Chapter 2.

Quantifying the Value of U.S. Tariff Preferences for Developing Countries*

Judith M. Dean†
John Wainio‡

*We are grateful to Maya Shivakumar and Nick Grossman for their superb work assembling and analyzing data. We also thank Pat Thomas for her valuable help constructing tables and Peg MacKnight for her help with the USITC Dataweb. The views expressed here are those of the authors only. They do not necessarily reflect the views of the USITC, or any of its individual Commissioners, or the USDA.
† U.S. International Trade Commission
‡ U.S. Department of Agriculture

Quantifying the Value of U.S. Tariff Preferences for Developing Countries

1. Introduction

The value of industrial countries' preferential trade programs that grant duty-free or reduced-duty access to many developing countries' exports has been much debated. Many developing countries, and non-governmental organizations feel that it is crucial that modalities be developed to protect the preferential access of developing countries. By contrast, an IMF study concluded that vulnerability to preference erosion is heavily concentrated in a sub-set of products, especially sugar and bananas, implying that assistance to help countries cope with preference erosion should be closely targeted at the countries at risk.

A country granted trade preferences would presumably see demand for its exports grow, relative to other exporting countries still facing most-favored nation (MFN) tariffs. If the country receiving preferences is small, its exports would continue being sold in the importing country at the prevailing tariff-inclusive price, with the exporter earning the difference. Thus, the benefits of such preferences for the exporting country would be increased exports and a transfer of rent from the importing country. But how important are these trade preferences to developing countries? Are the tariff margins large? Do countries fully utilize their preferential access? Is all rent actually earned by the exporting countries? If so, how large is this rent relative to a country's overall exports? If it is significant, do trade preferences granted to one developing country come at the expense of another (Panagariya 2004)?

Only recently have studies attempted to give quantitative answers to some of these questions. Alexandraki and Lankes (2004) calculate the product-level tariff margins granted by the Canada, the European Union, Japan, and the United States and then use these to derive an aggregate value of preferences for each beneficiary country. They find 18 countries for which the value of preferences exceeds 5 percent of the value of their exports. Their results suggest that the problem is heavily concentrated in mostly small island economies dependent on sugar and bananas, and to a lesser extent on textiles. But as the authors note, these values may be overstated as they assume full utilization of preferences, constant world prices, and full rent transfer to the beneficiary countries.

Brenton and Ikezuki (2004) assess the scope and value of U.S. preferences under the African Growth and Opportunity Act (AGOA) for 2002. They find that, overall, the least developed (AGOA beneficiary) countries (LDCs) saw little expansion in the list of products eligible for duty-free access under the AGOA since they already had such access under the Generalized System of Preferences (GSP). Thus, the countries likely to benefit more from the AGOA would be the non-LDCs. But eligibility for apparel preferences significantly affects AGOA preference utilization rates. Among countries with such status, the LDCs have the least restrictive rules of origin, and are therefore likely to gain more than the non-LDCs. Brenton and Ikezuki's data show wide variation in utilization, with AGOA tariff preferences averaging about 6percent, and only six AGOA countries with values of preferences (AGOA plus GSP) exceeding 5percent of their total exports to the United States.

In this paper, we seek to improve upon our measures of the size, utilization, and value of all U.S. non-reciprocal trade preference programs, in order to shed some light on the debate. We use highly disaggregated data for all beneficiary countries in U.S. regional preference programs and in the GSP to quantify tariff preference margins, coverage, and utilization for non-agricultural and agricultural tariff preferences. We estimate the overall value of preferences assuming full use of preferences and then re-estimate to incorporate actual use. We also estimate values for non-agricultural and agricultural preferences.

Our results show that U.S. regional preference programs are generally characterized by high coverage of beneficiary countries' exports, high utilization by beneficiary countries, and low tariff preference margins (except on apparel). The GSP has relatively poorer coverage in general and low preference margins. The GSP is used little as an alternative to the regional programs but is heavily utilized by countries with no alternatives. After incorporating actual utilization, we find that 29 beneficiary countries had U.S. tariff preferences valued at 5 percent or more of dutiable exports to the United States, and 17 countries had values exceeding 5 percent of total exports to the United States in 2003. For nine of these countries, U.S. preferences were valued at 15 percent or more of dutiable exports. Most of this value was attributable to non-agricultural tariff preferences, and especially to apparel. The remaining value was small and attributable largely to jewelry, chemicals, electrical machinery, petroleum-related products, melons, fresh cut flowers, frozen orange juice, raw cane sugar, and fresh asparagus. The removal of apparel quantity restrictions in 2005 is likely to have reduced the value of U.S. apparel preferences since 2003. While further analysis is needed, these results suggest that U.S. preference erosion may be significant for more countries than previously thought.

Overview of U.S. Non-Reciprocal Trade Programs in 2003

In 2003, 143 countries and territories were eligible for tariff preferences under the Generalized System of Preferences. GSP treatment in the United States is duty-free and covers "most dutiable manufactures and semi-manufactures and selected agricultural, fishery, and primary industrial products not otherwise duty-free" (USTR 1999). In 1996, nearly 2,000 additional items were designated duty-free for LDCs.[1] But relative to other U.S. preferential programs, the GSP has the lowest product coverage. Products deemed import-sensitive are excluded from program coverage by law. Agricultural products subject to a tariff-rate quota (TRQ) are not eligible for duty-free access on any quantities exceeding the quota. Other ineligible products include most textiles, apparel, watches, footwear, handbags, luggage, work gloves, and other apparel made partly or wholly from leather (U.S. Government 2004). The GSP has additional limitations, including periodic expiration, the loss of GSP eligibility owing to automatic graduation once the World Bank's high-income country category is reached, and the loss of GSP eligibility on a product

[1] In 2003, 41 countries were eligible for expanded benefits under the U.S. GSP/LDC program.

once "competitive needs limits" (CNL) are exceeded.[2]

The African Growth and Opportunity Act (AGOA) granted duty-free status to more than 6,400 products imported from sub-Saharan African countries as part of the Trade Act of 2000 (USITC 2004b). In 2003, 38 countries were eligible for preferences under the AGOA program (www.agoa.gov). The AGOA extended GSP duty-free status to a larger set of goods than covered by the GSP. For non-LDC beneficiaries, products are either eligible for preferences under the AGOA or under the GSP, but not under both. For LDC beneficiaries, however, some products are eligible for both programs. The AGOA exempts beneficiary countries from the CNL. The program also grants duty-free and quota-free access to apparel made in eligible sub-Saharan African countries from U.S. fabric, yarn, and thread. Apparel imports made with regional fabrics were subject to a cap, with built-in growth over a period of eight years. In addition, the Special Rule for Apparel (SRA) allowed LDCs to receive duty-free access for apparel made with fabrics originating from third countries until September 2004.[3] AGOA II (part of the Trade Act of 2002) expanded preferential access, and increased the cap for apparel made with regional fabric. AGOA III (2004) extended the program until 2015, and the third-country fabric provision until 2007.

The Caribbean Basin Economic Recovery Act (CBERA) is an extension of the Caribbean Basin Initiative, begun in 1984 (USITC 2003). This program eliminated or reduced tariffs on eligible products imported from designated Caribbean and Central American countries and territories. The Caribbean Basin Trade Partnership Act (CBTPA) is the most recent extension of CBERA and was implemented as part of the Trade Act of 2000. In 2003, 24 countries were eligible for CBERA benefits and, of those, 14 were eligible for the CBTPA. Under the CBTPA, a number of import-sensitive products became eligible

[2] CNL are ceilings set for each product and country. They are intended to prevent the extension of preferential treatment to countries considered competitive in the production of an item. With certain qualifications, a country automatically loses its eligibility for a given product the year following that in which the ceiling is exceeded.
[3] Although Botswana and Namibia are not LDCs, they were given third-country fabric provision eligibility in 2003.

for preferential duty treatment, including apparel, petroleum, and petroleum products. The CBTPA authorizes unlimited duty-free entry for imports of apparel assembled in CBERA countries from fabrics made and cut in the United States of U.S. yarns. If the cutting takes place in CBTPA countries rather than the United States, the apparel must be sewn together with U.S. thread.[4] The CBTPA also provides some preferential access for apparel made from regional fabric, but unlike the AGOA, it has no third-country fabric provision.

The Andean Trade Preference Act (ATPA) granted duty-free access beginning in 1991 to many imports from Bolivia, Columbia, Ecuador, and Peru (USITC 2004a). After expiring in December 2001, the ATPA was renewed retroactively as the Andean Trade Promotion and Drug Eradication Act (ATPDEA) in late 2002. The ATPA[5] has broader product coverage than the GSP, and eligibility is not constrained by the GSP CNL or by the possibility of graduation. In 2002, ATPA preferential treatment was expanded to include such previously excluded import-sensitive products as petroleum and petroleum derivatives, apparel and textiles, footwear, and tuna in foil packages. The ATPA allows unlimited duty-free and quota-free treatment for imports of textiles and apparel made in ATPA countries using yarn or fabric, or fabric components, wholly formed in the United States. Like the CBTPA, the ATPA also provides some preferential access for apparel made from regional fabric, but no third-country fabric provision.

Data Description

We construct a preference database for this study using trade and tariff data at the US HTS 8-digit level, extracted from the USITC DATAWEB database (http://dataweb.usitc.gov) and the USITC Tariff Database (http://www.usitc.gov/tata/hts/other/dataweb). We include all U.S. imports in HS chapters 1

[4] For additional eligibility criteria, see USITC (2005), pp. 1-10.
[5] Hereafter, ATPA refers to ATPA or ATPADEA.

through 97 for the year 2003.[6] The USITC records U.S. imports from beneficiary countries by customs value[7] in current U.S. dollars. The import data include the preferences claimed, the value of total imports, dutiable imports (ex post), the duties paid, the quantity imported, and the preference-eligibility status by country and program. The use of preferences is indicated by the preference claimed when the product entered the United States.[8]

MFN and preferential tariffs, including both *ad valorem* and specific tariffs are converted to *ad valorem* equivalents (AVEs), using the USITC method.[9] While the ITC tariff database does include AVEs of tariff-rate quotas, it does not include any AVE estimates of import quotas or other types of quantitative restrictions (QRs). The implications of omitting the 2003 U.S. QRs on apparel products are discussed below. The tariff data include detailed information on preference eligibility by product and program.

