ANNUAL REPORT ON THE IMPACT OF THE CARIBBEAN BASIN ECONOMIC RECOVERY ACT ON U.S. INDUSTRIES AND CONSUMERS

First Report 1984–85

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Thomas F. Jennings
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Magdolna B. Kornis
Walker A. Pollard
Laurie Cameron
Donald Rousslang
Veronica Robinson
Mary Hartzell

With the assistance of

Office of Tariff Affairs and Trade Agreements
Janet Forest

Office of Industries
David Ingersoll
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Carl Seastrum

Address all communications to
Kenneth R. Mason, Secretary to the Commission
United States International Trade Commission
Washington, DC 20436

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INTRODUCTION

With the submission of this study to the Congress and the President, the United States International Trade Commission begins a series of annual reports on the impact of the Caribbean Basin Economic Recovery Act (CBERA) on U.S. industry and consumers. The reports are mandated by section 215(a) of the act, which requires the Commission initially to report on the first 2 years of operation of the program and then subsequently to report annually for the duration of the program. The duty-free preferences established under the act are scheduled to terminate on September 30, 1995.

The present study fulfills the statutory requirement for the initial report, covering calendar years 1984 and 1985. Reports for subsequent calendar years are to be submitted to Congress and to the President by September 30 of each year.

The statute requires that the Commission provide an opportunity for public comment. A *Federal Register* notice (app. D) solicited such comment; where received, it is indicated in chapter 3 under the sections entitled "Position of Interested Parties."

The report contains four chapters and four appendixes. In chapter 1, certain provisions of the CBERA are highlighted. Overall U.S. trade with the Caribbean Basin during 1984 and 1985 is analyzed, and trade under special programs (CBERA, the Generalized System of Preferences, and TSUS items 806.30/807.00) is distinguished.

Chapter 2 addresses the actual effects of the CBERA for 1984 and 1985, the first 2 years of the program's operation. The general methodological approach is explained as well as the CBERA's effects on U.S. imports, U.S. producers, and U.S. consumers.

An analysis of selected significant imports under CBERA is contained in chapter 3. CBERA trade in each of seven U.S. tariff schedules is discussed. The main analysis in this chapter is contained in 19 commodity digests that profile domestic and CBERA producers, the U.S. market, and U.S. imports of the commodity under review.

Chapter 4 focuses on the probable future effects of the CBERA. Through examination of significant investment projects in the region, a methodology for determining likely future exports is set forth. The principal sectors affected and the estimated future shipments to the United States in those sectors are examined.

The report contains four appendixes: one with a discussion of the genesis of the CBERA program along with a summary of the provisions of the Caribbean Basin Economic Recovery Act; a second with statistical information on U.S. exports to the Caribbean and an analysis of trade with the leading CBERA beneficiaries; a third with a detailed explanation of the methodology employed by the study in arriving at estimates of the actual effects of duty-free treatment; and a fourth includes a copy of the *Federal Register* notices by which the Commission called for public comment in connection with its investigation.

EXECUTIVE SUMMARY

- The Caribbean Basin Economic Recovery Act, enacted on August 5, 1983, granted duty-free treatment of imports from designated Caribbean Basin countries.[1] Despite this preferential treatment, the value of U.S. imports from CBERA beneficiaries declined 23.7 percent from 1983 to 1985.
- The decline in the value of U.S. imports was caused principally by steeply falling prices and volumes of crude, and refined petroleum imports.
- Excluding the oil-exporting CBERA countries, U.S. imports increased in 1983–85 from each of the three CBERA regions—13.4 percent from Central America, 15.9 percent from the Central Caribbean, and 19.0 percent from the Eastern Caribbean. However, in the same period, U.S. imports from the world grew by 33.8 percent. The lower rate of increase from the CBERA countries is partially the result of the decline in U.S. imports of major non-oil CBERA export items—namely, sugar, bauxite, and alumina.
- Reflecting the new duty-free privileges provided by the CBERA, the duty-free portion of U.S. imports from the CBERA countries (including duty-free imports under the CBERA and GSP preference programs and duty-free imports under non-preferential MFN provisions) increased from 35 percent in 1983 to 56 percent in 1985.
- Imports entered duty free under the CBERA amounted to $578 million in 1984 and $498 million in 1985. Large protions of these totals were eligible for duty-free entry under the GSP or as the U.S. content value of goods entered under TSUS items 806.30 and 807.00. The drop in CBERA duty-free imports in 1985 is largely the result of a drop in sugar imports and the shift of sugar imports from the Dominican Republic from CBERA to GSP duty-free status.
- Imports entering under the CBERA accounted for 6.7 percent of total U.S. imports from beneficiary countries in 1984 and 7.4 percent of the total in 1985. In 1983, the share of U.S. imports entering under duty-free preference programs (all under GSP) was 6.5 percent. By 1985, the combined share of imports that were duty-free on a preferential basis (the GSP and the CBERA combined) rose to 15.4 percent.
- In 1985, U.S. exports to designated CBERA countries totaled $5.7 billion and imports totaled $6.7 billion. The resulting $944 million U.S. merchandise trade deficit was less than one-third of the deficits recorded with these countries in both 1981 and 1983.

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[1] The following countries were designated beneficiary countries upon the implementation of the CBERA: Antigua and Barbuda, Barbados, Belize, Costa Rica, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Haiti, Honduras, Jamaica, Montserrat, Netherlands Antilles, Panama, Saint Christopher-Nevis, Saint Lucia, Saint Vincent and the Grenadines, Trinidad and Tobago, and the Virgin Islands (British). Pres. Proc. 5133 of Nov. 30, 1983 (48 FR 54453). The Bahamas was added in March 1985. Upon becoming independent of the Netherlands Antilles on Jan. 1, 1986, Aruba was designated as a beneficiary country, effective that date.

- The impact of the CBERA on U.S. industries and consumers has been minimal. Only a few domestic industries have experienced possible displacement of output exceeding one percent of shipments. These are mostly producers of tropical agricultural products. The impact on consumers is correspondingly small.
- The impact of the CBERA on the overall U.S. economy has been minimal primarily because of the low value of U.S. trade with CBERA beneficiary countries and the small portion of that trade that benefits from CBERA duty-free treatment. Total U.S. imports from CBERA countries in recent years have been less than 0.3 percent of U.S. GNP. Less than 10 percent of the value of U.S. imports from CBERA countries obtained new duty-free status as a result of the CBERA.
- Whereas the bulk of the effect of the one-time duty reduction most likely occurred during the first 2 years of the act, future growth in exports that are eligible for duty-free entry under the CBERA will likely occur as the result of current export-oriented investment by local and foreign investors. Major areas of investment in the CBERA region that benefit from this duty-free treatment include assembly operations of electrical and electronic parts, pineapples, citrus, cut flowers, and ethanol.
- Whereas the duty-free treatment of the aforementioned commodities may have been a factor considered by investors, it was not usually the primary motivating factor for such investment in the Caribbean Basin. The primary factors cited by investors included low labor costs and efforts to diversify agricultural production away from traditional crops. Ethanol is the single exception to this conclusion: a duty of 60 cents per gallon (about 60% ad valorem equivalent) is imposed on ethanol used for fuel. Thus, the duty-free treatment accorded by the CBERA gave the region a decided price advantage over other foreign suppliers.
- Other factors that may have contributed to the decision to invest in the Caribbean Basin include increased awareness of the region brought about by the publicity associated with CBERA, the expansion of free-trade zones in some of the countries, a greater willingness of organizations like the U.S. Overseas Private Investment Corporation to provide risk coverage and loan guarantees, and some efforts by local governments to ease taxes and regulations to encourage trade.
- Growth in Caribbean exports is likely to be slow because producers in the region face a number of constraints, including high transportation costs, inadequate infrastructure, and lack of experience and marketing channels in the United States. Other constraints include the perceived threat of protectionist measures in the United States, for example, the current countervailing duty and antidumping cases on cut flowers from Costa Rica and the pending legislation to limit imports of ethanol from the CBERA region.

CHAPTER 1. THE CARIBBEAN BASIN ECONOMIC RECOVERY ACT (CBERA)

INTRODUCTION

The Caribbean Basin Economic Recovery Act, enacted on August 5, 1983[1] authorized the President to grant duty-free treatment to imports from designated Caribbean Basin countries. Section 215 of the act requires the Commission to provide the Congress and the President with the assessment of the actual and probable future effect of the CBERA on the U.S. economy generally, on U.S. industries producing like or directly competitive products with those imported from beneficiary countries, and on U.S. consumers.

This chapter contains a description of those provisions of the act defining the articles that are eligible for duty-free treatment, a description of other special tariff programs, and an overview of U.S. trade with the Caribbean Basin. A summary of CBERA provisions is contained in app. A.

SALIENT CBERA PROVISIONS

Eligible Articles (Sec. 213)

Rules-of-origin requirements

The CBERA duty-free treatment applies to any article meeting the rules-of-origin requirements set forth in section 213(a), unless the article is excluded from eligibility by the act or by an action under section 201 of the Trade Act of 1974 or other laws. Section 213(a) requires (1) that the article be the growth, product, or manufacture of a beneficiary country; (2) that it be imported directly from a beneficiary country; and (3) that the sum of the cost or value of materials produced in beneficiary countries plus the direct costs of processing operations performed in beneficiary countries be not less than 35 percent of the appraised value of the article.

The act requires the Secretary of the Treasury to prescribe regulations defining the substantial transformation requirement of item 1 above. The regulations must require either that an article be wholly the growth, product, or manufacture of a beneficiary country, or that it be a new or different article of commerce grown, produced, or manufactured in one or more beneficiary countries. Simple combining or packaging in a beneficiary country, or mere dilution with water or another substance, is not considered sufficient to create a new or different article of commerce.

The 35-percent requirement becomes relevant only when an article is not wholly the growth, product, or manufacture of a beneficiary country. In calculating whether the percentage requirement has been met, the law allows the cumulation of contributions from any combination of CBERA beneficiary countries. Puerto Rico and the Virgin Islands are also treated as beneficiary countries for purposes of meeting the 35-percent requirement. Materials or products produced in the United States, up to 15 percent of the appraised value of the article, may also be applied toward the 35-percent figure. Regardless of the Puerto Rican, Virgin Islands, or U.S. content of the article, it must nevertheless be both substantially transformed in and imported directly from a CBERA beneficiary country.

"Direct costs of processing operations" is defined in section 213(a)(3) to include actual labor costs and dies, molds, tooling, and depreciation allocable to the specific merchandise. It does not include profits or general business expenses not directly attributable to the merchandise or that are not costs of manufacturing the product.

Excluded articles

Section 213(b) lists the articles specifically exempted from duty-free treatment under the CBERA. They are as follows:

(1) Textile and apparel articles subject to textile agreements;

(2) Footwear, handbags, luggage, flat goods, work gloves, and leather wearing apparel not eligible for the Generalized System of Preferences (GSP) as of August 1983;

(3) Canned tuna;

(4) Petroleum and petroleum products;

(5) Watches and parts if they contain any materials that are the product of a country receiving column 2 duty treatment.

The term "textile agreements" in item (1) refers principally to agreements negotiated under the Multifiber Arrangement (MFA). The articles excluded in item (2) are produced by labor-intensive industries and are considered particularly import sensitive. Because there has been

[1] Pub. L. No. 98-67.

substantial growth with respect to production of these products in the Caribbean Basin, U.S. industries could not survive if duty-free entry were allowed, and adjustment assistance to these domestic industries and workers has been largely eliminated. The exclusion of tuna is intended to protect Puerto Rico and American Samoa. The exclusions in item (4) reflect the overall U.S. policy to reduce dependence on foreign oil. In addition, because production of petroleum products is not labor intensive, importers could meet the 35-percent requirement without providing much benefit to the Caribbean Basin.[1]

Stable food production plans

Section 213(c) of the act provides that duty-free treatment for sugar and beef products will be suspended unless the beneficiary country submits a qualifying stable food production plan within 90 days of its designation as a beneficiary country.[2] This provision is intended to prevent the displacement of needed food crops by increased production of sugar and beef for export.[3] The suspension will be withheld or terminated if the country takes appropriate steps to formulate remedial action. The President is also required to review the operation of all of the plans and to submit a biennial report to Congress.

Limits on duty-free treatment for sugar

The act provides, in section 213(d), for limits on duty-free importation of sugar from the Caribbean Basin. This is accomplished through either the application of a value limitation based on the "competitive need" limits contained in the GSP[4] or the imposition of a quantitative limitation (absolute quotas). Absolute quota amounts were imposed in the act for the Dominican Republic, Guatemala, and Panama. Other countries have the option of requesting absolute quotas or being subject to competitive-need limits. The President has the authority to adjust upward the value limitation and to suspend or adjust upward the quantitative limitations if he determines that such action will not interfere with the U.S. price support program for sugar. The quantitative limits apply only to the extent that no stricter quota is in effect under any other provision of law. The goal of this provision is to guarantee a reliable, but limited, market for sugar so as not to promote further expansion of sugar production.[5]

Import relief provisions

The President may suspend duty-free treatment for any article as a form of relief in an escape-clause case brought under section 201 of the Trade Act of 1974 (19 U.S.C. sec. 2251) or as a national security measure pursuant to section 232 of the Trade Expansion Act of 1962 (19 U.S.C. sec. 1862). Once an article has been granted duty-free treatment under the CBERA, it cannot be removed unless it is done as an import relief or national security measure. The President has discretion to maintain the duty-free treatment of the article regardless of the Commission's findings in an escape-clause case, to establish an intermediate rate for Caribbean Basin products, or to restore the most-favored-nation (MFN) rate or a higher rate. However, duty-free treatment or a single duty rate must apply equally to all Caribbean Basin countries. The suspension of CBERA duty-free treatment may be the sole relief in a section 201 case only if the Commission determines that the serious injury substantially caused by imports results from the duty-free treatment provided under the CBERA.

Emergency relief provisions

If a section 201 case is filed with respect to a perishable product, as defined in section 213(f)(5), a petition for emergency relief may be filed. The relief consists of the withdrawal of duty-free treatment for the article, pending the outcome of the Commission's investigation, if the Secretary of Agriculture has reason to believe that a perishable product from a beneficiary country is being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing a like or directly competitive product.

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[1] H.R. Rep. No. 98-266, 98th Cong., 1st Sess., pp. 14-15 (1983); S. Rep. No. 98-58, 98th Cong., 1st Sess., pp. 34-35 (1983).

[2] The following beneficiary countries have had duty-free treatment for sugar and beef products suspended under this section: Antigua, Aruba, Bahamas, Barbuda, Montserrat, Netherlands Antilles, St. Lucia, and St. Vincent and the Grenadines.

[3] H.R. Rep. No. 98-266, 98th Cong., 1st Sess., pp. 15-16 (1983); S. Rep. No. 98-58, 98th Cong., 1st Sess., p. 36 (1983).

[4] Competitive-need limitations refer to limits imposed when in the previous year U.S. imports of a given article from a particular beneficiary country exceeded the limits determined by the formula set forth in sec. 504 of the Trade Act of 1974.

[5] H.R. Rep. No. 98-266, 98th Cong., 1st Sess., p. 18 (1983).

Section 22 fees

Section 213(g) of the CBERA provides that no proclamation guaranteeing duty-free treatment will affect fees imposed pursuant to section 22 of the Agricultural Adjustment Act (7 U.S.C. sec. 624).[1] That is, imports can enter free of duty but still be subject to section 22 fees of up to 50 percent ad valorem.

OTHER SPECIAL TARIFF PROGRAMS

The Generalized System of Preferences

The U.S. Generalized System of Preferences (GSP) was established by title V of the Trade Act of 1974. Title V authorized the President to grant duty-free treatment to eligible products from beneficiary developing countries for a period of 10 years. Duty-free treatment began on January 1, 1976. The Trade and Tariff Act of 1984 extended the GSP for an additional 8.5 years.

All of the potential beneficiary countries under the CBERA are eligible for benefits of the GSP. Although the product coverage of the GSP is similar to that of the CBERA, the latter has broader coverage. Under the CBERA, all articles are eligible for duty-free treatment unless specifically excluded, whereas under the GSP, only designated articles are eligible. Also, the eligibility of an article can be suspended under the GSP if a beneficiary country's exports of that product to the United States exceed the competitive-need limits set forth in section 504 of the Trade Act of 1974. Benefits under the CBERA are not subject to competitive-need limits, with the exception of the limits on sugar imports set forth in section 213(d) of the act.

The rules of origin for the GSP are similar to those for the CBERA. To receive duty-free treatment under the GSP, an eligible article must be imported into the United States directly from a beneficiary country, and the sum of the cost or value of materials produced in a beneficiary country or an association of countries plus the direct costs of processing operations performed in the beneficiary country or member countries must not be less than 35 percent of the appraised value of the article. Customs regulations define qualifying materials as being either those entirely the growth, product, or manufacture of the beneficiary country or those substantially transformed in the beneficiary country into a new and different article of commerce. The list of qualifying operations for the direct costs of processing operations component is the same as that in the CBERA.

There are, however, some significant differences between the GSP and the CBERA rules of origin. The CBERA rule permits cumulation of materials and direct costs of processing from any combination of beneficiary countries and from Puerto Rico and the Virgin Islands to satisfy the 35-percent requirement. Up to 15 percent of the appraised value can also come from U.S. materials. The GSP allows cumulation only among a few associations of countries that qualify as either a free-trade area or a customs union. Also, although both statutes include a requirement that the article be imported directly from a beneficiary country, because of the cumulation rules referred to above, under the CBERA, an article is allowed to pass through other beneficiary countries without losing its origin status. Under the GSP, if an article enters the commerce of a second beneficiary country, it will not be eligible for preferential treatment on entry into the United States as the product of the first beneficiary country.

Products of the Insular Possessions of the United States

General headnote 3(a) to the TSUSA provides that articles that are the growth or product of an insular possession, or manufactured or produced in a possession from materials the growth, product, or manufacture of a possession of the United States or both, are exempt from duty so long as they are imported directly to the United States from a possession and they do not contain foreign materials to the value of more than 70 percent of their total value (more than 50 percent with respect to articles excluded from coverage under sec. 213(b) of the CBERA). The determination of whether an article qualifies for the insular possession preference requires a similar analysis to that used in connection with the GSP and the CBERA. That is, a new and different article of commerce must be created in the insular possession. Headnote 3(a) also contains a value-added criterion. However, compared with

[1] Sec. 22 gives the President the authority to impose fees or quotas on agricultural products to protect a price support program pending the outcome of a full Commission investigation.

the requirements contained in the GSP and the CBERA, the headnote 3(a) requirement is much easier to satisfy for several reasons. First, in general, only 30 percent of the value of the article must be contributed in an insular possession. In addition, cumulation is allowed so that the value-added criterion may be satisfied by contributions from any of the insular possessions and from the United States. Furthermore, any materials that may be imported free of duty into the United States from any foreign country, other than Cuba or the Philippine Republic, will not be considered foreign, i.e., will not count against obtaining insular possession origin status. Finally, headnote 3(a) does not contain the exclusions from direct costs of processing, such as profits and general expenses of doing business, that are excluded with respect to the GSP and the CBERA. All of these factors make the origin criteria of headnote 3(a) easier to satisfy than those of either the GSP or the CBERA.

Headnote 3(a) does contain a direct importation requirement. However, importation need only be directly from any insular possession to the United States, not necessarily from the possession claiming origin.

Least Developed Developing Countries

The TSUS provides special duty rates for certain products of countries that have been designated least developed developing countries (LDDC's). The article may be imported directly or indirectly from the beneficiary country.

The special rate is equal to the final staged tariff reduction for that tariff item negotiated in the Tokyo Round of Multilateral Trade Negotiations (MTN). Currently, Haiti is the only CBERA-eligible country that is also eligible for special duty treatment as an LDDC.

TSUS Items 806.30 and 807.00

The TSUS contains two tariff items providing special duty treatment for imports containing U.S. components. Pursuant to the provisions of TSUS item 806.30, articles of metal that have been subjected to manufacturing processes in the United States, exported for further processing, and then returned to the United States for further processing are subject to duty only on the value of the foreign processing. Under TSUS item 807.00, articles assembled in foreign countries with components manufactured in the United States are subject to duty upon the value of the article less the value of the U.S. components.

The Administration has taken the position that tariff items 806.30 and 807.00 cannot be used in combination with the CBERA to obtain a complete duty exemption for articles not otherwise eligible for duty-free treatment under the CBERA.[1]

U.S. TRADE WITH THE CARIBBEAN BASIN

For the purposes of this report, the Caribbean Basin (CB) is defined to include all 27 Caribbean countries and territories specified as potential eligible beneficiaries in section 212(b) of the Caribbean Basin Economic Recovery Act. The discussion in this part of the report focuses either on all CB countries combined, on groups of CB countries (grouped into "designated" and "nondesignated" categories under the CBERA), or on individual CB countries. The designated country group (in this section also referred to as the "CBERA group") consists of those 21 Caribbean nations that were designated by the President as beneficiaries under the act before the end of 1985.[2] The "nondesignated" group contains six eligible Caribbean countries that had not received their designations before the end of the period covered in this report.[3]

This section covers 1981–85, with particular emphasis on 1984 and 1985, the first 2 years of the CBERA program. The discussion centers on U.S. imports from the 21 designated countries and the CBERA duty-free privileges that are applicable to this trade. Imports from these countries are discussed in the context of other duty provisions that affect duty-free entry under the CBERA program. Where appropriate, the nondesignated countries are included in certain parts of the trade analysis.

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[1] As there has been some confusion regarding this issue, a Presidential proclamation clarifying the matter is currently being prepared.

[2] For a list of these countries, see p. ix. The Bahamas, whose designation became effective in March 1985, is included. Aruba, which became independent of the Netherlands Antilles on Jan. 1, 1986, and whose designation in April 1986 was effective retroactively to Jan. 1, 1986, is not separately listed.

[3] These countries are Cayman Islands, Guyana, Nicaragua, Suriname, Turks and Caicos Islands, and Anguilla. Note, however, that Anguilla—one of the six—is not listed in table 3, below, as it is included in official statistics with St. Christopher-Nevis in the designated group.

The data presented in this section are compiled from the statistics of the U.S. Department of Commerce and include certain adjustments to census data made by the U.S. Department of Labor for its annual report to the Congress pursuant to section 216 of the CBERA.[1]

Two-Way Trade

In 1985, combined U.S. exports to all Caribbean countries totaled $6 billion, or 2.9 percent of overall U.S. exports (table 1). Caribbean countries jointly were the eighth largest export market of the United States—a market larger, for example, than the Republic of Korea, Australia, or Italy. Combined U.S. imports from the Caribbean countries in 1985 totaled $6.8 billion, or 2.0 percent of overall U.S. imports. The United States had a merchandise trade deficit with the Caribbean countries collectively (as with most other trading areas of the world), amounting to $854 million in 1985. This compares with deficits exceeding $3 billion in both 1981 and 1983.

The U.S. trade deficit with the region narrowed as U.S. imports from the Caribbean dropped significantly in 1982, 1984, and 1985, but U.S. exports to the area trended only mildly downward. As U.S. imports from the world surged in the 1980's, the share supplied by the Caribbean countries was reduced from 3.8 percent in 1981 to 2.0 percent in 1985. The Caribbean share of U.S. exports to the world remained, however, almost unchanged, fluctuating from year to year around 3 percent. These divergent trends between the two directions of U.S.-Caribbean trade are illustrated in figure 1.

The designated CBERA beneficiaries include most of the Caribbean region; they have accounted for over 97 percent of combined U.S. imports from all Caribbean Basin countries and for 94 percent or more of U.S. exports to the area each year during 1982–85. Therefore, the data showing combined U.S. trade with the 21 CBERA countries during 1981–85 are almost identical to the data in table 1 for all 27 Caribbean countries (table 2).

[1] U.S. Department of Labor, *Trade and Employment Effects of the Caribbean Basin Economic Recovery Act*, July 1985.

Table 1

U.S. trade with the Caribbean Basin countries, 1981–85

Year	Total U.S. exports	Share of U.S exports to the world	Total U.S. imports	Share of U.S. imports from the world	U.S. trade balance
	Million dollars	Percent	Million dollars	Percent	Million dollars
1981	6,493.4	2.8	9,898.9	3.8	(3,405.6)
1982	6,338.6	3.1	8,007.6	3.3	(1,669.0)
1983	5,888.8	3.0	9,006.0	3.5	(3,117.2)
1984	6,300.2	3.0	8,896.5	2.8	(2,596.3)
1985	5,996.4	2.9	6,849.9	2.0	(853.6)

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

Table 2

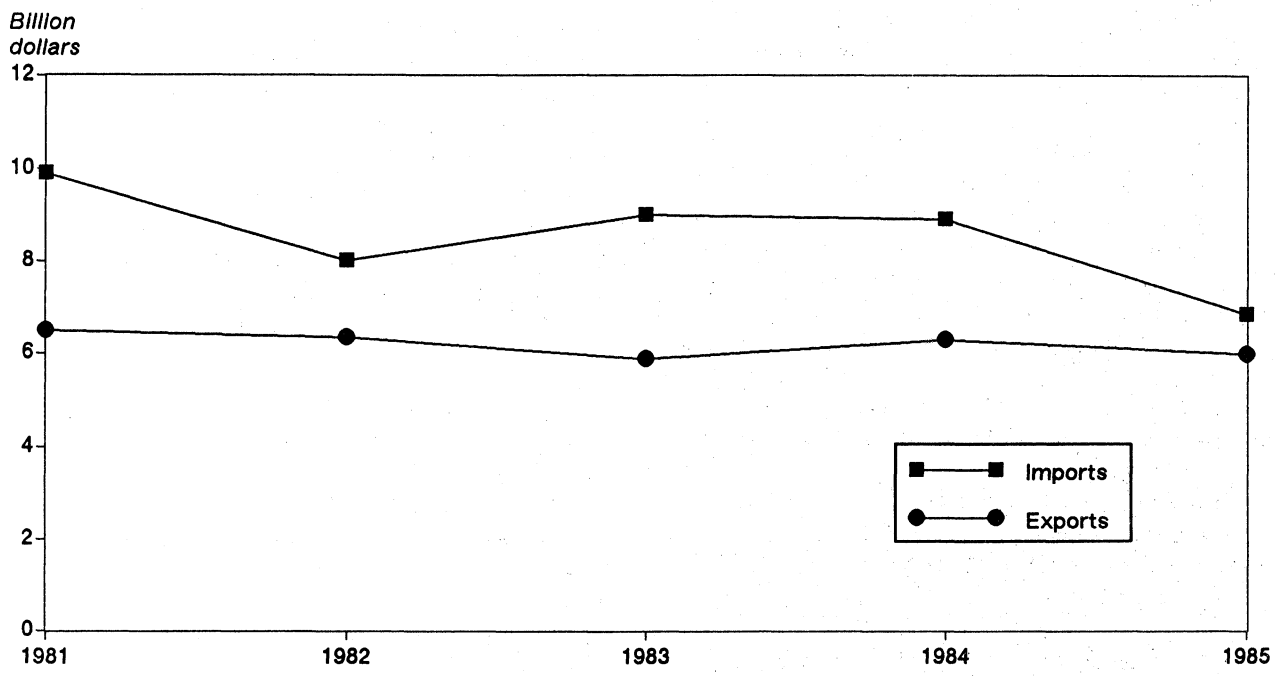
U.S. trade with countries designated under the CBERA,[1] 1981–85

Year	Total U.S. exports	Share of U.S exports to the world	Total U.S. imports	Share of U.S imports from the world	U.S. trade balance
	Million dollars	Percent	Million dollars	Percent	Million dollars
1981	6,005.8	2.6	9,467.1	3.7	(3,461.3)
1982	5,958.9	2.9	7,771.5	3.2	(1,812.6)
1983	5,532.0	2.8	8,763.9	3.4	(3,231.9)
1984	5,952.9	2.8	8,649.2	2.7	(2,696.4)
1985	5,743.0	2.8	6,687.2	1.9	(944.2)

[1] Beneficiary countries during 1985.

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

Figure 1
U.S. trade with the Caribbean Basin, 1981-85



Source: Calculated from statistics of the U.S. Department of Commerce.

In 1985, the United States exported 5.7 billion dollars' worth of goods to the CBERA countries and imported 6.7 billion dollars' worth from them. The resulting $944 million U.S. merchandise trade deficit was less than one-third of the $3.5 billion recorded in 1981 and the $3.2 billion recorded as recently as 1983.

U.S. Imports

U.S. imports for consumption from each designated and nondesignated Caribbean country are shown in table 3. Table 4 breaks down the CBERA group further into four distinct categories. Three are geographic groups, separating the Central American, Eastern Caribbean, and Central Caribbean countries; the fourth includes those Caribbean nations that have major oil-refining facilities and export crude or refined petroleum products to the United States.[1] Table 5 shows the share from each country in the combined U.S. imports from the CBERA nations. Figure 2 illustrates the changes in U.S. imports from these country groups and compares them with changes in U.S. imports from the world.

Imports from nondesignated countries

Imports from the nondesignated countries plummeted from $432 million in 1981 to $236 million in 1982. This decline reflects in part Nicaragua's policy of restricting trade with the United States, although U.S. imports fell sharply from Guyana and Suriname as well. Imports continued to fall thereafter, amounting to $162,703 in 1985 (table 3).[2] While in 1981 the nondesignated countries supplied 4.4 percent of all U.S. imports from the Caribbean, their share dropped to 2.4 percent by 1985. Bauxite and aluminum products, shellfish, and fresh bananas accounted for almost three-fourths of this trade.

Imports from designated CBERA countries

Table 4 shows a decline in overall U.S. imports from CBERA beneficiaries from $9.5 billion in 1981 to $6.7 billion in 1985. Imports fell by 23.7 percent in the last 2 years of this period coinciding with the first 2 years that the CBERA

[1] This classification was adopted from the testimony of Craig Van Grasstek before the Oversight Subcommittee of the Ways and Means Committee of the U.S. House of Representatives on Feb. 25, 1986.

[2] In May 1985, the United States embargoed virtually all trade with Nicaragua.

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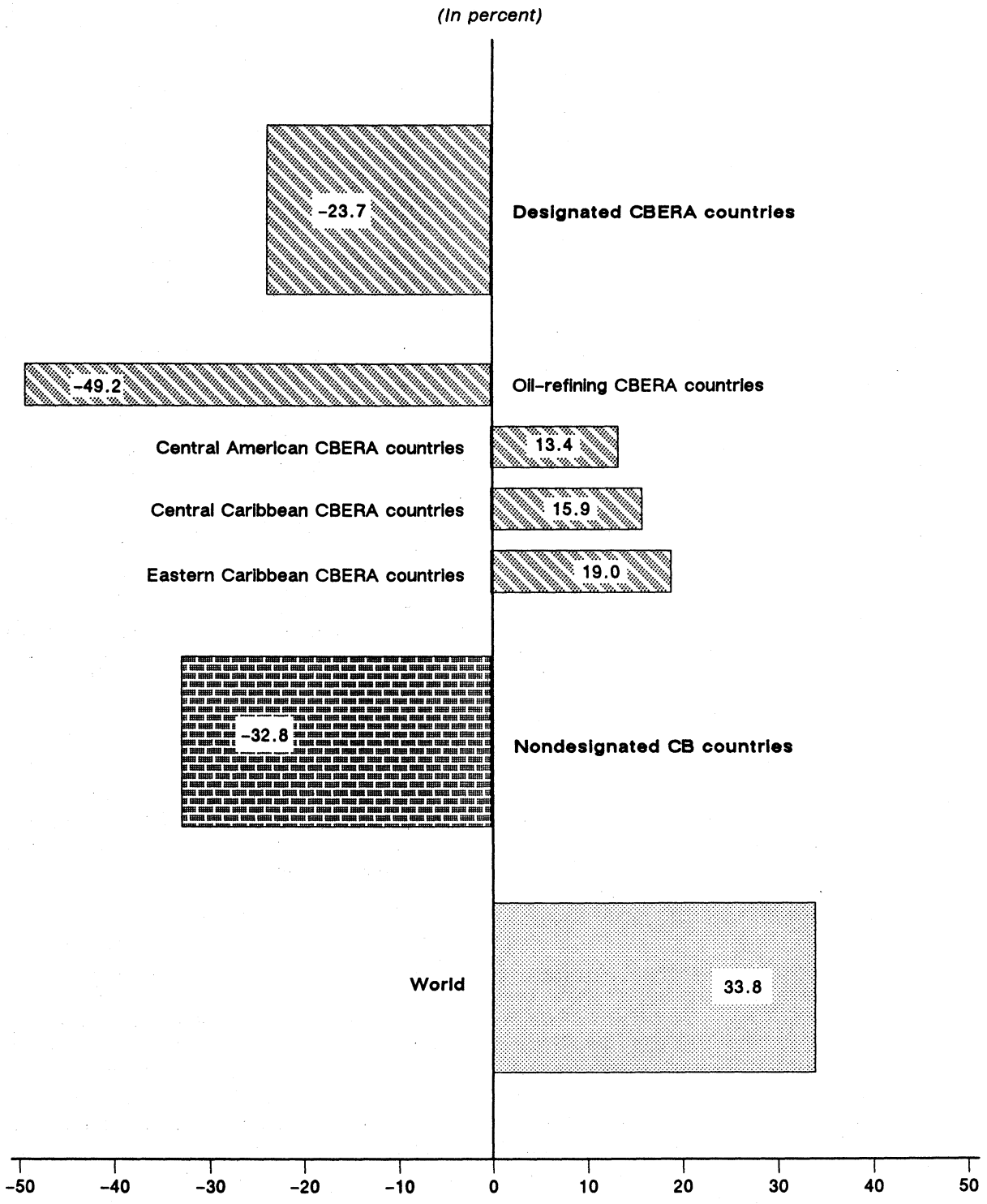
Figure 2
Changes in U.S. imports from Caribbean Basin country groups and the world, 1983-85



Source: Calculated from statistics of the U.S. Department of Commerce.

Table 3

U.S. imports for consumption from the Caribbean Basin, by countries, designated or nondesignated under the CBERA, 1981-85

(Customs-value basis, in thousands of dollars)

Country	1981	1982	1983	1984	1985
Designated:					
Antigua	5,242	4,890	8,809	7,898	24,695
Bahamas	1,243,169	1,045,217	1,676,394	1,154,282	626,084
Barbados	80,694	106,631	202,047	252,598	202,194
Belize	42,197	38,464	27,315	42,843	46,951
British Virgin Islands	880	892	880	1,335	11,902
Costa Rica	365,432	358,127	386,520	468,633	489,294
Dominica	103	2,372	242	86	14,161
Dominican Republic	922,400	622,510	806,520	994,427	965,847
El Salvador	258,524	310,022	358,898	381,391	395,658
Grenada	339	401	211	766	1,309
Guatemala	347,133	330,142	374,692	446,267	399,617
Haiti	276,395	309,860	337,483	377,413	386,697
Honduras	431,172	359,553	364,742	393,769	370,219
Jamaica	356,986	278,108	262,360	396,949	267,016
Montserrat	257	749	924	989	3,620
Neth Antilles	2,599,159	2,106,750	2,274,510	2,024,367	793,162
Panama	296,637	250,764	336,086	311,627	393,605
St. Christopher-Nevis-Anguilla[1]	11,103	11,557	18,758	23,135	16,258
St. Lucia	12,796	4,703	4,700	7,397	13,796
St. Vincent and Grenadines	1,572	1,394	4,276	2,958	9,643
Trinidad and Tobago	2,214,911	1,628,392	1,317,534	1,360,106	1,255,498
Total	9,467,101	7,771,498	8,763,900	8,649,235	6,687,226
Nondesignated:					
Cayman Islands	4,542	14,830	8,607	6,212	10,950
Guyana	104,078	70,655	67,332	74,417	46,010
Nicaragua	140,295	86,875	99,013	58,064	41,003
Suriname	179,374	60,147	63,147	104,636	60,091
Turks and Caicos Islands	3,550	3,556	3,965	3,935	4,649
Total	431,839	236,062	242,065	247,264	162,703
Grand total	9,898,939	8,007,561	9,005,965	8,896,499	6,849,928

[1] U.S. import statistics treat St. Christopher, Nevis, and Anguilla as 1 entity. Therefore, although Anguilla has not been designated as a beneficiary country, it is treated as such in this report.

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

was in effect. This decline is cited most frequently by critics of the CBERA when they call the effectiveness of the program into question. However, as table 4 shows, this picture is somewhat deceptive, since it changes significantly when the plummeting import values from oil-refining countries are discounted.

Imports from oil-refining CBERA countries

As recently as 1983, 3 oil-refining countries combined—Trinidad and Tobago, the Netherlands Antilles, and the Bahamas—were responsible for 60 percent of all U.S. imports from the 21 CBERA nations. Consequently, a steep decline in 1984 and 1985 imports from these oil-refining beneficiaries explains the downtrend in overall U.S. imports from the CBERA countries. The value of imports from the oil countries was reduced by $2.6 billion between 1983 and 1985, i.e., by more than the decline in imports from all the 21 CBERA countries combined ($2.1 billion). Not counting the oil-exporting countries, U.S. imports from the CBERA beneficiaries would have been 14.8 percent larger in 1985 than they were in 1983.

Forty percent of overall U.S. imports from the CBERA countries were still accounted for by these three oil nations in 1985 despite plummeting prices and reduced volumes of oil products shipped that year. Trinidad and Tobago, exporting both crude petroleum and refined oil products, was responsible for 19 percent of U.S. imports from the CBERA countries, the Netherlands Antilles accounted for 12 percent, and the Bahamas, for 9 percent (table 5). The Netherlands Antilles alone accounted for 71 percent of the 1983–85 decline in the value of total U.S. imports from the CBERA countries. Most of the decline in imports from the oil-exporting CBERA countries took place in 1985.

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Table 4

U.S. imports for consumption from countries designated under the CBERA, by major source groups, 1981–85

(Customs-value basis, in thousands of dollars)

Country	1981	1982	1983	1984	1985
Central America:					
Belize	42,197	38,464	27,315	42,843	46,951
Costa Rica	365,432	358,127	386,520	468,633	489,294
El Salvador	258,524	310,022	358,898	381,391	395,658
Guatemala	347,133	330,142	374,692	446,267	399,617
Honduras	431,172	359,553	364,742	393,769	370,219
Panama	296,637	250,764	336,086	311,627	393,605
Total	1,741,095	1,647,072	1,848,252	2,044,530	2,095,344
Eastern Caribbean:					
Antigua	5,242	4,890	8,809	7,898	24,695
Barbados	80,694	106,631	202,047	252,598	202,194
Dominica	103	2,372	242	86	14,161
Grenada	339	401	211	766	1,309
Montserrat	257	749	924	989	3,620
St. Christopher-Nevis-Anguilla[1]	11,103	11,557	18,758	23,135	16,258
St. Lucia	12,796	4,703	4,700	7,397	13,796
St. Vincent and Grenadines	1,572	1,394	4,276	2,958	9,643
Total	112,105	132,697	239,966	295,826	285,676
Central Caribbean:					
British Virgin Islands	880	892	880	1,335	11,902
Haiti	276,395	309,860	337,483	377,413	386,697
Dominican Republic	922,400	622,510	806,520	994,427	965,847
Jamaica	356,986	278,108	262,360	396,949	267,016
Total	1,556,661	1,211,370	1,407,244	1,770,125	1,631,463
Oil-refining countries:					
Bahamas	1,243,169	1,045,217	1,676,394	1,154,282	626,084
Neth Antilles	2,599,159	2,106,750	2,274,510	2,024,367	793,162
Trinidad and Tobago	2,214,911	1,628,392	1,317,534	1,360,106	1,255,498
Total	6,057,239	4,780,360	5,268,438	4,538,754	2,674,744
Grand total	9,467,101	7,771,498	8,763,900	8,649,235	6,687,226

[1] U.S. import statistics treat St. Christopher, Nevis, and Anguilla as 1 entity. Therefore, although Anguilla has not been designated as a beneficiary country, it is treated as such in this report.

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

How heavily oil products weigh on the region's trade statistics is also apparent from table 6. This table shows the 1983–85 dollar decline in U.S. imports from the CBERA countries of crude petroleum ($2 billion), naphthas ($383 million), and motor fuels ($185 million). In figure 3, overall U.S. imports are shown next to the imports of oil products (TSUS schedule 4, pt. 10) from the CBERA countries. The combined value of oil product imports fell from $5 billion in 1983 to $4.2 billion in 1984 and $2.4 billion in 1985, illustrating that oil-related items are the principal cause of declining overall U.S. imports from the CBERA countries. The figure shows that in the 2-year period since 1983, U.S. imports other than oil from the CBERA countries have actually increased.

Imports from non-oil-refining CBERA countries

U.S. imports from all three major regions of the non-oil-refining CBERA countries rose in one or both years since 1983 (tables 4 and 5). All but one country (St. Christopher-Nevis-Anguilla) experienced some increase in 1985 over 1983 in their overall shipments to the United States.

The Eastern Caribbean region contains six small island states with the most rapid percentage growth among all the CBERA countries of their shipments to the United States. During 1983–85, these small nations more than doubled their shipments to the U.S. market. Nonetheless, the overall performance of the Eastern Caribbean was held back by Barbados, the largest member

Table 5

U.S. imports for consumption from countries designated under the CBERA, by major source groups, 1981–85

(Percent of customs value)

Country	1981	1982	1983	1984	1985
Total	100.0000	100.0000	100.0000	100.0000	100.0000
Central America:					
Belize	.4457	.4949	.3117	.4953	.7021
Costa Rica	3.8600	4.6082	4.4104	5.4182	7.3168
El Salvador	2.7308	3.9892	4.0952	4.4095	5.9166
Guatemala	3.6667	4.2481	4.2754	5.1596	5.9758
Honduras	4.5544	4.6266	4.1619	4.5526	5.5362
Panama	3.1333	3.2267	3.8349	3.6029	5.8859
Total	18.3910	21.1937	21.0894	23.6383	31.3335
Eastern Caribbean:					
Antigua	.0554	.0629	.1005	.0913	.3693
Barbados	.8524	1.3721	2.3054	2.9205	3.0236
Dominica	.0011	.0305	.0028	.0010	.2118
Grenada	.0036	.0052	.0024	.0089	.0196
Montserrat	.0027	.0096	.0105	.0114	.0541
St. Christopher-Nevis-Anguilla[1]	.1173	.1487	.2140	.2675	.2431
St. Lucia	.1352	.0605	.0536	.0855	.2063
St. Vincent and Grenadines	.0166	.0179	.0488	.0342	.1442
Total	1.1842	1.7075	2.7381	3.4203	4.2720
Central Caribbean:					
British Virgin Islands	.0093	.0115	.0100	.0154	.1780
Haiti	2.9195	3.9871	3.8508	4.3635	5.7826
Dominican Republic	9.7432	8.0102	9.2028	11.4973	14.4432
Jamaica	3.7708	3.5786	2.9936	4.5894	3.9929
Total	16.4428	15.5873	16.0573	20.4657	24.3967
Oil-refining countries:					
Bahamas	13.1315	13.4494	19.1284	13.3455	9.3624
Neth Antilles	27.4547	27.1087	25.9532	23.4052	11.8609
Trinidad and Tobago	23.3959	20.9534	15.0337	15.7252	18.7746
Total	63.9820	61.5114	60.1152	52.4758	39.9978

[1] U.S. import statistics treat St. Christopher, Nevis, and Anguilla as 1 entity. Therefore, although Anguilla has not been designated as a beneficiary country, it is treated as such in this report.

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

of the region. The Eastern Caribbean region also includes St. Christopher-Nevis-Anguilla, the only non-oil-refining CBERA entity with declining exports to the United States.[1]

Shipments to the United States of the smaller CBERA nations, for example, Belize in Central America and the British Virgin Islands in the Central Caribbean region, experienced a disproportionate rate of growth since 1983. Most dollar increases in 1983–85 imports came nonetheless from the larger Caribbean countries: the Dominican Republic ($159.3 million), Costa Rica ($102.8 million), Panama ($57.5 million), Haiti ($49.2 million), and El Salvador ($36.8 million).

Figure 2 illustrates that while the three CBERA geographic regions increased their shipments to the United States in 1983–85, their performance lagged significantly behind that of the world.

[1] U.S. import statistics treat St. Christopher, Nevis, and Anguilla as one entity.

Leading import items

The Caribbean economy is dependent on exports of relatively few products. U.S. imports from the CBERA beneficiaries are concentrated in a relatively small number of products. Many of these are primary commodities for which world markets are softening and prices declining.

Table 7 shows U.S. imports in 1983–85 of 30 principal articles from the CBERA countries that together accounted for 79 percent of the total in 1985. Crude oil (which tops the list) and derived oil products, such as motor fuel and naphthas, continued to be leading products despite the decline in the value of imports in 1984 and 1985 (table 6). Other major Caribbean exports to the United States included coffee, fresh

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Table 6

U.S. imports for consumption from CBERA countries that showed the greatest absolute decrease in trade between 1983-85

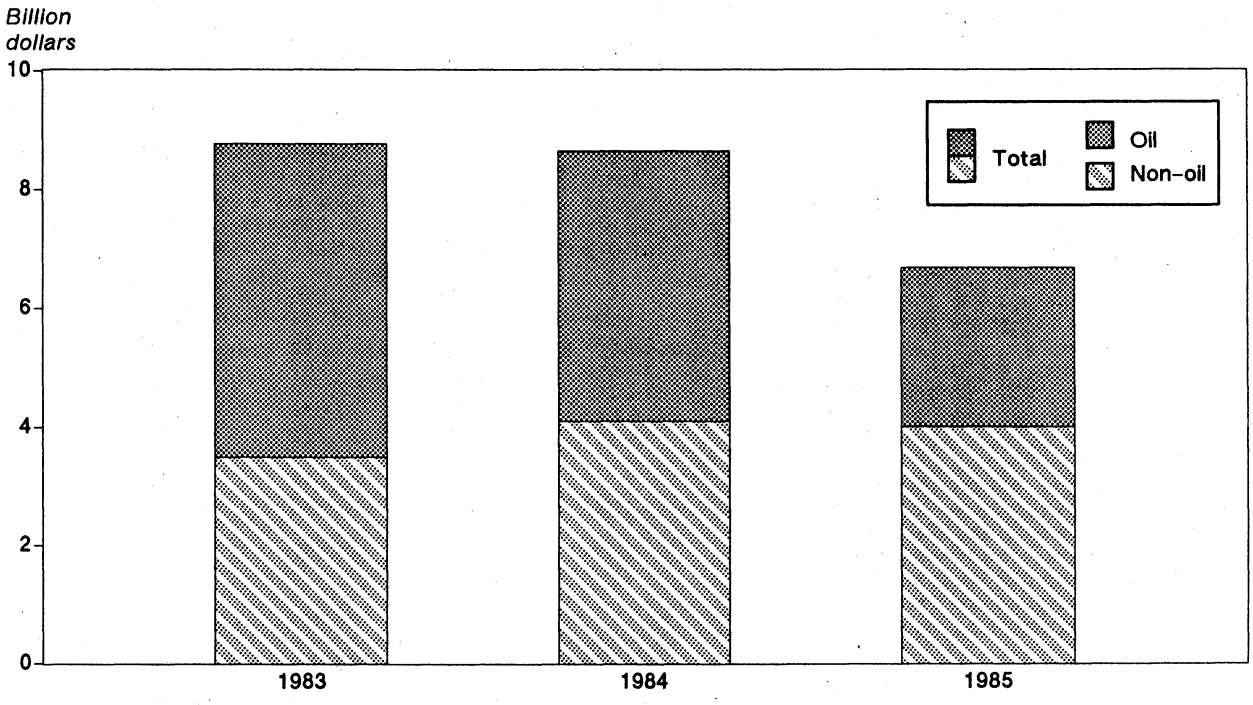
(Customs value, in dollars)

TSUS item No.	Description	1983	1985	1985 over 1983
475.05	Crude petroleum, under 25 degrees A.P.I.	2,190,509,642	812,497,122	-1,378,012,520
475.10	Crude petroleum, 25 degrees A.P.I. or more	1,861,888,139	1,224,246,938	-637,641,201
475.35	Napthas	480,874,033	97,825,706	-383,048,327
475.25	Motor fuel	400,748,570	215,493,547	-185,255,023
155.20	Sugars, sirups, and molasses	400,490,435	262,994,008	-137,496,427
800.00	U.S. goods returned	183,053,334	106,330,127	-76,723,207
601.06	Bauxite	97,413,099	51,175,694	-46,237,405
417.12	Aluminum hydroxide and oxide	106,275,892	66,171,436	-40,104,456
475.30	Kerosene derived from petroleum	36,034,263	8,006,481	-28,027,782
791.28	Leather, other than patent leather	15,945,754	810,363	-15,135,391
685.90	Electrical switches	79,317,922	66,193,562	-13,124,360
475.65	Natural gas condensate, other	14,907,783	2,095,768	-12,812,015
521.11	Asphaltum, bitumen, and limestone	50,947,074	40,011,644	-10,935,430
155.40	Beet or cane molasses, if imported	28,198,336	17,967,714	-10,230,622
383.90	Other women's, girls', or infants' wearing apparel	39,081,942	31,087,565	-7,994,377
685.80	Electrical capacitors	33,574,972	27,747,967	-5,827,005
676.52	Parts for office machines	15,171,201	9,867,769	-5,303,432
379.52	Other men's and boys' wearing apparel, not ornamented	10,900,302	6,252,262	-4,648,040
700.35	Men's, youths', and boys' leather footwear	9,980,352	5,344,807	-4,635,545
383.22	Women's, girls', or infants' lace or net wearing apparel	8,776,877	4,168,271	-4,608,606

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

Figure 3

U.S. imports, total, non-oil, and oil, from the Caribbean Basin, 1983-85



Source: Calculated from statistics of the U.S. Department of Commerce.

bananas, sugar, shellfish, cocoa, bauxite, aluminum hydroxide and oxide, electronic and electrical items, analgesics, and wearing apparel.

Table 6 shows sharply declining export values to the United States of such traditional Caribbean items as sugar, bauxite, and its derivatives. However, the value of shipments was declining for less traditional items as well, including certain categories of chemicals, electrical products, wearing apparel, and footwear.

The losses were partially offset by dollar gains in other leading U.S. imports from CBERA countries, such as coffee, fresh bananas, shellfish, diamonds, certain wearing apparel, analgesics, jewelry, leather products, certain electronic items, and ferronickel as shown in table 8. Some of these, and many others that do not appear in table 8, were beneficiaries of duty-free privileges under the CBERA (table 9). However, viewed as a group, imports of textile and apparel articles, which are generally excluded from CBERA treatment, increased at the fastest rate.[1] These increases together explain the 14.4-percent gain in overall CBERA non-oil exports to the United States in 1983–85.

[1] The role of the CBERA duty-free benefits in some of these gains will be discussed in the remainder of this report.

