CARIBBEAN BASIN ECONOMIC RECOVERY ACT ON U.S. INDUSTRIES AND CONSUMERS

Report to Congress and the
President on Investigation
No. 332-227 Under Section
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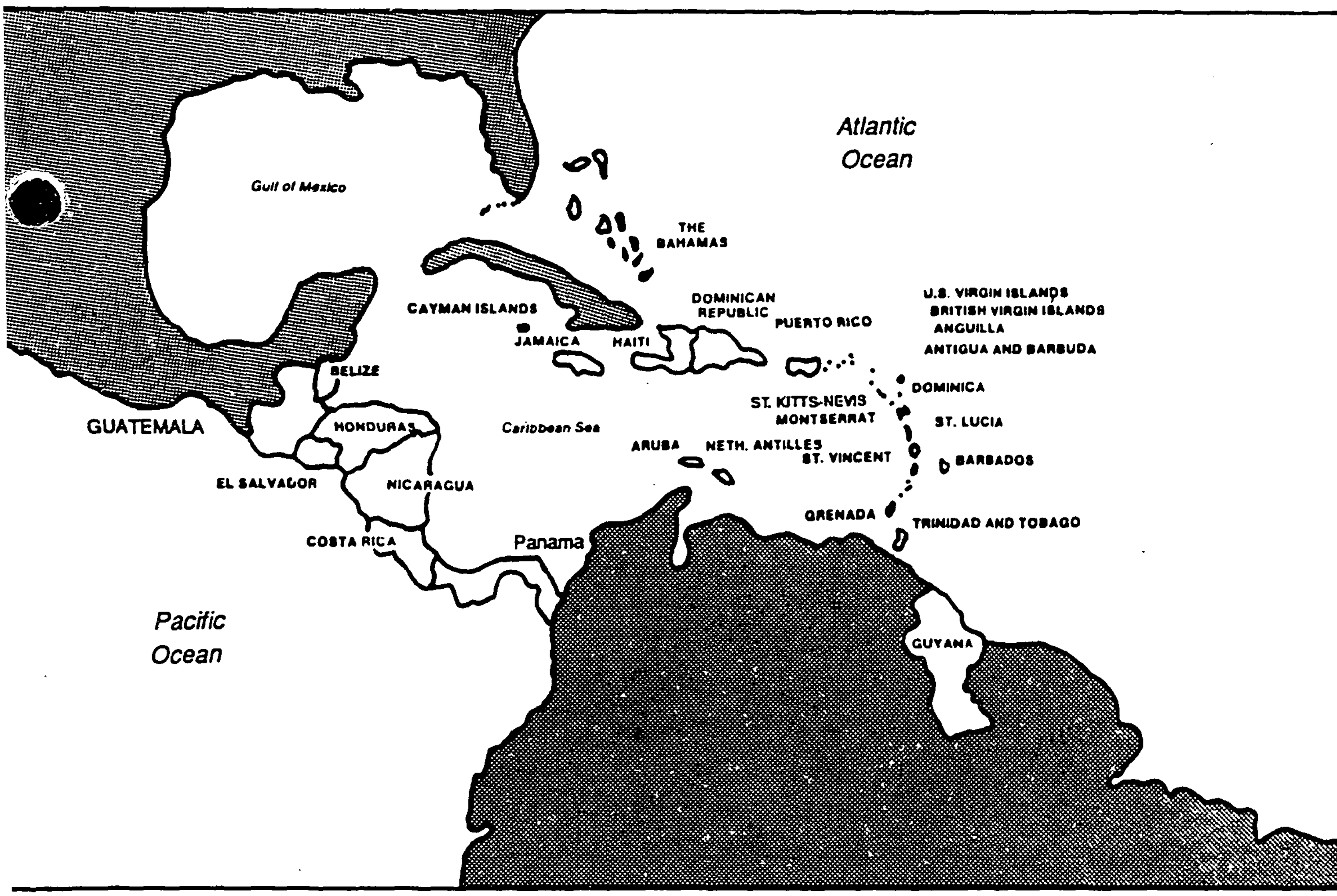
Act of 1930

Ninth Report 1993

The First Ten Years of CBERA



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

Ninth Report
1993

The First Ten Years of CBERA

Investigation No. 332–227

Publication 2813

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PREFACE

The submission of this study to the Congress and to the President continues a series of annual reports by the U.S. International Trade Commission (USITC) on the impact of the Caribbean Basin Economic Recovery Act (CBERA) on U.S. industries and consumers. The reports are mandated by section 215(a) of the act, which requires that the USITC report annually on the operation of the program. The present study fulfills the requirement for calendar year 1993, the 10th year of program operation. In addition to the issues addressed each year with some regularity, this report includes a discussion of the first 10 years of CBERA.

The CBERA, enacted on August 5, 1983 (Public Law 98-67, title II), authorized the President to proclaim duty-free treatment for eligible articles from designated Caribbean Basin countries. Duty-free treatment became effective January 1, 1984. Section 215 of the act requires the Commission to assess actual and probable effects of CBERA in the future on the U.S. economy generally, on U.S. industries producing like products or products directly competitive with those imported from beneficiary countries, and on U.S. consumers. It requires the USITC to submit its report to the President and the Congress by September 30 of each year.

The report contains four chapters and three appendices. Chapter 1 provides a 10-year retrospective of legislative and regulatory developments resulting from the Caribbean Basin Initiative (CBI) of 1982. Chapter 1 also presents tabular and descriptive material on U.S. trade with CBERA-eligible countries and CBERA-related investment activity in the first 10 years of the program. Chapter 2 discusses certain recent legislative developments and their implications for CBERA countries, including the implementation of the North American Free-Trade Agreement (NAFTA). Chapter 3 addresses the effects of CBERA in 1993 on the economy, industries, and consumers of the United States. Chapter 4 examines the probable future effects of CBERA through discussions of investment activity in the region and of the products most likely to be exported to the United States in the near future under the CBERA program. Appendix A contains a copy of the *Federal Register* notice by which the USITC solicited public comments for this investigation and a list of submissions received. Appendix B contains the definition of product categories used in table 1-8 and additional tabular presentations. Appendix C explains the economic model used to derive the findings presented in chapter 3.

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EXECUTIVE SUMMARY

The United States launched the Caribbean Basin Initiative (CBI) in 1982 in an effort to promote political and social stability in the Caribbean (including Central American) region. CBI contained incentives to foreign and domestic private investors in nontraditional economic sectors, with the goal of helping to diversify Caribbean production and exports away from more volatile and less lucrative traditional commodities.

CBI spawned the Caribbean Basin Economic Recovery Act (CBERA), whose principal feature was the extension by the United States of nonreciprocal duty-free treatment to most products of designated Caribbean countries. At the end of 1993, CBERA had been in operation for 10 years and counted 24 countries as designated beneficiaries (CBERA countries).

Section 215 of the statute requires the U.S. International Trade Commission to prepare an annual report reviewing CBERA's actual and probable future effect on the United States' economy generally, on U.S. industries, and on U.S. consumers. For this year's edition of the report, the Commission also undertook a retrospective on CBERA's first decade of operation. Following are highlights of that examination and of key CBERA-related developments during 1993:

- Several of the trade measurements presented herein might suggest, at first glance, that CBERA has had little or no positive effect on the region's trade with the United States. In the first 10 years of CBERA, the CBERA countries' combined share in global U.S. imports actually declined from 2.7 percent in 1984 to 1.8 percent in 1993. By the end of CBERA's first decade, U.S. imports from the region had risen by just 17 percent, amounting in 1993 to $10.1 billion.
- Other key trade and investment indicators suggest that CBERA and related U.S. policies have contributed to the realization of the CBI's original objective of fostering economic modernization in the Caribbean. By encouraging production and exports of various nontraditional agricultural and manufactured products, CBERA has helped to cushion the effects of lower world-market prices for several of the region's traditional, resource-based exports--particularly petroleum.
- While petroleum and other traditional products--coffee, bananas, sugar and beef--continue to play a significant role in Caribbean production and exports, products entering the United States from CBERA countries increasingly reflect accomplishments in Caribbean diversification. The share of manufactures in overall U.S. imports from CBERA countries increased from 18.2 percent in 1984 to 58.5 percent in 1993. Shipments of such products as apparel, leather footwear, aromatic drugs, medical instruments, and jewelry have all increased.
- CBERA countries have diversified into industries that do not qualify for CBERA duty-free treatment, as witnessed by a dramatic rise in the region's apparel production and exports to the U.S. market. The Caribbean was the fastest growing source of U.S. imports of textiles and apparel over the 5 years from 1989-93, outpacing both Mexico and China. A Special Access Program (SAP) created by the United States in 1986 for CBERA-country apparel made with U.S. inputs contributed to this success.
- CBERA's significance in U.S. imports from CBERA countries has increased markedly. In 1984, imports actually entered under CBERA accounted for only $578 million or 6.7 percent of overall U.S. imports from CBERA countries. By comparison, imports entered duty free under CBERA amounted to $1.9 billion in 1993 and accounted for 18.5 percent of the total.
- On the other hand, only $1.0 billion of the $1.9 billion worth of U.S. imports that entered under CBERA in 1993 could not have received duty-free entry under any other program. In 1993, the

leading import items benefiting exclusively from CBERA were leather footwear uppers, certain aromatic drugs, beef and veal, pineapples, raw cane sugar, ethyl alcohol, and miscellaneous medical and surgical instruments. The effect of U.S. imports under CBERA on the U.S. economy and consumers continued to be negligible in 1993.

- A review of imports under CBERA and under U.S. tariff provisions for assembled products containing U.S. components (subchapter II of chapter 98 of the HTS) provides evidence of greater production sharing between the United States and the Caribbean region. The notable rise in two-way trade in "miscellaneous manufactures" during the decade is the most prominent example of such economic integration. On the U.S. export side, this category includes U.S. inputs into new, nontraditional Caribbean production and exports. On the U.S. import side, "miscellaneous manufactures" includes apparel and items entering under CBERA, such as leather footwear, jewelry, and medical and surgical instruments.
- U.S. exports to CBERA countries doubled in current value since CBERA took effect, amounting to $11.9 billion in 1993. Meanwhile, the region's role as a destination of U.S. exports to the world remained fairly stable, accounting for 2.8 percent in 1984 and 2.7 percent in 1993.
- During CBERA's first decade, U.S. exports increased in all major product categories as Caribbean diversification and modernization generated greater foreign exchange earnings and additional demand for U.S. products, particularly manufactured goods. The share of manufactures in the U.S. export mix to CBERA countries increased from 64.3 percent in 1984 to 70.6 percent in 1993. The Dominican Republic, Costa Rica, and Guatemala--the leading CBERA suppliers--were the leading destinations of U.S. exports among CBERA countries in 1993.
- Whereas at the beginning of the first CBERA decade the United States had a collective trade deficit with the CBERA countries, in the 4th year of the program, the trade balance shifted in favor of the United States. In 1993, the U.S. surplus amounted to $1.8 billion, the largest in the CBERA years, making the region one of the few in the world with which the United States enjoyed a sustained trade surplus.
- Although no definitive data are available for U.S. investment activity generated by CBERA trade preferences, there is evidence that CBERA duty-free entry of goods has provided an incentive for direct investment flows to the region. Some of the top recipients of such investment--the Dominican Republic, Costa Rica, and Guatemala--are also leading destinations of U.S. exports to Caribbean countries and leading CBERA beneficiaries. In this year's report, the Commission identifies investment in export-oriented, CBERA-related projects valued at $87.4 million during 1993. These included 39 new projects and the expansion of 10 existing projects in such fields as electronics, footwear, jewelry, and food processing.
- Despite the achievements several CBERA countries have made, a few continue to encounter difficulties in diversifying their economies and drawing overseas investor interest. Weak economic performance, political instability, inadequate physical infrastructure, uncertain property rights and lingering barriers to trade and investment all appear to be frustrating progress.
- Jamaica, Trinidad and Tobago, Honduras and Nicaragua are examples of countries that have recently experienced such slow progress. In 1993, Jamaican growth was constrained by heavy debt service, a weaker currency, and high interest rates. Growth in Trinidad and Tobago was an anemic 1 percent. Consumer price inflation doubled in Honduras, the current account deficit widened, debt service took more than a third of the Government's budget, and foreign exchange reserves fell to critical levels. Growth in Nicaragua was flat and consumer price inflation rose, although at a much more moderate pace than it did in the recent past.
- Some bright spots were evident, however. Trinidad and Tobago attracted a $60 million U.S.-owned iron plant, and Honduras continues to attract foreign investment in apparel production and in nontraditional agricultural commodities (melon and shrimp). Honduras will also be the site for a $25 million investment in wire harness production for the U.S. automobile industry. Nicaragua, after suffering steady declines in per capita GDP under years of state control, civil war, and a U.S. trade embargo, has stabilized politically, privatized most state-owned companies, liberalized foreign investment rules, and strengthened property rights.

- Central American and Caribbean leaders remain concerned about NAFTA's impact on their exports and on their attractiveness as a site for foreign investment. Neither of the so-called "NAFTA parity" bills that had been introduced in Congress were passed in 1993. In May 1994, the Clinton Administration proposed an "interim program," which would give CBERA countries essentially the same access to the U.S. market for certain textiles and apparel (valued at roughly $3 billion) as Mexico receives under NAFTA.

CHAPTER 1
Ten Years of the Caribbean Basin Economic Recovery Act

This chapter provides an overview of the Caribbean Basin Economic Recovery Act's (CBERA) first 10 years of operation. The initial section summarizes major CBERA provisions and subsequent legislative changes that affected trade- and investment-related benefits during the decade. The second section analyzes trade between the United States and the beneficiaries of CBERA and CBERA-related investment activity in the Caribbean Basin during the past 10 years.[1]

Genesis of the Program: The Caribbean Basin Initiative

The United States launched the Caribbean Basin Initiative (CBI) in 1982[2] as a response to an economic crisis that was viewed as threatening political and social stability throughout the region.[3] This crisis was triggered by escalating costs of imported oil and declining prices of the Basin's major traditional exports, including sugar, coffee, and bauxite. Changing market conditions sharply reduced earnings from exports and resulted in a heavy debt burden to many countries of the region.[4] In addition, Cuba's regime and the presence of other antidemocratic forces in Nicaragua, Grenada, and other parts of the region were perceived to have already endangered the social and political stability of Caribbean countries.[5]

The proposed CBI was designed to promote stability through economic revitalization of the area. This was to be accomplished principally by providing incentives to foreign and domestic private investors in nontraditional[6] economic sectors to diversify production and exports away from traditional

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[1] General information and specific data on past trade and economic activity under the CBERA can be found in the Commission's prior annual reports in this series. See U.S. International Trade Commission (USITC), *Annual Report on the Impact of the Caribbean Basin Economic Recovery Act on U.S. Industries and Consumers, First Report, 1984-1985*, USITC publication 1897, Sept. 1986. Hereafter in series: *CBERA, First Annual Report, 1984-1985*; *CBERA, Second Annual Report, 1986*, USITC publication 2024, Sept. 1987; *CBERA, Third Annual Report, 1987*, USITC publication 2122, Sept. 1988; *CBERA, Fourth Annual Report, 1988*, USITC publication 2225, Sept. 1989; *CBERA, Fifth Annual Report, 1989*, USITC publication 2321, Sept. 1990; *CBERA, Sixth Annual Report, 1990*, USITC publication 2432, Sept. 1991; *CBERA, Seventh Annual Report, 1991*, USITC publication 2553, Sept. 1992; and *CBERA, Eighth Annual Report, 1992*, USITC publication 2675, Sept. 1993.

[2] President, "Address Before the Permanent Council of the Organization of American States," *Weekly Compilation of Presidential Documents: Administration of Ronald Reagan*, vol. 18, No. 8 (Mar. 1, 1982), pp. 217-223.

[3] Other nations also responded to the plight of Caribbean countries, some of whom benefit from aid and preferential trade agreements with the European Union's Lome Convention and Canada's CARIBCAN. For information on the Lome Convention, see *CBERA, Sixth Annual Report, 1990*, p. 4-7, footnote 57. The CARIBCAN program of Canada, introduced in 1986, offers duty-free access for almost all Commonwealth Caribbean products. The major exclusions are textiles and clothing, footwear, luggage and handbags, leather products, lubrication oils, and methanol.

[4] U.S. Department of State, "Background on the Caribbean Basin Initiative," *Special Report No. 97*, Mar. 1982, p. 10.

[5] President, "Address Before the Permanent Council of the Organization of American States," p. 4.

[6] For additional discussion of nontraditional products and the CBI, see U.S. Department of Commerce, International Trade Administration, Latin America/ Caribbean Business Development Center (LA/C Center), *1991 Guidebook: Caribbean Basin Initiative*, Nov. 1990, pp. 1-4.

Caribbean commodities.[7] [8] The authors of the CBI envisioned integrated, mutually reinforcing measures principally in the form of trade preferences, and tax incentives, and financial and technical assistance to be granted by the U.S. Government to assist private sector investment. In the trade area, the program called specifically for increased Caribbean exports to markets outside the region, including the United States.[9]

Congress incorporated elements of the CBI program into the Caribbean Basin Economic Recovery Act (CBERA) enacted in August 1983. In addition to these legally established benefits, certain U.S. Government agencies set out to implement the CBI through various programs. The United States has provided significant amounts of financial assistance to the Basin through the Agency for International Development (AID), the primary agency responsible for implementing U.S. bilateral foreign assistance.[10] AID provided balance-of-payments support to certain Caribbean governments on the condition that they would take action toward a better legal and regulatory environment for private-sector activity and thereby attract investment and increase exports.[11] AID also created trade and investment promotion organizations, encouraged development of export-processing zones, and provided support for assembly operations.

Other U.S. Government entities provide additional services under the CBI. The Latin American/Caribbean Business Development Center (formerly Caribbean Basin Information Center), established by the Department of Commerce in cooperation with AID, focuses on promoting U.S. exports to the region and providing information to potential U.S. investors. The Overseas Private Investment Corporation (OPIC) and the Export Import Bank (Eximbank) provide financing and insurance to U.S. investors for Caribbean investment projects and exports to the area.[12] The U.S. State Department also facilitates U.S. investment in the region.

CBERA and Subsequent Legislative and Regulatory Developments

The central concept of CBI, the extension of unilateral duty-free entry for most U.S. import categories from the region, became the most important legislative element in CBERA. CBERA, which is still commonly referred to by the broader policy acronym as CBI, was enacted on August 5, 1983, and became effective January 1, 1984.[13] Designed initially to continue for 12 years, CBERA was scheduled to expire on September 30, 1995. However, a subsequent and enhanced version of CBERA, the Caribbean Basin Economic Recovery Expansion Act of 1990 (hereinafter "1990 CBERA")[14] repealed this termination date, making the benefits permanent. Signed into law on August 20, 1990 as part of the Customs and Trade Act of 1990, the enhanced CBERA also expanded the program in many respects.[15] Major provisions of the original CBERA, subsequent enhancements, provisions of the 1990 CBERA, and other relevant developments that followed are discussed below.

