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

Second Report
1986

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INTRODUCTION

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

The previous study, submitted in September 1986, fulfilled the statutory requirement for the initial report, covering calendar years 1984 and 1985. The present study fulfills the requirement for calendar year 1986. Reports for subsequent calendar years are to be submitted to Congress and to the President by September 30 of each year.

Public comment was solicited by the publication of a *Federal Register* notice (app. C). No comments were received in connection with the present report.

The report contains three chapters and three appendixes. In chapter 1, overall U.S. trade with the Caribbean Basin during 1986 is analyzed, and trade under special programs (CBERA, the Generalized System of Preferences (GSP), and TSUS items 806.30/807.00) is distinguished.

Chapter 2 addresses the actual effects of the CBERA for 1986, the third year 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.

Chapter 3 focuses on the probable future effects of the CBERA. An examination of significant investment projects in the region provides an indication of products most likely to be exported to the United States in the future.

The report contains three appendixes: the first, statistical tables relating to the trade of leading CBERA beneficiary countries; the second, a discussion of the data problems encountered in attempting to determine the probable future effects of the program; and the third, a copy of the *Federal Register* notices by which the Commission called for public comment in connection with its investigation.

EXECUTIVE SUMMARY

- The third year of the implementation of the Caribbean Basin Economic Recovery Act, which was enacted on August 5, 1983, was 1986. The program 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 from $8.8 billion in 1983 to $6.1 billion in 1986, or by 31 percent.
- 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 from CBERA beneficiaries increased by 24.4 percent during 1983–86.
- Since 1983, U.S. imports from the designated CBERA beneficaries steadily declined, while U.S. exports to them remained largely the same. In 1986, trade between the United States and these countries was balanced, with $6.1 billion in merchandise being exchanged in each direction.
- In 1986, for the first time in recent years, crude petroleum items were replaced by coffee as the leading import item from the CBERA beneficiaries.
- 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 nonpreferential MFN provisions) increased from 35 percent in 1983 to 68 percent in 1986.
- Imports that entered duty free under CBERA provisions amounted to $578 million in 1984, $498 million in 1985, and $690 million in 1986. Such imports accounted for 6.7 percent of total U.S. imports from beneficiary countries in 1984, 7.4 percent in 1985, and 11.4 percent in 1986.
- In 1983, the share of U.S. imports from designated CBERA countries entering under duty-free preference programs (all under GSP) was 6.5 percent. By 1986, the combined share of imports that were duty-free on a preferential basis (the GSP and the CBERA combined) rose to 19.2 percent.
- In 1986, the Dominican Republic and Costa Rica were the leading CBERA beneficiaries, accounting jointly for some 45 percent of U.S. imports under the program. Other major beneficiaries were Haiti, Guatemala, Honduras, and Jamaica.
- 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

[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). Presidential Proclamation No. 5133 of Nov. 30, 1983 (48 F.R. 54453). The Bahamas was added in March 1985. Upon becoming independent of the Netherlands Antilles in April 1986, Aruba was designated as a beneficiary country, effective retroactively to Jan. 1, 1986.

benefits from CBERA duty-free treatment. Total U.S. imports from CBERA countries in recent years have been less than 0.3 percent of the U.S. gross national product. Refined estimates show that less than 3 percent of 1983 imports from CBERA beneficiaries received new duty-free treatment and less than 6 percent of 1986 imports benefited.

- The impact of the CBERA on U.S. industries and consumers has been minimal. No U.S. industries submitted comments to the Commission in the course of this study alleging that they were being adversely affected by imports from CBERA countries. It appears that only a few domestic industries have experienced possible displacement of output exceeding 1 percent of the shipments; these are mostly producers of tropical agricultural products. The impact on consumers is correspondingly small.

- The impact on U.S. consumers of the one-time duty reductions under the CBERA program consists of the benefits resulting from lower prices for certain imported articles from CBERA countries. Because of duty reductions, prices are expected to be lower than they would have been. The benefits continue year after year as long as the CBERA program is in effect.

- Whereas the bulk of the effect of the one-time duty reductions most likely occurred during the first 2 years of the act, future growth in exports will most likely depend upon current export-oriented investment. To date, such investment has not been appreciable because of regional problems—inadequate transportation and communication facilities, lack of marketing channels, foreign-exchange restrictions, and political instability—and problems associated with access to the U.S. market.

- Most investment projects have been undertaken in product areas that do not benefit specifically from duty-free entry under the CBERA, either because such products are excluded under the act or because the products were already eligible for duty-free entry under the GSP. These product areas include apparel assembly, fish processing and aquaculture, wood products and wood furniture, and fresh fruits and vegetables produced for the U.S. winter market.

- Product areas that benefit from the CBERA in which investment activity has been undertaken since the act became effective include electrical and electronic parts, cut flowers, ethanol, pineapples, and citrus products.

- Investment in electronic assembly operations, an area that appeared promising in 1985, was actually negative in 1986. This net disinvestment was the result of a severe decline in world and U.S. demand for electrical and electronic components.

- Little investment in the production of cut flowers appears to have occurred in 1986 because of the uncertainty caused by countervailing duty (CVD) and antidumping investigations recently completed against Costa Rica. Although the CVD investigation was suspended because the Costa Rica Government agreed to eliminate or offset any benefits it provided to this industry, the antidumping investigation was completed and an antidumping order covering certain cut flowers from Costa Rica was issued. In addition, the U.S. industry has filed suit in the Court of International Trade alleging that the dumping margins calculated by Commerce were too low.

- Investment in ethanol facilities is at a standstill because of recent U.S. legislation requiring that feedstocks used in the production of ethanol be purchased from within the region.
- In the citrus area, only one project of significant size is known to have been initiated in the region since the enactment of the CBERA. This project is currently at a standstill because of problems of infrastructure and poor soil.
- Pineapple is an example of a product benefiting directly from duty-free treatment under the CBERA. Investment projects in this area have been undertaken in Costa Rica and the Dominican Republic. U.S. imports of pineapples from the region have increased substantially from 1985 to 1986 and growth is expected to continue.

CHAPTER 1

U.S. TRADE WITH THE CARIBBEAN BASIN

As in the first report on the effects of the Caribbean Basin Economic Recovery Act (CBERA) by the U.S. International Trade Commission[1] the Caribbean Basin (CB) is defined as including all 27 Caribbean countries and territories specified as potential eligible beneficiaries in section 212(b) of the act. The discussion in this chapter focuses either on all CB countries combined, or on groups of CB countries.

Caribbean countries are either "designated" or "nondesignated" categories under the CBERA.[2] The designated country group (in this section also referred to as the "CBERA group") consists of those 22 Caribbean nations that were designated by the President as beneficiaries under the act before the end of 1986. The nondesignated group contains six eligible Caribbean countries that had not received their designations before the end of 1986, the period covered in this report. These countries are Anguilla, Cayman Islands, Guyana, Nicaragua, Suriname, and the Turks and Caicos Islands.[3]

This chapter updates the first CBERA report by reporting trade developments in 1986, which is the third year of the CBERA program. The discussion centers on U.S. imports from the 22 designated countries and the CBERA duty-free treatment that is applicable to this trade. While the focus is on 1986, imports from these countries are discussed in a 5-year or shorter period as needed. There discussions are in the context of other duty provisions that affect duty-free entry under the CBERA program.

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.

Two-Way Trade

In 1986, combined U.S. exports to all Caribbean countries totaled $6.3 billion, or 3.0 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. Total U.S. imports from the Caribbean countries in 1986 amounted to $6.2 billion, or 1.7 percent of overall U.S. imports. Caribbean countries jointly constituted the twelfth largest source of U.S. imports—a source larger than Switzerland, but smaller than Brazil. In 1986, for the first time in a number of years, the United States had a small surplus with the Caribbean countries collectively, making the Basin one of the few areas of the world with which no U.S. trade deficit was recorded. This was the result of a significant decline in U.S. imports from the Caribbean Basin, from $9.0 billion in 1983 to $6.2 billion in 1986, while U.S. exports to the area remained approximately the same, fluctuating around $6.0 billion.

The designated CBERA beneficiaries include most of the Caribbean region; they accounted for 98.0 percent of combined U.S. imports from all Caribbean Basin countries and for 96.4 percent of U.S. exports to them in 1986. Therefore, the data showing combined U.S. trade with the 22 CBERA countries during 1982–86 (table 2) are almost identical to the data in table 1 for all 27 Caribbean countries. Detailed data for selected CBERA-eligible countries are reported separately in appendix A.

Table 3 shows the U.S. merchandise trade balances during 1982–86 with those Caribbean

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[1] *Annual Report on the Impact of the Caribbean Basin Economic Recovery Act on U.S. Industries and Consumers, First Report*, 1984–85, USITC Publication 1897, Sept. 1986, hereinafter, *First CBERA Report*, p. 1-4.

[2] For a list of these countries, see Executive Summary.

[3] Because of data availability, in the tables to be presented in this report, Anguilla is shown in the group of designated countries as part of St. Christopher and Nevis, which it was prior to the independence of the latter. The nondesignated group will therefore show only five countries instead of six.

Table 1
U.S. trade with the Caribbean Basin countries, 1982–86

Year	U.S. exports	Share of U.S exports to the world	U.S. imports	Share of U.S. imports from the world	U.S. trade balance
	Million dollars	*Percent*	*Million dollars*	*Percent*	*Million dollars*
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)
1986	6,292.2	3.0	6,186.8	1.7	105.4

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

Table 2
U.S. trade with countries designated under the CBERA,[1] 1982-86

Year	U.S. exports	Share of U.S exports to the world	U.S. imports	Share of U.S. imports from the world	U.S. trade balance
	Million dollars	*Percent*	*Million dollars*	*Percent*	*Million dollars*
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)
1986	6,064.6	2.9	6,064.8	1.6	(0.2)

[1] Beneficiary countries during 1986.

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

Table 3
U.S. trade balances with countries designated or nondesignated under the CBERA, 1982-86
(In thousands of dollars)

Country	1982	1983	1984	1985	1986
Designated:					
Bahamas	-460,604	-1,232,530	-607,962	142,281	307,005
Barbados	45,647	-9,558	-19,746	-33,216	33,841
Belize	21,434	6,109	6,620	5,388	4,914
Costa Rica	-31,102	-7,984	-50,992	-71,916	-171,141
Dominican Republic	26,676	-183,705	-363,829	-239,918	-167,381
El Salvador	-45,596	-20,761	-1,060	404	54,817
Guatemala	55,305	-64,148	-76,472	-1,139	-222,396
Haiti	-17,290	19,447	28,477	329	11,075
Honduras	-98,067	-85,427	-89,686	-81,194	-107,903
Jamaica	181,926	182,187	91,513	129,054	147,728
Leeward and Windward[1]	141,684	120,433	156,772	97,972	136,466
Netherlands Antilles[2]	-1,458,657	-1,742,737	-1,416,553	-390,514	-85,811
Panama	574,386	396,087	418,755	257,478	322,172
Trinidad and Tobago	-748,317	-609,293	-772,188	-759,197	-263,576
Total	-1,812,575	-3,231,880	-2,696,351	-944,187	-190
Nondesignated:					
Cayman Islands	56,805	55,766	69,189	61,906	66,008
Guyana	-15,327	-31,919	-25,776	-3,095	-16,312
Nicaragua	30,730	30,799	51,729	730	1,953
Suriname	66,523	52,305	-6,221	24,447	44,768
Turks and Caicos	4,879	7,735	11,155	6,643	9,172
Total	143,611	114,686	100,077	90,630	105,589
Grand total	-1,668,964	-3,117,194	-2,596,274	-853,557	105,399

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

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

countries for which U.S. export statistics are separately available. The countries principally responsible for the improvement of the U.S. trade balance with the region in 1986 were Trinidad and Tobago, the Netherlands Antilles, and the Bahamas—nations that export crude oil or refined oil products to the U.S. market. Meanwhile, the U.S. trade balance in 1986 improved with several non-oil exporting countries too, such as the Dominican Republic, Barbados, and El Salvador. By contrast, the United States registered some growing trade deficits in the region, mostly with Central American countries such as Costa Rica, Guatemala, and Honduras.

U.S. Imports

U.S. imports for consumption from each designated and nondesignated Caribbean country are shown in table 4. Table 5 breaks down the CBERA group further into four 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 2

Table 4

U.S. imports for consumption from the Caribbean Basin, by countries, designated or nondesignated under the CBERA, 1982-86

(Customs-value basis, in thousands of dollars)

Country	1982	1983	1984	1985	1986
Designated:					
Antigua	4,890	8,809	7,898	24,695	11,849
Aruba[1]	-	-	-	-	1,797
Bahamas	1,045,217	1,676,394	1,154,282	626,084	440,985
Barbados	106,631	202,047	252,598	202,194	108,991
Belize	38,464	27,315	42,843	46,951	50,181
British Virgin Islands	892	880	1,335	11,902	5,904
Costa Rica	358,127	386,520	468,633	489,294	646,508
Dominica	2,372	242	86	14,161	15,185
Dominican Republic	622,510	806,520	994,427	965,847	1,058,927
El Salvador	310,022	358,898	381,391	395,658	371,761
Grenada	401	211	766	1,309	2,987
Guatemala	330,142	374,692	446,267	399,617	614,708
Haiti	309,860	337,483	377,413	386,697	368,369
Honduras	359,553	364,742	393,769	370,219	430,906
Jamaica	278,108	262,360	396,949	267,016	297,891
Montserrat	749	924	989	3,620	3,472
Netherlands Antilles[2]	2,106,750	2,274,510	2,024,367	793,162	453,333
Panama	250,764	336,086	311,627	393,605	352,206
St. Christopher-Nevis-Anguilla[3]	11,557	18,758	23,135	16,258	22,367
St. Lucia	4,703	4,700	7,397	13,796	12,269
St. Vincent and Grenadines	1,394	4,276	2,958	9,643	7,836
Trinidad and Tobago	1,628,392	1,317,534	1,360,106	1,255,498	786,405
Total	7,771,498	8,763,900	8,649,235	6,687,226	6,064,834
Nondesignated:					
Cayman Islands	14,830	8,607	6,212	10,950	14,611
Guyana	70,655	67,332	74,417	46,010	62,928
Nicaragua	86,875	99,013	58,064	41,003	1,071
Suriname	60,147	63,147	104,636	60,091	38,591
Turks and Caicos Islands	3,556	3,965	3,935	4,649	4,792
Total	236,062	242,065	247,264	162,703	121,992
Grand Total	8,007,561	9,005,965	8,896,499	6,849,928	6,186,826

[1] Aruba, whose designation as a CBERA beneficiary became effective on Jan. 1, 1986, is listed separately for the first time among the other beneficiaries. For statistical purposes, Aruba had been treated as part of the Netherlands Antilles until, in the second half of 1986, separate data became available. Owing to the recent statistical separation of Aruba and the Netherlands Antilles in this report, the time series shown for both countries lack comparability.