U.S. Tariff Preferences on Non-Agricultural Products[10]

Figure 1 shows U.S. imports of non-agricultural products in 2003 from beneficiary countries by tariff treatment. The CBERA countries are split into those eligible for CBTPA and those eligible for CBERA-

---

[6] Note that chapters HS61 and HS62 do include the value of apparel entering the United States under the production-sharing program (HTS 9802.00.80), although that value is not broken out separately.
[7] Customs value is equivalent to f.o.b. value.
[8] There are cases where the claim is later denied but these represent a tiny proportion of cases.
[9] U.S. AVE tariffs for HTS 8-digit items with specific or compound rates are estimated by the following steps. 1) Where there is U.S. MFN import trade for an HTS item, the AVE is estimated by duties divided by dutiable U.S. imports. Trade entering under special tariff preference programs is not included. 2) Where there is no U.S. MFN import trade for an item, the quantity and customs value of all U.S. imports under that item are used and the MFN-specific and compound rates are applied to calculate the tariffs that "would have been collected " if the trade had entered as MFN trade rather than under a special program. The duties thus calculated are divided by the customs value to estimate the AVE. 3) Where there is no U.S. import trade at all for an item in a given year, the quantity and customs value of imports (MFN if available, all trade if not) in that item from the previous full year are used and the MFN-specific and compound rates for the current year are used to calculate the tariffs that "would have been collected " if the trade had entered as MFN trade in the current year. The duties thus calculated are divided by the customs value to estimate the AVE. 4) If there is no U.S. import trade for the given year or the previous year, the Office of Tariff Affairs and Trade Agreements of the USITC is asked to provide an estimated AVE.
[10] Non-agricultural products are defined as all those not specified in Annex 1of the WTO Agreement on Agriculture. Detailed data are available from the authors upon request. All values are based on imports in HS chapters 1-97.

only, since the CBTPA includes apparel preferences and has broader non-apparel coverage. Countries that are exclusively eligible for the GSP are split into two groups: GSP-only and GSP-LDC.

The first striking feature of Figure 1 is the high overall use of the regional preference programs. In 2003, the United States imported about $19.6 billion of non-agricultural products from CBTPA countries, 50 percent of which was apparel. Nearly half of these imports entered the United States under the CBTPA program. Similarly, of the $9.8 billion the United States imported from ATPA countries (11 percent of which was apparel), nearly 60 percent entered under the ATPA program. AGOA countries accounted for $19.1 billion of U.S. non-agricultural imports, 8 percent of which was apparel. About 68 percent of these imports entered the United States under the AGOA preference program. Only the CBERA-only beneficiaries made little use of regional preferences. Of the $1.8 billion U.S. non-agricultural imports from these countries, only 7 percent entered under the CBERA. The second striking feature of Figure 1 is the low use of the GSP. Only 1 percent of U.S. imports from the CBPTA countries and from CBERA-only countries came in under the alternative GSP program. U.S. imports from ATPA and AGOA beneficiaries under GSP were only 3 percent and 4 percent, respectively. Even the non-LDCs that are only eligible for the GSP made little use of the program. Only 15 percent of the $113.8 billion of non-agricultural imports from the GSP non-LDC beneficiaries entered the United States under the GSP. In contrast, more than half of the $8.8 billion non-agricultural imports from GSP-LDCs entered the United States under the GSP program. Although apparel represented 13 percent of U.S. imports from GSP-LDC countries, most of this was excluded from the GSP, leaving only 1percent of apparel imports entering under the program.

Are U.S. Non-Agricultural Preferences Comprehensive?

Whether or not countries make incomplete use of U.S. preferences may depend partly on how extensive the preferences are. We measure the scope of preferences by calculating coverage rates, defined as the ratio of eligible U.S. imports to total dutiable U.S. imports, with dutiable defined as being subject to duty if no preference program is claimed. Apparel coverage is problematic since technically *no* apparel product is eligible, *ex ante*, for preferential tariff treatment. The regional programs all have product eligibility requirements—typically, rules of origin regarding the components of the garments—which may or may not be met. The AGOA program also requires country apparel eligibility and grants nearly all AGOA-LDCs eligibility for the Special Rule for Apparel (SRA) . In this study, overall coverage rates for countries in these programs are calculated assuming that all apparel imports from eligible countries are "potentially eligible" for duty-free access. This yields apparel coverage rates of 100 percent.[11] In the case of CBERA-only and the GSP, apparel coverage rates are calculated based on actual product eligibility.

Table 1 shows coverage rates for all non-agricultural imports and for non-apparel and apparel imports separately. Data for regional programs are shown on the left and for the alternative GSP program on the right. Nearly all U.S. non-agricultural imports from CBTA and ATPA members were eligible for preferences under these regional programs. Except for El Salvador, coverage rates for non-apparel imports were 90 percent or more under both these programs. For CBERA-only countries, the scope of regional preferences was more varied. Six of the 10 members had CBERA coverage rates of 90 percent or more, but the remaining 4 had rates well below 50 percent. Under the alternative GSP program, coverage of non-apparel imports exceeded 90 percent in seven of the CBTPA and ATPA countries, but overall GSP coverage rates were well below 50 percent for most beneficiaries. For CBERA-only countries, GSP coverage was similar to regional program coverage.

There is no overlap between AGOA program coverage and GSP coverage for AGOA non-LDC beneficiaries. Adding up coverage under both programs reveals that virtually all U.S. non-agricultural imports from all AGOA non-LDCs (except Eritrea) were eligible for preferences in 2003. The same was

[11] The alternate extreme would be to assume that the apparel trade that qualified for preferences in 2003 is the maximum that could have qualified that year. This would imply that utilization rates were always 100 percent.

true for non-apparel imports (except Botswana and Swaziland). Coverage rates showed more variation among the LDCs. Nine out of the 21 AGOA LDC beneficiaries had AGOA coverage of 90percent or more, while for 9 others, AGOA coverage was negligible. For most other LDCs, low (high) AGOA coverage corresponded to high (low) GSP coverage. Thus, 14 LDCs had complete coverage and another 4 had 50-90 percent coverage under the combined preference programs. AGOA coverage of non-apparel imports was generally low relative to GSP, except for petroleum-related products. Eight of the countries with complete AGOA coverage had exports to the United States consisting almost totally of petroleum-related products.[12]

Preference coverage was much lower, on average, and more varied for GSP-only countries (Table 2). The mean coverage rate for the 60 non-LDCs was just 44 percent, and nearly half the countries had less than 30 percent of their dutiable exports covered by the GSP. Of the 15 GSP-LDCs, half had coverage rates of 90 percent or more, while the other half had coverage rates near or below 25 percent. For countries such as Bangladesh, Cambodia, Nepal, Pakistan and Sri Lanka, whose exports to the United States are dominated by apparel, GSP coverage rates were extremely low.

Are U.S. Non-Agricultural Preferences Fully Utilized? [flush left]

Utilization is defined as the share of eligible imports entering the United States under the preference program. Table 1 clearly shows that utilization rates are typically below 100 percent. Some of the evidence suggests that utilization rates may be correlated with coverage rates. The ATPA and CBTPA members with virtually 100 percent coverage of their exports under the regional programs had high average utilization rates: 83 percent and 63 percent, respectively. Both non-apparel and apparel utilization were similarly high, although CBTPA countries showed more variable utilization than the ATPA countries. The CBERA-only countries' utilization rates tended to be lower, on average, as were

[12] Cameroon, Chad, Congo (ROC), Congo (DROC), Cote d'Ivoire, Gabon, Nigeria,,and Seychelles.

their coverage rates. One might think that some of the incomplete utilization by CBTPA, CBERA, or ATPA beneficiaries could be explained by the use of the GSP program instead. Table 1 also shows, however, that these countries made little use of GSP preferences.[13] In fact, almost no non-agricultural imports eligible for both ATPA, CBERA, or CBTPA preferences and for GSP preferences entered the United States under the GSP.

Among AGOA non-LDCs, high combined AGOA and GSP coverage corresponded to high combined utilization. With the exception of Eritrea, Gabon, and Mauritius, each country showed combined utilization rates of 75 percent or more. Average utilization of non-apparel preferences was only 50 percent, although seven countries had rates exceeding 75 percent. For LDCs, AGOA preference coverage was less generous than GSP coverage. Overall, average utilization of each program was about 50 percent. High (low) AGOA coverage tended to correspond to high (low) AGOA utilization. But if AGOA utilization was low, GSP utilization tended to be high. Thus, average utilization of the combined preference programs was above 50 percent. Interestingly, the eight AGOA countries exporting exclusively petroleum-related products showed wide variation in utilization, despite complete AGOA coverage.

Eleven of the 20 AGOA apparel-eligible countries made heavy use of apparel preferences, while 5 others did not use them at all. Since the AGOA exporters with high apparel utilization all were SRA-eligible, one might suspect that high utilization was driven by the ability to avoid costly rules of origin. However, of the nine AGOA apparel-eligible countries with low apparel utilization, five were SRA-eligible and two (Mali and Niger) became eligible late in the year. More analysis is therefore needed to determine the role of the SRA in preference usage.

For countries benefiting exclusively from the GSP, preference utilization appears to be quite high,

[13] Columbia and Ecuador have higher GSP utilization but very low GSP coverage.

despite the relatively low coverage of GSP preferences (Table 2). For both non-LDCs and LDCs, average utilization was 60 percent. About half of the non-LDCs and LDCs had utilization rates exceeding 75 percent. Particularly noteworthy are the beneficiaries whose exports include a large share of apparel. While GSP coverage rates for Pakistan and Sri Lanka were only 7 percent and 5 percent, respectively, their utilization rates were 80 percent and 90 percent. Similarly for Bangladesh and Nepal, GSP coverage was only 2 percent and 5 percent, respectively, but utilization rates were 89 percent and 76 percent. This suggests that countries without the alternative of a regional preference program do make heavy use of the GSP but are constrained by the program's limited coverage.