CBERA Beneficiaries

Section 212(b) of CBERA lists 27 Caribbean, Central American, and South American countries and territories as potentially eligible for CBERA benefits, but gives the President the authority to designate eligible beneficiaries, to terminate beneficiary status, and to suspend or limit a country's CBERA benefits

[7] Report of the Committee on Ways and Means, on *The Committee Delegation Mission to the Caribbean Basin*, May 6, 1987, p. 1.

[8] Traditional products of the Caribbean Basin countries include bananas, sugar, beef, tobacco products, coffee, rum, bauxite and aluminum ores. Nontraditional products include such products as apparel, seafood, winter vegetables, and wood furniture.

[9] U.S. Department of State, "Background on the Caribbean Basin Initiative," p. 10.

[10] U.S. General Accounting Office, *Foreign Assistance: U.S. Support for Caribbean Assembly Industries*, Dec. 1993 (GAO/NSIAD-94-31), p. 2.

[11] Ibid., pp. 24-25.

[12] For additional information on the activities of these U.S. agencies, see Ibid., pp. 25-33.

[13] Public Law 98-67, Title II, 97 Stat. 384, 19 U.S.C. 2701 and et seq. Relatively minor amendments to the CBERA were made by Public Laws 98-573, 99-514, 99-570, and 100-418.

[14] In other reports, the Caribbean Basin Economic Recovery Expansion Act is referred to as CBEREA, CBERA II, or CBI II.

[15] Customs and Trade Act of 1990, Public Law 101-382, Title II, 104 Stat. 629, 19 U.S.C. 2101 note.

in certain respects.[16] When Aruba gained independence from the Netherlands Antilles in 1986, the number of potentially eligible CBERA countries and territories increased to 28.[17]

The implementation of the CBERA began with 20 initial beneficiaries (hereinafter CBERA countries) designated by President Reagan.[18] In March 1985, President Reagan designated the Bahamas and in April 1986 he designated Aruba, effective retroactively to January 1, 1986.[19] On March 23, 1988, Panama was removed from the list of designated CBERA countries for lack of cooperation in preventing controlled substances from being sold to U.S. Government personnel in Panama or from being transported to the United States,[20] but was later reinstated by President Bush, effective March 17, 1990.[21] President Reagan also designated Guyana as a new beneficiary, effective November 24, 1988,[22] and President Bush added Nicaragua on November 7, 1990,[23] raising the number of designated CBERA countries to 24.

President Bush declared an embargo on nonhumanitarian exports to most imports from Haiti, following an October 1991 military coup that overthrew Haitian President Jean-Bertrand Aristide.[24] Although the embargo effectively suspended Haiti's CBERA tariff benefits, the country did not formally lose its CBERA designation.[25] There have been no new designations or removals since 1990; therefore, the number of CBERA countries remains at 24. The current list of CBERA countries is shown in table 1-1

The 1990 CBERA adds provisions on workers' rights to prohibit the President from designating any country as a CBERA beneficiary if that country has not taken or is not taking steps to afford internationally recognized worker rights, as defined under the U.S. Generalized System of Preferences (GSP) program.[26] This criterion had been added to the GSP in 1984.

Duty and Quota Benefits

At the time CBERA became operative, the United States had afforded most-favored-nation (MFN) tariff treatment[27] to all CBERA countries in accordance with U.S. international obligations under the General Agreement on Tariffs and Trade (GATT) or other agreements.[28] In 1983, the last year before CBERA, 20.5 percent of U.S. imports from the Caribbean

[16] For specific provisions pertaining to the designation of countries and territories as eligible for CBERA benefits, see sec. 212(a) of the CBERA. For a more detailed discussion of these provisions, see USITC, *CBERA, Seventh Annual Report*, 1991, p. 1-2.

[17] Presidential Proclamation 5458, "To Designate Aruba As a Beneficiary Country for Purposes of the Generalized System of Preferences and the Caribbean Basin Economic Recovery Act," *Presidential Documents*, Apr. 11, 1986, p. 471.

[18] For the list of the original 20 beneficiaries, see *CBERA, First Annual Report, 1984-1985*, p. ix, footnote 1.

[19] CBERA, First Annual Report, 1984-1985, p. ix, footnote 1. Presidential Proclamations 5133 of Nov. 30, 1983, and 5458 of Apr. 11, 1986; Weekly Compilation of Presidential Documents, Apr. 14, 1986, pp. 471-72.

[20] Presidential Proclamation 6223, Nov. 8, 1990, F.R. Nov. 13, 1990, p. 47447.

[21] 55 F.R. 7685, Mar. 2, 1990.

[22] Presidential Proclamation 5909, Nov. 18, 1988, *Weekly Compilation of Presidential Documents*, Nov. 22, 1988, pp. 47487-88.

[23] Presidential Proclamation 5779 of Mar. 23, 1988, *Federal Register*, Mar. 25, 1988, pp. 9850-51.

[24] "Executive Order 12779 of Oct. 28, 1991, Prohibiting Certain Transactions With Respect to Haiti," *Federal Register*, vol. 56 (Oct. 30, 1991), p. 55975.

[25] On May 6, 1994, the United Nations Security Council voted a nearly total trade embargo on Haiti, effective May 21, 1994. Only medicine, food, and cooking fuels are exempted from this embargo. President Clinton's Executive Order 12917 of May 21, 1994, contains the details as they apply to the United States. (F.R. May 24, 1994.)

[26] The President may waive this condition if he determines that the designation of a particular country would be in the economic or security interest of the United States and reports his determination to Congress. Sec. 212(b), CBERA, as amended. Under the GSP program, internationally recognized worker rights include the right of association, the right to organize and bargain collectively, a prohibition on the use of forced or compulsory labor, a minimum age for the employment of children, and acceptable working conditions regarding minimum wages, hours of work, and occupational safety and health. Sec. 502(a)(4), Trade Act of 1974, (19 U.S.C. 2462 (a) (4)).

[27] Nondiscriminatory MFN treatment became a permanent feature of U.S. trade policy by the Reciprocal Trade Agreements Act of 1934 (Public Law 73-316, ch. 474, approved June 12, 1934, 48 Stat. 943, 19 U.S.C. 1001, 1201, 1351-1354). The basic statute currently in force with respect to MFN treatment is sec. 126(a) of the Trade Act of 1974 [19 U.S.C. 2136 (a)].

[28] MFN tariff rates are set forth in column 1 of the *Harmonized Tariff Schedule of the United States* (*HTS*). The column 1—general duty rates are, for the most part, concessional and have been set through reductions in full statutory rates in negotiations with other countries. For some products, the MFN tariff rate is free.

Table 1–1
Countries designated as eligible for benefits under the CBERA program as of Dec. 31, 1993

Antigua and Barbuda	Grenada	Nicaragua
Aruba	Guatemala	Panama
Bahamas	Guyana	St. Kitts and Nevis
Barbados	Haiti	Saint Lucia
Belize	Honduras	Saint Vincent and the Grenadines
Costa Rica	Jamaica	Trinidad and Tobago
Dominica	Montserrat	Virgin Islands, British
Dominican Republic	Netherlands Antilles	
El Salvador		

Source: *Harmonized Tariff Schedule of the United States (1994)*, general note 7(a).

Basin already had duty-free entry because of their unconditionally free MFN tariff status, and 5.9 percent entered free of duty as the U.S. content of imports under items 806.30 and 807.00 of the former *Tariff Schedules of the United States* (*TSUS*), the predecessor of the *Harmonized Tariff Schedule of the United States* (*HTS*). In addition, before CBERA took effect, all CBERA countries except Nicaragua had been GSP beneficiaries.[29] GSP provides nonreciprocal duty-free entry for qualifying articles under specified conditions,[30] and in 1983 it accounted for 6.5 percent of U.S. imports from countries that subsequently became designated for CBERA. Altogether, 35.3 percent of all U.S. imports from CBERA countries entered free of duty in 1983, that is, even before CBERA became operative.

Similar to GSP programs available for many classes of goods from most developing countries worldwide, CBERA authorized nonreciprocal duty-free entry into the United States for several categories of Caribbean Basin products.[31] Despite their similar objectives, there are some differences between the two programs, notably that country-of-origin conditions for duty exemptions are less stringent under the CBERA than under GSP and that CBERA has no competitive need limits.[32] Many products of CBERA countries remain eligible for duty-free entry into the United States under either GSP or CBERA at the choice of the supplier. In 1993, some two-thirds of CBERA country exports entered the United States free of duty, 18.5 percent of the total under CBERA.[33]

The original CBERA explicitly excluded the following product categories from duty-free entry: textiles and apparel subject to textile agreements (as of the date of enactment); footwear; handbags; luggage; flat goods (such as wallets, change purses, key and eyeglass cases); work gloves; leather wearing apparel not eligible for duty-free entry under the GSP program as of August 5, 1983; canned tuna; petroleum and petroleum products; and watches and watch parts containing components from sources subject to column 2 (that is, statutory or non-MFN) duty rates.[34]

The first few years after CBERA became effective coincided with continued sharp declines in the prices

[29] The U.S. GSP program was originally enacted in the Trade Act of 1974. GSP was renewed in the Trade and Tariff Act of 1984 under which it was to expire on July 4, 1993. The Omnibus Budget Reconciliation Act of 1993 renewed GSP retroactively for 15 months. The program is now due to expire on September 30, 1994. See section 501 et seq. Trade Act of 1974 (19 U.S.C. 246/ et seq.). For general background information about the GSP program, see USTR, *A Guide to the Generalized System of Preferences*, Aug. 1991; and U.S. House, Committee on Ways and Means, *The President's Report to the Congress on the Generalized System of Preferences as Required by Section 505(B) of the Trade Act of 1974, as Amended*, WMCP 101-23 (Washington DC: GPO, 1990).

[30] For an updated discussion of the GSP program, see also USITC, *The Year in Trade: Operation of the Trade Agreements Program, 45th Report, 1993*, USITC publication 2769, June 1994, pp. 130-132.

[31] President, "Address Before the Permanent Council of the Organization of American States," *Weekly Compilation of Presidential Documents: Administration of Ronald Reagan*, vol. 18, No. 8 (Mar. 1, 1982), pp. 217-223.

[32] A country loses GSP benefits for a product when U.S. imports of the product exceed either a specific annually adjusted value or exceed 50 percent of the value of total U.S. imports of the product in the preceding calendar year—the so-called "competitive need" limits. Sec. 504(c)(1) of the Trade Act of 1974, as amended. Differences between the GSP and CBERA programs are described in USITC, *CBERA, Seventh Report, 1991*, p. 1-7.

[33] See "Ten Years of U.S.-CBERA Trade" later in this chapter.

[34] Presidential Proclamation 5133 of Nov. 30, 1983, listed the items in the former TSUS that corresponded to each class of eligible products. The equivalent tariff categories in terms of the *HTS* were reflected when it was adopted by the United States on January 1, 1989.

of key Caribbean exports, such as petroleum (excluded from tariff benefits) and bauxite, and with reductions of U.S. global and allocated import quotas for sugar. The shrinking U.S. import value from CBERA countries and the widening of the U.S. surplus in trade with these countries since 1987[35] created the perception that the CBERA was not effective, particularly in beneficiary countries.[36] To broaden existing CBERA benefits, on February 20, 1986, President Reagan announced a new so-called Special Access Program[37] (SAP) for textiles and apparel, one of the statutorily excluded items under CBERA.

The preferential treatment provided by SAP is not in terms of duties but in the provision of more liberal quotas (separate from those under the Multifiber Arrangement) known as guaranteed access levels (GALs) for qualifying textile and apparel products, within the context of overall U.S. textile policy.[38] As a condition for product eligibility, the SAP provides for participating CBERA governments to negotiate bilateral textile trade agreements with the United States that include the GALs, which can be increased upon request by participating CBERA countries.[39] Under the SAP, bilateral agreements, eventually negotiated with Costa Rica, the Dominican Republic, Guatemala, Haiti, Jamaica, and Panama, gave each of these countries GALs in the U.S. market.[40]

The SAP covers clothing and made-up textile products assembled from fabric parts formed and cut in the United States. Apparel and other textile products entering the United States under these special quotas or GALs are currently entered under HTS statistical reporting number 9802.00.8015. Like other products entering under HTS heading 9802.00.80 provisions, duties are effectively levied only on the value added outside the United States.[41]

The 1990 CBERA further increased Caribbean market access to the United States by directing the President to reduce duties by 20 percent for the previously excluded leather products (except footwear) — handbags, luggage, flat goods, work gloves, and leather wearing apparel — beginning January 1, 1992.[42] The reduction of duties is provided by a Presidential proclamation and is being implemented in five equal annual stages.[43] However, the law limits the overall duty reduction to 2.5 percentage points, and each annual reduction, therefore, to 0.5 percent ad valorem.

In September 1991, President Bush extended CBERA duty-free entry to another 94 product categories,[44] including some athletic equipment, bandages, certain carpets, certain meats (chickens, ducks, geese, turkeys), conveyor belts, headgear (headbands), jute yarns, mattresses, plastic and

[35] See section on "Ten Years of U.S.-CBERA Trade" below.

[36] For example, see Abigail Bakan, David Cox, and Colin Leys, editors, *Imperial Power and Regional Trade, The Caribbean Basin Initiative*(Ontario: Wilfred Laurier University Press, 1993), p. 6-9.

[37] Then referred to as "807-A" or "Super 807." A similar program, the Special Regime, was established for apparel products from Mexico.

[38] For more information on the Special Access Program, see USITC, *CBERA, Second Annual Report, 1986*, p. 9; and *CBERA, Third Annual Report, 1987*, p. 1-9. The Special Access Program is also discussed in more detail in USITC, *Potential Effects of a North American Free-Trade Agreement on Apparel Investment in CBERA Countries*, USITC publication 2541, July 1992, p. 2.

[39] On SAP, see also "Ten Years of U.S.-CBERA Trade" later in this chapter.

[40] See USITC, *U.S. Imports of Textiles and Apparel Under the Multifiber Arrangement*, p. vi.

[41] In 1994, HTS statistical reporting number 9802.00.8010, which was in effect in 1993, was deleted and HTS statistical reporting number 9802.00.8015 was created in its place. There was no change in product coverage.

[42] Articles must be the product of any CBERA country and must not have been eligible for duty-free entry under the GSP as of August 5, 1983. This requirement applies to goods entering the United States or withdrawn from warehouse for consumption on or after January 1, 1992.

[43] Sec. 213(h), CBERA, as amended. Implemented by Presidential Proclamation 6428, May 1, 1992, *Federal Register*, vol. 57 (May 6, 1992), p. 19363.

[44] Presidential Proclamation 6343, Sept. 28, 1991, *Federal Register*, vol. 56 (Oct. 2, 1991), p. 50003. The changes affected the rates of duty 1-special subcolumn in the HTS for 94 HTS subheadings. For 24 of the HTS subheadings, the symbol "E" in parentheses was inserted following the "free" rate of duty. The symbol "E" indicates that all articles provided for in the designated provision are eligible for preferential treatment except watches and watch parts containing material that is the product of a Communist country. For 70 of the HTS subheadings, the symbol "E*" was replaced with the symbol "E". The symbol "E*" indicates that some articles provided for in the designated provision are not eligible for preferential treatment, namely beef and sugar from Antigua and Barbuda, Montserrat, the Netherlands Antilles, St. Lucia, and St. Vincent and the Grenadines; sugar subject to U.S. quotas; and certain textiles. For further information on CBERA product eligibility, see general note 7(c) of the *HTS*.

rubberized fabrics, plastic sheets, sporting goods, and wrist watches.[45]

The next expansion of benefits followed in July 1992, when President Bush extended CBERA duty-free entry to 28 tariff categories.[46] Newly eligible products included plastic floor, wall, and ceiling coverings; plastic plates, sheets, and film; vulcanized rubber sheets, plates, and strips; conveyor or transmission belts; and ink pads.[47]

As a result of the two CBERA acts and of administrative or legislative enhancements, CBERA currently affords duty-free entry or preferential rates of duty to most Caribbean product categories and extends quota preferences to textile and apparel products under SAP.[48]

For certain products that CBERA does not specifically exclude, duty-free entry nonetheless is subject to certain conditions, under either the original legislation or subsequent regulations. Sugar (including syrups and molasses) and beef (including veal) are eligible for duty-free entry only if the exporting CBERA country submits a "Stable Food Production Plan" to the United States assuring that its agricultural exports do not interfere with its domestic food supply and with land use and ownership.[49] Imports of sugar and beef, as of other agricultural products, are also subject to any applicable and generally imposed U.S. quotas and food safety requirements.[50]

In addition, CBERA provides safeguards to U.S. industries in the event that increased imports from CBERA beneficiaries are a substantial cause of serious injury or threat of serious injury to them, and provides for emergency relief from imports of certain perishable products from CBERA countries.[51]

[45] Office of the United States Trade Representative (USTR), "United States Expands Caribbean Basin Initiative Benefits," press release 91-43, Oct. 3, 1991.

[46] Presidential Proclamation 6455, July 2, 1992, 57 F.R. 30069.

[47] For a discussion of these administrative CBERA enhancements, see also USITC, *CBERA, Seventh Annual Report, 1991*, p. 1-4.

[48] The general note to the *HTS* reflects special tariff treatment to eligible products of designated countries under various U.S. trade programs, including the CBERA. General note 7 covers CBERA.

[49] Sec. 213(c)(1)(B), CBERA, as amended.

[50] For a more detailed discussion of special conditions affecting certain products, see "Products Eligible Under Special Conditions and Excluded Products," USITC, *CBERA, Seventh Annual Report, 1991*, pp. 1-5 to 1-7.

[51] Sec. 213(e), CBERA.

Rules of Origin

CBERA provides generally that eligible products must either be wholly grown, produced, or manufactured in a CBERA country or be "new or different" from non-CBERA inputs used in their manufacture in order to receive duty-free entry into the United States.[52] CBERA requires that the cost or value of the materials produced and the direct cost of processing operations in one or more CBERA countries total at least 35 percent of the customs value of the product of entry. These rule-of-origin provisions allow CBERA countries to pool their resources to meet local content requirements and also permit inputs from Puerto Rico and the U.S. Virgin Islands to count toward the value threshold. Also, CBERA products can meet the 35-percent minimum value content requirement if CBERA value represents 20 percent of the customs value of the product and the additional 15 percent is attributable to U.S.-made (excluding Puerto Rican) materials or components.[53]

Access of CBERA exports to the U.S. market was tightened in one case, in response to the U.S. corn farmers' request. An amendment to section 423 of the Tax Reform Act of 1986 changed the eligibility rules for ethyl alcohol (ethanol), by requiring increasing amounts of either domestic feedstock or wholly indigenous CBERA-country product as a basis for duty-free entry tom prevent pass-through operations (largely using European wine alcohol). This section of the Tax Reform Act provides that, after January 1, 1987, ethanol made from nonindigenous feedstock for which duty-free entry is claimed must meet either specified production criteria or 50 percent value contribution requirements, and duty-free quantities of such ethanol are limited.[54]

The 1990 CBERA liberalizes the original CBERA's rules of origin regarding Puerto Rican inputs used in CBERA exports. It stipulates that articles produced in Puerto Rico that are "...by any means advanced in value or improved in condition by a beneficiary country" are eligible for duty-free entry into the United States. To take advantage of this provision, the law requires that any materials added to such Puerto Rican articles must be of U.S. or

[52] Products undergoing the following operations do not qualify: simple combining or packaging operations, dilution with water, or dilution with another substance that does not materially alter the characteristics of the article. Sec. 213(a)(2), CBERA, as amended.