Table 7

Leading items in U.S. imports for consumption from countries designated under the CBERA, 1981–85

(In thousands of dollars, customs value)

TSUS item No.	*Description*	*1981*	*1982*	*1983*	*1984*	*1985*
475.10	Crude petroleum, 25 degrees A.P.I. or more	2,162,882	1,708,998	1,861,888	1,631,003	1,224,247
475.05	Crude petroleum, under 25 degrees A.P.I.	2,500,331	2,038,597	2,190,510	1,948,851	812,497
160.10	Coffee, crude, roasted or ground	402,613	497,560	519,481	590,672	641,111
146.40	Bananas, fresh	337,832	340,043	361,749	368,033	423,483
155.20	Sugars, sirups, and molasses	602,886	248,185	400,490	426,763	262,994
475.25	Motor fuel	612,810	476,234	400,749	320,194	215,494
114.45	Shellfish other than clams, crabs	163,286	172,305	170,496	195,997	206,799
687.74	Monolithic integrated circuits	-	98,960	159,100	217,819	170,202
605.20	Gold or silver bullion/dore	112,369	59,717	118,982	182,931	128,752
800.00	U.S. goods returned	137,119	138,506	183,053	114,816	106,330
106.10	Beef and veal, fresh, chilled	154,606	117,801	105,770	90,053	105,926
475.35	Naphthas	488,816	342,295	480,874	286,648	97,826
376.24	Lace or net body-supporting garments	56,381	56,344	68,377	66,259	82,305
412.22	Analgesics, antipyretics	27,919	34,814	51,036	54,837	78,105
480.65	Nitrogenous fertilizers	46,551	43,739	66,571	126,661	71,448
685.90	Electrical switches	29,456	39,738	79,318	94,026	66,194
417.12	Aluminum hydroxide and oxide	124,669	49,651	106,276	127,921	66,171
156.10	Cocoa beans	54,144	56,617	54,822	80,569	65,239
601.06	Bauxite	201,912	199,708	97,413	149,864	51,176
383.47	Other women's, girls', or infants' wearing apparel, not ornamented	-	10,819	13,826	31,070	44,874
520.33	Diamonds, greater than 0.5 carat	7,830	14,652	2,738	1,293	41,385
606.20	Ferronickel	60,471	-	29,730	36,444	40,292
521.11	Asphaltum, bitumen, and limestone	59,582	22,656	50,947	22,652	40,012
791.27	Leather, other than patent leather	14,251	12,975	27,433	41,332	39,771
734.56	Baseball equipment and parts	38,341	41,858	39,034	38,649	38,322
376.28	Body-supporting garments	33,542	33,051	31,671	29,052	37,716
379.62	Other men's or boys' wearing apparel, not ornamented	-	15,330	16,976	32,655	34,319
170.70	Cigars each valued 23 cents or over	12,767	29,316	34,142	36,459	33,564
379.95	Other men's and boys' wearing apparel, not ornamented	-	11,219	20,522	31,762	32,888
383.90	Other women's, girls', or infants' wearing apparel, not ornamented	-	23,747	39,082	42,474	31,088
	Total	8,443,366	6,935,437	7,783,057	7,417,760	5,290,528
	Total, all items imported from CBERA	9,467,101	7,771,498	8,763,900	8,649,235	6,687,226

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

Table 8

U.S. imports for consumption from CBERA countries that showed the greatest absolute increase in trade between 1983-85[1]

(Customs value, in dollars)

TSUS Item No.	Description	1983	1985	1985 over 1983
160.10	Coffee, crude, roasted or ground	519,481,281	641,110,579	121,629,298
146.40	Bananas, fresh	361,749,347	423,482,901	61,733,554
520.33	Diamonds, weighing over 0.5 carat	2,738,341	41,385,038	38,646,697
114.45	Shellfish other than clams	170,496,187	206,798,930	36,302,743
383.47	Other women's, girls', and infants' wearing apparel	13,825,591	44,873,676	31,048,085
412.22	Analgesics, antipyretics	51,035,715	78,105,021	27,069,306
740.70	Chains of precious metals	5,443,185	31,080,517	25,637,332
379.62	Other men's and boys' wearing apparel, not ornamented	16,976,034	34,318,583	17,342,549
376.24	Lace or net body-supporting garments	68,377,241	82,304,876	13,927,635
379.95	Other men's and boys' wearing apparel, not ornamented	20,521,839	32,888,176	12,366,337
791.27	Leather, other than patent leather	27,432,701	39,771,101	12,338,400
687.74	Monolithic integrated circuits	159,099,572	170,202,303	11,102,731
999.95	Under $251 formal and informal	9,222,180	19,842,239	10,620,059
606.20	Ferronickel	29,730,443	40,291,551	10,561,108
156.10	Cocoa beans	54,822,441	65,239,152	10,416,711
605.20	Gold or silver bullion/dore	118,982,484	128,752,428	9,769,944
110.10	Sea herring, smelts, and tuna fish	14,663,077	23,079,444	8,416,367
379.55	Other men's and boys' wearing apparel, not ornamented	7,737,223	16,051,574	8,314,351
520.32	Diamonds, weighing not over 0.5 carat	3,696,336	10,990,628	7,294,292
740.13	Other necklaces and neck chains	764,314	7,569,500	6,805,186

[1] Data are based on customs value.

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

Table 9

Leading items in U.S. imports for consumption entered under CBERA provisions by descending value of duty-free imports, 1985

(In thousands of dollars)

TSUS Item No.	Description	Total U.S. imports for consumption from CBERA countries	Duty-free under CBERA	Percent of CBERA duty-free to total CBERA	Leading source
106.10	Beef and veal, fresh, chilled	105,926	99,328	93.8	Costa Rica.
155.20	Sugars, sirups, and molasses	262,994	97,841	37.2	Dominican Republic.
685.90	Electrical switches	66,194	23,113	34.9	Haiti.
170.70	Cigars each valued 23 cents or over	33,564	19,115	57.0	Dominican Republic.
427.88	Ethyl alcohol for nonbeverage	19,510	13,146	67.4	Jamaica.
685.80	Electrical capacitors	27,748	10,818	38.9	El Salvador.
148.96	Pineapples, fresh, in packages	10,550	9,947	94.3	Honduras.
165.29	Fruit juices, not mixed orange	9,601	9,160	95.4	Belize.
169.14	Rum (including *cana paraguaya*)	8,357	7,794	93.3	Jamaica.
136.00	Dasheens, fresh, chilled, or frozen	8,112	7,232	89.2	Dominican Republic.
687.74	Monolithic integrated circuits	170,020	6,956	4.1	El Salvador.
170.35	Cigarette leaf, stemmed	8,142	6,775	83.2	Honduras.
686.10	Resistors, fixed	18,220	6,480	35.6	Barbados.
740.15	Jewelry, etc., and parts	7,449	5,838	78.4	Dominican Republic.
607.17	Wire rods of iron or steel	13,205	5,486	41.5	Trinidad and Tobago.
170.32	Filler tobacco leaf, not stemmed	10,282	5,129	49.9	Guatemala.
432.10	Chemical mixtures, n.s.p.f., whole	6,370	5,104	80.1	Jamaica.
688.42	Electric synchros and transducers	7,331	5,059	69.0	Barbados.
427.97	Other methyl alcohol	19,145	4,904	25.6	Trinidad and Tobago.
740.70	Chains of precious metals	31,081	4,546	14.6	Dominican Republic.
	Total, above items	843,801	353,771	41.9	-
	Total, all items from CBERA countries	6,849,928	497,645	7.3	-

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

DUTIABILITY AND SPECIAL DUTY-FREE PROGRAMS

Table 10 breaks down U.S. imports from the 21 CBERA countries in 1983–85 into their dutiable portion and the portion entering U.S. customs territory free of duty under the MFN (col. 1) rates of the TSUS or other special rate provisions, including the CBERA.[1] The table shows separately U.S. imports entering under the CBERA and under the GSP—the other preferential duty-free program available for CBERA countries.[2] Table 10 also shows the duty-free U.S. content of imports under TSUS items 806.30 and 807.00 and duty-free imports under still other tariff provisions.[3]

The analysis of table 10 reveals that the dutiable part of U.S. imports from the 21 CBERA beneficiaries was markedly reduced in the first 2 years of CBERA's operation. Dutiable imports amounted to $5.7 billion or 65 percent of the total in 1983, dropping to $3.0 billion or 44 percent in 1985. The concomitant absolute and relative increase in the duty-free part of imports—from 35 percent of the total in 1983 to 56 percent in 1985—reflected, in part, the new duty-free privileges provided by the CBERA to designated countries.

In 1983, when the CBERA was not yet in operation, 6.5 percent of imports from the CBERA countries entered the United States under preferential duty-free privileges. All such entries were under the GSP, which was the only U.S. duty-free preferential program at the time. In 1984, with the CBERA in operation, the share of imports benefiting from duty-free preference programs (the GSP or the CBERA) surged to 13.6 percent. The combined share of overall imports under these programs continued to rise in 1985 to 15.4 percent. In dollar terms, duty-free imports under preference programs combined were $464 million larger in 1985 than in 1983.

Meanwhile, imports that entered duty free under MFN rates also rose both in dollar terms (by $240 million) and in relative terms. In 1983, 20.5 percent of total imports from the CBERA countries entered unconditionally free of duty (meaning the MFN duty rate is free); but this share increased to 30.4 percent by 1985. Thus, in addition to the CBERA, imports that were MFN duty free played an important role in enlarging the overall duty-free part of U.S. imports from designated countries.[4]

Table 11 shows that the calculated adjusted U.S. duty revenues from the CBERA countries amounted to $75 million in 1983, dropped to $72 million in 1984, and surged to $83 million in 1985.[5]

The average rate of duty on the dutiable portion of U.S. imports from the CBERA countries was 1.3 percent in 1983, 1.6 percent in 1984, and 2.8 percent in 1985. Petroleum products, which are low-duty articles and account for a large share of dutiable imports from the CBERA countries, are responsible for this comparatively low average duty level. Despite a decline in the dutiable part of imports, the rise in tariff revenues from the CBERA country imports in 1985 is apparently due to a sharp shift in the product mix of dutiable imports from low-duty petroleum products toward high-duty items, mostly wearing apparel. The rising average rate of duty can apparently also be explained by this shift in product mix.

Imports Entering Under CBERA Provisions

U.S. imports from the CBERA countries entering duty free under CBERA amounted in 1984 to $578 million, and declined in 1985 to $498 million (table 10). Imports under the CBERA were responsible for 6.7 percent of overall U.S.

[1] All CBERA-designated countries are eligible for MFN tariff treatment.

[2] As discussed earlier in this chapter, all designated CBERA beneficiaries are also GSP beneficiaries. A wide range of the CBERA exports are eligible for duty-free treatment under the GSP, subject to the competitive-need limit and rules-of-origin provisions of that program. There is an overlap of the GSP and the CBERA product eligibility, but the CBERA has advantages in not being subject to certain provisions that limit the application of the GSP. Although most CBERA-eligible articles are also GSP eligible, the reverse situation is negligible.

[3] Many 806.30/807.00 articles became eligible under the CBERA, and many of those meeting the value-added requirements are now entered duty free under the CBERA.

[4] The increase in the MFN duty-free content of imports may have reflected, in part, changes in the product mix of imports, and in part, changes in the dutiability of certain major items. For example, monolithic integrated circuits, a major import benefiting from duty-free CBERA treatment in 1984, became MFN duty free in March 1985.

[5] The "adjusted" adjective refers to calculating duties based on those dutiable values that themselves had been adjusted for the duty-free content of entries under TSUS items 806.30 and 807.00.

imports from the 21 designated countries in 1984 and 7.4 percent of the total in 1985. These are in the general range of import shares benefiting from the GSP program (6.9 and 8.0 percent, respectively), and of the U.S. content of imports entering duty free under TSUS items 806.30 and 807.00 (6.8 and 8.2 percent, respectively). Table 9 shows the leading items entering duty free under CBERA in 1985 and the principal source of these items. Beef and veal is the number one item on this list, followed by sugar, electrical switches, cigars, and nonbeverage ethyl alcohol (ethanol).[1]

[1] Ch. 3 discusses selected items entering under CBERA and their effect on U.S. industry.

Table 10

U.S. imports for consumption from the CBERA countries, by reported duty treatments, 1983-85

(In thousands of dollars, customs value)

Item	*1983*	*1984*	*1985*	*Absolute change, 1985 over 1983*	*Percentage change, 1985 over 1983*
Total imports	8,763,900	8,649,235	6,687,226	-2,076,674	-23.70
Dutiable value[1]	5,673,886	4,565,475	2,961,610	-2,712,276	-47.80
Duty free under—					
MFN	1,793,532	2,044,329	2,033,297	239,765	13.37
TSUS items 806.30/807.00	519,007	587,560	547,368	28,360	5.46
GSP	567,138	593,949	533,507	-33,631	-5.93
CBERA	-	577,704	497,645	[2]-80,058	[2]-13.86
GSP/CBERA combined	567,138	1,171,652	1,031,152	464,014	81.82
Other special rate provisions	210,337	280,220	113,798	-96,538	-45.90
	Percent of total				
Total imports	100.00	100.00	100.00	-	-
Dutiable value	64.74	52.78	44.29	-	-
Duty free under—					
MFN	20.46	23.64	30.41	-	-
TSUS items 806.30/807.00	5.92	6.79	8.19	-	-
GSP	6.47	6.87	7.98	-	-
CBERA	-	6.68	7.44	-	-
GSP/CBERA combined	6.47	13.55	15.42	-	-
Other special rate provisions	2.40	3.24	1.70	-	-

[1] Reported dutiable value has been reduced by the U.S.content of items imported under TSUS items 806.30 and 807.00, which are duty free.
[2] 1985 over 1984.

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

Table 11

U.S. imports from the CBERA countries: Calculated duties, eligibility, and utilization of the GSP and CBERA programs, 1983-85

Item	*1983*	*1984*	*1985*
Adjusted calculated duties (1,000 dollars)[1]	75,293	72,152	83,056
Average duty (percent)[2]	1.33	1.58	2.80
Eligible duty free under GSP (1,000 dollars)[3]	1,006,916	1,172,816	1,078,946
Reported entering under GSP (1,000 dollars)	567,138	593,949	533,507
GSP utilization ratio (percent)[4]	56.32	50.64	49.45
Eligible duty free under the CBERA (1,000 dollars)[5]	1,397,206	1,634,901	1,560,459
Reported entering under the CBERA (1,000 dollars)	-	577,704	497,645
CBERA utilization ratio (percent)[6]	-	35.34	31.89

[1] Calculated duty has been adjusted to account for the value of U.S.content of items imported under tariff provisions for TSUS items 806.30 and 807.00.
[2] Calculated duty/dutiable value x 100.
[3] Based on 1985 product eligibility.
[4] Actual entries/eligible entries under GSP x 100.
[5] Includes all TSUSA items that have not been excluded under the CBERA or are not already duty free under the MFN.
[6] Actual entries/eligible entries under the CBERA x 100.

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

Product Eligibility Under the CBERA

The scope of products covered by the CBERA is large, especially in view of the relatively small portion of overall imports from designated countries benefiting during the first 2 years of the program. CBERA duty-free treatment is nominally applicable to all but a few items in the TSUS. Petroleum products constituted the largest group in trade-weighted terms among those tariff items that are excluded by statute from CBERA eligibility.[1] However, since petroleum products are subject to relatively low duties, the absence of duty-free privileges for them has not severely restricted the benefits conferred by the CBERA. More limiting was the exclusion of high-duty wearing apparel items, for which duty-free treatment could have boosted shipments to the United States. This exclusion has triggered protests from CBERA countries.[2]

Although certain excluded categories—especially petroleum and textiles and apparel—weigh heavily in the Caribbean export profile, the trade-weighted product coverage of CBERA-eligibility remains extensive. The imports of items that were not excluded from CBERA benefits by statute (thus were CBERA eligible unconditionally or subject to certain restraints) amounted in 1985 to $3.6 billion, or 53.7 percent of all U.S. imports from designated countries. This amount includes $2 biliion in 1985 imports that were already duty free under MFN rates (table 10) and $1.6 billion CBERA-eligible products that would have been otherwise dutiable (table 11). Thus, less than one-half of 1985 imports were excluded from the CBERA by statute, with petroleum-related items accounting for a large portion.

It is reasonable to expect that CBERA nations will restructure their export mix over time in an effort to maximize the duty-free benefits they can derive from the CBERA.

[1] See list of the excluded items earlier in this chapter.
[2] Wearing apparel is considered a high-priority export group by the Caribbean countries (as by most other developing countries) owing to its labor-intensive production process. In February 1986, President Reagan announced a program to reduce barriers limiting entry of these products to the U.S. market. See TSUS schedule 3, "Textiles and apparel," in ch. 3 of this report.

Utilization of CBERA for Eligible Imports

The broad CBERA product coverage is somewhat deceptive if viewed as an indication of new preferential access to the U.S. market because 2 billion dollars' worth, or 30.4 percent, of overall imports in 1985 were already duty free under MFN tariff rates prior to the enactment of the CBERA. This included many major Caribbean exports such as coffee, fresh bananas, shellfish, bauxite, aluminum oxide and hydroxide, and, more recently, semiconductors (see table 7 for leading imports). Moreover, in many areas the CBERA has not contributed to preferential access for certain Caribbean exports that are also eligible for duty-free entry under the GSP. For many such products the preexisting GSP program, which is more familiar to Caribbean exporters, continues to be utilized. However, the CBERA is being used to permit duty-free entry for those products that lost GSP eligibility because their competitive-need limits had been exceeded in the previous year.[3] Finally, the CBERA imposes limitations on the extent to which certain import-sensitive items may receive CBERA preferential treatment; this further circumscribes preferential access to the U.S. market.

Utilization rates of the CBERA program were calculated in this section by relating actual entries under CBERA provisions to nominally CBERA-eligible imports (the portion not excluded by statute), not counting the items that are also MFN duty free.[4] The utilization rate of CBERA-eligible shipments as defined above was 35 percent in 1984 and 32 percent in 1985 (table 11). See appendix B for a country-by-country trade analysis.

[3] In its first annual report on the CBERA (*Trade and Employment Effects of the Caribbean Basin Economic Recovery Act*), the U.S. Labor Department discusses in some detail the extent of overlap between the GSP and the CBERA, sorting out tariff items on the basis of their unique access to the U.S. market under one or the other of these two preference programs.
[4] The resultant percentage is a measure of actual trade entering under the CBERA program. In the sense that some items that previously entered under GSP may now be entering under the administratively simpler CBERA, the measure represents a bookkeeping change. The utilization rate is not, however, an indication of the amount of trade that was originally freed up (i.e., previously not MFN duty free or GSP eligible) by the enactment of the CBERA or of the effectiveness of the CBERA program.

CHAPTER 2. EFFECTS OF THE CBERA IN 1984 AND 1985

Section 215 of the Caribbean Basin Economic Recovery Act (CBERA) requires the Commission to prepare and submit to the Congress and the President a report regarding the economic impact of the CBERA on U.S. industries and consumers during the first 2 years the CBERA is in effect and each calendar year thereafter until duty-free treatment under the CBERA is terminated. The report is to include an assessment regarding "the actual effect . . . of this Act on the United States economy generally as well as on those specific domestic industries which produce articles that are like, or directly competitive with, articles being imported into the United States from beneficiary countries . . ." This chapter and the next discuss the effects of the act.

ESTIMATING THE TRADE AND PRODUCTION EFFECTS

The act eliminated U.S. customs duties on nonexcluded imports to the United States from CBERA countries. The duty elimination is a one-time change, and, as such, any change in trade in a commodity in the short run should be measured from the last time period that the duties were in effect. All of the currently designated countries became eligible on January 1, 1984, except the Bahamas, which became eligible in March 1985.

A wide variety of factors must be considered to estimate the effects on U.S. trade and production that have resulted from the CBERA tariff eliminations. Historical trade data show the products that CBERA countries were able to supply to the United States under pre-CBERA tariffs. Comparing past and current trade data yields some information about the effects of the duty elimination and other provisions of the act. But other factors besides the duty elimination influence trade with CBERA countries. For example, there may be large changes in the U.S. demand for some products. Importers may not take full advantage of CBERA provisions, or goods may not meet local value-added requirements. There may be local supply problems, such as bad weather or work stoppages. There may be changes in U.S. health and safety regulations affecting imports. New plants may lead to large one-time increases in production. There could be a change in GSP eligibility for an item from a particular country. Competition from other importers may affect demand for CBERA country products. Among the many other possible factors affecting rankings are changes such as tariff reclassifications, and tariff rate changes. The effects of duty elimination must be separated from these other factors.

Historical patterns of U.S.-CBERA country trade were examined to determine the products where the duty eliminations might have the greatest impact. For many products the column 1 rates of duty are quite small; hence, little change would occur in the price or volume of the imported products as a result of duty-free treatment. Where column 1 rates are significant, it must be determined how the volume of U.S. imports is affected. This depends on the willingness and ability of CBERA countries to expand exports. These questions are answered using available data on price elasticities of demand and supply. Where the duty elimination does lead to increased exports to the United States from CBERA countries, it must be determined if the CBERA country exports are likely to affect sales of U.S. products or simply displace imports from other countries.

The Commission has used the quantitative methodology explained in appendix C to estimate the effects of the CBERA duty elimination. These effects are estimated at the commodity digest level, the basic level of analysis for the discussion. No attempt is made to determine the macroeconomic effects, such as the effects on the overall U.S. trade balance, the dollar exchange rate, or aggregate U.S. employment, and it is not appropriate to sum up the trade effects across industries to obtain an aggregate trade-balance effect. This is true because the detailed estimates do not account for the response of exchange rates, and this response is likely to cause the aggregate trade balance effect to be quite small. However, only a very small error is introduced to the estimate for an individual commodity digest by ignoring these macroeconomic effects.

THE EFFECTS ON U.S. IMPORTS FROM CBERA COUNTRIES

Factors Influencing Duty Effect

There are three basic factors that determine the effects of the tariff elimination on the value of CBERA country exports to the United States in a detailed commodity category.

The first factor is the level of the tariff to be eliminated. By eliminating the tariff, the United States gives CBERA country suppliers a new price advantage that helps them compete in the U.S. market against both U.S. producers and other foreign suppliers. The higher the initial tariff, the greater this new price advantage will be when the tariff is eliminated.

The second factor is the amount of trade that will be affected by the tariff elimination. The effect on imports will tend to be greater the larger the amount of trade subject to the tariff.

The third factor is the price responsiveness of buyers and sellers in the market. In particular, the more responsive CBERA country suppliers are to an increase in the price received in the U.S. market, and the greater the willingness of U.S. buyers to expand their purchases from CBERA countries in response to a price incentive, the greater will be the effect of the tariff elimination on U.S. imports from CBERA countries.

Of the three factors just listed, good data are generally available for the level of the tariff to be eliminated and the amount of trade that will be affected. An excellent summary statistic for these two factors combined is the amount of duties collected from the tariff. This amount is the product of the tariff rate multiplied by the amount of trade subject to the tariff. Estimates for the third factor, price responsiveness, generally are not reliable. This is particularly true of the price responsiveness of suppliers.[1]

[1] A classic discussion of the problems encountered in estimating import demand elasticities is given by Guy Orcutt, "Measurement of Price Elasticities in International Trade," *The Review of Economics and Statistics*, May 1950, pp. 117-132. The best statement of the problems encountered in estimating supply curves is A.A. Walters, "Production and Cost Functions: An Econometric Survey," *Econometrica*, Jan.-Apr. 1963, pp. 1-66.

Other factors affect trade besides the duty elimination. The methodology used in this report is intended to separate the effects of the duty elimination from these other factors. For example, imports of an article may actually decrease after the duty elimination, perhaps because of increased competition from a third-country supplier. This does not indicate that the tariff elimination had no effect. Had there been no tariff elimination, it is likely that the drop in imports would have been even greater. Industry analysts have identified special factors affecting CBERA country exports to the United States.

The approach adopted here is to estimate the effects of eliminating a tariff by multiplying the duties collected, which summarize information on the amount of trade covered by the tariff and the level of the tariff, by a term that summarizes the price responsiveness of U.S. buyers of CBERA country products and of CBERA country suppliers to the U.S. market. The technique is derived and explained in appendix C.

Selection of Commodities

The primary goal of this study is to pinpoint industries that are most likely to have been affected by the CBERA duty elimination. Parts of the quantitative methodology discussed in appendix C are useful in achieving this goal.

A list of 25 major commodities was selected by ranking imports of 5-digit TSUS provisions by calculated duties collected in 1983. This list, which is shown in table 12, was used to select commodities for more detailed examination and analysis. This selection process takes into account existing trade patterns (the value of trade) and tariff rates. However, it neglects supply and demand elasticities, which also affect the relative ranking of commodities that are most likely to be affected by the CBERA. It also fails to indicate commodities not imported from CBERA countries in the past because duties were prohibitive, or where the duty eliminations will create a new industry in the beneficiary countries. This is not generally a problem given the very low U.S. duty rates for most commodities, but as is discussed below, this was a factor in nonbeverage ethanol and chemical mixtures imports. The selection method used is strictly for short-term prediction; there is no expectation that this methodology will identify new industries that require a lengthy startup period.

2-2

Data in previous years were examined to establish whether the 1983 data might represent an aberration. This led to the deletion of one commodity (film, other than motion picture film), and the addition of another (orange juice) to the list of commodities selected for detailed analysis. Data on actual CBERA duty-free imports in 1984 and 1985 were examined. Two other commodities not shown in table 12 were added to this final list. These commodities are related (nonbeverage ethanol and chemical mixtures, n.s.p.f.). One item (avocados) was dropped because of very low trade volume in 1984 and 1985. The data revealed unusual patterns in the import statistics for several tobacco categories. Subsequent investigation revealed that a tariff reclassification, the institutional details of tobacco import storage, and the similarities of several tobacco products were largely responsible for the erratic numbers. As a result, several tariff items covering tobacco were added to the final list. The major groupings of tobacco tariff items (cigarette and cigar tobacco leaf) are already represented in table 12. In one case (fresh pineapples), related tariff items were added to the item selected by the methodology.

Table 12

Leading U.S. imports from CBERA countries of goods eligible for CBERA duty-free treatment, ranked by calculated duties collected in 1983

TSUS item No.	*Description*	*Calculated duties collected*
		1,000 dollars
155.20	Sugars, sirups, and molasses	32,560
170.80	Tobacco, n.s.p.f.	2,803
106.10	Beef and veal	2,105
687.74	Monolithic integrated circuits	2,006
169.14	Rum (large containers)	1,658
685.80	Electrical capacitors	757
437.56	Adrenocortical hormones	727
170.60	Scrap tobacco	718
685.90	Electrical switches, etc.	627
170.35	Cigarette leaf, stemmed	614
734.56	Baseballs, etc.	450
148.96	Pineapples	494
425.52	Other nitrogenous compounds	455
686.10	Resistors	423
138.35	Yucca	328
723.15	Film other than motion picture	316
688.43	Electrical articles and parts	305
607.17	Wire rods	300
676.52	Parts of office machines	300
136.00	Dasheens	261
146.30	Avocados	215
437.57	Other hormones	191
137.75	Chayote	187
170.45	Filler tobacco, not stemmed	186
169.13	Rum (small containers)	169

Tables 13 and 14 contain lists of the leading 20 products entered CBERA duty-free in 1984 and 1985. Of the top 10 CBERA products in 1984, 3 do not appear in the list in table 12. Unstemmed cigarette leaf tobacco (TSUS item 170.32) appears because of a reclassification of a part of the product coverage of TSUS item 170.80. In 1983, orange juice imports from CBERA countries were low because of weather problems; they were significant enough in 1982 to place TSUS item 165.35 high on the list of duties collected in 1982.[1] Expensive cigars, TSUS item 170.70, were almost all entered under the GSP in prior years, and their appearance on the CBERA list represents a bookkeeping change rather than a response to the duty elimination. Of the next 10 items, 4 do not appear in table 12. Unstemmed cigar leaf tobacco (TSUS item 170.40) is similar to stemmed cigar leaf tobacco (TSUS item 170.45) and to scrap tobacco (TSUS item 170.60, much of which is in fact cigar filler). Almost all toy figures (TSUS item 737.30) entered under TSUS item 807.00 or the GSP prior to 1984, so that much of the value entered CBERA duty free would have entered duty free anyway. Softwood dowel rods and pins (TSUS item 200.91) were around 40th on the 1983 duties collected list. Almost all winter mangoes (TSUS item 148.03) entered duty free under the GSP in 1983.

Of the top 10 CBERA products in 1985, 3 do not appear in table 12. They are orange juice (TSUS item 165.29; note change in TSUS number), expensive cigars (TSUS item 170.70), and nonbeverage ethanol (TSUS item 427.88). The first two are discussed above. Nonbeverage ethanol is an example of the type of product for which data on duties collected do not give a good idea of the effects of a duty elimination. The additional duty of 60 cents per gallon on fuel ethanol gives a very large advantage to CBERA duty-free imports relative to other producers. There was very little nonbeverage ethanol imported from CBERA countries prior to the opening of a plant in Jamaica that was built specifically to take advantage of the CBERA duty-free provisions.

[1] Citrus juices other than orange and lime were included in TSUS item 165.35. They accounted for a very small part of this item. In 1985, concentrated orange juice was given a separate TSUS item number—165.29.

Table 13

Leading U.S. imports of goods entered CBERA duty free in 1984

TSUS item No.	Description	CBERA customs value
155.20	Sugars, sirups, and molasses	$207,334,357
106.10	Beef and veal	81,223,089
687.74	Monolithic integrated circuits	58,621,669
169.14	Rum (large containers)	31,683,515
170.35	Cigarette leaf, stemmed	30,501,073
170.70	Cigars	14,859,665
685.80	Electrical capacitors	9,296,342
170.32	Cigarette leaf, not stemmed	8,014,387
165.35	Citrus fruit juices	7,657,610
148.96	Pineapples	7,561,313
686.10	Resistors	7,246,026
688.43	Electrical articles and parts	6,984,904
170.45	Filler tobacco, not stemmed	5,471,182
685.90	Electrical switches, etc.	5,443,704
136.00	Dasheens	5,206,881
170.40	Filler tobacco, stemmed	4,764,869
170.60	Scrap tobacco	4,392,392
737.30	Toy figures	2,916,787
200.91	Softwood dowel rods and pins	2,744,204
148.03	Mangoes	2,589,715

Table 14

Leading U.S. imports of goods entered CBERA duty free in 1985

TSUS item No.	Description	CBERA customs value
106.10	Beef and veal	$99,328,216
155.20	Sugars, sirups, and molasses	97,841,171
685.90	Electrical switches	23,113,857
170.70	Cigars	19,115,456
427.88	Nonbeverage ethyl alcohol	13,146,811
685.80	Electrical capacitors	10,818,582
148.96	Pineapples	9,947,639
165.29	Concentrated orange juice	9,160,719
169.14	Rum (large containers)	7,794,548
136.00	Dasheens	7,232,446
687.74	Monolithic integrated circuits	6,956,696
170.35	Cigarette leaf, stemmed	6,775,118
686.10	Resistors	6,480,276
740.15	Jewelry, etc., and parts	5,838,626
607.17	Wire rods	5,486,538
170.32	Cigarette leaf, not stemmed	5,129,422
432.10	Chemical mixtures, n.s.p.f.	5,104,979
688.42	Electrical articles and parts	5,059,027
427.97	Methyl alcohol	4,904,985
740.70	Chains of precious metals	4,546,490

Of the second 10 goods, 5 are not included in table 12. CBERA imports of unstemmed cigarette tobacco leaf (TSUS item 170.32) resulted largely from the reclassification of TSUS item 170.80 mentioned above. Chemical mixtures, n.s.p.f. (TSUS item 432.10), are in fact mixtures primarily of Jamaican ethanol. All imports of methanol (TSUS item 427.97) in 1984, the first year of imports, were duty free under the GSP. The jewelry articles (TSUS items 740.15 and 740.70) apparently represent the growing operations of an Italian firm in the Dominican Republic. Growth in imports of these jewelry articles seems to have depended as much on TSUS item 807.00 and GSP advantages as on CBERA advantages.

THE EFFECTS ON TOTAL U.S. IMPORTS AND ON COMPETING U.S. PRODUCERS

At least two additional factors need to be considered in determining the effects of the duty elimination on total imports and on competing U.S. producers. First, the tariff advantage given to CBERA country producers helps them compete more effectively with other foreign suppliers to the U.S. market. Thus, part of the increase in CBERA country sales is likely to displace sales of other foreign suppliers, and not just sales of U.S. producers. This means that total U.S. imports of the commodity should increase by a smaller amount than increased imports from CBERA countries. Second, the increased price competitiveness of CBERA country suppliers will tend to depress the price of the commodity charged by other suppliers as well, and this will tend to cause total U.S. consumption of the commodity to expand. Since total sales expand, the displaced sales are less than the increase in CBERA country exports.

The quantitative methodology used here disregards any tendency for total U.S. sales of the commodity to increase. Thus, it tends to overstate the displaced sales of U.S. producers and of foreign suppliers besides CBERA countries. In the absence of better information about who would be displaced by the increase in CBERA country sales, the displacement is allocated to U.S. producers and to other import suppliers according to their market shares. For example, if the U.S. share of the market is twice as great as that of non-CBERA country import suppliers, then it is assumed that one-third of the increase in CBERA country sales would come at the expense of other import suppliers, and two-thirds would come at the expense of U.S.

producers.[1] As was the case with the value of imports from CBERA countries, there may be times when the data seem to contradict the estimates of the increase in total imports or displacement of U.S. production generated by the quantitative methodology. For example, the methodology may predict a displacement of U.S. production while actual production increases. In such a case, factors in addition to the duty elimination are at work, such as expanding U.S. demand for the product.

The methodology is not well suited for analysis of items involving offshore assembly or processing such as items entered under TSUS items 806.30 and 807.00. Nonetheless, the estimates for these goods have been included as a reference for the qualitative corrections discussed below. All of the schedule 6 and 7 items covered in the commodity digests except wire rods (TSUS item 607.17) are for the most part assembled in CBERA countries with U.S.-produced parts. This leads to overestimates of the absolute amounts of imports affected by the tariff elimination. It also leads to difficulties in analyzing the effects of the tariff elimination on total imports of the product, and especially on the displacement of U.S. production.

Estimates of the increase in imports are based on the assumption that all the duty on an item will be eliminated. Items must meet local value-added requirements to have CBERA duty-free status. The U.S. value of many of the subject items has historically been very high, so that many items produced under traditional arrangements do not meet the value-added requirements (20 percent local value added in the case of goods using 15 percent or more U.S.-produced parts). Thus the absolute amount of imports affected by the tariff elimination will be overestimated. This overestimation may be offset somewhat if some production processes are moved from the United States to CBERA countries to increase the value added in CBERA countries.

While the estimates of the dollar value of displaced shipments are derived from duties collected on the local content of imports from CBERA countries, the division of market shares between displaced U.S. production and non-CBERA imports is based on the total value of imports—i.e., it includes the U.S. content of goods assembled offshore. This tends to distort the numbers. The direction of the distortion depends on the relative U.S. content of imports from CBERA countries and non-CBERA countries.

Very little primary production of the subject goods occurs in CBERA countries. Almost all imports are assemblies of parts produced elsewhere. This assembly work is labor intensive, and low wage rates attract this work to CBERA countries and other low-wage countries. In many cases little or no assembly work is done in the United States. In these cases it is most likely that CBERA duty-free treatment of these items does not displace U.S. production, but displaces assembly operations in other low-wage countries. In any event, it is not possible to separate the value added by assembly operations in the United States from the value added by component production.

THE EFFECTS ON U.S. CONSUMERS

The effect on U.S. consumers is composed of several parts. First, the tariff elimination reduces the price of imports from CBERA countries. Second, the price of competing U.S. output may be bid down as a result of the price advantage given to CBERA country suppliers. Finally, U.S. residents are liable for greater taxes if the revenues lost from the tariff are to be made up from other sources. An approximation of the benefits to U.S. consumers arising from the reduction in the price of imports from CBERA countries is given by equation A12 in appendix C. This approximation assumes that U.S. importers fully pass through to consumers any reduction in import prices. This should occur if the market is competitive. In addition to approximating the consumer gains from the reduction in the price of imports from CBERA countries, equation A12 also gives exactly the part of the lost U.S. tariff revenue that goes to U.S. consumers. The remainder of these lost revenues go to CBERA country producers.

U.S. consumers can also gain from a reduction in the price of U.S. output that competes with imports from CBERA countries. However, this gain is exactly offset by a loss to U.S. producers, and this part of the consumer gain is very difficult to estimate because of the difficulties in estimating domestic supply curves.

[1] The technique is derived and explained in app. C.

EMPIRICAL ESTIMATES

Estimates of percent increases in total U.S. imports, share of domestic shipments displaced, and share of tariff reduction pass-through to consumers for the most important commodities are presented in table 15. These estimates were derived using the quantitative methodology described in appendix C. These estimates should not be relied on by themselves, but should be considered in conjunction with the commodity digests in chapter 3. There are many cases where these estimates must be qualitatively modified in light of information specific to markets for individual commodities.

Overall Economic Effects on the United States

The overall effects of the act on the United States are minimal for two main reasons: (1) U.S. trade with CBERA countries is small relative to the overall U.S. economy, and in most instances the increase in trade with the region is even smaller; (2) the duty elimination effectively applies to only a small part of U.S. trade with CBERA countries.

U.S. imports from CBERA countries amounted to less than 3 percent of total U.S. imports in recent years, and U.S. exports to CBERA countries amounted to just under 3 percent of total U.S. exports. Imports from CBERA

Table 15

Calculated duties on U.S. imports from CBERA countries and derived estimates of the percent increase in total U.S. imports, percent of U.S. domestic shipments displaced, and percent of tariff reduction pass-through to consumers as a result of duty-free imports from CBERA countries, by commodity digest, pre-CBERA period to post-CBERA period

Digest	*Calculated duty on imports from CBERA countries (1983)*	*Percent increase in total U.S. imports*	*Percent of U.S. domestic shipments displaced*	*Percent of tariff reduction pass-through to consumers*
	1,000 dollars	*Percent*		
Beef and veal	2,105	0.1-0.6	0.005-0.021	15-75
Dasheens	261	1.0-6.7	1.0-6.3	30-96
Chayote	187	1.1-7.0	67-439	30-96
Yucca	328	4.1-26.6	11.5-75.5	30-96
Fresh pineapple	508	3.2-23.8	.5-3.9	10-84
Sugar	32,560	N/A	N/A	N/A
Concentrated orange juice	[1]722	.1-.3	.04-.09	37-86
Rum	1,828	18.9-37.3	.8-1.6	14-81
Cigarette leaf tobacco and tobacco not specially provided for	3,461	.6-6.5	.2-2.2	8-65
Filler tobacco, other than cigarette, and scrap tobacco	979	.7-6.0	.9-7.4	12-89
Other nitrogenous compounds	[2]397	.2-.7	.02-.08	21-85
Ethanol and ethanol in chemical mixtures	0	Less than 10.3	Less than 2.3	N/A
Synthetic non-benzenoid hormones	[2]837	.5-4.3	.02-.2	21-96
Wire rods	[3]186	.03-.21	.01-.08	21-93
Certain parts for office machines	300	.004-.031	.0002-.0020	16-93
Capacitors	757	.1-.6	.03-.16	20-92
Articles for making and breaking electrical circuits	627	.02-.12	.001-.010	21-94
Resistors	423	.1-.5	.03-.16	19-85
Monolithic integrated circuits	2,006	.02-.11	.01-.07	15-88
Miscellaneous electrical articles and parts	305	.03-.18	.003-.016	16-93
Baseball equipment	450	.2-1.7	.5-5.0	14-94

[1] Duties collected in 1982. Imports were abnormally low in 1983.
[2] Duties collected in 1984. Most imports of these items are from the Bahamas, which was not a designated beneficiary country until March 1985.
[3] Does not include antidumping and countervailing duties levied against imports from Trinidad and Tobago.

Source: Data derived from official statistics of the Bureau of the Census, U.S. Department of Commerce, or estimated by the staff of the U.S. International Trade Commission.

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countries have ranged in value from around 0.3 percent of U.S. gross national product (GNP) to under 0.2 percent. Exports have been around 0.2 percent of GNP or less. Even if there were a quintupling of U.S. imports from CBERA countries from pre-CBERA levels, they would barely equal 1 percent of U.S. GNP. Therefore, one should not expect the CBERA to have any significant effect on the overall U.S. economy.

When product exclusions and duty-free opportunities not related to CBERA are considered, less than 10 percent of the value of U.S. imports from CBERA countries is affected by the CBERA duty reductions.[1] This means that less than 0.3 percent of total U.S. imports have been affected by the CBERA duty elimination. This amounts to less than 0.03 percent of U.S. GNP. Using a high estimate of U.S. production displaced (10 percent of the value of affected CBERA country imports), yields an upper estimate of 0.003 percent of U.S. production displaced as a result of the CBERA duty elimination.[2] This estimate ignores the positive effects on U.S. production of increased U.S. exports that may have resulted from higher CBERA country dollar incomes and imported inputs, a combined amount that could easily offset and exceed the displacement of U.S. production.

Effects of the CBERA on Puerto Rico

When the CBERA was originally under consideration, there was concern that Puerto Rico might be adversely affected by the program because of its similarities in climate, culture, and industry, and so forth to CBERA beneficiary countries. A report prepared for the Puerto Rican Senate in 1982 expressed concern for the textiles and apparel, leather footwear, rum, electrical and electronic parts, and agriculture industries.[3] In addition, there was sufficient concern for the tuna-canning industry in Puerto Rico (and in American Samoa), that canned tuna was excluded from duty-free treatment even in the earliest drafts of the act. Textiles and apparel and leather footwear were excluded from duty-free treatment largely owing to concerns of U.S. producers. A major Puerto Rican concern with rum was the rebate of U.S. excise taxes on rum to the Puerto Rican Government. A provision of the act allows the President to consider compensation if there is a reduction in these revenues.

In draft versions of the act, rule-of-origin requirements were satisfied by only 25 percent value added in a CBERA beneficiary country. Some feared that this low value-added requirement would encourage Japanese and European electronics manufacturers to send parts to the Caribbean region to be assembled and sent into the U.S. duty free.[4] This would have adversely

[1] Rough estimation of the amount of U.S. imports from CBERA countries that benefit only from CBERA duty-free status and not from other duty-free provisions is fairly easy. Only dutiable goods can benefit from GSP or CBERA duty-free provisions. The goods that qualify for CBERA duty-free treatment can be divided into goods qualifying for GSP duty-free treatment and goods not GSP eligible. For all practical purposes, goods that are eligible for GSP duty-free treatment are a wholly contained subset of goods eligible for CBERA duty-free treatment. The value of goods that benefit from CBERA duty-free status but not from MFN or GSP duty-free status can therefore be obtained by subtracting the value of imports eligible for GSP duty-free treatment from the value of imports eligible for CBERA duty-free treatment. Certain products from individual countries may exceed competitive-need limits and not have GSP duty-free treatment, and thus benefit from CBERA duty-free treatment. The value of these products should be added to the (CBERA-GSP) residual to get a better estimate of goods benefiting exclusively from CBERA duty-free status. Sugar from the Dominican Republic accounts for most of the value of CBERA country goods that exceeded the competitive-need limits. Sugar from the Dominican Republic was not GSP eligible in 1983 and part of 1984. Using figures from table 10, one can obtain 390 million dollars' worth of 1983 CBERA country exports to the United States as the minimum that qualified for duty-free treatment under the CBERA, but not under any other program. Adding the 166 million dollars' worth of sugar imports from the Dominican Republic one obtains 556 million dollars' worth of 1983 imports that could benefit from CBERA duty-free treatment but not other duty-free privileges. This amounts to 6.3 percent of total U.S. imports from CBERA countries in 1983. For 1984, the share of affected trade was between 5.3 and 7.7 percent, depending on whether Dominican Republic sugar is counted as GSP eligible or not. For 1985 the figure was 7.2 percent. Allowances for the U.S. content of TSUS items 806.30 and 807.00 goods and the local-content provisions of the GSP and CBERA would cause minor adjustments to these numbers.

[2] Using 1983 as a base year, summing the low and high estimates of U.S. production displaced for the commodities covered, excluding sugar (which is under quota), the Commission obtains a low estimate of $11 million and a high estimate of $61 million. With the $559 million in trade in these items in 1983, these estimates of U.S. production displaced range from about 2 to 11 percent of the value of the affected imports.

[3] Barbara Epstein, *Potential Impact on Puerto Rico of the Caribbean Basin Initiative* (New York: Economic Studies, Inc., 1982).

[4] Ibid., p. 77.

affected Puerto Rican assembly operations. The 35-percent-value-added requirement of the GSP was maintained in the final version of the act, and all Puerto Rican value added is included in the 35 percent (up to 15 percent of U.S. value can be counted toward the 35 percent).

Puerto Rican agriculture has declined considerably because of industrialization programs and the application of the U.S. minimum wage in Puerto Rico. Puerto Rico is a net food importer with much of local production being strictly for local consumption. The CBERA includes provisions for expedited relief for perishable products from increased imports under section 201 of the Trade Act of 1974. These provisions could be used to obtain relief for Puerto Rican farmers facing injury from imports of CBERA country agricultural products, but no petitions for relief have been filed under these provisions either by Puerto Rican or mainland producers.

Despite its concerns about Caribbean competition, current Puerto Rican policies strongly favor the CBERA. Puerto Rico's interest in the CBERA derives, in part, from certain provisions in U.S. tax laws concerning the island. The first proposal advanced by the U.S. Department of the Treasury to reform the current U.S. tax system included the repeal of the tax preferences given to U.S. corporations operating in Puerto Rico under section 936 of the Internal Revenue Code. Tax preferences under section 936 and its precursor in the tax code have been in effect since the 1950's. These tax preferences have attracted much industry to the island and are credited for the most prosperous sectors of the Puerto Rican economy.[1] In an effort to save this tax preference, the Puerto Rican Government proposed changes in its tax laws and in section 936 that would allow and encourage firms to invest in "twin plants" in Puerto Rico and CBERA beneficiary countries.[2] Under the "twin plant" concept, components manufactured in Puerto Rico (or perhaps in the United States) would be sent to CBERA beneficiary countries for labor-intensive assembly work. Finishing and quality-control work would be done in Puerto Rico. The argument builds on provisions that are already in effect and that allow the value added in Puerto Rico, both before and after CBERA country assembly work, to count toward the 35-percent-value-added requirement for CBERA duty-free entry.

The tax reform bill retains the tax preferences in section 936. It allows funds generated under section 936 on deposit at both the Government Development Bank and private banks to be used for investments in "twin plant" operations in CBERA countries at preferential rates. These funds will only be available for projects in countries having tax information exchange treaties with the United States. Barbados is the only CBERA country known presently to have such a treaty with the United States.

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[1] See, for example, A. Koffman O'Reilly, "Tax Reform Proposal Troubles Puerto Rico," *The Journal of Commerce*, July 15, 1985, Supplement, p. 1, and Jose Ramon Oyola, "Puerto Rico Set To Broaden Economic Base," *The Journal of Commerce*, July 15, 1985, p. 4.

[2] Raphael Hernandez Colon, "Tax Breaks Are Viewed Essential to the Economy," *The Journal of Commerce*, July 15, 1985, Supplement, p. 1.

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CHAPTER 3. LEADING PRODUCTS IN CBERA TRADE

This chapter contains information on specific products (and their corresponding TSUS items) of importance in U.S.-CBERA trade. The previous chapter described the methodology by which individual tariff items were identified as being the principal, likely beneficiaries of the duty-free status granted by the CBERA. Those items are analyzed in this chapter along with a brief description of U.S. trade with the Caribbean Basin in the first 2 years of operation of the program.

The discussion is conducted in two parts: (1) by TSUS schedule and (2) by specific TSUS item(s). The schedule analysis includes the commodity coverage of the tariff schedules, a profile of the CBERA sector of those commodities, U.S. imports from the Caribbean Basin area, and, where comments have been received by the Commission, the position of interested parties.[1]

Product-specific analysis is provided for particularly significant CBERA items and is contained in commodity digests. Each digest includes a profile of both U.S. and CBERA producers as well as a discussion of U.S. imports and the domestic market for the product. The digest concludes with a brief discussion of the economic effects of duty-free treatment.

Nineteen commodity digests are covered in this chapter. They are:

Schedule 1, Animal and vegetable products
- Beef and veal
- Tropical vegetables (dasheen, chayote, and yucca)
- Pineapple
- Sugar
- Concentrated orange juice
- Rum
- Tobacco (cigarette, leaf tobacco, filler and scrap tobacco)

Schedule 2, Wood and paper; printed matter

Schedule 3, Textiles and apparel

Schedule 4, Chemicals and related products
- Other nitrogenous compounds
- Ethanol
- Synthetic non-benzenoid hormones

Schedule 5, Nonmetallic minerals and products

Schedule 6, Metals and metal products
- Wire rods
- Parts for office machines
- Electrical capacitators
- Articles for electric circuits
- Resistors
- Monolithic integrated circuits
- Misc. electrical articles and parts

Schedule 7, Specified products, miscellaneous products
- Baseball equipment

TSUS SCHEDULE 1, ANIMAL AND VEGETABLE PRODUCTS

Schedule 1 Commodity Coverage

Commodities classified in schedule 1 of the Tariff Schedules of the United States include raw agricultural products such as live animals, grains, fruits and vegetables, cut flowers, live plants, tobacco, and oilseeds, and processed agricultural products such as meat, sugar, fish and shellfish, dairy products, animal and vegetable fats and oils, and alcoholic beverages. The leading schedule 1 commodity imports from CBERA countries in 1985, by value, were coffee (31 percent), fresh bananas (20 percent), sugar (13 percent), shellfish other than clams (10 percent), and fresh, chilled, or frozen beef and veal (5 percent). During 1981–85, the value of imports from CBERA countries followed no trend and ranged from $1.7 billion in 1982 to $2.2 billion in 1984 (table 16). The value of imports from CBERA countries in 1985 was $2.1 billion. During 1981–85, the share of schedule 1 imports entering from CBERA countries declined irregularly from 9.9 to 8.5 percent.

Profile of CBERA Sector

Five countries—the Dominican Republic, Guatemala, Costa Rica, Honduras, and El Salvador—supplied 80 percent of schedule 1 imports from CBERA countries in 1985. Coffee, fresh bananas, sugar, certain shellfish, and fresh,

[1] The CBERA statute requires that an opportunity for comment be afforded the public in connection with the publication of ITC annual reports on the impact of the act. A *Federal Register* notice (appendix D) solicited public comment. The comments where received, are contained in subsections of this chapter entitled "Position of interested parties."

chilled, or frozen beef and veal accounted for 79 percent of the value of these imports. However, it should be noted that all of these articles are either free of duty without CBERA status (coffee, fresh bananas, and certain shellfish), subject to quantitative import restrictions (sugar), or subject to import eligibility requirements (beef and veal). Other important CBERA import items in 1985, and their primary sources, include cigarette tobacco ($19 million) from Guatemala and Honduras; tropical vegetables ($14 million) from the Dominican Republic and Costa Rica; pineapples ($11 million) from Honduras, Costa Rica, and the Dominican Republic; rum ($10 million) from Jamaica and Barbados; and frozen concentrated orange juice ($10 million) from Belize.

U.S. Imports

During 1981–85, U.S. imports of animal and vegetable products increased irregularly from $20.3 billion to $24.5 billion. Canada was the leading supplier over the period, and in 1985 accounted for 13 percent of the value of U.S. imports. Brazil and Mexico were also important suppliers and accounted for 10 and 7 percent, respectively, of 1985 imports. In 1985, imports from CBERA countries made up 8.5 percent of the value of U.S. imports of animal and vegetable products compared with 9.3 percent in 1983.