Are U.S.Non-Agricultural Preference Margins Large? [flush left]

High utilization of preferences has occurred despite evidence that preference margins are generally low. The tariff-preference margin is calculated as the difference between the nominal MFN *ad valorem* tariff equivalent (AVE) and the nominal preferential AVE, at the HS 8 digit level. Unweighted averages for each country and program are shown in Table 1. Across member countries and all eligible U.S. non-agricultural imports, AGOA preference margins averaged the highest (14 percent) in 2003. CBTPA preference margins ranked second, with a mean of 9 percent, and ATPA preference margins ranked third, with a mean of 8 percent. In all three of these programs, the range of margins was wide--from less than 1percent to 59 percent. In contrast, CBERA-only, GSP-only, and GSP-LDC programs had low average nominal preferences of 4 percent, 4 percent, and 5 percent, respectively, and much less dispersion. The range of preference margins under CBERA-only countries was narrow—from less than 1 percent to 10 percent. For GSP-only and GSP-LDC-only countries, preference margins ranged from less than 1 percent to 26 percent and, less than 1 percent to 30 percent, respectively.

Separating non-apparel from apparel margins (Table 1) reveals a different picture. Non-apparel preference margins average 3-5 percent for ATPA, CBTPA, and CBERA countries and show little variation across countries within each program. AGOA non-apparel preference margins are much higher-

-5-10 percent for more than half the countries, and 10-20 percent for a few (such as Cape Verde, Kenya, Senegal, and Sierra Leone).   A major exception to this was petroleum. Despite its importance in US-AGOA trade, average petroleum preference margins by country did not exceed 2 percent, and most were well below 1 percent.

Apparel preference margins stand in sharp contrast to the non-apparel margins. Again assuming that all apparel exports from eligible countries are "potentially eligible" for U.S. tariff preferences, apparel average margins under the AGOA, CBTPA, and ATPA are two or three times as high as those for non-apparel for nearly all member countries. AGOA apparel margins show wide variation, from a high of 22.3 percent for Uganda to a low of 6.7 percent for Niger.

U.S. Tariff Preferences on Agricultural Imports[14]

Figure 2 shows U.S. agricultural imports in 2003 from beneficiary countries by tariff treatment. About $3.9 billion of U.S. agricultural imports in that year entered duty-free under non-reciprocal trade preference programs. The largest portion of this preferential trade—about 40 percent or $1.5 billion--came in under the GSP program. Only a small portion of that (about $20.4 million) came in under the GSP-LDC program. The CBERA program accounted for 37 percent ($1.4 billion) of preferential imports, followed by the ATPA program, under which $784 million was imported. Still relatively new in 2003, the AGOA program accounted for the remainder ($122 million).

The regional preference programs are particularly important for countries in the Caribbean and Andean regions; almost 50 percent of U.S. agricultural imports from these countries and 40 percent from ATPA countries in 2004 entered the United States under these programs. The GSP program has dwindled in importance for these countries, with only 4 percent of CBERA and 5 percent of ATPA agricultural exports to the United States entering under the GSP. When countries in these regions had a choice

[14]Agricultural products are here defined as those specified in Annex 1 of the WTO Agreement on Agriculture. Detailed data are available from the authors upon request.

between using either the regional preference program or the GSP, they used the regional program in almost 90 percent of cases. The AGOA countries made almost equal use of the two programs, shipping about 11 percent of their agricultural exports to the United States under the GSP and 12 percent under AGOA. In contrast, countries that qualified only for the GSP or the GSP-LDC relied much less on U.S. market preferences. Less than 17 percent of agricultural exports from the GSP countries came in under preferences, while less than 6 percent of GSP-LDC exports entered under the program. Unlike non-agricultural imports, a large percentage of U.S. agricultural imports from these beneficiary countries already had MFN duty-free status.

Are U.S. Agricultural Preferences Comprehensive? [flush left]

Program coverage varies widely across programs and countries. Table 3 shows the share of dutiable agricultural trade that was eligible for preferences in 2003. For participants in the CBERA and ATPA programs, virtually 100 percent of dutiable exports to the United States were covered by regional preferences. None of these countries shipped much to the United States that was not either MFN duty-free or eligible for preferences. But duties on the relatively small subset of products not covered by these programs tended to be prohibitively high, averaging about 43 percent.

For some of these countries, the GSP program alone provided broad coverage for their imports. More than 90 percent of the dutiable agricultural exports from 11 of the 26 CBERA and ATPA beneficiaries were eligible for duty-free treatment under the GSP, although this program was seldom used. For the others, however, the regional programs expanded the range of products eligible for preferences. In such countries as the Bahamas, Costa Rica, Jamaica, Nicaragua, and the Netherlands Antilles, the CBERA program offered much more preferential coverage than the GSP. Aggregating across beneficiaries within each program, 42 percent of ATPA and 48 percent of CBERA program imports consisted of products not covered under the GSP. Although the remaining products were covered by both the GSP and regional preferences, countries generally opted for the regional program.

AGOA agricultural coverage was generally quite low for both non-LDCs and LDCs. Only Benin had 100 percent coverage under the AGOA. As noted earlier, the AGOA does not extend preferences to tariff lines already covered by the GSP for non-LDC beneficiaries. Thus, the sum of coverage rates provided by both programs reflects the overall preferential access provided their exports in the U.S. market. When the coverage rates of both programs are taken into account, the range of preferences offered to AGOA non-LDCs approaches 100 percent. All AGOA LDCs already had 100 percent coverage rates under the GSP, with the exception of Tanzania. But the combined coverage of GSP and AGOA also afforded Tanzania full coverage.

Table 3 shows coverage rates for those countries that qualified only for preferences under the GSP or GSP-LDC programs. In general, these coverage rates tended to be low, averaging just 33.5 percent for all 61 countries. Countries that were exclusively GSP-LDC eligible had coverage rates twice the size of GSP-only countries.

Are U.S. Agricultural Preferences Fully Utilized? [flush left]

The availability of preferences does not necessarily mean that all beneficiaries' products covered by these programs will actually enter duty-free. Complex and costly program regulations can limit a recipient country's ability to use these preferences. Rules of origin are most often cited as the primary factor restricting beneficiary countries' ability to fully use tariff preferences (Wainio and others 2005). Table 3 shows the utilization rates for each program in 2003. In the case of agricultural exports from CBERA and ATPA countries, utilization rates were quite high. With the exception of Peru, ATPA utilization rates were 90 percent or more. Nine out of 14 CBTPA countries exhibited utilization rates above 90 percent, while the others' rates were between 70 percent and 87 percent. CBERA-only countries showed more variability in using CBERA preferences but rates were still fairly high. Thus, utilization of regional preferences was quite high, although not complete. In contrast, beneficiaries of ATPA, CBERA, and CBTPA alike made little use of the GSP. In cases where a regional program was incompletely utilized, however, the alternative GSP preferences were utilized. Thus, nearly all beneficiaries' eligible agricultural products entered under one of the preference programs. This is in sharp contrast to non-agricultural products from ATPA, CBERA, or CBTPA countries, which generally had both low coverage and low utilization under the GSP.

The results are more mixed for the AGOA countries. While 14 such countries had overall utilization rates exceeding 90 percent, 2 countries (Benin and Niger) failed to make use of either the AGOA or the GSP, even though some of their exports to the United States were eligible for preferences under these programs. Several others failed to use the AGOA while making only limited use of the GSP. Still relatively new in 2003, the AGOA was used only in agriculture by 10 of the 38 eligible recipients, while 22 AGOA countries used the GSP.

Despite the relatively low coverage rates under the GSP, GSP-only countries recorded high utilization rates (Table 4). Utilization averaged 89 percent, and nearly three-quarters of the 61 countries that utilized the GSP and GSP-LDC had rates of 80 percent or more. Countries that were exclusively GSP-LDC-eligible showed lower average utilization (60 percent), although their coverage rates were far higher than GSP non-LDCs.

Are U.S. Agricultural Preference Margins Large? [flush left]

Agricultural products deemed to be import-sensitive are excluded from preferential access under U.S. programs. These products tend to have the highest MFN tariffs, while products accorded preferential access tend to face low MFN rates. Of the 1,432 agricultural tariff-lines facing an MFN rate greater than zero, 1,204 (84 percent) are included in at least one of the nonreciprocal trade preference programs. The MFN tariffs levied on these products in 2003 ranged from less than 1 percent to 79 percent, with the average equal to 6.4 percent. About 55 percent of the products granted some preferential access under these programs face MFN tariffs of at least 5 percent. Many of these tariffs are levied as in-quota rates on products facing tariff-rate quotas (TRQs), so they are only granted preferential access on a limited quantity of imports. Clearly, the margin of preference – the extent to which the preferential tariff is below the MFN tariff – on most of these products is somewhat limited.

Tables 3 and 4 show the simple average nominal tariff preference, or preference margin, that each beneficiary faced on the sub-set of agricultural products it exported to the United States under these programs. The averages ranged from 0.1 percent for St. Kitts-Nevis' exports under the CBERA to 21.9 percent for Swaziland's exports under the AGOA. The overall average across the 101 countries was about 5.4 percent, with the average preference margins under the AGOA (9.6 percent) and CBERA (7 percent) being the highest. Few countries exported a product-mix that faced an average nominal tariff preference greater than the 6.4 percent average tariff across all products eligible for duty-free treatment. One might expect that beneficiaries would tend to export those products facing higher MFN rates since they would have a greater competitive advantage in these markets over countries facing MFN rates. But many of the agricultural products that beneficiaries tend to export under these programs, particularly those produced in tropical climates, already face low MFN tariffs in the United States.

Quantifying the Value of U.S. Preferences

As noted above, U.S. tariff preferences should raise exports from the beneficiary country to the United States, relative to other countries whose exports face the non-preferential tariff. The preference will also imply a rent transfer to the exporter since the beneficiary's exports will face no (or a reduced) tariff, but will sell at the non-preferential tariff-inclusive price in the U.S. market. The value of the tariff preference would then be composed of the rent earned on the level of exports prior to the preference and the rent earned on the additional exports sold as a result of the preferences.

