andean Summit convened in Cartagena, Colombia, on February 15, 1990.

- Debt-for-drug exchanges that forgive Andean bilateral debt held by the United States and other creditor countries in return for commitments by Andean governments to use the savings in debt service for antidrug programs; and

- Bilateral and multilateral efforts to halt the transfer of arms, precursor chemicals, and sophisticated communications equipment and technology from legitimate sources to drug trafficking organizations.

Subsection (d) required a timely report from the President on the outcome of the Andean Summit, and subsection (e) addressed supplemental budget requests, specifying that "at the same time as he submits the report required by subsection (d), the President shall submit to Congress such supplemental budget requests for 1990 and 1991 as may be necessary to cover the United States share of the cost of additional economic assistance to implement an Andean antidrug strategy, including the commitments made at the Andean summit meeting. . . ."

Section 2 of the International Narcotics Control Act of 1989 did not authorize appropriations for the initiative, but other sections of the act addressed specific financial considerations; some by authorizing appropriations for military, law enforcement, and international narcotics control assistance, and others by authorizing or suggesting additional means of assistance, such as trade benefits, debt-for-drug exchanges, and transfers of materiel no longer needed by the U.S. armed forces--referred to as excess defense articles.[13]

The Objectives of the Andean Initiative

Focusing on cooperation and assistance in the Andean region, U.S. policymakers sought to stem the flow of cocaine into the United States by reducing production and trafficking in Colombia, Peru, and Bolivia. In the 1990 publication of the *National Drug Control Strategy*, the Bush Administration modified the objectives set out in the first publication and announced a broader set of short-term goals.[14] In general, the second set of goals encompassed the initial objectives but placed even greater emphasis on economic and political conditions. The revised Andean strategy sought to attain three short-term goals, as follows:

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13. Debt-for-drug exchanges were authorized by the Congress, but have not been carried out. In recent years, however, Colombia and Bolivia have benefited from other forms of debt forgiveness.

14. See Office of National Drug Control Policy, *National Drug Control Strategy* (January 1990), pp. 49-62.

- ". . . to strengthen the political will and institutional capability of Colombia, Peru, and Bolivia, to enable them to take the needed steps to disrupt the activities of, and ultimately dismantle, the cocaine trafficking organizations. . .";

- ". . . to increase the effectiveness of law enforcement and military activities of the three countries against the cocaine trade. . ."; and

- ". . . to inflict significant damage to the trafficking organizations which operate within the three countries, by working with the countries concerned to disrupt or dismantle trafficking operations and elements of greatest value."[15]

The report stated that the first short-term goal would involve supporting the commitment of the political leadership of the three host governments to the counternarcotics effort by providing enhanced security training and equipment, and military and economic assistance (including resources to assist the judicial systems of the host countries). The report suggested that economic assistance would be needed to offset the effects of successful drug suppression.

The report asserted that the second short-term goal would involve assisting the host countries in isolating key coca-producing areas, blocking shipments of precursor chemicals and illicit munitions, destroying laboratories and processing centers, and carrying out eradication programs on a case-by-case basis. The report emphasized the need for U.S. economic assistance to help provide legal, self-sustaining, income-earning alternatives for growers and workers. Finally, the report indicated that the third short-term goal would involve focusing on the leaders of the drug trade and their most important staff through arrests, prosecution, and imprisonment; blocking financial transactions; and seizing assets.

In each case, and consistent with earlier documents, the revised strategy emphasized cooperation. The Bush Administration maintained that the counternarcotics effort should be supported--to whatever extent possible--by the Andean countries. Moreover, the revised strategy advocated cooperation on a broader scale. In keeping with the 1989 publication of the *National Drug Control Strategy* and the International Narcotics Control Act of 1989, it proposed a multinational counternarcotics force, an International Drug Control Summit (to follow the Andean Summit), support from existing international and regional organizations, and a number of other initiatives

15. Ibid., pp. 50-51.

involving drug producing, trafficking, and consuming nations.[16] Finally, the 1990 publication of the *National Drug Control Strategy* included revised measurable objectives: the report specified a 15 percent reduction within two years in the estimated amounts of cocaine, marijuana, heroin, and dangerous drugs entering the United States, and a 60 percent reduction in 10 years.