With the exception of quantitative limitations on sugar and certain beef and veal, U.S. imports of animal and vegetable products are subject to no trade barriers, but they must meet the standards (generally administered by the U.S. Food and Drug Administration or the U.S. Department of Agriculture (USDA)) applied to the comparable U.S. product. Imports of meat are limited to those countries and plants that are found by the U.S. Secretary of Agriculture to have standards that are at least equal to U.S. Federal Standards. Certain imported cigarette tobacco must be inspected and graded by the USDA to comply with U.S. standards.

The majority of schedule 1 imports from CBERA countries (an annual average of 78 percent over 1981–85) did not enter under any preference program. About two-thirds of the value of schedule 1 imports from CBERA countries in 1985 entered free of duty under column 1 of the TSUS. Such duty-free items included coffee, bananas, certain shellfish, cocoa beans, smelts, and cocoa butter. During 1981–85, the percent of imports entering the United States from CBERA

Table 16

TSUS schedule 1, animal and vegetable products: U.S. imports for consumption, 1981–85

Item	*1981*	*1982*	*1983*	*1984*	*1985*	*Absolute change, 1985 from 1983*	*Percentage change, 1985 from 1983*
Total (million dollars)	20,261	19,038	20,545	23,362	24,502	3,957	19.2
From leading 3 suppliers:							
Canada (million dollars)	2,264	2,515	2,680	3,039	3,096	416	15.5
Brazil (million dollars)	2,038	1,605	1,751	2,243	2,450	699	39.9
Mexico (million dollars)	1,482	1,609	1,736	1,715	1,799	63	3.6
From CBERA countries (million dollars)	2,013	1,714	1,914	2,179	2,084	170	8.8
Imports from CBERA countries entering under—							
GSP (million dollars)	313	213	335	315	233	-102	-30.4
806.30/807.00 (million dollars)	-	-	-	(1)	(1)	(1)	-
CBERA (million dollars)	-	-	-	452	334	334	-
Share from CBERA countries (percent)	9.9	9.0	9.3	9.3	8.5	-	-
Share of imports from CBERA countries entering under—							
GSP (percent)	15.5	12.4	17.5	14.4	11.1	-	-
806.30/807.00 (percent)	-	-	-	(2)	(2)	-	-
CBERA (percent)	-	-	-	20.7	16.0	-	-

[1] Less than $500,000.
[2] Less than 0.05 percent.

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

countries under special programs, (e.g., GSP, TSUS items 806.30/807.00, and CBERA) ranged from 12 percent in 1982 to 35 percent in 1984. The ratio was 27 percent in 1985. In 1985, 16 percent of imports from CBERA countries entered under CBERA preference compared with 21 percent in 1984. Imports entering under the GSP from CBERA countries increased irregularly from 16 percent in 1981 to 18 percent in 1983 and then declined steadily to 11 percent in 1985. Imports entering the United States from CBERA countries under TSUS items 806.30/807.00 were zero during 1981–83 and less than 0.05 percent in 1984 and 1985.

The Caribbean Basin beneficiary countries have a relatively small share of the U.S. market for animal and vegetable products. It is estimated that in 1985, U.S. consumption of animal and vegetable products totaled $334 billion and the import to consumption ratio (for all imports) totaled about 7 percent. During 1981–85, the ratio of imports from CBERA countries to consumption is estimated to have been less than 1 percent. Traditionally, CBERA countries are most competitive in commodities like coffee, bananas, and sugar, for which the climate and geography of the region are especially suited and for which the low labor costs of the region can be utilized to advantage.

Position of Interested Parties

The California Farm Bureau Federation believes that CBERA has had a relatively minor impact on domestic producers to date. However, they are concerned about the potential impact of CBERA and the precedent it sets by unilaterally reducing or eliminating tariffs with no consideration of domestic industries. They feel that increases in plantings and production facilities, government directives to increase fruit and vegetable production, and increased U.S. investment in the CBERA region all point to considerable competition from beneficiary nations in the near future.

The Florida Fruit and Vegetable Assocation believes that if the goals of the CBERA program are met, exports from the CBERA countries will harm the Florida fruit and vegetable industries. They are concerned that direct and indirect aid given to CBERA countries by the U.S. Government is promoting economic activity far beyond what a free market would dictate.

The Florida Farm Bureau Federation is concerned about the apparent unavailability of CBERA country agricultural data to domestic growers, and the improper use of the CBERA by countries who might possible transship both processed and unprocessed products through CBERA beneficiary countries.

Lincoln Diversified Systems, Inc., is a U.S. importer and marketer of Haitian mangoes. It believes that duty-free entry of Haitian mangoes into the United States is a prime example of the Caribbean Basin Initiative working at its best for all parties involved. It has added a high-quality fruit to the diet of U.S. consumers, stimulated the market for U.S. mango producers, alleviated some of the strain on the Haitian economy, and strengthened the trade relationship between Haiti and the United States.

Beef and Veal

TSUS item No.	Brief description[1]	Col. 1 rate of duty effective— Jan. 1, 1983	Jan. 1, 1986
		(pre-CBERA)	
106.10	Beef and veal, fresh, chilled, or frozen.	2¢/lb.	2¢/lb.

[1] For the statutory description, see the *Tariff Schedules of the United States Annotated, 1986.*

Description and Uses

This digest covers fresh, chilled, or frozen beef and veal. The imports from CBERA countries consist of lean beef for manufacturing into food products such as stews, soups, frozen dinners, and so forth. The imported beef is derived from grass-fed animals and is used for the same purposes as domestic beef derived from cull cows and trimmings from grain fed cattle.

Profile of Domestic Producers

Cattle are raised and beef and veal are processed throughout the United States, but production is concentrated in the Corn Belt, the Western rangelands, and the Southeastern United States. The number of cattle farms and ranches in the United States declined from about 1.6 million in 1981 to 1.5 million in 1985, while the number of Federally inspected slaughtering plants declined from 1,555 to 1,451. During 1981–85, cattle and calf shipments (commercial slaughter) increased from 38.2 million animals in

1981 to 41.3 million in 1984 before declining to 40.0 million in 1985. Beef and veal shipments (commercial production) increased from 22.3 billion pounds in 1981 to 24 billion pounds in 1985 (table 17). Although official data are not available, members of the American Meat Institute (AMI) (the association representing meat packers and processors) contend that there is significant underutilized capacity in the beef-packing and beef-processing sector.

U.S. investment in cattle raising and beef and veal processing in CBERA countries appears to be minimal. A major U.S. sugar company, Gulf & Western, at one time was involved in cattle production in the Dominican Republic as an adjunct to its sugar operations. However, the company sold its entire holdings in early 1985.

Profile of CBERA Producers

Among CBERA countries, the leading beef- and veal-producing countries are Honduras, Guatemala, Costa Rica, the Dominican Republic, Panama, and El Salvador. The cattle inventory as of January 1, 1986, and beef and veal production in 1985 for these countries are shown in the following tabulation:

Country	*Cattle inventory (1,000 head)*	*Beef and veal production (million pounds)*
Honduras	2,824	84
Guatemala	2,587	126
Costa Rica	2,553	139
Dominican Republic	1,922	121
Panama	1,423	117
El Salvador	929	49

There are no known plans for major investments or export expansion among CBERA cattle raisers or beef and veal processors.

U.S. Imports

U.S. imports of fresh, chilled, or frozen beef and veal increased irregularly from 1.2 billion pounds in 1981 to 1.3 billion pounds in 1985. Australia and New Zealand accounted for about three-fourths of U.S. imports annually during 1981–85, and the share supplied by Canada increased from about 10 percent annually during 1981–83 to 15 percent in 1984 and 1985. The share of imports from CBERA countries declined irregularly from nearly 12 percent in 1981 to 9 percent in 1985.

U.S. imports of fresh, chilled, or frozen beef and veal are subject to quantitative limitations imposed under the Meat Import Act of 1979 and to voluntary restraint agreements (VRA's) negotiated under the authority of section 204 of the Agricultural Act of 1956. During 1981–85, U.S. imports from CBERA countries at no time reached a magnitude that required imposition of quantitative limitations under the Meat Import Act or VRA's. Nearly one-half of beef and veal imports from CBERA countries entered Puerto Rico.

U.S. imports of fresh, chilled, or frozen beef are subject to health and sanitary regulations administered by the U.S. Department of Agriculture. Imports of meat are limited to those from countries and plants that are found by the U.S. Secretary of Agriculture to have standards that are at least equal to U.S. Federal Standards. Among CBERA countries, Belize (with one plant), Costa Rica (with four plants), the Dominican Republic (with four plants), El Salvador (with one plant), Guatemala (with four plants), Honduras (with five plants), and Panama (with one plant) were eligible to ship meat to the United States as of May 1986. In mid-February 1984, the Dominican Republic, Haiti, El Salvador, and Panama (as well as some non-CBERA countries) lost eligibility to ship meat to the United States because of changes in U.S. regulations with respect to pesticide residues and species verification. Panama was reauthorized to ship to the United States in late March 1984, El Salvador in late May 1984, and the Dominican Republic in mid-April 1985; as of May 1986, Haiti was still not authorized to ship meat to the United States.

Fresh, chilled, or frozen beef and veal have not been afforded duty-free treatment under the GSP, and there were no entries under TSUS items 806.30/807.00; however, 90 percent of imports (by value) from CBERA countries in 1984 and 93 percent in 1985 entered duty free under the CBERA program.

U.S. imports of fresh, chilled, or frozen beef and veal from CBERA countries decreased from 141 million pounds in 1981 to 92 million pounds in 1984 before increasing to 119 million pounds in 1985. During 1982 and 1983, CBERA countries faced strong competition in the U.S. market from Australia and New Zealand. During 1982 and 1983, Australia and New Zealand had large supplies of beef that resulted from increased cattle slaughter following severe drought and poor pasture conditions in those countries. Exports of

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Table 17
Beef and veal: Profile of U.S. market, 1981-85

Item	1981	1982	1983	1984	1985	Absolute change, 1985 from 1983	Percentage change, 1985 from 1983
Quantity basis							
Shipments (million pounds)	22,269	22,789	23,488	23,897	24,047	559	2.3
U.S. exports:							
Total (million pounds)	137	158	179	219	220	41	23.3
To CBERA countries(million pounds)	7	8	8	6	5	-3	-39.0
U.S. imports:							
Total (million pounds)	1,200	1,338	1,247	1,138	1,311	64	5.1
From CBERA countries (million pounds)	141	114	105	92	119	14	13.4
Imports from CBERA countries entering under—							
GSP (million pounds)	0	0	0	0	0	-	-
806.30/807.00 (million pounds)	0	0	0	0	0	-	-
CBERA (million pounds)	0	0	0	83	112	112	-
Share of total imports from CBERA countries (percent)	11.7	8.4	8.4	8.0	9.1	-	-
Share of imports from CBERA countries entering under—							
GSP (percent)	-	-	-	-	-	-	-
806.30/807.00 (percent)	-	-	-	-	-	-	-
CBERA (percent)	-	-	-	90.6	94.1	-	-
Apparent U.S. consumption (million pounds)	24,194	24,390	25,166	25,403	25,756	590	2.3
Ratio of—							
Imports to apparent consumption (percent)	4.9	5.4	4.9	4.4	5.0	-	-
Imports from CBERA to apparent consumption (percent)	0.5	0.4	0.4	0.5	0.4	-	-
Value basis							
Shipments (million dollars)	34,283	34,822	34,621	35,989	32,944	-1,699	-4.8
U.S. exports:							
Total (million dollars)	248	320	341	418	427	86	25.1
To CBERA countries (million dollars)	13	12	12	11	8	4	-37.5
U.S. imports:							
Total (million dollars)	1,192	1,207	1,161	1,027	1,077	84	7.2
From CBERA countries (million dollars)	155	118	106	90	106	(1)	0.1
Duties collected (million dollars)	3	2	2	(1)	(1)	-2	-95.0
Imports from CBERA countries entering under—							
GSP (million dollars)	-	-	-	-	-	-	-
806.30/807.00 (million dollars)	-	-	-	-	-	-	-
Dutiable value (million dollars)	-	-	-	-	-	-	-
CBERA (million dollars)	-	-	-	81	99	99	-
Share of total imports from CBERA countries (percent)	12.9	9.7	9.1	8.7	9.8	-	-
Share of imports from CBERA countries entering under—							
GSP (percent)	-	-	-	-	-	-	-
806.30/807.00 (percent)	-	-	-	-	-	-	-
CBERA (percent)	-	-	-	90.1	93.7	-	-
Apparent U.S. consumption (million dollars)	36,381	37,268	37,095	38,257	35,286	-1,809	-4.9
Ratio of—							
Imports to apparent consumption (percent)	3.2	3.2	3.1	2.6	3.0	-	-
Imports from CBERA to apparent consumption (percent)	0.4	0.2	0.3	0.2	0.3	-	-

[1] Less than $500,000.

Note.—Included in this item are TSUS item 106.10 and schedule B items 106.10, 106.38, 106.42, and 106.46. Percentages are calculated from raw data and may differ from those calculated from rounded data.

Source: Compiled from official statistics of the Bureau of the Census, U.S. Department of Commerce, or estimated by the staff of the U.S. International Trade Commission.

beef from CBERA countries in 1984 were apparently reduced by the previously discussed changes in U.S. health and sanitary regulations. The Dominican Republic, which, as previously noted, was not eligible to ship meat to the United States during most of 1984, had shipped an average of nearly 10 million pounds of beef annually to the United States during 1981–83. However, during 1985, exports of beef to the United States from the Dominican Republic reached about 18 million pounds.

U.S. Market

Consumption of beef and veal in the United States increased steadily from 24.2 billion pounds in 1981 to 25.8 billion pounds in 1985. Some U.S. cattlemen contend that the increase, rather than reflecting increased demand, is the result of cattlemen exiting from the industry and selling off their animals for slaughter because of financial problems. They also contend that cattlemen in countries that export beef to the United States benefit from government programs that encourage exports to the United States. During 1981–85, imports from all sources, as a share of the quantity of U.S. consumption, fluctuated irregularly from a high of 5.5 percent in 1982 to a low of 4.5 percent in 1984. Imports from CBERA countries equaled about 0.5 percent of U.S. consumption annually during 1981–85.

Imports of fresh, chilled, or frozen beef and veal from CBERA countries face strong competition from U.S. producers and from other suppliers such as Australia, New Zealand, and Canada. Meat packers and processors in CBERA countries reportedly pay lower wage rates to packinghouse workers than do packers and processors in the United States and other supplying countries. However, CBERA countries tend to have somewhat higher unit costs because of smaller quantities of production.

Economic Effects

The effect of CBERA duty-free treatment of beef and veal on the U.S. industry has been negligible. Total imports of beef and veal amount to around 3 percent of the value of U.S. consumption, and CBERA imports amount to less than 10 percent of the value of total imports. The duty of 2 cents per pound has been equivalent to about two percent ad valorem.

It is estimated that total U.S. imports have increased by less than one percent as a result of the duty elimination, and that much less than one tenth of one percent of U.S. domestic shipments have been displaced. Savings from the duty elimination have been split between U.S. consumers and CBERA suppliers, with suppliers perhaps benefiting somewhat more.

Tropical Vegetables

TSUS Item No.	Brief description[1]	Col. 1 rate of duty effective— Jan. 1, 1983	Jan. 1, 1986
		(pre-CBERA)	
	Vegetables, fresh, chilled, or frozen (but not reduced in size nor otherwise prepared or preserved):		
136.00	Dasheens	5%	5%
137.75	Chayote	12.5%	12.5%
	Vegetables, fresh, chilled, or frozen, and cut, sliced, or otherwise reduced in size (but not otherwise prepared or preserved):		
138.35	Yucca	17.5%	17.5%

[1] For the statutory description, see the *Tariff Schedules of the United States Annotated, 1986.*

Description and Uses

The tropical vegetables covered in this write-up include dasheens, yucca, and chayote and are grown in significant quantities throughout Central and South America and to a limited extent in the United States. Dasheens (also called malanga) and yucca are the fleshy tubers (roots) of tropical plants; chayote is the fruit of a tropical vine. Dasheens somewhat resemble an Irish potato in appearance and use; after cleaning, the peeled tubers are usually baked or boiled and then mashed and eaten alone or with meat. Yucca is used in the same way as dasheens. Chayote, similar in growth and appearance to squash, is usually prepared and eaten in the same manner as summer squash. Each of these vegetables is generally consumed on the farm where grown, but is also available in certain ethnic markets.

Profile of Domestic Producers

During 1981–85, aggregate U.S. shipments of the subject tropical vegetables fell from an estimated 29.4 million pounds, valued at $15.0 million, in 1981 to about 15.5 million pounds,

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valued at $7.7 million, in 1982–83 (due to severe weather-related crop damage in 1982 and 1983) and then rose steadily to 34.6 million pounds, valued at $17.6 million, in 1985 (tables 18, 19, and 20). In 1985, dasheens accounted for 89 percent by volume of the total, with yucca accounting for nearly all of the rest.

In recent years, the subject tropical vegetables were grown in South Florida on an estimated 5,500 harvested acres by about 175 growers, with dasheens accounting for about two-thirds of the acreage and yucca the remainder. Chayote production in Florida has been negligible for a number of years, primarily because of an unsuitable growing environment. According to industry sources, Florida probably accounts for over 90 percent of domestic production of the subject vegetables, with limited production in Hawaii, Puerto Rico, and California. Domestic production in Florida has risen over the last several years and, since 1980, has spread to other areas of the State as growers expanded production into areas better suited to raising these vegetables. Most of these growers raise a number of tropical vegetables, with some of the production shipped to wholesale markets.

Florida growers are believed to be using modern production technology, with per acre yields and harvested acreage having trended upward during the past 5 years. Hawaiian production consists of a variety of dasheens called taro, which is consumed primarily in Hawaii and California. Production in Puerto Rico has declined sharply in recent years, possibly because of the loss of suitable agricultural land and rising wage rates. During the Tokyo Round of trade agreement negotiations in 1976, the Commonwealth of Puerto Rico recommended that no concessions be made on imports of fresh dasheens, instead favoring a duty of 50 percent ad valorem on foreign-produced dasheens entering Puerto Rico. There is no known U.S. investment in CBERA countries producing these vegetables.

Profile of CBERA Producers

Detailed information on CBERA tropical vegetable growers is not available. However, such producers are not believed to be planning major investments in production or export expansion for these specialty tropical vegetables.

U.S. Imports

During 1981–85, aggregate U.S. imports of dasheens, chayote, and yucca rose steadily from 55.7 million pounds, valued at $10.2 million, in 1981 to 80.8 million pounds, valued at $13.8 million, in 1985. In 1985, dasheens accounted for 69 percent by volume (65 percent by value) of the total, followed by yucca and chayote with 19 and 15 percent, respectively. In 1985, U.S. imports of dasheens amounted to 55.9 million pounds, valued at $9.1 million, up 47 percent (by volume) from 38.1 million pounds, valued at $7.1 million, in 1981 (table 18). Imports of chayote rose by 66 percent, from 6.8 million pounds, valued at $1.2 million, in 1981 to 11.3 million pounds, valued at $2.1 million, in 1985 (table 19), and yucca was up 25 percent, from 10.9 million pounds, valued at $1.9 million, in 1981 to 13.6 million pounds, valued at $2.7 million, in 1985 (table 20).

During 1981–85, the Dominican Republic accounted for the bulk of dasheen imports, along with a small share of imported yucca, and Costa Rica was the principal source for yucca and chayote. CBERA countries accounted for nearly all imports of the subject tropical vegetables, with the majority of such imports during 1981–83 accounted for by one source country; thus exceeded the competitive-need limit for eligibility for duty-free treatment under the GSP. There were no known trade barriers to imports of the subject vegetables during 1981–85.

Imports of dasheens, chayote, and yucca are subject to inspection by the U.S. Food and Drug Administration and the U.S. Department of Agriculture. Such inspections are conducted routinely on all fresh vegetables, primarily for possible contamination from pesticides or foreign matter (animal or plant parts, rocks, and so forth).

U.S. Market

During 1981–85, apparent U.S. consumption of the subject tropical vegetables rose irregularly from 85.2 million pounds, valued at $25.2 million, in 1981 to 115.3 million pounds, valued at $31.4 million, in 1985; throughout the 5-year period, imports averaged over 70 percent, by volume, of consumption annually. In 1985, 75 percent by volume of consumption was accounted for by dasheens, followed by yucca and chayote with 15 and 10 percent, respectively. Industry sources indicate that the drop in domestic production during 1982–83 resulted from weather damage during the growing season rather than from any reduction in acreage planted. Nearly

Table 18
Dasheens: Profile of U.S. market, 1981-85

Item	1981	1982	1983	1984	1985	Absolute change, 1985 from 1983	Percentage change, 1985 from 1983
Quantity basis							
Shipments (1,000 pounds)	26,250	13,125	13,125	21,875	30,625	17,500	133.3
U.S. exports:							
Total (1,000 pounds)	0	0	0	0	0	-	-
To CBERA countries (1,000 pounds)	0	0	0	0	0	-	-
U.S. imports:							
Total (1,000 pounds)	38,070	38,413	37,499	42,701	55,862	18,363	48.9
From CBERA countries (1,000 pounds)	35,898	36,509	35,163	40,143	53,798	18,635	50.1
Imports from CBERA countries entering under—							
GSP (1,000 pounds)	771	876	2,159	1,445	3,475	1,316	60.9
806.30/807.00 (1,000 pounds)	0	0	0	0	0	-	-
CBERA (1,000 pounds)	0	0	0	34,306	47,402	47,402	-
Share of total imports from CBERA countries (percent)	94.3	95.0	93.8	94.0	96.3	-	-
Share of imports from CBERA countries entering under—							
GSP (percent)	2.1	2.4	6.1	3.6	6.5	-	-
806.30/807.00 (percent)	-	-	-	-	-	-	-
CBERA (percent)	-	-	-	85.5	88.1	-	-
Apparent U.S. consumption (1,000 pounds)	64,320	51,538	50,624	64,576	86,487	35,863	70.1
Ratio of—							
Imports to apparent consumption (percent)	59.2	74.5	74.1	66.1	64.6	-	-
Imports from CBERA to apparent consumption (percent)	55.8	70.8	69.5	62.2	62.2	-	-
Value basis							
Shipments (1,000 dollars)	13,912	6,956	6,956	11,594	16,231	9,275	133.8
U.S. exports:							
Total (1,000 dollars)	-	-	-	-	-	-	-
To CBERA countries (1,000 dollars)	-	-	-	-	-	-	-
U.S. imports:							
Total (1,000 dollars)	7,061	6,385	6,513	7,139	9,057	2,544	39.0
From CBERA countries (1,000 dollars)	6,278	5,703	5,688	6,206	8,112	2,424	42.6
Duties collected (1,000 dollars)	397	277	261	35	13	-248	-95.0
Imports from CBERA countries entering under—							
GSP(1,000 dollars)	173	169	446	257	600	154	34.4
806.30/807.00 (1,000 dollars)	-	-	-	-	-	-	-
Dutiable value (1,000 dollars)	-	-	-	-	-	-	-
CBERA (1,000 dollars)	-	-	-	5,207	7,232	7,232	-
Share of total imports from CBERA countries (percent)	88.9	89.3	87.3	86.9	89.6	-	-
Share of imports from CBERA countries entering under—							
GSP (percent)	2.8	3.0	7.8	4.1	7.4	-	-
806.30/807.00 (percent)	-	-	-	-	-	-	-
CBERA (percent)	-	-	-	83.9	89.2	-	-
Apparent U.S. consumption (1,000 dollars)	20,973	13,341	13,469	18,733	25,288	11,819	87.7
Ratio of—							
Imports to apparent consumption (percent)	33.7	47.9	48.4	38.1	35.8	-	-
Imports from CBERA to apparent consumption (percent)	29.9	42.7	42.2	33.1	32.1	-	-

Note.—Included in this item is TSUS item 136.00; there is no separate schedule B item. Percentages are calculated from raw data and may differ from those calculated from rounded data.

Source: Compiled from official statistics of the Bureau of the Census, U.S. Department of Commerce, or estimated by the staff of the U.S. International Trade Commission.

Table 19

Chayote: Profile of U.S. market, 1981–85

Item	1981	1982	1983	1984	1985	Absolute change, 1985 from 1983	Percentage change, 1985 from 1983
Quantity basis							
Shipments (1,000 pounds)	175	100	100	150	175	75	75.0
U.S. exports:							
Total (1,000 pounds)	0	0	0	0	0	–	–
To CBERA countries (1,000 pounds)	0	0	0	0	0	–	–
U.S. imports:							
Total (1,000 pounds)	6,811	8,716	10,245	11,127	11,309	1,064	10.3
From CBERA countries (1,000 pounds)	6,465	8,506	9,939	9,602	9,547	-392	-3.9
Imports from CBERA countries entering under—							
GSP (1,000 pounds)	6,387	3,659	38	230	968	930	2,459.2
806.30/807.00 (1,000 pounds)	0	0	0	0	0	–	–
CBERA (1,000 pounds)	0	0	0	8,455	8,365	8,365	–
Share of total imports from CBERA countries (percent)	94.9	97.6	97.0	86.3	84.4	–	–
Share of imports from CBERA countries entering under—							
GSP (percent)	98.8	43.0	0.4	2.4	10.1	–	–
806.30/807.00 (percent)	–	–	–	–	–	–	–
CBERA (percent)	–	–	–	88.1	87.6	–	–
Apparent U.S. consumption (1,000 pounds)	6,986	9,716	10,345	11,277	11,484	1,139	11.0
Ratio of—							
Imports to apparent consumption (percent)	97.5	89.7	99.0	98.7	98.5	–	–
Imports from CBERA to apparent consumption (percent)	92.5	87.5	96.1	85.1	83.1	–	–
Value basis							
Shipments (1,000 dollars)	44	25	25	37	44	19	76.0
U.S. exports:							
Total (1,000 dollars)	–	–	–	–	–	–	–
To CBERA countries (1,000 dollars)	–	–	–	–	–	–	–
U.S. imports:							
Total (1,000 dollars)	1,217	1,570	1,559	1,691	2,109	550	35.2
From CBERA countries (1,000 dollars)	1,158	1,518	1,503	1,278	1,596	93	6.1
Duties collected (1,000 dollars)	1	97	187	13	7	-180	-96.3
Imports from CBERA countries entering under—							
GSP (1,000 dollars)	1,149	738	4	34	173	169	3,965.9
806.30/807.00 (1,000 dollars)	–	–	–	–	–	–	–
Dutiable value (1,000 dollars)	–	–	–	–	–	–	–
CBERA (1,000 dollars)	0	0	0	1,138	1,371	1,371	–
Share of total imports from CBERA countries (percent)	95.2	96.7	96.4	75.6	75.7	–	–
Share of imports from CBERA countries entering under—							
GSP (percent)	99.2	48.6	0.3	2.7	10.8	–	–
806.30/807.00 (percent)	–	–	–	–	–	–	–
CBERA (percent)	–	–	–	89.0	85.9	–	–
Apparent U.S. consumption (1,000 dollars)	1,262	1,595	1,584	1,728	2,153	569	35.9
Ratio of—							
Imports to apparent consumption (percent)	96.4	98.4	98.4	97.9	98.0	–	–
Imports from CBERA to apparent consumption (percent)	91.8	95.2	94.9	74.0	74.1	–	–

Note.—Included in this item is TSUS item 137.75; there is no separate schedule B item. Percentages are calculated from raw data and may differ from those calculated from rounded data.

Source: Compiled from official statistics of the Bureau of the Census, U.S. Department of Commerce, or estimated by the staff of the U.S. International Trade Commission.

Table 20
Yucca: Profile of U.S. market, 1981-85

Item	1981	1982	1983	1984	1985	Absolute change, 1985 from 1983	Percentage change, 1985 from 1983
Quantity basis							
Shipments (1,000 pounds)	3,000	2,250	2,250	3,000	3,750	1,500	66.7
U.S. exports:							
Total (1,000 pounds)	0	0	0	0	0	-	-
To CBERA countries (1,000 pounds)	0	0	0	0	0	-	-
U.S. imports:							
Total (1,000 pounds)	10,856	11,392	12,437	12,825	13,588	1,151	9.2
From CBERA countries (1,000 pounds)	10,811	11,333	12,257	12,664	13,527	1,270	10.3
Imports from CBERA countries entering under—							
GSP (1,000 pounds)	4,285	1,083	1,793	2,204	2,122	329	18.3
806.30/807.00 (1,000 pounds)	0	0	0	0	0	-	-
CBERA (1,000 pounds)	0	0	0	8,482	10,604	10,604	-
Share of total imports from CBERA countries (percent)	99.6	99.5	98.6	98.7	99.6	-	-
Share of imports from CBERA countries entering under—							
GSP (percent)	39.6	9.6	14.6	17.4	15.7	-	-
806.30/807.00 (percent)	-	-	-	-	-	-	-
CBERA (percent)	-	-	-	67.0	78.4	-	-
Apparent U.S. consumption (1,000 pounds)	13,856	13,642	14,687	15,825	17,338	2,651	18.0
Ratio of—							
Imports to apparent consumption (percent)	78.3	83.5	84.7	81.0	78.4	-	-
Imports from CBERA to apparent consumption (percent)	78.0	83.1	83.5	80.0	78.0	-	-
Value basis							
Shipments (1,000 dollars)	1,020	765	765	1,020	1,275	510	66.7
U.S. exports:							
Total (1,000 dollars)	-	-	-	-	-	-	-
To CBERA countries (1,000 dollars)	-	-	-	-	-	-	-
U.S. imports:							
Total (1,000 dollars)	1,927	2,022	2,171	2,352	2,674	503	23.1
From CBERA countries (1,000 dollars)	1,909	2,007	2,124	2,322	2,657	533	25.0
Duties collected (1,000 dollars)	182	320	328	55	25	-303	-92.4
Imports from CBERA countries entering under—							
GSP (1,000 dollars)	868	176	248	349	412	164	65.8
806.30/807.00 (1,000 dollars)	-	-	-	-	-	-	-
Dutiable value (1,000 dollars)	-	-	-	-	-	-	-
CBERA (1,000 dollars)	-	-	-	1,659	2,102	2,102	-
Share of total imports from CBERA countries (percent)	99.1	99.3	97.8	98.7	99.4	-	-
Share of imports from CBERA countries entering under—							
GSP (percent)	45.5	8.8	11.7	15.0	15.5	-	-
806.30/807.00 (percent)	-	-	-	-	-	-	-
CBERA (percent)	-	-	-	71.4	79.1	-	-
Apparent U.S. consumption (1,000 dollars)	2,947	2,787	2,936	3,372	3,949	1,013	34.5
Ratio of—							
Imports to apparent consumption(percent)	65.4	72.6	73.9	69.8	67.7	-	-
Imports from CBERA to apparent consumption (percent)	64.8	72.0	72.3	68.9	67.3	-	-

Note.—Included in this item is TSUS item 138.35; there is no separate schedule B item. Percentages are calculated from raw data and may differ from those calculated from rounded data.

Source: Compiled from official statistics of the Bureau of the Census, U.S. Department of Commerce, or estimated by the staff of the U.S. International Trade Commission.

one-half (by value) of dasheens imported from CBERA countries entered Puerto Rico.

In recent years, CBERA countries accounted for the bulk of imports of each of the subject tropical vegetables, with reported wholesale market prices for imported products often slightly below prices of comparable domestically produced tropical vegetables. However, industry sources in Florida recently stated that domestic producers there believed their products were currently competitive with the imported products and that Florida producers were actively involved in increasing production for the near future.

Economic Effects

Of all the commodities considered in this study, increased imports of the subject tropical vegetables from CBERA countries have potentially had the greatest effect on the respective domestic industries. The high percentages of domestic consumption supplied by CBERA countries and the small size of the respective domestic industries are largely responsible for this potential. However, an expanding domestic market for these vegetables has allowed increases in both imports and domestic production to take place.

The estimates of the percentage of domestic shipments displaced presented in table 15 are high because they use production in 1983, when bad weather caused production losses, as a base. In addition, the estimate for chayote may be misleading, since chayote has traditionally entered duty free under the GSP from CBERA countries. Therefore, the duties collected in 1983 are not representative of a longstanding barrier to chayote imports from CBERA countries that has suddenly been removed.

The estimates of the increase in total imports should be more accurate, since there appear to be no aberrations in the total import base. The CBERA duty eliminations are estimated to have caused total imports of dasheens and chayote to increase by about 1 to 7 percent and those of yucca to increase by about 4 to 27 percent. Savings from the duty elimination have been split, with consumer benefitting somewhat more.

Fresh Pineapples

TSUS item No.	Brief description[1]	Col. 1 rate of duty effective— Jan. 1, 1983	Jan. 1, 1986
		(pre-CBERA)	
	Pineapples, fresh:		
148.90	In bulk	1-1/6¢ each	1-1/6¢ each.[2]
148.93	In crates ...	35¢ per crate of 2.45 cu. ft.	35¢ per crate of 2.45 cu. ft.[2]
148.96	In packages other than crates.	27¢ per 2.45 cu. ft.	27¢ per 2.45 cu. ft.[2]

[1] For the statutory description, see the *Tariff Schedules of the United States Annotated, 1986.*
[2] Rate not modified in the Tokyo Round of the Multilateral Trade Negotiations.

Description and Uses

Pineapples are widely grown in tropical regions. The bulk of pineapples traded international are in the form of fruit or juice that has been processed near the growing areas. Fresh fruit accounts for a small but growing portion of world trade in pineapples.

Profile of Domestic Producers

According to the Hawaii Department of Agriculture, there were 18 farms growing pineapples on 36,000 acres in 1982, down from 43,000 acres in 1978; most of the output from these acres was for processing. There were three firms in Hawaii processing pineapples in 1982.

There were also 125 farms in Puerto Rico in 1982 growing pineapples on 3,100 acres, representing an increase from the 70 farms with 2,500 acres of pineapples in 1978. Most of the Puerto Rican pineapples are believed to be consumed fresh within that region, although there is one cannery producing pineapple products.

U.S. production of fresh pineapples increased from 313 million pounds in 1981 to 338 million pounds in 1982, declined to 322 million pounds in 1983, and thereafter remained at that level through 1985 (table 21). In 1985, domestic production of fresh pineapples was valued at an estimated $64 million. Although most pineapples tend to be produced and consumed in the United States in the canned form (either as canned pineapple slices and chunks or as pineap-

ple juice) rather than in the fresh form, there has been some long-term increase in the popularity of fresh pineapples.

The three leading domestic producers of canned pineapple products are diversified multinational corporations, and own and operate processing operations (canneries), as well as export fresh pineapples from several foreign countries, including several CBERA countries. In Honduras, the principal U.S. supplier of fresh pineapples, two U.S. companies have been involved for 5 years or more in the production and marketing of fresh pineapples. In recent years, the role of the two U.S. companies within Honduras has tended to include mainly the marketing of fresh pineapples and to exclude the direct ownership and growing of pineapples on plantations, which these companies previously did. In the second leading supplier, Costa Rica, a U.S. company has invested in an extensive pineapple-growing operation over the past 7 to 8 years. The bulk of this fresh pineapple is destined for export to the United States.

Profile of CBERA Producers

The three principal U.S. suppliers of fresh pineapples are Honduras, Costa Rica, and the Dominican Republic, all of which are CBERA countries, and together accounted for 93 percent of U.S. imports in 1985. All three countries have plans for expansion of pineapple growing in order to diversify their agricultures away from the growing of sugar cane and bananas.

Costa Rice currently has the most ambitious investment plans of the three countries. In the large Costa Rican growing operation initiated by a U.S. company, about 90 percent of the production of fresh pineapples has been exported to the United States. By 1988, Costa Rica's rising production is expected to increase exports to the United States by over fivefold (which would place imports from Costa Rica in 1988 at 146 million pounds), according to the U.S. Department of Agriculture. U.S. fruit companies have been interested in the purchase of the expanded production, in part owing to the significant land costs in Hawaii, the leading U.S. producing area.

U.S. Imports

U.S. imports of fresh pineapples increased from about 138 million pounds in 1981 to 151 million pounds in 1983 and declined thereafter to 119 million pounds in 1985; imports were valued at $11 million in 1985. Mexico had been the leading U.S. supplier of fresh pineapples before 1981, but its share of the total declined thereafter because of sharply higher demand within Mexico and in 1984 because of pesticide residue problems. Honduras was the leading U.S. supplier during 1982–85. CBERA countries together supplied slightly over 95 percent of U.S. imports of fresh pineapples in 1985.

The primary nontariff trade barrier to imports of fresh pineapples relates to phytosanitary requirements administered by the U.S. Food and Drug Administration. As noted above, beginning in 1984, FDA began rejecting many shipments of Mexican fresh pineapple because of carbaryl pesticide residues in the fruit, according to the U.S. Department of Agriculture. FDA inspections have apparently not restricted imports from most CBERA countries as they have been able to meet the pesticide residue requirements.

U.S. Market

During 1981–85, apparent U.S. consumption of fresh pineapples showed little change, fluctuating between 458 million and 426 million pounds annually and averaging 443 million pounds. The share of domestic consumption supplied by imports decreased irregularly from 32 to 28 percent during the period.

Imports from the CBERA countries are competitive with U.S. pineapples. The pineapples from the CBERA countries enjoy a transportation advantage over those from Hawaii in the Eastern or Southeastern United States, where they are marketed chiefly.

Economic Effects

Imports of fresh pineapples from CBERA countries have supplied a large share of the U.S. market relative to the market shares of other commodities covered in this study (tropical vegetables, sugar, and baseballs excepted). This relatively high market share is responsible for the relatively large effect that the CBERA duty-elimination has had on U.S. producers. In absolute terms, the effect has been small. It is estimated that total imports of fresh pineapples have increased by 3 to 24 percent because of the duty elimination and that perhaps as much as 4 percent of U.S. domestic shipments may have been displaced by increased CBERA imports. Savings from the duty elimination have been split more or less evenly between U.S. consumers and CBERA suppliers.

Table 21
Fresh pineapple: Profile of U.S. market, 1981-85

Item	1981	1982	1983	1984	1985	Absolute change, 1985 from 1983	Percentage change, 1985 from 1983
Quantity basis							
Shipments (1,000 pounds)	313,000	338,000	322,000	322,000	322,000	0	0
U.S. exports:							
Total (1,000 pounds)	15,000	15,000	15,000	15,000	15,000	0	0
To CBERA countries (1,000 pounds)	-	-	-	-	-	-	-
U.S. imports:							
Total (1,000 pounds)	138,490	130,251	150,675	134,414	118,964	-31,711	-21.1
From CBERA countries (1,000 pounds)	71,590	83,301	85,717	99,446	105,663	19,946	23.3
Imports from CBERA countries entering under—							
GSP (1,000 pounds)	0	0	0	0	0	-	-
806.30/807.00 (1,000 pounds)	0	0	0	0	0	-	-
CBERA (1,000 pounds)	0	0	0	78,503	99,567	99,567	-
Share of total imports from CBERA countries (percent)	51.7	63.9	56.9	74.0	88.8	-	-
Share of imports from CBERA countries entering under—							
GSP (percent)	-	-	-	-	-	-	-
806.30/807.00 (percent)	-	-	-	-	-	-	-
CBERA (percent)	-	-	-	58.4	83.7	-	-
Apparent U.S. consumption(1,000 pounds)	436,490	453,251	457,675	441,414	425,964	-31,711	-6.9
Ratio of—							
Imports to apparent consumption (percent)	31.7	28.7	32.9	30.4	27.9	-	-
Imports from CBERA to apparent consumption (percent)	-	-	-	17.8	23.3	-	-
Value basis							
Shipments (1,000 dollars)	63,000	68,000	64,000	64,000	64,000	0	0
U.S. exports:							
Total (1,000 dollars)	3,000	3,000	3,000	3,000	3,000	0	0
To CBERA countries (1,000 dollars)	-	-	-	-	-	-	-
U.S. imports:							
Total (1,000 dollars)	9,463	9,505	10,053	11,074	11,428	1,375	13.6
From CBERA countries (1,000 dollars)	6,124	7,154	7,789	9,739	10,763	2,974	38.1
Duties collected (1,000 dollars)	371	456	508	132	415	-93	18.3
Imports from CBERA countries entering under—							
GSP (1,000 dollars)	-	-	-	-	-	-	-
806.30/807.00 (1,000 dollars)	-	-	-	-	-	-	-
Dutiable value (1,000 dollars)	-	-	-	-	-	-	-
CBERA (1,000 dollars)	-	-	-	7,704	10,126	10,126	-
Share of total imports from CBERA countries (percent)	64.7	75.3	77.5	87.9	94.2	-	-
Share of imports from CBERA countries entering under—							
GSP (percent)	-	-	-	-	-	-	-
806.30/807.00 (percent)	-	-	-	-	-	-	-
CBERA (percent)	-	-	-	69.6	88.6	-	-
Apparent U.S. consumption (1,000 dollars)	69,463	74,505	71,053	72,074	71,126	73	0.1
Ratio of—							
Imports to apparent consumption(percent)	13.6	12.8	14.1	15.4	16.0	-	-
Imports from CBERA to apparent consumption (percent)	-	-	-	10.6	14.2	-	-

Note.—Imports include TSUS items 148.90, 148.93, and 148.96. Exports are estimated since data are not specifically reported. Percentages are calculated from raw data and may differ from those calculated from rounded data.

Source: Import data are derived from official statistics of the Bureau of the Census, U.S. Department of Commerce; shipments and export data are estimated by the staff of the U.S. International Trade Commission.

Sugar, Derived From Sugar Cane or Sugar Beets

TSUS item No.	Brief description[1]	Column 1 rate of duty effective— Jan. 1, 1983	Jan. 1, 1986
		(pre-CBERA)	
155.2	Sugar, derived from sugar cane or sugar beets.	2.9812¢ per lb. less 0.0421875¢ per lb. for each degree under 100 degrees (and fractions of a degree in proportion) but not less than 1.9265625¢ per lb.	0.6625¢ per lb. less 0.009375¢ per lb. for each degree under 100 degrees (and fractions of a degree in proportion) but not less than 0.428125¢ per lb.

[1] For the statutory description, see the *Tariff Schedules of the United States Annotated, 1986.*

Profile of Domestic Producers

About 55 percent of the sugar consumed annually in the United States comes from domestic sources (30 percent from sugar beets and 25 percent from sugar cane) and 45 percent from foreign sources (virtually all cane).

U.S. sugar beet growers and processors

Sugar beets are currently produced in 12 States. In crop year 1983/84, there were 9,775 farms producing sugar beets, down from 10,500 farms in crop year 1977/78. For 1985/86, estimated U.S. sugar beet acreage harvested was 1,102,500 acres. In 1985, there were 36 beet sugar factories scattered throughout the beet-sugar-producing regions in the United States.

Sugar cane producers, millers, and refiners

Sugar cane is grown in Hawaii, Louisiana, Florida, and Texas. In 1985 there were more than 300 farms in Hawaii, harvesting 82,500 acres of sugar cane. Five large corporations account for more than 95 percent of the acreage and production of Hawaiian sugar cane through their subsidiary producing or milling companies.

More than 95 percent of the raw sugar produced in Hawaii is refined on the U.S. mainland by the California & Hawaiian Sugar Co. (C&H), a cooperative agricultural marketing association. The refining company is owned by 16 Hawaiian companies that produce or mill raw sugar, but it also serves as the refiner and marketing agency for independent nonmember sugar cane farmers in Hawaii.

Louisiana, Florida, and Texas are the principal mainland States producing sugar cane. The mainland cane-milling industry takes sugar cane from growers and processes it into raw sugar. Because it rapidly becomes more difficult to recover sucrose from sugar cane once it has been cut, the cane mills are located close to the producing areas. In 1984/85, the 29 mainland cane-milling companies produced about 1.94 million short tons of raw sugar and several byproducts, such as molasses and bagasse.

In 1985, there were 14 sugar cane refineries operating in the continental United States, located mainly on the east and gulf coasts, and 1 refinery located in Hawaii. Sugar cane refiners refine domestic raw sugar cane and are also the principal users of imports of raw sugar. The 14 sugar cane refineries are operated by 8 companies and 1 cooperative. Traditionally, sugar cane refiners have provided about 70 percent of the sugar consumed in the mainland U.S. market.

Puerto Rico sugar cane growers and millers

In the last 5 years there was a steady decrease in the number of farms producing sugar cane and in sugar cane production in Puerto Rico. The number of farms decreased from 1,326 in 1981 to 896 in 1985. The bulk of the sugar cane acreage and most of the sugar-cane-processing mills are owned, leased, or contracted for by the Sugar Corp. of Puerto Rico, a quasi-Governmental corporation. In 1985, only five mills processed sugar cane.

U.S. importers and sugar operators

Besides the sugar cane refiners, which contract for the bulk of U.S. sugar imports, other importers and sugar operators are involved in the importation of raw, semirefined, or refined sugar. They import sugar and arrange for the sale and delivery of the commodity to buyers (mostly sugar cane refiners). The need for the importers' and sugar operators' services arises because producers cannot always find refiners willing to buy at the times and locations that pro-

ducers have sugar to sell and vice versa. The operators also engage in significant trading in sugar futures markets and may operate in the world sugar trade outside the U.S. market.

Profile of CBERA Producers

Historically, the production and processing of sugar cane were primary economic activities in the Caribbean. Over the years, however, many of the smaller countries and island groupings have ceased production. The Bahamas, British Virgin Islands, Netherlands Antilles, Antigua and Barbuda, Montserrat, Dominica, St. Lucia, St. Vincent, and Grenada have produced little, if any, sugar during the last decade. Sugar production in the remaining CBERA countries varies widely, with the largest producer (the Dominican Republic) supplying over 1 million tons annually—about one-third of the region's output. Guatemala, the next largest producer in the region, produces about one-sixth of CBERA country output. Other significant producers include El Salvador, Costa Rica, Honduras, and Panama. The area produces about 3 percent of the world's sugar output and exports about 60 percent of the production.

The United States has traditionally been the largest market for sugar produced in CBERA countries, taking over 60 percent of the region's sugar exports during 1975–81 (when there were no U.S. import quotas in effect). The European Community (EC) is the other major market for Caribbean sugar. Five CBERA beneficiaries—Barbados, Belize, Jamaica, St. Christopher-Nevis-Anguilla, and Trinidad and Tobago—have preferential arrangements with the EC. These arrangements, known as the ACP (referring to the Atlantic, Caribbean, and Pacific countries) provisions of the second Lome Convention, commit the EC for an indefinite period to purchase and import specific quantities of sugar at guaranteed prices.

U.S. Imports

During 1981–85, U.S. imports of sugar dropped by over one-half, from 5.1 million short tons (raw value) to 2.5 million tons (table 22). Effective May 11, 1982, imports of sugar for consumption in the United States were made subject to restrictive absolute quotas to protect the domestic price-support program for sugar. The quotas are allocated country by country with the shares based on U.S. imports during 1975–81, a period when import quotas were not in effect. The quota share allocations are set forth in headnote 3, subpart A, part 10, schedule 1, of the TSUSA. Sugar for use in the production of polyhydric alcohols and sugar to be reexported in refined form or in sugar-containing products is exempt from the quotas.

The CBERA of 1983 provides for annual absolute quotas on duty-free imports of sugar into the United States from the Dominican Republic, Guatemala, and Panama, effective January 1, 1984, as follows:

Source	*Quota (metric tons)*
Dominican Republic	780,000
Guatemala	210,000
Panama	160,000
Total	1,150,000

Other CBERA countries can request duty-free quotas. All of the CBERA countries are eligible for duty-free treatment for sugar under either the GSP program or the CBERA provisions. The principal sources of U.S. sugar imports in recent years have been the Dominican Republic, Brazil, Philippines, Argentina, and Australia.

U.S. Market

U.S. consumption of sugar has declined significantly in recent years from 9.8 million short tons, raw value, in 1981 to 8.0 million short tons in 1985. Virtually all of the decline has been absorbed by foreign producers. As a result of the quotas, the share of consumption supplied by imports declined from 52 percent in 1981 to 31 percent in 1985. The decline in the size of the sugar market is largely the result of the displacement of sugar (which is price supported) by high-fructose corn syrup in liquid uses.

Position of Interested Parties

The California Farm Bureau Federation stated that the U.S. price-support program for sugar is essential and that tight import quotas are necessary so that the program operates at no net cost to the Government. They believe that the quotas should not be liberalized and that those CBERA countries with quotas benefit by receiving the U.S. price for their sugar rather than the lower world market prices.

Economic Effects

Duty-free importation of sugar from CBERA countries has had no economic effect on U.S. industries or consumers because imports of sugar have been strictly limited by quotas.[3-15]

Table 22
Sugar derived from sugarcane or sugar beets: Profile of U.S. market, 1981-85

Item	1981	1982	1983	1984	1985	Absolute change, 1985 from 1983	Percentage change, 1985 from 1983
Quantity basis							
Production (1,000 short tons, raw value)	6,273	6,016	5,749	5,914	6,043	294	5.1
U.S. exports:							
Total (1,000 short tons, raw value)	1,015	49	215	308	396	181	84.2
To CBERA countries (1,000 short tons, raw value)	64	26	55	96	81	26	47.3
U.S. imports:							
Total (1,000 short tons, raw value)	5,121	2,638	2,940	3,642	2,507	-433	-14.7
From CBERA countries (1,000 short tons, raw value)	1,335	817	1,122	1,129	855	-267	-23.8
Imports from CBERA countries entering under—							
GSP (1,000 short tons, raw value)	390	281	543	462	459	-84	-15.5
806.30/807.00 (1,000 short tons, raw value)	0	0	0	0	0	-	-
CBERA (1,000 short tons, raw value)	0	0	0	550	297	297	-
Share of total imports from CBERA countries (percent)	26.1	31.0	38.2	31.0	34.1	-	-
Share of imports from CBERA countries entering under—							
GSP (percent)	29.2	34.4	48.4	40.9	53.7	-	-
806.30/807.00 (percent)	-	-	-	-	-	-	-
CBERA (percent)	-	-	-	48.7	34.7	-	-
Apparent U.S. consumption[1] (1,000 short tons, raw value)	9,821	9,383	8,923	8,561	8,045	-878	-9.8
Ratio of—							
Imports to apparent consumption (percent)	52.1	28.1	33.0	42.5	31.2	-	-
Imports from CBERA to apparent consumption (percent)	13.6	8.7	12.6	13.2	10.6	-	-
Value basis							
Production (million dollars)	(2)	(2)	(2)	(2)	(2)	-	-
U.S. exports:							
Total (million dollars)	505	20	51	71	60	9	17.6
To CBERA countries (million dollars)	26	10	15	24	13	2	13.3
U.S. imports:							
Total (million dollars)	2,141	798	1,026	1,109	812	214	20.8
From CBERA countries (million dollars)	603	248	400	427	263	-137	-34.3
Duties collected (million dollars)	12	30	33	7	1	-31	-96.2
Imports from CBERA countries entering under—							
GSP (million dollars)	194	90	192	176	135	57	29.7
806.30/807.00 (million dollars)	-	-	-	-	-	-	-
Dutiable value (million dollars)	-	-	-	-	-	-	-
CBERA (million dollars)	-	-	-	207	98	98	-
Share of total imports from CBERA countries(percent)	28.2	31.1	39.1	38.5	32.4	-	-
Share of imports from CBERA countries entering under—							
GSP (percent)	32.2	36.3	48.0	41.2	51.3	-	-
806.30/807.00 (percent)	-	-	-	-	-	-	-
CBERA (percent)	-	-	-	48.5	37.3	-	-
Apparent U.S. consumption (million dollars)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Ratio of—							
Imports to apparent consumption(percent)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Imports from CBERA to apparent consumption (percent)	(3)	(3)	(3)	(3)	(3)	(3)	(3)

[1] Takes in account changes in stocks.
[2] Not meaningful.
[3] Not available.