[2] See footnote 1.

[3] For statistical purposes, St. Christopher-Nevis includes Anguilla, not designated as a CBERA beneficiary. Separate data were first reported for Anguilla in 1986; as this data was reported with St. Christopher-Nevis through 1985, it is included here for comparability with previous periods.

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

to the United States.[1] Table 6 shows the share from each country in the combined U.S. imports from the CBERA nations.

Imports from nondesignated countries

Imports from the nondesignated countries have declined in recent years and amounted to $122 million in 1986. This decline reflects, in part, tenuous U.S.-Nicaraguan relations (as well as the poor state of the Nicaraguan economy), with U.S. imports from that country dropping in the last few years to virtually none in 1986.[2]

[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.

Imports from Suriname fell sharply in 1986, whereas imports from Guyana increased 32 percent, following a decline of 38 percent from 1984 to 1985 (table 4). Whereas the nondesignated countries supplied 2.9 percent of all U.S. imports from the Caribbean in 1982, their share dropped to 2.0 percent by 1986.

Imports from designated CBERA countries

Although total U.S. imports from CBERA beneficiaries declined 31 percent from 1983 to 1986, this is principally the result of the dramatic decline in the value of imports from oil refining countries. Total imports from nonoil-refining countries increased 25.4 percent during the same period.

Table 5

U.S. imports for consumption from countries designated under the CBERA, by major source groups, 1982-86

(Customs-value basis, in thousands of dollars)

Item	*1982*	*1983*	*1984*	*1985*	*1986*
Central America:					
Belize	38,464	27,315	42,843	46,951	50,181
Costa Rica	358,127	386,520	468,633	489,294	646,508
El Salvador	310,022	358,898	381,391	395,658	371,761
Guatemala	330,142	374,692	446,267	399,617	614,708
Honduras	359,553	364,742	393,769	370,219	430,906
Panama	250,764	336,086	311,627	393,605	352,206
Total	1,647,072	1,848,252	2,044,530	2,095,344	2,466,270
Eastern Caribbean:					
Antigua	4,890	8,809	7,898	24,695	11,849
Barbados	106,631	202,047	252,598	202,194	108,991
Dominica	2,372	242	86	14,161	15,185
Grenada	401	211	766	1,309	2,987
Montserrat	749	924	989	3,620	3,472
St. Christopher-Nevis-Anguilla[1]	11,557	18,758	23,135	16,258	22,367
St. Lucia	4,703	4,700	7,397	13,796	12,269
St. Vincent and Grenadines	1,394	4,276	2,958	9,643	7,836
Total	132,697	239,966	295,826	285,676	184,956
Central Caribbean:					
British Virgin Islands	892	880	1,335	11,902	5,904
Haiti	309,860	337,483	377,413	386,697	368,369
Dominican Republic	622,510	806,520	994,427	965,847	1,058,927
Jamaica	278,108	262,360	396,949	267,016	297,891
Total	1,211,370	1,407,244	1,770,125	1,631,463	1,731,091
Oil-refining countries:					
Aruba[2]	-	-	-	-	1,797
Bahamas	1,045,217	1,676,394	1,154,282	626,084	440,985
Netherlands Antilles[2]	2,106,750	2,274,510	2,024,367	793,162	453,333
Trinidad and Tobago	1,628,392	1,317,534	1,360,106	1,255,498	786,405
Total	4,780,360	5,268,438	4,538,754	2,674,744	1,682,520
Grand total	7,771,498	8,763,900	8,649,235	6,687,226	6,064,837

[1] U.S. import statistics formerly treated St. Christopher-Nevis-Anguilla as 1 entity through 1985. Therefore, although Anguilla has not been designated as a beneficiary country, it is treated as such in this report. Separate data were first reported for Anguilla in 1986; as this data was reported with St. Christopher and Nevis through 1985, it is included here for comparability with previous periods.

[2] Aruba, whose designation as a CBERA beneficiary became effective on Jan. 1, 1986, is listed separately for the first time among the other beneficiaries. For statistical purposes, Aruba had been treated as part of the Netherlands Antilles until, in the second half of 1986, separate data became available. Owing to the recent statistical separation of data on trade as to Aruba and the Netherlands Antilles in this report, the time series shown for both countries lack comparability.

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

As recently as 1983, 4 oil-refining countries combined—Trinidad and Tobago, the Netherlands Antilles, the Bahamas, and Aruba—were responsible for 60 percent of all U.S. imports from the 22 CBERA nations (table 6 and figure 1). Consequently, a steep decline in 1984, 1985, and 1986 imports from these oil-refining beneficiaries explains the overall decline in U.S. imports from the CBERA countries. The value of imports from the oil countries declined by $3.6 billion between 1983 and 1986, i.e., by more than the decline in imports from all 22 CBERA countries combined ($2.7 billion.)[1]

[1] Petroleum imports to the United States from CBERA beneficiaries declined 57 percent by volume over the same period.

The share of the nonoil-refining Central American and Central Caribbean regions continued to rise in 1986, accounting for 41 percent and 29 percent, respectively, of total U.S. imports from all CBERA beneficiaries (tables 5 and 6). The increases in the value of imports in 1986 came from Costa Rica, Guatemala, and the Dominican Republic.

Imports, however, from the Eastern Caribbean region declined from 4.3 percent of the total in 1985 to 3.0 percent in 1986. The poor performance of this region was caused in large measure by declining imports from Barbados, principally because of the shutdown of the local plant of INTEL that produced semiconductors. Finally, whereas U.S. imports from the small island states grew rapidly during the first two years of the CBERA, such growth rates were lower or negative in the third year of the program.

Leading import products

Although many countries in the region have attempted to diversify their exports, the region still depends on the export of relatively few products. Table 7 shows U.S. imports during 1982–86 of 30 principal articles from the CBERA countries that together accounted for 77 percent of the total in 1986. Major non-oil imports from the Caribbean Basin included coffee, fresh bananas, shellfish, sugar, derived oil products, analgesics, beef and veal, electronic and electrical articles, and a wide range of wearing apparel.

Sharp declines from 1985 to 1986 in non-oil imports occurred in such traditional Caribbean items as sugar, and alumina and less traditional goods such as monolithic integrated circuits. The declines were partially offset by increases in the value of other leading U.S. imports from CBERA countries, such as coffee, analgesics, shellfish, beef and veal, and wearing apparel during the same period. U.S. imports of bauxite, which fell in 1985 to one-third of the value of imports in 1984, increased slightly in 1986.[1]

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

Table 6

U.S. imports for consumption from countries designated under the CBERA, by major source groups, 1982–86

(Percent of customs value)

Item	*1982*	*1983*	*1984*	*1985*	*1986*
Total	100.00	100.00	100.00	100.00	100.00
Central America:					
Belize	0.49	0.31	0.50	0.70	0.83
Costa Rica	4.61	4.41	5.42	7.32	10.66
El Salvador	3.99	4.10	4.41	5.92	6.13
Guatemala	4.25	4.28	5.16	5.98	10.14
Honduras	4.63	4.16	4.55	5.54	7.10
Panama	3.23	3.83	3.60	5.89	5.81
Total	21.19	21.09	23.64	31.33	40.67
Eastern Caribbean:					
Antigua	.06	.10	.09	.37	0.20
Barbados	1.37	2.31	2.92	3.02	1.80
Dominica	.03	([2])	([2])	.21	0.25
Grenada	.01	([2])	.01	.02	0.05
Montserrat	.01	.01	.01	.05	0.06
St. Christopher-Nevis-Anguilla[1]	.15	.21	.27	.24	0.37
St. Lucia	.06	.05	.09	.21	0.20
St. Vincent and Grenadines	.02	.05	.03	.14	0.13
Total	1.71	2.74	3.42	4.27	3.05
Central Caribbean:					
British Virgin Islands	.01	.01	.02	.18	0.10
Haiti	3.99	3.85	4.36	5.78	6.07
Dominican Republic	8.01	9.20	11.50	14.44	17.46
Jamaica	3.58	2.99	4.59	3.99	4.91
Total	15.59	16.06	20.47	24.40	28.54
Oil-refining countries:					
Aruba[3]	–	–	–	–	0.03
Bahamas	13.45	19.13	13.35	9.36	7.27
Netherlands Antilles	27.11	25.95	23.41	11.86	7.47
Trinidad and Tobago	20.95	15.03	15.73	18.77	12.97
Total	61.51	60.12	52.48	39.99	27.74

[1] U.S. import statistics formerly treated St. Christopher-Nevis-Anguilla as 1 entity through 1985. Therefore, although Anguilla has not been designated as a beneficiary country, it is treated as such in this report. Separate data were first reported for Anguilla in 1986; as this data was reported with St. Christopher and Nevis through 1985, it is included here for comparability with previous periods.

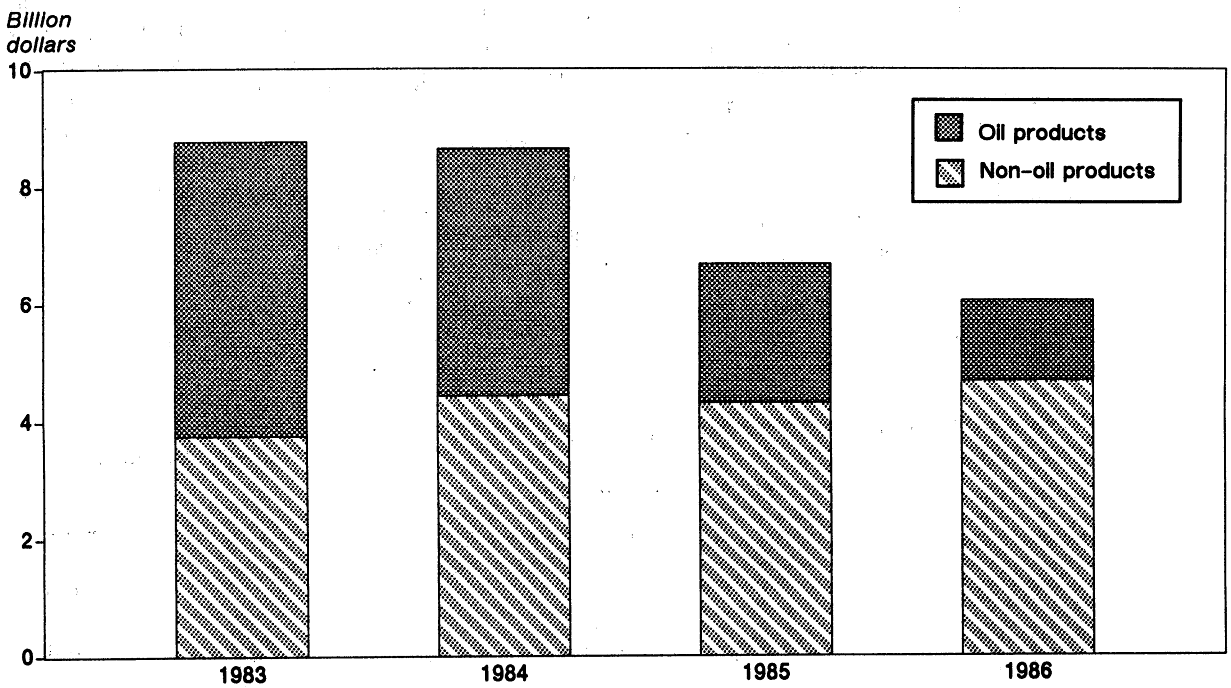
[2] Less than .01 percent.

[3] Aruba, whose designation as a CBERA beneficiary became effective on Jan. 1, 1986, is listed separately for the first time among the other beneficiaries. For statistical purposes, Aruba had been treated as part of the Netherlands Antilles until, in the second half of 1986, separate data became available. Owing to the recent statistical separation of Aruba and the Netherlands Antilles in this report, the time series shown for both countries lack comparability.

Note.—Because of rounding, percentages may not add to the totals shown.

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

Figure 1
U.S. imports of non-oil and oil products from the Caribbean Basin, 1983–86



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

Dutiability and Special Duty-Free Programs

Table 8 breaks down U.S. imports in 1983–86 from the 22 CBERA countries into their dutiable portion and the portion entering U.S. customs territory free of duty under the most-favored-nation (MFN) (col. 1) rates of the TSUS or under 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 program available for CBERA countries.[2] Table 8 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]

Table 8 shows that dutiable U.S. imports from the 22 CBERA beneficiaries declined markedly in the 3 years of CBERA's operation in both relative and absolute terms. Dutiable imports amounted to $5.7 billion, or 65 percent, of the total in 1983, the year before the CBERA became operational, declining to $1.9 billion, or 32 percent, in 1986.[4] Such imports included oil and petroleum products which have declined significantly during the period.