Following Alexandraki and Lankes (2004), we make the following simplifying assumptions:

- A.1. Products are perfect substitutes regardless of their country of origin.
- A.2. The exporting country is a price-taker in world markets.
- A.3. All rents from preferential access accrue to the exporter.
- A.4. A change in the U.S. trade policy regime will not lead to a change in world

prices.

We also assume that in programs that have apparel preferences, all apparel is potentially eligible for those preferences. Under these assumptions, the duty savings from preference programs can be approximated by the difference between the total duties that would have been collected on existing levels of US imports from a beneficiary country in the absence of any program, and the actual duties collected given the program(s). The value of preferences is then the beneficiary country's duty savings as a share of its dutiable exports to the United States. Assuming that preferences are fully utilized, their value can be calculated using equation (1):

$$\boldsymbol{Value_j = \sum_i (t_i^{MFN} - t_{ij}^{p})\left(\frac{CustomsValue_{ij}}{CustomsValue_j}\right) * Eligibility_{ij}} \tag{1}$$

where:

i is US HTS 8-digit product,
j is exporting country
p indicates preference program
Customs Value is the value of dutiable exports to the US

$$Eligibility_{ij} = \begin{Bmatrix} \text{1 if product is eligible for any US preference} \\ \text{0 if not} \end{Bmatrix}.$$

Note that calculating equation (1) will yield an upper-bound estimate on value for at least two reasons: imports from beneficiaries would be smaller than existing levels in the absence of preferences, and the MFN tariff overstates the price increase in the U.S. market owing to tariffs, since some U.S. trading partners are part of reciprocal preferential trade agreements (e.g., the North American Free Trade Agreement, NAFTA).

Assumptions A.1-A.4, and the assumptions of complete apparel eligibility and full utilization of preferences, all suggest that the estimates from (1) would indeed be upper-bound. While market power and the degree of rent transfer are difficult to quantify, we have quantified preference utilization and found it to be less than full, often even at the HTS 8-digit level. In order to incorporate this incomplete utilization, we recalculate the value of preferences using equation (2):

$$\boldsymbol{Value_j = \sum_i (t_i^{MFN} - t_{ij}^{p}) \left(\frac{CustomsValue_{ij}}{CustomsValue_j} \right) * Eligibility_{ij} * Utility_{ij}} \qquad (2)$$

where $Utility_{ij}$ is the % of imports (HTS 8-digit level) which entered the US under any preference program.

Table 5 shows the value of all preference programs for all beneficiary countries, and for all LDC beneficiary countries. Below this, the value of preferences is shown for beneficiaries of both regional programs and the GSP, and finally beneficiaries of GSP alone. For each of these country groups, the table shows the value of all preferences for all beneficiaries in the group, and for individual countries within the group, with duty savings exceeding 5 percent of their total dutiable exports to the United States. The first set of columns shows values assuming full utilization (from equation (1)) and decomposes these values into the share attributable to non-agricultural and agricultural preferences. The second set of columns shows values after incorporating actual utilization (from equation (2)).

Looking at the overall figures in Table 5, the results in the first set of columns suggest that the potential duty savings from all U.S. preference programs represents a small share of beneficiaries' dutiable exports to the United States. Across beneficiary groups, however, countries in the CBTPA program and in the AGOA-LDC program show duty savings exceeding 10 percent of their dutiable exports to the United States. Most of this value is attributable to non-agricultural preferences. The most striking feature of Table 5 is that 35 countries show values exceeding 5 percent of their dutiable exports to the United States: 3 CBERA-only, 12 CBTPA, 2 ATPA, 15 AGOA, and 3 GSP countries. Values range from 5.1 percent (Mali) to 23 percent (Cape Verde) and tend to be highest for members of the CBTPA and AGOA. For Belize, Botswana, Cape Verde, El Salvador, Ethiopia, Guatemala, Haiti, Honduras, , Kenya, Lesotho, Madagascar, Mauritius, Swaziland, and Uganda, the value of U.S. preferences exceeded

15 percent of their dutiable exports to the United States in 2003. A second notable feature of Table 5 is that a large proportion of countries in regional programs make the list, while only three countries from the GSP-only group do. The third interesting feature is that almost universally, the largest proportion of the value of preferences is attributable to non-agricultural preferences.

The second set of columns in Table 5 shows that the incorporation of actual utilization significantly changes the assessment of the value of preferences for quite a few countries. The overall values of preferences for countries in the CBTPA and AGOA-LDC programs fall but remain quite high--at 8.8 percent and 13.6 percent of dutiable exports, respectively. The number of countries with preferences valued above 5 percent of dutiable exports drops to 29. Nearly all the countries that are members of regional groups remain on the list, but only one of the countries that are exclusively GSP-eligible remains. The magnitudes of the values, however, change significantly. The countries for which the value of U.S. preferences exceeds 15percent of dutiable exports now includes only Belize, Botswana, Cape Verde, Ethiopia, Kenya, Lesotho, Madagascar, Swaziland, and Uganda. The CBTPA beneficiaries show the largest adjustment in value after incorporating utilization, although values for half these countries still exceed 10 percent. With a few exceptions, AGOA member countries show virtually no change in the value of preferences. Once again, the largest proportion of value for all countries comes from non-agricultural trade preferences.

While the value of preferences may be low for some countries when measured against total dutiable exports, it may represent a large share of the value of their non-agricultural or agricultural exports. Table 6 lists countries whose non-agricultural preferences exceed 5 percent of dutiable non-agricultural exports to the United States, after incorporating utilization. This list is nearly the same as the list in Table 5. For 17 of these 29 countries, preference values exceeded 10 percent. With a few exceptions, most of this value is attributable to apparel preferences. Other significant products include petroleum-related products,[15] chemicals, jewelry, and electrical machinery. Table 7 lists 23 countries for whose agricultural preference values exceeded 5percent of dutiable agricultural exports to the United States, after incorporating actual utilization. Most of these countries do not appear in Table 5. Five of these beneficiaries had preference values exceeding 10percent. Of the total preference value of all agricultural products, 50 percent was accounted for by five products in 2003: melons, fresh cut flowers, frozen orange juice, raw cane sugar, and fresh asparagus.

There are at least three reasons why apparel accounts for such a large share of the value of preferences for many countries. First, apparel often accounts for a large share of exports; second, apparel-exporting countries had high apparel utilization rates; and third, apparel exports had relatively high preference margins. But the removal of quantitative restrictions (QRs) on apparel in January 2005 (with the completion of the Agreement on Textiles and Clothing) reduced the relative prices of apparel imports from China (prior to the re-imposition of QRs), South Asia, and the ASEAN countries, where QRs had been highly restrictive. Thus, U.S. apparel imports from the CBTPA, ATPA, and AGOA countries were likely to fall relative to their 2003 levels. Even if tariff-preference margins in 2005 remained similar to those in 2003, these margins would be applied to a smaller value of apparel imports, thus reducing the value of the preferences below those shown in Tables 5 and 6. Data from the U.S. Department of Commerce suggest that U.S. 2005 apparel imports from sub-Saharan Africa dropped by 3.1 percent, and from CBI by 0.2 percent relative to 2003; in contrast, apparel imports from the ATPA rose by 35.9 percent.[16] These aggregate figures do not suggest a radical drop in the value of apparel preferences. But

---

[15] Although the value of preferences for some AGOA countries derives exclusively from petroleum-related exports, none of these countries showed values exceeding 1percent of dutiable exports to the United States.
[16] Major Shippers Report, http://www.otexa.ita.doc.gov/msr/cat1.htm, downloaded June 2006.

changes in imports varied greatly within these regions.[17]

The results in Table 5 suggest that more countries may be affected by the removal of U.S. preferences than previously thought. To facilitate a comparison, Table 5 includes the value of preferences calculated with respect to total exports to the United States. Using an approach similar to this study, Brenton and Ikezuki (2004) find six AGOA countries whose preference values in 2002 exceeded 5 percent of total exports to the United States after incorporating preference utilization: Lesotho, Madagascar, Malawi, Mauritius, Kenya, and Swaziland. Our results for 2003 include these six (with similar value estimates), plus Botswana, Cape Verde, and Mozambique, with much higher value estimates. We find, as do Brenton and Ikezuki, that most of this value is attributable to preferential access for apparel. Using more aggregated data and assuming full utilization, Alexandraki and Lankes (2004) identify 18 countries for which the value of all preferences from Canada, the European Union, Japan, and the United States *combined*, exceeded 5 percent of total exports. Table 5 shows 19 countries--half of Alexandraki and Lankes' list and 10 additional countries--for which the value of U.S. preferences *alone* exceeds 5 percent of total exports, assuming full utilization. After incorporating actual utilization, Table 5 shows that 17 countries' values exceed this threshold.

Concluding Remarks

Close examination of U.S. import data reveals that countries that were members of the ATPA, CBTPA, and CBERA tended to have very high utilization of regional preferences but lower GSP utilization, although CBERA utilization was on average lower and more varied than the other regional programs. AGOA non-LDCs, for which regional preference coverage and GSP preference coverage are

[17]For example, within Sub-Saharan Africa, apparel imports from Swaziland grew by 14.4 percent while imports from Mauritius fell by 38.1 percent. Within the CBI, U.S. apparel imports from Nicaragua grew by 47.9 percent, while those from the Dominican Republic fell by 12.9 percent.

complementary, showed high combined utilization of AGOA and GSP preferences. In many cases, AGOA non-LDCs fully utilized both preference programs. AGOA LDCs--for which AGOA coverage was less generous than GSP (particularly for non-agricultural, non-apparel products)--showed somewhat lower combined utilization rates, making more use of the GSP than the AGOA. In general, utilization of preferences was strongly related to preference coverage—except for the GSP program. Countries that were exclusively members of the GSP exhibited high GSP utilization rates, despite relatively low coverage rates. This was particularly true for beneficiaries whose exports were dominated by apparel.