Note.—Included in this item are TSUS item 155.20 and schedule B item 155.20. Percentages are calculated from raw data and may differ from those calculated from rounded data.

Source: Compiled from official statistics of the Bureau of the Census, U.S. Department of Commerce; U.S. Department of Agriculture; or estimated by the staff of the U.S. International Trade Commission.

Concentrated Orange Juice

TSUS item No.	Brief description[1]	Col. 1 rate of duty effective— Jan. 1, 1983	Jan. 1, 1986
		(pre-CBERA)	
165.29 [2]	Concentrated orange juice, not mixed and not containing over 1.0 percent of ethyl alcohol by volume.		35¢ per gallon[3]
165.35 [2]	Concentrated citrus fruit juices, not mixed and not containing over 1.0 percent of ethyl alcohol by volume, other than lime.	35¢ per gallon[3]	

[1] For the statutory description, see the *Tariff Schedules of the United States Annotated, 1986.*
[2] Concentrated orange juice was separately provided for in TSUS item 165.29 effective Jan. 1, 1985; prior to that date it was classified in TSUS item 165.35.
[3] Imports under this item may be subject to Federal Excise Tax (26 U.S.C. 5001 and 5041).

Description and Uses

The citrus juices covered by TSUS items 165.35 (1981–84) and 165.29 (1985) are unmixed, concentrated, sweetened or unsweetened, and do not contain over 1 percent of ethyl alcohol by volume. Concentrated citrus juices may be in liquid, powdered, or solid form. Prior to the separate provision for orange juice in 1985, it was covered under the item number along with lemon, grapefruit, and other citrus juices (except lime). The principal varieties of sweet oranges used for processing into juice differ by growing areas and include the Pineapple and Valencia in Florida and the Valencia and some Washington navel in California.

Profile of Domestic Producers

Production of frozen concentrated orange juice (FCOJ) decreased irregularly from 733 million gallons, valued at $1.5 billion, in 1981 to 479 million gallons, valued at $1.4 billion, in 1985 (table 23). The major domestic producers of FCOJ are Coca-Cola and Tropicana, both of which sell name-brand products. A few smaller, private-label companies are far less important than the name-brand companies. Approximately 90 percent of domestic FCOJ is produced in Florida, where about 90 percent of the oranges are grown specifically for juice. California and Arizona are of lesser importance in FCOJ production; in these States, oranges for juice are the byproducts of fresh-market production.

Two U.S. companies are involved in CBERA investments; these companies have projects involving planting a total of 45,000 acres of orange trees in Belize and the Bahamas.

Profile of CBERA Producers

Production of FCOJ in the CBERA countries is insignificant in comparison with Brazilian production. Brazil, the largest foreign producer, has far greater production capacity to produce FCOJ than Florida, the largest U.S. producing area. The CBERA producers are not very large and have very limited production capacity. The only plans for expansion of production in these countries are the aforementioned projects, and these will not result in any large increases in production.

U.S. Imports

Imports of FCOJ entered under TSUS item 165.35 during 1981–84, when FCOJ represented about 99 percent of the imports entering under that item number. FCOJ was separately provided for under TSUS item 165.29 in 1985.

U.S. imports of FCOJ increased from 216 million gallons, valued at $180 million, in 1981 to 406 million gallons, valued at $329 million, in 1982 and then decreased to 368 million gallons, valued at $296 million, in 1983, before increasing to 581 million gallons, valued at $695 million, in 1985. Imports of FCOJ from CBERA countries decreased from 2.6 million gallons, valued at $2.3 million, in 1981 to 10,000 gallons, valued at $12,000, in 1983 and then increased to 6.9 million gallons, valued at $9.6 million, in 1985. The dramatic drop in CBERA imports in 1983 is believed to be due to a natural disaster (hurricane or severe winds) that destroyed much of the orange crop.

Brazil was the primary source of FCOJ imports, supplying an average of 94 percent of the total during 1981–85. During the same period, Mexico was second, supplying a high of 7 percent in 1983 and a low of 2 percent in 1985. Belize, a CBERA country, was the third largest supplier in 1981, 1984, and 1985, and the fourth in 1982, with only 1 percent of total imports. The only other CBERA countries to make the top five suppliers were Jamaica in 1984 and Honduras in 1985.

Table 23
Concentrated orange juice: Profile of U.S. market, 1981-85

Item	1981	1982	1983	1984	1985	Absolute change, 1985 from 1983	Percentage change, 1985 from 1983
Quantity basis							
Production (1,000 gallons)	733,056	538,056	685,090	489,713	478,626	-206,464	-30.1
U.S. exports:							
Total (1,000 gallons)	81,980	68,403	77,118	67,080	48,571	-28,547	-36.9
To CBERA countries (1,000 gallons)	2,895	2,186	2,741	2,068	2,438	-303	-10.9
U.S. imports:							
Total (1,000 gallons)	215,527	405,774	368,386	562,206	581,427	213,041	57.8
From CBERA countries (1,000 gallons)	2,621	2,063	10	5,544	6,949	6,939	693.9
Imports from CBERA countries entering under—							
GSP (1,000 gallons)	0	0	0	0	0	-	-
806.30/807.00 (1,000 gallons)	0	0	0	0	0	-	-
CBERA (1,000 gallons)	0	0	0	5,535	6,365	6,365	-
Share of total imports from CBERA countries (percent)	1.2	0.5	(1)	1.0	1.2	-	-
Share of imports from CBERA countries entering under—							
GSP (percent)	-	-	-	-	-	-	-
806.30/807.00 (percent)	-	-	-	-	-	-	-
CBERA (percent)	-	-	-	99.7	91.6	-	-
Apparent U.S. consumption (1,000 gallons)	828,191	938,906	1,019,001	937,993	1,036,012	17,011	1.7
Ratio of—							
Imports to apparent consumption (percent)	26.0	43.2	36.2	59.9	56.1	-	-
Imports from CBERA to apparent consumption (percent)	0.3	0.2	(1)	0.6	0.7	-	-
Value basis							
Production (1,000 dollars)	1,539,418	1,141,633	1,424,987	1,351,608	1,364,084	-60,903	-4.3
U.S. exports:							
Total (1,000 dollars)	121,358	111,617	114,726	117,461	85,721	-29,005	-25.2
To CBERA countries(1,000 dollars)	4,040	3,198	3,609	3,443	3,876	267	7.3
U.S. imports:							
Total (1,000 dollars)	179,608	329,349	296,395	599,686	695,388	398,993	134.6
From CBERA countries (1,000 dollars)	2,297	1,838	12	7,678	9,601	9,589	82,899.1
Duties collected (1,000 dollars)	917	722	3	3	204	201	6,700.0
Imports from CBERA countries entering under—							
GSP (1,000 dollars)	-	-	-	-	-	-	-
806.30/807.00 (1,000 dollars)	-	-	-	-	-	-	-
Dutiable value (1,000 dollars)	-	-	-	-	-	-	-
CBERA (1,000 dollars)	-	-	-	7,658	9,161	9,161	-
Share of total imports from CBERA countries (percent)	1.3	0.6	(1)	1.3	1.4	-	-
Share of imports from CBERA countries entering under—							
GSP (percent)	-	-	-	-	-	-	-
806.30/807.00 (percent)	-	-	-	-	-	-	-
CBERA (percent)	-	-	-	99.7	95.4	-	-
Apparent U.S. consumption (1,000 dollars)	1,739,201	1,990,481	2,119,522	2,588,861	2,952,634	833,112	39.3
Ratio of—							
Imports to apparent consumption (percent)	10.3	16.5	14.0	23.2	23.6	-	-
Imports from CBERA to apparent consumption (percent)	0.1	0.1	(1)	0.3	0.3	-	-

[1] Less than 0.05 percent.

Note.—Included in this item are TSUS items 165.29 and 165.35 and schedule B items 165.33 and 165.74. Percentages are calculated from raw data and may differ from those calculated from rounded data.

Source: Trade data derived from official statistics of the Bureau of the Census, U.S. Department of Commerce; production data derived from statistics of the Florida Citrus Processors Association; production values based on annual average price estimates made by Florida Citrus Mutual.

There are no existing nontariff trade barriers to trade in FCOJ. FCOJ is not eligible for preferential treatment under GSP; CBERA countries do not use the 806.00/807.00 provision for FCOJ. Almost all of the imports from CBERA countries (nearly 100 percent in 1984 and over 90 percent in 1985) enter under the CBERA provisions. Besides the CBERA countries mentioned above, Panama, Guatemala, and the Dominican Republic also make use of CBERA treatment.

U.S. Market

Apparent consumption of FCOJ rose from 828 million gallons, valued at $1.7 billion, in 1981 to 1.0 billion gallons, valued at $2.1 billion, 1983 and then decreased to 938 million gallons, valued at $2.6 billion, in 1984 before again increasing to 1.0 billion gallons, valued at $3.0 billion, in 1985. During 1981–85, imports as a proportion of consumption rose irregularly from 26 to 56 percent in terms of quantity and from 10 to 24 percent in terms of value.

CBERA imports have increased slightly as a proportion of consumption from 1981 to 1985 but are still less than 1 percent. Imports from Brazil account for the bulk of total imports.

Position of Interested Parties

The California Farm Bureau Federation anticipates that the increases in citrus plantings and production facilities that are occurring in CBERA countries such as the Bahamas, Belize, Jamaica, and the Dominican Republic will result in considerable competition for the U.S. industry in the near future.

Economic Effects

Imports of concentrated orange juice from CBERA countries account for far less than 1 percent of U.S. consumption. Even with the quadrupling of imports over pre-1983 levels that actually occurred, CBERA country imports were less than 0.5 percent of apparent consumption. The estimates of the increase in total imports and the displacement of domestic production because of the duty elimination are correspondingly very low, less than 0.5 percent and 0.1 percent, respectively. Savings from the duty elimination have been split between U.S. consumers and CBERA suppliers, with consumers perhaps benefiting somewhat more.

Rum

TSUS item No.	Brief description[1]	Col. 1 rate of duty effective— Jan. 1, 1983	Jan. 1, 1986
		(pre-CBERA)	
	Rum:		
169.13	In containers each holding not over 1 gal.	$1.57 per proof gal.	$1.44 per proof gal.
169.14	In containers each holding over 1 gal.	$1.57 per proof gal.	$1.44 per proof gal.

[1] For the statutory description, see the *Tariff Schedules of the United States Annotated, 1986.*
[2] Imports under these items are subject to a Federal Excise Tax of $12.50 per proof gallon, including imports from CBERA countries.

Description and Uses

Rum is defined in the labeling regulations of the Bureau of Alcohol, Tobacco, and Firearms as "an alcoholic distillate from the fermented juice of sugar cane, sugarcane sirup, sugarcane molasses, or other sugarcane byproducts, produced at less than 190-degrees proof in such manner that the distillate possesses the taste, aroma and characteristics generally attributed to rum, and bottled at not less than 80-degrees proof; and also includes mixtures solely of such distillates."[1] Rums of different origins differ in character because of variations in a number of production factors, including the molasses or sugar syrups employed, yeast used, fermentation and aging time, and the presence of flavoring and color ingredients.

Most rum consumed in the United States is produced in modern column stills and is light in flavor and bottled at 80 degrees proof. Puerto Rican rum and some from the Virgin Islands and the continental United States fall in this class, as do certain rums from the Dominican Republic, Haiti, Venezuela, Mexico, and the Republic of the Philippines. More full-bodied types include New England rum as well as rum from Jamaica, Demerara, Trinidad, Martinique, and Barbados.

Profile of Domestic Producers

Puerto Rico and the U.S. Virgin Islands are the principal rum-producing areas, with some production also taking place in Florida, Massachusetts, and Hawaii. During 1983–85, Puerto

[1] C.F.R., title 27, ¶ 5.22.

Rico accounted for about 85 percent of U.S. rum production, and Virgin Islands production made up about 10 percent. There are about a dozen rum producers; however, Bacardi Corp. of Miami, FL, and Puerto Rico, is estimated to account for over 70 percent of production. According to the *1982 Census of Manufactures*, 16 companies bottled rum in 1982. Puerto Rico and the Virgin Islands are the sources for approximately 90 percent of rum bottled in the continental United States. In general, Puerto Rico produces branded rums primarily for the U.S. market, and the Virgin Islands produce unaged rum largely for private labels and use in prepared cocktails. During 1981–85, U.S. shipments of rum increased irregularly from 24.9 million proof gallons, valued at $146 million, to 27.1 million proof gallons, valued at $165 million (table 24).

At least two distillers, Bacardi Corp. and Seagrams Co., New York, NY, are known to have financial interests in companies producing rum in CBERA countries (Trinidad and Tobago and Jamaica). Another U.S. distiller, Schenley Distillers Co., Dallas, TX, has a major financial interest in the rum production industry of the U.S. Virgin Islands.

Profile of CBERA Producers

Rum is produced in many of the Caribbean beneficiary countries, including Jamaica, Barbados, the British Virgin Islands, the Dominican Republic, and Haiti that have historically been involved in the sugar industry and in industries related to sugar. In general, the United States is not the major market for any of these producers, but it is the major market for rum produced in Puerto Rico and the U.S. Virgin Islands. There are no known major plans for expansion in production capacity in CBERA countries. However, it is estimated from trade sources that substantial unused distilling and refining capacity exists in many of the countries.

U.S. Imports

During 1981–84, U.S. imports of rum increased irregularly from 1.0 million proof gallons, valued at $4.4 million, to a record 5.8 million proof gallons, valued at $34.9 million. The majority of the increase in imports in 1984, which came mostly from Jamaica, was the result of a large transfer of bulk rum from Customs bond to Treasury bond by a major distiller. Imports returned to more normal levels in 1985 declining to 1.5 million proof gallons, valued at $10.9 million. Rum imports from CBERA-eligible countries accounted for 91 percent of the value of total rum imports during 1985 Rum imports from Jamaica made up 69 percent of the total value of U.S. imports, imports from Barbados made up 10 percent, and those from the British Virgin Islands accounted for 5 percent. During 1984 and 1985, nearly all imports of rum entering from CBERA countries were entered under the CBERA preference program.

U.S. Market

During 1981–85, U.S. consumption of rum increased irregularly from 24.1 million gallons, valued at $141 million, to 27.0 million gallons, valued at $165 million. Over the period, the ratio of imports to consumption increased irregularly from 4.0 to 5.5 percent for all imports and from 3.6 to 5.2 percent for CBERA imports. In 1984, the ratio increased significantly to 19.5 percent, reflecting the large transfer of rum from Customs bond to Treasury bond in May of that year.

The U.S. rum market is dominated by Bacardi. Bacardi's size and the fact that it is its own importer and distributor (with over 200 wholesalers) allows it to enjoy significant economies of scale in the U.S. market. Many of the other U.S. rums are produced and/or distributed by large U.S. distillers that also benefit from certain economies of scale since they produce and/or market many other alcoholic beverages besides rum. In addition, Bacardi and certain other U.S. producers are large enough to promote brand recognition through extensive advertising. In general, CBERA country producers do not enjoy the brand recognition of the U.S. producers, nor does their sales volume allow for economies of scale. There are two markets for rum in the United States, the branded rums and the private-label rums. Rum from the U.S. Virgin Islands largely supplies the private-label market, which usually sells at prices considerably less than the branded rums. Generally, the Puerto Rican brands and brands from the Caribbean area (mostly from CBERA countries) compete in the higher priced, branded market.

Position of Interested Parties

A statement from the Jamaica National Export Corporation, an agency of the Government of Jamaica, points out that although rum is included within the CBERA, it is still subject to a

Table 24
Rum: Profile of U.S. market, 1981-85

Item	1981	1982	1983	1984	1985	Absolute change, 1985 from 1983	Percentage change, 1985 from 1983
Quantity basis							
Shipments (1,000 proof gallons)	24,928	24,929	25,769	27,189	27,066	1,297	5.0
U.S. exports:							
Total (1,000 proof gallons)	386	379	439	363	369	-70	-15.9
To CBERA countries (1,000 proof gallons)	206	243	294	179	142	-152	-51.7
U.S. imports:							
Total (1,000 proof gallons)	969	774	1,265	5,838	1,491	226	17.9
From CBERA countries (1,000 proof gallons)	862	659	1,207	5,751	1,416	209	17.3
Imports from CBERA countries entering under—							
GSP (1,000 proof gallons)	0	0	0	0	0	-	-
806.30/807.00 (1,000 proof gallons)	0	0	0	0	0	-	-
CBERA (1,000 proof gallons)	0	0	0	5,537	1,228	1,228	-
Share of total imports from CBERA countries (percent)	89.0	85.2	95.4	98.5	94.9	-	-
Share of imports from CBERA countries entering under—							
GSP (percent)	-	-	-	-	-	-	-
806.30/807.00 (percent)	-	-	-	-	-	-	-
CBERA (percent)	-	-	-	96.2	86.7	-	-
Apparent U.S. consumption (1,000 proof gallons)	24,092	27,090	24,487	29,925	27,002	2,515	10.3
Ratio of—							
Imports to apparent consumption (percent)	4.0	2.9	5.2	19.5	5.5	-	-
Imports from CBERA to apparent consumption (percent)	3.6	2.4	4.9	19.2	5.2	-	-
Value basis							
Shipments (1,000 dollars)	146,328	150,073	154,616	159,869	165,100	10,484	6.8
U.S. exports:							
Total (1,000 dollars)	1,847	1,521	1,916	1,998	1,644	-272	-14.2
To CBERA countries (1,000 dollars)	908	861	1,177	871	676	-501	-42.5
U.S. imports:							
Total (1,000 dollars)	4,369	4,236	6,615	34,881	10,867	4,252	64.2
From CBERA countries (1,000 dollars)	3,642	3,369	6,022	34,121	9,909	4,074	64.5
Duties collected (1,000 dollars)	1,356	1,007	1,828	295	255	-1,573	-86.1
Imports from CBERA countries entering under—							
GSP (1,000 dollars)	-	-	-	-	-	-	-
806.30/807.00 (1,000 dollars)	-	-	-	-	-	-	-
Dutiable value (1,000 dollars)	-	-	-	-	-	-	-
CBERA (1,000 dollars)	-	-	-	32,371	8,203	8,203	-
Share of total imports from CBERA countries (percent)	83.4	79.5	91.0	97.8	91.2	-	-
Share of imports from CBERA countries entering under—							
GSP (percent)	-	-	-	-	-	-	-
806.30/807.00 (percent)	-	-	-	-	-	-	-
CBERA (percent)	-	-	-	94.9	82.8	-	-
Apparent U.S. consumption (1,000 dollars)	141,420	163,082	146,922	175,959	164,712	17,790	12.1
Ratio of—							
Imports to apparent consumption (percent)	3.1	2.6	4.5	19.8	6.6	-	-
Imports from CBERA to apparent consumption (percent)	2.6	2.1	4.1	19.4	6.0	-	-

Note.—Included in this item are TSUS items 169.13-169.14 and schedule B item 168.40. Percentages are calculated from raw data and may differ from those calculated from rounded data.

Source: Compiled from official statistics of the Bureau of the Census, U.S. Department of Commerce or estimated by the staff of the U.S. International Trade Commission.

Federal excise tax of $12.50 per proof gallon. The corporation believes that the CBERA would be much more meaningful if the Federal excise tax were abolished for rum originating from beneficiary countries.

Economic Effects

The great bulk of U.S. rum imports come from CBERA countries, but imports account for a small portion of U.S. rum consumption. Correspondingly it is estimated that the elimination of duties on imports of CBERA country rum has caused roughly a 15- to 30-percent increase in total imports and displacement of U.S. production of around 1 percent. The surge in reported rum imports in 1984, which was most likely a direct result of the duty elimination, did not represent a corresponding increase in the physical presence of rum in the United States. Inventories of rum already in the United States were simply transferred from Customs bond to Treasury bond. Savings from the duty elimination have been split more or less evenly between U.S. consumers and CBERA suppliers.

Cigarette Leaf Tobacco and Tobacco Not Specially Provided For

TSUS item No.	Brief description[1]	Col. 1 rate of duty effective— Jan. 1, 1983	Jan. 1, 1986
		(pre-CBERA)	
170.32	Cigarette leaf, not stemmed.	12.75¢	12.75¢
170.35	Cigarette leaf, stemmed.	32¢	23¢
170.80	Tobacco, manufactured or not manufactured, not specially provided for.	17.5¢	17.5¢

[1] For the statutory description, see the *Tariff Schedules of the United States Annotated, 1986.*

Description and Uses

Cigarette leaf tobacco is filler tobacco (i.e., tobacco essentially in leaf form other than wrapper tobacco) of types used in the manufacture of cigarettes. There are three types of domestic cigarette leaf tobacco (flue-cured, burley, and light air-cured Maryland). The majority of imports are flue-cured and burley tobacco types.

Profile of Domestic Producers

Filler tobacco, which is used in the production of cigarettes, makes up over 90 percent of domestic tobacco production and consists primarily of flue-cured and burley types. The major area of production of cigarette leaf tobacco is the Southeastern United States, especially North Carolina, Kentucky, South Carolina, and Georgia. Officials at the United States Department of Agriculture estimate that in 1985, flue-cured tobacco was produced on about 40,000 farms, burley tobacco on about 150,000 farms, and Maryland tobacco on a few thousand farms.

U.S. production (or marketings) of cigarette leaf filler tobacco (flue-cured, burley, and Maryland) decreased steadily during 1981–85 from $3.3 billion (farm-sales weight value) to $2.3 billion (table 25). Individually, marketings of flue-cured declined steadily from 1.1 billion pounds, valued at $1.9 billion, in 1981 to 792 million pounds, valued at $1.4 billion, in 1985. Marketings of burley declined irregularly over the same period, from 726 million pounds, valued at $1.3 billion, to 550 million pounds, valued at $877 million. Maryland marketings also declined irregularly over the period, from 46 million pounds, valued at $73 million, to 35 million pounds, valued at an estimated $42 million. U.S. tobacco is known throughout the world for its high quality, and U.S. tobacco farmers use advanced farming techniques and equipment (in relation to other tobacco producing countries) in its production.

There are no known plans for investment by U.S. companies in CBERA countries. However, it is known that various large U.S. cigarette manufacturers and tobacco dealers have financial interests in Costa Rica, El Salvador, Guatemala, Honduras, the Netherlands Antilles, and Panama.

Profile of CBERA Producers

USDA reports that Guatemala and Honduras are the primary CBERA producers of cigarette tobaccos. Officials at USDA report that in recent years, production in these countries has been erratic owing to disease and weather factors. Burley tobacco is dominant, but flue-cured is also produced. USDA forecasts 1986 production of flue-cured and burley tobacco for all CBERA countries to be nearly identical to the volume produced in 1985. There are no plans for major investments or export expansion among

CBERA producers of cigarette tobacco, as world demand for tobacco is declining.

U.S. Imports

During 1981–85, U.S. imports of the tobaccos herein considered increased irregularly from $195 million to $255 million. Imports peaked in 1983 at $406 million. The 1983 surge in imports was primarily a reaction to an announced increase in duty on certain cigarette filler tobacco that took effect in August 1983.[1] Major suppliers in 1985 by value were Brazil (47 percent), the Republic of Korea (8 percent), and Canada (7 percent). Imports from CBERA countries accounted for 8 percent of total imports in 1985 compared with 21 percent in 1984. In 1985, over 80 percent of U.S. cigarette tobacco imports from CBERA countries entered from Guatemala and Honduras. Trade sources indicate the increase in imports from CBERA countries in 1984 was primarily a result of tobacco already in U.S. Customs bonded warehouses being entered shortly after it received duty-free treatment under the CBERA, as evidenced by the lower, more normal 1985 import level. About 63 percent of the imports from CBERA countries entered under the CBERA in 1985 compared with 89 percent in 1984.

In 1983, legislation was enacted providing that imported tobacco, except for oriental and cigar tobacco, be inspected for grade and quality, the same as U.S. tobacco. USDA is responsible for the inspection and grading. In addition, in 1985, legislation was enacted providing that imported tobacco be tested by the USDA for pesticides that are not allowed to be used on U.S. tobacco. If unacceptable residue levels are found, the tobacco will be denied entry. The program is expected to take effect in the latter part of 1986. The law will require the importer to certify the tobacco free of certain pesticide residue (at a cost of 10 cents per hundredweight) or have the USDA test the tobacco at a cost of 30 cents per hundredweight.

U.S. Market

During 1981–85, U.S. consumption of cigarette filler tobacco declined irregularly from $1.7 billion to $1.4 billion, reflecting the declining demand for cigarettes and cigarette tobacco in the U.S. market. Over the period, the ratio of imports to apparent consumption increased irregularly from 11.3 to 17.8 percent. The ratio peaked in 1983 at 24.9 percent, reflecting the import surge in July and August 1983 caused by the U.S. Customs reclassification. The ratio of imports from CBERA countries to apparent consumption during 1981–85 ranged from 0.6 percent in 1982 to 2.8 percent in 1984. The ratio was 1.3 percent in 1985. In general, foreign cigarette tobacco has been taking an increased share of the U.S. market in recent years, primarily as a result of increased quality and price competitiveness. However, imports from CBERA sources are small in relation to total U.S. production and consumption. Competition from CBERA cigarette tobacco producers is primarily in the burley market, since this is the primary tobacco type grown in these countries.

Economic Effects

Changes in customs treatment of tobacco and the institutional details of U.S. tobacco storage make an assessment of the economic effects of the CBERA tariff elimination difficult. Duties collected on these products from CBERA countries were extraordinarily high in 1983 because of the surge in all tobacco imports in that year. This does not affect our estimate of CBERA-related relative increases in total imports, however, since imports from CBERA countries constituted a roughly normal share of total imports in that year. It does tend to overstate the estimate of U.S. domestic shipments displaced. Although the surge in imports from CBERA countries in 1984 is not anticipated by the quantitative methodology, it is exactly what we would expect under the circumstances. Tobacco must be aged before it is processed, and it can then be stored under Customs bond indefinitely. There are large quantities of imported tobacco under this type of storage arrangement. Imports are not recorded until duties are paid and the tobacco is released from Customs bond. The surge in imports of the subject tobacco from CBERA countries in 1984

[1] On June 9, 1983, Customs issued a notice of a change in practice in the classification of cigarette leaf tobacco classified under TSUS item 170.80 that had been processed by threshing, shredding, and other acts of manipulation. In Treasury Decision 83-148 (effective Aug. 27, 1983), Customs concluded that the subject tobacco was not substantially advanced from the form of stemmed cigarette leaf filler tobacco and would therefore be correctly classified under TSUS item 170.35 (stemmed cigarette filler). This change in classification resulted in an increase in the duty on the subject tobacco from 17.5 to 32.0 cents per pound. Before the change in classification took effect, importers took advantage of the lower rate of duty under TSUS item 170.80 and entered significant quantities of this tobacco for consumption, resulting in a sharp increase in imports during August 1983.

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reflects the nearly costless transfer of this tobacco out of Customs bond when the duty was eliminated. In any event imports of this product from CBERA countries normally account for less than 10 percent of total U.S. imports and less than 2 percent of U.S. consumption. Correspondingly, it is estimated that total U.S. imports of these tobacco items increased by about 1–6 percent as a result of the duty elimination and that less than two percent of U.S. production was displaced. Savings from the duty elimination have been split between U.S. consumers and CBERA suppliers, with suppliers perhaps benefiting somewhat more.

Table 25

Cigarette leaf tobacco and tobacco not specially provided for: Profile of U.S. market, 1981–85

Item	*1981*	*1982*	*1983*	*1984*	*1985*	*Absolute change, 1985 from 1983*	*Percentage change, 1985 from 1983*
Value basis							
Shipments[1] (million dollars)	3,288	3,222	2,495	2,855	2,280	-215	-8.6
U.S. exports:							
Total (million dollars)	1,321	1,399	1,298	1,340	1,333	35	2.7
To CBERA countries (million dollars)	8	7	6	6	4	-2	-44.9
U.S. imports:[2]							
Total (million dollars)	195	201	406	221	255	-151	-37.1
From CBERA countries (million dollars)	19	10	32	46	19	-13	-40.8
Duties collected (million dollars)	2	1	3	1	1	-2	-67.6
Imports from CBERA countries entering under—							
GSP(million dollars)	-	-	-	-	-	-	-
806.30/807.00 (million dollars)	-	-	-	-	-	-	-
Dutiable value (million dollars)	-	-	-	-	-	-	-
CBERA (million dollars)	-	-	-	41	12	12	-
Share of total imports from CBERA countries (percent)	9.5	5.0	7.8	20.6	7.3	-	-
Share of imports from CBERA countries entering under—							
GSP (percent)	-	-	-	-	-	-	-
806.30/807.00 (percent)	-	-	-	-	-	-	-
CBERA (percent)	-	-	-	89.7	63.1	-	-
Apparent U.S. consumption [3] (million dollars)	1,719	1,557	1,628	1,671	1,436	-192	-11.8
Ratio of—							
Imports to apparent consumption (percent)	11.3	12.9	24.9	13.2	17.7	-	-
Imports from CBERA to apparent consumption (percent)	1.0	0.6	1.9	2.7	1.3	-	-

[1] Includes flue-cured, burley and Maryland cigarette filler tobaccos on a marketing-year basis, valued on a farm-sales weight basis.

[2] It should be noted that certain tobaccos are included in these data that are manufactured, like smoking tobacco. However, it is estimated they are less than 10 percent of the total. Also, about 70 percent (by value) of the imports entered in stemmed form, and about 20 percent entered as unstemmed.

[3] Adjusted for stock changes.

Note.—Included in this item are TSUS items 170.32, 170.35, and 170.80, and schedule B item 170.33. Percentages are calculated from raw data and may differ from those calculated from rounded data.

Source: Compiled from official statistics of the Bureau of the Census, U.S. Department of Commerce, or estimated by the staff of the U.S. International Trade Commission.

Filler Tobacco, Other Than Cigarette, and Scrap Tobacco

TSUS item No.	Brief description[1]	Col. 1 rate of duty effective— Jan. 1, 1983	Jan. 1, 1986
		(pre-CBERA)	
170.40	Filler tobacco, other than cigarette, not stemmed.	16.1¢ per lb.	16.1¢ per lb.
170.45	Filler tobacco, other than cigarette, stemmed.	20¢ per lb.	20¢ per lb.
170.60	Scrap tobacco	16.1¢ per lb.	16.1¢ per lb.

[1] For the statutory description, see the *Tariff Schedules of the United States Annotated, 1986.*

Description and Uses

Filler tobacco in U.S. tariff nomenclature is tobacco essentially in leaf form other than wrapper tobacco. The filler tobacco here described comprises the types of leaf tobacco (other than wrapper) that are used in the manufacture of tobacco products other than cigarettes. These types include, but are not limited to, tobacco used chiefly in the body or core of cigars; leaf used to bind the body or core, thus sealing and shaping the cigar; fire-cured tobacco used primarily in the manufacture of snuff; sun-cured and dark air-cured tobacco used in chewing and pipe-smoking tobacco; and perique, used as a seasoning in some pipe-smoking mixtures.

The leaf tobacco and scrap covered herein are used in the United States chiefly in the body or core of cigars and determine the flavor or aroma. It supplies about 75 percent of the finished weight. Imported cigar filler consists predominantly of tropical or subtropical tobacco. Differences in plant strains, soil, climate, and method of curing account for important differences between continental domestic filler and imported filler.

Profile of Domestic Producers

It is estimated from USDA data that there were about 25,000 domestic farms in 1985 producing cigar filler and binder tobacco and certain other filler tobacco (other than cigarette filler). Cigar filler is produced in Pennsylvania, Ohio, and Puerto Rico. Cigar binder tobacco is produced in Connecticut, Massachusetts, and Wisconsin. Other types of filler tobacco (including fire-cured, dark air-cured, and sun-cured) are produced in Tennessee, Kentucky, and Virginia. Scrap tobacco generally comes as a byproduct of cigar and cigarette production in facilities located in Virginia, North Carolina, Pennsylvania, Florida, and other locations.

During 1981–85, U.S. production of cigar tobaccos decreased irregularly from $60.4 million to $37.4 million. Production of cigar filler (types 41–46) decreased steadily from 30.4 million pounds, valued at $25.0 million, in 1981 to 16.9 million pounds, valued at $13.9 million, in 1983, and then increased to 17.9 million pounds, valued at $16.1 million, in 1985. Production of cigar binder (types 51–55) declined steadily during 1981–85, from 29.8 million pounds, valued at $35.4 million, to 18.3 million pounds, valued at $21.3 million. Continental U.S. filler, which consists primarily of Pennsylvania Seedleaf and Miami Valley (Ohio) leaf, is relatively mild and requires the addition of tropical or subtropical leaf to provide flavor and bouquet. Puerto Rican leaf is aromatic and can be used like other subtropical leaf to heighten the taste of a blend. U.S. tobacco is known throughout the world for its high quality, and U.S. tobacco farmers use advanced farming techniques and equipment (in relation to other tobacco producing countries) in its production.

There are no known plans for investment by U.S. companies in CBERA countries. However, it is known that various large U.S. cigar manufacturers and tobacco dealers have financial interests in Costa Rica, the Dominican Republic, Guatemala, Honduras, Jamaica, and Panama.

Profile of CBERA Producers

The USDA reports that Honduras and Jamaica are the primary CBERA producers of cigar tobacco. USDA forecasts 1986 production of cigar tobacco for all CBERA countries to be nearly identical to the volume produced in 1985. There are no known plans for major investments or export expansion among CBERA producers of cigar tobacco.

U.S. Imports

During 1981–85, U.S. imports of the tobaccos herein considered declined irregularly from $53.9 million to $43.3 million, or by 20 percent (table 26). Imports peaked in 1984 at $60.4 million. The increase in imports in 1984 was

Table 26

Filler tobacco, other than cigarette, and scrap tobacco: Profile of U.S. market, 1981-85

Item	1981	1982	1983	1984	1985	Absolute change, 1985 from 1983	Percentage change, 1985 from 1983
Value basis							
Shipments[1] (1,000 dollars)	60,390	46,238	36,102	36,998	37,448	1,346	3.7
U.S. exports:							
Total (1,000 dollars)	2,094	266	551	911	444	-107	-19.3
To CBERA countries (1,000 dollars)	1,806	200	349	868	331	-18	-5.0
U.S. imports:							
Total (1,000 dollars)	53,884	48,789	43,751	60,438	43,260	-491	-1.1
From CBERA countries (1,000 dollars)	13,257	11,698	8,444	18,678	9,480	1,036	12.2
Duties collected (1,000 dollars)	1,810	1,408	979	717	67	-912	-93.1
Imports from CBERA countries entering under—							
GSP (1,000 dollars)	-	-	-	-	-	-	-
806.30/807.00 (1,000 dollars)	-	-	-	-	-	-	-
Dutiable value (1,000 dollars)	-	-	-	-	-	-	-
CBERA (1,000 dollars)	-	-	-	14,628	9,059	9,059	-
Share of total imports from CBERA countries (percent)	24.6	24.0	19.3	30.9	21.9	-	-
Share of imports from CBERA countries entering under—							
GSP (percent)	-	-	-	-	-	-	-
806.30/807.00 (percent)	-	-	-	-	-	-	-
CBERA (percent)	-	-	-	78.3	95.6	-	-
Apparent U.S. consumption (1,000 dollars)	112,180	94,761	79,302	96,525	80,264	962	1.2
Ratio of—							
Imports to apparent consumption (percent)	48.0	51.5	55.2	62.6	53.9	-	-
Imports from CBERA to apparent consumption (percent)	11.8	12.3	10.6	19.4	11.8	-	-

[1] Includes cigar filler types 41-46 and cigar binder types 51-55. Unit value for production was estimated for 1985.

Note.—Included in this item are TSUS items 170.40, 170.45, and 170.60, and schedule B item 170.4245. Percentages are calculated from raw data and may differ from those calculated from rounded data.

Source: Compiled from official statistics of the Bureau of the Census, U.S. Department of Commerce, or the U.S. Department of Agriculture, or estimated by the staff of the U.S. International Trade Commission.

primarily a result of increased cigar filler imports from the Dominican Republic entered shortly after the duty-free benefits of CBERA went into effect. In 1985, imports returned to levels similar to those recorded during 1981-83. Major supplier in 1985, by value, were the Dominican Republic (20 percent), Indonesia (17 percent), and Brazil (12 percent). Imports from CBERA countries accounted for 22 percent of total imports in 1985 compared with 31 percent in 1984. In 1985, about 92 percent by value of U.S. imports from CBERA countries of the tobacco types classified herein entered from the Dominican Republic. Approximately 96 percent of the imports from CBERA countries entered under the CBERA in 1985 compared with 78 percent in 1984.

In 1985, legislation was enacted that provides that imported tobacco be tested by the USDA for pesticides (which are not allowed to be used on U.S. tobacco). If unacceptable residue levels are found the tobacco will be denied entry. This program is expected to take effect in the latter part of 1986. The law will require the importer to certify the tobacco free of certain pesticide residue (at a cost of 10 cents per hundredweight) or have the USDA test the tobacco at a cost of 30 cents per hundredweight.

U.S. Market

During 1981-85, U.S. consumption of cigar filler tobacco including scrap tobacco imports declined irregularly from $112.2 million to $80.3 million, reflecting the declining demand for cigars

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and cigar tobacco in the U.S. market. Over the period, the ratio of imports to apparent consumption increased irregularly from 48.0 to 53.9 percent. The ratio peaked in 1984, at 62.6 percent, reflecting the increased imports from the Dominican Republic. The ratio of imports from CBERA countries to apparent consumption during 1981–85 ranged from 10.6 percent in 1983 to 19.4 percent in 1984. The ratio was 11.8 percent in 1985. In general, cigar filler tobacco from CBERA countries is not directly competitive with domestic leaf,[1] as it is used with the relatively mild domestic leaf to provide flavor and bouquet in a cigar.

Economic Effects

The effects of the CBERA tariff elimination on trade in this tobacco category are revealed by a drop in imports in late 1983 in anticipation of the duty elimination and a surge in 1984. The surge represents both a delay in some imports and a large release of stored tobacco from Customs bond. Absent this immediate reaction to the new duty-free status, we estimate increases in total imports of about 1 to 6 percent and displacement of U.S. production of around 1 to 7 percent. The low end of these estimates is most likely, since these CBERA country tobaccos are closer substitutes for other imported tropical tobaccos than for U.S. tobaccos. It is more likely that increases in imports of these CBERA country tobaccos have displaced other imported tropical tobaccos. Savings from the duty elimination have been split more or less evenly between U.S. consumers and CBERA suppliers.

TSUS SCHEDULE 2, WOOD AND PAPER; PRINTED MATTER

Schedule 2 Commodity Coverage

Schedule 2 encompasses a wide variety of products ranging from raw materials (e.g., logs), to intermediate (e.g., pulp), and finished products (e.g., paper), and articles made thereof (e.g., publications). In 1985, U.S. imports of products covered by schedule 2 from all sources amounted to $13.7 billion (table 27). During 1981–85, imports from CBERA countries never accounted for more than 0.5 percent of U.S. imports under schedule 2. Such imports from CBERA countries increased irregularly during 1981–85, from $31 million in 1981 to $40 million in 1985. Miscellaneous articles of coated paper, miscellaneous articles of wood, rough wood products, and lumber accounted for the bulk of such imports.

Profile of CBERA Sector

There are about 600 mills that process logs into lumber, veneer, plywood, or particleboard throughout the CBERA region. These mills are concentrated primarily in Costa Rica, Guatemala, and Honduras. There are about 15 paper mills located primarily in Guatemala, El Salvador, Panama, Costa Rica, and the Dominican Republic. Much of the intermediate product requirement for these mills is supplied by imported pulp and waste paper. Collectively, the CBERA countries have between 25 million and 30 million hectares of commercial forest area compared with 195 million hectares of such forest area in the United States. Honduras leads the CBERA countries in commercial forest area with 18 million hectares. Commercial forest volume is estimated at about 400 million cubic meters throughout all the CBERA countries compared with about 23 trillion cubic meters in the United States.

U.S. Imports

U.S. imports of schedule 2 products from CBERA countries represented a very minor portion of total U.S. imports and a negligible portion of U.S. consumption during 1981–85. The United States had a trade surplus in schedule 2 products with every CBERA country during those years. U.S. imports were no larger than one-eighth the size of U.S. exports to any CBERA country during 1981–85. Annual U.S. imports from all CBERA countries ranged between $30 million and $32 million during 1981–84 and then climbed to $40 million in 1985.

In 1985, the four largest CBERA sources of U.S. imports were the Dominican Republic ($11.5 million), Honduras ($8.8 million), Haiti ($6.6 million), and Costa Rica ($4.7 million). The types of schedule 2 products imported from individual countries varies. Paper and articles thereof exported to the United States were the most important products for the Dominican Republic—increasing from $5.6 million in 1981 to

[1] Puerto Rican cigar tobacco is aromatic and can be used like other subtropical leaf to heighten the taste of a blend. However, in recent years Puerto Rican cigar filler tobacco has only accounted for about 1.5 percent of U.S. production.

Table 27
TSUS schedule 2, forest products: U.S. imports for consumption, 1981–85

Item	1981	1982	1983	1984	1985	Absolute change, 1985 from 1983	Percentage change, 1985 from 1983
Total (million dollars)	9,647	9,021	10,808	13,231	13,653	2,845	26.3
From leading 3 suppliers:							
Canada (million dollars)	7,379	6,949	8,163	9,490	9,682	1,519	18.6
Taiwan (million dollars)	320	283	390	462	453	63	16.3
Japan (million dollars)	201	183	221	280	323	102	45.7
From CBERA countries (million dollars)	31	30	30	32	40	10	33.3
Imports from CBERA countries entering under—							
GSP (million dollars)	17	19	19	19	23	4	21.0
806.30/807.00 (million dollars)	(1)	(1)	(1)	(1)	1	1	
CBERA (million dollars)	–	–	–	5	7	7	–
Share from CBERA countries (percent)	0.3	0.3	0.3	0.2	0.3	–	–
Share of imports from CBERA countries entering under—							
GSP (percent)	54.8	63.3	63.3	59.3	57.5	–	–
806.30/807.00 (percent)	(2)	(2)	(2)	(2)	2.5	–	–
CBERA (percent)	–	–	–	15.6	17.5	–	–

[1] Less than $500,000.
[2] Less than 0.05 percent.
Source: Compiled from official statistics of the Bureau of the Census, U.S. Department of Commerce.

$10.8 million in 1985. Rough wood products and lumber exports to the United States, which declined from $9.3 million in 1981 to $5.3 million in 1985, were the most important schedule 2 products for Honduras. During 1981–85, U.S. imports from Haiti consisted primarily of articles of paper, which fluctuated between $2.2 million and $3.5 million, and articles of rattan, which fluctuated between $1.5 million and $2.1 million. Hardwood veneers, plywood, and particleboard topped Costa Rican schedule 2 exports to the United States, varying from $1.5 million to $2.1 million annually during 1981–85.

During 1981–85, about 60 percent of U.S. imports from CBERA countries received preferential tariff treatment under the GSP program. In 1985, about 1 million dollars' worth of articles made of coated paper from the Dominican Republic received preferential tariff treatment under the TSUS item 807.00 provision. Since the beginning of the CBERA, about 17 percent of schedule 2 imports from CBERA countries have received preferential tariff treatment under this act. In 1985, about 55 percent of U.S. imports from Honduras and 43 percent of U.S. imports from Panama received tariff treatment under the CBERA. In general, CBERA countries do not have a competitive advantage in articles classified under schedule 2 because of their limited resources (relative to that of the United States) and their lesser degree of mechanization. However, for some specific articles, where the United States either lacks a particular resource or has a relatively small amount of domestic production, CBERA countries may have a competitive advantage (e.g., articles of rattan from Haiti or wooden dowels from Honduras).

TSUS SCHEDULE 3, TEXTILES AND APPAREL

Schedule 3 Commodity Coverage

Schedule 3 covers textile fibers, wastes, yarns and threads; cordage; woven fabrics; special-purpose fabrics such as fish nets and articles of wadding or felt; textile furnishings such as bedding and floor coverings; wearing apparel and accessories; and other miscellaneous textile products. Excluded are gloves, headwear, rubber, plastic, down (feathers), leather, and fur apparel, which are included in schedule 7.

The great preponderance of U.S. imports from Caribbean countries consists of apparel

items, mainly body-supporting garments, shirts and blouses, trousers, and jackets, entered under TSUS item 807.00.

U.S. imports of schedule 3 products from Caribbean countries increased from $315 million in 1981 to $649 million in 1985, or by 106 percent (table 28). During the period, imports from Caribbean countries accounted for 3 to 3.5 percent of total U.S. imports of schedule 3 products. Imports entering free of duty as a result of the CBERA were negligible, amounting to $1 million in 1984 and $2 million in 1985, as textile products of cotton, wool, and manmade fibers are excluded from duty-free benefits under the act. Between 85 and 90 percent of Caribbean imports are entered under TSUS item 807.00.

Profile of CBERA Sector

The textile and the apparel industries in the Caribbean countries have evolved in different patterns. The textile industry has remained limited in size and level of capitalization and is structured mainly to supply domestic demand. Costa Rica is an exception, with a few manufacturing plants that are competitive in international markets. In 1984 and 1985 it supplied to the United States over $3 million of manmade fibers, primarily polyester. The apparel industry is larger and much more export oriented than the textile industry. It takes advantage of low-cost labor and includes a variety of medium and small-size plants able to adapt rapidly to the needs of foreign markets.

The advantages offered by the Caribbean apparel industry over the years have attracted the interest of foreign manufacturers. American producers initiated coproduction agreements with Caribbean firms beginning in the 1960's to utilize TSUS item 807.00, and the last few years have seen a considerable increase in TSUS item 807.00 operations. If the current trend continues, some U.S. industry sources expect the Caribbean to supply as much as 10 percent of U.S. apparel imports by 1995, up from 3.5 percent in 1985. Recently, an increasing number of Far Eastern apparel manufacturers have begun to open factories in the Caribbean, at least in part to take advantage of less stringent quota restrictions on their exports to the United States.

U.S. manufacturers of body-supporting garments were among the first to initiate TSUS item 807.00 production in the Caribbean during the 1960's. Production of brassieres lends itself to assembly in low-wage countries, because it is highly labor intensive, requiring several sewing operations to incorporate different fabrics and

Table 28
TSUS schedule 3, textile fibers and textile products: U.S. imports for consumption, 1981-85

Item	*1981*	*1982*	*1983*	*1984*	*1985*	*Absolute change, 1985 from 1983*	*Percentage change, 1985 from 1983*
Total (million dollars)	9,780	10,186	11,906	16,499	18,381	6,475	54.3
From leading 3 suppliers:							
Hong Kong (million dollars)	1,959	2,050	2,333	3,023	3,318	985	42.2
Taiwan (million dollars)	1,336	1,520	1,756	2,227	2,376	620	35.2
Republic of Korea (million dollars)	1,173	1,243	1,461	1,931	2,032	571	39.0
From CBERA countries (million dollars)	315	338	398	502	649	251	63.0
Imports from CBERA countries entering under—							
GSP (million dollars)	1	1	1	1	1	0	0
806.30/807.00 (million dollars)	284	300	358	426	552	194	54.1
CBERA (million dollars)	-	-	-	1	2	2	-
Share from CBERA countries (percent)	3.2	3.3	3.3	3.0	3.5	-	-
Share of imports from CBERA countries entering under—							
GSP (percent)	0.3	0.2	0.2	0.1	0.1	-	-
806.30/807.00 (percent)	90.1	88.7	90.0	84.8	85.0	-	-
CBERA (percent)	-	-	-	0.1	0.3	-	-

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

notions into a finished garment. Maidenform Co. in Jamaica and Lovable Inc. in Costa Rica pioneered the U.S. apparel move to Caribbean operations. Lovable's Costa Rican operations have grown over 15 years from 1 plant employing 75 workers to 3 plants with 650 workers. Manufacturers of shirts, undershirts, slacks, and other garments, such as McGregor Sporting Goods, Inc., Phillips-Van Heusen Corp., Farah Manufacturing Co., Inc., Blue Bell Inc., Haggar Co., and the Hanes Group, have since established "807.00" operations in the Caribbean. Typically, most U.S. companies first seek production agreements with existing Caribbean firms. If the initial experience proves satisfactory, the U.S. firm often buys out the local contractor or sets up its own facilities.

Most recently, U.S. textile mills have become interested in the Caribbean as a source of new outlets for their fabric. During the past 3 years or so, Westpoint Pepperell Inc. and Dan River Inc. became the first major U.S. textile mills to get directly involved in overseas apparel assembly. In June 1986, however, Dan River Inc. sold its Miami-based manufacturing business, which had nine factories in five Caribbean nations, to DDC, Inc., a new firm controlled by the then-president of Dan River's operation. DDC, Inc., which produces a broad range of apparel products, uses fabrics primarily from Dan River Inc., supplemented by other sources.

Although nearly all textile and apparel products are excluded from duty-free treatment under CBERA, the act has encouraged local governments to provide a more favorable climate for export-oriented production and trade. As examples, Costa Rica expanded free-trade zone operations and eased taxes and regulations to facilitate implementation of the Caribbean Basin Initiative (CBI), and the U.S. Overseas Private Investment Corporation also is now more inclined to provide political risk coverage and loan guarantees to U.S.-controlled TSUS item 807.00 operations in the Caribbean.

The apparel industry of leading CBERA countries is described briefly below. It is estimated that between 70 and 80 percent of production capacity is dedicated to exports, primarily under TSUS item 807.00.

Costa Rica has 220 apparel firms with a total of 14,000 employees. The labor force is comparatively well trained, managerial and most technical skills are available locally, and productivity ranges around 60 to 70 percent of U.S. standards. Factories account for the great majority of production; home-based operations play a minor role. The last 3 years have seen a rapid increase in TSUS item 807.00 assembly work, causing cost increases and strained capacity. Most of such production—chiefly brassieres and shirts—is concentrated around San Jose, the capital. Government incentives for production for export include simplification of customs and bank regulations, and the establishment of free-trade zones throughout the country. Although contracting remains prevalent, several U.S. firms have responded to incentives by investing in their own facilities.

The Dominican Republic has 500 apparel firms employing 35,000 workers, which makes it the largest Caribbean apparel producer. The Government, in an effort to encourage exports, has established four industrial free zones (IFZ's). By 1984, the IFZ's had attracted over 65 apparel companies, specializing almost exclusively in TSUS item 807.00 work. Most of them are relatively large, with an average of 250 employees each, and tend to concentrate on making relatively few products.