In 1983, when the CBERA was not yet in effect, 6.5 percent of imports from the CBERA countries entered the United States under preferential duty-free programs.[5] In 1984, the first year of the CBERA, the share of imports benefiting from duty-free preference programs (the GSP or the CBERA) increased to 13.6 percent. This share continued to rise in 1985 to 15.4 percent and in 1986 to 19.2 percent. In absolute terms, duty-free imports under the two preference programs fluctuated around $1.1 billion dollars during the three years that the CBERA was in effect.

Meanwhile, imports that entered unconditionally free of duty under MFN rates rose both in dollar terms and in relative terms, playing an important role in enlarging the overall duty-free part of U.S. imports from designated countries. In 1983, $1.8 billion, or 20.5 percent, of total imports from the CBERA countries entered in this

[1] All CBERA-designated countries are eligible for MFN tariff treatment.
[2] 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 avoiding certain provisions that limit the application of the GSP.
[3] As the CBERA became operational, certain articles, which formerly were entered under TSUS item 806.30/807.00, were switched to duty-free treatment under the CBERA.

[4] USITC, *First CBERA Report*, p. 1-14.
[5] Ibid.

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category; in 1986, such imports amounted to $2.3 billion or 37.9 percent. The increase in the MFN duty-free content of imports reflected mostly changes in the product mix of imports toward MFN duty-free products (such as coffee, shellfish, and bananas) and away from dutiable goods (such as petroleum products). To a lesser extent, changes in the dutiability of certain major articles also contributed. For example, monolithic integrated circuits, which could enter the United States free of duty in 1984 only because of the CBERA, became unconditionally free of duty in March 1985.

Table 9 shows that the calculated adjusted U.S. customs revenues from the CBERA countries amounted to $75 million in 1983, dropped to $72 million in 1984, but increased significantly in both 1985 and 1986, amounting to $83 million and $92 million, respectively.[1]

The average rate of duty on the dutiable portion of U.S. imports from the CBERA countries increased significantly since the advent of the CBERA, from 1.3 percent in 1983 to 4.8 percent in 1986. The fast rise in tariff revenues from the CBERA country imports in 1985 and 1986, despite a decline in the dutiable value of imports, is apparently due to a sharp shift in the product mix of the dutiable imports from low-duty petroleum products toward high-duty goods, mostly wearing apparel.

[1] The "adjusted" adjective refers to calculated 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.

Table 7

Leading U.S. imports for consumption from countries designated under the CBERA, 1982-86

(In thousands of dollars, customs value)

TSUS item	Description (abridged)	1982	1983	1984	1985	1986
160.10	Coffee, crude, roasted or ground	497,560	519,481	590,672	641,111	1,000,981
475.10	Crude petroleum, 25 degrees A.P.I or more	1,708,998	1,861,888	1,631,003	1,224,247	699,187
475.05	Crude petroleum, under 25 degrees A.P.I	2,038,597	2,190,510	1,948,851	812,497	470,060
146.40	Bananas, fresh	340,043	361,749	368,033	423,483	398,819
114.45	Shellfish other than clams, crabs	172,305	170,496	195,997	206,799	251,683
155.20	Sugars, syrups, and molasses	248,185	400,490	426,763	262,994	205,591
475.25	Motor fuel	476,234	400,749	320,194	215,494	185,607
412.22	Analgesics, antipyretics	34,814	51,036	54,837	78,105	138,069
106.10	Beef and veal, fresh, chilled	117,801	105,770	90,053	105,926	128,488
605.20	Gold or silver bullion/ore	59,717	118,982	182,931	128,752	116,193
800.00	U.S. goods returned	138,506	183,053	114,816	106,330	95,864
381.62	Men's cotton suits and slacks	([1])	([1])	([1])	18,946	87,623
601.06	Bauxite	199,708	97,413	149,864	51,176	77,900
376.24	Lace or net body-supporting garments	56,344	68,377	66,259	82,305	69,073
685.90	Electrical switches	39,738	79,318	94,026	66,194	67,676
156.10	Cocoa beans	56,617	54,822	80,569	65,239	65,858
381.95	Men's manmade-fiber disposable apparel	([1])	([1])	([1])	16,670	64,774
687.74	Monolithic integrated circuits	98,960	159,100	217,819	170,202	64,694
384.91	Women's other, not knit, apparel	([1])	([1])	([1])	16,412	58,285
384.46	Women's cotton, not knit, blouses	([1])	([1])	([1])	10,064	47,459
740.70	Chains of precious metals	3,543	5,443	13,996	31,081	45,435
381.56	Men's other cotton shirts	([1])	([1])	([1])	10,687	39,511
480.65	Nitrogenous fertilizers	43,739	66,571	126,661	71,448	38,746
734.56	Baseball equipment and parts	41,858	39,034	38,649	38,322	37,709
384.47	Women's cotton not knit shirts	([1])	([1])	([1])	5,299	37,261
791.27	Leather, other than patent leather	12,975	27,433	41,332	39,771	35,098
170.70	Cigars each valued 23 cents or more	29,316	34,142	36,459	33,564	32,440
376.28	Body-supporting garments	33,051	31,671	29,052	37,716	31,735
110.10	Sea herring, smelts, and tuna fish	28,064	14,663	14,602	23,079	30,572
427.88	Ethyl alcohol for nonbeverage use	11	11	0	19,510	27,669
	Total	6,476,685	7,042,203	6,833,439	5,013,424	4,650,029
	Total, all items imported from CBERA countries	7,771,498	8,763,900	8,649,235	6,687,226	6,064,837

[1] The TSUS numbers for apparel were revised in September 1985. Comparable data for the entire 1982-86 period are not available.

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

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Table 8

U.S. imports for consumption from the CBERA countries, by reported duty treatment, 1983-86

(In thousands of dollars, customs value)

Item	*1983*	*1984*	*1985*	*1986*	*Absolute change, 1986 over 1983*	*Percentage change, 1986 over 1983*
Total imports	8,763,900	8,649,235	6,687,226	6,064,834	-2,699,066	-30.80
Dutiable value[1]	5,673,886	4,565,475	2,961,610	1,911,643	-3,762,244	-66.31
Duty free under—						
MFN[2]	1,746,962	2,009,448	2,033,327	2,298,274	551,312	31.56
TSUS items 806.30/807.00	519,007	587,560	547,368	612,361	93,353	17.99
GSP	567,138	593,949	533,507	476,151	-90,987	-16.04
CBERA	-	577,704	497,645	689,776	[3]112,073	[3]19.40
GSP/CBERA combined	567,138	1,171,652	1,031,152	1,165,928	598,790	105.58
Other special rate provisions	256,906	315,100	113,768	76,629	-180,277	-70.17
	Percent of total					
Total imports	100.00	100.00	100.00	100.00	-	-
Dutiable value[1]	64.74	52.78	44.29	31.52	-	-
Duty free under—						
MFN[2]	19.93	23.23	30.41	37.90	-	-
TSUS items 806.30/807.00	5.92	6.79	8.19	10.10	-	-
GSP	6.47	6.87	7.98	7.85	-	-
CBERA	-	6.68	7.44	11.37	-	-
GSP/CBERA combined	6.47	13.55	15.42	19.22	-	-
Other special rate provisions	2.93	3.64	1.70	1.26	-	-

[1] Reported dutiable value has been reduced by the U.S. content of articles imported under TSUS items 806.30 and 807.00, which enter free of duty.
[2] 1986 over 1984.
[3] The definition of this element has been altered from that contained in the first CBERA report.

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

Table 9

U.S. imports from the CBERA countries: Calculated duties, eligibility, and utilization of the GSP and CBERA programs, 1983-1986

Item	*1983*	*1984*	*1985*	*1986*
Adjusted calculated duties (1,000 dollars)[1]	75,293	72,152	83,056	92,245
Average duty (percent[2]	1.33	1.58	2.80	4.83
Eligible duty-free goods under GSP (1,000 dollars)[3]	1,006,909	1,172,811	1,078,926	1,124,560
Reported entering under GSP (1,000 dollars)	567,138	593,949	533,507	476,151
GSP utilization ratio (percent)[4]	56.32	50.64	49.45	42.34
Eligible duty-free goods under CBERA (1,000 dollars)[5]	1,397,064	1,634,756	1,560,309	1,637,859
Reported entering under the CBERA (1,000 dollars)	-	577,704	497,645	689,776
CBERA utilization ratio (percent)[6]	-	35.34	31.89	42.11

[1] Calculated duties have been adjusted to account for the value of U.S. content of articles imported under TSUS items 806.30 and 807.00.
[2] Average duty = (calculated duty/dutiable value)*100.
[3] Based on 1985 product eligibility.
[4] (Actual entries/eligible entries under GSP)*100.
[5] Includes all TSUS 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)*100.

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

Imports entering under the CBERA

U.S. imports entering duty-free under the CBERA amounted to $578 million in 1984, declined to $498 million in 1985, and surged to $690 million in 1986 (table 8). In relative terms, imports under the CBERA increased steadily during the first 3 years of the program; they were responsible for 6.7 percent of the overall U.S. imports from the 22 designated countries in 1984, 7.4 percent of the total in 1985, and 11.4 percent in 1986. In comparison, imports entering the United States under GSP accounted for 7 percent of the total in 1984 and 8 percent each in 1985 and 1986. The U.S. content of imports entering duty free under TSUS items 806.30 and 807.00 amounted to 6.8 percent in 1984, rising to 10 percent of the total in 1986.

Table 10 shows the leading products entering free of duty under the CBERA in the first three years of the program and the principal CBERA source of these products. In 1986, sugar was the first article on the list, followed by beef and veal, analgesics, electrical switches, nonbeverage ethyl alcohol (ethanol), and cigars. Many of the leading duty-free goods shown in table 10 entered the United States in part under duty-free provisions other than the CBERA. Those products which entered almost exclusively under the CBERA were beef and veal, ethanol, deformed concrete reinforcing bars, and rum. A discussion of the effects of duty reduction resulting from the CBERA alone is contained in chapter 2.

Product eligibility under the CBERA

Table 11 shows imports to the United States of certain broad product categories that are not eligible for duty-free treatment under the CBERA.[1] Owing to the decline in petroleum, overall imports of these goods decreased 58 percent from 1983 to 1986. Increases occurred in the categories of apparel and textiles, with apparel increasing 107 percent and textiles increasing 81 percent.[2]

Petroleum products still constituted the largest group in 1986 in trade-weighted terms among those tariff items that are excluded by statute from CBERA eligibility.[3] As pointed out in the previous report, petroleum products are subject to relatively low duties. Therefore the absence of duty-free privileges for them has not severely restricted the benefits conferred by the CBERA.

More limiting was the exclusion of wearing apparel items, carrying high duties, for which duty-free treatment could have boosted shipments to the United States. However, for items made of fabric produced and cut in the United States, beneficiaries were able to make use of TSUS item 807.00, which exempts exporters from paying duties on the U.S. content. Moreover, on February 20, 1986, the President announced a "special access program" to liberalize quotas for CBERA countries for imports of apparel and made-up textiles such as bed linens. CBERA countries have been invited to enter bilateral agreements with the United States under which guaranteed access will be permitted for their exports of apparel and textile products that qualify. These guaranteed access levels are applicable only to those products that were assembled solely from U.S.-made and U.S.-cut fabric. To date, the CBERA countries that have entered into a bilateral textile agreement under the program are the Dominican Republic, Haiti, Jamaica, and Trinidad and Tobago.[4]

Although certain excluded categories—especially petroleum and apparel—weigh heavily in the commodity composition of U.S. imports from the Caribbean Basin, the trade-weighted product coverage of CBERA eligibility remains extensive. The imports of goods that were not excluded from CBERA benefits by statute (and that were unconditionally CBERA-eligible or subject to certain restraints) amounted to $3.9 billion in 1986, or 65 percent of all U.S. imports from designated countries. However, as pointed out in the first CBERA report, the broad CBERA product coverage is somewhat deceptive if viewed as an indication of new preferential access to the U.S. market. In 1986, imports of $2.3 billion dollars' worth or 37.9 percent of overall imports were already free of duty under MFN tariff rates, and gained no new advantages from their CBERA eligibility. Products both MFN-duty-free and CBERA eligible included many major Caribbean exports such as coffee, fresh bananas, certain shellfish, bauxite, aluminum oxide and hydroxide, and, more recently, semiconductors (see table 7 for leading imports).

Moreover, CBERA has not contributed to preferential access for certain Caribbean exports that were also eligible for duty-free entry under the GSP. Although the CBERA permits duty-free entry for those products that lost GSP eligibility because their competitive need limits were

[1] Tuna and watch parts are not included in table 11.

[2] It should be noted, however, that many of the products which are not eligible for duty-free treatment under the CBERA are, in fact, duty-free under other programs. DOC statistics indicate that in 1986, products entering the United States duty-free under CBERA, GSP, TSUS 807.00, and column 1 duty-free, together accounted for over two-thirds of the dollar value of all imports entering the United States from CBERA countries during that year. (See table 8 above.)

[3] Sec. 213(b) of the CBERA lists the articles specifically exempted from duty-free treatment under the act. See also *First CBERA Report*, p. 1-1.

[4] Imports under this provision, popularly known as "super 807," enter the United States under TSUS item 807.10. Entries under this item amounted to approximately $1.3 million in 1986.