[53] Sec. 213(a)(1), CBERA, as amended.

[54] For more information on provisions pertaining to ethanol, see table 1-2; and *CBERA, Seventh Annual Report, 1991*, p. 1-5.

CBERA-country origin and that the final product must be imported directly into the customs territory of the United States from the CBERA country.[55] This measure has encouraged production sharing between Puerto Rico and CBERA countries.

Section 222 of the 1990 CBERA also effectively modifies the original CBERA's rules of origin by extending duty-free entry into the United States for products—other than textiles and apparel and petroleum and petroleum products—that are "assembled or processed" in CBERA countries wholly from components or materials originating in the United States.[56] This provision effectively extends HTS subheading 9802.00.60 and heading 9802.00.80[57] by providing special duty treatment to imported products containing U.S.-made components or parts.[58] Duty-free entry to the Caribbean value-added portion of a product, as well as to the portion of reentering U.S. inputs, is granted by treating the product from CBERA countries as a U.S. article. Notably, section 222 of the 1990 CBERA permitted for the first time the duty-free entry of completed footwear assembled in CBERA countries entirely from U.S. components.[59] Most articles of footwear that do not qualify under section 222 are not eligible for duty-free entry under CBERA. Exceptions are thonged footwear (zoris), disposable footwear, and such parts of footwear as unformed leather uppers.[60] This new benefit has prompted the introduction of several bills in Congress to exclude footwear from section 222 after some U.S. production was moved to the Basin.

The 1990 modifications afford duty-free entry into the United States for certain articles that otherwise might not meet the substantial transformation and minimum value contribution requirements specified under the original CBERA. Merchandise likely to benefit includes articles produced through operations such as enameling, simple assembly or finishing, and certain repairs or alterations that were not significant enough to create a "new and different article of commerce" required under section 213 of the CBERA.[61]

Duty benefits currently applicable under CBERA in view of the program's rules-of-origin provisions are summarized in table 1-2.

Other Benefits

Still other trade-related benefits and some nontrade-related benefits also have been granted to CBERA countries.

The 1990 CBERA grants beneficiaries the trade-related benefit of excepting imports from CBERA countries from the general cumulation rule[62] required under the U.S. antidumping and countervailing duty laws. This means that CBERA country imports that are the subject of an investigation under the U.S. antidumping or countervailing duty laws will not be cumulated with those from non-CBERA countries for purposes of determining whether a U.S. industry is injured.[63] As a result, imports of steel wire rod from Trinidad and Tobago were not cumulated with imports from other countries in 1993 antidumping investigations concerning imports of steel wire rod.[64]

An essential complement to the original CBERA was a $350 million supplemental aid package, followed by additional financial assistance during the past 10 years. U.S. bilateral financial assistance to the region amounted to about $16.8 billion between 1980 and 1992.[65]

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[55] Sec. 213(a)(5), CBERA, as amended.

[56] This amended note 2 to subch. II, ch. 98 of the HTS, by adding new language.

[57] Note 2 to subch. II, ch. 98 of the HTS.

[58] For further information, see USITC, *Production Sharing: U.S. Imports Under Harmonized Tariff Schedule Subheadings 9802.00.60 and 9802.00.80, 1989-1992*, USITC publication 2729, Feb. 1994.

[59] This provision amended note 2 to subch. II, ch. 98 of the HTS and applies to articles that are "assembled or processed" in CBERA countries wholly from components or materials originating in the United States. Textile and apparel articles and petroleum and petroleum products are excluded.

[60] Sec. 213(b)(2), CBERA, as amended. For a more detailed discussion, see "Footwear of U.S.-Origin Components," USITC, *CBERA, Eighth Annual Report, 1992*, p. 1-6.

[61] For a more detailed discussion of this issue, see LA/C Center, *1991 Guidebook*, p. 58.

[62] Under U.S. antidumping and countervailing duty laws, imports from two or more countries subject to investigation must generally be cumulated for the purpose of determining whether the unfair trade practice causes material injury to the U.S. industry. Imports are cumulatively assessed provided they are consistent with each other, and compete with one another and with the domestic like product in the U.S. market.

[63] Sec. 224 of the 1990 CBERA amended sec. 771(7) of the Tariff Act of 1930, 19 U.S.C. 1677(7)(C)(iv)).

[64] For further information on this case, see USITC, *Certain Steel Wire Rod From Brazil, Canada, Japan, and Trinidad and Tobago*, investigations Nos. 731-TA-646-649 (preliminary), USITC publication 2647, June 1993.

[65] General Accounting Office, *Foreign Assistance: U.S. Support for Caribbean Assembly Industries*, p. 2.

Table 1-2
Summary of CBERA Trade Provisions[1]

Duty-free entry

Applies to all products unless specifically excluded. Products generally must be grown, produced, or manufactured in a CBERA country[2] or must be "new or different" from any foreign materials or components used in their manufacture. The costs of local materials and processing generally must total at least 35 percent of the customs value of the product (inputs from Puerto Rico, the U.S. Virgin Islands, and the United States are allowed to account for a portion of this 35-percent minimum local content). Certain articles assembled or processed in CBERA countries wholly from components or materials originating in the United States may also enter the United States free of duty.[3] The following conditions, restrictions, or exemptions apply:

- Certain agricultural products, including sugar, dairy products, cotton, peanuts, and beef, are subject to U.S. quotas and/or health requirements. Duty-free imports of sugar and beef are allowed only from countries that submit a "Stable Food Production Plan" to the United States to ensure that food production and the nutritional level of the population in the beneficiary country will not be adversely affected by export production.[4]

- Ethyl alcohol produced from agricultural feedstock grown in a CBERA country is admitted duty free. Alcohol produced from non-CBERA agricultural feedstock is restricted to 60 million gallons (227.1 million liters) or 7 percent of the U.S. domestic ethanol market, whichever is greater.[5]

- Excluded from duty-free entry are canned tuna; petroleum and petroleum derivatives footwear (except disposable items and footwear parts such as uppers),[6] watches and watch parts,[7] sugar from any Communist country in the Caribbean Basin or in Central America, and most textiles and apparel.[8]

Reduced duties for certain products

Duties on handbags, luggage, flat goods, work gloves and leather wearing apparel are being reduced by a total of 20 percent beginning January 1, 1992, in five equal annual installments.[9]

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[1] These provisions are discussed in greater detail in USITC, *CBERA, Seventh Annual Report*, 1991, Sept. 1992, pp. 1-2 to 1-7.

[2] Also applies to articles grown, produced, or manufactured in Puerto Rico, advanced in value or improved in condition in a CBERA country, and exported directly to the United States.

[3] This provision was added by sec. 222 of the 1990 CBERA, which amended note 2 to subch. II of ch. 98 of the HTS. Textiles and apparel and petroleum products and derivatives are excluded.

[4] Sec. 213(c)(1)(B), CBERA, as amended.

[5] Sec. 213(a)(1), CBERA, as amended. See also sec. 423 of the Tax Reform Act of 1986, as amended by sec. 7 of the Steel Trade Liberalization Program Implementation Act of 1989 (19 U.S.C. 203 nt; Public Law 99-514 as amended by Public Law 101-221).

[6] Applies to footwear not eligible for duty-free entry under the U.S. Generalized System of Preferences (GSP) program as of August 5, 1983, that is assembled in a CBERA country of U.S.-origin components. Restrictions on imports of such completed footwear were lifted by sec. 222 of the 1990 CBERA.

[7] The United States eliminated certain content restrictions on wrist watches in October 1991.

[8] Textile and apparel articles that were subject to textile agreements when CBERA was enacted are not eligible for CBERA duty-free benefits. Textiles and apparel not subject in 1983 to the Arrangement Regarding International Trade in Textiles (the so-called Multifiber Arrangement, which has controlled much of world trade in textiles and apparel since 1974) and made of silk blends or vegetable fibers other than cotton are eligible for duty-free entry. Bilateral agreements can be negotiated for duty-free entry of traditional hand-loomed, hand-sewn articles. For more information, see general note (7)(d)(iii) to the HTS.

[9] Sec. 213(h), CBERA, as amended.

Section 222 of the original CBERA contained a tourism incentive, allowing the expenses of business meetings in the CBERA countries to be deducted from U.S. taxable income, provided the CBERA beneficiary signs a tax information exchange agreement (TIEA) with the United States.[66] The 1990 CBERA also has sought to promote tourism by establishing a pilot customs preclearance program in eligible CBERA countries.[67]

A significant investment incentive for Caribbean countries was provided in 1986, when U.S. and Puerto Rican tax laws were modified to allow investors to borrow so-called section 936 funds from Puerto Rican financial institutions to fund projects in certain Caribbean Basin countries.[68] In 1993, as explained further in chapter 2, legislative changes took place concerning these section 936 tax credits, with implications for investment in CBERA countries.

Ten Years of U.S.-CBERA Trade

The unilateral trade preferences provided by the program were expected to assure faster growth of CBERA country exports to the United States than the growth of U.S. exports to CBERA countries. In fact, the opposite happened. Whereas during the first 2 years of CBERA the United States had a collective trade deficit with CBERA countries, and bilateral trade was balanced in the third year, in the fourth year the balance shifted in favor of the United States, which maintained its surplus throughout the rest of CBERA's first decade. In 1993, the U.S. surplus amounted to $1.8 billion (table 1-3, figure 1-1).

In addition, the Caribbean share in U.S. imports from the world actually declined in the first CBERA decade. In 1984, when CBERA was launched, CBERA countries accounted for 2.7 percent of overall U.S. imports (table 1-3). This ratio has declined to 1.8 percent by 1993. By contrast, U.S. exports to CBERA countries kept up with the expansion of U.S. exports to the world during the first 10 CBERA years. The Caribbean share of overall U.S. exports dipped in some years slightly below the 2.8 percent recorded in 1984, but, in 1993, CBERA countries accounted for 2.7 percent of U.S. exports to all countries, virtually the same in the 10th CBERA year as in the first (table 1-3).

While these data may suggest that CBERA had little or no impact on Caribbean exports to the United States, a closer look reveals that CBERA had a positive impact in its first decade and, if present trends continue, will have an even more positive impact in the long term. The program helped cushion the effects of declining world-market prices of the region's traditional, resource-based exports (especially of petroleum, but also of bauxite, coffee, sugar, and bananas) relative to the prices of goods the region had to import.[69] By encouraging investment in the diversification of Caribbean economies into more profitable, nontraditional manufactured and agricultural products, CBERA has helped make the Caribbean export structure more resilient and internationally competitive.[70] Caribbean Government and private industry representatives interviewed during this investigation by Commission staff were emphatic in affirming CBERA's importance to their economies.[71]

The United States also benefited from CBERA. The Caribbean Basin, the 10th largest U.S. export market, is one of the few regions in the world with which the United States had a trade surplus. As a catalyst for modernization and diversification in the region, CBERA generated additional demand for a broad spectrum of U.S. goods.

U.S. Imports from CBERA Countries

During the first 10 CBERA years, U.S. imports from countries currently designated under the Act grew from $8.6 billion to $10.1 billion, or by 17 percent. Imports from CBERA countries actually declined in the first 4 years of the program, but turned around in 1988 (table 1-3, figure 1-1). The Caribbean share of total U.S. imports also began to rise in 1990,

[66] Sec. 222, CBERA, as amended.

[67] Sec. 233, CBERA, as amended.

[68] For further information, see U.S. Department of the Treasury, Internal Revenue Service, "Requirements for Investments to Qualify Under Section 936(d)(4) as Investments in Qualified Caribbean Basin Countries," 45 F.R. 21926. Types of projects eligible for Internal Revenue Code section 936 financing are described in USITC, *CBERA, Seventh Annual Report, 1991*, pp. 1-9 to 1-10.

[69] See for example Economic Commission for Latin America and the Caribbean, *Preliminary Overview of the Economy of Latin America and the Caribbean 1991*, United Nations, LC/G.1696, Dec. 1991, p. 15.

[70] See later in this chapter and in chapter 4.

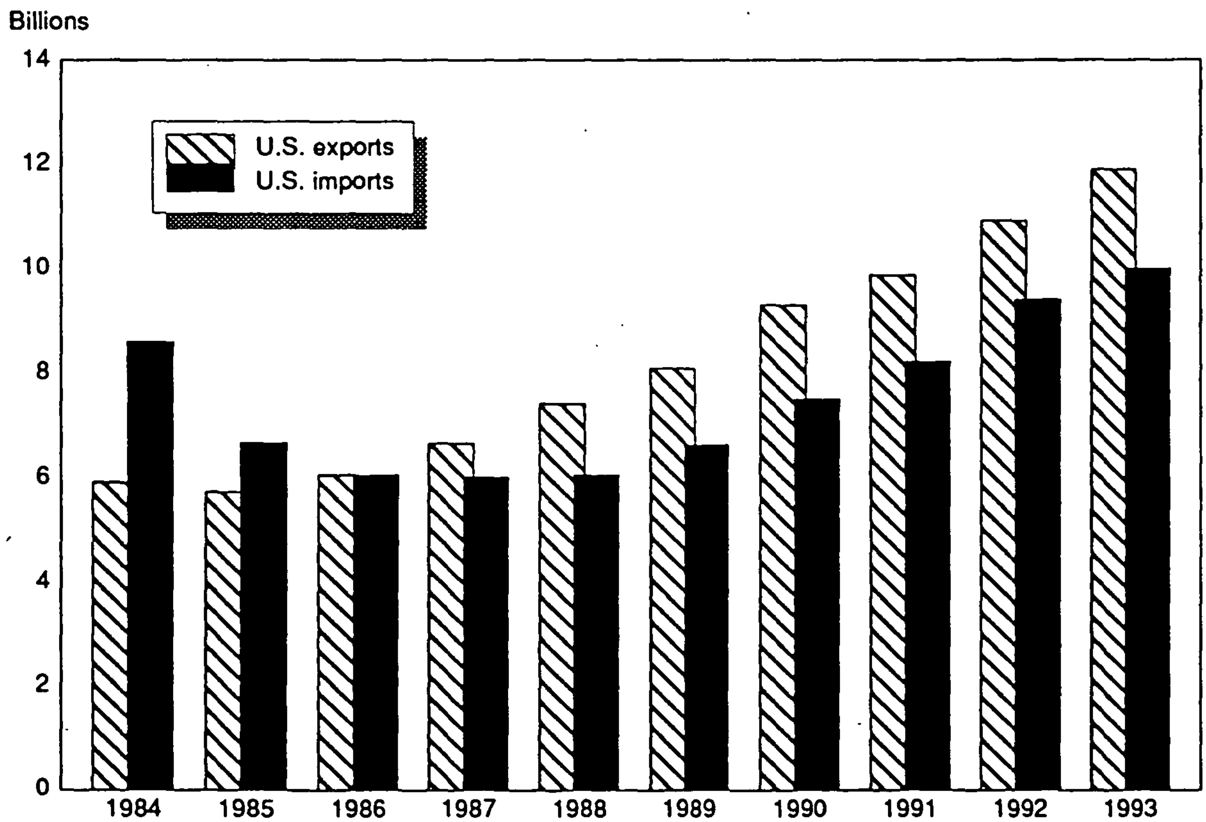
[71] See also chapter 4 of this report.

Table 1-3
U.S. trade with CBERA countries, 1984-93

Year	U.S. exports[1]	Share of U.S. exports to the world	U.S. imports[2]	Share of U.S. imports from the world	U.S. trade balance
	Million dollars	*Percent*	*Million dollars*	*Percent*	*Million dollars*
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	2.8	6,064.7	1.6	-0.1
1987	6,668.3	2.7	6,039.0	1.5	629.3
1988	7,421.8	2.4	6,061.1	1.4	1,360.7
1989	8,105.0	2.3	6,637.4	1.4	1,467.6
1990	9,307.1	2.5	7,525.2	1.5	1,781.9
1991	9,885.5	2.5	8,229.4	1.7	1,656.1
1992	10,901.7	2.6	9,425.6	1.8	1,476.1
1993	11,941.9	2.7	10,094.0	1.8	1,847.9

[1] Domestic exports, f.a.s. basis.
[2] Imports for consumption, customs value.
Source: Compiled from official statistics of the U.S. Department of Commerce.

Figure 1-1
U.S. trade with the CBERA countries, 1984-93



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

after reaching a low of 1.4 percent in 1988 and 1989. In 1993, U.S. imports from CBERA countries, at $10.1 billion, were responsible for 1.8 percent of total U.S. imports from all countries (figure 1-1).

Product Composition

The decline and subsequent rise of U.S. imports from CBERA countries was the result of major changes in the composition of this trade flow. The initial drop in total U.S. import value was caused by plummeting petroleum prices on world markets and a major reduction of petroleum-refining operations in CBERA countries between 1984 and 1989. Because petroleum products constituted the mainstay of Caribbean exports at the beginning of the CBERA decade, the lower prices and diminishing volume available for export severely depressed the overall value of the region's shipments to the United States in the first CBERA years. U.S. imports of petroleum and petroleum products shrank from $4.2 billion in 1984 to $1.1 billion in 1988, or to 26.2 percent of their 1984 value, subsequently recovering to $1.3 billion, or 30.1 percent of that value, by 1993.[72]

Figure 1-2 shows the composition of U.S. imports in 1984 and in 1993 by major product categories, as classified by the Standard International Trade Classification (SITC). The reduced share of oil-product imports is reflected in a dramatic narrowing of the "mineral fuels" category between the two import pies that represent the first and last years of the CBERA decade. By comparing the shares of selected leading items in total 1993 imports from CBERA countries with the shares of the same items in 1985, table 1-5 shows the combined imports of crude oil, fuel oil, and motor fuel[73] dropping from $2.3 billion to $1.1 billion between these 2 years, and their combined share of total imports down from 33.6 percent to 10.8 percent.

The other significant shift between the two pies in figure 1-2 is the dominance of "miscellaneous manufactured articles" in 1993, compared with the minor share of this category in 1984. Miscellaneous manufactures include finished goods and components for apparel, footwear, medical and surgical instruments, electrical instruments, sporting goods and jewelry. These nontraditional manufactured items have gradually replaced some of the petroleum and other traditional Caribbean products exported to the U.S. market, as regional policymakers recruited export-oriented assembly operations to industrialize their economies.[74] The sharply expanded trade in this class of products also reflects the growing use of production sharing by U.S companies with Caribbean facilities[75] as a response to intensified global competition.[76] Manufactures overall, that is, miscellaneous manufactures plus the other three manufactured categories of machinery and equipment, manufactures classified by material, and chemicals, accounted collectively for only 18.2 percent of U.S. imports from CBERA countries in 1984. By 1993, the share of manufactures had climbed to 58.5 percent of the total.

The rapid growth of the share of miscellaneous manufactures was driven primarily by apparel items. Apparel constituted only 5.5 percent of overall U.S. imports from the region in 1984, but accounted for 39.8 percent in 1993. Apparel has exceeded the value of petroleum products in U.S. imports from CBERA countries by a wider margin each year since

[72] These data, not shown in tabular form, are compiled from official statistics of the U.S. Department of Commerce. The data are based on SITC 2-digit classification.