Did the Bush Administration Call for Additional Funding for the Andean Region?

In June 1990, the Bush Administration issued a proposal for about $2.1 billion to be channeled through economic and military assistance, law enforcement programs, and DEA support over the 1990-1994 period (see Box 2). The five-year plan included funding for Colombia, Peru, and Bolivia. Although poor documentation and conflicting data for some categories of assistance hinder precise comparisons with funding before the initiative, proposed funding, and later reports of actual and estimated funding, it is clear that the Bush Administration intended significant increases. Comparing the preinitiative level of about $65 million reported by the Bush Administration for 1989 with the $232 million estimate of obligations reported for 1990, the year-to-year increase would have amounted to about 255 percent.[17] Comparing the $65 million figure for 1989 with the $498 million figure for 1992 (funding would have reached a plateau in 1992, with identical levels of funding following in 1993 and 1994), the increase would have amounted to about 660 percent.

By category of assistance, the largest increases would have occurred in economic and military assistance and the smallest in law enforcement and DEA support. Over the five-year period, economic assistance would have accounted for the largest share of the $2.1 billion, followed by military assistance, law enforcement, and DEA support (see Box 2).

By country, the largest increases would have occurred in Peru and Bolivia (Peru would have ranked first on the basis of percentage gains but second in absolute terms) and then Colombia. Over the five-year period,

16. In addition to the Andean Summit of 1990, a second summit--with an expanded list of participants--convened on February 25, 1992, in San Antonio, Texas.

17. For purposes of comparison, the proposal included "actual" levels of funding for 1989 alongside the estimates, requests, and plans for funding over the 1990-1994 period. In a later discussion, this paper uses obligations and estimates of obligations to measure funding and includes DEA's contribution to Operation Snowcap--a program coordinated with the Bureau of International Narcotics Matters--under DEA support. On that basis, using data provided by various executive branch departments and agencies, the overall level of funding for 1989 would have amounted to about $69 million (see Table 1). Using the $69 million figure as an alternative measure of funding for 1989, the increases would have been similar and the rankings, described below, unchanged.

Bolivia would have accounted for the largest share of the $2.1 billion, followed by Peru and Colombia (see Box 2).

The prominence of economic assistance in the five-year plan, along with references to economic assistance in the 1989 and 1990 publications of the *National Drug Control Strategy*, indicated the significance of economic factors in the Andean strategy. Following that lead, the Bush Administration added a fourth goal to the 1991 publication of the *National Drug Control Strategy*: "To strengthen and diversify the legitimate economies of the Andean nations to enable them to overcome the destabilizing effects of eliminating cocaine, a major source of income."[18] According to the Bush Administration, this goal would involve providing balance-of-payments assistance, supporting income-earning alternatives in areas where coca is grown, as well as in surrounding areas, and supporting trade and investment programs that would generate jobs, income, and foreign exchange.

In the spirit of this fourth and final goal, President Bush signed the Andean Trade Preference Act (ATPA) on December 4, 1991.[19] The ATPA, which was patterned largely after the Caribbean Basin Economic Recovery Act and arose, at least in part, from counternarcotics legislation and objectives, established a basis for removing tariffs on imports from Colombia, Peru, Bolivia, and Ecuador.[20] (For additional information about the ATPA, see Box 3.)

Removing tariffs on U.S. imports under the ATPA would reduce federal revenue, resulting in a direct cost to the U.S. Treasury. For the purposes of this discussion, the cost of the ATPA (excluding the cost related to Ecuador) is considered part of the resources devoted to the Andean Initiative. In relation to overall levels of funding, the cost of the ATPA, as estimated by the Congressional Budget Office in November 1991, would have added a small but significant sum to the proposal. At that time, assuming that the program would begin in 1992, CBO estimated that the ATPA would reduce federal revenues by about $16 million each year for 1992 through 1996, after income and payroll tax offsets (revisions have since been made to account for delays).

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18. In addition, the 1991 (and 1992) publications of the *National Drug Control Strategy* introduced new "measurable goals" and a number of minor changes in language, but the basic themes of the strategy remained intact. See Office of National Drug Control Policy, *National Drug Control Strategy* (February 1991), pp. 15 and 78-79, and *National Drug Control Strategy* (January 1992), pp. 26 and 81-83.