Table 10

Leading U.S. imports for consumption entered under CBERA provisions and ranked by descending value of duty-free imports in 1984-86

(In thousands of dollars, customs value)

TSUS item No	Description (abridged)	1984 Duty free under CBERA	1984 Percent of CBERA duty free to total CBERA	1984 Leading source[1]	1985 Duty free under CBERA	1985 Percent of CBERA duty free to total CBERA	1985 Leading source[1]	1986 Duty free under CBERA	1986 Percent of CBERA duty free to total CBERA	1986 Leading source[1]
155.20	Sugars, syrups, and molasses	207,334	48.6	Dominican Republic	97,841	37.2	Dominican Republic	124,851	60.7	Dominican Republic
106.10	Beef and veal, fresh, chilled	81,223	90.2	Costa Rica	99,328	93.8	Costa Rica	121,184	94.3	Costa Rica
412.22	Analgesics, antipyretics	37	.1	Bahamas	936	1.2	Bahamas	50,993	36.9	Bahamas
685.90	Electrical switches	5,444	5.8	Haiti	23,114	34.9	Haiti	27,099	40.0	Haiti
427.88	Ethyl alcohol, nonbeverage use	([2])	([2])	([2])	13,147	67.4	Jamaica	25,092	90.7	Jamaica
170.70	Cigars each valued 23 cents or more	14,860	40.8	Dominican Republic	19,115	57.0	Dominican Republic	18,820	58.0	Dominican Republic
734.56	Baseball equipment and parts	697	1.8	Haiti	3,908	10.2	Haiti	17,114	45.4	Haiti
148.96	Pineapples, fresh, in packages	7,561	79.4	Honduras	9,948	94.3	Honduras	13,446	77.8	Costa Rica
606.79	Deformed concrete reinforcing bar	([2])	([2])	([2])	1,791	100.0	Trinidad[1] and Tobago	2,371	93.8	Dominican Republic
740.15	Jewelry, etc. and parts	([2])	([2])	Netherlands Antilles	5,839	78.4	Dominican Republic	11,137	92.6	Dominican Republic
685.80	Electrical capacitors	9,296	23.9	El Salvador	10,819	39.0	El Salvador	10,244	37.3	El Salvador
170.35	Cigarette leaf, not mixed	30,501	87.9	Guatemala	6,775	83.2	Honduras	9,284	80.9	Guatemala
607.17	Wire rods of iron or steel	1,589	9.7	Trinidad and Tobago	5,487	41.5	Trinidad and Tobago	7,908	74.1	Trinidad and Tobago
110.35	Fresh fish, whole	1,464	31.3	Costa Rica	3,909	43.4	Costa Rica	7,729	48.2	Costa Rica
165.29	Fresh juices, not mixed	([2])	([2])	([2])	9,161	95.4	Belize	7,498	89.3	Belize
686.10	Resistors, fixed	7,246	25.0	Costa Rica	6,480	35.6	Costa Rica	7,415	45.4	Costa Rica
169.14	Rum (including cana paraguaya)	31,684	98.3	Jamaica	7,795	93.3	Jamaica	7,172	94.2	Jamaica
136.00	Dasheens, fresh chilled	5,207	83.9	Dominican Republic	7,232	89.2	Dominican Republic	6,657	88.0	Dominican Republic
148.30	Melons, fresh, except cantaloupes	850	25.0	Guatemala	2,471	73.6	Guatemala	5,984	77.6	Guatemala
	Total, above articles	404,994	26.9		335,095	24.4		491,999	27.4	
	Total, all articles from CBERA countries	577,704	6.7		497,645	7.4		689,776	11.4	

[1] Leading source indicates leading source among all imports from CBERA countries.
[2] Item did not exist in 1984.

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

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exceeded, the only item of significance in this category is sugar from the Dominican Republic.

Utilization rates of the CBERA program were calculated in this section by relating total value of imports entered duty-free under CBERA provisions to the total value of imports that are nominally eligible for duty-free entry, i.e. the portionnot excluded by statute and not MFN-duty free.[1] This utilization rate rose to 42 percent in 1986 (table 9) from 35 percent in 1984 and 32 percent in 1985.

[1] The resultant percentage is a measure of actual trade under the CBERA. Note that this percentage is not adjusted for the numerous erroneous entries which, if correct, should have been registered as MFN-free, or duty-free under GSP or TSUS item 806.30/807.00. The utilization ratio is, however, not an indication of the amount of trade that was originally freed up by the enactment of the CBERA (i.e. previously not MFN duty-free or GSP eligible) or of the effectiveness of the CBERA program.

Table 11
Imports to the United States of goods not eligible under CBERA, 1983-86
(In million of dollars, customs value)

Product	*1983*	*1984*	*1985*	*1986*	*Percentage change, 1986 from 1983*
Apparel	383.8	478.4	623.1	794.6	107
Footwear	15.7	15.2	17.2	21.4	36
Handbags, luggage, etc	15.7	17.0	12.3	13.1	-17
Textiles	34.2	48.0	50.4	61.8	81
Petroleum products	4,994.4	4,215.1	2,369.9	1,375.7	-72
Total	5,443.8	4,773.7	3,072.9	2,266.6	-58

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

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CHAPTER 2

EFFECTS OF THE CARIBBEAN BASIN ECONOMIC RECOVERY ACT IN 1986

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 . . . ."

The elimination of U.S. customs duties on nonexcluded imports to the United States from CBERA countries is a one-time change. Therefore, 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.[1] Furthermore, most of the adjustment effects of the duty eliminations should have occurred in the first 2 years of the program. These effects were identified and analyzed in detail in the first CBERA report. However, some factors may have delayed or offset the effects estimated in the first CBERA report. Therefore, this chapter briefly reviews the results of the analysis used in the first report and monitors recent developments.

The Effects on U.S. Imports From CBERA Countries

In the first CBERA report, historical patterns of U.S.-CBERA country trade were examined to determine which products would be affected the most by duty eliminations. Three basic factors were used to determine the effects of the tariff elimination on the value of CBERA country exports to the United States in a detailed commodity category: the level of the tariff that was to be eliminated; the amount of trade affected by the tariff elimination; and the price responsiveness of buyers and sellers in the market.

Of the three factors just listed, good data were generally available for the level of the tariff to be eliminated and the amount of trade that would be affected. An excellent summary statistic for these two factors combined was the amount of duties collected from the tariff. This statistic was used to identify products most likely to be affected by the elimination of duties.

Because other factors affect trade besides the duty elimination, the methodology used in the first CBERA report was intended to separate the effects of the duty elimination from these other factors. For example, imports of an article from CBERA countries may actually decrease after the duty elimination, perhaps because of increased import supply from a third-country supplier. This does not necessarily indicate that the tariff elimination had no effect. Had there been no tariff elimination, it is possible or even likely that the drop in imports would have been even greater. Where the duty elimination was estimated to result in increased exports to the United States from CBERA countries, the likely effect on sales of U.S. products or on simply the displacement of imports from other countries was determined.

Selection of commodities

In the first CBERA report, a list of 25 major commodities was selected by ranking imports of five-digit TSUS items by calculated duties collected in 1983, the year prior to duty elimination under the CBERA. This list (provided in table 12) was used to select commodities for more detailed examination and analysis.[2] The selection process took into account existing trade patterns (the value of trade) and tariff rates. Other factors (discussed in the first CBERA report) led to the deletion of some tariff items from the list, the addition of others, and the consolidation of several items into one category. The list chosen for detailed analysis and discussion in the first CBERA report is presented in table 13. Imports of these products are monitored in this report.

Table 12 shows the items that stood to benefit most from the CBERA duty eliminations based on 1983 trade. As such these are imports that could be expected to be entered in large numbers under CBERA duty-free status.

In addition, a list of the leading 20 products that entered under CBERA free of duty in 1986 is contained in table 14.

Products that are eligible for duty-free treatment under GSP and therefore do not generally benefit from the CBERA duty eliminations are noted in the tables. Their entry as CBERA duty-

[1] Aruba became a separate country in 1986 with CBERA eligibility. Before, it had been a part of the Netherlands Antilles. Aruba's status and CBERA eligibility did not affect CBERA-eligible trade.

[2] The list is shown in table 12, p. 2-3, of the USITC's *First CBERA Report*.

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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, syrups, 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

Note.—In several of the above items official calculated duties for 1983 have been adjusted for the amount of U.S. products entered duty free under item 807.

Source: *First CBERA Report*, p. 2-3.

Table 13

TSUS items covered in commodity digests in the *First CBERA Report*

TSUS items	*Commodity digests*
106.10	Beef and veal
	Tropical vegetables:
136.00	Dasheens
137.75	Chayote
138.35	Yucca
	Fresh pineapples:
148.90	In bulk
148.93	In crates
148.96	In packages other than crates
155.20	Sugar
165.29[1]	Concentrated orange juice
	Rum:
169.13	Small containers
169.14	Large containers
	Cigarette leaf tobacco and tobacco, n.s.p.f.:
170.32	Cigarette leaf, not stemmed
170.35	Cigarette leaf, stemmed
170.80	Tobacco, n.s.p.f.
	Filler tobacco, other than cigarette, and scrap tobacco:
170.40	Filler tobacco, other than cigarette, not stemmed
170.45	Filler tobacco, other than cigarette, stemmed
170.60	Scrap tobacco
425.52	Other nitrogenous compounds
	Ethanol and ethanol in chemical mixtures, n.s.p.f.:
427.88	Ethanol
432.10	Chemical mixtures, n.s.p.f.
	Synthetic hormones:
437.56	Adrenocortical
437.57	Other than adrenocortical
607.17	Wire rods
676.52	Certain parts of office machines
685.80	Electrical capacitors
686.10	Resistors
687.74	Monolithic integrated circuits
688.42[2]	Miscellaneous electrical articles and parts
734.56	Baseball equipment

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

[2] As a result of the Trade and Tariff Act of 1984, TSUS item 688.43 was subdivided into 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, and only $9,000 worth were entered in 1986.

free products generally represents a change in bookkeeping entries.[1] The exception is baseballs, etc., for which the local value-added content was not high enough to qualify under GSP or CBERA in the past. The increased value of parts produced locally in 1986 was enough to meet the value-added requirement, causing a vast increase in the volume of imports of this item qualifying for CBERA duty-free treatment.

Sugar was at the top of both the list of items that entered under CBERA duty free in 1986 (table 14) and the list of duties collected in 1983 (table 12). The CBERA provides a duty-free benefit on sugar to the Dominican Republic because imports of this item exceed the competitive-need limits under the GSP.

The GSP appearance of coffee on the list is also the result of a change in bookkeeping entries, not the CBERA duty elimination. There is no duty on coffee imported into the United States.

Finally, of the items in table 14 that are not GSP or MFN duty free, the only ones that do not appear in table 12 are nonbeverage ethanol (TSUS item 427.88), orange juice (TSUS item 165.29), and deformed concrete reinforcing bars (rebars) (TSUS item 606.79). Nonbeverage

[1] The simplicity of a bookkeeping change is mitigated by two factors: (1) the rules for cumulation under the CBERA are much less stringent than under the GSP; and (2) the CBERA allows for a 15-percent share of the value content requirement to be met by U.S. or Puerto Rican production. No such U.S. content is allowed under GSP.

Table 14

Leading U.S. imports of goods that entered duty free under CBERA in 1986

TSUS item No.	*Description*	*Customs value*
		1,000 dollars
155.20[1]	Sugars, syrups, and molasses	124,851
106.10	Beef and veal, fresh, chilled	121,184
412.22[2]	Analgesics, antipyretics	50,993
685.90[2]	Electrical switches, etc	27,099
427.88	Ethyl alcohol for nonbeverage use	25,092
170.70[2]	Cigars each valued 23 cents or over	18,820
734.56[2]	Baseball equipment and parts	17,114
148.96	Pineapples, fresh, in packages other than crates	13,446
606.79	Deformed concrete reinforcing bars	12,371
740.15[2]	Jewelry and parts	11,137
685.80	Electrical capacitors	10,244
170.35	Cigarette leaf, stemmed	9,284
607.17	Wire rods	7,908
110.35[2]	Fresh fish, whole	7,729
165.29	Fruit juices, not mixed, orange	7,498
686.10	Resistors	7,415
169.14	Rum (large containers)	7,172
136.00[2]	Dasheens	6,651
160.10[3]	Coffee, crude, roasted or ground	6,057
148.30[2]	Melons fresh, except cantaloupes	5,984

[1] Entries except those from the Dominican Republic eligible for duty-free entry under GSP.
[2] Eligible for duty-free entry under GSP.
[3] Column 1 duty rate is free.

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

ethanol imports are high because plants were built specifically to take advantage of the CBERA's elimination of the additional 60 cent per gallon duty that other countries must pay on fuel ethanol.[1]

Imports of orange juice were unusually low in 1983, because of weather problems, but would have placed high on the duties collected list in a normal year. Industry sources suggest a possible diversion of imports from wire rods (TSUS item 607.17) to rebars because of antidumping and countervailing duties on wire rods from Trinidad and Tobago. In addition, imports of rebars from the Dominican Republic went from zero in previous years to a little more than the value imported from Trinidad and Tobago in 1986.

Developments in products covered in the *First CBERA Report*

Of the commodities examined in detail in the first CBERA report (those listed in table 13), notable 1986 developments are generally absent. Most of the short-run effects of the duty elimination should have been felt before 1986. Where local supply problems delayed the effects, or where other developments cast doubt or confusion about the effects of the program, notes are made below. The products in table 13 were selected because they stood to benefit the most from CBERA duty-free status, and therefore should be expected to place high on the list of items that entered under the CBERA duty-free.

Beef and veal (TSUS item 106.10) imports from CBERA countries in 1986 were up more than 20 percent, by value, over those in 1985. During the spring of 1986, a dockworker strike in New Zealand disrupted exports of products,including meat. The disruption afforded the CBERA countries a temporary opportunity to increase exports of beef to the United States.

Exports of fresh, chilled, or frozen beef from Costa Rica, the Dominican Republic, and Honduras to the United States were higher in 1986 than in 1985. Officials of the U.S. Department of Agriculture (USDA) report that the Government of Costa Rica facilitated exports in order to earn foreign exchange through its export permits program. Also, good pasture conditions, as a result of favorable rainfall, contributed to higher levels of beef production in Costa Rica. In the Dominican Republic, a new meatpacking plant was authorized to ship meat to the United States, thus contributing to an increase in U.S. imports from that country. A severe drought in southern Honduras led to distress cattle slaughter and contributed to increased exports of beef to the United States. Also, the increase in exports of beef from Honduras to the United States in 1986, compared with that in 1985, can be partly explained by the unusually low level of such exports in 1985. Exports of fresh, chilled, or frozen beef to the United States from Guatemala were lower in 1986 than such exports in 1985. The Government of Guatemala prohibited the export of beef and veal during April, May, and June of 1986, thus contributing to the decline. Subsequently, exports were permitted, but only after Guatemala determined that the local market had been adequately supplied. Also, during 1986, two of the four Guatemalan plants that had been authorized to ship meat to the United States lost that authority.