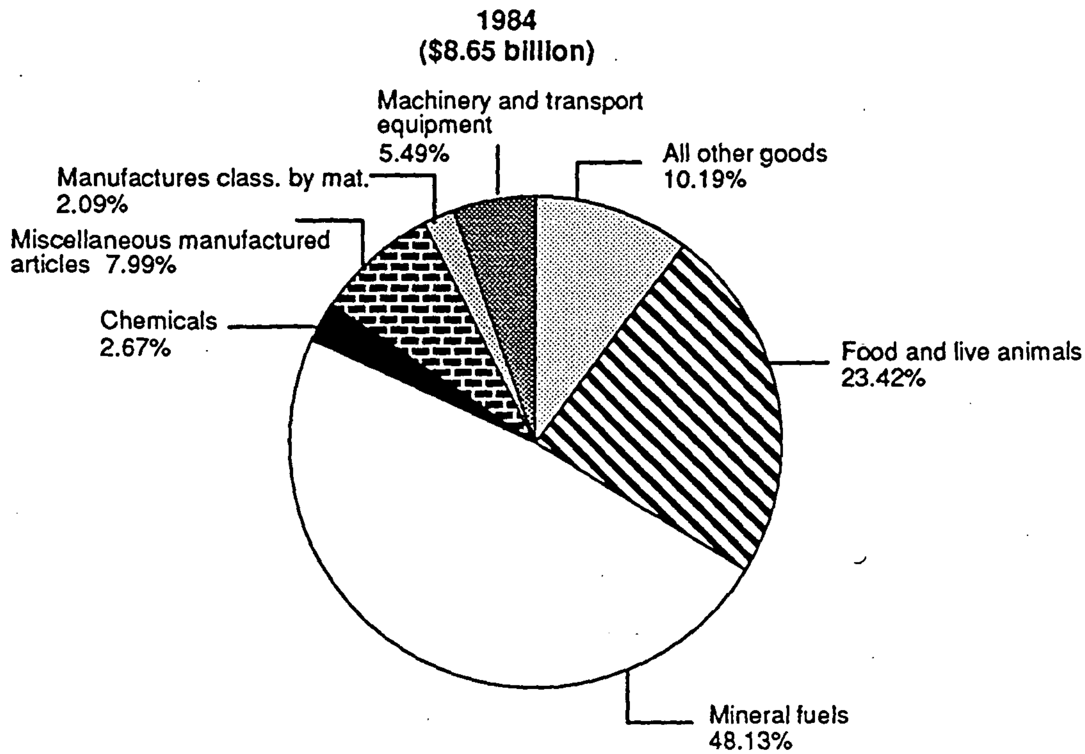
[73] HTS subheadings 2709.00.20, 2710.00.05, 2710.00.10, and 2710.00.15.

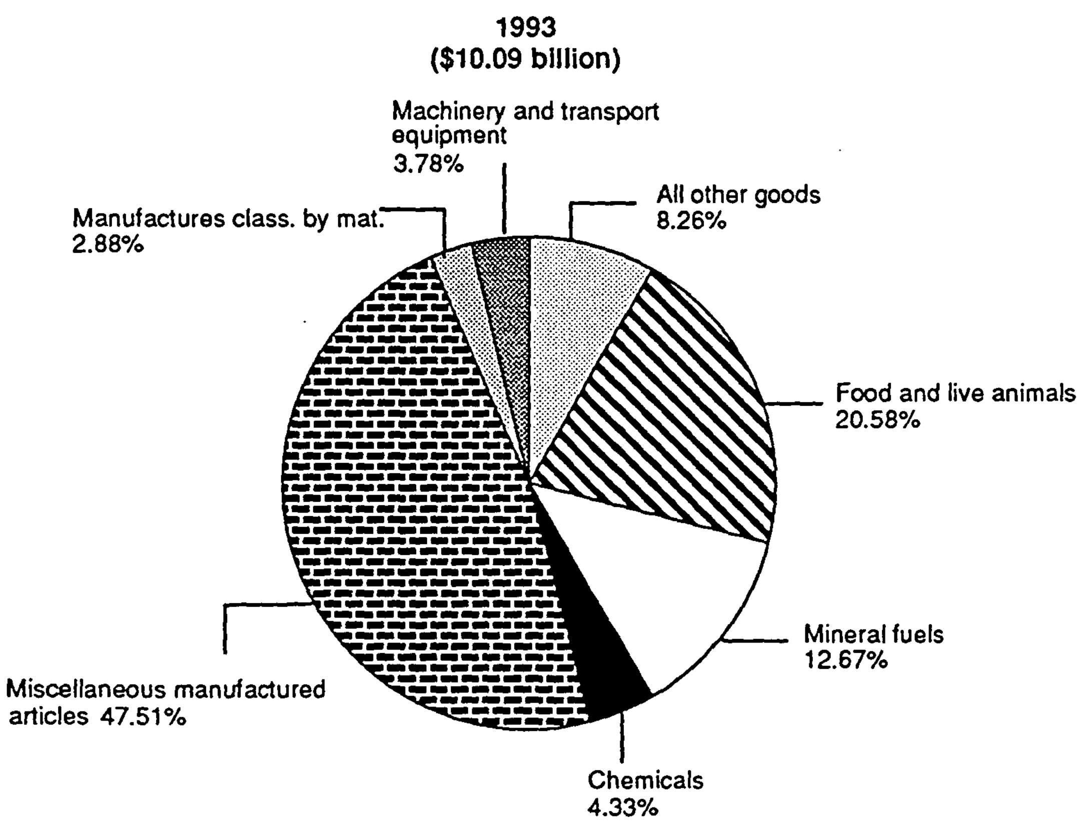
[74] USITC staff interviews with the following officers: Walter S. Esquivel, President, CINDE (Costa Rican Investment and Development), San Jose, Costa Rica, May 11, 1994; Carlos R. Lacayo, President, American Chamber of Commerce of Nicaragua, Managua, Nicaragua, May 12, 1994; Mario Manuel Aguero Lacayo, Executive Director, COHEP (Honduran Council for Private Investment), Tegucigalpa, Honduras, May 16, 1994; and Norman Garcia, Executive President, FIDE (Foundation for Investment and Development of Exports), Tegucigalpa, Honduras, May 16, 1994.

[75] "Production sharing" encompasses a number of activities whereby certain aspects of production of an article take place in different countries. It is a term originally coined by Dr. Peter Drucker. See Peter F. Drucker, "The Rise in Production Sharing," *The Wall Street Journal*, Mar. 15, 1977, sec. 1, p. A-1. One of the primary incentives to use production sharing is to improve the price competitiveness of products by shifting certain labor-intensive assembly operations to low-labor-cost countries. See U.S. International Trade Commission, *Production Sharing: U.S. Imports Under Harmonized Tariff Schedule Subheadings 9802.00.60 and 9802.00.80, 1985-1988*, USITC publication 2243, Dec. 1989, p. 1-1.

[76] See for example General Accounting Office, *Foreign Assistance: U.S. Support for Caribbean Basin Assembly Industries*, GAO/NSIAD-94-31, Dec. 1993, p. 14.

Figure 1-2
U.S. Imports from CBERA countries, by product sector, 1984 and 1993





Note.—Product groups by S.I.T.C. classification (rev.3).

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

1988.[77] By 1993, as the apparel industry became an important component of the region's development strategy,[78] imports of Caribbean apparel at $4.0 billion amounted to eight times their 1984 value and to more than three times the import value of petroleum and related products.

The rapid increase of apparel shipments to the U.S. market made Caribbean countries collectively the fastest growing U.S. supplier in 1989-93, with Mexico the second fastest and China the third.[79] This development followed the institution of SAP in 1986, which provided certain apparel with U.S. quota preferences and accelerated the growth of Caribbean apparel production.[80]

Table 1-4 shows the 35 leading U.S. imports from CBERA countries during 1989-93 on an 8-digit HTS subheading basis.[81] The top items in 1993 were apparel, petroleum products (both crude and refined), bananas, coffee, sugar, shrimp, beef, aluminum ore, pharmaceuticals, footwear uppers, medical instruments, and jewelry. Table 1-5 shows that certain traditional Caribbean agricultural items, while remaining leading imports, lost their relative importance in the U.S. import basket from the region between 1985 and 1993. For example, the share of unroasted coffee dropped from 9.4 percent to 3.3 percent of the total, and the share of raw cane sugar fell from 3.5 percent to 2.5 percent over the period.[82]

[77] These data, not shown in tabular form, are compiled from official statistics of the U.S. Department of Commerce. The data are based on SITC 2-digit classification.

[78] For example, see U.S. Agency for International Development, *Economic Growth and the Third World: A Report on the AID Private Enterprise Initiative*, Apr. 1987, p. 32; and Montage J. Lord, "Latin America's Exports of Manufactured Goods," *Economic and Social Progress in Latin America: 1992 Report*, Inter-American Development Bank, Jan. 1993, p. 191f.

[79] For a ranking of suppliers, see USITC, *U.S. Imports of Textiles and Apparel Under the Multifiber Arrangement: Annual Report for 1993*, USITC publication 2763, Mar. 1994.

[80] Although the SAP was approved for apparel and made-up textiles for eligible CBERA countries in February 1986, the program was not inaugurated until September 1986 in the form of a bilateral textile agreement with Jamaica. Similar agreements with other Caribbean countries soon followed.

[81] The HTS became effective in 1989; therefore, data for the previous years of the CBERA decade could not be provided.

[82] Frozen shrimp and frozen, boneless beef maintained their approximate relative shares of total U.S. imports from the Caribbean during 1985-93: shrimp, at 1.9 percent; and beef, 1.3 percent.

Dutiable Imports

Since 1986, about one-third of annual imports from CBERA countries have been dutiable when entering the United States (table 1-6). Table 1-7 shows that tariff revenues, as indicated by "calculated duties," and the average rate of duty applied to imports from CBERA countries have risen sharply with the growth of apparel imports, most of which are dutiable at relatively high rates.[83] Consequently, the average rate of duty climbed from 1.6 percent in 1984 to 10.9 percent in 1993.

Table 1-8 shows U.S. imports in those major product categories that, by statute, are generally not eligible for entry under CBERA. Some of these products did qualify for staged duty reductions under CBERA, beginning in 1992, as discussed earlier. The presence of petroleum products and apparel on the list explains why nearly half of total U.S. imports from CBERA countries still fall in the ineligible category by value, even though most Caribbean products actually enter free of duty under CBERA and other programs.

The share of total imports from CBERA countries accounted for by noneligible products dropped from 54.9 percent in 1984 to 37.1 percent in 1986, then climbed back to 49.2 percent in 1993 (table 1-9). This trend again reflects the ascendancy of Caribbean apparel assemblers, who have proven themselves competitive without duty-free treatment, principally because of geographic proximity to the United States and of lower labor costs, even when compared with some Asian apparel assemblers.

Duty-Free Imports

The share of duty-free imports in total U.S. imports from CBERA countries grew markedly between 1984 and 1986 due, in part, to the decline of total imports in that period (table 1-6). The approximately two-thirds of U.S. imports from CBERA countries by value that received duty-free

[83] Apparel products have an average nominal duty rate of approximately 20 percent, and the effective rate is about 8 percent after subtracting the duty-free U.S. content of apparel entering under HTS heading 9802.00.80. The higher rate shown in table 1-10 (10.9 percent) reflects the presence of Caribbean apparel that does not qualify under HTS heading 9802.00.80, such as apparel made from Asian fabric or uncut U.S. fabric.

Table 1-4
Leading U.S. imports for consumption from CBERA countries,[1] 1989-93

(1,000 dollars, customs value)

HTS Subheading	Description	1989	1990	1991	1992	1993
6203.42.40	Men's or boys' trousers, breeches and shorts, not knitted, of cotton	275,566	314,361	399,701	515,322	606,688
0803.00.20	Bananas, fresh or dried	476,866	441,861	443,179	521,421	517,146
2709.00.20	Petroleum oils and oils from bituminous minerals, crude	474,047	649,365	516,764	502,123	373,985
2710.00.05	Distillate and residual fuel oils (including blends)	312,291	426,916	405,628	382,688	351,275
0901.11.00	Coffee, not roasted, not decaffeinated	367,994	401,969	368,251	372,211	332,915
6205.20.20	Men's or boys' shirts, not knitted or crocheted, of cotton	92,050	111,463	120,118	216,687	317,219
6204.62.40	Women's or girls' trousers, breeches and shorts, of cotton	156,276	150,722	197,797	238,615	310,346
6212.10.20	Brassieres, other than containing lace, net or embroidery	106,204	133,442	152,509	202,162	248,691
6109.10.00	T-shirts, singlets, tank tops and similar garments, of cotton	48,685	84,042	128,228	180,363	247,656
9801.00.10	U.S. goods returned without having been advanced in value	129,020	183,228	183,027	228,134	237,258
2710.00.10	Distillate and residual fuel oils (including blends)	56,953	56,740	132,267	189,601	214,713
6110.20.20	Sweaters, pullovers and similar articles, knitted, of cotton	40,337	82,323	137,350	185,406	212,101
6406.10.65	Footwear uppers, other than formed, of leather	71,488	116,656	121,305	151,764	199,773
0306.13.00	Shrimps and prawns, cooked in shell or uncooked, frozen	156,597	115,268	144,131	154,644	195,637
1701.11.01	Cane sugar entered in pursuant to its provisions	([2])	20,988	142,186	174,085	177,448
2918.90.30	Aromatic drugs derived from carboxylic acids	277,732	294,757	306,374	367,768	171,752
2606.00.00	Aluminum ores and concentrates	131,678	138,182	152,505	176,143	163,915
2710.00.15	Motor fuel derived from bituminous minerals	145,453	126,757	117,536	153,707	151,414
9018.90.80	Miscellaneous medical and surgical instruments and appliances	63,466	83,451	107,601	113,952	143,329
2710.00.25	Naphthas (except motor fuel or motor fuel blending stock)	33,109	41,647	113,696	150,468	142,335
0202.30.60	Frozen boneless beef, except processed	73,134	85,376	82,604	73,059	126,667
6108.21.00	Women's or girls' briefs and panties, knitted or crocheted, of cotton	29,743	45,851	77,014	97,495	124,203
6203.43.40	Men's or boys' trousers, breeches and shorts, not knitted	68,045	53,001	86,886	106,748	111,664
2814.10.00	Anhydrous ammonia	77,429	71,235	107,644	89,971	105,110
7113.19.50	Jewelry and jewelry parts of precious metal	42,333	54,346	41,883	57,418	90,196
6105.10.00	Men's or boys' shirts, knitted or crocheted, of cotton	62,397	59,084	58,708	86,463	86,991
6115.11.00	Panty hose and tights, knitted or crocheted	12,332	10,004	13,215	19,145	84,157
6108.22.00	Women's or girls' briefs and panties, knitted or crocheted	29,151	42,497	54,165	61,246	82,182
6204.31.20	Women's or girls' suit-type jackets and blazers	8,743	16,004	31,470	51,954	81,126
0306.11.00	Rock lobster and other sea crawfish, cooked in shell	41,954	70,882	93,581	100,125	72,627
1701.11.02	Other sugar to be used for the production (other than by distillation) of polyhydric alcohols	([2])	3,204	79,384	84,808	71,360
2818.20.00	Aluminum oxide, except artificial corundum	92,144	100,762	106,884	82,589	65,548
0201.30.60	Fresh or chilled boneless beef, except processed	49,576	45,657	51,127	55,259	64,969
6104.62.20	Women's or girl's trousers, breeches and shorts, knitted, of cotton	14,441	24,319	35,408	59,211	63,439
6206.40.30	Women's or girl's blouses and shirts, not knitted	41,780	33,237	47,250	46,476	52,623
	Total of items shown	4,059,015	4,689,599	5,357,378	6,249,230	6,598,460
	Total all commodities	6,895,789	7,525,208	8,229,366	9,425,616	10,094,033

[1] Data reflect current designated countries under CBERA for all years.

[2] HTS subheadings 1701.11.01 and 1701.11.02 (along with 1701.11.03) were created on October 1, 1990, from former subheading 1701.11.00; combined sugar imports from CBERA countries under these subheadings totaled $172.4 million in 1989, $229.8 million in 1990, $221.6 million in 1991, $258.9 million in 1992, and $248.8 million in 1993.

Note.—Because of rounding, figures may not add to totals given.

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

Table 1-5
Imports from CBERA countries, by selected 8-digit HTS provisions, 1985 and 1993

HTS Subheading	Description	1985	1993	Percent change 1985-93	Share of total U.S. imports 1985	Share of total U.S. imports 1993
		Million dollars		Percent		
2709.00.20	Crude oil, high test	1,006	374	-63	15.04	3.71
2710.00.05	Fuel oil, low test	807	351	-57	12.07	3.48
2710.00.10	Fuel oil, high test	218	215	-1	3.26	2.13
2710.00.15	Motor fuel	215	151	-30	3.22	1.50
2710.00.25	Naphthas (except motor fuel)	93	142	53	1.37	1.41
	Subtotal	2,339	1,233	-47	34.98	12.22
6203.42.40	Men's trousers, cotton	63	607	863	0.94	6.01
0803.00.20	Bananas	423	517	22	6.33	5.12
0901.11.00	Coffee (not roasted)	631	333	-47	9.44	3.30
6205.20.20	Men's shirts, cotton	30	317	957	0.45	3.14
6204.62.40	Women's trousers, cotton	29	310	969	0.44	3.07
6212.10.10	Brassieres, lace	80	10	-88	1.20	0.10
6212.10.20	Brassieres, not lace	30	249	730	0.45	2.47
1701.11.00[1]	Cane sugar, raw	235	249	6	3.51	2.46
6109.10.00	T-shirts, cotton	5	248	4,512	0.08	2.46
6110.20.20	Women's knit sweaters & sweatshirts, of cotton	5	212	4,197	0.07	2.10
6406.10.65	Footwear uppers, leather	41	200	388	0.61	1.98
0306.13.00	Shrimp & prawns, frozen	129	196	52	1.93	1.94
2918.90.30	Aromatic drugs	59	172	192	0.88	1.70
2606.00.00	Aluminum ores	51	164	222	0.76	1.62
9018.90.80	Certain medical and surgical instruments	4	143	3,141	0.06	1.42
0202.30.60	Unprocessed frozen, boneless beef	94	127	35	1.41	1.26
6108.21.00	Women's cotton briefs	4	124	3,369	0.05	1.23
6203.43.40	Men's trousers, synthetic fibers	33	112	239	0.49	1.11
2814.10.00	Anhydrous ammonia	71	105	48	1.06	1.04
7113.19.50	Certain gold jewelry	3	90	2,503	0.05	0.89
	Total of items shown	4,361	5,717	31	65.22	56.64
	All other	2,326	4,377	88	34.78	43.36
	Total all commodities	6,687	10,094	51	100.00	100.00

[1] HTS subheading 1701.11.00 was divided into three subheadings in October 1990: 1701.11.01, 1701.11.02, and 1701.11.03.

Note.—Data for 1985 are estimated under the HTS classification system. Those data were converted from the former TSUS in effect in 1985 to the HTS, which came into effect in 1989. Comparable converted data are not available for 1984.