Haiti is the second largest apparel manufacturer among CBERA countries, with 330 firms and 22,000 employees, some 95 percent of which are dedicated to TSUS item 807.00 production. Most plants are comparatively large, with over 200 employees, but cottage industry contractors can be found as well. A large supply of very low-cost labor is this country's main asset. Technical and managerial skills, however, are in short supply. Production quality is sometimes poor, and the level of plant capitalization and overall infrastructure are among the lowest. The local industry is best suited to produce basic volume-oriented garments with limited style changes, since frequent style changes typically cause temporary drops in efficiency. U.S. firms interested in producing apparel in Haiti have to commit considerable technical, managerial, and financial resources to compensate for local deficiencies. The Government has established an industrial park in Port-au-Prince, where most TSUS item 807.00 assembly plants are concentrated. Other government incentives to exports include tax holidays, and permission for 100-percent foreign ownership of apparel firms.

Jamaica has been aggressively pursuing the expansion of apparel exports. In 1982, the Gov-

ernment initiated a project with Kurt Salmon Associates, a U.S. consulting firm, and the Singer Co. to start a 5-year building and training program to develop the apparel industry. There are now 150 garment manufacturers with 9,000 workers, and the industry is growing rapidly with the influx of U.S. and Far Eastern investments. About 40 of the largest firms specialize in TSUS item 807.00 production. The country offers U.S. investors a favorable political climate, a low-cost, English-speaking labor force with an acceptable skill level, and the capacity for high-volume production.

Panama has stable economic and political conditions, a skilled labor force with hourly wages between 60 and 90 cents, and a fairly capable managerial class. There are no government controls over the repatriation of capital or profits; however, the law requires TSUS item 807.00 or export work to be separated physically from local production. Most apparel manufacturing is concentrated in the Panama City area. The country has recently been the object of several inquiries for new facilities from Far Eastern apparel firms.

Barbados is a politically stable, English-speaking country with a developed apparel industry and TSUS item 807.00 production of intimate apparel and gloves dating back to the early 1960's. The apparel work force is well trained, with productivity at 70 to 80 percent of U.S. standards, and hourly pay around $2, both considerably higher than the Caribbean average. Experienced supervisors and mechanics are also easier to find than in other neighboring nations. Local apparel manufacturers are currently seeking opportunities to expand TSUS item 807.00 production of casual shorts and slacks, women's blouses, unconstructed jackets, children's dresses, and lingerie.

Grenada has some 5,000 sewing machine operators, distributed mostly in cottage-type shops with an average of 20 to 60 machines each; a few firms employ 100 to 200 workers. Because of recent political and economic instability, most firms are operating under capacity. The local industry is well suited to produce low-volume products subject to frequent style changes.

U.S. Imports

Imports of textiles and apparel classified in schedule 3 of the TSUS for 1985 reached $18.4 billion, up 11 percent from $16.5 billion in 1984. The largest import increases were in sweaters, women's shirts and blouses, and textile furnishings.

In 1985, the leading textile and apparel exporter to the United States remained Hong Kong, with $3.3 billion, followed by the European Community, Taiwan, and Korea, with between $2.0 billion and $2.5 billion each. The four suppliers, which have maintained their position as leading exporters to the United States for the last several years, together provide over one-half of U.S. imports.

Caribbean countries play a relatively minor role in U.S. imports of textiles and apparel, supplying $649 million or 3.5 percent of the total in 1985. Most of the imports entered under TSUS item 807.00.

U.S. imports of cotton, wool, and manmade-fiber textile and apparel products from CBERA countries are subject to control under the Multifiber Arrangement (MFA). The United States currently has bilateral agreements providing for quotas with Haiti, Panama, the Dominican Republic, Costa Rica, and Guatemala and a consultation agreement (without quotas) with Jamaica.[1] The quota agreements not only contain specific limits on certain product categories, but also provide for consultations leading to the establishment of additional quotas when the United States determines the existence or threat of market disruption. Most of the individual product quotas on Caribbean exports have not been filled. However, in 1984, Costa Rica reached 92 percent of its quota for manmade-fiber brassieres (MFA quota category No. 649) and Haiti reached 96 percent of its quota for cotton playsuits (MFA cateogry No. 337) and 94 percent for cotton trousers (MFA category Nos. 347/348).

To encourage economic growth in Caribbean countries, the United States is now taking the initiative to increase their export quotas. The new "special access program," first announced by President Reagan in February 1986, is designed to provide the current 22 eligible CBI countries with greater access to the U.S. market for products that have been assembled with fabric made and cut in the United States. It establishes a new Caribbean quota system, under which each

[1] Costa Rica is not an MFA signatory, and the agreement with this country was established under the authority of sec. 204 of the Agricultural Act of 1956.

eligible CBI country may negotiate two separate "guaranteed access levels": one for items made in the Caribbean from fabric not produced in the United States or from fabric produced but not cut in the United States, and another, higher access level for Caribbean-produced items made from fabric both produced and cut in the United States. The U.S. Government is currently conducting bilateral negotiations with the countries involved to establish new access levels.

TSUS item 807.00 covers the great majority of Caribbean exports of apparel to the United States. Caribbean countries first became involved with TSUS item 807.00 in the 1960's, but in the 1970's, the volume of reexport trade declined considerably. Starting in the 1980's, however, and especially after the 1983 Caribbean Basin Initiative, several countries expanded their TSUS item 807.00 operations. According to a recent U.S. Department of Commerce survey, U.S. manufacturers have invested $28 million in CBERA apparel plants between January 1984 and June 1985, and additional investments have been made by local firms.

In 1985, CBERA countries exported $552 million of TSUS item 807.00 textiles and apparel to the United States, or 58 percent of the total U.S. imports under TSUS item 807.00 of $950 million. The main Caribbean suppliers as shown in the following tabulation were (in millions of dollars):

Source	*1981*	*1984*	*1985*
Dominican Republic	102	162	205
Haiti	64	88	114
Costa Rica	41	73	86
Jamaica	16	23	39
Honduras	17	22	23
Belize	9	14	14

CBERA countries enjoy a substantial competitive advantage in apparel manufacturing, reflecting their low wage level, as illustrated by the following comparison of average hourly earnings for apparel workers in 1985:

Country	*Hourly wage*
United States	$5.73
Dominican Republic	1.15
Costa Rica	.80
Haiti	.40

The major U.S. imports under TSUS item 807.00 showing the greatest increases from 1984 to 1985 were the following cotton items: woven shirts and blouses, up 68 percent, from $25 million to $42 million; trousers, up 61 percent, from $53 million to $86 million; brassieres, from $2 million to $12 million. Among articles made of manmade fibers, dresses were up 109 percent from $7 million to $14 million, trousers grew by 47 percent, from $34 million to $51 million, and brassieres increased by 28 percent, from $84 million to $107 million. The only noticeable decline occurred in women's and girls' coats of manmade fibers, down 37 percent, from $16 million to $10 million.

TSUS SCHEDULE 4, CHEMICALS AND RELATED PRODUCTS

Schedule 4 Commodity Coverage

The products included in schedule 4 of the TSUS include both organic and inorganic chemicals and many products derived therefrom. Some products are in their naturally occurring form, such as crude petroleum, natural gas, barite, and earth colors, and others have undergone varying degrees of processing. The leading imports from CBERA countries in 1985 were crude petroleum and various grades of refined fuel oils that together accounted for about 80 percent of all U.S. imports from these countries. U.S. imports of chemicals and related products from CBERA countries declined erratically from $6.1 billion in 1981 to $2.7 billion in 1985 (table 29). These imports declined most sharply from 1984 to 1985, falling from $4.6 billion to $2.7 billion, principally as a result of the decline in crude petroleum prices. U.S. imports from all CBERA countries accounted for less than 4 percent of U.S. imports for consumption of chemicals and related products in 1985.

Profile of CBERA Sector

The Bahamas, the Netherlands Antilles, and Trinidad and Tobago together accounted for nearly 93 percent of all U.S. imports under schedule 4 from CBERA countries. Trinidad and Tobago was the largest supplier of such products to the United States in 1985 (45 percent), with crude petroleum accounting for about 81 percent of the total and fuel oils and other petroleum products making up most of the rest. The Netherlands Antilles supplied 26 percent of U.S. imports of CBERA products with refined petroleum products such as fuels and fuel oils, accounting for more than 90 percent of these shipments. U.S. imports from the Bahamas amounted to about 21 percent of U.S. CBERA

Table 29
TSUS schedule 4, chemical and related products: U.S. imports for consumption, 1981-85

Item	1981	1982	1983	1984	1985	Absolute change, 1985 from 1983	Percentage change, 1985 from 1983
Total (million dollars)	91,094	75,350	68,918	75,056	68,347	-571	-0.8
From leading 3 suppliers:							
Canada (million dollars)	10,223	10,538	10,543	12,224	12,792	2,249	21.3
Mexico (million dollars)	7,215	8,766	8,883	8,380	8,314	-569	-6.4
Venezuela (million dollars)	5,138	4,483	4,512	5,741	5,773	1,261	27.9
From CBERA countries (million dollars)	6,065	4,773	5,286	4,597	2,717	-2,569	-48.6
Imports from CBERA countries entering under—							
GSP (million dollars)	35	47	67	78	117	50	74.6
806.30/807.00 (million dollars)	-	-	-	-	-	-	-
CBERA (million dollars)	-	-	-	1	28	28	-
Share from CBERA countries (percent)	6.6	6.3	7.7	6.1	4.0	-	-
Share of imports from CBERA countries entering under—							
GSP (percent)	0.5	0.9	1.2	1.6	4.3	-	-
806.30/807.00 (percent)	-	-	-	-	-	-	-
CBERA (percent)	-	-	-	(1)	1.0	-	-

[1] Less than 0.05 percent.

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

imports under schedule 4 and consisted primarily of fuels and fuel oils.

These three countries produce these products in small refineries. Most of these facilities are smaller, older facilities owned by local private individuals, by the Government, or by a partnership of both. Some renovation or retooling of some of the oldest facilities is planned or currently under way, but no large-scale expansions or new construction are planned, according to industry analysts.

U.S. Imports

U.S. imports of products classified in schedule 4 of the TSUS declined erratically from $91.1 billion in 1981 to $68.3 billion in 1985. The major factors resulting in the levels of imports during this period include the recession in 1982-83, the strength of the U.S. dollar, and most recently, the decline of crude petroleum prices. The three largest foreign suppliers of chemicals and related products contained in schedule 4 accounted for over 39 percent of U.S. imports of these products in 1985 and included Canada (19 percent), Mexico (12 percent), and Venezuela (8 percent). CBERA countries supplied 2.7 billion dollars' worth of U.S. imports of schedule 4 products, or 4 percent of the total in 1985. No CBERA country was among the top 10 suppliers of U.S. imports of schedule 4 products in 1985.

Existing U.S. barriers to trade in the products contained in schedule 4 of the TSUS are few. Tariffs on most of these products are relatively low compared with tariffs of most major trading partners. Nontariff barriers to U.S. imports include strict and lengthy registration processes on drugs and pesticides as well as Toxic Substances Control Act requirements for preimport notification on some hazardous chemicals and chemicals not previously imported.

Most of the products classified in schedule 4 of the TSUS that are exported to the United States by CBERA countries are crude petroleum and petroleum refinery products, that are not eligible for duty-free treatment under either the GSP or CBERA programs. As a result, the percentage of these imports entered under either program was relatively small—amounting to $117 million, or 4.3 percent of total imports from CBERA countries under schedule 4. Approximately 89 million dollars' worth entered under the GSP program, and 28 million dollars' worth entered under the CBERA program. No products in schedule 4 entered the United States under temporary suspensions or reductions of

duty during 1981–85. The value of products entered under these special provisions is not expected to change markedly, because the product mix is not expected to change to any large degree within the foreseeable future.

CBERA producers are generally competitive with U.S. producers and other suppliers. Their ability to compete in the U.S. market, however, is affected by relatively high transportation costs and the world price of crude petroleum. They are not likely to expand into more capital-intensive downstream products because they do not currently have the financial backing, technical skills, and/or raw materials required to change radically or to expand their product mix.

Other Nitrogenous Compounds

TSUS item No.	Brief description[1]	Col. 1 rate of duty effective— Jan. 1, 1983	Jan. 1, 1986
		(pre-CBERA)	
425.52	Other nitrogenous compounds.	7.9% ad val.	7.9% ad val.

[1] For the statutory description, see the *Tariff Schedules of the United States Annotated, 1986.*

Description and Uses

Other nitrogenous compounds is a category that includes those chemicals not classifiable in any superior tariff grouping of nitrogenous compounds. The nitrogenous chemicals are nonbenzenoid and are generally used as organic intermediates and in specialty applications.

Profile of Domestic Producers

Domestic producers of other nitrogenous compounds include chemical firms that are widely diversified and vertically integrated as well as many smaller specialty oriented firms. U.S. production of other nitrogenous compounds decreased from $1.2 billion in 1983 to $1.1 billion in 1984 before reaching $1.3 billion in 1985 (table 30).

Currently, only two U.S. pharmaceutical firms are known to have invested in production plants in the Caribbean Basin area. Pharmaceutical intermediates and finished pharmaceuticals are produced at these plants for shipment to the United States.

Profile of CBERA Producers

The two pharmaceutical firms mentioned above are the only known producers of other nitrogenous compounds in the Caribbean Basin area.

U.S. Imports

Total U.S. imports of other nitrogenous compounds reached 67 million pounds, valued at $141 million, in 1985. This represents an increase of 24 percent by quantity from imports in 1983. The two most significant suppliers during 1985 were West Germany and the Netherlands. Imports from CBERA countries were nearly negligible during 1981–85, reaching a level of about 1 million pounds, valued at $8 million, in 1985, or about 0.6 percent of total apparent U.S. consumption. None of these imports entered duty free under the CBERA provisions since most production occurs in the Bahamas, which did not become a designated beneficiary until March 1985.

U.S. Market

There is a lack of correspondence in the data between the articles imported from the Caribbean Basin countries in this tariff item and those produced in the United States. Apparent U.S. consumption increased by 5.5 percent during 1983–85, although import penetration has been erratic due to the nature of Caribbean imports and domestic consumption of these chemicals.

Economic Effects

Almost all CBERA country production of other nitrogenous compounds occurs in the Bahamas. The Bahamas became a designated CBERA beneficiary in March 1985. The act has had virtually no effect on U.S. producers and consumers of these products in the short period since products from the Bahamas have become eligible for CBERA duty-free treatment. No shipments of other nitrogenous compounds were entered CBERA duty-free in 1985, but this is likely to change in 1986. Duty-free treatment was also obtained for these products under the GSP in 1985. Increases in duty-free imports are anticipated under both programs.

Table 30
Other nitrogenous compounds: Profile of U.S. market, 1981-85

Item	1981	1982	1983	1984	1985	Absolute change, 1985 from 1983	Percentage change, 1985 from 1983
Quantity basis							
Production (million pounds)	1,607	1,798	2,139	2,072	2,279	140	6.5
U.S. exports:							
Total (million pounds)	97	104	127	128	128	1	0.4
To CBERA countries (million pounds)	2	2	2	2	2	(1)	0.6
U.S. imports:							
Total (million pounds)	39	41	54	61	67	13	24.0
From CBERA countries (million pounds)	(1)	1	1	1	1	(1)	10.0
Imports from CBERA countries entering under—							
GSP (million pounds)	0	0	0	0	(1)	(1)	-
806.30/807.00 (million pounds)	0	0	0	0	0	-	-
CBERA (million pounds)	0	0	0	0	0	-	-
Share of total imports from CBERA countries (percent)	1.0	1.9	1.5	1.1	1.3	-	-
Share of imports from CBERA countries entering under—							
GSP(percent)	-	-	-	-	1.3	-	-
806.30/807.00 (percent)	-	-	-	-	-	-	-
CBERA (percent)	-	-	-	-	-	-	-
Apparent U.S. consumption (million pounds)	1,549	1,735	2,066	2,005	2,218	152	7.4
Ratio of—							
Imports to apparent consumption (percent)	2.5	2.3	2.6	3.0	3.0	-	-
Imports from CBERA to apparent consumption (percent)	(2)	(2)	(2)	(2)	(2)	-	-
Value basis							
Shipments (million dollars)	962	917	1,219	1,119	1,253	34	2.8
U.S. exports:							
Total (million dollars)	105	106	128	136	139	11	8.7
To CBERA countries)	21	25	24	26	30	6	23.8
U.S. imports:							
Total (million dollars)	80	91	99	135	141	42	42.3
From CBERA countries (million dollars	4	5	6	5	8	2	43.1
Duties collected (million dollars)	(3)	(3)	(3)	(3)	1	1	90.0
Imports from CBERA countries entering under—							
GSP (million dollars)	-	-	-	-	(2)	(2)	-
806.30/807.00 (million dollars)	-	-	-	-	-	-	-
Dutiable value (million dollars)	-	-	-	-	-	-	-
CBERA (million dollars)	-	-	-	-	-	-	-
Share of total imports from CBERA countries (percent)	5.1	5.7	5.7	3.7	5.8	-	-
Share of imports from CBERA countries entering under—							
GSP (percent)	-	-	-	-	1.2	-	-
806.30/807.00 (percent)	-	-	-	-	-	-	-
CBERA (percent)	-	-	-	-	-	-	-
Apparent U.S. consumption (million dollars)	937	902	1,190	1,118	1,255	65	5.5
Ratio of—							
Imports to apparent consumption (percent)	8.5	10.0	8.3	12.0	11.2	-	-
Imports from CBERA to apparent consumption (percent)	0.4	0.5	0.4	0.4	0.6	-	-

[1] Less than 500,000 pounds.
[2] Less than 0.05 percent.
[3] Less than $500,000.

Note.—Included in this item are TSUS item 425.52 and schedule B items 431.4690, 431.4890, 431.53, 431.5650, 431.5750, and 431.5890. Percentages are calculated from raw data and may differ from those calculated from rounded data.

Source: Compiled from official statistics of the Bureau of the Census, U.S. Department of Commerce or estimated by the staff of the U.S. International Trade Commission.

Ethanol and Ethanol in Chemical Mixtures, N.S.P.F.

TSUS item No.	Brief description[1]	Col. 1 rate of duty effective— Jan. 1, 1983	Jan. 1, 1986
		(pre-CBERA)	
427.88	Ethanol	3% ad val.	3% ad val.[2]
432.10	Chemical mixtures, n.s.p.f.	5% ad val. but not less than the highest rate applicable to any component material.	5% ad val., but not less than the highest rate applicable to any component material.

[1] For the statutory description, see the *Tariff Schedules of the United States Annotated, 1986.*
[2] An additional duty of 60 cents per gallon is applied to ethanol that is used for fuel.

Description and Uses

The products covered in this digest are classified in two different tariff items. To give a more accurate description of import levels, data for ethanol and chemical mixtures have been combined. Chemical mixtures is a category that includes many different mixtures besides mixtures of ethanol. However, imports of chemical mixtures from CBERA countries include only ethanol in chemical mixtures that are not suitable for use in fuel.

Ethanol, also referred to as ethyl alcohol, is a clear, flammable liquid used as a raw material in the production of other chemicals such as acetic acid, ethyl acetate, and acetaldehyde, as a solvent, and as an additive in gasoline. Ethanol produced for nonbeverage use has two main end uses. The first is industrial end use as an intermediate and solvent. The second and larger end use of nonbeverage ethanol is as a fuel additive. Ethanol serves to extend the usefulness of normal gasoline as well as to enhance octane numbers. To some extent, ethanol has replaced some other additives as an octance enhancer because of the phaseout of organolead additives in gasoline. Currently, ethanol is blended with gasoline to form a 10-percent ethanol mixture known as gasohol.

Profile of Domestic Producers

Domestic producers of ethanol are generally medium-sized firms with some diversification and vertical integration. As a result of U.S. tax incentives, many firms have begun production of ethanol by fermentation as their sole product. Production of ethanol rose from a level of 2.6 billion pounds, valued at $600 million, in 1983 to 4.2 billion pounds, valued at $940 million, in 1985, or by about 60 percent by quantity (table 31). Total U.S. capacity increased from 3.3 billion pounds in 1983 to 4.7 billion pounds in 1985.

At least one U.S. producer has invested in an ethanol plant in Jamaica. The facility dehydrates, or removes the water from, ethanol produced either in Jamaica or imported from other major ethanol-producing countries.

Profile of CBERA Producers

Three facilities for ethanol production are located in Jamaica, El Salvador, and Costa Rica. The facilities in Costa Rica and El Salvador are distillery/dehydration plants originally installed to produce ethanol for local consumption. All three plants began production in 1985 and ship 100 percent of their production to the United States. There are 5 more plants either completed in 1986 or currently under construction in the Caribbean Basin, with total capacity of approximately 538 million pounds per year. Investment in ethanol projects is covered in greater detail in chapter IV of this report.

U.S. Imports

Total imports of ethanol increased from 206 million pounds, valued at $44 million, in 1981 to 1.5 billion pounds, valued at $211 million, in 1985, or by more than 600 percent by quantity. Imports from CBERA countries were sporadic or almost nil from 1981 to 1984 and then increased to $26 million in 1985.

Temporary legislation enacted in 1981 provides for additional duties on ethanol when used as a fuel. The additional duties were 60 cents per gallon as of January 1, 1985. These duties were established in response to U.S. producers' concern over lower priced ethanol entering from countries with large-scale production programs, such as Brazil. Ethanol produced in the CBERA beneficiary countries can enter the United States duty free. This is the case not only for ethanol made from Caribbean feedstocks, but also for ethanol from other feedstock sources. According

Table 31
Ethanol, and ethanol in chemical mixtures, n.s.p.f.: Profile of U.S. market, 1981-85

Item	*1981*	*1982*	*1983*	*1984*	*1985*	*Absolute change, 1985 from 1983*	*Percentage change, 1985 from 1983*
Quantity basis							
Shipments (million pounds)	1,511	1,863	2,608	2,939	4,166	1,558	59.7
U.S. exports:							
Total (million pounds)	68	51	16	23	21	5	31.3
To CBERA countries (million pounds)	2	1	1	1	1	0	0
U.S. imports:							
Total (million pounds)	206	239	686	1,409	1,478	792	115.5
From CBERA countries (million pounds)	0	(1)	(1)	0	172	172	-
Imports from CBERA countries entering under—							
GSP (million pounds)	0	0	0	0	0	-	-
806.30/807.00 (million pounds)	0	0	0	0	0	-	-
CBERA (million pounds)	0	0	0	0	121	121	-
Share of total imports from CBERA countries (percent)	0	(2)	(2)	0	11.6	-	-
Share of imports from CBERA countries entering under—							
GSP (percent)	-	-	-	-	-	-	-
806.30/807.00 (percent)	-	-	-	-	-	-	-
CBERA (percent)	-	-	-	-	70.3	-	-
Apparent U.S. consumption (million pounds)	1,649	2,051	3,278	4,325	5,623	2,345	71.5
Ratio of—							
Imports to apparent consumption (percent)	12.5	11.7	20.9	32.6	26.3	-	-
Imports from CBERA to apparent consumption (percent)	-	-	-	-	3.0	-	-
Value basis							
Shipments (million dollars)	423	559	600	591	940	340	56.7
U.S. exports:							
Total (million dollars)	15	13	4	5	4	(3)	-4.2
To CBERA countries (million dollars)	1	1	1	1	(3)	1	-25.9
U.S. imports:							
Total (million dollars)	44	43	110	203	211	101	91.6
From CBERA countries (million dollars)	-	(3)	(3)	-	26	26	235,886.1
Duties collected (million dollars)	-	-	-	-	(3)	(3)	-
Imports from CBERA countries entering under—							
GSP (million dollars)	-	-	-	-	-	-	-
806.30/807.00 (million dollars)	-	-	-	-	-	-	-
Dutiable value (million dollars)	-	-	-	-	-	-	-
CBERA (million dollars)	-	-	-	-	18	18	-
Share of total imports from CBERA countries (percent)	-	(2)	(2)	-	12.3	-	-
Share of imports from CBERA countries entering under—							
GSP (percent)	-	-	-	-	-	-	-
806.30/807.00 (percent)	-	-	-	-	-	-	-
CBERA (percent)	-	-	-	-	69.2	-	-
Apparent U.S. consumption (million dollars)	452	589	706	789	1,147	441	62.5
Ratio of—							
Imports to apparent consumption (percent)	9.7	7.3	15.6	25.7	18.4	-	-
Imports from CBERA to apparent consumption (percent)	-	-	-	-	2.3	-	-

[1] Less than 500,000 pounds.
[2] Less than 0.05 percent.
[3] Less than $500,000.

Note.—Included in this item are TSUS items 427.88 and 432.10 and schedule B item 431.1020. Percentages are calculated from raw data and may differ from those calculated from rounded data.

Source: Compiled from official statistics of the Bureau of the Census, U.S. Department of Commerce, or estimated by the staff of the U.S. International Trade Commission.

to a Customs ruling, the process of dehydrating wet alcohol into anhydrous ethyl alcohol constitutes a "substantial transformation" as required under the rules-of-origin provision of the CBERA. A petition challenging the U.S. Customs' interpretation of substantial transformation was denied, although bills have been introduced in Congress to disallow duty-free entry of ethanol produced from feedstock originating outside of the CBERA region. This issue and the probable future effects on trade are discussed in greater detail in chapter 4 of this report.

U.S. Market

Apparent U.S. consumption of ethanol has increased over twofold, from 1.7 billion pounds, valued at $452 million, in 1981 to 5.6 billion pounds, valued at $1.1 billion, in 1985. Import penetration has also increased, from about 10 percent of apparent U.S. consumption in 1981 to nearly 26 percent in 1984, before decreasing to 18 percent in 1985. Until 1985, imports from CBERA countries made up only negligible percentages of apparent U.S. consumption. Although the CBERA countries have the advantage of duty-free entry of ethanol, other countries in South America and Europe have surpluses of ethanol which can be exported to the United States.

Position of Interested Parties

The California Farm Bureau Federation believes that transshipment through the CBERA nations is enabling traders of ethanol to evade the current additional duty of 60 cents per gallon. In a submission to the Commission, the Federation maintained that the intent of the act is being violated by third countries wishing to circumvent the import duty applied to ethyl alcohol used for fuel by the mere dehydration of alcohol in a beneficiary country. They argue that this duty evasion is damaging both domestic corn producers and government programs directed at improving farm income and stabilizing the agricultural economy.

Economic Effects

The Customs ruling that dehydration of "wet" ethanol constitutes a "substantial transformation" under CBERA provisions provided the impetus for the establishment of the ethanol dehydration industry in CBERA countries. The ruling allowed CBERA country producers to operate with non-CBERA country feedstocks, creating a new industry in the region, based solely on the preferential duty-free treatment of this product in the Caribbean Basin region.

The quantitative methodology based on duties collected in 1983 cannot be directly applied in this case, given the absence of trade in these items in 1983. If all imports of ethanol and chemical mixtures were the result of CBERA duty-free treatment, it is estimated that total imports increased by roughly 10 percent as a result of the duty elimination, with about 2 percent of domestic shipments displaced. This is probably an overstatement of the effect of the duty elimination, since duties were paid on a substantial portion of CBERA country imports of these products.

Synthetic Nonbenzenoid Hormones

TSUS item No.	Brief description[1]	Col. 1 rate of duty effective— Jan. 1, 1983	Jan. 1, 1986
		(pre-CBERA)	
437.56	Synthetic nonbenzenoid adrenocortical hormones.	8.3% ad val.	6.6% ad val.
437.57	Synthetic nonbenzenoid hormones, other than adrenocortical.	4.1% ad val.	3.4% ad val.

[1] For the statutory description, see the *Tariff Schedules of the United States Annotated, 1986.*
[2] TSUS items 437.56–437.57 are subject to a concession for staged reductions in duty rates. Effective Jan. 1, 1987, the col. 1 rate of duty for TSUS item 437.56 will be 6 percent ad valorem, and for TSUS item 437.57 the rate will be 3.2 percent ad valorem.

Description and Uses

The hormones covered in this digest include adrenocortical hormones, anabolic agents and androgens, estrogens and progestins, and other steroid and nonsteroid hormones. Hormones are chemical substances produced in the body which have a specific regulatory effect on the activity of certain cells or a certain organ or organs. Several of the hormones are differentiated by their site of formation in the human body, such as the adrenocortical hormones, as well as their function.

Profile of Domestic Producers

There are currently at least 10 domestic producers and/or importers of the products covered in this digest. One of these firms has a subsidiary

in the Bahamas, the CBERA source of these products.

Information regarding domestic shipments of the products is not available. Industry sources, however, estimate that domestic shipments in 1984 were valued at $1 billion. Advanced technology is used to produce these hormones in the United States. Capacity utilization is estimated to be 75 to 85 percent.

Profile of CBERA Producers

The Bahamas is the only CBERA country exporting the subject hormones to the United States. The sole producer of these hormones in the Bahamas is a subsidiary of a U.S. multinational firm. Most of the products imported are intended for internal consumption by the parent firm. An industry source stated that although the capacity to produce pharmaceuticals will expand in the region, production capacity for steroids is not expected to expand as fast. The technology is modern, and capacity utilization is estimated to be the same as that in the United States.

U.S. Imports

During 1981–85, the total value of U.S. imports classified under TSUS items 437.56–437.57 ranged from $54.6 million in 1981 to $62.3 million in 1983. In 1985, those imports were valued at $56.0 million (table 32). The largest source in 1985 was France, accounting for 25.8 percent of

Table 32
Synthetic nonbenzenoid hormones: Profile of U.S. market, 1981–85

Item	*1981*	*1982*	*1983*	*1984*	*1985*	*Absolute change, 1985 from 1983*	*Percentage change, 1985 from 1983*
Value basis							
Shipments (million dollars)	(1)	(1)	(1)	(1)	(1)	–	–
U.S. exports:							
Total (million dollars)	213	209	218	235	244	26	11.8
To CBERA countries (million dollars)	4	4	5	5	8	3	40.2
U.S. imports:							
Total (million dollars)	55	60	62	53	56	-7	-10.0
From CBERA countries (million dollars)	13	13	13	11	5	-9	-58.4
Duties collected (million dollars)	1	1	1	1	(1)	-1	-65.4
Imports from CBERA countries entering under—							
GSP (million dollars)	(2)	(2)	(2)	(2)	(2)	(2)	329.8
806.30/807.00 (million dollars)	–	–	–	–	–	–	–
Dutiable value (million dollars)	–	–	–	–	–	–	–
CBERA (million dollars)	–	–	–	–	(2)	(2)	–
Share of total imports from CBERA countries (percent)	24.7	23.0	21.5	21.3	9.9	–	–
Share of imports from CBERA countries entering under—							
GSP (percent)	0.4	0.6	0.2	0.6	2.7	–	–
806.30/807.00 (percent)	–	–	–	–	–	–	–
CBERA (percent)	–	–	–	–	6.7	–	–
Apparent U.S. consumption (million dollars)	(1)	(1)	(1)	(1)	(1)	–	–
Ratio of—							
Imports to apparent consumption (percent)	(1)	(1)	(1)	(1)	(1)	–	–
Imports from CBERA to apparent consumption (percent)	(1)	(1)	(1)	(1)	(1)	–	–

[1] Not available.
[2] Less than $500.000.

Note.—Included in this item are TSUS items 437.56-437.57 and schedule B items 442.61-442.69 and 435.31-435.39. Percentages are calculated from raw data and may differ from those calculated from rounded data.

Source: Compiled from official statistics of the Bureau of the Census, U.S. Department of Commerce, or estimated by the staff of the U.S. International Trade Commission.

the total. The second and third largest sources were Mexico and the Netherlands, accounting for $8.8 million and $7.6 million, respectively.

The Bahamas exported $5.5 million of these products to the United States in 1985, its first year of eligibility under CBERA. These imports accounted for 9.7 percent of total U.S. imports of these products. This represented a decrease of 55 percent from the average of $12.2 million imported from the Bahamas during 1981–84. According to an industry source, the decline was primarily attributable to the expiration of patents on several products, resulting in lowered prices. The quantity of such imports was said to have remained relatively constant during 1981–85. The main products imported from the Bahamas were synthetic adrenocortical hormones, anabolic agents and androgens, and progestins. Of the imports from the Bahamas, 7 percent entered under CBERA, and 2.8 percent entered under GSP. Of the 1.8 million dollars' worth of these products from the Bahamas entered during January–March 1986, 8.4 percent ($151,000) entered under the CBERA program. However, more than one-half of the 1986 imports, 52 percent, entered duty free under the GSP. None of the imports entered under TSUS items 806.30/807.00.

U.S. Market

Apparent U.S. consumption in 1985 was estimated at $820 million. During 1981–85, consumption of all hormones generally increased. This is attributed to a number of new products and/or applications and to the increase in the consuming population. Hormones are only moderately price sensitive in that they are primarily dispensed through prescriptions and are, in some instances, considered to be specialty products.

Economic Effects

Most CBERA country production of these synthetic hormones occurs in the Bahamas. The Bahamas became a designated CBERA beneficiary in March 1985. The act has had very little effect on U.S. producers and consumers of these products in the short period since products from the Bahamas have become eligible for CBERA duty-free treatment. Only in the last quarter of 1985 did any of these items enter duty-free under CBERA. On the basis of an estimated $1 billion of domestic shipments, it is estimated that the duty elimination was responsible for less than a 1-percent increase in total imports and for displacement of much less than 1 percent of domestic shipments. Savings from the duty elimination have been split between U.S. consumers and CBERA suppliers of these imports, with consumers perhaps benefiting more.

TSUS SCHEDULE 5, NONMETALLIC MINERALS AND PRODUCTS

Schedule 5 Commodity Coverage

TSUS schedule 5 covers nonmetallic minerals and products, including cement, concrete, lime, gypsum, stone, mica, graphite, asbestos, abrasives, gemstones, clay and ceramic articles, glass items, and refractory materials. In 1985, imports of diamonds (principally gemstones used in jewelry) accounted for 47 percent of total schedule 5 imports from CBERA countries, and imports of asphaltum, bitumen, and limestone-rock asphalt (used mainly for asphalt paving in highway construction) accounted for 36 percent of such imports. The value of imports from CBERA countries rose from $84 million in 1981 to $111 million in 1985, or by 32 percent (table 33). Imports from CBERA countries accounted for 1.3 percent of schedule 5 imports in 1985 compared with 1.4 percent of such imports in 1981.

Profile of CBERA Sector

Between 1981–85, the Netherlands Antilles was the leading U.S. supplier of schedule 5 imports from CBERA nations, supplying 54 percent of these imports during the period. Imports from the Netherlands Antilles declined from $71.1 million in 1981 to $41.7 million in 1985 and consisted almost entirely of imports of asphaltum, bitumen, and limestone-rock asphalt. Asphalt is refined in the Netherlands Antilles by Refineria Isla Curazao SA-Emmastad, which is owned by the Netherlands Antilles and is leased by Petroven, the Venezuelan State oil company. The refinery has a rated capacity to process 320,000 barrels of crude oil and to produce 8,000 barrels of asphalt per day. Capacity utilization for the production of asphalt has fluctuated widely depending on end-use demand. There are no plans at present to increase refining capacity.

Recently, the Government of Jamaica has considered ways to increase private-sector investment in the quarrying and processing of marble

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to yield building materials such as terrazzo tiles, marble slabs, and blocks. This would be done to take advantage of Italian technology in producing thin epoxy-resin marble tiles. However, investment plans have not yet been made final, as the Government is attempting to determine whether the tiles would be competitive in export markets such as the U.S. building industry.

In 1985, U.S. imports from Panama totaled $53.6 million, or 48 percent of total imports from CBERA nations. Imports of diamond gemstones from Panama totaled $52 million in 1985, or 97 percent of schedule 5 imports from Panama. Almost 78 percent of diamond imports occurred in December. During January–May 1986, imports of diamond gemstones from Panama totaled only $2.6 million. Since Panama is not a diamond-cutting center and has no deposits of rough diamonds, industry sources believe these imports are transshipments from Venezuela, a major diamond producer.

U.S. Imports

After falling to $5.3 billion in 1982 from $5.9 billion in 1981, U.S. schedule 5 imports increased steadily to $8.7 billion in 1985, or by 64 percent from the 1982 level. Diamond gemstones accounted for 31 percent of the value of schedule 5 imports in 1985. Japan was the leading supplier of schedule 5 imports in 1985, with 10.3 percent of imports, and Belgium and Luxembourg followed with 9.9 percent and Canada with 9.8 percent.

There are no existing trade barriers in the form of quotas, quarantines, or VRA's affecting schedule 5 imports. Most schedule 5 items, including diamond gemstones and asphalt, enter the United States duty free from MFN nations.

Schedule 5 imports entering under the GSP from CBERA countries increased from $3 million, or 3.5 percent of imports from CBERA countries, in 1981, to $5 million, or 4.5 percent of imports from CBERA countries in 1985. Imports from CBERA countries entering under provision of TSUS items 806.30/807.00 were negligible during 1981–85. Schedule 5 imports entering under CBERA were negligible in 1984, the first year that imports qualified for CBERA entry, and totaled $1 million in 1985.

With the exception of asphalt imports from the Netherlands Antilles, schedule 5 imports

Table 33

TSUS schedule 5, nonmetallic minerals and products: U.S. imports for consumption, 1981–85

Item	*1981*	*1982*	*1983*	*1984*	*1985*	*Absolute change, 1985 from 1983*	*Percentage change, 1985 from 1983*
Total (million dollars)	5,874	5,257	6,150	7,931	8,714	2,564	41.6
From leading 3 suppliers:							
Japan (million dollars)	656	571	621	805	901	280	45.0
Belgium and Luxembourg (million dollars)	685	627	685	893	859	174	25.3
Canada (million dollars)	635	592	662	841	853	191	28.8
From CBERA countries (million dollars)	84	58	75	50	111	36	48.0
Imports from CBERA countries entering under—							
GSP (million dollars)	3	4	4	5	5	1	25.0
806.30/807.00 (million dollars)	(1)	–	(1)	(1)	(1)	(1)	–
CBERA (million dollars)	–	–	–	(1)	1	1	–
Share from CBERA countries (percent)	1.4	1.1	1.2	0.6	1.3	–	–
Share of imports from CBERA countries entering under—							
GSP (percent)	3.5	6.8	5.3	10.0	4.5	–	–
806.30/807.00 (percent)	(2)	–	(2)	(2)	(2)	–	–
CBERA (percent)	–	–	–	(2)	0.9	–	–

[1] Less than $500,000.

[2] Less than 0.05 percent.

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

from CBERA countries are generally not competitive in the U.S. market. CBERA countries, as a rule, do not possess large, commercially exploitable deposits of the minerals included in schedule 5, and manufactured products from CBERA countries generally fail to compete in the U.S. market because of insufficient or obsolete production capacity and unacceptable product quality. In addition, these nations have not yet established extensive marketing and distribution channels in the United States for their products. Exports of asphalt from the Netherlands Antilles are competitive in both the world and U.S. markets because the asphalt is a byproduct of the refining of low-cost Venezuelan crude oil.

TSUS SCHEDULE 6, METALS AND METAL PRODUCTS

Schedule 6 Commodity Coverage

This schedule covers metal-bearing ores and materials, their alloys and their basic shapes and forms, as well as a wide variety of articles such as metal containers, wire, nails and screws, and a broad range of machinery and equipment. This machinery and equipment consists of articles such as boilers, valves, pulp and paper and textile machinery, electrical machinery, including consumer electronics products, and transportation equipment.

The schedule 6 imports from the CBERA countries that are addressed in this report include wire rods, certain parts of office machines, electrical capacitors, articles for making and breaking electrical circuits, resistors, monolithic integrated circuits, and miscellaneous electrical articles and parts. These products represent approximately one-half of the schedule 6 imports from CBERA countries in 1985 but only 0.4 percent of total U.S. imports under schedule 6 in that year. Imports from CBERA countries increased irregularly during 1981–85, from $659 million in 1981 to $924 million in 1984, before decreasing to $683 million in 1985. These fluctuations in imports reflect U.S. economic conditions and changes in U.S. demand for these products (table 34).

Profile of CBERA Sector

Most CBERA imports of metals and metal products are produced by state-owned firms or by subsidiaries of U.S. firms. Production facilities that require large capital outlays are most likely to be owned and operated by a government. The CBERA governments are attempting to increase exports but are hampered by lack of technology, trained labor, and financing. Some countries, such as Trinidad, have entered into agreements with companies in developed countries to help them overcome these obstacles and could be capable of significant expansion.

Many U.S. firms have established subsidiaries in CBERA countries to take advantage of their lower cost of labor. The primary function of these foreign subsidiaries is to perform the labor-intensive production processes, often assembly operations, that do not require skilled labor and advanced technology. Many of these operations require little capital investment, and can be easily expanded or contracted according to market conditions. There are also a growing number of small, locally owned firms to which U.S. firms contract out these activities.

U.S. Imports

U.S. imports of metals and metal products grew from $97.1 billion in 1981 to $164.3 billion in 1985. The largest portion of this increase, $56.0 billion, occurred during 1983–85. The major suppliers of these products were Japan, Canada, and West Germany, which together accounted for over 65 percent of U.S. imports in 1985. CBERA countries supplied a minimal amount of these imports, $659 million in 1981 and $683 million in 1985, and their share of imports declined from 0.7 percent in 1981 to 0.6 percent in 1983 and then to 0.4 percent in 1985. The following digests describe 7 product categories that represented 23.5 percent of imports from CBERA countries in 1981 and 43.8 percent in 1985.

There were two major changes in U.S. barriers to trade for products in schedule 6 during 1981–85. Since 1983, duties have been collected on wire rod from Trinidad as a result of antidumping and countervailing duty cases filed in 1982. Beginning on March 1, 1985, monolithic integrated circuits became duty free, and on January 18, 1986 a portion of certain parts of office machines became duty free.

The tariff preferences most heavily used by CBERA countries to reduce import duties were the provisions of TSUS items 806.30/807.00. In

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Table 34
TSUS schedule 6, metals and metal products: U.S. imports for consumption, 1981-85

Item	1981	1982	1983	1984	1985	Absolute change, 1985 from 1983	Percentage change, 1985 from 1983
Total (million dollars)	97,127	96,383	108,237	148,038	164,284	56,047	51.7
From leading 3 suppliers:							
Japan (million dollars)	30,494	30,564	33,129	46,742	56,715	23,586	71.1
Canada (million dollars)	21,984	22,006	25,705	35,458	36,353	10,648	41.4
West Germany (million dollars)	8,178	8,594	8,762	11,770	14,596	5,834	66.5
From CBERA countries (million dollars)	659	553	658	924	683	25	3.7
Imports from CBERA countries entering under—							
GSP (million dollars)	37	30	58	71	40	-18	-31.0
806.30/807.00 (million dollars)	176	224	313	315	149	-164	-52.3
CBERA (million dollars)	-	-	-	107	84	84	-
Share from CBERA countries (percent)	0.7	0.6	0.6	0.6	0.4	-	-
Share of imports from CBERA countries entering under—							
GSP(percent)	5.6	5.4	8.8	7.6	5.8	-	-
806.30/807.00 (percent)	26.7	40.5	47.5	34.0	21.8	-	-
CBERA (percent)	-	-	-	11.5	12.2	-	-

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

1981, nearly 27 percent of imports from these countries were entered under these provisions. This share rose to 48 percent in 1983 and then declined to 22 percent in 1985 after CBERA duty-free status became available. This provision is used mainly by U.S. firms that maintain assembly plants in CBERA countries or that contract out assembly operations. GSP accounted for a much smaller proportion, 6 percent, of imports from CBERA countries in 1985. The proportion of GSP imports under schedule 6 from these countries is low because, for the most part, they do not meet the value-added requirements. The amount of imports under the CBERA provision increased to just over 12 percent in 1985, mainly at the expense of imports under TSUS items 806.30/807.00.

Most CBERA countries do not have the technology, skilled labor force, and financing to compete in the metals and metal products markets. There is some evidence that firms in developed countries are beginning to supply equipment and training to make these countries successful producers and exporters. However, the majority of exports to the United States from these countries are the result of U.S. firms that send parts from the United States to an assembly plant in a CBERA country and then imports the assembled product. The major competitors of firms in the CBERA countries are not U.S. firms but those located in Mexico and other countries that specialize in performing labor-intensive, low-skill manufacturing operations.

Wire Rods of Iron or Steel

TSUS item No.	Brief description[1]	Col. 1 rate of duty effective— Jan. 1, 1983	Jan. 1, 1986
		(pre-CBERA)	
607.17	Wire rods of iron or steel, over 4 cents per lb.	2.0% ad val.	1.9% ad val.

[1] For the statutory description, see the *Tariff Schedules of the United States Annotated, 1986.*

Description and Uses

Carbon steel wire rod is a hot-rolled, semi-finished product from which steel wire is drawn. The type of wire rod imported under TSUS item 607.17 is wire rod that has not been tempered, treated, or partly manufactured, sold for more than 4 cents per pound. Such steel wire rod may be drawn into a variety of products, such as wire for wire mesh, home appliance shelving, shopping carts, nails, screws, bolts, chain link

fences, clothes hangers, upholstery springs, and tire cord wire.

Profile of Domestic Producers

During 1984–85, there were 14 firms operating a total of 15 U.S. plants in which carbon steel wire rod was produced. The U.S. producers' wire rod plants are located throughout the United States but are concentrated in the industrial belt south of the Great Lakes ranging from Wisconsin to Pennsylvania.

U.S. producers' shipments of wire rod declined in 1985 to an estimated 3.6 million tons ($784.4 million) from 3.8 million tons ($910.8 million) in 1984, or by 4.4 percent (table 35). Approximately 25 percent of these shipments were captively consumed by the producers in the production of more advanced wire products. Overall, capacity remained fairly constant at approximately 5.5 million tons in 1984 and 1985. Capacity utilization is estimated to have declined slightly from approximately 69 percent in 1984 to 65 percent in 1985, reflecting the decline in production in 1985. None of the 14 U.S producers are known to have invested in steel plants located in CBERA eligible countries.

Profile of CBERA Producers

Of the countries eligible for CBERA treatment, only Trinidad and Tobago (hereafter Trinidad) produces and exports carbon steel wire rod in any significant quantities to the United States. Very small quantities did come from the Bahamas and Panama, but not under the CBERA program. Other CBERA-eligible countries have wire-rod-producing facilities but did not export to the United States in 1984–85.

In 1984–85 Trinidad accounted for 98 percent or more of carbon steel wire rod imports under TSUS item 607.17 from CBERA-eligible countries. Trinidad's steel company, the Iron and Steel Company of Trinidad and Tobago (ISCOTT), is a government-owned, integrated facility, which began production in August 1980. Production of wire rod began in mid-1981, with the first export shipments to the United States in November of that year. Capacity at ISCOTT for production of wire rod is reported to be approximately 535,000 tons, with capacity projected to reach 661,380 tons. As capacity and production increased in 1982, the company began to increase its exports of carbon steel wire rod to the United States. As a result of increasing wire rod imports, a countervailing duty case was filed May 1982 and an antidumping case was filed in September 1982 against Trinidad by a group of domestic wire rod producers. In late 1983, affirmative decisions were rendered in both of the cases, and duties were, and continue to be, assessed.

Since production started at ISCOTT, the company has been plagued with a variety of production and financial problems. In the latter part of 1985, in an effort to improve the company's situation, ISCOTT announced a 24-month agreement for training, technical, and management assistance between the Government of Trinidad, Voest Alpine of Austria, and Neue Hamburger Stahlwerke of West Germany. The joint proposal also provides for an export credit to finance 85 percent of the cost of all services, equipment, and spare parts purchased from either Austria or West Germany.

U.S. Imports

Carbon steel wire rod imports from all sources under TSUS item 607.17 increased steadily from 1981 to 1984 and then declined by 8.4 percent, to 1.2 million tons, in 1985. The top three suppliers during 1984–85 were Canada, Japan, and France, which supplied a combined total of 51 percent of total wire rod imports, on a quantity basis, in 1985. Of the CBERA-eligible countries, Trinidad was the primary supplier, ranking as the fifth and sixth largest supplying country in 1984 and 1985, respectively. CBERA imports accounted for 4.7 and 4.2 percent of total carbon steel wire rod imports in 1984 and 1985, respectively.

The decline in total imports of carbon steel wire rod was probably the result of voluntary restraint agreements signed with 17 steel supplying countries and the EC-10. Under the VRA's, imports of carbon steel wire rod as well as a number of other steel products are limited. In addition to the VRA's, certain countries, including Trinidad since 1983, are subject to either antidumping or countervailing duty orders on imports of carbon steel wire rod.

There are three programs under which the subject imports could enter from CBERA eligible countries—the Generalized System of Preferences program, TSUS items 806.30/807.00 and the CBERA. No imports of carbon steel wire rod have entered the United States under either the GSP or under TSUS items 806.30/807.00.

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Table 35
Wire rods of iron or steel, not tempered or treated, over 4 cents a pound: Profile of U.S. market, 1981-85

Item	*1981*	*1982*	*1983*	*1984*	*1985*	*Absolute change, 1985 from 1983*	*Percentage change, 1985 from 1983*
Quantity basis							
Shipments[1] (1,000 tons)	4,194	3,108	3,621	3,790	3,623	2	0.06
U.S. exports:							
Total (1,000 tons)	82	8	1	3	2	1	43.9
To CBERA countries (1,000 tons)	3	3	(2)	(2)	(2)	(2)	95.9
U.S. imports:							
Total (1,000 tons)	761	830	1,061	1,361	1,247	186	17.5
From CBERA countries (1,000 tons)	6	56	64	64	52	-12	-18.7
Imports from CBERA countries entering under—							
GSP (1,000 tons)	0	0	0	0	0	-	-
806.30/807.00 (1,000 tons)	0	0	0	0	0	-	-
CBERA (1,000 tons)	0	0	0	7	24	24	-
Share of total imports from CBERA countries (percent)	0.7	6.7	6.0	4.6	4.1	-	-
Share of imports from CBERA countries entering under—							
GSP (percent)	-	-	-	-	-	-	-
806.30/807.00 (percent)	-	-	-	-	-	-	-
CBERA (percent)	-	-	-	10.4	45.9	-	-
Apparent U.S. consumption (1,000 tons)	4,873	3,930	4,681	5,148	4,868	179	3.8
Ratio of—							
Imports to apparent consumption (percent)	15.6	21.1	22.6	26.4	25.6	-	-
Imports from CBERA to apparent consumption (percent)	0.1	1.4	1.3	1.2	1.0	-	-
Value basis							
Shipments (million dollars)	922	701	807	911	785	-22	-2.7
U.S. exports:							
Total (million dollars)	31	3	1	2	1	(3)	15.6
To CBERA countries (million dollars)	1	1	(3)	(3)	(3)	(3)	225.0
U.S. imports:							
Total (million dollars)	264	266	292	403	365	73	24.9
From CBERA countries (million dollars)	2	15	15	16	13	-2	-12.0
Duties collected	(3)	(3)	(3)	(3)	(3)	0	0
Imports from CBERA countries entering under—							
GSP (million dollars)	-	-	-	-	-	-	-
806.30/807.00 (million dollars)	-	-	-	-	-	-	-
Dutiable value (million dollars)	-	-	-	-	-	-	-
CBERA (million dollars)	-	-	-	2	5	5	-
Share of total imports from CBERA countries (percent)	0.6	5.5	5.1	4.0	3.6	-	-
Share of imports from CBERA countries entering under—							
GSP (percent)	-	-	-	-	-	-	-
806.30/807.00 (percent)	-	-	-	-	-	-	-
CBERA (percent)	-	-	-	9.6	41.5	-	-
Apparent U.S. consumption (million dollars)	1,154	964	1,098	1,312	1,149	39	3.6
Ratio of—							
Imports to apparent consumption (percent)	22.8	27.5	26.6	30.7	31.7	-	-
Imports from CBERA to apparent consumption (percent)	0.1	1.5	1.3	1.2	1.1	-	-

[1] Includes captive shipments.
[2] Less than 500 tons.
[3] Less than $500,000.