Imports of *fresh pineapple* (TSUS items 148.90, 148.93, 148.96) in 1986 from CBERA countries were up more than 60 percent, by value, over those in 1985.[2] This reflects both

[1] See *First CBERA Report*, chs. 2, 3, and 4.

[2] The first CBERA report projected that imports of fresh pineapples were likely to increase 40 percent in 1986 and 60 percent in 1987 over 1985 levels of CBERA country shipments to the United States. *First CBERA Report*, p. 4-4.

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higher prices and nearly a 40-percent increase in quantity. The surge in 1986 reflects heavy investment in pineapple plantations since the beginning of the CBERA program.[1]

Decreased imports of *sugar* (TSUS item 155.80) from CBERA countries are a direct result of the reduction in U.S. import quotas as part of the domestic sugar price-support program.[2]

Parts of office machines (TSUS item 676.52) was separated into two new TSUS items effective January 1, 1986. These two new TSUS items are: item 676.54, parts of office machines not incorporating a cathode-ray tube, and item 676.56, other parts of office machines. Item 676.54 was given an MFN duty rate of free, and imports under this tariff item accounted for 76 percent of total imports from CBERA countries of parts of office machines in 1986. duty-free status under CBERA is therefore no longer a factor in trade in the bulk of these articles.

U.S. imports of *monolithic integrated circuits* (TSUS item 687.74) from CBERA countries declined by 62 percent to $64.7 million in 1986, decreasing from $170.2 million in 1985. The decline in imports from CBERA countries was most likely related to a decision by Intel Corp. to close its semiconductor assembly plant in Barbados as discussed in chapter 1. In addition, U.S. imports of these devices under the CBERA duty-free privilege declined from $7.0 million in 1985 to no reported entries in 1986. Because monolithic integrated circuits have been entered free of duty since March 1, 1985, there is no advantage to importers to use the provisions of CBERA.

U.S. imports of *miscellaneous electrical parts* (TSUS item 688.42) (ferrite core memories resistor/capacitor networks and other miscellaneous articles) from CBERA countries declined from $7.3 million in 1985 to $2.5 million in 1986, representing a decrease of 66 percent. It is believed that the decrease was related to technology changes in which the application of semiconductors has displaced the use of these devices. Imports entered under the CBERA duty-free privilege showed a similar decline in 1986, decreasing by 58 percent to $2.1 million.

Although total imports of *baseball equipment and parts* (TSUS item 734.56) from CBERA countries remained stagnant in 1986, the value of the amount entered duty free under CBERA more than quadrupled compared with the value of that in 1985. Several producers have moved baseball and softball winding operations to Haiti from the United States, allowing more baseball equipment to meet the CBERA value content requirements.

The Effect of the CBERA on the U.S. Economy in General and the Effect on U.S. Industries and Consumers

In the first CBERA report, it was concluded that the impact of the CBERA had been minimal because of the low value of U.S. trade with CBERA beneficiary countries and the small portion of trade that benefits from CBERA duty-free treatment. Refined estimates of the value of goods benefiting from new duty-free treatment under the CBERA show that less than 3 percent of 1983 imports from CBERA beneficiaries received new duty-free treatment and less than 6 percent of 1986 imports benefited.[3] (See table 15.)

The volume of imports from CBERA countries that could potentially benefit from the CBERA duty eliminations has been small from the beginning. These goods essentially are those that are not excluded, not MFN free of duty, and not eligible for GSP duty free treatment. The last category includes products from countries that have exceeded the GSP competitive-need limits in those products. The only article of any importance in this category is sugar from the Dominican Republic.

Table 15 shows imports of potentially affected products in the year preceding the start of the program (1983), and the 3 years it has been in operation. Since sugar from the Dominican Republic is limited by U.S. import quotas, and trade in sugar is not affected by CBERA duty-free treatment, sugar can be excluded from an analysis of the overall impact of the CBERA. The overall trend in products, excluding Dominican Republic sugar, is markedly upward, with 1986 imports registering a 37 percent increase over pre-CBERA levels.[4] The percentage of total CBERA-country imports in this category doubled from 1983 to 1986, but this reflected a 31-percent drop in the total, as well as the rise in imports of items potentially benefiting. Even with this doubling of the percent of imports potentially benefiting, the 6 percent figure is very small—less than what had been estimated in the first CBERA report—so little effect on the U.S. economy as a whole can be expected.

The major short run effects of the CBERA duty eliminations on U.S. industries and consumers were detailed in the first CBERA report and

[1] See the sections on investment in the *First CBERA Report*, ch. 4 and in the current report, ch. 3.

[2] Legislation recently submitted to Congress would expand the amount of sugar allowed to enter the United States from CBERA beneficiary countries.

[3] Adjustments for the United States value component of goods assembled offshore under TSUS items 806.30 and 807.00 will reduce the percentages shown in table 15.

[4] The figure for 1984 is an aberration reflecting large one-time transfers of rum and tobacco out of customs bond.

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found to be minimal. Only a few domestic industries experienced possible displacement of output exceeding 1 percent of shipments. These were mostly producers of tropical agricultural products. Among the commodities studied in depth in the first CBERA report, with the exception of fresh pineapples, increases in imports from CBERA countries in 1986 have been extremely small relative to U.S. production. The continuing increases in pineapple imports are a result of investment activities reported in the first CBERA report. The impact on U.S. consumers corresponds to the minimal impact the CBERA has had on U.S. industries.

Table 15

Customs value of products potentially benefiting from CBERA duty elimination, 1983-86

Item	*1983*	*1984*	*1985*	*1986*
All items except Dominican Republic sugar:				
Value (million dollars)	264	336	317	361
Percent of total	(3.0)	(3.9)	(4.7)	(6.0)
Dominican Republic sugar (million dollars)	166	202	143	99
Total:				
Value (million dollars)	430	538	461	461
Percent of total	(4.9)	(6.2)	(6.9)	(7.6)
Total, CBERA country imports (million dollars)	8,764	8,649	6,687	6,065

Source: Calculated from official statistics of the U.S. Department of Commerce and from information contained in the *Tariff Schedule of the United States (Annotated)*.

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CHAPTER 3

PROBABLE FUTURE EFFECTS OF THE CBERA

Most of the immediate adjustment effects of the one-time tariff reduction granted by the CBERA on U.S. industries, employment, and consumers have already taken place. Future adjustments, however, can reasonably be expected to occur as investors attempt to take advantage of these lower tariff levels and increasingly build their stake in the region. This section will present an outline of the investment trends that have taken place during the year under review and the degree to which new investments can be expected to affect U.S. industries and consumers.

Methodology

In the first CBERA report, future effects were analyzed using information on investment projects gathered from various U.S.-based government and private organizations and from fieldwork. Whenever possible, the staff reported projected exports to the United States from these activities. When such projections were not available, a methodology developed by the staff was used that generated quantitative projections of investment-induced exports to the United States. Whenever possible, this methodology was applied to information gathered in the field; otherwise, it was applied to an investment data base that had been developed by the U.S. Department of Commerce (DOC). Subsequently, the reliability of the data base provided by the DOC was questioned.[1] As a result, efforts to gather more reliable information have been initiated by the DOC. Because this effort has only recently begun, the information that is currently available is limited in scope and not sufficient to develop similar quantitative projections in this report.

This report covers information obtained from regional and commodity analysts in a number of Government agencies including the U.S. International Trade Commission (USITC), the Agency for International Development (AID), the Overseas Private Investment Corp. (OPIC), and others. It also summarizes the preliminary results of an ongoing investment survey currently being conducted by the International Trade Administration of the DOC. This chapter outlines trends in investment activity that have been observed in the region during 1986. In addition, general investment environments of the beneficiaries are described whenever the effects of political, economic, or social factors within such countries enhance or diminish the likelihood of investment-induced exports to the United States under the CBERA.

[1] See app. B for a full discussion of the difficulties involved with CBERA investment data.

Overview of Investment and Export Potential

Although some investment has focused on products eligible for duty-free entry under the CBERA during the past year, it has not fueled growth of the economies of CBERA beneficiaries or their exports in a way that is likely to affect U.S. industries or consumers significantly in the immediate future.[2] This is due to a number of factors. First, the overall pace and level of such investment has not been overwhelming. Countries in the region have encountered considerable difficulties attracting investment in eligible products. Moreover, some major investments that they have attracted are currently stalled, or are producing below capacity. Second, the scope of products that are eligible for duty-free entry under the CBERA, and not otherwise eligible under the GSP, is limited.[3] Much of the investment undertaken in the region involves the production of goods that are ineligible for duty-free treatment under either program, for example textiles and apparel. Finally, most imports of CBERA-eligible products to the United States represent only a small fraction of total U.S. imports and consumption of such products.[4]

The earlier USITC report noted several problems that have hampered beneficiary countries' efforts to attract investment and to gain access to

[2] It should be noted that growth of the CBERA beneficiaries' economies would generate increased demand for inputs and final consumer goods from the United States.

[3] See the *First CBERA Report*, 1984–1985, ch. 2, and table 12 of this report.

[4] Recently, legislation intended to improve the operation of the CBERA has been proposed by Congressman Sam M.Gibbons, Chairman of the Subcommittee on Trade of the House Ways and Means Committee, and Congressman J.J. Pickle, Chairman of the Subcommittee on Oversight of the House Ways and Means Committee. This bill, known as the Caribbean Basin Economic Recovery Expansion Act, or CBERA II, would grant duty-free treatment to a number of the excluded items mentioned above. In particular, textiles which are "manufactured, assembled or otherwise produced . . . in whole of materials, components or other goods that are products of the United States" would benefit from a new tariff item, TSUS 807.50, under which these articles would be granted unlimited tariff-free and quota-free treatment. Additionally, the bill establishes "duty-free quotas" for textile products not made wholly from U.S. fabric. These quotas would be the quantities exempted from tariffs for each product category from each CBERA country, whether or not imported under TSUS item 807. Only a very limited number of textile products would be eligible for duty-free quotas, however, because they are available only for articles that the USITC determines are either (1) not produced in the United States, or (2) produced in the United States but in insufficient quantities to meet domestic demand and for which no directly competitive articles are produced in the United States.

U.S. markets. To date, most of these problems have not been effectively addressed. These problems are frequently structural in nature and are common in developing countries around the world. It is reasonable to expect that they will not be successfully redressed in the near future.

First, the inadequacy of CBERA countries' general industrial infrastructure, including inland transportation, ports, power, and communications, make operations uncertain and costly for U.S. firms interested in the region. This is particularly evident in the smaller countries of the Eastern Caribbean where infrastructure has historically been neglected. Grenada, for example, has benefited from both U.S. political efforts to encourage investment and from the completion of an international airport. Its lack of ports and telephone facilities, however, have proven to be difficult and annoying obstacles for the handful of U.S. firms that have located there and thus have discouraged large-scale investment flows to the country.

Second, Caribbean firms' inexperience with U.S. markets makes development of distribution networks and formation of joint ventures difficult. Numerous Government agencies in the United States and in beneficiary countries have attempted to bridge this gap. In the United States, agencies such as the International Trade Administration's Caribbean Basin Business Office and the USDA's Office of International Corporation and Development have promoted trade shows, printed newsletters, and arranged joint-venture "matches." A number of CBERA countries, meanwhile, have opened trade promotion offices in the United States and/or hired public relations firms and consultants to facilitate their entry to U.S. markets. The germination period for these efforts is lengthy, however, and major results are not yet evident. One frequently cited benefit of these activities is an increased awareness of the CBERA region among potential investors as a viable alternative to the Far East. Conversion of this awareness into operational projects, however, has been negligible primarily because of the limited scope of products, which are eligible under the CBERA and not otherwise eligible under the Generalized System of Preferences (GSP).

A third problem noted in the earlier USITC report, and still in evidence, is the perceived threat that nontraditional ventures that succeed in CBERA countries will fall victim to new U.S. measures that will limit exports of these products from the Caribbean Basin to the United States. This concern has, in fact, already affected CBERA projects in ethanol, cut flowers, and citrus, all of which have faced either trade barriers imposed since the enactment of the CBERA, or other obstacles such as difficulty in obtaining OPIC financing or insurance.[1]

Other constraints that still affect the ability of beneficiary countries to fully exploit the CBERA include perceived political and social instability by investors, local controls on exports and imports, exchange controls that limit the availability of hard currency required for imported inputs, and inefficient local bureaucracies.

All of the difficulties cited above indicate that although investment is occurring in the region, large increases in exports, as stated in the earlier CBERA report, cannot be expected to occur within the next few years.

Summary of Investment Trends

The preliminary results of the investment survey currently being undertaken by DOC may be helpful in identifying the dominant trends involving investment in the CBERA region. The survey lists a total of 132 projects that were registered in countries within the region during the 1986 reporting period. Although specific product descriptions are not sufficient to determine the exact number of CBERA-eligible projects within this group, broad product descriptions are included for 125 projects. Of those projects with broad product descriptions, 68 are most likely eligible for duty-free treatment under the CBERA. The bulk of these projects occurred in the production of winter fruits and vegetables, aquaculture products such as shrimp, and electrical and electronic assembly work. Additionally, 55 projects can be roughly identified as ineligible for duty-free treatment. Projects involving production that is ineligible for duty-free treatment are concentrated in the areas of textiles and apparel assembly, shoes, and assorted tourism investments, including hotels and marinas. The level of specificity of the product descriptions given in the preliminary survey, however, is not sufficient to determine how the treatment of most projects under the CBERA would compare with the treatment offered under the provisions of the GSP.

The preliminary results of the DOC survey also highlight the patterns of investment distribution throughout the region during the reporting period.