While utilization rates are high, average tariff-preference margins in the regional preference programs for non-apparel exports were relatively low for most countries. The AGOA countries generally had higher non-agricultural preference margins than other beneficiary countries. For all apparel-eligible countries, preference margins on apparel were about three times those of other non-agricultural products. For non-agricultural products, these low margins are mainly the result of low U.S. MFN tariffs. In contrast, for agricultural products, low preference margins are largely attributable to the exclusion of products facing high tariffs. Overall, average GSP preference margins are lower than those offered by regional preference programs, largely because of less extensive product coverage and the lack of apparel preferences.

Although the erosion of U.S. tariff preferences may not have large impacts on development, it may be more significant for a larger number of countries and products than previously thought. After incorporating actual utilization, 29 countries, in 2003, had values of U.S. tariff preferences exceeding 5 percent of dutiable exports to the United States, and 17 countries had values exceeding 5 percent of total exports to the United States. For nine of these countries, U.S. preferences were valued at 15 percent or more of their total dutiable exports. The largest proportion of this value was attributable to non-agricultural preferences, particularly preferences on apparel. The removal of U.S. quantitative restrictions on apparel trade in 2005 has reduced apparel imports from CBI and for AGOA countries by a small amount. But it has actually raised apparel imports from the ATPA and has led to a wide variation in increases and decreases in imports across beneficiary countries. Thus, more research is needed to clarify the impact of the completion of the ATC on the value of U.S. non-reciprocal preferences.

Several other caveats bear noting. We have assumed that the difference between the MFN tariff and the preferential tariff accurately represents the rent transfer on each dollar of exports from the beneficiary countries. But the existence of NAFTA and other regional agreements would tend to reduce the prevailing tariff-inclusive U.S. price below the MFN tariff-inclusive price, lowering the rent a beneficiary could earn. In addition, to the extent that this rent is actually shared by the exporters, middlemen, and/or the United States itself, the value of U.S. preferences for beneficiaries would fall. Finally, this analysis has assumed that world prices are unaffected by the introduction of tariff preferences. Yet some beneficiary countries are large enough to affect the prevailing price in the U.S. market for their products, thus lowering the value of their preferences. These limitations suggest that further research is needed to assess the importance of preference erosion on beneficiary countries.

References

Alexandraki, K. and H. Lankes (2004). "The Impact of Preference Erosion on Middle Income Developing Countries," IMF Working Paper No. 169.

Brenton, P. and T. Ikezuki (2004). "The Initial and Potential Impact of Preferential Access to the US Market under AGOA," World Bank Policy Research Working Papers No. 3262.

Panagariya, A. (2002). "EU Preferential Trade Policies and Developing Countries," *World Economy*, Vol. 25, No.10, November 2002: 1415-32.

US Government (2004). *US Federal Code. Title 19, Chapter 12, Subchapter V*, found at: http://www4.law.cornell.edu/uscode/html

USITC (2005), *The Impact of the Caribbean Basin Economic Recovery Act* (Seventeenth Report 2003-2004), USITC Publication 3804.

USITC (2004a). *The Impact of the Andean Trade Preference Act* (Tenth Report 2003), USITC Publication No. 3725.

USITC (2004b). *US Trade and Investment with Sub-Saharan Africa* (Fifth Annual Report 2004), USITC Publication 3741.

USTR (1999). *US Generalized System of Preferences Guidebook*, found at: http://www.ustr.gov/assets/Trade_Development/Preference_Programs/

Wainio, J., S. Shapouri, M. Trueblood, and P. Gibson (2005). "Agricultural Trade Preferences and the Developing Countries," USDA-ERS Economic Research Report Number 6, May 2005, found at: http://www.ers.usda.gov/Publications/ERR6/