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

Table 1-6
U.S. imports from CBERA countries, by duty treatment, 1984, 1986, 1988, 1990, 1992 and 1993

(1,000 dollars, customs value)

Item	1984	1986	1988	1990	1992	1993
Total imports	8,649,235	6,064,745	6,061,054	7,525,208	9,425,616	10,094,033
Dutiable value[1]	4,567,416	1,916,553	1,975,850	2,573,813	3,269,148	3,467,856
HTS 9802.00.60 and 9802.00.80[2]	587,560	261,632	427,144	520,107	863,225	1,108,532
GAL (HTS 9802.00.8010)	(11)	693	57,366	112,770	226,200	284,459
HTS 9802.00.8050	(11)	260,878	369,483	406,235	637,023	824,073
CBERA reduced duty[3]	(11)	(11)	(11)	(11)	29,418	38,069
Other dutiable	3,979,856	1,654,921	1,548,706	2,053,706	2,376,505	2,321,255
Duty-free value[4]	4,081,819	4,148,192	4,085,204	4,951,395	6,156,467	6,626,177
MFN[5]	2,170,537	2,340,473	1,927,912	1,968,007	2,097,079	2,101,160
CBERA[6]	577,704	670,711	790,941	1,022,686	1,498,556	1,865,544
HTS 9802.00.60 and 9802.00.80[7]	587,560	612,118	906,518	1,153,325	1,777,260	2,144,210
GAL (HTS 9802.00.8010)	(11)	562	161,708	318,106	618,245	787,500
HTS 9802.00.8050	(11)	611,513	744,723	815,542	1,158,839	1,356,638
GSP[8]	592,249	476,151	353,079	472,303	340,666	359,737
Other duty free[9]	153,769	48,738	106,754	335,074	442,904	155,526
	Percent of total					
Total imports	100.0	100.0	100.0	100.0	100.0	100.0
Dutiable value	52.8	31.6	32.6	34.2	34.7	34.4
HTS 9802.00.60 and 9802.00.80	6.8	4.3	7.0	6.9	9.2	11.0
GAL (HTS 9802.00.8010)	(11)	(10)	1.0	1.5	2.4	2.8
HTS 9802.00.8050	(11)	4.3	6.1	5.4	6.8	8.2
CBERA reduced duty[3]	(11)	(11)	(11)	(11)	0.3	0.4
Other dutiable	46.0	27.3	25.6	27.3	25.2	23.0
Duty-free value	47.2	68.4	67.4	65.8	65.3	65.6
MFN	25.1	38.6	31.8	26.2	22.2	20.8
CBERA	6.7	11.1	13.0	13.6	15.9	18.5
HTS 9802.00.60 and 9802.00.80	6.8	10.1	15.0	15.3	18.9	21.2
GAL (HTS 9802.00.8010)	(11)	(10)	2.7	4.2	6.6	7.8
HTS 9802.00.8050	(11)	10.1	12.3	10.8	12.3	13.4
GSP	6.8	7.9	5.8	6.3	3.6	3.6
Other duty free	1.8	0.8	1.8	4.5	4.7	1.5

1 Reduced by the duty-free value of imports entering under HTS 9802.00.60 and 9802.00.80 and increased by the value of ineligible items that were reported as entering under the CBERA and GSP programs.
2 Value of Caribbean Basin-origin value added.
3 Value of imports of handbags, luggage, flat goods, work gloves, and leather wearing apparel subject to 20 percent duty reductions under the CBERA between 1992 and 1996.
4 Calculated as total imports less dutiable value.
5 Value of imports that have a col. 1-general duty rate of zero.
6 Reduced by the value of MFN duty-free imports and ineligible items that were misreported as entering under the CBERA program and the value of reduced-duty items (handbags, luggage, flat goods, work gloves, and leather wearing apparel) reported separately above as dutiable.
7 Value of nondutiable exported and returned U.S.-origin products or components.
8 Reduced by the value of MFN duty-free imports and ineligible items that were misreported as entering under the GSP program.
9 Calculated as a remainder, and represents imports entering free of duty under special rate provisions.
10 Less than 0.05 percent.
11 Not-applicable.

Note.—Because of rounding, figures may not add to totals given.

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

Table 1-7
U.S. imports for consumption from CBERA countries: Dutiable value, calculated duties, and average duty, 1984, 1986, 1988, 1990, 1992, and 1993

Item	1984	1986	1988	1990	1992	1993
Dutiable value (*1,000 dollars*)[1]	4,567,416	1,916,553	1,975,850	2,573,813	3,269,148	3,467,856
Dutiable as a percent of total imports	52.8	31.6	32.6	34.2	34.7	34.4
Calculated duties (*1,000 dollars*)[1]	75,293	83,056	157,605	209,913	322,434	378,849
Average duty (*percent*)[2]	1.6	4.3	8.0	8.2	9.9	10.9

[1] Dutiable value and calculated duty exclude the U.S. content entering under HTS subheading 9802.00.80 and misreported imports. Data based on product eligibility corresponding to each year.

[2] Average duty = (calculated duty/dutiable value) x 100.

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

Table 1-8
U.S. import items from CBERA countries of goods not eligible for CBERA entry, 1984, 1986, 1988, 1990, 1992, and 1993

(1,000 dollars, customs value)

Product category[1]	1984	1986	1988	1990	1992	1993
Textiles and apparel	511,656	818,038	1,488,812	2,006,348	2,995,699	3,633,136
Petroleum and petroleum products	4,215,100	1,375,742	1,058,524	1,340,317	1,467,580	1,288,605
Footwear	10,005	10,618	39,255	35,806	45,884	42,000
Certain handbags, luggage, and flat goods[2]	16,721	13,059	20,410	18,264	0	0
Certain leather apparel[2]	2,257	1,832	3,386	15,194	0	0
Work gloves[2]	4,332	7,346	3,906	4,360	127	0
Tuna	4	0	14	111	34	205
Total	4,760,075	2,226,635	2,614,307	3,420,400	4,509,324	4,963,946

[1] Product categories are defined by HTS subheading in table B-1.

[2] Some of these products are eligible for a 20-percent duty reduction under the CBERA beginning in 1992.

Note.—Figures for 1984, 1986, and 1988 under the HTS classification system are estimated. Because of rounding, figures may not add to totals shown.

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

Table 1-9
U.S. imports from CBERA countries of goods not eligible for CBERA duty-free entry, 1984-93

Item	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Non eligible imports (*$ billions*)	4.7	3.1	2.2	2.6	2.6	2.9	3.4	4.0	4.5	4.9
Non-eligible imports (*percent of total imports*)	54.9	45.8	37.1	42.7	43.1	43.3	45.4	49.1	47.8	49.2

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

entry came into the U.S. market under one, or more than one, duty-free provision. In 1993, duty-free entries fell under one of the following provisions: (1) conditionally under chapter 98 of the *HTS* (21.2 percent of all imports), (2) unconditionally under most-favored-nation (MFN) or column 1 general tariff rates (20.8 percent), (3) conditionally under CBERA (18.5 percent), (4) under GSP (3.6 percent), or (5) under other provisions (1.5 percent). A negligible share (0.4 percent) of all imports entered under the gradual CBERA duty reductions taking place between 1992 and 1996.

The 3.6-percent GSP share in both 1992 and 1993 was the lowest GSP share from CBERA countries since CBERA became effective. MFN duty-free imports have also made up a declining portion of the total since 1986. By contrast, the share of U.S. content reentering under *HTS*, chapter 98, rose rapidly during the CBERA decade, reflecting the increase in U.S.-Caribbean production sharing. By 1993, nearly one third of U.S. imports from the region entered under such provisions. The other fast-rising, duty-free category was CBERA itself. The reasons for this trend are discussed below.

Imports under CBERA

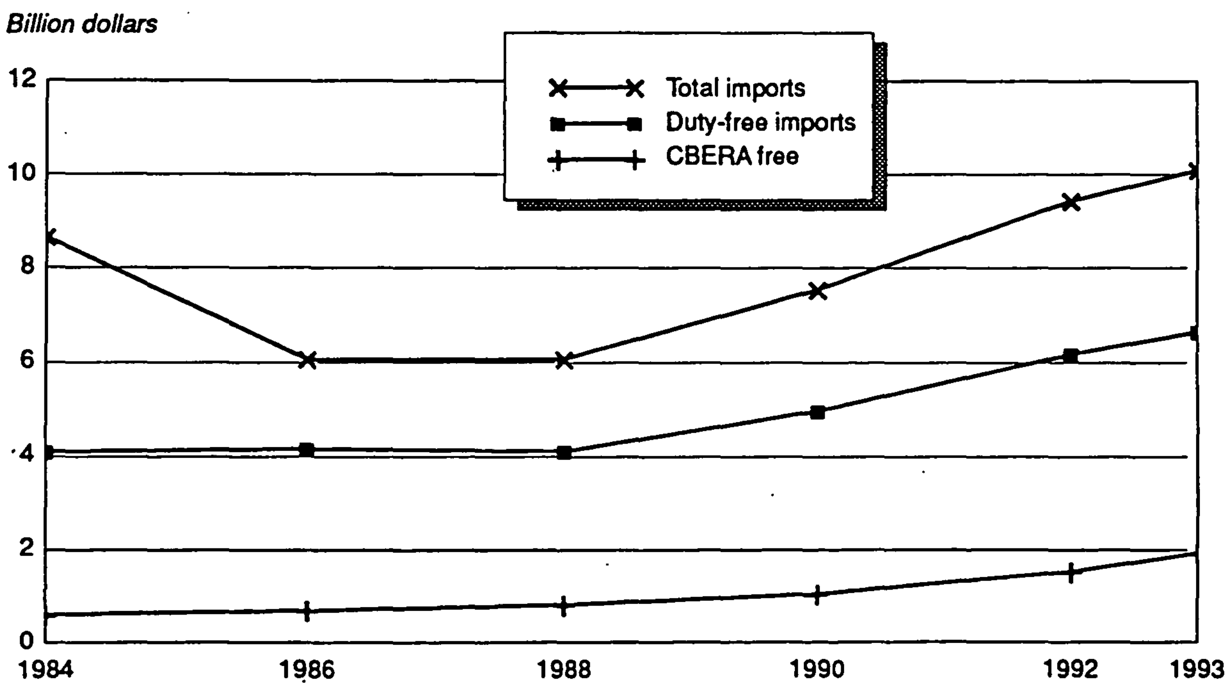
Figure 1-3 illustrates the rising significance of CBERA in total U.S. imports from the region. In its first year, CBERA was responsible for only $576 million, or 6.7 percent of overall U.S. imports from the region. By 1993, imports entering the U.S. market duty free under CBERA amounted to $1.9 billion, or 18.5 percent of the total (table 1-6).

Importers entering products eligible for duty-free treatment under GSP and CBERA have increasingly shifted to CBERA treatment. This has occurred partly because rules-of-origin criteria for U.S. duty exemptions, as well as paperwork requirements, are less stringent under CBERA than under GSP. Also, CBERA now has no statutory deadline, whereas the GSP program, which lapsed in July 1993 before being renewed retroactively in September 1993, operates under only a 15-month extension.[84]

In fact, the CBERA utilization ratio, calculated as the ratio of duty-free imports entered under CBERA to the CBERA-eligible portion of total imports, rose sharply during 1984-88 (from 34 to 52 percent), flattened out during 1989-92, and then increased significantly in 1993 to 62 percent (table 1-10).

[84] GSP is discussed in greater detail in USITC, CBERA *Eighth Annual Report, 1992*, p. 1-3.

Figure 1-3
U.S. imports from CBERA countries by tariff treatment in selected years, 1984-93



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

Table 1-10
U.S. imports for consumption: CBERA eligibility and utilization, 1984, 1986, 1988-93

Items	1984	1986	1988	1989	1990	1991	1992	1993
Eligible duty-free under CBERA (*1,000 dollars*)[1]	1,718,623	1,497,637	1,529,136	1,945,165	2,136,701	2,272,420	2,819,213	3,028,927
Duty-free under CBERA (*1,000 dollars*)[2]	577,704	670,711	790,941	905,762	1,022,686	1,120,697	1,498,556	1,865,544
CBERA utilization ratio (*percent*)[3]	33.61	44.78	51.72	46.56	47.86	49.32	53.15	61.59

[1] Calculated as total CBERA country imports (table 1-6) minus imports not eligible for CBERA duty-free entry (table 1-8) minus MFN duty-free imports (table 1-6).
[2] From table 1-6.
[3] Utilization ratio = (entered duty-free entries/eligible entries) * 100.

Note.—For data for years not shown, see USITC, *CBERA, Third Annual Report, 1987*, table 1-8, p. 1-9.

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

Table 1-11 shows the leading 20 items entering free of duty under CBERA provisions in 1990-93. These imports are shown in terms of their value and as a percentage of total U.S. imports of these products from CBERA countries,[85] along with the principal CBERA-country source of each product in 1993. While the list contains some traditional Caribbean agricultural exports, including cane sugar and beef, the dominance of miscellaneous manufactured products and nontraditional agricultural items mostly reflects the accomplishments of Caribbean nations in diversifying their production and exports in accordance with the objectives of CBI and CBERA. Leather footwear uppers (mainly from the Dominican Republic) and aromatic drugs (exclusively from the Bahamas) are the top entries under CBERA. The list also includes jewelry and medical and surgical instruments (mainly from the Dominican Republic, ethyl alcohol (mainly from Jamaica), iron and steel bars and rods (exclusively from Trinidad and Tobago), fish, canteloupes and pineapples (mainly from Costa Rica), and cigarette leaf (mainly from Guatemala).

Shifts of U.S. imports between CBERA sources

The transformation in the product composition of the U.S. import basket was accompanied by major shifts between Caribbean subregions and individual CBERA nations in their importance as U.S. suppliers (table 1-12 and figure 1-4). These shifts were driven by market forces; many of them activated by CBERA.

Since CBERA became effective in 1984, the relative positions of the four Caribbean subregional groupings—Central America, Eastern Caribbean, Central Caribbean, and oil-producing countries—as U.S. suppliers have changed (table 1-12). As was to be expected, the decline in the volume and prices of Caribbean petroleum products depressed the collective share of imports from the oil-producing countries from 52 percent in 1984 to 18 percent in 1993. The value of U.S. imports from the Eastern Caribbean declined during the CBERA decade, probably because the region chose to depend more on tourism than on industry. By contrast, the importance of Central America and the Central Caribbean grew rapidly; the former's share of total imports increased from 24 percent to 45 percent, and the latter's share from 20 percent to 35 percent. Their growing significance is explained by U.S.-Caribbean production sharing—particularly in apparel, but also in other miscellaneous manufactures that were eligible for duty-free entry under CBERA—which is concentrated in these two regions.

In 1984, the leading three suppliers to the U.S. market among CBERA countries were the Netherlands Antilles, Trinidad and Tobago, and the Bahamas, all oil-producers, with a combined share of 52 percent of all U.S. imports (table 1-13, figure 1-4). By 1993, the combined share of this group dropped to 15 percent.[86] On the other hand, the ratio of U.S. imports from the Dominican Republic, Costa Rica, Guatemala, Jamaica, and Honduras collectively grew from 31 percent to 69 percent during the period.

Nearly all of these currently leading CBERA-country sources of total U.S. imports from the Caribbean (except Jamaica) were also leading CBERA beneficiaries. Since 1989, the Dominican Republic and Costa Rica together have been responsible for more than one-half of annual U.S. imports entered under CBERA; in 1993, these two provided 55 percent of the total. Five countries—the Dominican Republic, Costa Rica, Guatemala, the Bahamas, and Honduras—accounted for over four-fifths of all duty-free CBERA imports in 1993 (table 1-14). The Bahamas, an oil-producer, lost its prominence in terms of total shipments to the United States in 1988. However, as a result of diversifying into CBERA-eligible chemical exports, the Bahamas ranked among the top five CBERA beneficiaries in 1993.

Appendix table B-2 lists the leading items the United States imported under CBERA from each of the beneficiaries in 1993.

U.S. Exports to CBERA Countries

U.S. exports to CBERA countries have doubled since CBERA came into effect in 1984 and amounted to $11.9 billion in 1993 (table 1-3). The dollar value of this trade flow increased during the CBERA decade in all major SITC product categories.

Product Composition

Manufactures were prominent in the product mix of U.S. exports to the region, even before the initiation of CBERA. In 1984, the four SITC manufactures sectors accounted collectively for 64.3 percent of all U.S. exports to the region (figure 1-5). With Caribbean demand for U.S. manufactured products picking up strongly in the first CBERA decade, the share of manufactures in all U.S. exports to CBERA countries rose to 70.6 percent.

[85] The values of total imports for some of these products are listed in table B-4.

[86] In 1984, Aruba was still part of the Netherlands Antilles. Comparable data for 1993, i.e. with the inclusion of Aruba, would raise this percentage to 18.

Table 1-11
Leading U.S. imports for consumption under CBERA provisions, by descending customs value of duty-free CBERA imports, 1990-93

HTS subheading	Description	1990 CBERA duty-free imports	Duty-free imports as a percent of total imports[1]	1991 CBERA duty-free imports	Duty-free imports as a percent of total imports[1]	1992 CBERA duty-free imports	Duty-free imports as a percent of total imports[1]	1993 CBERA duty-free imports	Duty-free imports as a percent of total imports[1]	Leading source[3]
		1,000 dollars		*1,000 dollars*		*1,000 dollars*		*1,000 dollars*		
6406.10.65	Footwear uppers, other than formed, of leather	25,148	21.6	70,479	58.1	132,127	87.1	162,741	81.4	Dominican Republic
2918.90.30	Aromatic drugs derived from carboxylic acids	0	0.0	0	0.0	78,594	21.4	152,261	88.6	Bahamas
0202.30.60	Frozen boneless beef, except processed	84,320	98.8	80,321	97.2	68,581	93.8	113,250	89.4	Costa Rica
7113.19.50	Jewelry and jewelry parts nesi of precious metal	27,099	49.9	29,529	70.5	40,038	69.7	84,682	93.8	Dominican Republic
1701.11.01	Cane sugar entered pursuant to its provisions[3]	20,988	100.0	75,773	53.3	139,026	79.9	76,232	42.9	Dominican Republic
0201.30.60	Fresh or chilled boneless beef, except processed	45,525	99.7	50,951	99.6	55,125	99.7	64,556	99.3	Costa Rica
1701.11.02	Cane sugar to be used for the production (other than by distillation) of polyhydric alcohols[3]	1,927	60.1	40,583	51.1	54,603	64.4	54,743	76.7	Guatemala
9018.90.80	Medical and surgical instruments and appliances nesi	55,164	66.1	48,659	45.2	42,656	37.4	53,104	37.0	Dominican Republic
0807.10.20	Cantaloupes, fresh, entered between 9/16–7/31	22,466	95.0	28,288	98.8	35,693	95.5	44,844	92.2	Costa Rica
2207.10.60	Undenatured ethyl alcohol for non-beverage use	14,534	84.6	32,367	97.2	23,830	90.6	40,690	99.2	Jamaica
2402.10.80	Cigars, cheeroots, and cigarillos, over 23 cents each	35,459	96.2	33,008	97.3	32,721	96.3	38,539	96.0	Dominican Republic
0804.30.40	Pineapples, fresh or dried, not reduced in size, in crates	34,195	84.5	29,442	76.9	33,742	80.2	35,432	82.7	Costa Rica

Footnotes are at tne end of the table.