[1] One provision of the new CBERA II legislation recently proposed by Chairmen Gibbons and Pickle is a separate injury determination for CBERA countries in countervailing duty cases. Currently, imports under investigation are cumulated from all countries exporting a specific product to the United States in order to determine injury to a domestic industry. If enacted, the new bill would allow imports from countries within the CBERA region to be considered separately in such cases. Since most CBERA countries provide only a small portion of total U.S. imports in any product category, the probability of injury determinations against CBERA exports to the United States would thus be reduced.

In particular, the Dominican Republic, Costa Rica, Jamaica, Belize, and St. Kitts appear to have enjoyed the greatest levels of investment during 1986. All five garnered at least 10 investment projects during the year. The Dominican Republic and Costa Rica received 20 and 17 projects respectively, and Jamaica and Belize received 14 projects each. Finally, 10 projects in St. Kitts were listed in the survey. Although conclusions drawn from the data must be extremely tentative, it appears that the five countries cited above benefited from the largest amounts of investment, measured in dollars, during the year.[1] Of the 71 total projects listed in the five leading countries, 34 were identified under broad product descriptions that imply likely duty-free treatment under the CBERA. Eligible activity focused on winter fruits and vegetables, and electrical and electronic assembly.

The earlier report cited seven product areas on which investment in the CBERA region was focused.[2] For the most part, investment in the region during 1986 has remained in five of those areas mentioned; namely, apparel manufacturing, ethanol, agriculture, fish processing and aquaculture, and wood products and wood furniture. Two product areas that expanded during the earlier reporting period have faced declines in investment activity during 1986: electrical and electronic components as well as cut flowers, faced uncertainty regarding their position in the U.S. market during the current reporting period. In the U.S. market for electrical and electronic components the uncertainty emerged from slack demand. In the U.S. market for cut flowers, uncertainty emerged from antidumping and countervailing duty cases. In addition, significant levels of investment have been initiated recently in the production of medical supplies. Each of these product areas is discussed in general terms below. The general discussion is followed by a more detailed treatment of the probable trends in each category for specific products that are eligible for duty-free treatment under the CBERA and not otherwise eligible under the GSP.

Apparel manufacturing, the assembly of electrical and electronic components, and the production of medical supplies, typically take place in "twin-plant" operations. Inputs are imported into the CBERA country, assembled in free-trade zones, and then reexported.[3] Several points are worth mentioning regarding these operations. First, twin firms usually are subsidiaries of U.S. firms established to take advantage of lower labor costs for their labor-intensive operations. Second, apparel products are excluded from duty-free treatment by the CBERA. Lastly, the level of investment in electronic and electric components varies closely with the volatile demand for such products in the U.S. market. Numerous analysts have pointed out that because of the above issues, it is not clear to what extent the duty-free status offered by the CBERA has been responsible for the generation of these investment projects or for their exports.

Another major area of investment is agriculture. Much of this investment reflects ongoing efforts within developing countries in general, and the Caribbean Basin in particular, to diversify production of agricultural commodities away from a reliance on a small number of traditional products. In the Caribbean Basin, sugar production has historically dominated agricultural production for export along with a small number of other commodities. Sugar, however, is subject to stringent quotas in the U.S. market. These quotas have been severely reduced in the past several years, thus restricting these countries' access to the U.S. market and further motivating diversification of agricultural crops. Thus, diversification is a necessity for many CBERA countries.[4] The vast majority of agricultural projects that have been initiated as a part of this diversification involve the production of fresh fruits and vegetables aimed at the U.S. and European winter markets. A reason for targeting the U.S. winter market is that produce of these countries is frequently able to compete more effectively during periods of lessend U.S.-produced supply. Since all of the production arising from these projects is already eligible for duty-free treatment under the GSP, it would be difficult to cite CBERA duty-free treatment as the reason for diversification, investment, and exports to the United States.

Investment has also taken place in a small group of agricultural products that are eligible for duty-free entry under the CBERA but not under the GSP. This group includes fresh pineapple and citrus. Pineapple production, taking place as part of the diversification of production that was

[1] Figures on total book value of investments were included in some cases in the preliminary survey. These data, however, are unverified. Numerous sources have indicated that the values may change significantly when the data are eventually verified. Thus, actual values are not presented here.

[2] See *First CBERA Report*, ch. 3.

[3] See "Puerto Rico: Twin Plant Investments" *infra*. for additional discussion of twin plant operations.

[4] The CBERA II legislation mentioned earlier also contains provisions involving sugar quotas. If enacted, the provisions of the CBERA II would increase the sugar quotas of CBERA-eligible countries to the level that was allocated during the period which began on Sept. 26, 1983, and ended on Sept. 30, 1984. This would amount to roughly a threefold increase for most countries affected. The impact these provisions will have on the diversification efforts now underway in the region is unclear, however, it is highly probable that an emphasis on diversification will be maintained in most cases.

mentioned above, is being undertaken on land formerly used for sugarcane. Citrus projects, which also fall into the general pattern of export diversification, are primarily being attempted by large U.S. citrus concerns in an effort to ensure stable supplies in the face of recurrent freezes in Florida and other disruptions in the U.S. domestic supply.

Considerable controversy has surrounded one other area of investment in the CBERA region—namely the production of ethanol for export. Ethanol can be produced from a wide range of agricultural products including sugarcane, molasses, grapes, and corn. The controversy revolves around the origin of the feed stocks used by CBERA plants to produce ethanol.[1] In particular, although some plants use alcohol produced from indigenous sugar cane, others rely on imports of feed stocks from outside the region. In the United States, the use of imported feed stocks is viewed as an abuse of the CBERA as intended by Congress. Consequently, legislation was passed in 1986 that stipulates that feed stocks be drawn from sources within the region in order to qualify for duty-free entry under the CBERA.

Other products enjoying duty-free entry under both the CBERA and the GSP include fisheries and aquaculture, wood products, and wood furniture.

Electronics

Most electrical and electronic components are eligible for duty-free treatment under both the GSP and the CBERA. Exports to the United States under the provisions of the CBERA, however, benefit from more liberal rules of origin than do exports under the provisions of the GSP. This affords a competitive advantage to firms exporting from the Caribbean Basin over producers in other parts of the world. Despite this fact, however, firms that assemble these products typically invest in the Caribbean Basin in order to obtain inexpensive labor rather than to exploit the tariff advantages that are available. Although, inexpensive labor costs and tariff advantages do aid U.S. firms competing with the Far East, neither have offset the effects of a drastic slowdown of demand in 1986 for these electrical and electronic components worldwide, particularly in the U.S. market. USITC analysts report that in some electronics categories net investment in the CBERA region was negative for 1986. The decline was particularly acute for semiconductors, a market that remained especially soft during the period, and one in which competition from Far Eastern producers has increased. The slowdown of investment in other electrical and electronic products has been less drastic, but most analysts point to a general sluggishness in these industries as well. Although there was one large investment involving electronic components that was made by Westinghouse Electric in the Dominican Republic, the preliminary results of the DOC investment survey for 1986 lists a total of only eight projects as having been undertaken during the current reporting period. These projects were undertaken in Jamaica, St. Lucia, Antigua, Barbados, St. Kitts, Haiti, and the Dominican Republic. Two investment projects were reported in the earlier USITC report.[2] Despite the Westinghouse investment, the general downturn of investment in these product areas during 1986 makes it improbable that exports to the United States from the Caribbean Basin will significantly affect U.S. markets for electrical and electronic components in the immediate future. The opposite, however, is quite probable—that is, the health of CBERA investment in these product areas will remain tied to both the volatile demand in the U.S. market and to the level of competition from the Far East.

Pineapples

In the past several years, numerous market analysts have noted tremendous growth potential for sales of fresh pineapples in the United States. Industry sources point out that annual per capita consumption of fresh pineapple on the east coast of the United States averages only 0.75 pound per person compared with 5 pounds per person on the west coast.[3] Recognizing this potential as well as labor-cost advantages available in the Caribbean Basin, most of the major pineapple concerns have initiated new investments, many of them on land formerly devoted to sugar production. The largest project, undertaken by Dole Dominicana in the Dominican Republic, is intended to produce pineapple on 6000 acres of land formerly used for sugarcane. It takes about 18 months to obtain a pineapple crop after the planting of vegetative shoots. Thus, most of the investments that were made in 1986 will not produce output for export in 1987. Some of the earliest projects, however, along with those undertaken in 1985 have begun to produce already. In particular, projects undertaken in Costa Rica have begun production. U.S. imports of fresh pineapples increased 61 percent (38 percent, by quantity) from 1985 to 1986. This trend should continue, with Costa Rica and the Dominican Republic accounting for the largest shares of new production. Increased imports of pineapples will benefit U.S. consumers. The

[1] In the context of ethanol, the feed-stock used is wet alcohol that is refined from agricultural products such as those mentioned above.

[2] *First CBERA Report*, p. 4-3.

[3] Ibid, p. 4-4.

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effect of increased imports on the domestic Hawaii-based pineapple industry will depend on the extent to which imports lead to greater U.S. pineapple consumption rather than displacing domestic production.

Citrus

As a result of several supply disruptions in the U.S. market, prices for oranges and orange juice have fluctuated widely over the past several years. These fluctuations generated substantial interest in the possibility of expanding citrus production in the Caribbean Basin. Thus, a number of operations were established to process citrus formerly grown only for local consumption. Additionally, one large-scale effort was initiated by the Coca-Cola company in Belize to plant new groves and develop processing facilities. However, because of the large size of this venture and associated problems (lack of infrastructure, lack of roads, and poor soil), this project remains in the planning stage despite the fact that considerable time has passed since its initiation. In addition to these problems, the U.S. citrus industry (i.e., Florida and California growers) has mounted political opposition to the tariff concession and effectively blocked U.S. assistance programs such as insurance and other services of OPIC.[1] Because of the difficulties involved in developing new citrus-producing acreage, it is improbable that new exports to the U.S. market will increase significantly in 1987.

Ethanol

Substantial investments have been made over the past several years for the production of ethanol. In 1985, three major plants produced fuel-grade ethanol. These plants were located in El Salvador, Costa Rica, and Jamaica. Although five new plants were planned for 1986 in Costa Rica, Guatemala, Jamaica, and the Virgin Islands, the ongoing investment survey of 1986 investment in the CBERA region lists only three projects as being undertaken. All three of these new plants are located in Jamaica.

The sudden retrenchment of ethanol investments is largely the result of recent U.S. policy and the decline in the price of petroleum (from which substitutes for ethanol can be derived). From 1985 to 1986, total U.S. imports of ethanol increased approximately 7 percent in value, and imports from the CBERA countries increased approximately 37 percent. However, there was great confusion regarding the future duty-free status of ethanol produced in the CBERA region. This confusion was settled when the U.S. Congress passed legislation requiring that ethanol feedstocks be purchased locally. According to analysts with DOC, the result has been that a number of ethanol projects were abandoned, or are producing at much less than full capacity. In Jamaica, ethanol plants owned by Tropicana and PetroJam are producing under "grandfather clause" arrangements. The arrangements require an increasing percentage of feed stock inputs to be drawn from within the CBERA region in each of the next 3 years. Negotiations are currently underway between PetroJam and the Government of Belize to use excess sugar production from Belize to fulfill the new sourcing requirement in the PetroJam operations.

In addition to the confusion regarding the duty-free status of ethanol produced in the CBERA region, ethanol also faced competition from substitutes during the year under review. Fuel-grade ethanol is used primarily as a gasoline extender and octane enhancer. Other octane enhancers include derivatives of petroleum and natural gas. Thus, as world oil prices declined in 1986, the competitive position of ethanol as a gasoline additive declined as well.

Presently, the future of ethanol exports to the United States is uncertain, although there is much potential for expansion. The price of oil increased throughout the latter part of 1986 and the early part of 1987, thus easing competition from substitutes. At the same time, there is much idle capacity available in the existing Caribbean plants and conversion of sugar processing facilities is feasible. However, industry officials in the Caribbean Basin maintain that the capacity of converted facilities will be insufficient to meet the new sourcing requirements. Additionally, some analysts point out that ethanol produced in the Caribbean is fairly expensive relative to domestic U.S. production. Thus, without duty-free status, it is unlikely that CBERA ethanol can maintain the rate of growth that was achieved in 1986.

Cut flowers and ornamental plants

During the first few years that the CBERA was in effect, a number of Caribbean Basin countries saw substantial investment activity in cut flowers and ornamental plants. The earlier report cited 19 major projects undertaken during 1984 and 1985 in Costa Rica, St. Christopher and Nevis, El Salvador, and Haiti. The report also noted that many small projects were likely undertaken during the same period. This trend changed drastically during 1986.

The change was due in large part to antidumping and CVD cases against Costa Rica, which resulted in an antidumping order against imports of cut flowers from Costa Rica and the elimination of

[1] Statutory requirements restrict OPIC to assist only projects that will have no significant adverse effects on U.S. labor or the U.S. economy.

Costa Rican Government subsidies to its domestic producers.[1] As a result, the number of investment projects in Costa Rica involving cut flowers and ornamental plants declined significantly during 1986. The preliminary results of the investment survey currently being undertaken by the U.S. Department of Commerce indicate only three projects undertaken in 1986. Two of these projects are located in Costa Rica and one in Jamaica. These projects produce ferns for export to the U.S. and European markets. Additionally, however, DOC analysts point out that, although unreported in the survey, a number of small projects have been undertaken in the Dominican Republic during 1986. Overall, because of the down-turn in investments in cut flowers, it is unlikely that imports of cut flowers from the Caribbean Basin will significantly affect the U.S. market in the immediate future.[2]

Puerto Rico: Twin Plant Investments

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 to CBERA beneficiary countries. 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 granting rum duty-free treatment was the rebate to the Puerto Rican Government of U.S. excise taxes on rum. A provision of the act allows the President to consider compensation if there is a reduction in these revenues.