Figure 1. Share of U.S. Non-Agricultural Imports by Type of Tariff Regime, 2003

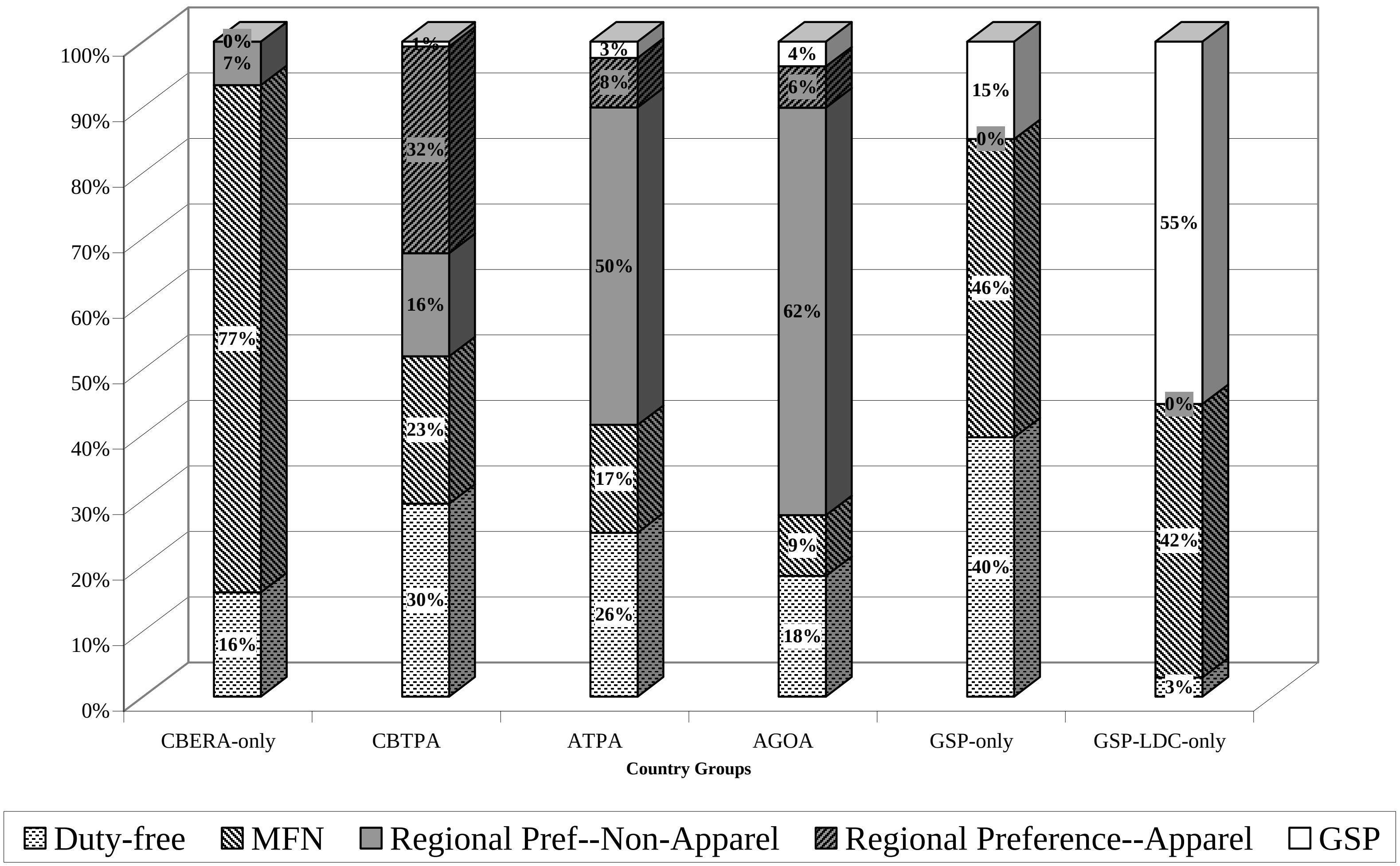

Figure 2: Share of U.S. Agricultural Imports by Type of Tariff Regime, 2003

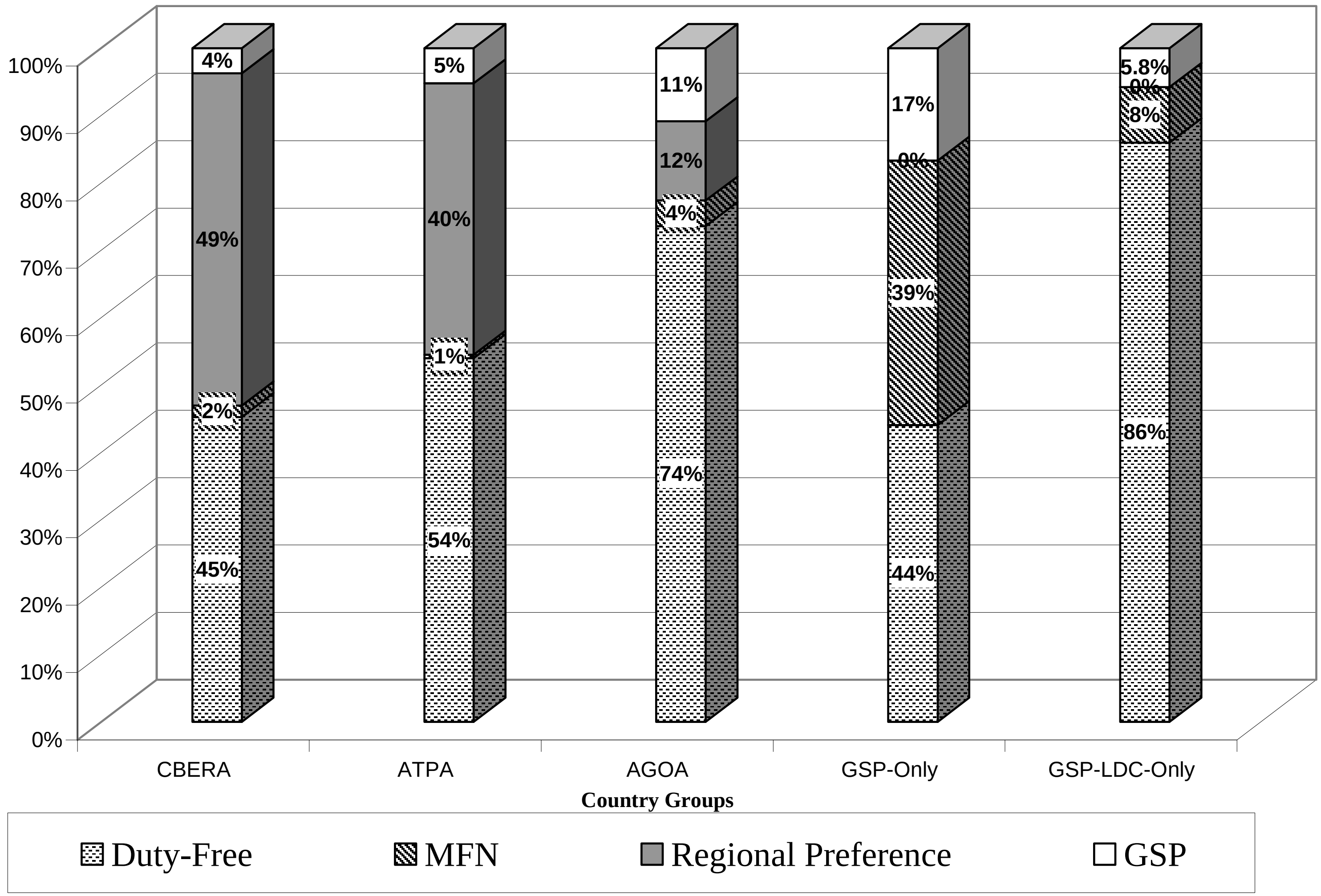

Table 1. U.S. Non-Agricultural Imports: Preference Coverage,[1] Utilization,[2] and Average Nominal Tariff Preference,[3] 2003

	CBERA Coverage		CBERA Utilization			CBERA Av. Tariff Pref.			GSP Coverage		GSP Utilization	GSP Av. Tariff Pref.
	Overall	Non-App	Overall	Non-App	App	Overall	Non-App	App	Overall	Non-App	Overall	Overall
Antigua	98	98	4	4		4.5	4.5		27	27	16	3.9
Aruba	(.)	(.)	49	50	0	3.9	3.8	4.6				
Bahamas	29	29	100	100	100	3.4	3.4	4.2				
Br Virgin Is	44	42	7	8	0	4.3	4.1	10.0	31	34	0	4.0
Dominica Is	99	100	98	98		3.3	3.3		99	100	0	3.3
Grenada Is	100	100	20	20		3.8	3.8		100	100	0	3.8
Montserrat Is	91	95	0	0		2.1	2.1		72	75	0	2.5
Netherlands Ant	1	1	40	40		3.6	3.6					
St Kitts-Nevis	98	100	96	96		2.9	2.9		93	95	2	3.1
St Vinc / Gren	100	100	100	100	100	4.3	4.1	4.9	100	100	(.)	4.5
	CBTPA Coverage		**CBTPA Utilization**			**CBTPA Av. Tariff Pref.**			**GSP Coverage**		**GSP Utilization**	**GSP Av. Tariff Pref.**
	Overall[4]	**Non-App**	**Overall[4]**	**Non-App**	**App[4]**	**Overall[4]**	**Non-App**	**App[4]**	**Overall**	**Non-App**	**Overall**	**Overall**
Barbados	100	100	20	20	3	4.8	3.5	15.7	34	35	17	2.9
Belize	100	100	76	4	86	8.8	3.2	14.2	12	98	13	4.2
Costa Rica	99	98	73	79	70	7.4	4.9	16.8	32	92	12	3.7
Dominican Rep	99	97	76	65	82	8.2	4.3	15.8	30	86	7	3.8
El Salvador	98	60	65	77	64	11.2	5.0	15.4	2	38	32	4.0
Guatemala	99	96	42	94	34	10.0	3.2	15.6	5	34	11	4.6
Guyana	96	91	83	81	85	12.1	4.8	18.5	40	91	21	4.3
Haiti	100	100	66	34	67	12.6	3.7	17.3	5	97	18	4.4
Honduras	100	98	71	20	76	10.5	4.4	16.1	8	96	4	4.1
Jamaica	100	100	86	57	87	9.2	5.2	17.2	3	90	6	3.6
Nicaragua	100	100	31	32	31	13.0	5.8	16.6				
Panama	99	99	48	51	9	6.9	4.8	14.4	49	53	26	3.7
St Lucia Is	100	100	61	89	0	9.4	4.3	18.3	11	16	41	3.5
Trin & Tobago	100	100	90	90	11	4.3	5.0	14.4	37	37	0	3.5

Table 1. U.S. Non-Agricultural Imports: Preference Coverage,[1] Utilization,[2] and Average Nominal Tariff Preference,[3] 2003

	ATPA Coverage		ATPA Utilization			ATPA Av. Tariff Pref.			GSP Coverage		GSP Utilization	GSP Av. Tariff Pref.
	Overall[4]	Non-App	Overall[4]	Non-App	App[4]	Overall[4]	Non-App	App[4]	Overall	Non-App	Overall	Overall
Bolivia	100	100	90	89	90	10.1	5.3	14.3	77	98	9	4.5
Colombia	99	99	71	74	53	7.8	4.9	14.5	7	8	45	4.0
Ecuador	99	93	85	89	77	8.2	4.6	15.6	7	6	37	4.3
Peru	94	99	89	85	90	8.2	4.9	14.3	52	82	8	4.2
	AGOA Coverage		**AGOA Utilization**			**AGOA Av. Tariff Pref.**			**GSP Coverage**		**GSP Utilization**	**GSP Av. Tariff Pref.**
	Overall[4]	**Non-App**	**Overall[4]**	**Non-App**	**App[4]**	**Overall[4]**	**Non-App**	**App[4]**	**Overall**	**Non-App**	**Overall**	**Overall**
Botswana [5,6]	99	0	89		89	17.6		17.6	1	49	0	2.5
Cameroon [5,6]	99	99	100	100	0	9.7	9.6	9.9	1	1	16	4.0
Congo (ROC)	100	100	90	90		3.8	3.8		(.)	(.)	64	4.8
Cote d'Ivoire [5,6]	97	98	80	80	0	7.7	5.7	9.4	2	2	41	3.6
Eritrea	5	11	0	0		8.0	8.0		40	89	0	3.5
Gabon	100	100	62	62		2.0	2.0		(.)	(.)	25	3.5
Ghana [5,6]	83	80	89	88	96	11.7	4.3	13.1	17	19	99	5.0
Kenya [5,6]	98	22	93	5	94	15.7	10.2	16.8	2	72	76	4.8
Mauritius[5]	97	1	50	0	50	13.9	7.7	14.1	3	98	82	4.5
Namibia [5,6]	74	(.)	77	84	77	16.5	6.0	17.3	26	100	99	4.0
Nigeria	100	100	96	96		6.5	6.5		(.)	(.)	73	4.0
Senegal [5,6]	4	2	17	42	0	10.5	11.4	9.9	90	93	83	3.1
Seychelles	98	100	0	0		1.5	1.5		(.)	(.)	15	3.2
South Africa [5]	56	49	86	95	54	11.5	6.3	15.5	40	46	93	3.8
Swaziland [5]	96	6	90	19	90	17.2	8.8	18.4	1	15	23	3.6
AGOA-LDC												
Benin	0	0							0	0		
Cape Verde [5,6]	99	83	83	60	83	20.7	22.1	20.4	2	74	18	17.2
Cen Afr Rep	0	0							99	99	44	3.4
Chad	100	100	81	81		3.0	3.0		100	100	(.)	2.0

Table 1. U.S. Non-Agricultural Imports: Preference Coverage,[1] Utilization,[2] and Average Nominal Tariff Preference,[3] 2003

	AGOA Coverage		AGOA Utilization			AGOA Av. Tariff Pref.			GSP Coverage		GSP Utilization	GSP Av. Tariff Pref.
	Overall[4]	Non-App	Overall[4]	Non-App	App[4]	Overall[4]	Non-App	App[4]	Overall	Non-App	Overall	Overall
Congo (DROC)[7]	100	100	0	0		2.1	2.1		100	100	93	5.1
Ethiopia [5,6]	89	2	99	0	99	17.8	4.1	18.3	11	99	97	3.8
Gambia	0	0							73	82	29	2.5
Guinea	5	5	0	0		7.5	7.5		97	99	21	3.6
Lesotho [5,6]	100	0	95	0	95	18.4		18.4	(.)	100	30	4.7
Madagascar [5,6]	99	20	95	81	95	15.6	8.3	15.9	1	75	71	4.9
Malawi [5,6]	100	10	97	100	97	18.6	5.3	19.1	(.)	90	100	3.2
Mali [5,6,8]	25	13	0	1	0	11.0	7.2	13.4	68	79	61	5.0
Mauritania	0	0							4	100	93	2.2
Mozambique [5,6]	98	0	100	0	100	20.2		20.2	2	78	39	3.0
Niger [5,6,8]	4	2	7	16	0	8.2	8.6	6.7	79	81	12	4.0
Rwanda [5,6]	0	0							98	98	4	4.0
Sao Tome/Prin.	(.)	(.)	0	0					99	100	0	2.0
Sierra Leone	13	27	0	0		12.3	12.3		35	73	9	3.1
Tanzania [5,6]	41	(.)	90	0	91	13.8	5.0	14.7	16	27	90	4.8
Uganda [5,6]	94	0	88	0	88	22.3		22.3	6	98	44	3.7
Zambia [5,6]	1	1	0	0		3.0	3.0		97	97	100	5.1

[1] Ratio of eligible imports to total dutiable imports.
[2] Ratio of imports entering under preference to total eligible imports.
[3] Difference between nominal *ad valorem* tariff equivalent and nominal preferential tariff. Covers all HS 8-digit lines with eligible US imports in 2003.
[4] Apparel is defined as all lines within HS 61 and 62 (including the non-US value of production-sharing (HTS 9802.00.80)). For all countries in ATPA, CBTPA and AGOA (with apparel eligibility), overall calculations assumes all apparel is potentially eligible for apparel benefits. Thus "utilization" is actually the ratio of US imports entering under a preference to total US apparel imports.
[5] Country is eligible for apparel benefits.
[6] Country is eligible for special rule for apparel from LDC
[7] AGOA benefits delayed until 10/31/03.
[8] AGOA eligibility as of 12/03.
(.) Indicates less than one percent.