Table 1-11—Continued
Leading U.S. imports for consumption under CBERA provisions, by descending customs value of duty-free CBERA imports, 1990-93

HTS subheading	Description	Duty-free 1990 CBERA duty-free imports	Duty-free imports as a percent of total imports[1]	1991 CBERA duty-free imports	Duty-free imports as a percent of total imports[1]	1992 CBERA duty-free imports	Duty-free imports as a percent of total imports[1]	1993 CBERA duty-free imports	Duty-free imports as a percent of total imports[1]	Leading source[3]
		1,000 dollars		*1,000 dollars*		*1,000 dollars*		*1,000 dollars*		
0302.69.40	Fish, nesi, excl. fillets, livers and roes, fresh, chilled	16,828	50.1	18,693	60.8	20,128	71.3	28,138	84.5	Costa Rica
8516.31.00	Electrothermic hair dryers	0	0.0	5,074	29.9	20,213	66.7	26,992	69.9	Costa Rica
8535.40.00	Lightning arrestors, voltage limiters, surge suppressors	12	100.0	3	100.0	5,612	92.9	26,946	100.0	Dominican Republic
2401.10.60	Cigarette leaf, not stemmed, not oriental or turkish	5,468	100.0	5,929	100.0	20,294	100.0	25,916	100.0	Guatemala
0807.10.70	Melons, nesi, fresh, entered between 12/1-5/31	9,599	92.1	20,070	98.5	20,057	98.3	24,227	98.6	Costa Rica
7113.19.10	Rope, curb, etc. in continuous lengths, of precious metal	446	2.6	1,789	3.0	13,849	35.1	22,825	69.6	Dominican Republic
9506.69.20	Baseballs and softballs	33,607	77.7	29,386	83.1	21,610	86.6	22,532	91.9	Costa Rica
7213.31.30	Bars & rods, hot rolled, of iron or non alloy steel	10,211	100.0	10,822	100.0	15,422	100.0	21,680	99.6	Trinidad and Tobago
	Total of above items	442,995	5.8	611,169	7.4	873,927	9.2	1,120,330	11.1	
	Total, all items entering under CBERA	1,022,686	13.6	1,120,697	13.6	1,498,556	15.9	1,865,544	18.5	

[1] Indicates CBERA duty-free imports as a percent of total U.S. imports of the HTS product from CBERA countries. Leading U.S. imports from CBERA countries are shown in table B-4.

[2] Indicates leading CBERA source based on total U.S. imports for consumption during 1992.

[3] HTS subheadings 1701.11.01, and 1701.11.02 (along with 1701.11.03) were created on October 1, 1990 from former subheading 1701.11.00; combined CBERA sugar imports under these subheadings totaled $117.4 million in 1990, $116.4 million in 1991, $193.6 million in 1992, and $130.0 million in 1993.

Note.—Because of rounding, figures may not add to totals given.

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

Table 1-12
U.S. imports for consumption from CBERA countries, by major groups, 1984, 1986, 1988, 1990, 1992, and 1993

(1,000 dollars, customs value)

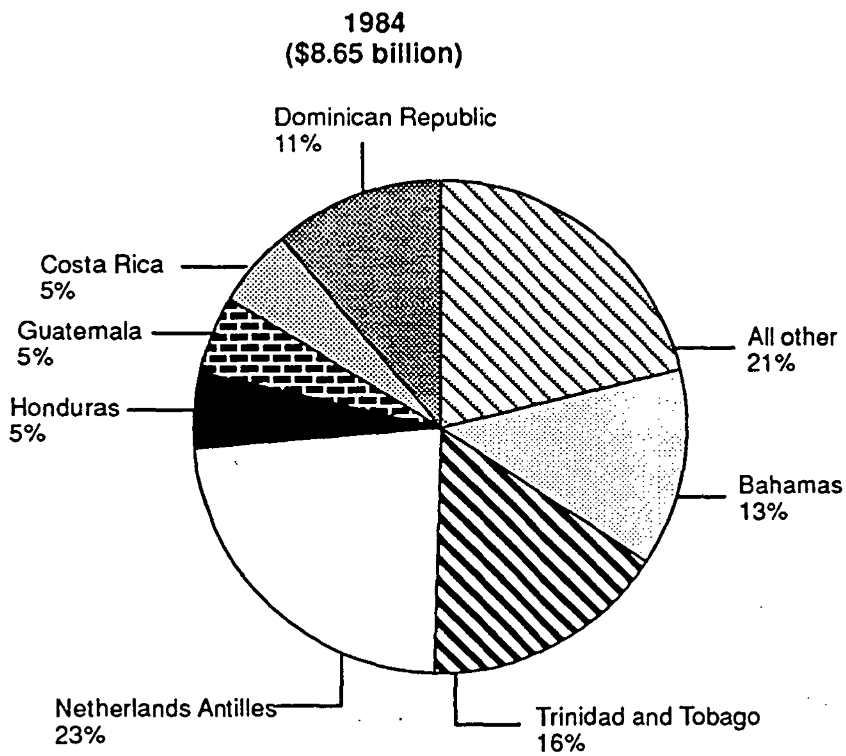
Country	1984	1986	1988	1990	1992	1993
Non-oil-producing countries:						
Central America:						
Belize	42,843	50,181	52,049	43,978	58,510	48,984
Costa Rica	468,633	646,508	777,797	1,006,474	1,402,042	1,542,098
El Salvador	381,391	371,761	282,584	237,538	383,245	481,342
Guatemala	446,267	614,708	436,979	790,900	1,072,697	1,178,094
Honduras	393,769	430,906	439,504	486,330	780,638	914,380
Nicaragua[1]	([2])	([2])	([2])	15,254	68,609	124,543
Panama[3]	311,627	352,206	256,046	226,555	218,232	233,131
Subtotal	2,044,530	2,466,270	2,244,959	2,807,029	3,983,973	4,522,572
Eastern Caribbean:						
Antigua	7,898	11,849	6,893	4,120	5,414	14,806
Barbados	252,598	108,991	51,413	30,899	30,528	34,027
British Virgin Islands	1,335	5,904	684	1,999	3,235	14,143
Dominica	86	15,185	8,530	8,346	4,506	5,833
Grenada	766	2,987	7,349	7,783	7,476	7,940
Guyana[4]	([2])	([2])	50,432	52,260	87,064	87,870
Montserrat	989	3,472	2,393	562	1,095	1,513
St. Kitts and Nevis	23,135	22,278	20,822	16,100	22,857	23,775
St. Lucia	7,397	12,269	26,044	26,920	28,065	31,285
St. Vincent and Grenadines	2,958	7,836	13,950	8,672	4,530	4,855
Subtotal	297,162	190,771	188,510	157,661	194,770	226,049
Central Caribbean:						
Dominican Republic	994,427	1,058,927	1,425,371	1,725,430	2,366,509	2,667,202
Haiti	377,413	368,369	382,466	339,177	107,170	154,335
Jamaica	396,949	297,891	440,934	563,723	593,361	710,260
Subtotal	1,768,789	1,725,187	2,248,771	2,628,330	3,067,040	3,531,797
Total non-oil-producing countries	4,110,481	4,382,226	4,682,240	5,593,020	7,245,783	8,280,419
Oil-producing countries:						
Aruba[5]	([2])	1,797	647	967	189,657	306,578
Bahamas	1,154,282	440,985	268,328	506,772	580,700	341,547
Netherlands Antilles	2,024,367	453,333	408,100	421,789	569,689	381,776
Trinidad and Tobago	1,360,106	786,405	701,738	1,002,661	839,788	783,714
Total oil-producing countries	4,538,755	1,682,519	1,378,813	1,932,189	2,179,834	1,813,615
Grand total	8,649,235	6,064,745	6,061,054	7,525,208	9,425,616	10,094,033

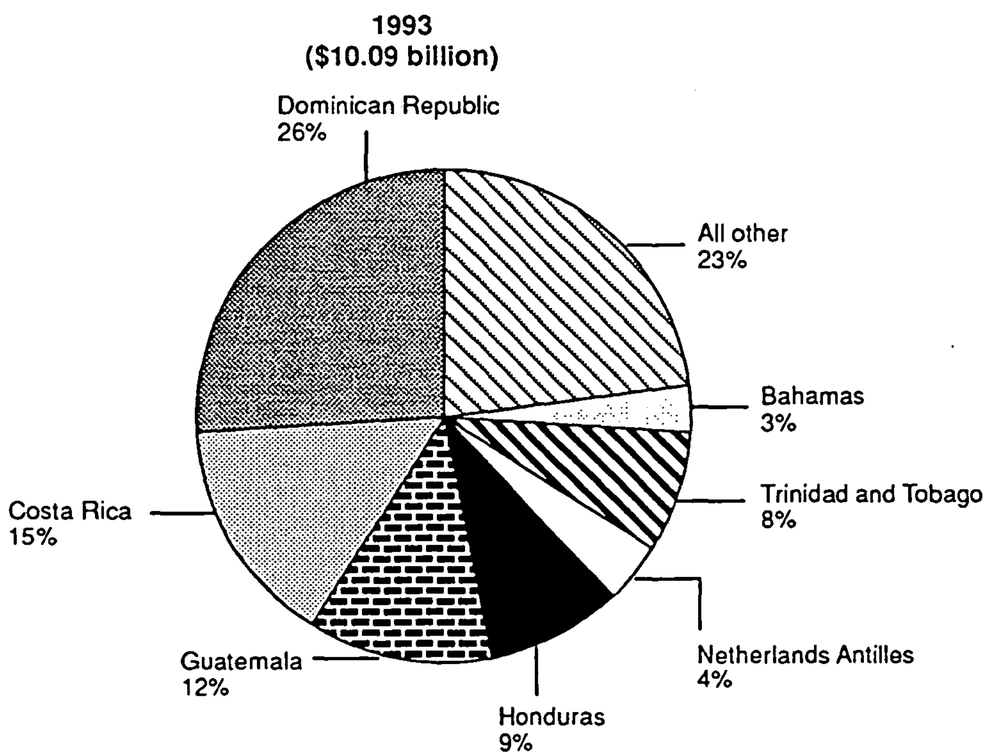
[1] Nicaragua was designated a beneficiary country effective November 8, 1990.
[2] Not applicable.
[3] Panama lost its designated beneficiary status effective April 9, 1988, and was reinstated in March 1990.
[4] Guyana was designated a beneficiary country effective November 24, 1988.
[5] Aruba was designated a beneficiary country effective January 1, 1986.

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

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

Figure 1-4
U.S. imports from CBERA countries, by leading sources, share of total, 1984 and 1993





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

Table 1-13
U.S. trade with CBERA countries: U.S. exports, imports, and trade balances, selected years 1984-93, value and share of total

Country	1984	1986	1988	1990	1992	1993
	Value *(Millions of dollars)*					
U.S. exports:						
Dominican Republic	631	892	1,341	1,621	2,063	2,291
Costa Rica	417	475	684	960	1,318	1,504
Guatemala	370	392	569	744	1,167	1,267
Jamaica	488	446	741	917	914	1,080
Honduras	304	323	446	554	790	867
El Salvador	380	427	451	547	727	847
Panama	730	674	588	807	998	1,087
Trinidad and Tobago	588	523	323	425	439	523
Bahamas	546	748	725	785	691	668
Netherlands Antilles	608	369	412	521	450	492
Haiti	406	379	465	460	213	219
All others	485	417	679	966	1,132	1,097
Total	5,953	6,065	7,422	9,307	10,902	11,942
U.S. imports:						
Dominican Republic	994	1,059	1,425	1,725	2,367	2,667
Costa Rica	469	647	778	1,006	1,402	1,542
Guatemala	446	615	437	791	1,073	1,178
Jamaica	397	298	441	564	593	710
Honduras	394	431	440	486	781	914
El Salvador	381	372	283	238	383	481
Panama	312	352	256	227	218	233
Trinidad and Tobago	1,360	786	702	1,003	840	784
Bahamas	1,154	441	268	506	581	342
Netherlands Antilles	2,024	453	408	422	570	382
Haiti	377	368	382	339	107	154
All others	340	243	242	218	511	707
Total	8,649	6,065	6,061	7,525	9,426	10,094
Trade balance:						
Dominican Republic	-364	-167	-85	-105	-303	-377
Costa Rica	-51	-171	-94	-47	-84	-38
Guatemala	-76	-222	132	-47	95	89
Jamaica	92	148	300	353	321	370
Honduras	-90	-108	6	68	9	-47
El Salvador	-1	55	168	309	344	366
Panama	419	322	332	581	780	854
Trinidad and Tobago	-772	-264	-379	-578	-401	-261
Bahamas	-608	307	457	279	111	327
Netherlands Antilles	-1,416	-84	4	99	-120	110
Haiti	28	11	82	122	106	65
All others	144	174	438	748	621	390
Total	-2,696	([1])	1,361	1,782	1,476	1,848

See footnotes at end of table.

Table 1-13—Continued
U.S. trade with CBERA countries: U.S. exports, imports, and trade balances, selected years 1984-93, value and share of total

Country	1984	1986	1988	1990	1992	1993
	Share of total *(Percent)*					
U.S. exports:						
Dominican Republic	11	15	18	17	19	19
Costa Rica	7	8	9	10	12	13
Guatemala	6	6	8	8	11	11
Jamaica	8	7	10	10	8	9
Honduras	5	5	6	6	7	7
El Salvador	6	7	6	6	7	7
Panama	12	11	8	9	9	9
Trinidad and Tobago	10	9	4	5	4	4
Bahamas	9	12	10	8	6	6
Netherlands Antilles	10	6	6	6	4	4
Haiti	7	6	6	5	2	2
All others	8	7	9	10	10	9
Total	100	100	100	100	100	100
U.S. imports:						
Dominican Republic	11	17	24	23	25	26
Costa Rica	5	11	13	13	15	15
Guatemala	5	10	7	11	11	12
Jamaica	5	5	7	7	6	7
Honduras	5	7	7	6	8	9
El Salvador	4	6	5	3	4	5
Panama	4	6	4	3	2	2
Trinidad and Tobago	16	13	12	13	9	8
Bahamas	13	7	4	7	6	3
Netherlands Antilles	23	7	7	6	6	4
Haiti	4	6	6	5	1	2
All others	4	4	4	3	5	7
Total	100	100	100	100	100	100

[1] Negative trade balance of less than $500,000.

Note.—Countries are listed in the order of their total trade with the United States (U.S. imports plus U.S. exports) in 1993.

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

Table 1-14
U.S. imports for consumption under CBERA provisions, customs value of duty-free imports by country, 1984-93

(1,000 dollars)

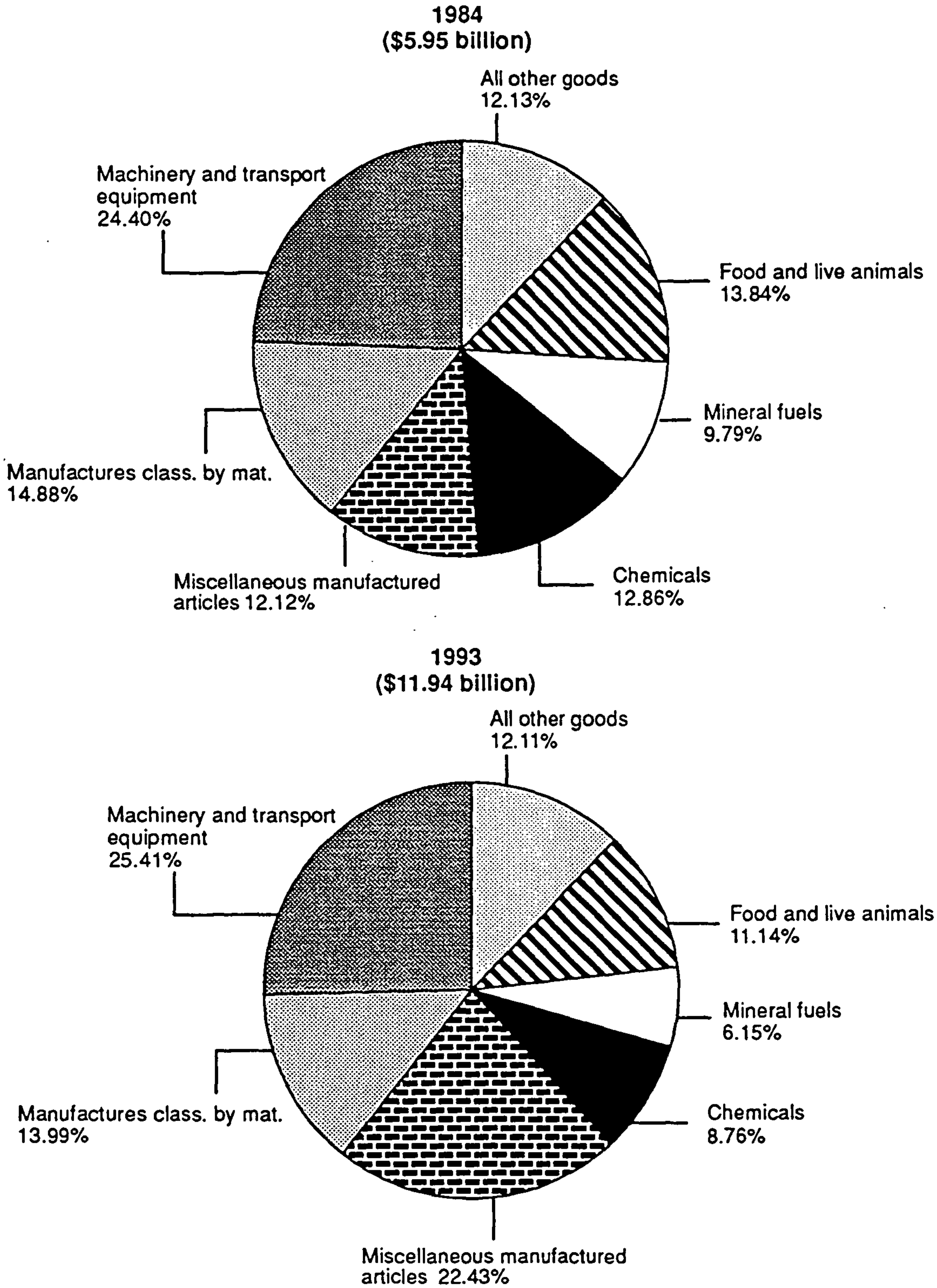
Rank	Country	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
1	Dominican Republic	222,462	171,566	189,708	178,938	242,549	299,174	311,075	402,507	543,124	624,348
2	Costa Rica	65,756	72,184	112,710	129,577	141,076	190,756	218,380	249,553	294,803	387,731
3	Guatemala	43,442	42,440	54,143	57,621	77,256	112,627	154,205	137,157	189,649	207,312
4	Bahamas	0	3,089	53,087	95,488	10,692	9,086	8,578	10,652	93,324	167,110
5	Honduras	60,198	44,620	53,765	53,150	56,181	52,648	67,891	80,464	112,511	127,397
6	Jamaica	44,737	40,365	51,017	58,293	42,023	51,543	60,689	60,080	48,154	76,451
7	Nicaragua[1]	([2])	([2])	([2])	([2])	([2])	([2])	174	16,849	40,018	74,405
8	Trinidad and Tobago	6,422	15,791	26,485	26,044	41,939	32,369	38,274	26,542	44,695	44,593
9	Panama[3]	11,787	6,619	13,775	18,539	9,717	([2])	12,344	17,417	23,753	38,519
10	Haiti	21,856	46,460	60,463	77,906	83,310	67,549	63,793	50,053	17,277	30,189
11	El Salvador	71,986	19,217	12,712	22,135	22,178	27,606	28,313	30,041	27,075	26,517
12	Barbados	13,376	11,372	10,223	20,223	19,125	14,851	15,198	15,728	15,478	20,176
13	St. Kitts and Nevis	6,757	5,503	6,192	9,592	9,417	14,033	10,136	5,857	14,172	15,985
14	Belize	4,621	8,412	19,200	11,579	18,846	14,029	18,566	5,445	23,733	12,526
15	St. Lucia	1,413	1,556	2,183	2,568	3,007	2,971	3,552	3,195	3,935	4,463
16	Netherlands Antilles	2,504	2,828	1,874	1,199	2,604	2,530	4,518	5,241	2,964	3,489
17	Dominica	9	320	494	626	358	844	1,330	1,365	1,008	1,293
18	Guyana[4]	([2])	([2])	([2])	([2])	131	2,769	521	506	1,202	1,242
19	Antigua	114	349	533	333	255	2,310	675	548	324	1,110
20	Montserrat	0	98	3	0	118	96	0	0	41	271
21	St. Vincent and Grenadines	55	200	2,089	4,583	9,990	5,642	1,517	140	165	233
22	Grenada	2	13	39	31	119	2,201	2,809	1,307	1,081	144
23	Aruba[5]	([2])	([2])	0	14	0	0	4	0	10	21
24	British Virgin Islands	207	21	18	28	56	138	157	52	68	17
	Total	577,704	493,024	670,711	768,467	790,941	905,762	1,022,686	1,120,697	1,498,556	1,865,544

[1] Nicaragua was designated as a beneficiary effective November 8, 1990.
[2] Not applicable.
[3] Panama lost its beneficiary status effective April 8, 1988, and was reinstated effective March 1990.
[4] Guyana was designated a beneficiary country effective November 24, 1988.
[5] Aruba was designated a beneficiary country effective January 1, 1986.