Note.—Included in this item are TSUS item 607.17 and schedule B item 608.74. Percentages are calculated from raw data and may differ from those calculated from rounded data.

Source: Compiled from official statistics of the Bureau of the Census, U.S. Department of Commerce or estimated by the staff of the U.S. International Trade Commission.

Trinidad exported $16.4 million in carbon steel wire rods to the United States in 1984, of which 10 percent, or $1.6 million, entered duty free under the CBERA. In 1985, Trinidad's exports of wire rod declined to $13.2 million, of which 41.5 percent, or $5.5 million, entered under the CBERA. Although imports entering duty free under the CBERA program increased, total imports of carbon steel wire rod from Trinidad fell by 19.6 percent in 1985. Total imports from Trinidad are believed to have declined because of continuing production and financial difficulties at ISCOTT, although the effects of U.S. antidumping and countervailing duties may also have been a factor.

U.S. Market

Consumption of carbon steel wire rod under TSUS item 607.17 increased steadily during 1982–84 to 5.1 million tons and then declined during 1985 to 4.9 million tons, or by 5.6 percent from the 1984 level. Imports from CBERA eligible countries as a share of consumption declined slightly during 1984–85 from 1.2 percent to 1.1 percent, reflecting the decline of imports from Trinidad. Imports from Trinidad entering under the CBERA increased as a share of apparent consumption, from 0.1 to 0.5 percent between 1984 and 1985.

Carbon steel wire rod produced in Trinidad is similar in quality to that produced within the United States and other foreign countries. Moreover, domestic and foreign producers are generally equally able to produce wire rod to a customer's particular metallurgical and physical specifications. Consequently, competition in the U.S. market occurs primarily on the basis of price.

Economic Effects

There has been very little effect from CBERA duty-free treatment of wire rods on the U.S. industry. CBERA countries supply less than 1 percent of U.S. consumption. The tariff elimination is estimated to have resulted in much less than a 1-percent increase in total imports and less than 0.1 percent displacement of U.S. shipments. Savings from the duty elimination have been split between U.S. consumers and CBERA suppliers, with consumers perhaps benefiting more.

Certain Parts of Office Machines

TSUS Item No.	Brief description[1]	Col. 1 rate of duty effective— Jan. 1, 1983	Jan. 1, 1986
		(pre-CBERA)	
676.52	Certain parts of office machines.	4.7% ad val.	4.1% ad val.

[1] For the statutory description, see the *Tariff Schedules of the United States Annotated, 1986.*

Description and Uses

The parts of office machines covered here include parts of automatic data processing machines, calculating machines, and other machines incorporating a calculating mechanism. Parts of such office machines as typewriters or copying machines are not included in this TSUS item. Parts of office machines are used in the assembly of complete office machines, such as computers, or in the assembly of major components, such as a disk drive that is to be incorporated into a computer.

Profile of Domestic Producers

There are approximately 900 firms producing parts of office machines. Major U.S. producers of parts of office machines are located in the northeastern region of the country and in California.[1] In 1985, U.S. producers' shipments of parts of office machines were estimated at $75 billion, up by 36 percent over 1983. U.S. firms manufacturing computers, word processing equipment, and other office automation equipment were the principal producers and consumers of parts of office machines. Such U.S. firms are on the leading edge of technology and are frequently the first to introduce new products into the world market. Capacity utilization rates for U.S. manufacturers were generally high during 1981–85, reflecting the continued demand for office automation equipment.

Profile of CBERA Producers

The bulk of U.S. imports of certain parts of office machines are from subsidiaries of U.S.-owned firms. These subsidiaries were established in CBERA countries to take advantage of the low labor costs and provide labor-intensive assembly operations rather than manufacturing capability. In addition, there are a large number

[1] *1982 Census of Manufacturers.*

of small, local producers which either subcontract or offer general assembly operations to U.S. companies.

U.S. Imports

U.S. imports of parts of office machines rose from $3.1 billion in 1983 to $4.8 billion in 1985, or by 53 percent (table 36). The principal sources during the period were Japan, which accounted for 36 percent of total imports in 1985, and Singapore, which accounted for 17 percent. Imports from the CBERA region rose from $15 million in 1983 to $16 million in 1984 and then declined to $10 million in 1985. Throughout the period, CBERA region imports accounted for less than 1 percent of imports. The majority of imports from the CBERA region were entered under TSUS item 807.00 during the period. TSUS item 807.00 imports as a share of all imports from the CBERA region ranged from a low of 59 percent in 1981 to a high of 93 percent in 1984. Imports from the CBERA region under the GSP accounted for 29 percent of the total in 1981 but have been minimal since that year. Imports from the region under the CBERA provisions were 2 percent of the total in 1985.

U.S. Market

Apparent U.S. consumption of parts of office machines increased from $53 billion in 1983 to $73 billion in 1985, or by 38 percent. The increase was due to the continued demand for

Table 36

Certain parts for office machines: Profile of U.S. market, 1981-85

Item	*1981*	*1982*	*1983*	*1984*	*1985*	*Absolute change, 1985 from 1983*	*Percentage change, 1985 from 1983*
Value basis							
Shipments (million dollars)	40,000	45,000	55,000	65,000	75,000	20,000	36.4
U.S. exports:							
Total (million dollars)	4,074	4,279	5,286	6,846	7,131	1,846	34.9
To CBERA countries (million dollars)	27	32	36	36	29	-7	-18.4
U.S. imports:							
Total (million dollars)	1,318	1,808	3,146	4,812	4,805	1,659	52.7
From CBERA countries (million dollars)	7	7	15	16	10	-5	-34.9
Duties collected (million dollars)	(1)	(1)	(1)	(1)	(1)	0	0
Imports from CBERA countries entering under—							
GSP (million dollars)	2	(1)	(1)	(1)	(1)	(1)	3,492.8
806.30/807.00 (million dollars)	4	6	14	15	9	-5	-37.4
Dutiable value (million dollars)	2	3	5	4	4	-1	-20.0
CBERA (million dollars)	0	0	0	(1)	(1)	(1)	-
Share of total imports from CBERA countries (percent)	0.4	0.4	0.4	0.3	0.2	-	-
Share of imports from CBERA countries entering under—							
GSP (percent)	28.6	0.4	(2)	1.3	1.3	-	-
806.30/807.00 (percent)	59.0	77.3	91.9	93.2	88.4	-	-
CBERA (percent)	-	-	-	0.2	1.9	-	-
Apparent U.S. consumption (million dollars)	37,244	42,529	52,660	62,966	72,674	20,014	38.0
Ratio of—							
Imports to apparent consumption (percent)	3.5	4.2	5.9	7.6	6.6	-	-
Imports from CBERA to apparent consumption (percent)	(2)	(2)	(2)	(2)	(2)	-	-

[1] Less than $500,000.
[2] Less than 0.05 percent.

Note.—Included in this item are TSUS item 676.52 and schedule B item 676.55. Percentages are calculated from raw data and may differ from those calculated from rounded data.

Source: Compiled from official statistics of the Bureau of the Census, U.S. Department of Commerce, and estimated by the staff of the U.S. International Trade Commission.

office automation equipment. Import penetration increased from 6 percent in 1983 to almost 8 percent in 1984 and declined to about 7 percent in 1985. Imports from the CBERA region have not been a factor in the U.S. market because of the level of technology required to produce these items.

Economic Effects

The elimination of duties under CBERA for certain parts for office machines has had a negligible effect on U.S. industry mainly because of the very small size of CBERA country imports relative to total imports and U.S. production. Estimated increases in total imports and in U.S. production displaced are in hundredths of percentage points or less. Duty savings have been split more or less evenly between U.S. consumers and CBERA country suppliers.

Electrical Capacitors, Fixed or Variable

TSUS item No.	Brief description[1]	Col. 1 rate of duty effective— Jan. 1, 1983	Jan. 1, 1986
		(pre-CBERA)	
685.80	Electrical capacitors, fixed or variable.	10% ad val.	10% ad val.

[1] For the statutory description, see the *Tariff Schedules of the United States Annotated, 1986.*

Description and Uses

Capacitors are electronic components used in circuits primarily to store electrical energy or isolate an electronic circuit. They are produced from many different types of materials and in many different sizes, depending on the intended use. Ceramic capacitors, particularly those used in surface mounting methods and in multilayer designs for computer, automotive, consumer and telecommunications circuits, are seen as the high-growth segment of the capacitor market.[1] Capacitors of mica, film, and paper are becoming increasingly obsolete because of changing technology.

Profile of Domestic Producers

Fast changing product requirements for capacitors, coupled with fluctuating demand, have led to a consolidation of U.S. producers and a drive toward increased capital spending to automate facilities and make U.S. operations more efficient. In 1985, estimated shipments from approximately 100 U.S. firms producing capacitors amounted to $1.5 billion, up 14.8 percent from those in 1983, but down 1.5 percent from the number in 1984, when military and computer markets led strong capacitor demand (table 37). There is now excess capacity in the capacitor industry, and investment in the near future, including investment in CBERA countries, is expected to be small until existing capacity is fully utilized. It is estimated that one U.S. firm accounts for over one-half of U.S. capacitor imports from CBERA countries; that company sends parts to a CBERA country for labor-intensive assembly operations. The company has indicated that its activities in the CBERA country are predicated on demand in the capacitor market.

Profile of CBERA Producers

There are basically three types of CBERA producers of these products: (1) subsidiaries of U.S. companies, (2) U.S.-owned firms that contract to set up and maintain operations for other U.S. firms, and (3) locally owned firms that contract out to assemble components imported from the United States or from firms already producing in the CBERA region. The bulk of U.S. imports are from subsidiaries of U.S. companies. However, there are a larger number of small, local producers which either subcontract or offer general assembly operations to U.S. companies. Although shipments from CBERA countries are down, U.S. industry sources express interest in the labor-intensive assembly capabilities of the CBERA countries. In addition, some firms indicate a willingness to invest more in their operations already in place in CBERA countries in order to satisfy the CBERA value-added criteria. There are a variety of types of capacitors imported into the United States from CBERA countries; however, the majority of shipments are multilayer ceramic capacitors, from El Salvador.

U.S. Imports

In 1985, capacitor imports amounted to $326.5 million, down 22.6 percent from imports in the peak year of 1984 but up 16.4 percent from those in 1983. Japan accounted for nearly 36 percent of capacitor imports in 1985. Japan is also seen as a strong future competitor as new microapplications emerge for capacitors. It is reported that most U.S.-related trade in capacitors

[1] U.S. Department of Commerce, *U.S. Industrial Outlook 1986.*

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is between U.S.-owned firms and their foreign labor-intensive assembly facilities.[1] For example, imports from Mexico, the second largest supplier of these imports, amounted to $93 million in 1985, with most of those shipments entering the United States under TSUS item 807.00. El Salvador was the fourth largest U.S. import source of capacitors in 1985, with shipments totaling $18.2 million. Over three-quarters of imports from El Salvador in 1985 entered under TSUS item 807.00 with most of the rest entering under the CBERA provision.

Nearly all capacitors from CBERA suppliers entered under TSUS item 807.00 in 1981–83. Use of the CBERA provision began in 1984 and accounted for 39 percent of total imports from CBERA countries in 1985. The increase in the use of the CBERA provision is the result of the rules-of-origin provision of the CBERA that permits 15 percent of the 35 percent value-added requirement to comprise U.S. components and the increasing sophistication of local operations, increasing the local value added.

Imports from all CBERA countries amounted to $27.7 million, or 8.5 percent of all U.S. imports of capacitors in 1985, the lowest level during 1981–85. Capacitor imports are influenced by demand in the capacitor market. The decrease in the CBERA share of U.S. imports is due to the general decline in U.S. imports

[1] Electronic Industries Association, *Electronic Market Data Book 1985.*

Table 37
Electrical capacitors, fixed or variable: Profile of U.S. market, 1981–85

Item	1981	1982	1983	1984	1985	Absolute change, 1985 from 1983	Percentage change, 1985 from 1983
Value basis							
Shipments (million dollars)	1,346	1,189	1,331	1,551	1,528	197	14.8
U.S. exports:							
Total (million dollars)	204	209	226	271	210	-16	-7.4
To CBERA countries (million dollars)	8	7	8	3	2	-6	-71.3
U.S. imports:							
Total (million dollars)	282	283	280	422	326	46	16.5
From CBERA countries (million dollars)	29	31	34	39	28	-6	-17.3
Duties collected (million dollars)	1	1	1	1	(1)	1	-80.0
Imports from CBERA countries entering under—							
GSP(million dollars)	-	-	-	-	-	-	-
806.30/807.00 (million dollars)	28	31	33	29	16	-17	-50.2
Dutiable value (million dollars)	7	6	7	6	3	-4	-57.1
CBERA (million dollars)	-	-	-	9	11	11	-
Share of total imports from CBERA countries (percent)	10.3	11.0	11.9	9.2	8.4	-	-
Share of imports from CBERA countries entering under—							
GSP (percent)	-	-	-	-	-	-	-
806.30/807.00 (percent)	97.1	97.9	97.8	73.7	58.9	-	-
CBERA (percent)	-	-	-	23.8	38.9	-	-
Apparent U.S. consumption (million dollars)	1,424	1,263	1,385	1,702	1,644	259	18.7
Ratio of—							
Imports to apparent consumption (percent)	19.7	22.4	20.2	24.7	19.8	-	-
Imports from CBERA to apparent consumption (percent)	2.0	2.4	2.4	2.2	1.6	-	-

[1] Less than $500,000.

Note.—Included in this item are TSUS item 685.80 and schedule B item 685.80. Percentages are calculated from raw data and may differ from those calculated from rounded data.

Source: Compiled from official statistics of the Bureau of the Census, U.S. Department of Commerce, and estimated by the staff of the U.S. International Trade Commission.

of these products from offshore assembly plants, as available domestic capacity is utilized. Imports from CBERA countries largely reflect the activities of two large companies. However, imports from smaller suppliers in five CBERA countries increased over the period as certain firms began sampling the work of the CBERA countries.[1]

U.S. Market

U.S. consumption of capacitors dropped by nearly 13 percent in 1985 after a 23-percent gain in 1984. Strong demand in 1984 also spurred imports to almost one-quarter of U.S. consumption. In 1985, weak demand in the capacitor market caused the ratio of imports to consumption drop to 22.0 percent. Imports from Taiwan and El Salvador, the third and fourth largest U.S. suppliers, fell most sharply. CBERA producers of capacitors do not compete with U.S. producers; instead, they complement the U.S. production process by supplying the labor-intensive steps of product assembly. CBERA countries do, however, compete with other countries such as Mexico and certain Far Eastern countries that have a comparative advantage in labor-intensive production. According to industry sources, CBERA countries offer advantages such as low wages, fine quality workmanship, close proximity to the United States, and, frequently, no language barrier. On the other hand, they lack some of the technical and managerial skills and industrial infrastructure of some of the other low-wage countries.

Economic Effects

The effect of CBERA duty-free treatment of capacitors on U.S. industry has been negligible, mainly because imports from CBERA countries are low relative to U.S. production. Increases in total imports and displacement of U.S. production as a result of the duty elimination are estimated to be less than 1 percent. To the extent that capacitor imports from CBERA countries mainly displace imports from other low-wage countries, these estimates are high. Duty savings have been split between U.S. consumers and CBERA country suppliers, with consumers perhaps benefiting more.

[1] Business confidential U.S. Government statistics.

Articles for Making and Breaking Electrical Circuits

TSUS item No.	Brief description[1]	Col. 1 rate of duty effective— Jan. 1, 1983	Jan. 1, 1986
		(pre-CBERA)	
685.90	Articles for making and breaking electrical circuits.	6.9% ad val.	5.7% ad val.

[1] For the statutory description, see the *Tariff Schedules of the United States Annotated, 1986.*

Description and Uses

Articles for making and breaking electrical circuits are devices that permit the safe and efficient use of electric power and the construction of electrical and electronic end products. These devices include circuit breakers, switches, relays, connectors, terminals, and enclosures for these devices. Control panels, switchboards other than telephone switchboards, and unassembled printed circuit boards are also included.

Profile of Domestic Producers

Articles for making and breaking electrical circuits cover a large variety of products produced by more than 3,000 U.S. firms. About one-third of these firms produce articles such as circuit breakers, switchboards, and switchgear products used in electrical industry. The remaining firms produce relays, connectors, printed circuit boards, and other products used in the electronics industry. In 1985, estimated shipments by U.S. firms were valued at $22.5 billion, representing a 15-percent increase over those in 1983 but a 6-percent decrease over such shipments in 1984 (table 38). A large share of U.S. imports from CBERA countries is accounted for by U.S. firms that have located assembly operations in these countries to reduce labor costs.

Profile of CBERA Producers

CBERA producers are largely subsidiaries of U.S. firms. In 1981, more than 79 percent of U.S. imports from CBERA countries entered under TSUS items 806.30 and 807.00, and about 21 percent entered under the GSP. The high percentage of imports entered under TSUS items 806.30 and 807.00 indicate that U.S. firms had difficulty in meeting the 35-percent value-added requirement of the GSP. In 1983, imports entered under the GSP increased to 44 percent,

and imports entered under TSUS items 806.30 and 807.00 decreased to 56 percent. In 1985, imports entered under TSUS items 806.30 and 807.00 remained near 55 percent of CBERA country imports. Imports under the GSP, on the other hand, declined sharply to 5 percent, as imports under the CBERA rose sharply to 35 percent.

U.S. Imports

U.S. imports of articles for making and breaking electrical circuits were valued at $1.9 billion in 1985, representing a 4-percent increase over those in 1984 and a 42-percent increase over U.S. imports in 1983. Japan was the largest supplier, accounting for 23 percent of total imports in 1983 and 25 percent in 1984–85. The next largest suppliers were Mexico, Canada, and West Germany, which together accounted for 37 percent of U.S. imports in 1985, representing only a marginal increase over those in 1983. Imports from CBERA countries were relatively small during 1983–85, with relays and switches from the Dominican Republic and connectors from Haiti being the principal imported products.

Imports from CBERA countries were valued at $66 million in 1985, representing a decline of 30 percent compared with imports in 1984 and a decline of 16.4 percent compared with those in 1983. CBERA imports rose from a low of 2.7 percent of U.S. imports in 1981 to a high of

Table 38
Articles for making and breaking electrical circuits: Profile of U.S. market, 1981–85

Item	*1981*	*1982*	*1983*	*1984*	*1985*	*Absolute change, 1985 from 1983*	*Percentage change, 1985 from 1983*
Value basis							
Shipments (million dollars)	17,450	18,600	19,530	23,866	22,500	2,970	15.2
U.S. exports:							
Total (million dollars)	1,890	1,798	1,758	2,147	2,011	253	14.4
To CBERA countries (million dollars)	40	34	45	54	59	14	29.5
U.S. imports:[1]							
Total (million dollars)	1,084	1,162	1,340	1,832	1,903	563	42.0
From CBERA countries (million dollars)	29	40	79	94	66	-13	-16.5
Duties collected (million dollars)	(2)	(2)	1	1	1	(2)	9.1
Imports from CBERA countries entering under—							
GSP (million dollars)	6	7	35	41	3	-32	-91.6
806.30/807.00 (million dollars)	23	32	44	46	36	-8	-17.6
Dutiable value (million dollars)	7	7	10	11	8	-2	-20.0
CBERA (million dollars)	-	-	-	5	23	23	-
Share of total imports from CBERA countries (percent)	2.7	3.4	5.9	5.1	3.4	-	-
Share of imports from CBERA countries entering under—							
GSP (percent)	19.8	17.1	43.6	44.0	4.3	-	-
806.30/807.00 (percent)	76.8	79.9	55.4	48.5	54.6	-	-
CBERA (percent)	-	-	-	5.7	34.9	-	-
Apparent U.S. consumption[1] (million dollars)	16,644	17,964	19,112	23,551	22,392	3,280	17.2
Ratio of—							
Imports to apparent consumption (percent)	6.5	6.4	7.0	7.7	8.5	-	-
Imports from CBERA to apparent consumption (percent)	0.1	0.2	0.4	0.3	0.2	-	-

[1] Imports do not include articles imported duty free from Canada as part of original motor-vehicle equipment.
[2] Less than $500,000.

Note.—Included in this item are TSUS item 685.90 and schedule B item 685.90. Percentages are calculated from raw data and may differ from those calculated from rounded data.

Source: Compiled from official statistics of the Bureau of the Census, U.S. Department of Commerce, except as estimated by the staff of the U.S. International Trade Commission.

5.9 percent in 1983 and then declined to 3.5 percent in 1985. Industry sources indicate that imports from CBERA countries are determined largely by production decisions made by U.S. firms as to where they can most efficiently assemble their products and to the level of U.S. demand for electrical and electronic end products in which the imported products are incorporated.

U.S. Market

Apparent U.S. consumption of articles for making and breaking electrical circuits rose from $16.6 billion in 1981 to $23.6 billion in 1984 and then declined to $22.4 billion in 1985. During the period, imports rose from 6.5 percent of apparent consumption in 1981 to 8.3 percent in 1985. Imports from CBERA countries accounted for only a small share of apparent consumption, ranging from 0.2 percent in 1981 to 0.4 percent in 1983 and 1984. CBERA countries supplied a small share of the U.S. market for switches other than circuit breakers, relays, fuses, and connectors. Principal developing countries competing in the U.S. market with CBERA countries are Mexico, Taiwan, Hong Kong, and Singapore.

Economic Effects

The effect of CBERA duty-free treatment of the subject articles on U.S. industry has been negligible, mainly because imports from CBERA countries are low relative to U.S. production. Increases in total imports and displacement of U.S. production as a result of the duty elimination are estimated to be measured in tenths of a percentage point or less. To the extent that imports of these items from CBERA countries mainly displace imports from other countries, these estimates are high. Duty savings have been split between U.S. consumers and CBERA country suppliers, with consumers perhaps benefiting more.

Resistors, Fixed or Variable

TSUS item No.	Brief description[1]	Col. 1 rate of duty effective— Jan. 1, 1983	Jan. 1, 1986
		(pre-CBERA)	
686.10	Resistors fixed or variable, and parts.	6% ad val.	6% ad val.

[1] For the statutory description, see the *Tariff Schedules of the United States Annotated, 1986.*

Description and Uses

Resistors are electronic and electrical circuit components used to impede the flow of current, for the purpose of controlling voltage levels, or for dissipating energy in a circuit. Resistors are made from many different types of materials in various sizes, and frequently consist of a composition material or a length of wire wound around a core. Resistors are classified in the TSUS according to their physical characteristics.

Profile of Domestic Producers

Since 1979, opportunities for growth in the resistor industry have diminished as circuit-resistive functions are increasingly incorporated into integrated circuit technology.[1] In addition, advances in other types of components and foreign competition have limited the growth of U.S. domestic shipments in many segments. To improve their competitiveness, U.S. resistor firms, of which there are nearly 100, have recently increased capital investment or moved offshore to take advantage of lower labor costs.

It is reported that strong defense demand and, to a lesser extent, computer-related demand helped buoy U.S. shipments of resistors to $929 million in 1984, up almost 22 percent from the number in 1983 (table 39).[2] In 1985, shipments decreased by an estimated 10.0 percent, to $836 million. Five U.S. firms have facilities in CBERA countries, each of which accounted for at least $200,000 in imports of resistors in 1985. One of those companies imported over 9 million dollars' worth of resistors from its CBERA subsidiary, accounting for over one-half total CBERA imports. Therefore, most data on the CBERA resistor industry is heavily influenced by the actions of that one producer.

Profile of CBERA Producers

Subsidiaries of U.S. companies account for the majority of U.S. imports of resistors from CBERA countries. However, a growing number of small, local producers offer general assembly operations to U.S. companies. Although shipments from CBERA countries are down, some firms indicate a willingness to invest more in their operations already in place in CBERA countries

[1] Electronic Industries Association, *Electronic Market Data Book 1985.*
[2] U.S. Department of Commerce, *U.S. Industrial Outlook 1986.*

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Table 39
Resistors, fixed or variable, and parts: Profile of U.S. market, 1981-85

Item	1981	1982	1983	1984	1985	Absolute change, 1985 from 1983	Percentage change, 1985 from 1983
Value basis							
Shipments (million dollars)	826	766	762	929	925	163	21.4
U.S. exports:							
Total (million dollars)	135	139	149	185	152	3	1.9
To CBERA countries (million dollars)	9	9	9	11	8	-1	-16.3
U.S. imports:							
Total (million dollars)	178	185	208	303	239	31	14.9
From CBERA countries (million dollars)	18	18	19	29	18	-1	-6.4
Duties collected (million dollars)	(1)	(1)	(1)	(1)	(1)	(1)	0
Imports from CBERA countries entering under—							
GSP (million dollars)	-	0	0	0	0	-	-
806.30/807.00 (million dollars)	17	18	18	20	11	-7	-40.1
Dutiable value (million dollars)	7	6	6	4	3	-3	-50.0
CBERA (million dollars)	0	0	0	7	6	6	-
Share of total imports from CBERA countries (percent)	10.0	9.8	9.3	9.5	7.6	-	-
Share of imports from CBERA countries entering under—							
GSP(percent)	-	-	-	-	-	-	-
806.30/807.00 (percent)	95.1	96.3	93.0	69.8	59.5	-	-
CBERA (percent)	-	-	-	24.9	35.5	-	-
Apparent U.S. consumption (million dollars)	869	812	821	1,047	1,012	191	23.3
Ratio of—							
Imports to apparent consumption (percent)	20.4	22.7	25.3	28.9	23.6	-	-
Imports from CBERA to apparent consumption (percent)	2.0	2.2	2.3	2.8	1.8	-	-

[1] Less than $500,000.

Note.—Included in this item are TSUS item 686.10 and schedule B item 686.10. Percentages are calculated from raw data and may differ from those calculated from rounded data.

Source: Compiled from official statistics of the Bureau of the Census, U.S. Department of Commerce, or estimated by the staff of the U.S. International Trade Commission.

to satisfy the CBERA value-added criteria. One U.S. resistor firm has indicated definite plans to locate an assembly plant in a CBERA country in the near future.

U.S. Imports

In 1985, U.S. imports of resistors fell to $238.9 million, down by over 21 percent from those in 1984. Japan was the leading source, accounting for 34.3 percent, or $81.9 million, of the total, down from $98.5 million in 1984. Mexico was the second leading source, with imports amounting to $64.2 million, or 27.9 percent, of the total. Most items from Mexico were entered under TSUS item 807.00, as only the more labor-intensive steps of resistor assembly were performed in Mexico. Costa Rica ranked as the fourth leading U.S. supplier of resistors in 1985. However, imports from Costa Rica amounted to just $10.1 million, or 4.2 percent of total U.S. imports in 1985, versus $17.3 million, or 5.7 percent, in 1984. This largely reflects the activities of one major company during the downturn in the resistor market in 1985. In 1985, nearly all resistor imports from Costa Rica entered under TSUS item 807.00.

TSUS item 807.00 accounted for nearly all resistor imports from CBERA countries in 1981–83. In 1984–85 Carribbean resistor producers began to take advantage of the CBERA duty-free provision. Just over 33 percent of imports met the CBERA value-added and transformation requirements in 1985 and entered the U.S. under the CBERA tariff provision.[3-53]

U.S. Market

Apparent U.S. consumption of these products increased irregularly by 12.4 percent from 1983 to 1985, to just over $923 million. Consumption in 1985 was down from the 1984 level as demand in the military and computer markets, as well as the electronics industry as a whole, weakened somewhat. Since 1981, imports have averaged around one-quarter of apparent U.S. consumption, with the peak at 28.9 percent in 1984. In 1985, import penetration dropped as imports fell much faster than domestic shipments. Imports fell most steeply from Taiwan, Costa Rica, and Ireland. CBERA producers of resistors do not compete with U.S. producers; instead, they complement the U.S. production process by supplying the labor-intensive steps of product assembly. CBERA countries do, however, compete with other countries such as Mexico and certain Far Eastern countries that also have a comparative advantage in labor-intensive production. It is reported that the CBERA countries offer advantages such as low wages, quality workmanship, close proximity to the United States and, frequently, no language barrier. On the other hand, they lack some of the technical and managerial skills and industrial infrastructure of some of the other low-wage countries.

Economic Effects

The effect of CBERA duty-free treatment of resistors on U.S. industry has been negligible, mainly because imports from CBERA countries are low relative to U.S. production. Increases in total imports and displacement of U.S. production are estimated to be much less than 1 percent. To the extent that resistor imports from CBERA countries mainly displace imports from other low-wage countries, these estimates are high. Duty savings have been split more or less evenly between U.S. consumers and CBERA country suppliers.

Monolithic Integrated Circuits

TSUS item No.	Brief description[1]	Col. 1 rate of duty effective— Jan. 1, 1983	Jan. 1, 1986
		(pre-CBERA)	
687.74	Monolithic integrated circuits.	4.2% ad val.	Free.

[1] For the statutory description, see the *Tariff Schedules of the United States Annotated, 1986.*

Description and Uses

A monolithic integrated circuit, popularly known as a computer chip, is a semiconductor device containing thousands of transistors, diodes, and other components connected within or on a single crystal substrate. These devices are produced from wafers of high-purity silicon whose surfaces are etched, implanted, and metalized. Monolithic integrated circuits perform various electrical functions in digital computers, office machines, communications equipment, consumer electronic products, and military equipment.

Profile of Domestic Producers

Monolithic integrated circuits are produced by more than 100 U.S. firms that operate plants both in the United States, Western Europe, Japan, and in many developing countries, including those in the CBERA region. Facilities operated outside the United States are largely assembly plants where labor-intensive operations such as wire, bonding, and encapsulation are performed. A large share of the operations performed in the CBERA region is located in El Salvador and Barbados and is accounted for by subsidiaries of two major U.S. semiconductor producers. Estimated U.S. shipments of monolithic integrated circuits increased from $6.2 billion in 1981 to $12.3 billion in 1984 and decreased to $8.6 billion in 1985 (table 40). The demand for integrated circuits is derived from the demand for computers and other electronic products.

Profile of CBERA Producers

The principal CBERA integrated circuit producers are two subsidiaries of U.S. firms that located assembly plants in the region long before the CBERA became effective. These firms saw the advantage the region provided with its large source of low-wage labor that could be trained to perform efficiently the numerous operations required in the final assembly of semiconductors. Shipments from CBERA countries generally reflect the shipments from all developing countries where similar operations are performed. During 1983–85, shipments from CBERA countries increased by 6.9 percent compared with 7.2 percent from all countries.

U.S. Imports

U.S. imports of monolithic integrated circuits increased from $4.1 billion in 1983 to

Table 40
Monolithic integated circuits: Profile of U.S. market, 1981–85

Item	1981	1982	1983	1984	1985	Absolute change, 1985 from 1983	Percentage change, 1985 from 1983
Value basis							
Shipments (million dollars)	6,180	6,606	7,850	12,250	8,575	725	9.2
U.S. exports:							
Total (million dollars)	672	764	922	1,276	1,067	145	15.7
To CBERA countries (million dollars)	1	1	2	5	1	-1	-11.3
U.S. imports:							
Total (million dollars)	2,851	3,365	4,056	6,093	4,348	292	7.2
From CBERA countries (million dollars)	66	99	159	218	170	11	6.9
Duties collected (million dollars)	1	1	2	1	(1)	-2	-86.2
Imports from CBERA countries entering under—							
GSP (million dollars)	–	–	–	–	–	–	–
806.30/807.00 (million dollars)	65	98	158	158	31	-127	-80.3
Dutiable value (million dollars)	27	35	46	35	7	-40	-85.8
CBERA (million dollars)	–	–	–	59	7	7	–
Share of total imports from CBERA countries (percent)	2.3	2.9	3.9	3.5	3.9	–	–
Share of imports from CBERA countries entering under—							
GSP (percent)	–	–	–	–	–	–	–
806.30/807.00 (percent)	99.1	99.3	99.1	72.6	18.2	–	–
CBERA (percent)	–	–	–	26.9	4.0	–	–
Apparent U.S. consumption (million dollars)	8,359	9,207	10,984	17,067	11,856	872	7.9
Ratio of—							
Imports to apparent consumption (percent)	34.1	36.5	36.9	35.7	36.6	–	–
Imports from CBERA to apparent consumption (percent)	0.7	1.0	1.4	1.2	1.4	–	–

[1] Less than $500,000.

Note.—Included in this item are TSUS items 687.74, 687.5831–687.5848, and 687.7531–687.7548 and schedule B items 687.6031–687.6048. Percentages are calculated from raw data and may differ from those calculated from rounded data.

Source: Compiled from official statistics of the Bureau of the Census, U.S. Department of Commerce, or estimated by the staff of the U.S. International Trade Commission.

$6.1 billion in 194 and then decreased to $4.3 billion in 1985. Other than those from Japan, imports from other sources are largely products assembled in developing countries by U.S. producers. In 1985, Japan accounted for about 21 percent of U.S. imports, and U.S. firms accounted for much of the remainder. Prior to March 1, 1985, U.S. producers used the provisions of TSUS items 806.30 and 807.00 extensively in rationalizing their foreign assembly operations. In 1981, 99 percent of U.S. imports from CBERA countries were entered under these provisions. During 1984, the use of TSUS items 806.30 and 807.00 declined to 73 percent of the imports from CBERA countries as the provisions of CBERA were increasingly used by U.S. producers. On March 1, 1985, under a bilateral agreement with Japan, the U.S. column 1 rate of duty on monolithic integrated circuits was eliminated. Prior to the duty elimination, monolithic integrated circuits were not eligible articles under the GSP.

U.S. Market

Apparent U.S. consumption of monolithic integrated circuits increased from $8.3 billion in 1981 to $17.1 billion in 1984 and then decreased to $11.9 billion in 1985. The large decrease in consumption in 1985 was caused by a significant decline in demand for electronic end products, especially personal computers. Imports from CBERA countries ranged from between 1.3 and 1.5 percent of apparent consumption during 1983–85. Imports from CBERA countries do not

compete with products produced in the United States, but instead they complement U.S. production through the reduction of assembly labor costs.

Economic Effects

The duty-free treatment for all U.S. imports of monolithic integrated circuits that began in March 1985 ended any differential advantage that CBERA country suppliers had under the act, thus ending the possibility for the act to have any effect on U.S. industry and consumers. In the period that the act has been in effect, the increase in total imports and displacement of U.S. production is estimated to be around 0.1 percent or less. To the extent that imports of these items from CBERA countries mainly displaced imports from other low-wage countries, these estimates are high. Duty savings were split more or less evenly between U.S. consumers and CBERA country suppliers.

Miscellaneous Electrical Articles and Parts

TSUS item No.	Brief description[1]	Col. 1 rate of duty effective— Jan. 1, 1983	Jan. 1, 1986
		(pre-CBERA)	
688.42[2]	Other electrical articles such as ferrite core memories and resistor/capacitor networks.	4.7% ad val.	4.1% ad
688.43[2]	Other electrical articles such as ferrite core memories and resistor/capacitor net works.	4.7% ad val.	

[1] For the statutory description, see the *Tariff Schedules of the United States Annotated, 1986.*
[2] As a result of the Trade and Tariff Act of 1984, TSUS item 688.43 was reclassified as TSUS items 688.41 and 688.42 to capture separately those miscellaneous electrical articles designed for use in telecommunications. No articles were imported from CBERA countries under TSUS item 688.41 in 1985.

Description and Uses

The items covered in this section are electrical articles, not specifically provided for elsewhere in the U.S. tariff schedules. In general, these articles are used by industry as parts of finished electronic goods or as electrical tools of production. Major products include ferrite core memories, resistor/capacitor networks, and lasers. The bulk of imports of miscellaneous electrical articles and parts from CBERA countries in 1985 included electromagnetic sensors (transducers) and electronic filters used to eliminate unwanted electrical interference in digital circuits.

Profile of Domestic Producers

There are an estimated 3,000 U.S. firms producing miscellaneous electrical products, employing some 90,000 workers. Shipments are estimated to have reached $8.5 billion in 1985, down 1 percent from 1984 (table 41). In 1984, shipments were higher by 20 percent than the value in 1982 as the electronics industry enjoyed strong demand from military, computer, and certain communications markets. Weakened demand in certain market sectors in 1985 led to a decrease in U.S. capacity utilization and consequently falling U.S. investment in CBERA countries. A plant in a CBERA country, which accounted for the bulk of U.S. imports of these products in 1984 and 1985, was closed by its U.S. parent in mid-1985 because of falling demand. Sources within the company indicate, however, that if demand picks up, the plant will be reopened. In general, U.S. firms use state-of-the-art technology and maintain CBERA facilities for the labor-intensive steps of production.

Profile of CBERA Producers

Most CBERA producers of these types of products are subsidiaries of U.S. companies or locally owned firms that contract out to assemble components imported from the United States or from firms already producing in the CBERA region. The vast majority of U.S. imports are from subsidiaries of U.S.-owned companies. However, there are a much larger number of small, local producers that either subcontract or offer general assembly operations to U.S. companies. Although shipments from CBERA countries fell in 1985, some firms indicate a willingness to invest more in their operations already in place in CBERA countries in order to satisfy the CBERA value-added criteria.

U.S. Imports

U.S. imports of electrical articles and parts climbed to $874.1 million in 1985, up 6.7 percent from those in 1984 and 64.2 percent from

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Table 41
Miscellaneous electrical articles and parts: Profile of U.S. market, 1981-85

Item	1981	1982	1983	1984	1985	Absolute change, 1985 from 1983	Percentage change, 1985 from 1983
Value basis							
Shipments (million dollars)	6,799	7,140	7,220	8,582	8,512	1,292	17.9
U.S. exports:							
Total (million dollars)	873	929	968	1,143	1,088	120	12.4
To CBERA countries (million dollars)	24	30	34	43	31	-3	-6.9
U.S. imports:							
Total (million dollars)	296	509	550	814	868	318	67.8
From CBERA countries (million dollars)	7	9	10	17	7	-3	-28.9
Duties collected (million dollars)	(1)	(1)	(1)	(1)	(1)	(1)	-91.8
Imports from CBERA countries entering under—							
GSP (million dollars)	1	1	1	3	1	1	-100.3
806.30/807.00 (million dollars)	6	8	10	6	1	-9	-89.6
Dutiable value (million dollars)	3	5	6	3	1	-6	-91.8
CBERA (million dollars)	-	-	-	7	5	5	-
Share of total imports from CBERA countries (percent)	2.0	0.8	1.6	2.1	0.8	-	-
Share of imports from CBERA countries entering under—							
GSP (percent)	16.7	12.5	1.1	17.6	14.3	-	-
806.30/807.00 (percent)	83.3	87.5	88.8	35.3	14.3	-	-
CBERA (percent)	-	-	-	41.2	71.4	-	-
Apparent U.S. consumption (million dollars)	6,222	6,720	6,802	8,253	8,292	1,490	21.9
Ratio of—							
Imports to apparent consumption (percent)	4.8	7.6	8.1	9.9	10.5	-	-
Imports from CBERA to apparent consumption (percent)	0.1	0.1	0.1	0.2	0.1	-	-

[1] Less than $500,000.

Note.—Included in this item are TSUS items 688.42-688.45 and schedule B item 688.40, excluding solid-state watches, clocks, and parts and modules of the foregoing. Percentages are calculated from raw data and may differ from those calculated from rounded data.

Source: Compiled from official statistics of the Bureau of the Census, U.S. Department of Commerce, or estimated by the staff of the U.S. International Trade Commission.

imports in 1983. Japan sent an estimated 190.3 million dollars' worth of these types of articles to the United States in 1985, up 30 percent from such value in 1983, accounting for nearly 22 percent of U.S. imports. Hong Kong captured 16 percent of imports in 1985, with shipments totaling $140 million. CBERA countries accounted for less than 1 percent of U.S. imports in 1985, or $7.3 million. U.S. imports from CBERA countries in 1985 were nearly one-half the level in 1984, as slumping U.S. firms required less CBERA capacity, and instead used available U.S. capacity and other more established offshore facilities. In general, the level of imports from CBERA countries correlates directly with the health of the U.S. electronics industry.

Since 1984, the bulk of imports from Caribbean Basin countries have entered the U.S. under CBERA provision and shipments under TSUS item 807.00 dropped drastically. In addition, the GSP share imports has increased between 1983 and 1985. These two trends reflect the increasing amount of local content in CBERA country production as firms in those countries aim to meet CBERA value-added requirements.

U.S. Market

U.S. consumption of these products has risen significantly since 1983 to $9.0 billion in 1985. At the same time, imports have accounted for an increasing share. In 1985, total imports captured 9.8 percent of U.S. consumption versus

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7.3 percent in 1983. CBERA producers of miscellaneous electrical articles do not compete with U.S. producers; instead, they complement the U.S. production process by performing the labor-intensive steps of product assembly. CBERA countries do, however, compete with other countries such as Mexico and some Far Eastern countries that also have a comparative advantage in labor-intensive production. Many CBERA countries offer low wages, quality workmanship, proximity to the United States, and no language barrier. On the other hand, they lack some of the technical and managerial skills and industrial infrastructure of some of the other low-wage countries.

Economic Effects

The effect of CBERA duty-free treatment of miscellaneous electrical articles and parts on U.S. industry has been negligible mainly because imports from CBERA countries are low relative to U.S. production. The increase in total imports and displacement of U.S. production before the major Caribbean Basin plant producing these products was closed, is estimated to have been much less than 1 percent of their respective bases. To the extent that imports of these items from CBERA countries mainly displaced imports from other low-wage countries, these estimates are high. Duty savings were split between U.S. consumers and CBERA country suppliers, with consumers perhaps benefiting more.

TSUS SCHEDULE 7, SPECIFIED PRODUCTS; MISCELLANEOUS AND NONENUMERATED PRODUCTS

Schedule 7 Commodity Coverage

Schedule 7 articles include footwear; headwear; gloves; luggage; handbags; flat goods; optical goods; scientific and professional instruments; watches, clocks, and timing devices; photographic goods; motion pictures; recordings and recording media; musical instruments; furniture; pillows; cushions; mattresses; nontextile floor coverings; arms and ammunition; fishing tackle; wheel goods; sporting goods; games; toys; jewelry and related articles; cameos; pearls; imitation gemstones; beads and articles of beads; apparel fasteners and pins; artificial and preserved flowers and foliage; millinary ornaments; trimmings; feather products; combs; hair ornaments; brooms and brushes; paint rollers; umbrellas; canes; matches and pyrotechnics; candles; blasting caps; smokers' articles; writing instruments; works of art; antiques; rubber and plastics products; products not elsewhere enumerated in the tariff schedules; and nonenumerated products.

By far the most important articles in schedule 7 entering under the CBERA program were certain precious metal jewelry (primarily gold), which accounted for nearly one-half of schedule 7 imports under the program. Most of this jewelry was supplied by the Dominican Republic. Other important products included baseballs, softballs, and stuffed toy animals, all chiefly from Haiti.

Although schedule 7 imports from CBERA countries increased by 76 percent during 1981–85, from $156 million to $275 million, these imports accounted for less than 1 percent of annual U.S. imports covered by the schedule during the period (table 42).

Profile of CBERA Sector

The CBERA production of commodities entered under schedule 7 takes place mostly in the Dominican Republic, Haiti, Jamaica, and Honduras. The producers are mainly U.S. companies that bring in raw materials for the labor-intensive part of processing because of the low wage rates prevailing in Haiti and the Dominican Republic. Some Italian-backed companies also operate in the jewelry industry in the Dominican Republic. The only area where plans for export expansion appear likely is jewelry, but this is occurring under the GSP and TSUS item 807.00 programs as well as the CBERA program.

With regard to baseballs and softballs, there has been some shift of production out of Haiti to Jamaica and Honduras recently because of the civil unrest in Haiti in early 1986. This was a redistribution of investment, not an increase. The market is considered stable, and there are no plans for expansion.

Stuffed toy animal production in CBERA countries is very small compared with that of the Orient, and U.S. companies use the Caribbean countries as overrun suppliers to meet needs that cannot be met in the Far East. Such companies see little chance of the Caribbean area challenging the Far East, because the Caribbean area lacks infrastructure to encourage industry.

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Table 42

TSUS schedule 7, specified miscellaneous and nonenumerated products: U.S. imports for consumption, 1981–85

Item	1981	1982	1983	1984	1985	Absolute change, 1985 from 1983	Percentage change, 1985 from 1983
Total (million dollars)	20,179	21,330	24,299	32,020	37,376	13,077	53.8
From leading 3 suppliers:							
Japan (million dollars)	3,930	3,823	4,278	5,571	6,559	2,281	53.3
Taiwan (million dollars)	3,034	3,363	4,155	5,344	6,087	1,932	46.4
Republic of Korea (million dollars)	1,677	1,942	2,292	2,952	3,329	1,037	45.2
From CBERA countries (million dollars)	156	159	205	236	275	70	34.1
Imports from CBERA countries entering under—							
GSP(million dollars)	52	52	84	105	114	30	35.7
806.30/807.00 (million dollars)	76	76	77	81	84	7	9.0
CBERA (million dollars)	–	–	–	12	32	32	–
Share from CBERA countries (percent)	0.8	0.7	0.8	0.7	0.7	–	–
Share of imports from CBERA countries entering under—							
GSP (percent)	33.3	32.8	40.8	44.4	41.3	–	–
806.30/807.00 (percent)	48.7	47.8	37.7	34.4	30.6	–	–
CBERA (percent)	–	–	–	5.0	11.5	–	–

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

U.S. Imports

Total U.S. imports entered under schedule 7 increased by 85 percent during 1981–85, from $20.2 billion to $37.4 billion. The three leading suppliers in 1985 were Japan, Taiwan, and the Republic of Korea, which combined accounted for 43 percent of total imports. U.S. imports from CBERA countries were insignificant compared with total imports, never accounting for more than 1 percent annually during 1981–85.

There are no known U.S. trade barriers to schedule 7 imports from CBERA countries. However, the act excluded certain import-sensitive articles in schedule 7. The following textile and apparel articles when subject to textile agreements were excluded from the program: headwear; gloves; handbags; luggage; flat goods; pillows, cushions, mattresses, and similar furnishings; nets for sports; backpacking tents; doll clothing imported separately; skins for toy figures of animate or inanimate objects; articles, not specifically provided for, of feathers (primarily coats, jackets, vests, and sleeping bags); wearing apparel, not specially provided for, of rubber or plastics; certain other articles of rubber or plastics; book covers and bindings, wholly or in part of leather; certain leather wearing apparel; and articles, not specially provided for, of leather.

In addition, the act excluded from the CBERA program any footwear, work gloves, luggage, handbags, flat goods, and leather wearing apparel not designated on August 5, 1983, as eligible articles for purposes of the GSP. Also completely excluded were watches and watch parts (including cases, bracelets, and straps) that are the products of any country on which column 2 rates of duty apply.

Of the preference programs available to CBERA countries, the GSP is the most extensively used. Imports from such countries under the GSP increased from $52 million in 1981 to $114 million in 1985, or from 33 to 41 percent of imports from CBERA countries. Although use of TSUS items 806.30 and 807.00 was steady, increasing slightly during 1981–85, from $76 million to $84 million, the ratio of such imports to total imports from CBERA countries decreased from 49 to 31 percent. CBERA duty-free imports amounted to $12 million in 1984 and $32 million in 1985, or 5 and 12 percent, respectively, of total schedule 7 imports from CBERA countries. Between 1981 and 1985, imports under these three preference programs ranged between 78 and 84 percent of all schedule 7 imports from CBERA countries. A significant proportion of the trade recorded under the

CBERA appears to be trade shifting into it from either TSUS item 807.00 or the GSP.

CBERA countries have an advantage because of lower labor costs compared with the United States and many other foreign suppliers. For some products, proximity to the United States gives CBERA beneficiaries an advantage over Asian suppliers because it facilitates oversight of subsidiary operations and reduces delivery lags. On the other hand, the general lack of industrial support infrastructure discourages some manufacturers from establishing facilities in the Caribbean Basin.

Position of Interested Parties

The Bicycle Manufacturers Association of America (BMA) expressed concern about the potential impact of the CBERA program on the domestic bicycle industry. Such concern is based upon information it has that bicycle assembly plants may begin operations in Barbados and El Salvador in order to take advantage of CBERA benefits. BMA stated that U.S. Government preference programs "should not operate essentially at the expence of U.S. industries and their workers" and should function primarily to allow imports receiving benefits to displace other imports by giving them a competitive advantage. BMA alleged that the bicycle industry is import sensitive and has been seriously injured by imports, particularly from Taiwan. Also, it noted that legislation currently in the House of Representative would increase the rate of duty on bicycles to 19 percent ad valorem and duty-free treatment under CBERA would be contrary to that legislation. Finally, BMA complained that, unlike the GSP program, the CBERA program has no effective legislatively specified mechanism to terminate benefits when a U.S. industry is threatened with injury.

Baseball Equipment and Parts, Except Gloves and Mitts

TSUS item No.	Brief description[1]	Col. 1 rate of duty effective— Jan. 1, 1983	Jan. 1, 1986
		(pre-CBERA)	
	Baseball equipment, and parts thereof:		
	* * *		
734.56	Other	5.3% ad val.	3.6% ad val.

[1] For the statutory description, see the *Tariff Schedules of the United States Annotated, 1986.*

Description and Uses

Other baseball equipment provided for under TSUS item 734.56 includes baseballs, softballs, batting gloves, bats, protective equipment—such as masks, chest pads, leg guards, and so forth—and miscellaneous equipment—such as bases and plates, pitching machines, and batting tees. However, gloves and mitts used for catching and fielding balls, as well as batting helmets, caps, uniforms, and footwear, are excluded from this tariff classification.

Profile of Domestic Producers

According to industry sources, there are 14 domestic producers of such baseball equipment located throughout the continental United States. U.S. producers' shipments of baseball equipment and parts covered here increased from an estimated $41.3 million in 1981 to $47.6 million in 1985, or by 15 percent (table 43). The bulk of the increase occurred in 1984, when the overall economy improved. Industry representatives further report that because of the mature market for baseball equipment, capacity utilization has been stable at about 66 percent and market expansion has been slow.

Baseball bats accounted for approximately 70 percent of U.S. producers' shipments of baseball equipment in 1985. There are currently seven U.S. producers of baseballs and softballs. All of these companies produce cores and leather covers for the balls domestically. However, the covers are hand sewn over the cores at subsidiary operations located in the Caribbean Basin. Baseball and softball production, which is labor intensive because of the hand stitching requirements, gradually shifted from the United States to the Caribbean Basin over several decades in order to

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take advantage of the significantly lower wages paid there. Except for a small amount of leather-covered balls produced to make up for import shortfalls, the only balls produced entirely in the United States are rubber and plastic covered baseballs and softballs. These covers do not require hand stitching, and their quality is significantly inferior to that of leather. U.S. producers' shipments of rubber- and plastic-covered softballs is estimated at $1 million annually.