Table 2. U.S. Non-Agricultural Imports: GSP Coverage[1], Utilization[2] and Average Tariff Preference[3], 2003

	Coverage (percent)	Utilization (percent)	Av. Tariff Preference (percent)		Coverage (percent)	Utilization (percent)	Av. Tariff Preference (percent)		Coverage (percent)	Utilization (percent)	Av. Tariff Preference (percent)
Albania	51	69	4.2	***Latvia***	4	87	4.1	***Tunisia***	20	50	4.1
Anguilla	94	92	2.8	***Lebanon***	85	98	3.8	***Turkey***	31	86	3.9
Argentina	26	78	3.8	***Lithuania***	3	80	4.1	***Turks***	100	1	2.9
Armenia	83	100	4.5	***Macedonia***	9	85	4.6	***Uruguay***	70	93	3.7
Bahrain	34	99	3.8	***Moldova***	1	75	2.2	***Uzbekistan***	6	68	4.4
Bosnia-Herc.	74	86	5.1	***Mongolia***	1	12	3.1	***Venezuela***	7	96	3.8
Br Indian	39	0	1.7	***Morocco***	13	52	4.3	***West Bank***	84	74	6.1
Brazil	46	64	3.9	***Niue***	14	0	4.0	***Western Sahara***	100	0	2.7
Bulgaria	12	85	3.8	***Norfolk***	8	0	1.9	***Zimbabwe***	88	98	4.7
Chile	92	32	3.8	***Oman***	16	99	4.7				
Christmas	68	0	3.1	***Pakistan***	5	80	4.3	***GSP-LDC***			
Cocos	64	0	4.7	***Papua***	(.)	53	3.1	***Afghanistan***	27	0	2.7
Cook	76	8	5.2	***Paraguay***	51	97	4.4	***Angola***	100	94	2.0
Croatia	76	94	3.7	***Philippines***	39	65	4.0	***Bangladesh***	2	89	6.2
Czech	79	52	3.9	***Pitcairn***	97	0	2.3	***Bhutan***	22	62	8.0
Egypt	3	82	3.9	***Poland***	70	62	3.8	***Burkina***	93	61	4.3
Estonia	23	92	4.2	***Romania***	30	79	4.0	***Burundi***	(.)		
Fiji	2	92	3.6	***Russia***	14	87	4.0	***Cambodia***	1	72	5.7
Georgia	33	96	2.9	***Slovak Rep.***	13	74	3.7	***Eq Guinea***	100	93	1.5
Gibraltar	84	0	3.2	***Solomon***	96	0	4.3	***Kiribati***	100	0	2.9
Hungary	71	52	3.7	***Sri Lanka***	7	90	4.6	***Nepal***	5	76	4.0
India	50	87	4.0	***St Helena***	99	0	4.6	***Samoa***	8	2	4.1
Indonesia	39	65	4.1	***Suriname***	100	55	2.7	***Somalia***	95	0	1.3
Jordan	15	63	4.0	***Thailand***	56	76	4.0	***Togo***	25	100	4.6
Kazakhstan	62	100	4.3	***Tokelau***	22	65	4.0	***Vanuatu***	100	100	3.2
Kyrgystan	7	100	5.1	***Tonga***	95	17	3.1	***Yemen***	100	86	1.7

[1] Ratio of eligible imports to total dutiable imports. [2] Ratio of imports entering under preference to total eligible imports. [3] Difference between nominal *ad valorem* tariff equivalent and nominal preferential tariff. Covers all HS 8-digit lines with eligible US imports in 2003. (.) indicates less than one percent.

Table 3. U.S. Agricultural Imports: Preference Coverage,[1] Utilization,[2] and Average Nominal Tariff Preference,[3] 2003

	CBERA			GSP		
	Coverage (percent)	Utilization (percent)	Av. Tariff Preference (percent)	GSP Coverage (percent)	GSP Utilization (percent)	Av. Tariff Preference (percent)
Antigua	100	52	14.8	98	0	
Aruba						
Bahamas	100	87	4.1	0		
Br Virgin Is	100	100	3.3	100	0	
Dominica Is	100	61	4.3	71	40	6.4
Grenada Is	100	0		100	0	
Montserrat Is						
Netherlands Ant	100	89	6.4	0		
St Kitts-Nevis	100	100	0.1	100	0	
St Vinc / Gren	100	71	5.4	99	0	

	CBTPA			GSP		
	Coverage (percent)	Utilization (percent)	Av. Tariff Preference (percent)	Coverage (percent)	Utilization (percent)	Av. Tariff Preference (percent)
Barbados	100	97	8.3	82	0	
Belize	100	98	11.0	60	3	3.2
Costa Rica	100	95	6.4	40	11	6.6
Dominican Rep	100	96	7.1	87	1	4.9
El Salvador	100	70	6.3	83	36	4.9
Guatemala	100	83	6.3	79	17	5.0
Guyana	100	87	4.7	99	11	4.8
Haiti	100	95	6.3	100	4	4.9
Honduras	100	82	7.9	89	20	4.5
Jamaica	100	98	6.6	41	5	4.0
Nicaragua	100	100	8.0	0		
Panama	100	94	7.0	96	5	3.6
St Lucia Is	100	76	4.3	100	13	3.6
Trin & Tobago	100	93	9.4	91	6	3.5

Table 3. U.S. Agricultural Imports: Preference Coverage,[1] Utilization,[2] and Average Nominal Tariff Preference,[3] 2003

	ATPA			GSP		
	Coverage (percent)	Utilization (percent)	Av. Tariff Preference (percent)	Coverage (percent)	Utilization (percent)	Av. Tariff Preference (percent)
Bolivia	100	90	2.6	92	7	2.8
Colombia	100	90	6.6	59	16	4.6
Peru	100	79	5.6	56	34	3.8
Ecuador	100	91	6.0	55	15	4.8
	AGOA			**GSP**		
	Coverage (percent)	**Utilization (percent)**	**Av. Tariff Preference (percent)**	**Coverage (percent)**	**Utilization (percent)**	**Av. Tariff Preference (percent)**
Botswana						
Cameroon	0			100	92	0.5
Congo (ROC)	0			100	100	4.7
Cote d'Ivoire	(.)	100	2.3	100	100	4.8
Djibouti	0.0			100	100	1.9
Eritrea						
Gabon						
Ghana	1	42	10.0	99	92	4.9
Kenya	87	60	2.7	13	100	4.3
Mauritius	0			97	94	4.9
Namibia	0			100	100	3.3
Nigeria	1	0		99	84	3.3
Senegal	17	100	8.2	83	100	6.6
Seychelles						
South Africa	80	88	9.5	16	96	4.2
Swaziland	10	77	21.9	89	100	3.4
AGOA-LDC						
Benin	100	0		100	0	
Cape Verde						
Cen Afr Rep						

Table 3. U.S. Agricultural Imports: Preference Coverage,[1] Utilization,[2] and Average Nominal Tariff Preference,[3] 2003

	AGOA			GSP		
	Coverage (percent)	Utilization (percent)	Av. Tariff Preference (percent)	Coverage (percent)	Utilization (percent)	Av. Tariff Preference (percent)
Chad						
Congo (DROC) [4]	0			100	100	1.0
Ethiopia	39	6	1.3	100	92	3.1
Gambia						
Guinea	0			100	100	6.1
Lesotho						
Madagascar	0			100	71	3.7
Malawi	92	30	9.2	100	49	6.3
Mali [5]						
Mauritania						
Mozambique	0			100	100	3.4
Niger [5]	(.)	0		100	0	
Rwanda						
Sao Tome/Prin.						
Sierra Leone	60	0		100	33	11.3
Tanzania	59	94	6.8	41	67	2.8
Uganda	42	68	2.3	100	72	0.7
Zambia	41	0		100	59	5.8

[1] Ratio of eligible imports to total dutiable imports.
[2] Ratio of imports entering under preference to total eligible imports.
[3] Difference between nominal *ad valorem* tariff equivalent and nominal preferential tariff. Covers all HS 8-digit lines with eligible US imports in 2003.
[4] AGOA benefits delayed until 10/31/03.
[5] AGOA eligibility as of 12/03.
(.) Indicates less than one percent.

Table 4. U.S. Agricultural Imports: GSP Coverage[1], Utilization[2] and Average Tariff Preference[3], 2003

GSP	Coverage (percent)	Utilization (percent)	Av. Tariff Preference (percent)		Coverage (percent)	Utilization (percent)	Av. Tariff Preference (percent)		Coverage (percent)	Utilization (percent)	Av. Tariff Preference (percent)
Albania	100	34	1.9	***Kyrgystan***				***Tonga***	98	100	7.0
Anguilla	100	100	6.0	***Latvia***	6	98	4.2	***Tunisia***	94	98	4.2
Argentina	36	87	4.5	***Lebanon***	89	97	4.6	***Turkey***	43	97	4.3
Armenia	57	98	5.5	***Lithuania***	2	83	5.4	***Turks and Caicos Is.***			
Bahrain				***Macedonia***	76	97	6.6	***Uruguay***	11	94	5.3
Bosnia-Hercegov.	90	85	5.8	***Moldova***	30	71	6.6	***Uzbekistan***	100	100	3.8
Br Indian				***Mongolia***	0			***Venezuela***	95	99	3.7
Brazil	24	95	4.0	***Morocco***	49	41	6.8	***West Bank***	100	100	1.3
Bulgaria	68	97	4.3	***Niue***				***Western Sahara***			
Chile	14	83	3.8	***Norfolk***	100	57	2.4	***Zimbabwe***			
Christmas				***Oman***	20	92	1.4	***GSP-LDC***			
Cocos Is.				***Pakistan***	49	99	4.2	***Afghanistan***	1	0	
Cook	0			***Papua***	100	100	3.4	***Angola***			
Croatia	87	99	4.6	***Paraguay***	68	100	3.7	***Bangladesh***	100	68	5.9
Czech	88	81	6.2	***Philippines***	41	86	4.9	***Bhutan***	100	100	3.0
Egypt	28	98	4.2	***Pitcairn***	100	100	5.6	***Burkina***	100	62	3.7
Estonia	99	97	3.7	***Poland***	88	69	5.3	***Burundi***			
Fiji	98	100	3.9	***Romania***	14	63	4.3	***Cambodia***	100	88	10.6
Georgia	23	82	4.6	***Russia***	84	95	3.5	***Eq Guinea***			
Gibraltar				***Slovak Rep.***	24	84	4.5	***Kiribati***			
Heard/McDonald	100	100	7.0	***Solomon Is.***				***Nepal***	100	92	5.0
Hungary	71	68	4.2	***Sri Lanka***	93	94	3.8	***Samoa***	100	23	4.0
India	40	95	4.2	***St Helena***				***Somalia***	100	0	
Indonesia	37	97	4.4	***Suriname***	100	100	1.8	***Togo***	69	100	8.3
Jordan	84	76	5.3	***Thailand***	39	96	4.9	***Vanuatu***	100	0	
Kazakhstan	0			***Tokelau***	100	0		***Yemen***			