Note.—Figures may not add to the totals given due to rounding.

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

Figure 1-5
U.S. exports to CBERA countries, by product sector, 1984 and 1993



Note.—Product groups by S.I.T.C. classification (rev.3).

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

Growth of the "miscellaneous manufactured articles" portion of manufactures between 1984 and 1993 was the most conspicuous of any sector. This class of products accounted for 12.1 percent of total U.S. exports to the Caribbean in 1984 and for 22.4 percent in 1993. As was the case on the import side, the relative increase of "miscellaneous manufactures" on the export side indicates the expansion of production sharing between U.S. and Caribbean companies. This class of goods contains many of the semi-finished U.S. items—principally cut apparel pieces and other apparel products—which have reached the Caribbean as U.S. inputs for further processing, and then reentered the United States with Caribbean value added. The miscellaneous category also includes a variety of other U.S. manufactured exports, such as scientific instruments, electronic products, and consumer items for which the industrialization process generated additional demand in the course of the CBERA decade.

From 1989 to 1993, U.S. exports of textiles and apparel were up by 90.4 percent (table 1-15). However, since textiles and apparel imports from CBERA countries more than doubled during the same time span, the United States realized an increasing trade deficit in this period, amounting to $1.8 billion in 1993.

Probably because of a flow of direct investment into Caribbean manufacturing,[87] the relative share of machinery and equipment in U.S. exports to the region was one percentage point larger in the last CBERA year than in the first (figure 1-5). The 1993 U.S. surplus in bilateral (U.S.-Caribbean) machinery and transportation equipment trade amounted to $2.2 billion (table 1-15), larger than the overall $1.8 billion U.S. trade surplus with CBERA countries (table 1-3). U.S. exports of transportation equipment almost quadrupled during 1989-93, reflecting greater Caribbean demand for automobiles, trucks, and airplanes due to general industrialization and upgrading of services for tourism. U.S. exports of office machines and telecommunications equipment more than doubled to meet the demand generated by ongoing modernization and, specifically, by the establishment of data-processing services in the Dominican Republic. U.S. exports of general machinery almost doubled in 1989-93. This can be explained with increased Caribbean construction activities associated with economic expansion and with the new Caribbean facilities producing apparel, processed food, electronics, and other miscellaneous products, many of them to be shipped to the United States under CBERA provisions.[88]

U.S. exports of various inputs for Caribbean manufacturing industries were also up between 1989 and 1993 within the broad product class of "manufactures classified by material." This category includes exports of leather, textile yarns and fabrics, iron and steel, and nonferrous metal products.

Table 1-16 shows the 35 leading U.S. export items to CBERA countries during 1989-93, based on 8-digit Schedule B classification. Topping the list in 1993 were apparel and pieces of apparel for assembly, refined petroleum products, wheat, corn, cigarettes, soybeans, food preparations, airplanes, automobiles, paper, lumber, medical equipment, and equipment for mining and construction.

Shifts of U.S. exports by CBERA-country destination

In addition to political problems in some areas of the region, the decline in petroleum prices and the presence of CBERA were the main reasons for a major shift among Caribbean countries as destinations for U.S. exports (tables 1-13 and 1-17, and figure 1-6). In the first CBERA year, the leading Caribbean markets for U.S. products were Panama (12 percent), the Dominican Republic (11 percent), and the three oil-producing countries: the Netherlands Antilles (10 percent), Trinidad and Tobago (10 percent), and the Bahamas (9 percent).

However, by 1993, the oil-producing countries were displaced as the top Caribbean markets for U.S. exports. During the first CBERA decade, the importance of the Dominican Republic's market expanded rapidly (from 11 to 19 percent of total U.S. exports to CBERA countries); the markets of Costa Rica (13 percent) and of Guatemala (11 percent) were added as the leading destinations of U.S. exports, with Panama ranking fourth (9 percent). Notably, the first three were also leading sources of total U.S. imports from CBERA countries (figure 1-4), as well as the top beneficiaries of CBERA provisions (table 1-14) in 1993. This indicates that extensive production sharing through CBERA and other duty-free programs opened markets for U.S. products, and that the United States was both sponsor and beneficiary of CBERA.

[87] See "Ten Years of CBERA-Related Investment" in this chapter and chapter 4 of this report.

[88] These data, not shown in tabular form, are compiled from official statistics of the U.S. Department of Commerce. The data are based on SITC 2-digit classification.

Table 1-15
U.S. trade with CBERA countries: U.S. exports, imports, and trade balances with CBERA-eligible countries, by principal industry sectors, 1989-93

(Million dollars)

Industry sector	1989	1990	1991	1992	1993
Textiles and apparel:					
Exports	1,205	1,258	1,570	1,946	2,294
Imports	1,836	2,064	2,622	3,379	4,097
Balance	-631	-806	-1,052	-1,433	-1,802
Footwear:					
Exports	70	57	60	62	65
Imports	120	158	166	202	241
Balance	-50	-101	-106	-140	-176
Agricultural products:					
Exports	1,531	1,553	1,558	1,629	1,878
Imports	2,011	2,046	1,972	2,161	2,235
Balance	-480	-493	-414	-532	-358
Forest products:					
Exports	561	571	595	621	684
Imports	71	74	56	57	66
Balance	490	498	539	564	618
Energy-related products:					
Exports	613	904	933	821	757
Imports	1,066	1,354	1,403	1,476	1,295
Balance	-453	-449	-471	-655	-538
Chemical products:					
Exports	1,112	1,144	1,194	1,260	1,225
Imports	611	642	705	683	527
Balance	501	503	489	577	698
Machinery and transportation equipment:					
Exports	1,512	1,637	1,637	2,018	2,303
Imports	90	78	75	90	100
Balance	1,422	1,559	1,562	1,928	2,203
Electronic products:					
Exports	715	789	816	933	1,030
Imports	276	288	335	393	468
Balance	439	501	481	540	562
Minerals and metals:					
Exports	526	491	498	541	604
Imports	412	406	383	396	373
Balance	114	86	114	145	231
Miscellaneous products:					
Exports	260	903	1,025	1,071	1,102
Imports	144	415	512	589	692
Balance	116	488	513	482	410
Total:					
Exports	8,105	9,307	9,886	10,902	11,942
Imports	6,637	7,525	8,229	9,426	10,094
Balance	1,468	1,782	1,656	1,476	1,848

Note.—Highly reliable comparability between import and export statistics on a sectoral basis has existed only since conversion of the U.S. import and export classification schemes (former *Tariff Schedules of the United States* and "*Schedule B*," respectively) to the Harmonized System nomenclature structure. The "industry sectors" used in this table are identical to those used by the Commission's Office of Industries to produce its annual trade monitoring report, *U.S. Trade Shifts in Selected Commodity Areas.*

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

Table 1-16
Leading U.S. exports to CBERA countries,[1] 1989-93

(1,000 dollars, f.a.s. value)

Schedule B Item	Description	1989	1990	1991	1992	1993
9880.00.40	Estimated low value shipments	0	540,229	553,230	539,383	579,623
6203.42.40	Men's or boy's trousers etc. not knitted	110,581	125,649	175,161	234,920	304,258
2710.00.10	Oil, not crude, from petroleum & bituminous minerals, testing 25 degrees A.P.I or more	159,723	261,887	275,366	254,833	237,399
1001.90.20	Wheat other than durum wheat and meslin	200,753	204,976	168,465	173,102	217,347
2710.00.15	Motor fuels	128,924	246,287	275,560	201,546	188,923
1005.90.20	Corn maize other than seed corn	109,948	153,239	154,780	145,666	184,100
6212.10.00	Brassieres of cotton	108,791	98,164	125,825	145,236	167,315
8802.40.00	Airplane & other aircraft, unladen weight > 15,000 kg	139,355	125,473	30,078	137,940	159,966
2710.00.05	Oil, not crude, from petroleum & bituminous minerals, testing under 25 degrees A.P.I	206,026	236,308	193,244	174,423	158,348
8703.23.00	Passenger motor vehicles, cylinder capacity >1,500cc <3,000 cc	67,013	92,550	84,958	113,973	155,656
4804.11.00	Kraftliner, uncoated unbleached in rolls or sheets	122,038	124,798	132,942	134,944	132,922
2402.20.00	Cigarettes containing tobacco	72,509	66,621	69,919	101,437	131,667
6109.10.00	T-shirts, singlets, tank tops etc., knitted, of cotton	40,713	48,287	61,224	108,831	130,448
6217.90.00	Parts of garments and clothing accessories, nesi	55,184	62,277	100,616	122,080	126,358
2304.00.00	Soybean oilcake & other solid residue	54,485	62,549	76,278	87,359	99,641
2106.90.60	Food preparations nesi	52,995	57,468	62,648	65,050	96,758
4407.10.00	Coniferous wood sawn, sliced etc, over 6 mm thick	69,616	61,500	74,271	80,061	93,435
9018.39.00	Medical needles, nesi, catheters etc. and parts etc	38,297	67,476	81,734	84,066	91,888
6204.62.40	Women's or girls' trousers etc. not knitted, cotton	20,360	21,745	54,992	84,150	88,415
1201.00.00	Soybeans, whether or not broken	82,589	63,637	72,292	63,963	84,267
6115.11.00	Panty hose & tights, synthetic fibers measuring < 67 decitex	9,821	8,246	10,130	17,035	83,456
3901.10.00	Polyethylene having a specific gravity under 0.94	71,609	76,147	74,981	81,721	77,467
8431.43.80	Parts for boring or sinking machinery, nesi	61,788	64,652	106,380	59,161	76,591
2710.00.30	Lubricating oils	54,673	72,920	67,074	58,910	68,948
9809.00.00	Exports valued not over $10,000, not identified	77,843	62,886	56,731	60,382	65,746
8548.00.00	Electrical parts of machinery nesi	23,414	29,740	38,473	59,408	62,729
3100.00.00	Fertilizers, exports only including other crude materials	80,645	77,920	89,999	88,770	62,268
0207.41.00	Chicken cuts and edible offal, except livers, frozen	40,409	39,609	52,020	54,359	57,605
8538.90.00	Parts for electrical apparatus	45,711	43,623	29,214	47,822	54,954
8473.30.00	Parts & accessories for adp machines & units	33,666	27,560	31,691	51,297	54,910
1502.00.00	Fats, bovine, sheep or goat, raw or rendered	39,498	46,325	49,243	48,803	54,182
6108.21.00	Women's or girls' briefs and panties, cotton, knitted	6,968	19,299	25,993	41,216	52,798
6205.20.30	Men's or boys' shirts, not knitted, of cotton	11,681	6,636	10,395	18,503	51,847
8708.99.00	Parts and accessories of motor vehicles, nesi	55,310	45,041	45,493	47,962	50,907
6105.10.00	Men's or boys' shirts of cotton, knitted or crocheted	27,842	34,823	39,278	75,622	48,213
	Total of items shown	2,480,780	3,376,546	3,550,677	3,863,933	4,351,356
	Total all commodities	8,786,607	9,307,140	9,885,548	10,901,693	11,941,917

[1] Data reflect current designated countries under CBERA for all years.
Note.—Because of rounding, figures may not add to totals given.
Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 1-17

U.S. exports of domestic merchandise to CBERA countries, by major groups, 1984, 1986, 1988, 1990, 1992, and 1993

(1,000 dollars, customs value)

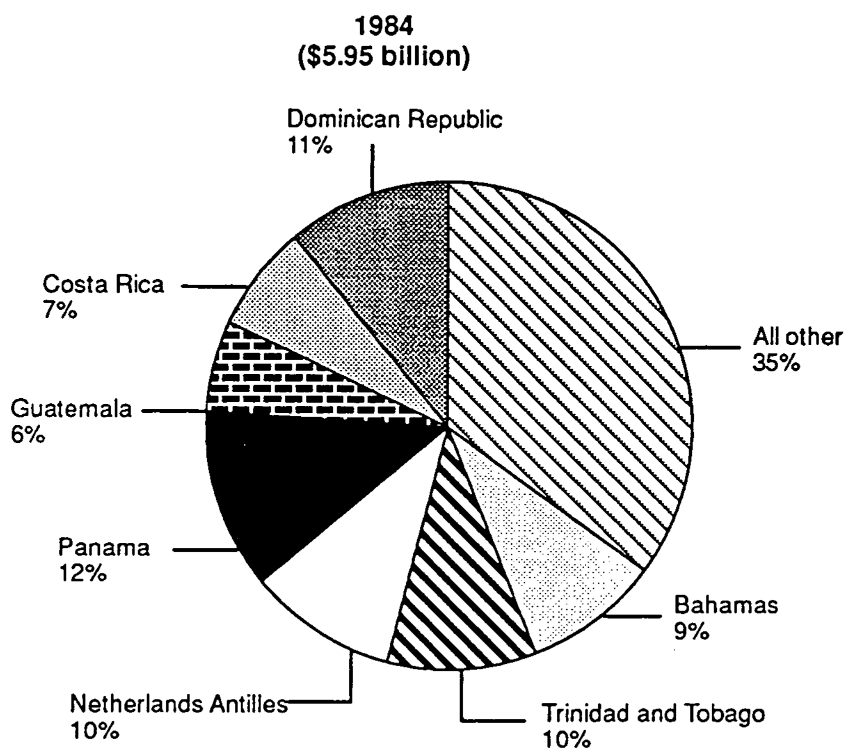
Country	1984	1986	1988	1990	1992	1993
Non-oil-producing countries:						
Central America:						
Belize	49,462	55,095	89,585	101,107	111,363	120,403
Costa Rica	417,641	475,367	683,716	959,769	1,317,645	1,504,155
El Salvador	380,331	426,578	450,577	546,970	727,188	847,143
Guatemala	369,794	392,311	568,544	743,533	1,167,411	1,267,554
Honduras	304,083	323,004	445,656	554,211	790,027	867,033
Nicaragua[1]	(2)	(2)	(2)	66,180	180,420	141,486
Panama[3]	730,382	674,378	588,213	807,459	998,417	1,086,757
Subtotal	2,251,693	2,346,733	2,826,291	3,779,229	5,292,471	5,834,531
Eastern Caribbean:						
Antigua	(2)	(2)	65,579	67,759	65,549	67,035
Barbados	232,852	142,832	154,276	158,062	122,780	132,097
British Virgin Islands	(2)	(2)	36,878	58,995	42,263	42,118
Dominica	(2)	(2)	2,962	30,045	32,515	26,648
Grenada	(2)	(2)	24,360	34,251	22,983	22,704
Guyana[4]	(2)	(2)	66,763	74,299	114,210	117,835
Leeward and Windward Islands[5]	201,336	218,335	(2)	(2)	(2)	(2)
Montserrat	(2)	(2)	5,446	10,540	12,911	5,035
St. Kitts and Nevis	(2)	(2)	35,387	51,514	30,111	34,872
St. Lucia	(2)	(2)	67,316	81,417	79,528	89,230
St. Vincent and Grenadines	(2)	(2)	34,655	34,486	33,832	36,118
Subtotal	434,188	361,167	493,622	601,368	556,682	573,693
Central Caribbean:						
Dominican Republic	630,599	891,546	1,340,582	1,620,510	2,062,919	2,290,533
Haiti	405,890	379,444	464,519	460,974	213,050	219,149
Jamaica	488,463	445,619	741,286	916,802	914,200	1,079,888
Subtotal	1,524,952	1,716,609	2,546,387	2,998,286	3,190,169	3,589,570
Total non-oil-producing countries	4,210,833	4,424,509	5,866,301	7,378,884	9,039,321	9,997,794
Oil-producing countries:						
Aruba[6]	(2)	(2)	95,636	196,896	282,289	260,625
Bahamas	546,320	747,989	725,328	785,442	691,320	668,136
Netherlands Antilles	607,814	369,318	411,569	521,169	450,123	492,228
Trinidad and Tobago	587,917	522,828	323,005	424,748	438,640	523,134
Total oil-producing countries	1,742,051	1,640,135	1,555,538	1,928,255	1,862,372	1,944,123
Grand total	5,952,884	6,064,644	7,421,840	9,307,140	10,901,693	11,941,917

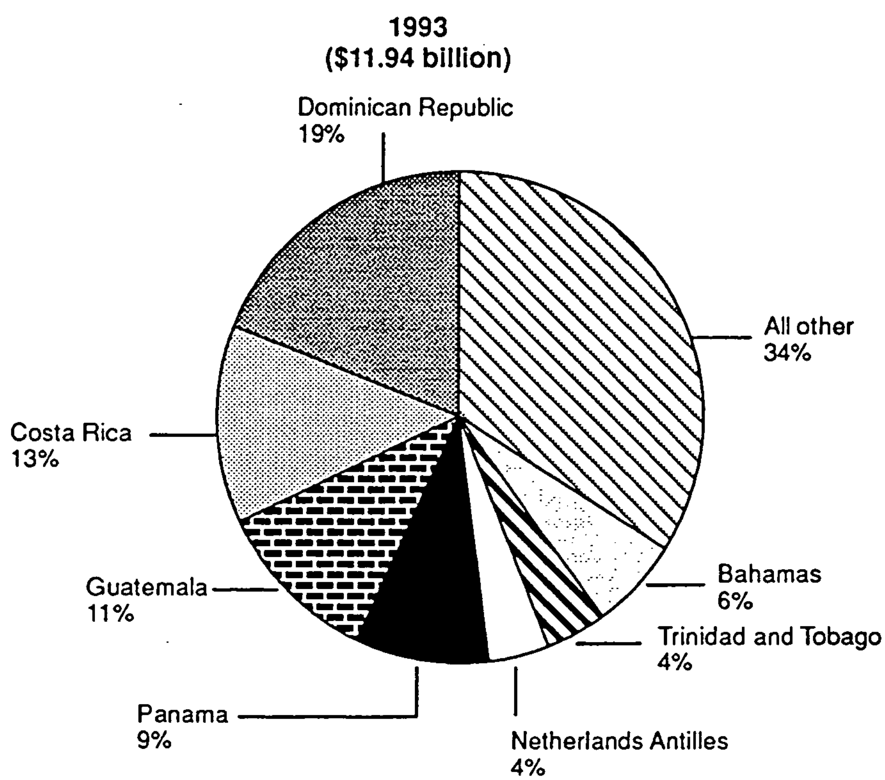
1 Nicaragua was designated a beneficiary country effective November 8, 1990.
2 Not applicable.
3 Panama lost its designated beneficiary status effective April 9, 1988, and was reinstated in March 1990.
4 Guyana was designated a beneficiary country effective November 24, 1988.
5 Exports to Antigua, British Virgin Islands, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and Grenadines were reported cumulatively as exports to the Leeward and Windward Islands until January 1, 1988.
6 Export data for Aruba were reported within statistics for the Netherlands Antilles unitl January 1, 1988.