19. See Title II of P.L. 102-182 (December 4, 1991). For a description of the history of the Andean Trade Preference Act, see House Committee on Ways and Means, *Overview and Compilation of U.S. Trade Statutes*, WMCP: 103-1 (January 6, 1993), pp. 25-26.

20. See section 9 of the International Narcotics Control Act of 1989 (P.L. 101-231).

BOX 2.
FUNDING TO SUPPORT THE ANDEAN INITIATIVE: THE BUSH ADMINISTRATION'S PROPOSAL

In June 1990, the Bush Administration proposed funding to support the Andean Initiative (the table that follows is a reproduction of the original).[1] The proposal called for funding of about $2.1 billion over a five-year period, beginning in 1990. For the purpose of comparison, the Administration reported "actual" levels of funding for 1989 alongside the estimates, requests, and projections of funding for the 1990-1994 period. But inadequate documentation, undefined terms, and conflicting data for some categories of assistance hinder precise comparisons of preinitiative funding, proposed levels of funding, and later reports of actual and estimated levels of funding for the five-year period. For example:

- The figures for 1989 are not labeled as either budget authority or obligations, but a note accompanying the table, referring to the figures for 1990, describes "projected" obligations (see Note 1 in the table). And for some categories of assistance, the "actual" figures for 1989 differ from "actual" figures that appear in other documents--either budget authority or obligations.[2]

- It is not clear whether "DEA support" (support provided by the Drug Enforcement Administration) includes DEA's contribution to Operation Snowcap--a special enforcement program coordinated with the Bureau of International Narcotics Matters and aimed at suppressing the production and trafficking of cocaine, particularly in Bolivia and Peru.

- In addition, "economic assistance" is not defined. It seems likely, however, based on information contained in the 1990 publication of the *National Drug Control Strategy, Budget Summary* and later documents, that the category is composed of narcotics-related projects funded through the Economic Support Fund and development assistance.[3]

In a later discussion, this report uses actual obligations and estimates of obligations to measure funding, and includes DEA's contribution to Operation Snowcap under "DEA support." On that basis, using data from the Agency for International Development, the Defense Security Assistance Agency, the Drug Enforcement Administration, and the Bureau of International Narcotics Matters, the overall level of funding for 1989 would have amounted to about $69 million (see Table 1).

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1. The Office of National Drug Control Policy provided a copy of the table.

2. For military assistance, see U.S. Department of State and Defense Security Assistance Agency, *Congressional Presentation for Security Assistance Programs* (fiscal year 1991), pp. 9-19.

3. See Office of National Drug Control Policy, *National Drug Control Strategy, Budget Summary* (January 1990), pp. 97-99.

BOX 2.
CONTINUED

ANDEAN STRATEGY NARCOTICS-RELATED FUNDING
(In millions of dollars)

	FY 1989 Actual	FY 1990 Estimate 1/	FY 1991 Request	FY 1992 Plan	FY 1993 Plan	FY 1994 Plan	Total 5-Year Plan
COLOMBIA:							
Military Assistance 2/	8.6	40.3	60.5	60.5	60.5	60.5	282.3
Economic Assistance	0.0	3.6	50.0	50.0	50.0	50.0	203.6
Law Enforcement 3/	10.0	20.0	20.0	20.0	20.0	20.0	100.0
DEA Support	4.2	4.4	4.4	4.4	4.4	4.4	22.0
TOTAL	22.8	68.3	134.9	134.9	134.9	134.9	607.9
PERU:							
Military Assistance 2/	2.6	36.5	39.9	39.9	39.9	39.9	196.1
Economic Assistance	1.3	4.3	63.1	103.1	103.1	103.1	376.7
Law Enforcement	10.5	19.0	19.0	19.0	19.0	19.0	95.0
DEA Support	4.3	6.8	6.8	6.8	6.8	6.8	34.0
TOTAL	18.7	66.6	128.8	168.8	168.8	168.8	701.8
BOLIVIA:							
Military Assistance 2/	5.8	33.7	40.9	40.9	40.9	40.9	197.3
Economic Assistance	4.0	40.7	95.8	130.8	130.8	130.8	528.9
Law Enforcement 3/	10.0	15.7	15.7	15.7	15.7	15.7	78.5
DEA Support	4.0	6.6	6.6	6.6	6.6	6.6	33.0
TOTAL	23.8	96.7	159.0	194.0	194.0	194.0	837.7
TOTAL ASSISTANCE:							
Military Assistance 2/	17.0	110.5	141.3	141.3	141.3	141.3	675.7
Economic Assistance	5.3	48.6	208.9	283.9	283.9	283.9	1,109.2
Law Enforcement 3/	30.5	54.7	54.7	54.7	54.7	54.7	273.5
DEA Support	12.5	17.8	17.8	17.8	17.8	17.8	89.0
GRAND TOTAL	65.3	231.6	422.7	497.7	497.7	497.7	2,147.4