[1] Ratio of eligible imports to total dutiable imports. [2] Ratio of imports entering under preference to total eligible imports. [3] Difference between nominal *ad valorem* tariff equivalent and nominal preferential tariff. Covers all HS 8-digit lines with eligible US imports in 2003. (.) indicates less than one percent.

Table 5. U.S. Imports: Value of Preferences, 2003

	Assuming Full Utilization				Incorporating Actual Utilization			
Beneficiaries of:	**Value** (Percent of Total Exports to US)	**Value** (Percent of Dutiable Exports to US)	***Non-Ag***	***Ag***	**Value** (Percent of Total Exports to US)	**Value** (Percent of Dutiable Exports to US)	***Non-Ag***	***Ag***
All Preference Programs								
All Beneficiaries	2.0	3.0	2.8	0.2	1.5	2.3	2.1	0.2
All LDC Beneficiaries	2.0	2.2	2.1	0.1	1.8	1.9	1.9	0.0
CBERA-only & GSP								
All beneficiaries	0.4	0.5	0.5	0.0	0.4	0.4	0.4	0.0
St Vincent &Gren.	4.4	5.3	5.2	0.1	4.3	5.3	5.2	0.1
Dominica Is	3.5	5.3	4.4	1.0	3.4	5.2	4.3	0.9
Antigua Barbuda	1.0	5.1	4.4	0.7	0.2	0.8	0.1	0.6
CBTPA & GSP								
All beneficiaries	8.7	12.7	12.0	0.7	6.0	8.8	8.0	0.7
Haiti	17.3	18.1	18.0	0.1	12.3	12.9	12.8	0.1
Belize	8.2	17.5	4.8	12.7	7.8	16.5	3.8	12.7
El Salvador	15.3	16.1	16.0	0.1	10.1	10.7	10.5	0.1
Honduras	14.2	16.1	15.7	0.4	11.2	12.7	12.2	0.4
Guatemala	12.4	15.6	14.3	1.3	5.1	6.4	5.1	1.3
Nicaragua	11.9	14.6	14.2	0.4	4.7	5.7	5.3	0.4
Guyana	2.5	12.5	11.2	1.4	2.2	11.3	10.0	1.3
Dominican Rep	9.8	12.2	11.8	0.4	7.9	9.9	9.5	0.4
Costa Rica	4.2	9.9	7.1	2.9	3.5	8.2	5.4	2.9
Jamaica	3.1	9.9	8.3	1.7	4.5	8.8	7.1	1.6
St Lucia Is	5.2	6.8	6.7	0.1	1.2	1.6	1.5	0.1
Barbados	2.6	5.6	1.1	4.5	2.4	5.1	0.6	4.5
ATPA & GSP								
All beneficiaries	2.7	3.8	3.0	0.8	2.2	3.1	2.3	0.8
Bolivia	5.5	7.9	7.8	0.1	5.2	7.5	7.4	0.1
Peru	5.2	6.2	5.3	0.9	4.8	5.7	4.8	0.9

Table 5. U.S. Imports: Value of Preferences, 2003

Beneficiaries of:	Assuming Full Utilization: Value (Percent of Total Exports to US)	Value (Percent of Dutiable Exports to US)	*Non-Ag*	*Ag*	Incorporating Actual Utilization: Value (Percent of Total Exports to US)	Value (Percent of Dutiable Exports to US)	*Non-Ag*	*Ag*
AGOA & GSP								
All beneficiaries	1.4	1.8	1.7	0.1	1.1	1.4	1.3	0.0
Botswana	11.8	21.8	21.8	0.0	10.7	19.9	19.9	0.0
Swaziland	17.7	18.5	18.3	0.2	15.8	16.5	16.4	0.2
Kenya	14.4	17.4	17.4	0.1	13.4	16.3	16.2	0.1
Mauritius	15.6	16.6	16.6	0.0	8.0	8.6	8.5	0.0
Namibia	6.2	13.1	13.1	0.0	4.8	10.3	10.3	0.0
AGOA-LDC & GSP								
All beneficiaries	9.7	14.4	13.7	0.7	9.1	13.6	13.0	0.5
Cape Verde	17.3	22.8	22.8	0.0	14.6	19.2	19.2	0.0
Lesotho	18.8	18.8	18.8	0.0	17.9	17.9	17.9	0.0
Uganda	1.0	18.8	18.8	0.0	0.9	16.9	16.9	0.0
Madagascar	8.6	16.5	16.5	0.0	8.2	15.8	15.8	0.0
Ethiopia	1.6	15.6	14.9	0.7	1.6	15.5	14.8	0.7
Malawi	13.0	14.5	6.7	7.9	10.9	12.3	6.5	5.8
Mozambique	7.7	8.1	5.8	2.3	7.7	8.1	5.8	2.3
Tanzania	0.9	7.4	6.6	0.8	0.8	6.8	6.0	0.7
Zambia	0.3	5.7	2.7	3.0	0.2	3.4	2.7	0.7
Mali	1.8	5.1	5.1	0.0	0.8	2.1	2.1	0.0
GSP-only								
All beneficiaries	0.9	1.4	1.3	0.1	0.7	1.1	1.0	0.1
Tonga	0.2	6.2	1.1	5.0	0.2	5.1	0.1	5.0
St Helena	0.6	5.7	5.7	0.0	0.0	0.0	0.0	0.0
GSP-LDC only								
All beneficiaries	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.0
Vanuatu	0.3	6.6	1.5	5.2	0.1	1.5	1.5	0.0

Table 6. U.S. Non-Agricultural Imports: Value of Preferences, 2003

	Incorporating Actual Utilization		
Beneficiaries of:	**Value**	***Non-Apparel***	***Apparel***
		(Percent of Total Dutiable Non-Ag Exports to US)	
CBERA-only & GSP			
St Vinc & Gren	5.5	5.5	0.0
Dominica Is	5.3	5.3	0.0
CBTPA & GSP			
Guyana	13.6	2.8	10.8
Haiti	13.0	0.2	12.8
Honduras	12.8	0.1	12.7
Jamaica	12.7	0.1	12.6
El Salvador	10.9	0.1	10.8
Dominican Rep	10.6	1.1	9.5
Belize	9.9	0.1	9.8
Costa Rica	8.2	1.2	7.0
Nicaragua	6.1	0.1	6.0
Guatemala	5.8	0.2	5.6
ATPA & GSP			
Bolivia	7.6	4.1	3.5
Peru	5.2	1.0	4.2
AGOA & GSP			
Botswana	19.9	0.0	19.9
Swaziland	17.2	0.0	17.2
Kenya	16.9	0.0	16.9
Namibia	10.3	0.4	9.9
Mauritius	8.6	0.1	8.5
AGOA-LDC & GSP			
Ethiopia	22.0	0.3	21.7
Malawi	19.9	0.0	19.9
Cape Verde	19.2	0.6	18.6
Lesotho	17.9	0.0	17.9
Mozambique	17.8	0.0	17.8
Uganda	17.1	0.1	17
Madagascar	15.9	0.1	15.8
Tanzania	7.3	0.6	6.7

Table 7. U.S. Agricultural Imports: Value of Preferences by Country, 2003				
	Incorporating Actual Utilization			
	Value	***Fresh & Proc. Fruits & Veg.***	***Sugar***	***Other***
Beneficiaries of:	*(Percent of Total Dutiable Agricultural Exports to US)*			
CBERA-only & GSP				
Netherlands Ant.	5.7	0.0	0.0	5.7
CBTPA & GSP				
Barbados	22.5	0.0	0.0	22.5
Belize	20.6	19.2	1.3	0.0
Guatemala	11.0	8.7	1.3	1.0
Honduras	9.2	7.3	0.4	1.5
Costa Rica	8.3	7.3	0.1	0.8
Triindad. & Tobago	5.4	0.0	0.0	5.4
ATPA & GSP				
Peru	11.0	10.2	0.3	0.5
Colombia	6.7	0.3	0.6	5.8
Ecuador	6.1	2.2	0.2	3.8
AGOA & GSP				
Senegal	6.8	2.8	0.0	4.0
AGOA-LDC & GSP				
Malawi	8.6	0.0	0.3	8.3
Guinea	5.6	2.5	0.0	3.1
GSP-only				
Tonga	7.5	7.5	0.0	0.0
Lebanon	6.8	5.3	0.4	1.1
Heard/McDonald Is.	6.4	0.0	0.0	6.4
Paraguay	6.4	0.0	6.3	0.1
Anguilla	6.0	0.0	0.0	6.0
Pitcairn Is.	5.6	0.0	0.0	5.6
Bosnia-Herzegovina	5.5	0.0	0.0	5.5
GSP-LDC-only				
Cambodia	9.9	9.9	0.0	0.0
Bangladesh	6.9	0.4	0.0	6.5
Togo	5.7	0.0	0.0	5.7