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 law concerning the island. In particular, tax preferences are granted under section 936 of the Internal Revenue Code to U.S. firms operating in Puerto Rico. 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.[3] These provisions have been retained in the Tax Reform Act of 1986 in section 936. Additionally, the provisions have been expanded to allow and encourage firms to invest in twin plants and to allow funds generated under section 936 on deposit at both the Government Development Bank and private banks in Puerto Rico to be used for investments in complementary production operations (twin plants) in CBERA countries at preferential rates.

For the past several years, the government of the Commonwealth of Puerto Rico has sought to integrate the development of its own economy into the general development process of the Caribbean Basin. Towards this end and even before the enactment of the CBERA, Puerto Rico actively promoted the establishment of twin plant arrangements with the Caribbean Basin. With the passage of the CBERA new obstacles as well as new opportunities appeared that affected these efforts. In particular, the duty-free status that the CBERA provided to some Caribbean Basin assembly operations threatened direct competition with Puerto Rican operations. At the same time, revisions in the United States Tax Code gave favorable status not only to companies that invested in Puerto Rico, but also to those that invested in twin plants involving both Puerto Rico and designated CBERA countries. The result is that Puerto Rico has redoubled its efforts to promote twin plant arrangements in order to minimize any losses which might occur as a result of competition from the act's beneficiaries. In particular, the Puerto Rican Government has initiated a program to provide new funds that can be loaned at concessionary rates to firms investing in twin plant operations.[4]

[1] The CVD case against Costa Rica involving cut flowers was suspended by DOC subject to the provision that the Government of Costa Rica eliminate completely all benefits it provided to its domestic producers of cut flowers. The antidumping case that led to an assessment of duties on Costa Rican cut flowers has been followed by a group of new actions. These actions charge that the initial margin determined by DOC is too low and petition for higher antidumping duties.

[2] It should be noted, however, that the only cut flower variety specified as eligible for duty-free entry under the CBERA is roses.

[3] 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.

[4] The Tax Reform Act of 1986 included a provision under section 936 of the Internal Revenue code that would allow Qualified Possession Source Investment Income (QPSII) to be used for investment in Caribbean Basin countries that have signed Tax Information Exchange Agreements (TIEA's) with the United States. These funds, which are derived from active trade and business within Puerto Rico, must be held by financial institutions within Puerto Rico. Additionally, the memorandum of agreement regarding QPSII between the Governments of Puerto Rico and the United States provided that the Government of Puerto Rico will provide an additional $100 million annually of new funds for direct investment in qualified CBERA countries. The Government of Puerto Rico, through its Government Development Bank, has sole authority to release QPSII funds for investment in CBERA countries.

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According to a report published by the Commonwealth of Puerto Rico Economic Development Administration, 17 twin plant investments were made during 1986.[1] These projects took place in Barbados, the Dominican Republic, Grenada, Panama, and Trinidad and Tobago. The largest beneficiary, however, was the Dominican Republic, which hosted 11 of the 17 projects. Among the 17 projects, production takes place in electrical and electronic assembly (7 projects), textiles and apparel assembly (4 projects), shoes (2 projects), and medical supplies (2 projects). Additionally, single projects were undertaken to produce recycled plastic, and recycled aluminum cans for paint. Of the 17 projects listed in the Puerto Rican report, 7 are likely to produce exports which are eligible for duty-free treatment under the CBERA, predominantly electrical and electronic components.

The extent to which section 936 funds have contributed to the development of these projects, however, is not clear for two reasons. First, the role of 936 funds in motivating twin plant investment has apparently been limited by investors' preoccupation with other cost factors. In particular, labor costs are much lower in the Caribbean Basin than in Puerto Rico.[2] Thus, even without preferential loans, firms find that undertaking the labor-intensive portions of their production process in the Caribbean is profitable. Twin plants arise largely because firms also find that finishing, quality control, and capital intensive processes can be accomplished profitably under liberal corporate tax regulations available in Puerto Rico. Second, 936 funds can only be released for investment in CBERA countries if the host country has signed a Tax Information Exchange Agreement (TIEA) with the United States. To date, four countries—Grenada, Jamaica, Barbados and St. Lucia—have signed TIEA's. Since the number of countries that have signed such agreements is limited, the number of legitimate host countries for 936-funded projects is limited as well. According to DOC analysts, no 936 funds have been used directly for investment in the CBERA region.

[1] "General Information on Puerto Rico's Caribbean Economic Development Program with a Report on Production Sharing Projects between Puerto Rico and the Caribbean," Commonwealth of Puerto Rico Economic Development Administration, Feb. 19, 1987.

[2] Puerto Rico observes a minimum wage equivalent to that of the United States.

Conclusion

Throughout the Caribbean Basin, investment in the production of goods that are eligible for duty-free treatment under the CBERA has occurred without posing significant adjustment problems to U.S. industries or providing many benefits to U.S. consumers. With the exception of a small number of projects, most have been undertaken in product areas and with productive capacities that are unlikely to generate exports to the United States that threaten the market position of U.S. industries or consumers. In particular, much eligible investment has taken place in winter fruit and vegetables, a market that would suffer annual shortfalls in supply without imported production. Additionally, eligible investment has occurred in the assembly of electrical and electronic components (although less than in prior years) without generating significantly larger exports. Also, large-scale investment has taken place in the production of fresh pineapple. The effects of this added production on the domestic U.S. industry based in Hawaii will depend on whether or not the quantity consumed in the U.S. market, particularly in the eastern United States, is stimulated. Finally, much investment has taken place in the region in products that do not qualify for duty-free treatment under the CBERA. In particular, the tourism industry and the textiles and apparel industry have experienced large numbers of investment projects during the current reporting period. Of these, the textiles and apparel industry appears to offer some potential for generating exports to the United States that could affect competitive U.S. industries.[3] In general, however, specific data regarding employment, potential capacity, or potential exports to the United States are not available concerning any of the projects mentioned above. Thus, accurate quantitative projections of the effects of investment projects cited in the this report are not available.

[3] Note that the textile products assembled in the region would gain duty-free status given the enactment of the recently proposed CBERA II. This legislation would provide duty-free treatment for certain textile articles constructed wholly from U.S.-made and cut cloth.

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APPENDIX A
STATISTICAL TABLES

Table A-1

U.S. imports for consumption from the Dominican Republic, by reported duty treatment, 1983-86

(In thousands of dollars, customs value)

Item	*1983*	*1984*	*1985*	*1986*	*Absolute change, 1986 over 1983*	*Percentage change, 1986 over 1983*
Total imports	806,520	994,427	965,847	1,058,927	252,406	31.30
Dutiable value[1]	259,067	123,806	131,838	141,884	-117,183	-45.23
Duty free under—						
MFN	329,972	395,733	342,368	349,685	19,713	5.97
TSUS items 806.30/807.00	111,579	143,093	178,221	236,697	125,119	112.14
GSP	97,662	98,945	130,610	129,014	31,352	32.10
CBERA	-	222,462	173,693	192,137	[2]-30,325	[2]-13.63
GSP/CBERA, total	97,662	321,407	304,303	321,151	223,489	228.84
Other special rate provisions	8,241	10,389	9,116	9,509	1,269	15.40
	Percent of total					
Total imports	100.00	100.00	100.00	100.00	-	-
Dutiable value[1]	32.12	12.45	13.65	13.40	-	-
Duty free under—						
MFN	40.91	39.80	35.45	33.02	-	-
TSUS items 806.30/807.00	13.83	14.39	18.45	22.35	-	-
GSP	12.11	9.95	13.52	12.18	-	-
CBERA	-	22.37	17.98	18.14	-	-
GSP/CBERA, total	12.11	32.32	31.51	30.33	-	-
Other special rate provisions	1.02	1.04	0.94	0.90	-	-

[1] Reported dutiable value has been reduced by the U.S. content of articles imported under TSUS items 806.30 and 807.00, which enter without duty.

[2] 1986 over 1984.

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

Table A-2

U.S. imports from the Dominican Republic: Calculated duties, eligibility, and utilization of the GSP and CBERA programs, 1983-86

Item	*1983*	*1984*	*1985*	*1986*
Adjusted calculated duties (1,000 dollars)[1]	14,797	18,215	19,757	24,246
Average duty (percent)[2]	5.71	14.71	14.99	17.09
Eligible duty-free under GSP (1,000 dollars)[3]	289,251	362,354	335,645	336,266
Reported entering under GSP (1,000 dollars)	97,662	98,945	130,610	129,014
GSP utilization ratio (percent)[4]	33.76	27.31	38.91	38.37
Eligible duty-free under CBERA (1,000 dollars)[5]	358,765	443,862	426,498	445,692
Reported entering under the CBERA (1,000 dollars)	-	222,462	173,693	192,137
CBERA utilization ratio (percent)[6]	-	50.12	40.73	43.11

[1] Calculated duty has been adjusted to account for the value of U.S. content of articles imported under tariff provisions 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 TSUS 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 A-3

U.S. imports for consumption from Costa Rica, by reported duty treatment, 1983-86

(In thousands of dollars, customs value)

Item	1983	1984	1985	1986	Absolute change, 1986 over 1983	Percentage change, 1986 over 1983
Total imports	386,520	468,633	489,294	646,508	259,988	67.26
Dutiable value[1]	71,739	46,007	52,618	93,697	21,957	30.61
Duty free under—						
MFN	201,978	227,299	237,529	284,105	82,128	40.66
TSUS items 806.30/807.00	61,348	72,139	71,364	91,669	30,321	49.43
GSP	51,088	57,110	52,715	59,529	8,441	16.52
CBERA	-	65,756	72,833	115,843	[2]50,087	[2]76.17
GSP/CBERA, total	51,088	122,866	125,548	175,372	124,283	243.27
Other special rate provisions	366	323	2,235	1,665	1,299	354.66
	Percent of total					
Total imports	100.00	100.00	100.00	100.00	-	-
Dutiable value[1]	18.56	9.82	10.75	14.49	-	-
Duty free under—						
MFN	52.26	48.50	48.55	43.94	-	-
TSUS items 806.30/807.00	15.87	15.39	14.59	14.18	-	-
GSP	13.22	12.19	10.77	9.21	-	-
CBERA	-	14.03	14.89	17.92	-	-
GSP/CBERA, total	13.22	26.22	25.66	27.13	-	-
Other special rate provisions	.09	.07	.46	.26	-	-

[1] Reported dutiable value has been reduced by the U.S. content of articles imported under TSUS items 806.30 and 807.00, which enter without duty.
[2] 1986 over 1984.

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

Table A-4

U.S. imports from Costa Rica: Calculated duties, eligibility, and utilization of the GSP and CBERA programs, 1983-86

Item	1983	1984	1985	1986
Adjusted calculated duties (1,000 dollars)[1]	6,512	7,135	8,417	13,801
Average duty (percent)[2]	9.08	15.51	16.00	14.73
Eligible duty free under GSP (1,000 dollars)[3]	62,035	86,332	73,142	100,860
Reported entering under GSP (1,000 dollars)	51,088	57,110	52,715	59,529
GSP utilization ratio (percent)[4]	82.35	66.15	72.07	59.02
Eligible duty free under CBERA (1,000 dollars)[5]	140,563	185,446	175,724	226,554
Reported entering under the CBERA (1,000 dollars)	-	65,756	72,833	115,843
CBERA utilization ratio (percent)[6]	-	35.46	41.45	51.13

[1] Calculated duty has been adjusted to account for the value of U.S. content of articles imported under tariff provisions 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 TSUS 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 A-5

U.S. imports for consumption from Haiti, by reported duty treatment, 1983-86

(In thousands of dollars, customs value)

Item	1983	1984	1985	1986	Absolute change, 1986 over 1983	Percentage change, 1986 over 1983
Total imports	337,483	377,413	386,697	368,369	30,885	9.15
Dutiable value[1]	84,238	80,301	93,426	86,726	2,488	2.95
Duty free under—						
MFN	44,524	39,630	31,963	24,401	-20,123	-45.20
TSUS items 806.30/807.00	139,404	143,343	149,240	142,041	2,637	1.90
GSP	64,251	80,866	52,998	48,515	-15,737	-24.49
CBERA	-	21,856	46,554	60,660	[2]38,804	[2]177.55
GSP/CBERA, total	64,251	102,722	99,552	109,175	44,924	69.92
Other special rate provisions	5,066	11,418	12,516	6,026	960	18.94
	Percent of total					
Total imports	100.00	100.00	100.00	100.00	-	-
Dutiable value[1]	24.96	21.28	24.16	23.54	-	-
Duty free under—						
MFN	13.19	10.50	8.27	6.62	-	-
TSUS items 806.30/807.00	41.31	37.98	38.59	38.56	-	-
GSP	19.04	21.43	13.71	13.17	-	-
CBERA	-	5.79	12.04	16.47	-	-
GSP/CBERA, total	19.04	27.22	25.74	29.64	-	-
Other special rate provisions	1.50	3.03	3.24	1.64	-	-

[1] Reported dutiable value has been reduced by the U.S. content of articles imported under TSUS items 806.30 and 807.00, which enter without duty.

[2] 1986 over 1984.