Most investments by U.S. companies in CBERA countries took place in the mid-1960's and late 1970's, during which time these companies transferred labor-intensive baseball and softball production from the United States to the Caribbean Basin. During 1984 and 1985, U.S. investments in these CBERA-based facilities increased only slightly compared with that in previous years. In early 1986, civil unrest in Haiti, the foremost producer of baseballs and softballs, resulted in some U.S. companies' redistributing a portion of their investments from Haiti to Honduras and Jamaica.

Profile of CBERA Producers

The seven CBERA producers of baseballs and softballs are subsidiaries of U.S. companies. According to U.S. parent companies, factories located in the CBERA countries generally employ between 400 and 1,000 employees, are located near major cities, and are situated in secured industrial compounds. The major reasons for U.S. companies investing in CBERA countries are their close proximity to the United States, low

Table 43
Baseball equipment and parts, except gloves and mitts: Profile of U.S. market, 1981-85

Item	*1981*	*1982*	*1983*	*1984*	*1985*	*Absolute change, 1985 from 1983*	*Percentage change, 1985 from 1983*
Value basis							
Shipments (1,000 dollars)	41,300	42,600	42,100	46,800	47,600	5,500	13.1
U.S. exports:							
Total (1,000 dollars)	23,599	25,229	23,502	26,092	26,026	2,525	10.7
To CBERA countries (1,000 dollars)	17,925	19,795	19,576	20,109	20,635	1,059	5.4
U.S. imports:							
Total (1,000 dollars)	48,381	56,104	54,063	61,747	63,818	9,755	18.0
From CBERA countries (1,000 dollars)	38,341	41,858	39,034	38,649	38,322	-712	-1.8
Duties collected (1,000 dollars)	428	467	450	401	406	-44	-9.8
Imports from CBERA countries entering under—							
GSP (1,000 dollars)	64	237	299	766	1,704	1,405	469.5
806.30/807.00 (1,000 dollars)	37,414	41,171	38,331	36,922	31,905	-6,426	-16.7
Dutiable value (1,000 dollars)	11,361	13,344	12,996	12,174	11,373	-1,623	-12.4
CBERA (1,000 dollars)	-	-	-	697	3,908	3,908	-
Share of total imports from CBERA countries (percent)	79.2	74.6	72.2	62.6	60.0	-	-
Share of imports from CBERA countries entering under—							
GSP (percent)	0.2	0.6	0.8	2.0	4.4	-	-
806.30/807.00 (percent)	97.6	98.4	98.2	95.5	83.3	-	-
CBERA (percent)	-	-	-	1.8	10.2	-	-
Apparent U.S. consumption (1,000 dollars)	66,082	73,475	72,661	82,455	85,392	12,731	17.5
Ratio of—							
Imports to apparent consumption (percent)	73.2	76.4	74.4	74.9	74.7	-	-
Imports from CBERA to apparent consumption (percent)	58.0	57.0	53.7	46.9	44.9	-	-

Note.—Included in this item are TSUS item 734.56 and schedule B item 734.55 (pt.). Percentages are calculated from raw data and may differ from those calculated from rounded data.

Source: Compiled from official statistics of the Bureau of the Census, U.S. Department of Commerce, or estimated by the staff of the U.S. International Trade Commission.

labor rates, a conscientious workforce, and trade concessions such as the use of TSUS item 807.00, the GSP, and the CBERA.

U.S. Imports

During 1981–85, U.S. imports of the subject baseball equipment, consisting almost entirely of baseballs and softballs, increased from $48.4 million to $63.8 million, or by nearly one-third. Of total U.S. imports of baseball equipment during this period, the CBERA countries accounted for 60 percent or more each year. The leading U.S. supplier and CBERA source was Haiti, shipping more than $30.0 million annually and supplying over one-half of total U.S. imports of such equipment. Other U.S. suppliers in the Caribbean Basin included Honduras and Jamaica, accounting for 15 and 2 percent, respectively, in 1985. The only significant non-CBERA country supplying the U.S. market was Taiwan, accounting for 20 percent in 1985.

U.S. imports of baseballs and softballs from Haiti, the leading import source, decreased in both quantity and value during 1981–85, from 25.0 million balls, valued at $32.3 million, to 18.6 million balls, valued at $31.0 million. Much of the decline in imports from Haiti can be attributed to the growth of Taiwan as an important source. Imports of baseballs and softballs from Taiwan rose from 3.8 million balls, valued at $2.4 million, in 1981, to 7.0 million balls, valued at $7.0 million, in 1985.

Although U.S. imports of the subject baseball equipment under TSUS item 807.00 from the CBERA countries declined from $37.4 million in 1981 to $31.9 million in 1985, or by 15 percent, such imports still accounted for 83 percent of total baseball equipment imports from CBERA countries in 1985 (table 43). As imports entering under TSUS item 807.00 decreased, imports reported under duty-free procisions increased to $3.9 million by 1985. Imports under the GSP rose from $64,000 in 1981 to $1.7 million in 1985. To meet the labor and processing requirements for CBERA eligibility, a few baseball and softball producers shifted the winding process for the ball cores to the Caribbean Basin. Additionally, transferring this process to the Caribbean Basin improved the quality of the ball, because balls that are wound and stitched at the same location have a tighter fitting cover and longer flight when hit. Industry sources have indicated that the primary reason imports under the CBERA provision have not grown more substantially in the last 2 years is because some domestic producers manufacturing in the Caribbean Basin are unaware of the duty-free benefits derived from this program.

U.S. Market

Although apparent U.S. consumption of the subject baseball equipment increased significantly during 1981–85, from $66.1 million to $85.4 million, or by 29 percent, the ratio of imports to consumption fluctuated within a narrow range, from 73.2 to 76.4 percent.

Baseball and softball imports from Taiwan compared with those from Haiti are of lower quality and include not only leather-covered balls but also rubber and plastic covered balls. Imports from Taiwan were valued between $0.66 and $0.81 less per ball than imports from Haiti during 1981–85 and were consequently able to capture a larger share of the U.S. market. Competition from balls made in Taiwan limits the potential for expansion of imports from the Caribbean Basin.

Economic Effects

The effect of CBERA duty-free treatment of baseball equipment and parts on U.S. industry has been negligible. Imports under the CBERA have displaced imports under TSUS item 807.00 and have helped slow import increases from Taiwan. Practically all imports under the CBERA consist of balls assembled by subsidiaries of U.S. producers. The effect of the CBERA on the domestic industry has been the transfer of some automated winding of the ball cores to the Caribbean to meet certain value-added requirements. The impact of this transfer on U.S. production and employment has been minimal. Duty savings have been split between U.S. consumers and CBERA country suppliers, with consumers perhaps benefiting more.

CHAPTER 4. PROBABLE FUTURE EFFECTS OF THE CBERA

The bulk of the effect on U.S. industries and employment of the one-time elimination of duties on imports from the Caribbean Basin under the CBERA most likely occurred during the first 2 years of the act, as reported in chapter 2 of this report. The effect on U.S. consumers will continue as long as the duty elimination remains. Any future effects of the tariff concession will occur through export-oriented investment in the region. This chapter presents information obtained through various sources on such investment and its probable future effects on trade.

METHODOLOGY

The staff obtained information on export-oriented investment from several sources. Primary sources included a listing of investment projects compiled by the U.S. Department of Commerce,[1] visits to four CBERA-eligible countries, and information provided by posts in countries that the staff was unable to visit. The four countries visited—Costa Rica, Honduras, the Dominican Republic, and Jamaica—provided staff a representative sample of countries at various stages of development that are engaged in a variety of investment activities. The staff met with foreign government officials involved in export promotion activities, individuals in the private sector involved in investment projects, and U.S. Agency for International Development, economic, and foreign commercial officers. Other sources for information on export-oriented investment included the Overseas Private Investment Corporation, the Latin American Agribusiness Development program, the Project Development Assistance Program, and the Joint Venture Feasibility Fund. From these sources, the staff obtained information on over 400 investment projects that have been proposed, are in the planning stage, or have been undertaken since 1984.

Although the CBERA granted duty-free entry to most imports to the United States (the major exceptions being oil and refined oil products, textiles and apparel, and footwear), most items were already eligible for duty-free entry under the GSP. Furthermore, whereas the tariff concession of the CBERA may have been a factor considered by investors, it was not necessarily the primary motivating factor for their investment. In the following analysis, no attempt is made to determine whether an investment project was undertaken solely as a result of the act. However, a distinction is made between investment resulting in imports to the United States that would otherwise have been eligible for duty-free entry under the GSP and imports that are eligible for duty-free entry under the CBERA and not under the GSP. This report focuses primarily on the latter. Finally, the analysis of probable future trade resulting from investment activity is confined to the immediate future, that is, 1986–87, and to information the staff was able to obtain on individual investment projects known to be actually underway.

The staff obtained as much information as possible on present and future production, capacity, and exports for investment projects that were known to be shipping products to the United States. Efforts to gather such information were limited to products that are eligible for duty-free entry under the CBERA and not otherwise eligible under the GSP. Where information on production, capacity, or exports was not available, data on employment and potential employment were used as an indicator of the size of the project. Available output-labor ratios were then used to estimate the value of output for these projects. Actual and estimated production projections were aggregated to protect business confidential information. Such projections are provided in order to indicate the magnitude of anticipated growth in exports in the particular product categories discussed.

OVERVIEW OF INVESTMENT AND EXPORT POTENTIAL

Since the enactment of the CBERA, expectations for export-led growth have changed from extreme optimism to extreme disappointment to a more realistic view of the potential benefits of the CBERA. During interviews, foreign government officials and individuals in the private sector often stated that the CBERA has provided the region with the opportunity to expand their markets to the United States. They said that it now depends on the initiative of the region to take advantage of the opportunity. They stated that

[1] U.S. Department of Commerce, *The Caribbean Basin Initiative Business Bulletin*, June 1985.

the greatest benefit realized by the trade initiative, however, was not the tariff concession of the act itself, but the publicity associated with it. This publicity, they believe, has given local producers more credibility in the U.S. market and has made U.S. and other foreign investors more aware of the region as a viable alternative to the Far East for labor-intensive manufacturing. However, growth in exports is likely to be slow in the next few years because producers and investors face a number of constraints in the region and in U.S. markets.

The most commonly cited hindrance to expanding exports to the United States was transportation. Inland transportation infrastructure is often deficient, deteriorating, or inadequate to move products from production site to port. High shipping costs resulting from a lack of competition among shipping companies, low volumes, and irregular shipping are major regionwide problems. This is a particular problem for perishable goods such as cut flowers, fresh produce, and fresh meat.

Another major problem cited was a lack of producer experience with the U.S. market. Local producers have experienced difficulties establishing marketing channels for their products. Those that have successfully penetrated the U.S. market stated that it took as long as 2 years to establish such channels. Another problem with competing in the U.S. market is inadequacy of quality control and timeliness of deliveries.

A third problem encountered by these countries, and one that could potentially cause greater problems in the future, is the perceived threat that any successful venture in nontraditional exports will be thwarted by domestic protectionist measures in the United States. The antidumping and countervailing duty cases on cut flowers from Costa Rica under investigation at the time of this writing have caused concern in the Costa Rican Government and to private investors about what was thought to be a promising new industry for the region.[1] Current legislative efforts to restrict duty-free entry of ethanol produced from non-CBERA feedstock is viewed by some as another protectionist measure that will undermine the CBERA. It is feared by many in the region that these measures and other future measures will seriously undermine any efforts to take advantage of the CBERA.

Other constraints to investment and increased exports include perceived political instability by potential investors, controls on exports and imports, exchange controls that result in shortages of hard currencies needed for imported inputs, inefficient local bureaucracies, and a lack of adequate infrastructure including power, telecommunications, and port facilities.

All of these constraints indicate that, while investment is occurring in the Caribbean Basin, large increases in exports from the region cannot be expected to occur in the next few years.

SUMMARY OF INVESTMENT ACTIVITIES

Major investment activities in the Caribbean Basin have been undertaken in the areas of apparel manufacturing, assembly of electrical and electronic components, agriculture, ethanol, fish processing and aquaculture, and wood products and wood furniture. Each of these activities is discussed in general terms below. The general discussion is followed by a more detailed treatment of probable trade for specific products that are eligible for duty-free treatment under the CBERA and not otherwise eligible under the GSP.

Apparel manufacturing and the assembly of electrical and electronic components generally take place in twin plant operations, or "maquilas," as they are known in Mexico, whereby inputs are imported into the CBERA country, assembled in free-trade zones, and reexported. Such operations have traditionally consisted of subsidiaries of U.S. firms established to take advantage of lower labor costs for their labor-intensive operations. The assembled items are then reexported to the United States under TSUS item 807.00. Whereas apparel is excluded from duty-free entry under the CBERA, electrical and electronic components are eligible. Many of the electrical and electronic components are also eligible for duty-free treatment under the GSP. However, the more liberal provisions on rules of origin under the CBERA compared with those of the GSP have made the Caribbean Basin particularly attractive for electronic assembly operations, as discussed below.

[1] *Certain Fresh Cut Flowers From Canada, Chile, Colombia, Costa Rica, Ecuador, Israel, Kenya, Mexico, the Netherlands, and Peru*, USITC Publication 1877, July 1986.

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Another major area of investment is agriculture. Much of this investment reflects efforts to move away from traditional agricultural exports, particularly sugar, and the reliance on one or two agricultural commodities for export. The vast majority of agricultural projects involve the production of fresh fruits and vegetables aimed at the U.S. and European winter markets. The primary reason for targeting the U.S. winter market is that produce from these countries is often not of sufficient quality to compete with U.S. producers during the rest of the year. All fruits and vegetables produced in these projects are eligible for duty-free entry under the GSP.

A much smaller number of investment projects in agriculture and agribusiness involves the production of commodities that are eligible for duty-free entry under the CBERA but not under the GSP. These projects involve the production of fresh pineapple, citrus, and fresh cut roses.[1] Production of fresh pineapple is taking place in areas formerly producing sugar. Investment in citrus is being undertaken primarily by U.S. companies in an effort to reduce the risk associated with freezes in Florida. Finally, a number of small investment projects have been undertaken in cut flowers. Much of the production in cut flower projects is exported to Europe as well as the United States. With the exception of roses, cut flowers are eligible for duty-free entry under the GSP.

An area of investment that has generated considerable controversy in the United States and in the CBERA region is the production of ethanol. Whereas some facilities in the region use alcohol produced from indigenous sugar cane, other facilities rely primarily on feedstock produced outside the region. This practice is viewed by many as an abuse of the CBERA as it was intended by Congress.[2]

Other major areas of investment activity include fisheries and aquaculture, wood products, and wood furniture. Such products are generally eligible for duty-free entry under the GSP.

[1] One investment project has been undertaken in the CBERA region in the production of fresh and frozen strawberries for export to the United States. During the company's fiscal year 1985 (July 1, 1985, to June 30, 1986) 800,000 dollars' worth of fresh and frozen strawberries were exported to the United States. For fiscal year 1986, $3 million in sales are anticipated. The company representative reported that such investment would not have been undertaken in the absence of CBERA duty-free treatment.

[2] See the detailed discussion under "Ethanol" below.

Electronics

Most electrical and electronic components are eligible for duty-free entry under the GSP. However, the more liberal provisions on the rules of origin under the CBERA have benefited electronic assembly operations. These rules require that the cost or value of an article imported from a CBERA-eligible country consist of at least 35 percent direct cost of processing in one or more beneficiary countries.[3] However, 15 percentage points of the 35 may comprise U.S. components, leaving 20 percent value to be added in the beneficiary countries. Thus, electrical and electronic components that are assembled using a substantial portion of U.S. inputs and for which the value added in the assembly operation is between 20 and 35 percent may now enter the United States free of duty under provisions of the CBERA. Such articles were not eligible under the GSP. The tariff benefit, however, was not usually the major reason given for investment in electronic assembly operations. Rather, investment in such plants enabled U.S. producers to compete more effectively with producers in the Far East both in the U.S. market and abroad.

Twenty-nine investment projects in the assembly of electrical and electronic components are known to have been undertaken in the region between 1984 and 1986. These projects are located in Antigua, Barbados, the Dominican Republic, Haiti, Jamaica, St. Christopher-Nevis, St. Lucia, and St. Vincent. Very little information was obtained on the particular types of electrical or electronic components assembled in these operations. Of these projects, information on the actual value of output for 3 projects and on the employment levels for 23 projects was obtained. Information for three other projects was not available. Using the average output-labor ratios from the 3 projects where output was given, output of the other 23 projects was estimated. Assuming that all output is exported to the United States, it is estimated that these projects will result in an increase in exports to the United States of roughly $16.5 million in 1986 and $25.5 million in 1987. These projections

[3] Rules of origin under the GSP require that the cost or value of an article imported from a GSP beneficiary consist of at least 35 percent in the beneficiary country. For a more detailed discussion of the differences in the rules-of-origin provisions under the GSP and the CBERA, see U.S. Department of Commerce, *Caribbean Basin Initiative, 1986 Guidebook*, Washington, DC, 1986.

amount to an increase of approximately 5 percent in 1986 and 7 percent in 1987 over the value of such exports to the United States from CBERA countries during 1985.[1] U.S. imports of electrical and electronic components from CBERA countries accounted for 1.1 percent of the total value of such imports in 1985. As much as 80 percent of the value of these imports may consist of U.S. inputs.

Pineapples

Four pineapple projects are known to have been undertaken in the past few years in the three major pineapple-producing countries of the region: Honduras, Costa Rica, and the Dominican Republic.[2] Some of these projects were initiated before the enactment of the CBERA on land previously producing sugar. According to the manager of one of the projects, the U.S. market has a tremendous potential for expansion in fresh pineapple. He stated that annual per capita consumption on the east coast of the United States was only 0.75 pound per person compared with 5 pounds per person on the west coast.

It is estimated that these projects will result in an increase in exports to the United States of approximately $4.3 million in 1986 and $6.4 million in 1987. These projections amount to an increase of approximately 40 percent in 1986 and 60 percent in 1987 over the value of such exports to the United States from CBERA countries during 1985. Ninety-five percent of U.S. imports of fresh pineapples are imported from CBERA countries. A fifth project is now in the planning stages. However, production for this project is not likely to begin before 1987, and harvesting of the first crop will not begin before 1988. All but one of these projects were initiated by U.S. companies.

Citrus

As a result of several freezes of the Florida citrus crop and the consequent rise in the price of juice oranges, considerable interest was generated in the possibility of expanding citrus production in the Caribbean Basin.[3] Thus, some operations were established to process citrus formerly grown for the local market.

However, large increases in exports of fresh citrus or concentrated juice is not likely to occur in the next few years for several reasons. First, some areas of the region are not suitable for the production of citrus that meets the quality standards in the United States for either fresh fruit or juice because of unsuitable climatic conditions and citrus canker, which is prevalent throughout the region. According to an agricultural research foundation in Honduras, oranges and grapefruit grown in Honduras are of marginal quality in terms of eye appeal and sugar content for either the fresh or juice market in the United States. Secondly, strict insect controls on imports of fresh fruits and vegetables and the USDA ban on the use of ethylene dibromide on food crops to control fruit flies limit the expansion of exports of fresh citrus to the United States. Finally, where citrus production is viable, the length of time required from the time a tree is planted until the fruit can be harvested is as long as 7 years. Thus, current investment in citrus production will not result in any increase in exports in the next few years.

Six investment projects are known to have been undertaken in the region; four are located in Belize, one in the Bahamas, and one in Jamaica. Two of these projects are also producing cocoa, timber, and cattle and employ a total of 20 people. Of the remaining four projects, one is currently producing fruit for processing into juice for export to the United States, one is producing fresh citrus for the U.S. market, and the other two have just begun land cultivation and planting. These latter two projects are being undertaken by U.S. companies, planting a total of 45,000 acres. The six projects combined are estimated to result in an increase in U.S. imports of both fresh citrus and juice of approximately $58,000 in 1986 and $700,000 in 1987. These projections amount to an increase of less than 1 percent in 1986 and roughly 5 percent in 1987 over the value of such exports to the United States from CBERA countries during 1985. U.S. imports of fresh citrus and juice from CBERA countries accounted for 1.7 percent of the total value of U.S. imports of citrus and juice in 1985.

[1] Total imports of electrical and electronic components were calculated as the sum of imports under TSUS items 682.05 through 688.47, pt. 5 of schedule 6.

[2] For a detailed discussion of trade in pineapples, see the product-specific analysis in ch. 3 of this report.

[3] Information obtained from industry sources.

Cut Flowers

A number of very small investment projects producing cut flowers have been undertaken in the Caribbean Basin in recent years. These projects are producing ferns, anthuriums, gladiolas, chrysanthemums, carnations, and roses. Cut flowers are exported to the U.S. and European markets. Ferns are exported primarily to Europe. With the exception of roses, cut flowers are eligible for duty-free entry under the GSP. Roses are eligible for duty-free entry only under the CBERA.

Nineteen investment projects are known to have been undertaken in cut flowers during the past few years. These projects are located in Jamaica, Costa Rica, St. Christopher-Nevis, El Salvador, and Haiti. However, there are probably a large number of other small projects for which the staff was not able to obtain information. For example, it is known that there are some small projects in the Dominican Republic, but the Commission staff was unable to obtain any specific information on these projects. Of the 19 known investment projects, 6 are producing exclusively for export to Europe. Of the remaining 13, the staff was able to obtain very little information either directly or through U.S. country posts.

Imports of all cut flowers increased from $2.6 million in 1983 to $4.7 million in 1984 and to $5.7 million in 1985. Imports of cut roses increased from $0.8 million in 1983 to $1.3 million in 1984 and to $1.4 million in 1985. Imports of cut flowers from the entire region accounted for only 0.8 percent of total U.S. consumption and for only 2.6 percent of total U.S. imports. The major countries exporting cut flowers in the region are Costa Rica, the Dominican Republic, and Guatemala.

Individuals involved in cut flower projects have indicated that the region has good potential for expansion. However, the future of such projects, especially in Costa Rica, is uncertain because of the current antidumping and countervailing duty cases now under investigation.

Ethanol

In 1985, there were three plants producing fuel-grade ethanol. These were located in El Salvador, Costa Rica, and Jamaica.[1] El Carmen in El Salvador and Compania Agricola Tempisque, SA (CATSA), in Costa Rica are distillery/dehydration plants that use locally produced sugar cane juice or molasses for feedstock. These two plants have the capacity to produce a total of about 95 million pounds of ethanol per year, depending on the availability of feedstock. Tropicana International in Jamaica is a dehydration plant with the capacity to produce 197 million pounds of ethanol. Much of its feedstock was purchased from Europe during 1985.

Five additional plants have begun or will begin production during 1986, according to industry sources.[2] Palo Gordo in Guatemala and the Tobago Sugar Mill in Costa Rica have distillery/dehydration plants with the capacity to produce a total of about 80 million pounds of ethanol. LAICA in Costa Rica built a plant in 1980 that began production in March 1986. This facility is a dehydration plant with the capacity to produce 130 million pounds of ethanol per year. Petrojam in Jamaica is installing two dehydration facilities with the capacity to produce a total of 325 million pounds per year. Feedstock sources for the three dehydration plants are not known. In addition, El Carmen in El Salvador plans to double its plant capacity. Finally, Allied Ethanol plans to install a dehydration plant in the Caribbean Basin, probably in the Bahamas.

Despite the substantial investment in ethanol-producing facilities in the region, the future of ethanol production and exports to the United States is uncertain because of pending legislation in the U.S. Congress concerning the use of feedstock produced outside the region and the decline in the price of petroleum.

The use of feedstock purchased outside the Caribbean Basin region by Tropicana International of Jamaica generated considerable controversy in the United States and in the region. Many U.S. producers of ethanol argued that the mere removal of water from alcohol imported from outside the region did not constitute a "substantial transformation" creating a "new article of commerce" as required under the rules of origin of the CBERA.[3] They also questioned whether the process met the 35-percent-value-added requirement under the same rules. They

[1] Information on existing plants and investment plans was obtained from telephone conversations with several industry sources.

[2] Additional investment in the region is discussed in IOP Associates, "The Outlook for Alcohol Production in the Caribbean Basin," Washington, DC, 1985.

[3] *Alcohol Week*, June 24, 1985.

argued that, rather, the operation was a blatant circumvention of the 60-cent-per-gallon U.S. import duty on ethanol applied to all non-CBERA-eligible countries.

Other industry experts argued, conversely, that dry alcohol is not commercially interchangeable with wet alcohol.[1] Furthermore, the 35-percent-value-added requirement can always be met by using a percentage of locally produced wet alcohol.[2]

U.S. Customs ruled that Tropicana's dehydration process met the rules-of-origin requirements of the CBERA. However, a number of amendments to the CBERA have been proposed by Congress that would limit duty-free entry of ethanol dehydrated from wet alcohol produced outside the Caribbean Basin. The two most recent amendments are provided in section 714 of the tax reform bill reported by the Senate Committee on Finance (S. Rep. No. 99–313) and in section 264 of the Comprehensive Trade Policy Reform Act of 1986 (H.R. 4750).[3]

The outcome of such legislative proposals is critical to both producers with dehydration facilities and producers using local feedstock such as those in Costa Rica, El Salvador, and Guatemala. These countries stated that the duty-free entry of ethanol offers them a viable alternative use for their sugar cane, but they cannot compete with facilities that use less expensive alcohol purchased outside the region.[4]

The total production capacity of plants using indigenous feedstock as discussed above is approximately 260 million pounds of ethanol. In a study by the Organization of American States,[5] the potential of ethanol production from indigenous sugar cane for the whole of the region is estimated at 830 million to 1,050 million pounds per year assuming that ethanol plants could be annexed to 26 of the 97 existing sugar mills. IOP Associates estimates that 900 million pounds of ethanol could be produced in the region if all surplus sugar production were used. But, at current prices for sugar, molasses, and ethanol, only the countries of the region that are low-cost sugar producers could produce ethanol competitively. Excess distillery capacity in these countries is estimated at 4 million gallons of wet alcohol.

Another factor that may limit the level of exports to the United States is the decline in the price of petroleum. Fuel-grade ethanol is used as a gasoline extender and an octane enhancer. Other octane enhancers include derivatives of petroleum and natural gas. The decline in the price of petroleum has made these chemicals cheaper, causing the demand for ethanol to decline.

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[1] Testimony of William Holmberg before the Subcommittee on Oversight of the Ways and Means Committee, Feb. 27, 1986; *Alcohol Week*, June 24, 1985.

[2] Telephone conversation with industry source.

[3] The amendment provided in the tax reform bill would ban from duty-free entry any fuel-grade ethyl alcohol unless such alcohol is wholly produced within the CBERA beneficiary country from agricultural or source materials wholly the growth or product of any beneficiary country or U.S. customs territory or any combination thereof.

The amendment provided in the Comprehensive Trade Policy Reform Act of 1986 would only allow duty-free entry of fuel-grade ethyl alcohol if such alcohol is dehydrated from hydrated alcohol that is wholly the product of any insular possession or beneficiary country and has a value of not less than 30 percent of the ethyl alcohol mixture in 1987, 60 percent in 1988, and 75 percent thereafter.

Both amendments provide some form of exception for azeotropic distillation, or dehydration, facilities located in beneficiary countries established and operating by Jan. 1, 1986.

[4] *Alcohol Week*, July 29, 1985.

[5] Cited in Nicolas Rivero, "Ethanol Production in Latin America and the Caribbean, a Brief Assessment," speech before the 1985 National Conference on Alcohol Fuels.

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APPENDIX A
SUMMARY OF CBERA PROVISONS

DEVELOPMENT OF THE PROGRAM FOR THE CARIBBEAN BASIN

Background[1]

In July 1981, the Secretary of State and the United States Trade Representative met with the Foreign Ministers of Canada, Mexico, and Venezuela to discuss development of the Caribbean Basin (CB). They agreed to a multilateral program for the region, with each country developing its own program.[2] The United States proposed a package of aid, trade, and investment measures intended to promote long-term development. Some of the programs, such as the expansion of insurance and financing through the Overseas Private Investment Corporation, increased protection for short-term credit by the U.S. Export-Import Bank, and bilateral investment treaties, did not require legislation. However, the President did seek legislative authority for creating a one-way free-trade area, expending supplemental aid funds, and extending certain tax incentives for investment in the Caribbean Basin.

The focal point of the President's program for the Caribbean was the one-way free-trade plan. He submitted the plan to Congress as the Caribbean Basin Economic Recovery Act (CBERA) on March 17, 1982. A bill was passed by the House of Representatives in 1982 but was not acted upon by the Senate. The House version was reintroduced in the 98th Congress in 1983, and was passed on July 28, 1983, and signed into law on August 5, 1983.[3]

Purpose[4]

The Caribbean Basin has been affected by escalating oil costs and declining prices for its exports. The area suffers high inflation, high unemployment, declining product growth, and significant balance-of-payments gaps. Economic difficulties threaten the political and social stability of the region. The Caribbean Basin area contains vital sea lanes and the Panama Canal, and has been an important market for U.S. exports.

The CBERA was designed to encourage self-reliance through local and foreign private-sector initiatives. The act creates limited, but assured, access to the U.S. market for Caribbean products.

SUMMARY OF THE PROVISIONS OF THE CBERA

Presidential Authority (Sec. 211)

At the time the CBERA was introduced, the President had no authority to reduce import duties because section 101 of the Trade Act of 1974, which had previously authorized duty reductions, expired on January 3, 1980. The CBERA, in section 211, authorized the President to proclaim duty-free treatment for imports from designated Caribbean Basin countries. This allowed the United States to establish preferential one-way free-trade status for most Caribbean goods.

Beneficiary Countries (Sec. 212)

The potential Caribbean Basin beneficiary countries and territories are listed in section 212(b) of the Act. Section 212(a) defines "beneficiary country" as any country listed in section 212(b) for which there is a Presidential proclamation in effect designating it as such. The President is required to notify Congress of his intention to designate a country as a beneficiary country; and if he intends to terminate the designation of a country, he must notify the Congress and the beneficiary country of his intention at least 60 days before doing so.

Conditions for disqualification

Section 212(b) also sets forth the circumstances that will disqualify a country from designation as a beneficiary country. They are as follows:

(1) If the country is Communist;

(2) If the country has seized ownership or control of U.S. property or repudiated or nullified intellectual property rights of U.S. citizens, unless steps have been taken to provide compensation;

[1] H. Rept. No. 98-266, 98th Cong., 1st Sess. pp. 2-3 (1983); S. Rept. No 98-58, 98th Cong., 1st Sess., pp. 22-25 (1983).

[2] Canada provides duty-free treatment for 98 percent of its imports from the area and also announced major increases in foreign assistance. Mexico and Venezuela have a program of concessional financing linked to their petroleum sales to the Caribbean Basin. Mexico also gives preferential treatment to some products. Colombia also joined as a donor country.

[3] Caribbean Basin Economic Recovery Act, 1983, Public Law No. 98-67.

[4] H. Rept. No. 98-266, 98th Cong., 1st Sess. pp.2-3 (1983); S. Rept. No. 98-58, 98th Cong., 1st Sess. pp. 22-25 (1983).

(3) If the country has failed to act in good faith with respect to arbitral awards in favor of U.S. citizens or entities;

(4) If the country gives preferential treatment to products of a developed country and thereby causes an adverse impact on U.S. commerce, unless steps have been taken to assure there will be no adverse effect;

(5) If a government-owned entity in the country broadcasts copyrighted material without the consent of the U.S. copyright owners;

(6) If the country does not adequately cooperate in the drug enforcement area; and

(7) If the country is not a signatory to an agreement regarding the extradition of U.S. citizens.

The term "Communist country" is not defined in the act but is generally considered to mean a country that is controlled by international communism (i.e., by the Soviet Union).[1] Item 4, referred to as the granting of "reverse" preferences, is included because the programs are intended to provide a one-way benefit to the Caribbean Basin, not to benefit developed countries at the expense of other developed countries (especially the United States). The President may waive items 1, 2, 3, and 5 in the national economic or security interest of the United States.

Criteria for eligibility

The factors the President must take into account, but that are not in any way mandatory conditions, in the designation process are set forth in section 212(c). They are as follows:

(1) The expressed desire of the country to be designated;

(2) The economic conditions in the country;

(3) The extent of assurances that the country will provide equitable and reasonable access to its markets and resources;

(4) The extent to which the country follows the General Agreement on Tariffs and Trade and applicable trade agreements approved under the Trade Agreements Act of 1979;

(5) The degree to which the country uses trade-distorting export requirements;

(6) The degree to which the country's trade policies are contributing to revitalization of the region;

(7) The degree to which the country is using self-help to promote its economic development;

(8) The extent of workers' rights;

(9) The extent of protection of intellectual property rights;

(10) The extent to which the violation of U.S. copyright laws is prohibited; and

(11) The extent to which the country is prepared to cooperate with the United States in administering the CBERA.

Item 11 is aimed particularly at obtaining cooperation in providing documentation necessary to administer the rules-of-origin/value-added requirements in section 213(a).[2] The criteria set forth in section 212(c) are intended to ensure that the country is engaging in policies and practices that will be compatible with the Caribbean Basin program and with U.S. interests generally.[3]

Once a country has been designated a beneficiary country, if the President determines at a later date that the country would then be barred from such designation as a result of changed circumstances, the President must withdraw or suspend the designation of that country. This requirement is set forth in section 212(e).

Treatment for U.S. insular possessions

Section 212(d) amends general headnote 3(a) of the Tariff Schedules of the United States Annotated (TSUSA) to ensure that the U.S. insular possessions will receive duty treatment no less favorable than that provided under the CBERA. It was intended to maintain the competitive position of the possessions.

Eligible Articles (Sec. 213)[4]

[1] H.R. Rep. No. 98-266, 98th Cong., lst Sess. p. 8 (1983); S. Rep. No. 98-58, 98th Cong., 1st Sess. p. 29 (1983).

[2] H.R. Rep. No. 98-266, 98th Cong. 1st Sess. p. 11 (1983).

[3] S. Rep. No. 98-58, 98th Cong., 1st Sess. p. 33 (1983).

[4] The discussion of articles eligible for duty free treatment under the CBERA is contained in Ch. 1.

Puerto Rico and the Insular Possessions (Sec. 214)

Section 214 of the CBERA contains several provisions designed to provide specific benefits to Puerto Rico and the insular possessions. Since they are subject to several laws and regulations covering minimum wages, environmental protection, and other matters that do not apply to Caribbean Basin countries, these provisions were needed in order for them to maintain their competitive position.

Section 214(a) eases the rule-of-origin requirement for the insular possessions by increasing the permissible foreign materials component from 50 to 70 percent (50 percent for articles ineligible for duty-free treatment under the CBERA). Section 214(b) amends Tariff Schedules of the United States (TSUS) item 813.31 to increase the number of liters of alcohol a returning resident may bring into the United States, provided at least 1 liter was produced in the insular possessions. Section 214(c) provides for possible compensation to Puerto Rico and the Virgin Islands if there is a reduction in their rum excise tax rebates due to this act. Section 214(d) repeals the compensation authority for the insular possessions contained in section 1112 of the Trade Agreements Act of 1979,[1] which is not needed in light of the provisions for rebates and compensation contained in the CBERA. Section 214(e) guarantees that this act will not affect any tariff duty imposed by Puerto Rico on coffee. Section 214(f) clarifies the definition of "industry" in section 201 of the Trade Act of 1974 to include U.S. producers in the insular possessions. Section 214(g) provides, under certain conditions, an exemption from Federal Water Pollution Control Act requirements for discharges attributable to the manufacture of rum in the Virgin Islands.

International Trade Commission Reports (Sec. 215)

Section 215 of the act requires the Commission to submit a report to Congress and the President assessing the economic impact of the benefits granted under the CBERA. The first report is to cover the first 2 years of the program, and then yearly reports are to be submitted. An opportunity for public comments must be provided.

Secretary of Labor Reports (Sec. 216)

Section 216 requires the Secretary of Labor to conduct a continuing review and analysis of the impact of this act on U.S. labor. An annual report must be submitted to Congress.

Caribbean Trade Institute (Sec. 217)

Section 217 directs the Secretary of State to study the feasibility of locating a Caribbean Trade Institute in Harlem, New York. The purpose would be to promote stronger ties with the Caribbean Basin and to promote political stability through economic security. The study was to be submitted to the Congress within 6 months after enactment of the CBERA.[2]

Effective Date and Termination (Sec. 218)

Section 218 provides for an effective date of the date of enactment of the CBERA (Aug. 5, 1983). The program is to remain in effect until September 30, 1995. A 12-year period was chosen to make this program more attractive than the GSP and because many believe it takes an average of 12 years for investments to generate revenues equal to capital outlay.

CBERA PROGRAMS OF U.S. GOVERNMENT AGENCIES

Department of Commerce

The Caribbean Basin Business Information Center is located within the International Trade Administration at the U.S. Department of Commerce. It conducts workshops, sponsors trade and investment missions, provides information regarding business opportunities, publishes information, and sponsors a variety of international business assistance programs.

Department of Agriculture

The U.S. Department of Agriculture sponsors Agribusiness Marketing Workshops and missions. It also provides technical assistance and regulatory information.

[1] Sec. 1112 provided for compensation to an insular possession if a concession granted in the Tokyo Round of Multilateral Trade Negotiations on an article for which an excise tax is levied results in a reduction in the amount paid over to that possession on account of such excise taxes.

[2] It is our understanding that the report has not been submitted.

Peace Corps

The U.S. Peace Corps provides technical assistance to small businesses in the Caribbean Basin. This is accomplished through Peace Corps volunteers.

Department of Labor

The U.S. Department of Labor compiles information regarding labor movements in the Caribbean Basin. It also designs and implements training programs to teach labor skills.

U.S. Customs Service

The U.S. Customs Service is responsible for enforcing import laws. Local Customs officials provide information on general import regulations, and the Office of Regulations and Rulings issues rulings regarding the eligibility of products for CBERA duty-free treatment.

Agency for International Development

The U.S. Agency for International Development administers most U.S. foreign economic aid programs. It finances investment projects and other business development services.

Department of Transportation

The U.S. Department of Transportation provides information on transportation in the Caribbean Basin. It also provides assistance in solving specific problems.

APPENDIX B
SUPPLEMENTARY ANALYSIS: U.S. EXPORTS TO CARIBBEAN BASIN AND U.S. IMPORTS FROM LEADING CBERA BENEFICIARY COUNTRIES

U.S. EXPORTS TO CARIBBEAN BASIN

Although the CBERA countries account for only 2.8 percent of U.S. exports to the world and supply a mere 1.9 percent of U.S. imports from the world, the United States is the main supplier of CBERA nations (providing 30 to 40 percent of their imports) and their leading market (receiving 50 to 60 percent of their overall exports).[1]

Table B-1 shows U.S. exports individually for the 19 Caribbean entities for which data are separately available.[2] The Bahamas and the Dominican Republic were the largest markets for U.S. exports to the region in 1985; Panama was third largest. Panama was the leading Caribbean market as recently as in 1984, with U.S. exports to that country declining each year in the period under review.

Exports to the following CBERA-designated countries reached their lowest level in 1985: Jamaica, the Netherland Antilles, Panama, and Trinidad and Tobago. Exports to the Bahamas, and El Salvador reached their highest level in 1985. Among the nondesignated countries, exports to Guyana, Nicaragua, and Suriname fell precipitously.

Table B-2 shows the principal U.S. exports to the 21 designated CBERA countries during 1981-85. Crude petroleum—serving as feedstock for CBERA refineries—is the number one product on the list,[3] followed by wheat, with exports growing for both. Other agricultural articles, paper, machinery and electronic products, are major exports. Some important export articles, such as motor fuels and electrical switches, appear as

[1] U.S. Department of Labor, *Trade and Employment Effects of the Caribbean Basin Economic Recovery Act*, p. i.

[2] Data for eight designated countries that make of the Leeward and Windward Islands are consolidated for

[2]—*Continued.* export statistics but reported on an individual country basis for import statistics.

[3] Notably, crude petroleum is also the leading commodity on the import side from the CBERA countries. See table 7 for leading imports.

Table B-1

U.S. exports[1] to the Caribbean Basin, by designated and nondesignated country under the CBERA, 1981-85

(In thousands of dollars)

Country	*1981*	*1982*	*1983*	*1984*	*1985*
Designated:					
Bahamas	434,540	584,613	443,864	546,320	768,365
Barbados	145,903	152,278	192,488	232,852	168,978
Belize	64,973	59,898	33,424	49,462	52,339
Costa Rica	370,388	327,025	378,535	417,641	417,378
Dominican Republic	762,327	649,187	622,815	630,599	725,928
El Salvador	302,258	264,426	338,137	380,331	396,062
Guatemala	550,225	385,446	310,544	369,794	398,479
Haiti	296,147	292,570	356,931	405,890	387,026
Honduras	337,761	261,486	279,314	304,083	289,024
Jamaica	468,105	460,034	444,547	488,463	396,070
Leeward and Windward[2]	274,587	168,642	159,232	201,336	193,356
Netherlands Antilles	484,703	648,092	531,773	607,814	402,648
Panama	832,531	825,150	732,174	730,382	651,083
Trinidad and Tobago	681,390	880,075	708,242	587,917	496,301
Total	6,005,836	5,958,923	5,532,020	5,952,884	5,743,038
Nondesignated:					
Cayman Islands	58,243	71,635	64,372	75,401	72,855
Guyana	105,164	55,328	35,413	48,641	42,915
Nicaragua	182,348	117,605	129,812	109,794	41,733
Suriname	136,762	126,670	115,453	98,415	84,537
Turks and Caicos	*5,019*	*8,435*	*11,700*	*15,090*	*11,292*
Total	487,535	379,673	356,750	347,341	253,333
Grand total	6,493,371	6,338,596	5,888,770	6,300,225	5,996,371

[1] Exports are f.a.s. value, domestic merchandise.

[2] Includes the value of U.S. exports to Antigua, British Virgin Islands, Dominica, Grenada, Montserrat, St. Christopher-Nevis-Anguilla, St. Lucia, St. Vincent, and the Grenadines.

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

Table B-2
Leading items in U.S. domestic exports to CBERA, 1981-85

(F.a.s. value, in thousands of dollars)

Schedule B No.	Description	1981	1982	1983	1984	1985
475.07	Crude petroleum	32,278	323,753	332,869	449,414	470,393
130.65	Wheat	172,936	149,084	170,453	184,839	196,916
818.90	General merchandise less than $500	160,377	116,581	95,166	102,636	195,149
664.05	Mechanical shovels, n.s.p.f	184,598	161,124	94,796	81,761	94,548
818.80	Shipments valued $10,000 and under	-	-	-	98,672	93,856
182.97	Edible preparations	45,769	51,057	46,439	57,857	87,995
475.25	Motor fuel, including gasoline	503	7,547	26,001	33,026	76,180
252.78	Unbleached kraft packaging paper	87,313	76,106	74,814	82,912	73,576
130.34	Corn, seed for planting purposes	95,914	74,028	119,053	101,681	68,122
338.29	Woven fabrics, containing manmade fiber	69,797	60,167	51,699	53,617	67,097
687.60	Electronic tubes, not tv	38,615	37,831	73,132	128,820	61,110
685.90	Electrical switches	39,957	33,939	45,249	53,678	58,641
177.56	Tallow	49,613	47,514	45,113	59,497	55,371
184.52	Vegetable oilcake and oilcake meal	60,842	47,469	52,056	55,349	54,830
176.52	Soybean oil	53,193	46,090	35,231	79,494	54,757
475.45	Oils	47,979	53,410	48,831	50,462	53,297
170.65	Cigarettes	99,853	110,570	67,402	55,938	50,611
433.10	Chemical mixtures and preparations	59,747	53,272	50,829	58,595	50,555
376.25	Brassieres	52,642	46,068	58,604	57,686	50,318
444.16	Polyethylene resins	46,843	48,404	53,996	51,777	45,458
475.15	Natural gas, methane, ethane	1,500	13,680	40,087	36,909	42,478
795.00	Nonenumerated products	19,381	23,391	26,927	29,229	41,839
676.28	Digital cpu's	23,033	22,718	29,749	34,471	39,408
386.11	Textile articles, n.s.p.f	9,941	10,226	16,577	25,518	38,644
184.80	Animal feeds, other	37,671	51,720	47,255	42,312	37,187
692.10	Passenger cars	49,243	47,791	36,557	33,335	36,905
131.30	Rice, not parboiled	55,850	35,371	49,779	42,466	36,247
202.08	Southern yellow pine	42,685	45,241	46,099	35,839	35,928
688.40	Electrical articles, n.s.p.f	25,697	30,242	35,331	46,219	33,444
692.29	Chassis, parts	47,349	42,283	37,754	38,618	33,071
	Total	1,711,118	1,866,676	1,907,848	2,262,625	2,333,928
	Total, all items exported to CBERA	6,005,836	5,958,923	5,532,020	5,952,884	5,743,038

Note.—Trade does not include special category exports.
Source: Compiled from official statistics of the U.S. Department of Commerce.

major imports as well, indicating two-way trade flows. Still other major export products to the Caribbean, such as fabrics and electrical components, are inputs into Caribbean products that later return to the United States processed or assembled under TSUS items 806.30 and 807.00.

Table B-3 shows the U.S. merchandise trade balances during 1981-85 with those Caribbean countries for which export statistics are separately available. The countries principally responsible for reducing the U.S. deficit with the Caribbean region were the Netherlands Antilles and the Bahamas—nations that export crude oil or refined oil products to the U.S. market.[1] In 1985, the United States had a trade surplus with the Bahamas for the first time during the years under review. Meanwhile, the U.S. trade balance deteriorated mostly with non-oil-exporting countries such as Barbados, Costa Rica, and the Dominican Republic, resulting in sizable U.S. deficits with these countries.

In the years under review, the United States consistently registered trade surpluses with Belize, Jamaica, the Leeward and Windward Islands, Panama and with the nondesignated CB countries, except Guyana. The United States had a trade deficit each year with Honduras, the Netherlands Antilles, and Trinidad and Tobago.

LEADING CBERA BENEFICIARIES

In 1985, 12 of the 21 CBERA-designated countries accounted for some 98 percent of both total U.S. imports and MFN duty-free imports from the CBERA region. These 12 nations were also responsible for some 97 percent of U.S.

[1] See discussion under "U.S. imports" in Ch 1.

duty-free imports under both the GSP and the CBERA program from designated countries (table B–4.) Three of the 4 leading CBERA exporters to the United States were petroleum-refining countries: Trinidad and Tobago ranked first, the Netherlands Antilles third, and the Bahamas fourth. (The Dominican Republic, not an oil product exporter, was the second ranking Caribbean nation in terms of overall U.S. imports.) However, as table B–4 shows, none of the oil countries thus far have been major beneficiaries under the CBERA since petroleum products—their principal exports—are ineligible under the program.

Table B–3

U.S. trade balance with countries designated or nondesignated under the CBERA, 1981–85

(In thousands of dollars)

Country	*1981*	*1982*	*1983*	*1984*	*1985*
Designated:					
Bahamas	-808,629	-460,604	-1,232,530	-607,962	142,281
Barbados	65,209	45,647	-9,558	-19,746	-33,216
Belize	22,775	21,434	6,109	6,620	5,388
Costa Rica	4,956	-31,102	-7,984	-50,992	-71,916
Dominican Republic	-160,073	26,676	-183,705	-363,829	-239,918
El Salvador	43,734	-45,596	-20,761	-1,060	404
Guatemala	203,092	55,305	-64,148	-76,472	-1,139
Haiti	19,752	-17,290	19,447	28,477	329
Honduras	-93,411	-98,067	-85,427	-89,686	-81,194
Jamaica	111,120	181,926	182,187	91,513	129,054
Leeward and Windward[1]	242,295	141,684	120,433	156,772	97,972
Netherlands Antilles	-2,114,457	-1,458,657	-1,742,737	-1,416,553	-390,514
Panama	535,894	574,386	396,087	418,755	257,478
Trinidad and Tobago	-1,533,521	-748,317	-609,293	-772,188	-759,197
Total	-3,461,264	-1,812,575	-3,231,880	-2,696,351	-944,187
Nondesignated:					
Cayman Islands	53,701	56,805	55,766	69,189	61,906
Guyana	1,086	-15,327	-31,919	-25,776	-3,095
Nicaragua	42,053	30,730	30,799	51,729	730
Suriname	-42,613	66,523	52,305	-6,221	24,447
Turks and Caicos	1,469	4,879	7,735	11,155	6,643
Total	55,696	143,611	114,686	100,077	90,630
Grand total	-3,405,568	-1,668,964	-3,117,194	-2,596,274	-853,557

[1] Includes the value of U.S. exports to Antigua, British Virgin Islands, Dominica, Grenada, Montserrat, St. Christopher-Nevis-Anguilla, St. Vincent, and the Grenadines.

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

Table B–4

Share of U.S. imports from CBERA countries: Total, under the CBERA, GSP, and MFN, 1985

(In percent)

Item	*Share all imports*	*Share under GSP*	*Share under CBERA*	*Share under MFN*
Total	100.00	100.00	100.00	100.00
Trinidad and Tobago	18.77	4.53	3.17	3.99
Dominican Republic	14.44	24.48	34.90	15.45
Netherlands Antilles	11.86	0.88	0.57	3.09
Bahamas	9.36	15.99	0.63	2.12
Costa Rica	7.32	9.88	14.64	10.61
Guatemala	5.98	9.46	8.67	11.49
El Salvador	5.92	6.47	3.88	13.93
Panama	5.89	4.79	1.38	12.76
Haiti	5.78	9.93	9.35	1.51
Honduras	5.54	4.66	9.06	11.54
Jamaica	3.99	3.48	8.13	5.99
Barbados	3.02	2.56	2.29	6.00
Subtotal	97.87	97.10	96.67	98.47

B-4

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

In the first 2 years of operation, the major beneficiaries of the CBERA were in order, the Dominican Republic, Costa Rica, Haiti, Honduras, Guatemala, and Jamaica. The Dominican Republic and Costa Rica combined accounted for some 50 percent of U.S. imports under the CBERA in 1985. The Dominican Republic, which alone was responsible for 35 percent, was the source of most sugar entering the United States duty-free under the CBERA. The other sugar suppliers among CBERA-designated countries continued to utilize GSP for most of their sugar shipments to the United States.

One common feature of U.S. imports from these major CBERA beneficiaries is a relatively high duty-free portion of the total that already existed in 1983, i.e., before the CBERA. This duty-free share increased further in the first 2 years of the CBERA's operation (except for Jamaica), ranging in 1985 from 76 percent (for Haiti) to 95 percent (for Honduras).[1] Another common feature is the high average level of calculated duties on the small remaining dutiable share of imports from these countries, ranging from 14 to 16 percent, with the exeption of Guatemala (5 percent).

The following discussion relates to the major CBERA beneficiary countries.

DOMINICAN REPUBLIC

Table B–5 shows that the CBERA program raised sharply the duty-free part of U.S. imports from the Dominican Republic. In 1983, only 12 percent of imports from this country was duty free on a preferential basis, all under the GSP. In 1984 and 1985, this share surged to some 32 percent as the CBERA became effective. Despite a simultaneous decline in the portion of imports that was duty free under MFN rates, imports that were duty free under all provisions increased from 68 percent in 1983 to 86 percent in 1984 and 86 percent in 1985, owing principally to the CBERA.