1/ The obligations projected for FY 1990 are approximate and adjustments may be made during the course of the year. They include Byrd Amendment reductions.

2/ Military assistance includes both Foreign Military Financing (FMF) and International Military Education and Training (IMET). FY 1990 IMET projections are: Colombia, $1.5 million; Peru, $0.5 million; and Bolivia, $0.5 million. FY 1991 IMET projections are: Colombia, $2.5 million; Peru, $0.9 million; and Bolivia, $0.9 million.

3/ The Law Enforcement category for FY 1990 includes $38.2 million in International Narcotics Matters (INM) funds as well as a portion ($16.5 million) of the $125 million in FMF appropriated for counternarcotics programs in Section 602 of the Foreign Operations, Export Financing, and Related Programs Act for FY 1990.

June 20, 1990

SOURCE: Office of National Drug Control Policy.

BOX 3.
PROVISIONS OF THE ANDEAN TRADE PREFERENCE ACT

The Andean Trade Preference Act (ATPA), which was signed into law by President Bush on December 4, 1991, established a basis for removing tariffs on U.S. imports from Colombia, Peru, Bolivia, and Ecuador.[1] Colombia and Bolivia were designated as "beneficiary countries" in July 1992, Ecuador was designated in April 1993, and Peru in August 1993. The ATPA provides unlimited duty-free access to the U.S. market for thousands of products and reduced-duty access for many others, subject to a number of conditions. Although the Caribbean Basin Economic Recovery Act (CBERA) provided a pattern for the ATPA, there are some important differences between the programs the two acts established. In particular, the CBERA is a permanent program, but the ATPA expires on December 4, 2001.

The benefits of the ATPA are reserved for products satisfying certain rules of origin and content. Eligible products must be wholly grown, produced, manufactured, or "substantially transformed" in one or more of the ATPA countries and imported directly into the United States. At least 35 percent of the customs-appraised value of a product must be attributable to the cost or value of materials produced in one or more of the ATPA or CBERA countries, Puerto Rico, or the U.S. Virgin Islands, and (or) to the direct costs of processing done in one or more of those places. In addition, the cost or value of materials produced in the customs territory of the United States (other than Puerto Rico) may be counted toward the 35 percent value-added requirement, for up to 15 percent of the customs-appraised value of that product.[2]

For many products, ATPA benefits overlap those offered under the U.S. Generalized System of Preferences (GSP), but the ATPA--unlike GSP--does not limit preferential treatment. Under GSP, a country may lose benefits for a specific product if the value of U.S. imports of that product (from that country) exceed an annually adjusted limit (about $97 million in 1991), or if that country accounted for more than 50 percent of total U.S. imports of the product in the preceding calendar year.[3] In general, the ATPA excludes textiles and apparel subject to textile agreements, footwear, canned tuna, petroleum and petroleum products, watches and watch parts, rum and tafia, and sugars, syrups, and molasses from duty-free treatment. The program offers reduced duties for U.S. imports of handbags, luggage, flat goods, work gloves, and leather wearing apparel. Moreover, the ATPA countries must meet certain political, economic, and social criteria.

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1. This discussion is based on Department of Commerce, International Trade Administration, and Agency for International Development, *Guidebook to the Andean Trade Preference Act* (July 1992), pp. 4-5; International Trade Commission, *International Economic Review* (August 1992), pp. 9-10; and the Andean Trade Preference Act (P.L. 102-182).

2. Rules of "double substantial transformation" apply to materials produced outside the ATPA and CBERA countries, the U.S. Virgin Islands, Puerto Rico, and the United States.

3. International Trade Commission, *International Economic Review*, p. 10.