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

Table A-6

U.S. imports from Haiti: Calculated duties, eligibility, and utilization of the GSP and CBERA programs, 1983-86

Item	1983	1984	1985	1986
Adjusted calculated duties (1,000 dollars)[1]	9,971	10,088	12,438	12,318
Average duty (percent)[2]	11.84	12.56	13.31	14.20
Eligible duty free under GSP (1,000 dollars)[3]	176,864	211,770	202,227	194,673
Reported entering under GSP (1,000) dollars	64,251	80,866	52,998	48,515
GSP utilization ratio (percent)[4]	36.33	38.19	26.21	24.92
Eligible duty free under CBERA (1,000 dollars)[5]	216,092	243,503	249,398	233,444
Reported entering under the CBERA (1,000 dollars)	-	21,856	46,554	60,660
CBERA utilization ratio (percent)[6]	-	8.98	18.67	25.98

[1] Calculated duty has been adjusted to account for the value of U.S. content of articles imported under tariff provisions 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 TSUS 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 A-7

U.S. imports for consumption from Guatemala, by reported duty treatment, 1983-86

(In thousands of dollars, customs value)

Item	*1983*	*1984*	*1985*	*1986*	*Absolute change, 1986 over 1983*	*Percentage change, 1986 over 1983*
Total imports	374,692	446,267	399,617	614,708	240,016	64.06
Dutiable value[1]	92,028	59,456	41,570	44,341	-47,687	-51.82
Duty free under—						
MFN	207,638	267,693	256,936	455,607	247,968	119.42
TSUS items 806.30/807.00	840	2,667	5,694	8,994	8,154	970.55
GSP	73,215	71,831	50,452	44,576	-28,640	-39.12
CBERA	–	43,442	43,138	58,888	[2]15,446	[2]35.56
GSP/CBERA combined	73,215	115,273	93,590	103,464	30,249	41.32
Other special rate provisions	970	1,178	1,827	2,302	1,332	137.32
	Percent of total					
Total imports	100.00	100.00	100.00	100.00	–	–
Dutiable value[1]	24.56	13.32	10.40	7.21	–	–
Duty free under—						
MFN	55.42	59.98	64.30	74.12	–	–
TSUS items 806.30/807.00	.22	.60	1.42	1.46	–	–
GSP	19.54	16.10	12.63	7.25	–	–
CBERA	–	9.73	10.79	9.58	–	–
GSP/CBERA combined	19.54	25.83	23.42	16.83	–	–
Other special rate provisions	.26	.26	.46	.37	–	–

[1] Reported dutiable value has been reduced by the U.S. content of articles imported under TSUS items 806.30 and 807.00, which enter without duty.
[2] 1986 over 1984.

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

Table A-8

U.S. imports from Guatemala: Calculated duties, eligibility, and utilization of the GSP and CBERA programs, 1983-86

Item	*1983*	*1984*	*1985*	*1986*
Adjusted calculated duties (1,000 dollars)[1]	3,208	2,870	2,335	2,789
Average duty (percent)[2]	3.49	4.83	5.62	6.29
Eligible duty free under GSP (1,000 dollars)[3]	81,905	93,827	72,026	86,321
Reported entering under GSP (1,000 dollars)	73,215	71,831	50,452	44,576
GSP utilization ratio (percent)[4]	89.39	76.56	70.05	51.64
Eligible duty free under CBERA (1,000 dollars)[5]	115,918	136,518	111,105	112,538
Reported entering under the CBERA (1,000 dollars)	–	43,442	43,138	58,888
CBERA utilization ratio (percent)[6]	–	31.82	38.83	52.33

[1] Calculated duty has been adjusted to account for the value of U.S. content of articles imported under tariff provisions 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 TSUS 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 A-9

U.S. imports for consumption from Honduras, by reported duty treatment, 1983-86

(In thousands of dollars, customs value)

Item	*1983*	*1984*	*1985*	*1986*	*Absolute change, 1986 over 1983*	*Percentage change, 1986 over 1983*
Total imports	364,742	393,769	370,219	430,906	66,165	18.14
Dutiable value[1]	75,518	20,020	18,046	25,180	-50,337	-66.66
Duty free under—						
MFN	222,140	250,215	258,253	307,679	85,540	38.51
TSUS items 806.30/807.00	17,828	18,371	20,784	22,868	5,040	28.27
GSP	48,847	42,683	24,870	18,477	-30,370	-62.17
CBERA	-	60,198	45,072	54,345	[2]-5,853	[2]-9.72
GSP/CBERA combined	48,847	102,881	69,942	72,822	23,975	49.08
Other special rate provisions	410	2,281	3,193	2,357	1,947	475.05
	Percent of total					
Total imports	100.00	100.00	100.00	100.00	-	-
Dutiable value[1]	20.71	5.08	4.87	5.84	-	-
Duty free under—						
MFN	60.90	63.54	69.76	71.40	-	-
TSUS items 806.30/807.00	4.89	4.67	5.61	5.31	-	-
GSP	13.39	10.84	6.72	4.29	-	-
CBERA	-	15.29	12.17	12.61	-	-
GSP/CBERA combined	13.39	26.13	18.89	16.90	-	-
Other special rate provisions	.11	.58	.86	.55	-	-

[1] Reported dutiable value has been reduced by the U.S. content of articles imported under TSUS items 806.30 and 807.00, which enter without duty.

[2] 1986 over 1984.

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

Table A-10

U.S. imports from Honduras: Calculated duties, eligibility and utilization of the GSP and CBERA programs, 1983-86

Item	*1983*	*1984*	*1985*	*1986*
Adjusted calculated duties (1,000 dollars)[1]	4,448	2,128	2,481	3,694
Average duty (percent)[2]	5.89	10.63	13.75	14.67
Eligible duty free under GSP (1,000 dollars)[3]	65,087	74,036	54,960	51,913
Reported entering under GSP (1,000 dollars)	48,847	42,683	24,870	18,477
GSP utilization ratio (percent)[4]	75.05	57.65	45.25	35.59
Eligible duty free under CBERA (1,000 dollars)[5]	128,892	126,682	91,996	95,891
Reported entering under the CBERA (1,000 dollars)	-	60,198	45,072	54,345
CBERA utilization ratio (percent)[6]	-	47.52	48.99	56.67

[1] Calculated duty has been adjusted to account for the value of U.S. content of articles imported under tariff provisions 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 TSUS 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 A-11
U.S. imports for consumption from Jamaica, by reported duty treatment, 1983-86

Item	*1983*	*1984*	*1985*	*1986*	*Absolute change, 1986 over 1983*	*Percentage change, 1986 over 1983*
Total imports	262,360	396,949	267,016	297,891	35,531	13.54
Dutiable value[1]	19,100	21,094	42,713	69,740	50,641	265.14
Duty free under—						
MFN	198,430	286,305	134,012	112,066	-86,364	-43.52
TSUS items 806.30/807.00	8,536	15,967	29,172	50,923	42,387	496.59
GSP	35,502	28,074	18,592	12,440	-23,062	-64.96
CBERA	-	44,737	40,449	51,088	[2]6,351	[2]14.20
GSP/CBERA , total	35,502	72,811	59,041	63,528	28,026	78.94
Other special rate provisions	793	773	2,078	1,633	840	105.92
	Percent of total					
Total imports	100.00	100.00	100.00	100.00	-	-
Dutiable value[1]	7.28	5.31	16.00	23.41	-	-
Duty free under—						
MFN	75.63	72.13	50.19	37.62	-	-
TSUS items 806.30/807.00	3.25	4.02	10.93	17.09	-	-
GSP	13.53	7.07	6.96	4.18	-	-
CBERA	-	11.27	15.15	17.15	-	-
GSP/CBERA, total	13.53	18.34	22.11	21.33	-	-
Other special rate provisions	.30	.19	.78	.55	-	-

[1] Reported dutiable value has been reduced by the U.S. content of articles imported under TSUS items 806.30 and 807.00, which enter without duty.
[2] 1986 over 1984.

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

Table A-12
U.S. imports from Jamaica: Calculated duties, eligibility, and utilization of the GSP and CBERA programs, 1983-86

	1983	*1984*	*1985*	*1986*
Adjusted calculated duties (1,000 dollars)[1]	2,933	3,000	6,273	10,734
Average duty (percent)[2]	15.36	14.22	14.69	15.39
Eligible duty free under GSP (1,000 dollars)[3]	37,828	42,008	42,266	36,472
Reported entering under GSP (1,000 dollars)	35,502	28,074	18,592	12,440
GSP utilization ratio (percent)[4]	93.85	66.83	43.99	34.11
Eligible duty free under CBERA (1,000 dollars)[5]	49,317	86,369	84,706	86,930
Reported entering under the CBERA (1,000 dollars)	-	44,737	40,449	51,088
CBERA utilization ratio (percent)[6]	-	51.80	47.75	58.77

[1] Calculated duty has been adjusted to account for the value of U.S. content of articles imported under tariff provisions 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 TSUS 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 B
DATA PROBLEMS AND THE USITC CBERA REPORT

DATA PROBLEMS AND THE USITC CBERA REPORT

Under the Caribbean Basin Economic Recovery Act (CBERA) the Commission is responsible for an annual report on the probable future effects of the act. In its *First CBERA Report*, the Commission determined that, after the one-time elimination of duties on imports from the Caribbean Basin, "any future effects of the tariff concession will occur through export-oriented investment in the region."[1] In short, today's investments are a barometer of tomorrow's exports. Thus, an analysis of investment projects in the region could provide an indication of future exports from the region. To the extent that the investment projects can be shown to be in areas directly benefiting from the duty-free preferences enacted by the CBERA, such projects could reasonably be concluded to have resulted at least in part from the CBERA. The prerequisite for the analysis would be information on investment in export-oriented products in the CBERA region. The Commission, being an independent, factfinding agency, does not have the authority or the capability to monitor ongoing investment in the Caribbean Basin region. It is dependent on external sources for such information.

For the Commission's *First CBERA Report*, the staff relied on information on investment activities published by the Caribbean Basin Initiative (CBI) Business Center of the Department of Commerce.[2] The published list,[3] from a survey completed in mid-1985, showed that 285 businesses had begun operations in Central America and the Caribbean since the enactment of the CBI. A GAO study,[4] undertaken at the request of the Chairman of the Subcommittee on Oversight of the House Ways and Means Committee, determined that the Commerce list was not a reliable indicator of business investments made as a result of the CBI. GAO recommended that a new survey be conducted in order "to develop reliable data on CBI-related business activity."[5] To date, there is no comprehensive and reliable source of investment data for the region. Among the considerations necessary for accurate information as pointed out by the GAO report were the following: whether or not the product to be exported is advantaged under CBERA provisions, and whether or not the product will be exported to the United States.

The Commerce Department's 1986 CBI Investment Survey is currently underway.[6] The USITC staff was provided with preliminary data from the ongoing survey for the purposes of this second CBERA report. The data, although providing an indication of the extent and scope of investment in the CBI region, were not specific enough to allow a detailed analysis that would have resulted in projections of future trade to the

[1] *First CBERA Report*, p. 4-1.
[2] Since the report focused on investment that would result in imports to the United States that were eligible for duty-free entry under the CBERA and not under the GSP, a selected subset of the investment projects included in the published list was ultimately relied upon.
[3] U.S. Department of Commerce, *Caribbean Basin Initiative Business Bulletin*, June and August 1985.
[4] U.S. General Accounting Office, *Caribbean Basin*

[4]—*Continued. Initiative: Need for More Reliable Data on Business Activity Resulting From the Initiative*, August 1986, GAO/NSIAD-86-201BR.
[5] The GAO report's main conclusion is quoted in its entirety: "Commerce's 1985 list is not a reliable indicator of business investments made as a result of the CBI. We believe that reliable information on CBI-related businesses would be helpful in measuring program effectiveness. Furthermore, information on successful ventures, when appropriately publicized, can inform and encourage potential investors. Therefore, it is important for Commerce to develop reliable data on CBI-related business activity. Such data should differentiate among (1) proposed and actual investments, (2) new firms opened and expanded as a result of CBI trade provisions, and (3) new business activities whose relationship to CBI may be less direct. This would lessen the risk that the information would be misinterpreted or misrepresented." GAO, Ibid., p. 4.
[6] The Caribbean Basin Investment Survey will identify the vast majority of new foreign exchange-earning equity investments in the CBI beneficiary countries during the first 3 years of the CBI (1984-86). The survey will seek to identify the investment registration date, size of investment, employment generated, products produced, annual sales, principal markets, ownership, and utilization of U.S. Government programs. Information on investments made in the Caribbean Basin since the inception of the CBI is needed primarily to gauge the effectiveness of the overall program and its subparts, and to indicate areas where changes or improvements may be needed to increase effectiveness.

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United States.[7] Only such detailed information will permit the USITC to meet the mandate contained in section 215 of the CBERA. Therefore, it is essential that the investment survey currently being conducted by the Department of Commerce be updated regularly. Such a continuous, ongoing data base will ensure that the intention of Congress for accurate information on the impact of the act will be fulfilled.

[7] For the *First CBERA Report*, the USITC 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. (Investment projects in tourism, data entry, and other service areas, beneficial though they may be to beneficiary countries, cannot be concluded to be a result of CBERA duty-free provisions because no such provisions are applicable to such industries.) 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 Confidential Business Information. Such projections were provided in order to indicate the magnitude of anticipated growth in exports in the particular product categories discussed.

Although the preliminary data from the Commerce Department's CBI Investment Survey did not generally contain specifics such as production, employment, TSUS number, etc., it is hoped that the final, verified information will contain such detail.

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APPENDIX C
FEDERAL REGISTER NOTICES

The following notice appeared in the *Federal Register*, Vol. 51, No. 93, Wednesday May 14, 1986, on page 17678.

UNITED STATES INTERNATIONAL TRADE COMMISSION

Washington, D.C. 20436

Investigation No. 332-227

Annual Reports on the Impact of the Caribbean Basin Economic Recovery Act on U.S. Industries and Consumers

AGENCY: United States 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, D.C. 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 probable 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 productive 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 productive 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 year.

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. Commercial or 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 section 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, D.C.

Hearing-impaired persons are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on (202) 724-0002.

By order of the Commission.

Kenneth R. Mason
Secretary

Issued: May 7, 1986

The following notice appeared in the *Federal Register*, Vol. 51, No. 98, Wednesday May 21, 1986, on page 18678.

UNITED STATES INTERNATIONAL TRADE COMMISSION

Washington, D.C. 20436

Investigation No. 332-227

Annual Reports on the Impact of the Caribbean Basin Economic Recovery Act on U.S. Industries and Consumers

AGENCY: United States 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].

By order of the Commission.

Kenneth R. Mason
Secretary

Issued: May 14, 1986

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