Sugar and beef, major U.S. imports from the Dominican Republic, were eligible for CBERA duty-free treatment, but benefits were contingent upon certain conditions. Effective January 1, 1984, imports of sugar from the Dominican Republic—the largest Caribbean sugar producer—became subject to annual quotas.[2] As to beef, the Dominican Republic lost eligibility to ship meat to the United States in February 1984 because of changes in certain U.S. regulations with respect to pesticide residues. Shipments were reauthorized in April 1985.[3] The Dominican Republic made use of CBERA preferential treatment principally for tobacco, tropical vegetables (dasheens and yucca), and electrical products. Table B–6 shows that the Dominican Republic utilized 50 percent of its CBERA eligibility in 1984 and 41 percent in 1985.

The Dominican Republic is also the largest Caribbean producer of textile and apparel articles, shipping these, as well as other miscellaneous manufactured products under TSUS item 807.00, to the United States.[4] In 1985, the average level of duties, calculated on the dutiable portion of imports from the Dominican Republic was 15 percent.

COSTA RICA

In 1985, 14.9 percent of U.S. imports from Costa Rica entered under the CBERA (table B–7). The duty-free portion of imports was already 81 percent in 1983, but the CBERA raised this share to 90 percent in 1984 and 89 percent in 1985. About one-half of imports from Costa Rica entered duty free under MFN rates, mostly fresh bananas and coffee.

Costa Rica is a major Caribbean assembler of garments—chiefly brassieres and shirts—from U.S. materials for entering under TSUS item 807.00. The average level of duties calculated on Costa Rica's dutiable shipments to the United States was 16 percent in 1985 (table B–8).

Principal Costa Rican items benefiting from CBERA treatment are beef and veal, sugar, and certain tropical vegetables (mostly yucca, chayote, and dasheens). Costa Rica is the leading U.S. source of chayote and yucca and a major source of dasheens. In 1985, ethanol became a major item from Costa Rica under the CBERA.[5] The utilization ratio of CBERA eligibility by Costa Rica was 35 percent in 1984, rising to 41 percent in 1985.

[1] These compare with a 56-percent duty-free share for all CBERA-designated countries (table 10).

[2] See "Sugar" in ch. 3 of this report.

[3] See "Beef and veal" in ch. 3 of this report.

[4] See "TSUS schedule 3, textiles and apparel" in ch. 3 of this report.

[5] See "Ethanol" in chs. 3 and 4 of this report.

Table B-5

U.S. imports for consumption from the Dominican Republic, by reported duty treatments, 1983-85

(In thousands of dollars, customs value)

Item	1983	1984	1985	Absolute change, 1985 from 1983	Percentage change, 1985 from 1983
Total imports	806,520	994,427	965,847	159,327	19.75
Dutiable value[1]	259,067	123,806	131,838	-127,228	-49.11
Duty free under—					
MFN	329,972	395,697	342,293	12,321	3.70
TSUS items 806.30/807.00	111,579	143,093	178,221	66,642	59.73
GSP	97,662	98,945	130,610	32,949	33.74
CBERA	-	222,462	173,693	[2]-48,768	[2]-21.92
GSP/CBERA combined	97,662	321,407	304,303	206,642	211.59
Other special rate provisions	8,241	10,424	9,191	950	11.53
	Percent of total				
Total imports	100.00	100.00	100.00	-	-
Dutiable value	32.12	12.45	13.65	-	-
Duty free under—					
MFN	40.91	39.80	35.44	-	-
TSUS items 806.30/807.00	13.83	14.39	18.45	-	-
GSP	12.11	9.95	13.52	-	-
CBERA	-	22.37	17.98	-	-
GSP/CBERA combined	12.11	32.32	31.51	-	-
Other special rate provisions	1.02	1.04	.95	-	-

[1] Reported dutiable value has been reduced by the U.S. content of items imported under TSUS items 806.30 and 807.00, which are duty free.
[2] 1985 over 1984.

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

Table B-6

U.S. imports from the Dominican Republic: Calculated duties, eligibility, and utilization of the GSP and CBERA programs, 1983-85

Item	1983	1984	1985
Adjusted calculated duties (1,000 dollars)[1]	14,797	18,215	19,757
Average duty (percent)[2]	5.71	14.71	14.99
Eligible duty free under GSP (1,000 dollars)[3]	289,251	362,354	335,663
Reported entering under GSP (1,000 dollars)	97,662	98,945	130,610
GSP utilization ratio (percent)[4]	33.76	27.31	38.91
Eligible duty free under the CBERA (1,000 dollars)[5]	358,765	443,862	426,518
Reported entering under the CBERA (1,000 dollars)	-	222,462	173,693
CBERA utilization ratio (percent)[6]	-	50.12	40.72

[1] Calculated duty has been adjusted to account for the value of U.S. content of items imported under tariff provisions for TSUS items 806.30 and 807.00.
[2] Average duty = (calculated duty/dutiable value) x 100.
[3] Based on 1985 product eligibility.
[4] Actual entries/eligible entries under GSP x 100.
[5] Includes all TSUSA items that have not been excluded under the CBERA or are not already duty free under MFN.
[6] Actual entries/eligible entries under the CBERA x 100.

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

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Table B-7

U.S. imports for consumption from Costa Rica, by reported duty treatments, 1983-85

(In thousands of dollars, custom value)

Item	*1983*	*1984*	*1985*	*Absolute change, 1985 from 1983*	*Percentage change, 1985 from 1983*
Total imports	386,520	468,633	489,294	102,774	26.59
Dutiable value[1]	71,739	46,007	52,618	-19,121	-26.65
Duty free under—					
MFN	201,978	227,297	237,529	35,551	17.60
TSUS items 806.30/807.00	61,348	72,139	71,364	10,015	16.33
GSP	51,088	57,110	52,715	1,627	3.18
CBERA	-	65,756	72,833	[2]7,077	[2]10.76
GSP/CBERA combined	51,088	122,866	125,548	74,460	145.75
Other special rate provisions	366	325	2,235	1,869	510.66
	Percent of total				
Total imports	100.00	100.00	100.00	-	-
Dutiable value	18.56	9.82	10.75	-	-
Duty free under—					
MFN	52.26	48.50	48.55	-	-
TSUS items 806.30/807.00	15.87	15.39	14.59	-	-
GSP	13.22	12.19	10.77	-	-
CBERA	-	14.03	14.89	-	-
GSP/CBERA combined	13.22	26.22	25.66	-	-
Other special rate provisions	.09	.07	.46	-	-

[1] Reported dutiable value has been reduced by the U.S. content of items imported under TSUS items 806.30 and 807.00, which are duty free.
[2] 1985 over 1984.

Table B-8

U.S. imports from Costa Rica: Calculated duties, eligibility, and utilization of the GSP and CBERA programs, 1983-85

Item	*1983*	*1984*	*1985*
Adjusted calculated duties (1,000 dollars)[1]	6,512	7,135	8,417
Average duty (percent)[2]	9.08	15.51	16.00
Eligible duty free under GSP (1,000 dollars)[3]	62,035	86,332	73,142
Reported entering under GSP (1,000 dollars)	51,088	57,110	52,715
GSP utilization ratio (percent)[4]	82.35	66.15	72.07
Eligible duty free under the CBERA (1,000 dollars)[5]	140,563	185,446	175,724
Reported entering under the CBERA (1,000 dollars)	-	65,756	72,833
CBERA utilization ratio (percent)[6]	-	35.46	41.45

[1] Calculated duty has been adjusted to account for the value of U.S. content of items imported under tariff provisions for TSUS items 806.30 and 807.00.
[2] Average duty = (calculated duty/dutiable value) x 100.
[3] Based on 1985 product eligibility.
[4] Actual entries/eligible entries under GSP x 100.
[5] Includes all TSUSA items that have not been excluded under the CBERA or are not already duty free under MFN.
[6] Actual entries/eligible entries under the CBERA x 100.

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

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HAITI

In 1985, the duty-free share of U.S. imports from Haiti was 76 percent. This percentage remained virtually unchanged from 1983, with the CBERA offsetting the dollar decline of imports entering the United States duty free under the GSP and MFN provisions (table B-9) Duty-free imports from Haiti under MFN provisions are the lowest among all the CBERA countries (8 percent in 1985). Haiti is not a supplier of some typical duty-free products such as bananas and shrimp.

By contrast, Haiti's duty-free share of imports under TSUS items 806.30/807.00 is the largest in the region. In 1985, 39 percent of imports from Haiti was accounted for by the U.S. content of entries under these provisions, incorporated mainly in apparel and leather products, which are not CBERA-eligible. In the same year, the average rate of duties on the dutiable portion was 13 percent.

In 1985, 12 percent of U.S. imports from Haiti entered under the CBERA. Major items benefiting from the CBERA included sugar, miscellaneous manufactured products such as baseballs and softballs, and electrical articles. Official statistics show Haiti as the leading U.S. supplier of baseballs and softballs, although the Haitian value added to these products is relatively small. Beef was not a major CBERA export from Haiti that lost eligibility in February 1984 to ship meat to the United States because of changes in U.S. regulations with respect to pesticide residues and species verification. As of the drafting of this report, Haiti was still not reauthorized for meat exports to the United States.[1]

Haiti utilized CBERA eligibility to a lesser degree in the first 2 years of the program than most other CBERA countries (table B-10) The apparent utilization ratio was 9 percent in 1984 but jumped to 19 percent in 1985.

Before the enactment of the CBERA in 1983, four fifths of U.S. imports from Honduras were duty free. For the most part, this large

[1] See "Beef and veal" in ch. 3.

Table B-9
U.S. imports for consumption from Haiti, by reported duty treatments, 1983-85

(In thousands of dollars, custom value)

Item	1983	1984	1985	Absolute change, 1985 from 1983	Percentage change, 1985 from 1983
Total imports	337,483	377,413	386,697	49,214	14.58
Dutiable value[1]	84,238	80,301	93,426	9,188	10.91
Duty free under—					
MFN	44,388	39,463	31,779	-12,609	-28.41
TSUS items 806.30/807.00	139,404	143,343	149,240	9,835	7.06
GSP	64,251	80,866	52,998	-11,253	-17.51
CBERA	-	21,856	46,554	[2]24,698	[2]113.00
GSP/CBERA combined	64,251	102,722	99,552	35,300	54.94
Other special rate provisions	5,201	11,584	12,700	7,499	144.18
	Percent of total				
Total imports	100.00	100.00	100.00	-	-
Dutiable value	24.96	21.28	24.16	-	-
Duty free under—					
MFN	13.15	10.47	8.22	-	-
TSUS items 806.30/807.00	41.31	37.98	38.59	-	-
GSP	19.04	21.43	13.71	-	-
CBERA	-	5.79	12.04	-	-
GSP/CBERA combined	19.04	27.22	25.74	-	-
Other special rate provisions	1.54	3.06	3.28	-	-

[1] Reported dutiable value has been reduced by the U.S. content of items imported under TSUS items 806.30 and 807.00, which are duty free.
[2] 1985 over 1984.

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

duty-free portion consisted of traditional Honduran trade items such as fresh bananas, coffee, and shrimp—all duty free under MFN rates. The CBERA and a continued rise in MFN duty-free imports raised the overall duty-free share to 95 percent in both 1984 and 1985. The CBERA duty-free option that became available in 1984 offset in part a decline in U.S. duty-free imports from Honduras under GSP (table B–11.)

Table B–10

U.S. imports from Haiti: Calculated duties, eligibility, and utilization of the GSP and CBERA programs, 1983–85

Item	*1983*	*1984*	*1985*
Adjusted calculated duties (1,000 dollars)[1]	9,971	10,088	12,438
Average duty (percent)[2]	11.84	12.56	13.31
Eligible duty free under GSP (1,000 dollars)[3]	176,864	211,770	202,227
Reported entering under GSP (1,000 dollars)	64,251	80,866	52,998
GSP utilization ratio (percent)[4]	36.33	38.19	26.21
Eligible duty free under the CBERA (1,000 dollars)[5]	216,227	243,643	249,526
Reported entering under the CBERA (1,000 dollars)	-	21,856	46,554
CBERA utilization ratio (percent)[6]	-	8.97	18.66

[1] Calculated duty has been adjusted to account for the value of U.S. content of items imported under tariff provisions for TSUS items 806.30 and 807.00.
[2] Average duty = (calculated duty/dutiable value) x 100.
[3] Based on 1985 product eligibility.
[4] Actual entries/eligible entries under GSP x 100.
[5] Includes all TSUSA items that have not been excluded under the CBERA or are not already duty free under MFN.
[6] Actual entries/eligible entries under the CBERA x 100.

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

Table B–11

U.S. imports for consumption from Honduras, by reported duty treatments, 1983–85

(In thousands of dollars, custom value)

Item	*1983*	*1984*	*1985*	*Absolute change, 1985 from 1983*	*Percentage change, 1985 from 1983*
Total imports	364,742	393,769	370,219	5,477	1.50
Dutiable value[1]	75,518	20,020	18,046	-57,471	-76.10
Duty free under—					
MFN	222,140	250,215	258,253	36,114	16.26
TSUS items 806.30/807.00	17,828	18,371	20,784	2,957	16.58
GSP	48,847	42,683	24,870	-23,977	-49.09
CBERA	-	60,198	45,072	[2]-15,125	[2]-25.13
GSP/CBERA combined	48,847	102,881	69,942	21,096	43.19
Other special rate provisions	410	2,281	3,193	2,783	678.78
	Percent of total				
Total imports	100.00	100.00	100.00	-	-
Dutiable value	20.70	5.08	4.87	-	-
Duty free under—					
MFN	60.90	63.54	69.76	-	-
TSUS items 806.30/807.00	4.89	4.67	5.61	-	-
GSP	13.39	10.84	6.72	-	-
CBERA	-	15.29	12.17	-	-
GSP/CBERA combined	13.39	26.13	18.89	-	-
Other special rate provisions	.11	.58	.86	-	-

[1] Reported dutiable value has been reduced by the U.S. content of items imported under TSUS items 806.30 and 807.00, which are duty free.
[2] 1985 over 1984.

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

Honduras utilized 49 percent of its CBERA eligibility in 1985 (table B–12) Principal Honduran products benefiting from CBERA duty-free treatment included beef, tobacco, sugar, pineapple, and baseball equipment. The CBERA countries jointly account for over 95 percent of all U.S. fresh pineapple imports, and Honduras is the leading U.S. supplier.

GUATEMALA

The duty-free share of U.S. imports from Guatemala increased from 75 percent in 1983 to 90 percent in 1985. This reflects, in part, the new duty-free option under the CBERA (table B–13.) Sixty-four percent of overall U.S. imports from Guatemala, consisting mostly of coffee and fresh bananas, entered duty free under MFN provisions. Notably, the average level of duties on the dutiable portion of imports was only 5.6 percent in 1985, lower than in the other leading CBERA non-oil-exporting countries (table B–14.)

The principal Guatemalan exports eligible to benefit from CBERA treatment included beef and sugar. Other major CBERA products were leaf tobacco and some tropical vegetables. In 1985, Guatemala's apparent CBERA utilization ratio was 39 percent.

JAMAICA

Before the enactment of the CBERA in August 1983, Jamaica had duty-free access for 93 percent of its products shipped to the U.S. market. However, unlike the other countries discussed in this section, the duty-free portion of imports declined to 84 percent in 1985 (table B–15.) This decline was caused by a sharp drop in imports that were duty free under MFN provisions, primarily bauxite, aluminum oxide, and hydroxide (alumina). Jamaica, a country highly dependent on its bauxite industry, suffered in recent years from a depressed world market for bauxite and derivatives, which also affected its overall exports to the United States. U.S. imports from Jamaica dropped in 1985 from their 1984 level, virtually returning to their 1983 level.[1]

Duty-free imports from Jamaica under GSP provisions—much of them sugar—also decreased in both 1984 and 1985. Yet, with the CBERA becoming available in 1984, the combined duty-free share of U.S. imports under preference programs rose from 13.5 percent in 1983 (all GSP) to 22 percent in 1985 (GSP and CBERA). Another rising component in the duty-free category was the U.S. content of imports under TSUS item 807.00. This part consisted mostly of the U.S. inputs of textile and miscellaneous articles assembled in Jamaica.

Jamaica used the CBERA principally for rum, hydrocarbon mixes, orange juice concentrate, and ethanol. Jamaica is the leading U.S. source of imported rum; imports of this product increased sharply in 1984 but returned to traditional levels in 1985.[2]

The apparent CBERA utilization ratio for Jamaica was 48 percent in 1985 (table B–16.)

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[1] Bauxite and derived products were responsible for 70 percent of overall U.S. imports from Jamaica in 1983 and accounted still for 43 percent in 1985.

[2] See "Rum" in ch. 3 of this report.

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Table B-12

U.S. Imports from Honduras: Calculated duties, eligibility, and utilization of the GSP and CBERA programs, 1983-85

Item	*1983*	*1984*	*1985*
Adjusted calculated duties (1,000 dollars)[1]	4,448	2,128	2,481
Average duty (percent)[2]	5.89	10.63	13.75
Eligible duty free under GSP (1,000 dollars)[3]	65,087	74,036	54,960
Reported entering under GSP (1,000 dollars)	48,847	42,683	24,870
GSP utilization ratio (percent)[4]	75.05	57.65	45.25
Eligible duty free under the CBERA (1,000 dollars)[5]	128,892	126,682	91,996
Reported entering under the CBERA (1,000 dollars)	-	60,198	45,072
CBERA utilization ratio (percent)[6]	-	47.52	48.99

[1] Calculated duty has been adjusted to account for the value of U.S. content of items imported under tariff provisions for TSUS items 806.30 and 807.00.
[2] Average duty = (calculated duty/dutiable value) x 100.
[3] Based on 1985 product eligibility.
[4] Actual entries/eligible entries under GSP x 100.
[5] Includes all TSUSA items that have not been excluded under the CBERA or are not already duty free under MFN.
[6] Actual entries/eligible entries under the CBERA x 100.

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

Table B-13

U.S. Imports for consumption from Guatemala, by reported duty treatments, 1983-85

(In thousands of dollars, custom value)

Item	*1983*	*1984*	*1985*	*Absolute change, 1985 from 1983*	*Percentage change, 1985 from 1983*
Total imports	374,692	446,267	399,617	24,926	6.65
Dutiable value[1]	92,028	59,456	41,570	-50,458	-54.83
Duty free under—					
MFN	207,638	267,693	256,936	49,298	23.74
TSUS items 806.30/807.00	840	2,667	5,694	4,854	577.69
GSP	73,215	71,831	50,452	-22,763	-31.09
CBERA	-	43,442	43,138	[2]-304	[2]-.70
GSP/CBERA combined	73,215	115,273	93,590	20,375	27.83
Other special rate provisions	970	1,178	1,827	857	88.35
	Percent of total				
Total imports	100.00	100.00	100.00	-	-
Dutiable value	24.56	13.32	10.40	-	-
Duty free under—					
MFN	55.42	59.98	64.30	-	-
TSUS items 806.30/807.00	.22	.60	1.42	-	-
GSP	19.54	16.10	12.63	-	-
CBERA	-	9.73	10.79	-	-
GSP/CBERA combined	19.54	25.83	23.42	-	-
Other special rate provisions	.26	.26	.46	-	-

[1] Reported dutiable value has been reduced by the U.S. content of items imported under TSUS items 806.30 and 807.00, which are duty free.
[2] 1985 over 1984.

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

Table B-14

U.S. imports from Guatemala: Calculated duties, eligibility, and utilization of the GSP and CBERA programs, 1983-85

Item	*1983*	*1984*	*1985*
Adjusted calculated duties (1,000 dollars)[1]	3,208	2,870	2,335
Average duty (percent)[2]	3.49	4.83	5.62
Eligible duty free under GSP (1,000 dollars)[3]	81,905	93,827	72,026
Reported entering under GSP (1,000 dollars)	73,215	71,831	50,452
GSP utilization ratio (percent)[4]	89.39	76.56	70.05
Eligible duty free under the CBERA (1,000 dollars)[5]	40,215	136,518	111,105
Reported entering under the CBERA (1,000 dollars)	-	43,442	43,138
CBERA utilization ratio (percent)[6]	-	31.82	38.83

[1] Calculated duty has been adjusted to account for the value of U.S. content of items imported under tariff provisions for TSUS items 806.30 and 807.00.
[2] Average duty = (calculated duty/dutiable value) x 100.
[3] Based on 1985 product eligibility.
[4] Actual entries/eligible entries under GSP x 100.
[5] Includes all TSUSA items that have not been excluded under the CBERA or are not already duty free under MFN.
[6] Actual entries/eligible entries under the CBERA x 100.

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

Table B-15

U.S. imports for consumption from Jamaica, by reported duty treatments, 1983-85

(In thousands of dollars, custom value)

Item	*1983*	*1984*	*1985*	*Absolute change, 1985 from 1983*	*Percentage change, 1985 from 1983*
Total imports	262,360	396,949	267,016	4,656	1.77
Dutiable value[1]	19,100	21,094	42,713	23,614	123.63
Duty free under—					
MFN	198,430	286,305	134,012	-64,418	-32.46
TSUS items 806.30/807.00	8,536	15,967	29,172	20,636	241.76
GSP	35,502	28,074	18,592	-16,910	-47.63
CBERA	-	44,737	40,449	[2]-4,288	[2]-9.58
GSP/CBERA combined	35,502	72,811	59,041	23,539	66.30
Other special rate provisions	793	773	2,078	1,285	162.04
	Percent of total				
Total imports	100.00	100.00	100.00	-	-
Dutiable value	7.28	5.31	16.00	-	-
Duty free under—					
MFN	75.63	72.13	50.19	-	-
TSUS items 806.30/807.00	3.25	4.02	10.93	-	-
GSP	13.53	7.07	6.96	-	-
CBERA	-	11.27	15.15	-	-
GSP/CBERA combined	13.53	18.34	22.11	-	-
Other special rate provisions	.30	.19	.78	-	-

[1] Reported dutiable value has been reduced by the U.S. content of items imported under TSUS items 806.30 and 807.00, which are duty free.
[2] 1985 over 1984.

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

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Table B-16

U.S. imports from Jamaica: Calculated duties, eligibility, and utilization of the GSP and CBERA programs, 1983-85

Item	*1983*	*1984*	*1985*
Adjusted calculated duties (1,000 dollars)[1]	2,933	3,000	6,273
Average duty (percent)[2]	15.36	14.22	14.69
Eligible duty free under GSP (1,000 dollars)[3]	37,828	42,008	42,266
Reported entering under GSP (1,000 dollars)	35,502	28,074	18,592
GSP utilization ratio (percent)[4]	93.85	66.83	43.99
Eligible duty free under the CBERA (1,000 dollars)[5]	49,317	86,369	84,706
Reported entering under the CBERA (1,000 dollars)	-	44,737	40,449
CBERA utilization ratio (percent)[6]	-	51.80	47.75

[1] Calculated duty has been adjusted to account for the value of U.S. content of items imported under tariff provisions for TSUS items 806.30 and 807.00.
[2] Average duty = (calculated duty/dutiable value) x 100.
[3] Based on 1985 product eligibility.
[4] Actual entries/eligible entries under GSP x 100.
[5] Includes all TSUSA items that have not been excluded under the CBERA or are not already duty free under MFN.
[6] Actual entries/eligible entries under the CBERA x 100.

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

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APPENDIX C
METHODOLOGY FOR ESTIMATING THE EFFECTS OF CBERA DUTY ELIMINATION

GEOMETRIC PRESENTATION[1]

Figure C-1 shows the simple partial-equilibrium analysis of the effects on CBERA country producers of eliminating the U.S. tariff on one good exported from CBERA countries. The vertical axis in the diagram measures the price of CBERA country exports delivered to the U.S. border. The horizontal axis measures the physical quantity of the good. The curve S_{US} is the CBERA country supply of exports to the United States, and the curve D_{US} is the U.S. demand for these exports.[2]

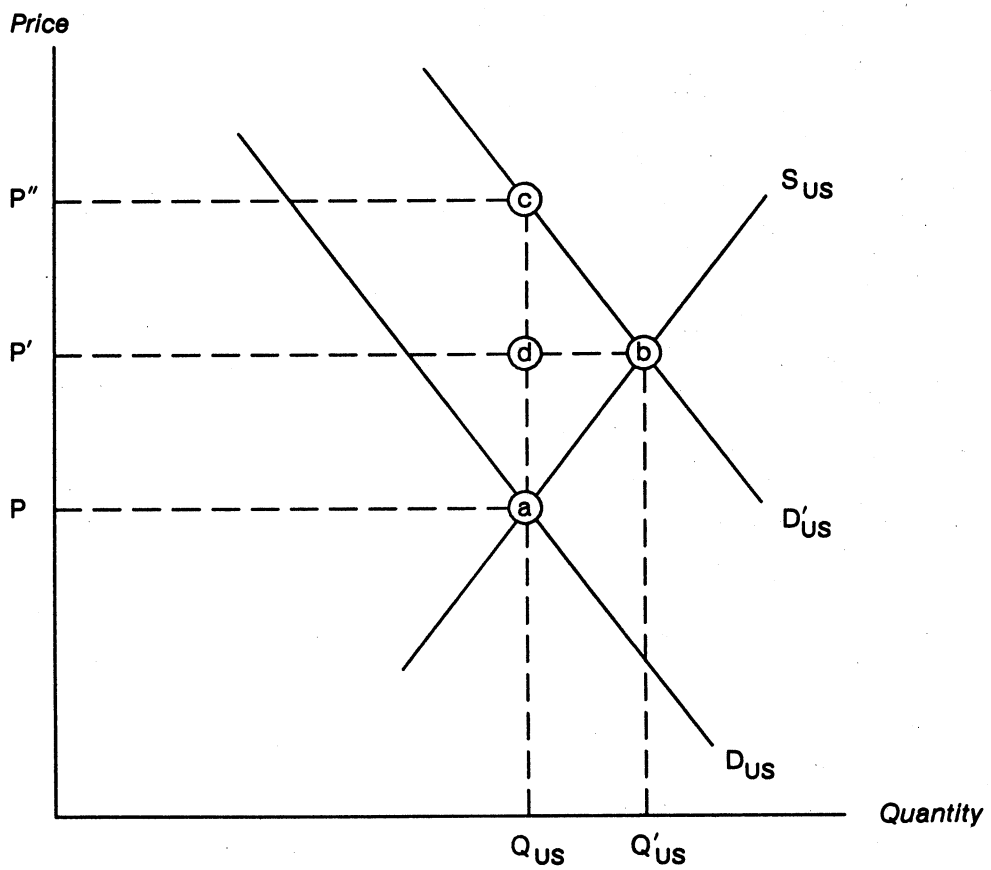
With the tariff, Q_{US} is exported by CBERA countries to the United States. CBERA country exporters receive the price P, and U.S. importers pay the price $P'' = P(1 + t)$ where t is the ad valorem tariff rate. Elimination of the tariff increases the quantity of CBERA country exports demanded at every price level. The demand curve for CBERA country exports shifts outward from D_{US} to D'_{US} raising the quantity exported to the United States from Q_{US} to Q'_{US}. The price received by CBERA country exporters increases from P to P′ while the price paid by U.S. importers drops from P″ to P′. U.S. consumers benefit if any part of this price decrease is passed on by importers.

The value of CBERA country exports rises from PQ_{US} to $P'Q'_{US}$ as a result of eliminating the tariff. Simple algebraic manipulation allows us to express this change as a proportion of the initially collected tariff duties for the good. Once expressed in this form, the consequences of this tariff removal for U.S. producers can be readily obtained.

[1] The quantitative methodology presented in this appendix is based on that developed in Donald Rousslang and John Lindsey "The Benefits to Caribbean Basin Countries from the U.S. CBI Tariff Eliminations," *Journal of Policy Modeling* 6(4), 1984, pp. 513-530.

[2] This analysis is based on the assumption that the U.S. product, imports from CBERA countries, and imports from non-CBERA countries are imperfect substitutes.

Figure C-1
Partial equilibrium analysis of the effects on U.S. producers of eliminating the U.S. tariff on a CBERA export good



Source: U.S. International Trade Commission.

ALGEBRAIC PRESENTATION

By assuming that the supply and demand curves have constant elasticities in the relevant range, we get the following two equations:

$$Q'_{US}/Q_{US} = (P'/P)^{**}(e) \quad (A1)$$

$$Q'_{US}/Q_{US} = (P'/P'')^{**}(-n) \quad (A2)$$

where ** denotes a power operator, e is the elasticity of the CBERA country export supply to the United States and $-n$ is the elasticity of the U.S. demand for these exports. We also know that $P'' = P(1 + t)$. Thus, from (A1) and (A2) we have:

$$(P'/P)^{**}(e) = [P'/P(1 + t)]^{**}(-n)$$

which simplifies to

$$P' = P(1 + t)^{**}[n/(e + n)] \quad (A3)$$

Combining (A1) and (A3) yields

$$Q'_{US} = Q_{US}(1 + t)^{**}[ne/(e + n)] \quad (A4)$$

and combining (A1) through (A4) yields

$$P'Q'_{US} - PQ_{US} = PQ_{US}(1 + t)^{**}[n(e + 1)/(e + n)] - PQ_{US} \quad (A5)$$

If we ignore the effects created by compounding, which are small for low values of t, we can write

$$(1 + t)^{**}[n(e + 1)/(e + n)] = 1 + tn(e + 1)/(e + n).$$

Equation (A5) therefore can be approximated by the following expression:

$$P'Q'_{US} - PQ_{US} = tPQ_{US}[n(e + 1)/(e + n)]. \quad (A6)$$

The term tPQ_{US} is the value of duties collected on CBERA country exports before elimination of the tariff. Thus, denoting these duties as R, equation (A6) can be written

$$P'Q'_{US} - PQ_{US} = Rn(e + 1)/(e + n). \quad (A7)$$

Equation (A7) gives the change in the export value of CBERA country goods in terms of duties collected prior to the tariff elimination.

The term $n(e + 1)/(n + e)$ in equation (A7) can be viewed as a multiplier to be used in conjunction with the duties collected to estimate the change in the export value of CBERA country goods. The following tabulation shows the values of this multiplier for various values of the elasticities e and n.

		Elasticity of demand (n)					
		0	**1**	**3**	**6**	**9**	**Inf**
Elasticity	**0**	-	1.0	1.0	1.0	1.0	1.0
of	**1**	0.0	1.0	1.5	1.7	1.8	2.0
supply	**3**	0.0	1.0	2.0	2.7	3.0	4.0
(e)	**6**	0.0	1.0	2.3	3.5	4.2	7.0
	9	0.0	1.0	2.5	4.0	5.0	10.0
	Inf	0.0	1.0	3.0	6.0	9.0	-

As can be seen from this tabulation, the effects of the tariff elimination on U.S. imports from CBERA countries can often be limited to a fairly narrow range. This is important even where estimates of one or both of the elasticities (e or n) are unavailable or can be approximated only very broadly.

U.S. and other non-CBERA country producers will suffer losses in their sales to the U.S. market due to the increased consumption of CBERA country exports. The value of the additional quantity of CBERA country exports consumed is

$$PQ'_{US} - PQ_{US} = PQ_{US}[(1 + t)^{**}[ne/(e + n)] - 1],$$

which can be approximated as

$$PQ'_{US} - PQ_{US} = Rne/(e + n) \quad (A8)[1]$$

Equation (A8) is a commonly used measure of the dollar value of the displacement of output from other suppliers. That is, it is commonly assumed that a $1 increase in the tariff-exclusive value of additional output sold by CBERA countries represents a $1 decrease in the value of output sold by non-CBERA country producers.[2] American and other non-CBERA country suppliers may sustain the additional burden of a fall in the price of their own output. This price effect is not included in this analysis.

By assuming that the market share of the U.S. relative to other non-CBERA country suppliers remains the same, we can estimate the displacement of U.S. output in dollar terms as follows:

$$d_{US} = rRne/(e + n),$$

[1] This approximation is biased downward because the effects of compounding are ignored, as disucssed above, and because a term that is a function of the tariff rate and the supply and demand elasticities is ignored. This latter bias is small because it is a product of two fractions.

[2] See, for example, R. E. Baldwin, "Trade and Employment Effects in the United States of Multilateral Tariff Reductions," *American Economic Review*, 66 (1976): 142-148.

where d_{US} = dollar value of displaced U.S. output, and

r = (sales of U.S. producers)/(sales of U.S. producers + sales of other non-CBERA country suupliers).

The term ne/(n + e) in equation (A8) and the term rne/(n + e) are the multipliers to be used with the foregone tariff revenue in calculating the displacement of sales of non-CBERA country suppliers and U.S. suppliers, respectively. The tabulation below shows the values of the multiplier for equation (A8) for various values of the elasticities e and n.

		Elasticity of demand (n)					
		0	**1**	**3**	**6**	**9**	**Inf**
Elasticity	**0**	0.0	0.0	0.0	0.0	0.0	0.0
of	**1**	0.0	0.5	0.8	0.9	0.9	1.0
supply	**3**	0.0	0.8	1.5	2.0	2.3	3.0
(e)	**6**	0.0	0.9	2.0	3.0	3.6	6.0
	9	0.0	0.9	2.3	3.6	4.5	9.0
	Inf	0.0	1.0	3.0	6.0	9.0	-

As with the multiplier for the effects on U.S. imports from CBERA countries, these multipliers can often be limited to fairly narrow ranges using only rough approximations for the elasticities e and n.

One weakness of the above analysis lies in the fact that total consumption of the commodity probably increases as a result of the tariff elimination. Thus, increased sales of the CBERA country exports probably do not displace sales by other suppliers on a one-for-one basis. This effect tends to make our calculations overestimate the damage to U.S. output.

It is also possible that the ratio of U.S. sales to total sales by non-CBERA country suppliers would change in the wake of removing a tariff. For example, if U.S. producers are less "price-responsive" in supplying output to the market than their non-CBERA country counterparts, then the r-ratio will rise and industry employment in the U.S. will suffer less than indicated by the above calculations. However, under this same circumstance, the price of U.S.-made output would tend to fall by a relatively greater amount.

The gain to consumers from the tariff elimination equals the trapezoid P"cbP'. The area for this trapezoid can be expressed mathematically as:

$$\tfrac{1}{2}(Q'_{US} + Q_{US})\ (P'' - P'). \qquad \text{(A9)}$$

we know that P" = P(1 + t). Substituting from (A3) gives us:

$$(P'' - P') = P[(1 + t) - (1 + t)^{**}[n/(e + n)]] \qquad \text{(A10)}$$

We can use (A4) to derive an expression for $(Q'_{US} + Q_{US})$:

$$(Q'_{US} + Q_{US}) = Q_{US}[1 + (1 + t)^{**}[ne/(e + n)]] \qquad \text{(A11)}$$

Inserting (A10) and (A11) into (A9) yields:

$$(\tfrac{1}{2}PQ_{US} + Q_{US})\ (P'' - P') = \tfrac{1}{2}PQ_{US}\,[\,(1 + t) + (1 + t)^{**}[(e + n + ne)/(e + n)] - (1 + t)^{**}[n/(e + n)] - (1 + t)^{**}[n(e + 1)/(e + n)]]$$

which can be approximated by

$$tPQ_{US}\,[e/(e + n)] = Re/(e + n). \qquad \text{(A12)}$$

This approximation has its limitations. It only captures the price effect from the tariff elimination and fails to include the benefit from increased consumption of CBERA country exports.

EMPIRICAL ESTIMATES OF THE ELASTICITIES

Recently, Leamer (1981) has provided a method for obtaining upper and lower bound estimates for either the supply elasticity or the demand elasticity from a simple regression of quantity on price. This method is ideally suited to our purpose, because we lack sufficient data to develop good specifications for estimating import elasticities for U.S.-CBERA country trade and limits on the range of either set of elasticities will allow us to narrow considerably the range of the trade effects of tariff eliminations.

The form of each regression equation is:

$$\ln(\text{quantity}_t) = a + b\ln(\text{price}_t) + u_t'$$

where the subscript refers to the time period and the error term u_t is assumed to satisfy the usual requirements for ordinary least-squares regressions. It is also assumed that the supply curve does not slope downward and that the demand curve does not slope upward. Then, if the least-squares estimate of b is negative, it is an attenuated estimate of the elasticity of demand (n), and the maximum likelihood estimate of the true demand elasticity must lie within the range

$$b_r < n < b < 0,$$

Where b_r is the reverse regression estimate of the coefficient, (that is, the inverse of the quantity coefficient obtained by a simple regression of price on quantity.) If the least-squares estimate of b is positive, then it is an attenuated estimate of the elasticity of supply (e), and the maximum likelihood estimate of the true supply elasticity must lie within the range

$$0 < b < e < b_r$$

The results of the regressions are found in table C–1. With a few exceptions, only those estimates that conformed to the following criteria were retained for use in this study:

(1) The coefficient b must be significant at the 5-percent level or better for the number of observations in the sample.

(2) The Durbin-Watson statistic must be greater than one.

Table C–2 contains the elasticity estimates used in deriving the estimates of import increases and displacement of U.S. shipments.

Table C–1
Results of regressions used to derive elasticity estimates by Leamer method

TSUSA	Price elasticity estimate	Reverse regression estimate	t–Statistic	Durbin-Watson	Observations
1061040	-3.25	-5.56	3.14	1.83	9
1489600	-1.89	-9.53	2.73	.81	32
16914XX	-1.15	6.74	2.08	1.50	23
1703210	-5.43	-12.43	2.49	1.99	10
1704000	-2.29	-4.48	5.58	.94	32
1704500	-1.16	-11.28	1.86	1.20	32
1706040	1.46	10.15	2.17	.79	30
4255290	-1.69	-3.67	4.23	1.74	23
4375600/80	-.4	-3.8			
6858010	.53	1.19	3.36	1.82	16
6858030	-1.67	-2.32	6.78	.82	20
6858035	-.87	-4.01	2.88	.88	32
6859022	-1.19	-1.98	5.63	1.12	23
6859024	-2.02	-3.79	4.52	1.02	20
6859036	-1.36	-1.53	12.50	2.56	22
6859049	-1.65	-2.51	6.47	1.15	24
6859055	-.59	-.99	5.07	1.13	20
6859059	-.62	-1.33	2.98	1.14	12
6861047	-2.54	-4.33	3.37	1.53	10
6861057	-1.69	-1.84	18.30	1.76	32
6877410	-1.38	-5.50	2.16	1.37	16
6877420	-1.79	-3.24	4.15	2.24	16
6877441	-1.27	-1.56	6.30	1.90	11
6877450	-1.85	-6.60	2.25	2.25	15
7345610	-.57	-2.97	2.48	2.17	28
7345620	-3.85	-6.01	3.27	1.61	8

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Table C-2
Elasticities of supply and demand used in CBERA economic effects study

Digest	*Elasticity of demand for imports from CBERA countries*	*Elasticity of supply for CBERA country exports to U.S.*
Beef and veal	[1]3.3–5.6	1.0–10.0
Tropical vegetables	[2]0.4–2.3	1.0–10.0
Fresh pineaple	[1]1.9–9.5	1.0–10.0
Concentrated orange juice	[2]1.6–1.7	1.0–10.0
Rum	[2]1.6–1.7	[1]1.2–6.7
Cigarette leaf tobacco and tobacco, n.s.p.f	[1]5.4–12.4	1.0–10.0
Filler tobacco, other than cigarette, and scrap tobacco	[1]1.2–11.3	[1]1.5–10.2
Other nitrogenous compounds	[1]1.7–3.7	1.0–10.0
Synthetic non-benzenoid hormones	[1]0.4–3.8	1.0–10.0
Wire rods	[2]0.7–3.8	1.0–10.0
Certain parts for office machines	[2]0.7–5.4	1.0–10.0
Electrical capacitors	[1]0.9–4.0	[1]0.3–1.2
Articles for making and breaking electrical circuits	[1]0.6–3.8	1.0–10.0
Resistors	[1]1.7–4.3	1.0–10.0
Monolithic integrated circuits	[1]1.3–5.5	1.0–10.0
Miscellaneous electrical articles and parts	[2]0.7–5.4	1.0–10.0
Baseball equipment and parts	[1]0.6–6.0	1.0–10.0

[1] Based primarily on estimates derived with the Leamer method as described above.
[2] Based primarily on estimates given by Robert M. Stern, Jonathan Francis, and Bruce Schumacher, *Price Elasticities in International Trade: An Annotated Bibliography* (London: Basingstoke) 1976.

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APPENDIX D
FEDERAL REGISTER NOTICES

matters. The Panel includes representatives from the Office of the Assistant Secretary for Fish and Wildlife and Parks, the National Park Service, the U.S. Fish Wildlife Service and the Bureau of Land Management within the Department of the Interior; the President's Council on Environmental Quality; the Smithsonian Institution; the Advisory Council on Historic Preservation; the Department of Commerce; the Department of Agriculture; the Departemnt of State; and then U.S. Information Agency.

The United States, the Department of the Interior is responsible of directing and coordinating U.S. participation in the World Heritage Convention. The Department implements its responsibilities under the Convention in accordance with the statutory mandate contained in Title IV of the National Historic Preservation Act Amendments of 1980 (Pub. L. 96-515; 16 U.S.C. 470a-1, a-2). On May 6, 1982, the Department of the Interior published in the **Federal Register** (47 FR 23392) the rules which are used to carry out this legislative mandate (36 CFR 73). The rules contain further information on the Convention and its implementation in the United States.

United States World Heritage Nominations: 1986

The Department of the Interior, in cooperation with the Federal Interagency Panel for World Heritage, has selected the following property as a United States nomination to the World Heritage Committee for inscription on the World Heritage List.

Natural Property

Hawiian Islands

Hawaii Volcanoes National Park (19° 20' N.; 155° 20' W.). Contains outstanding examples of active and recent volcanism, along with successive stages of vegetation development on volcanic deposits. Criteria: (i) an outstanding example illustrating the earth's evoluntionary history; (ii) an outstanding example of significant geological processes; and (iii) contains superlative natural phenomena, formations, and areas of exceptional natural beauty.

Dated: May 6, 1986.

Susan Recce,

Acting Assistant Secretary for Fish and Wildlife and Parks.

[FR Doc. 86-10766 Filed 5-13-86; 8:45 am]

BILLING CODE 4310-70-M

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332-227]

Annual Reports on the Impact of the Caribbean Basin Economic Recovery Act on U.S. Industries and Consumers

AGENCY: International Trade Commission.

ACTION: Institution of an investigation under section 332(b) of the Tariff Act of 1930 (19 U.S.C. 1332(b)).

EFFECTIVE DATE: March 21, 1986.

FOR FURTHER INFORMATION CONTACT: Thomas F. Jennings (202-523-1539), Trade Reports Division, Office of Economics, U.S. International Trade Commission, Washington, DC 20436.

Background

Section 215(a) of the Caribbean Basin Economic Recovery Act (CBERA) (19 U.S.C. 2704(a)) requires that the Commission submit reports to the Congress and the President on the impact of the act. The first report, covering calendar years 1984 and 1985, is to be submitted by September 30, 1986, and annual reports for subsequent calendar years are to be submitted by September 30 of the following year for the duration of the program (which is presently scheduled to terminate on Sept. 30, 1995). The Commission has instituted an investigation under section 332(b) of the Tariff Act of 1930 for the purpose of gathering and presenting such information through 1995.

As required by section 215(b) of the CBERA, the Commission in such reports will assess the actual effect of the act on the United States economy generally as well as on appropriate domestic industries and will assess the probably future effect which the act will have on the United States economy generally and on such domestic industries.

In preparing its assessments, the Commission will analyze the production, trade and consumption of U.S. products affected by the act, taking into consideration employment, profit levels, and use of production facilities with respect to the domestic industries concerned, and such other economic factors as it considers relevant, including prices, wages, sales, inventories, patterns of demand, capital investment, obsolescence of equipment, and diversification of production. The Commission will also describe the nature and extent of any significant change in employment, profit levels, and use of production facilities, and such other conditions as it deems relevant.

As required by section 215(c) of the act, the Commission will submit its first report, covering calendar years 1984 and 1985, by September 30, 1986. Subsequent annual reports for calendar years through 1995 will be submitted by September 30 of the following years.

Written Submissions

The Commission does not plan to hold public hearings in connection with these reports. However, interested persons are invited to submit written statements concerning the matters to be addressed in the respective reports. Commerical of financial information that a party desires the Commission to treat as confidential must be submitted on separate sheets of paper, each clearly marked "Confidential Business Information" at the top. All submissions requesting confidential treatment must conform with the requirements of § 201.6 of the Commission's *Rules of Practice and Procedure* (19 CFR 201.6). All written submissions, except for confidential business information, will be made available for inspection by interested persons in the Office of the Secretary to the Commission. To be assured of consideration by the Commission, written statements relating to the Commission's 1986 report should be submitted at the earliest practical date and should be received no later than June 7, 1986 and by May 1 of each successive year through 1996 for reports to be prepared in those years. All submissions should be addressed to the Secretary of the Commission at the Commission's Office in Washington, DC.

Hearing-impaired persons are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on (202) 724-0002.

Issued: May 7, 1986.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 85-10873 Filed 5-13-85; 8:45 am]

BILLING CODE 7020-02-M

[Investigation No. 337-TA-212]

Convertible Rowing Exercisers; Commission Determination to Grant in Part a Petition for Reconsideration, to Deny a Motion to Amend the Scope of Investigation, and to Deny a Motion to Remand for Supplemental Findings

AGENCY: International Trade Commission.

ACTION: Notice is hereby given that the Commission has (i) granted a petition for reconsideration of its final action in

ACTION: Notice of the receipt of a Proposed Development Operations Coordination Document (DOCD).

SUMMARY: Notice is hereby given that Mobil Oil Exploration & Producing Southeast Inc. has submitted a DOCD describing the activities it proposes to conduct on Lease OCS–G 1627, Block 103, Main Pass Area, offshore Louisiana. Proposed plans for the above area provide for the development and production of hydrocarbons with support activities to be conducted from an onshore base located at Venice, Louisiana.

DATE: The subject DOCD was deemed submitted on May 9, 1986.

ADDRESS: A copy of the subject DOCD is available for public review at the Office of the Regional Director, Gulf of Mexico OCS Region, Minerals Management Service, 3301 North Causeway Blvd., Room 147, Metairie, Louisiana (Office Hours: 9 a.m. to 3:30 p.m., Monday through Friday).

FOR FURTHER INFORMATION CONTACT: Michael J. Tolbert; Minerals Management Service, Gulf of Mexico OCS Region, Rules and Production, Plans, Platform and Pipeline Section, Exploration/Development Plans Unit; Phone (504) 838–0875.

SUPPLEMENTARY INFORMATION: The purpose of this Notice is to inform the public, pursuant to Sec. 25 of the OCS Lands Act Amendments of 1978, that Minerals Management Service is considering approval of the DOCD and that it is available for public review.

Revised rules governing practices and procedures under which the Minerals Management Service makes information contained in DOCDs available to affected States, executives of affected States, local governments, and other interested parties became effective December 13, 1979, (44 FR 53685). Those practices and procedures are set out in revised § 250.34 of Title 30 of the CRF.

Dated: May 13, 1986.

J. Rogers Pearcy,

Regional Director, Gulf of Mexico OCS Region.

[FR Doc. 86–11454 Filed 5–20–86; 8:45 am]

BILLING CODE 4310–MR–M

Development Operations Coordination Document

AGENCY: Minerals Management Service, Interior.

ACTION: Notice of the Receipt of a Proposed Development Operations Coordination Document (DOCD).

SUMMARY: Notice is hereby given that Koch Exploration Company has submitted a DOCD describing the activities it proposes to conduct on Leases OCS–G 7338 and 6231, Blocks 496 and 497, respectively, High Island Area, offshore Louisiana. Proposed plans for the above area provide for the development and production of hydrocarbons with support activities to be conducted from an offshore base located at Cameron, Louisiana.

DATE: The subject DOCD was deemed submitted on May 12, 1986. Comments must be received within 15 days of the date of this Notice or 15 days after the Coastal Management Section receives a copy of the DOCD from the Minerals Management Service.

ADDRESSES: A copy of the subject DOCD is available for public review at the Office of the Regional Director, Gulf of Mexico OCS Region, Minerals Management Service, 3301 North Causeway Blvd., Room 147, Metairie, Louisiana (Office Hours: 9 a.m. to 3:30 p.m., Monday through Friday). A copy of the DOCD and the accompanying Consistency Certification are also available for public review at the Coastal Management Section Office located on the 10th Floor of the State Lands and Natural Resources Building, 625 North 4th Street, Baton Rouge, Louisiana (Office Hours: 8 a.m. to 4:30 p.m., Monday through Friday). The public may submit comments to the Coastal Management Section, Attention OCS Plans, Post Office Box 44396, Baton Rouge, Louisiana 70805.

FOR FURTHER INFORMATION CONTACT: Angie D. Gobert; Minerals Management Service, Gulf of Mexico OCS Region, Rules and Production, Plans, Platform and Pipeline Section; Exploration/Development Plans Unit, Phone (504) 838–0876.

SUPPLEMENTARY INFORMATION: The purpose of this Notice is to inform the public, pursuant to Sec. 25 of the OCS Lands Act Amendments of 1978, that the Minerals Management Service is considering approval of the DOCD and that it is available for public review. Additionally, this Notice is to inform the public, pursuant to § 930.61 of Title 15 of the CFR, that the Coastal Management Section/Louisiana Department of Natural Resources is reviewing the DOCD for consistency with the Louisiana Coastal Resources Program.

Revised rules governing practices and procedures under which the Minerals Management Service makes information contained in DOCDs available to affected States, executives of affected local governments, and other interested parties became effective December 13, 1979, (44 FR 53685).

Those practices and procedures are set out in revised Section 250.34 of Title 30 of the CFR.

Dated: May 13, 1986.

J. Rogers Pearcy,

Regional Director, Gulf of Mexico OCS Region.

[FR Doc. 86–11452 Filed 5–20–86; 8:45 am]

BILLING CODE 4310–MR–M

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332–227]

Annual Reports on the Impact of the Caribbean Basin Economic Recovery Act on U.S. Industries and Consumers; Correction

AGENCY: U.S. International trade Commission.

ACTION: Correction of filing date.

SUMMARY: The written statements relating to reports to be prepared in the years 1987 through 1996 should be submitted no later than May 1 of the respective year.

Notice of the investigation was published in the Federal Register of May 14, 1986 (Vol. 51, page 17678).

Issued: May 14, 1986.

By order of the Commission.

Kenneth R. Mason,

Secretary.

[FR Doc. 86–11425 Filed 5–20–86; 8:45 am]

BILLING CODE 7020–02–M

[Investigations Nos. 731-TA-278, 279, and 280 (Final)]

Certain Cast-Iron Pipe Fittings From Brazil, Korea, and Taiwan

Determinations

On the basis of the record [1] developed in the subject investigations, the Commission determines,[2] pursuant to section 735(b) of the Tariff Act of 1930(19 U.S.C. 1673(b)), that an industry in the United States is materially injured [3] by reason of imports from

[1] The record is defined in § 207.2(i) of the Commission's Rules of Practice and Procedure (19 CFR 207.2(i)).

[2] Vice Chairman Liebeler dissenting.

[3] Commissioner Brunsdale determines that an industry in the United States is threatened with material injury by reason of the subject imports. She also determines, pursuant to section 735(b)(4)(B) of the Act (19 U.S.C. 1673d(b)(4)(B)), that no material injury would have been found but for any suspension of liquidation of entries of the merchandise.