Note.-Because of rounding, figures may not add to totals shown.

Sou[illegible]Compiled from official statistics of the U.S. Department of Commerce.

Figure 1-6
U.S. exports to CBERA countries, by leading markets, share of total, 1984 and 1993





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

Among the three leading U.S. trading partners in the CBERA community, Guatemala was the only one with which the United States had a trade surplus in 1993 (table 1-13). Panama, the fourth-ranking U.S. export market in 1993, accounted for the widest U.S. trade surplus among CBERA countries in 1993 ($854 million), as well as in previous years. Other CBERA countries contributing to the U.S. trade surplus with the CBERA community included Jamaica, El Salvador, and the Bahamas. On the other hand, the United States consistently registered a trade deficit with the Dominican Republic, its largest CBERA trading partner. In 1993, this deficit amounted to $377 million.

Ten Years of CBERA-Related Investment Activity

Table 1-18 shows the value of net private foreign direct investment (FDI) flows in selected CBERA countries in 1983-92.[89] This is the latest 10-year period for which such data are available, and this period overlaps the first 9 years of operation of CBERA. The table shows FDI in the leading five CBERA countries ranked in the order of their FDI flows in 1992: Costa Rica, the Dominican Republic, Trinidad and Tobago, Guatemala, and Jamaica. These countries are also leading beneficiaries of CBERA trade preferences, accounting in 1993 for almost three-fourths of U.S. imports under CBERA.[90] Table 1-18 shows FDI flows from all countries and in all industry sectors. Investments in production that may take advantage of CBERA trade preferences are most likely to be in manufacturing industries and agriculture. Investment activity in CBERA countries in 1993 is discussed in chapter 4.

FDI in Costa Rica grew over the period, with especially strong flows in recent years. In 1992 FDI was nearly four times its value in 1983. New projects and expansion of existing facilities in 1992 helped increase the production of such nontraditional exports as concentrated orange juice, macadamia nuts, mangoes, melons, papayas, and pineapples. These capital inflows in 1992 were reportedly offset somewhat by the closure of some textile manufacturing firms.[91] Twenty-nine new projects were reported in 1991, valued at over $33 million, of which 10 were in manufacturing. Investment to expand existing facilities totaled nearly $29 million in 1991, half of which was accounted for by a Hanes facility (Sara Lee Corp.) producing women's underwear.[92] Rawlings Sporting Goods, a U.S.-based firm that shifted its baseball production from Haiti, was among the new investors establishing CBERA-eligible operations in Costa Rica in 1990.[93] [94]

Investment flows to the Dominican Republic have also increased in recent years, with a noticeable start to this trend in 1987, after the SAP for apparel sewn from U.S. parts in CBERA countries was put in place. Foreign investment plays a key role in the economy of the Dominican Republic, whose Free-Trade Zones (FTZs)[95] were established as platforms for production and exports to the United States under CBERA. Sixty-one new investment projects were reported in the Dominican Republic in 1992. Of these, 40 were reportedly related to the apparel industry or data processing services, none of which could benefit directly from CBERA preferences. However, some 15 new projects with investments valued at $38.1 million, were considered in 1992 to be potential CBERA beneficiaries.[96] In 1991, 70 companies, of which 33 engaged in apparel production, began new operations in the Dominican Republic, with total new investments valued at $100 million.[97] [98] One U.S. footwear company closed its U.S. plant in 1992 and expanded its facilities in the Dominican Republic to take advantage of the duty reductions provided in section 222 of the 1990 CBERA.[99]

[89] These FDI statistics are presented within the context of balance of payments statistics. FDI is defined as "[t]he flow of international capital where the investor has a permanent and effective share in the management or control of the firm." Inter-American Development Bank, *Economic and Social Progress in Latin America: 1993 Report*, p. 299. For further details of the concepts and definitions underlying the balance of payments statistics, see the IMF Balance of Payments Manual, 4th ed., 1977.

[90] See table 1-14.

[91] See USITC, *Eighth Annual Report, 1992*, p. 4-2.

[92] See USITC, *Seventh Annual Report, 1991*, p. 4-2.

[93] See USITC, *Sixth Annual Report, 1990*, p. 4-3.

[94] See USITC's fourth and fifth annual reports for specifics on earlier U.S. investment projects in Costa Rica in the CBERA period.

[95] See chapter 4 for a more detailed discussion of FTZs.

[96] See USITC, *Eighth Annual Report, 1992*, p. 4-4.

[97] See USITC, *Seventh Annual Report*, 1991, p. 4-3.

[98] See USITC's fourth, fifth, and sixth annual reports for specifics on earlier U.S. investment projects in the Dominican Republic in the CBERA period.

[99] Section 222 is discussed earlier in this chapter in the section on Rules of Origin.

Table 1-18
Private sector net foreign direct investment flow in selected CBERA beneficiary countries, 1983-92

(Million of dollars)

Country	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Costa Rica	55	52	65	57	76	121	95	160	173	217
Dominican Republic	48	69	36	50	89	106	110	133	145	179
Trinidad and Tobago	114	110	-7	-22	35	63	149	109	169	178
Guatemala	45	38	62	69	150	330	76	48	91	94
Jamaica	-19	12	-9	-5	53	-12	57	138	127	87

Source: Inter-American Development Bank, *Economic and Social Progress in Latin America: 1993 Report*, October 1993, table D-14, p. 293, and International Monetary Fund, *International Financial Statistics*, June 1994.

Trinidad and Tobago experienced large swings in private direct investment flows over the 1983-92 period, with strong inflows in the earlier years when the country was a major Caribbean oil producer and exporter, and from 1989 onward when it began to diversify away from oil products. Two investment projects used $110 million of section 936 funding in 1992.[100] The Government of Trinidad and Tobago has attempted to encourage the development of small export-oriented businesses, particularly in textiles and apparel and food processing, but limitations of local plant capacity and relatively high labor costs have inhibited significant new ventures in these sectors.[101] A new investment law was approved in 1990 that lifted restrictions on foreign commercial and residential investments and reduced licensing requirements.[102] [103]

Direct investment flows to Guatemala were erratic over the period, reaching a peak in 1988 that was more than three times the flow in 1992. Investments in Guatemala have centered around nontraditional agricultural products (cantaloupes, melons, vegetables, especially snow peas), which are entered CBERA duty free, and an export-oriented textile and apparel industry, which has grown dramatically in response to HTS 9802.00.80 provisions.[104] By contrast, growth in the rest of Guatemalan manufacturing was less robust. The sector of textiles and apparel was the only one that reported new U.S. investments in Guatemala in 1992.[105] [106]

Jamaica has enjoyed strong private direct investment inflows from 1989 onward. Fourteen new CBERA-related investment projects were reported in Jamaica during 1992, totaling $3.2 million. These projects involved the production of papaya and other fruits and vegetables, cut flowers and houseplants, and electrical devices.[107] The Jamaican Investment Promotion Agency reported 12 new CBERA-related investment projects in 1991, five of which were already producing for export to the United States.[108] Apparel assembly operations have been a strong area of export-oriented investment in Jamaica.[109] [110]

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[100] See USITC, *Eighth Annual Report, 1992*, p. 4-5.

[101] See USITC, *Seventh Annual Report, 1991*, p. 4-3.

[102] See USITC, *Sixth Annual Report, 1990*, p. 4-3.

[103] See USITC, *Fourth Annual Report, 1988* for specifics on earlier U.S. investment projects in Trinidad and Tobag in the CBERA period.

[104] These provisions are discussed earlier in this chapter.

[105] See USITC, *Eighth Annual Report, 1992*, p. 4-4.

[106] See USITC's fourth and fifth annual reports for specifics on earlier U.S. investment projects in Guatemala in the CBERA period.

[107] See USITC, *Eighth Annual Report, 1992*, p. 4-4.

[108] See USITC, *Seventh Annual Report, 1991*, p. 4-3.

[109] See USITC, *Sixth Annual Report, 1990*, p. 4-10.

[110] See USITC's fourth and fifth annual reports for specifics on earlier U.S. investment projects in Jamaica in the CBERA period.

CHAPTER 2
Recent Legislative Developments Affecting CBERA

In 1993, three U.S. legislative developments took place with implications for Caribbean nations. The first was the North American Free-Trade Agreement (NAFTA), signed into law on December 8, 1993, which gave rise to concerns in beneficiary countries that trade and investment might be diverted to NAFTA partners. The second was the amendment in August of section 936 of the U.S. Internal Revenue Code.[111] Section 936, as amended in 1986, had created important investment incentives for Puerto Rican financial institutions in Caribbean countries. But the 1993 amendment, by curtailing the secion 936 tax credits, caused these countries to fear potentially adverse economic consequences. The third was section 599 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act[112] of fiscal 1993 and 1994, which limited foreign assistance for investments and export processing zones if it encourages the movement of jobs from the United States to other countries. These legislative developments are discussed below. In addition, responses to the Commission's request for comments on this investigation are briefly summarized.

NAFTA Parity

Even before NAFTA was signed into law, CBERA countries expressed concern about their future access to the markets of NAFTA partners. As documented in previous issues of this series of reports, the Caribbean countries feared especially loss of U.S. market share to Mexico, mainly because of the lower transportation costs afforded by Mexico's geographic proximity to the United States.[113] Another major concern was that NAFTA would divert investment from the Caribbean region to Mexico. However, while several CBERA members have expressed an interest in joining NAFTA, some others reportedly are uncertain that establishing formal links with NAFTA would be in their interest.[114]

On March 18, 1993, Representative Sam Gibbons (D-FL) introduced H.R. 1403, the Caribbean Basin Free-Trade Agreements Act, in the House of Representatives "[t]o ensure that the Caribbean Initiative is not adversely affected by the implementation of the North American Free-Trade Agreement."[115] The bill would provide preferential tariff and quota treatment on imports from CBERA countries identical to the treatment accorded to like articles imported from Mexico under NAFTA and to articles that meet rule-of-origin criteria established by NAFTA. Specific provisions in the bill concern handbags, luggage, flat goods, work gloves, leather wearing apparel, textiles and apparel, and articles assembled in CBERA countries wholly of U.S.-origin components, and were described in detail in the eighth CBERA report.[116]

The Trade Subcommittee of the House Ways and Means Committee held hearings in June, 1993, on the Gibbons Bill.[117] Senator Bob Graham (D-FL) introduced a companion bill, S. 1155, in the Senate on

[111] 28 U.S.C. 936.

[112] Public Law, 102-391, vol. 106, Stat. 1633., Oct. 6, 1992.

[113] See USITC, *CBERA, Eighth Annual Report, 1992*, p.1-8; *CBERA, Seventh Annual Report, 1991*, pp. 4-5 to 4-6; *CBERA, Sixth Annual Report, 1990*, p. 4-5; and *CBERA, Fifth Annual Report, 1989*, p. 1-5; and .

[114] "Caribbean States Take Steps Nearer New Trade Bloc," *Financial Times*, July 5, 1994, p. 23.

[115] *Congressional Record*, vol. 139, No. 34 (Mar. 18, 1993), p. H1526.

[116] *CBERA, Eighth Annual Report*, 1992, p. 1-8.

[117] The American Apparel Manufacturers Association, representatives of the Governments of the Dominican Republic, Jamaica, Trinidad and Tobago, and of the six Central American countries and Panama were among those who testified in support of the legislation. The Luggage and Leather Goods Manufacturers of America testified in opposition to the bill.

June 24.[118] None of these bills left the House Ways and Means Committee or the Senate Finance Committee, respectively. Had the Gibbons bill been enacted by January 1, 1994, the date on which NAFTA was implemented, its provisions, commonly referred to as NAFTA parity provisions, would have entered into force together with NAFTA.

The next major development concerning NAFTA parity took place on May 24, 1994, when the Administration proposed an "Interim Trade Program for the Caribbean Basin" that it had intended to include in the Uruguay Round implementation legislation.[119] On May 26, the House Ways and Means Subcommittee on Trade reviewed the proposal. Unlike the Gibbons bill, the interim trade program would apply only to certain textiles and apparel and is intended to address concerns of CBERA nations over losing apparel investment and market share to Mexico due to NAFTA.. It would give CBERA nations essentially the same access to the U.S. market as Mexico receives under NAFTA.

The parity proposal would require CBERA countries to meet further requirements for designation as beneficiaries of the interim trade program. Interested countries would be required to undertake commitments to meet specified standards for investment and intellectual property rights.[120] For textiles and apparel, CBERA countries would agree to accept strict quota anticircumvention language and to expand market access for U.S. producers. The current commitment of CBERA countries regarding labor standards, referred to earlier, would also apply to the interim trade program. In addition, CBERA countries desiring eligibility for the interim program would agree to join the World Trade Organization (WTO). Currently, most CBERA countries are either members of the General Agreement on Tariffs and Trade (GATT) or in the process of joining it and would be eligible to join the WTO.[121]

The interim program would give NAFTA-equivalent tariff and quota treatment to the roughly $3 billion in U.S. imports of CBERA textiles and apparel currently excluded from CBERA duty-free entry. It would grant duty-free and quota-free entry to products assembled in CBERA nations from fabrics wholly formed and cut in the United States and to hand-loomed and folklore handicraft goods. Other goods that meet NAFTA-equivalent rules of origin would be allowed quota-free entry and be dutiable at NAFTA preferential tariffs that will be eliminated at the end of the NAFTA transition period. Unlike treatment of Mexico under NAFTA, the CBERA countries would not receive preferential access to the U.S. market for any "non-originating" textiles and apparel.[122]

The Section 936 Loan Program

On August 10, 1993, President Clinton signed into law changes to section 936 of the Internal Revenue Code as part of his deficit reduction package. Section 936, as originally enacted, grants tax credit equal to the Federal tax liability on certain income earned in U.S. possessions. The Commonwealth of Puerto Rico, although not a U.S. possession, is treated as one for the purposes of the U.S. income tax.[123]

A 1986 modification made section 936 funds-qualifying tax-exempt funds on deposit with Puerto Rican financial institutions-available to finance projects in CBERA countries.[124] The 1986 amendment of the code became a major incentive to investing in the Caribbean Basin, because Puerto Rican financial institutions were able to lend the tax-exempt section 936 funds at below-market

[118] *Congressional Record*, vol. 139, No. 91, part II (June 24, 1993), p. S8091.

[119] The program would be an "interim" one, insofar as it would be a prelude to an FTA of the Caribbean country in question with the United States or its joining NAFTA. The Administration agreed to drop the program from the Uruguay Round implementation legislation; it is expected that it will be part of the Administration's request for fast track legislation in 1995.

[120] Regarding complaints submitted to the USITC for the purposes of the ninth investigation of CBERA on weak copyright protection in certain CBERA countries, see "Concerns of Interested Parties" below.

[121] As of December 31, 1993, the following CBERA countries were not Contracting Parties to the GATT: Aruba, the Bahamas, the British Virgin Islands, Grenada,

[121]*—Continued*
Honduras, Montserrat, the Netherlands Antilles, and St. Kitts and Nevis.

[122] Under NAFTA, the United States negotiated tariff preference levels (TPLs) with Mexico so as to grant preferential tariffs to limited quantities of products that do not meet the rules of origin (nonoriginating goods). The TPLs grandfather a trade that Mexico had already developed. In addition, the United States under NAFTA will phase out quotas on non-originating goods from Mexico.

[123] Section 936 is described in more detail in USITC, *CBERA, Seventh Annual Report, 1991*, pp. 1-8 to 1-11.

[124] U.S. Department of the Treasury, Internal Revenue Service, "Requirements for Investments to Qualify Under Section 936(d)(4) as Investments in Qualified Caribbean Basin Countries." (45 F.R. 21926.) Types of projects eligible for section 936 financing are described in USITC, *CBERA, Seventh Annual Report, 1991*, pp. 1-9 to 1-10.

interest rates. Notably, the law provided that section 936 funds could be disbursed only to those Caribbean countries that became eligible by signing Tax Information Exchange Agreements (TIEAs)[125] with the United States.[126]

Puerto Rico modified its own tax laws in accordance with the 1986 U.S. modifications, allowing investors to borrow section 936 deposits for qualifying projects in CBERA countries.[127] Pledging to take an active role in the promotion of economic development in the Caribbean Basin, the Commonwealth conceived its own Caribbean Development Program (CDP), commiting a minimum of $100 million in section 936 loans annually to projects in qualifying CBERA countries. This commitment was then formally incorporated into the 1990 CBERA.[128]

In addition, the CDP promotes production-sharing or "twin-plant" operations with Caribbean countries and provides technical assistance in areas of industrial and commercial promotion.[129] Such shared production combines the lower wages and natural resources of the Caribbean with the more sophisticated infrastructure and technology of the Commonwealth. Since 1986, section 936 loans have become one of the leading sources, in some countries primary sources, of funding for new investments in the region.[130] These loans reportedly also helped to alleviate the recipients' foreign currency shortage.

125 A TIEA is a mutual and reciprocal obligation to exchange information with the United States relating to the enforcement of tax laws that provides a means by which a signatory government can pursue certain tax evaders. The following countries have concluded TIEAs with the United States to date: Barbados, Costa Rica, Dominica, the Dominican Republic, Grenada, Honduras, Jamaica, St. Lucia, Nicaragua, and Trinidad and Tobago.

126 See also "Ten Years of CBERA-Related Investment Activity" in chapter 1 of this report.

127 Changes to U.S. and Puerto Rican tax laws are discussed in USITC, *CBERA, Third Annual Report, 1987*, pp. 3-5 to 3-6. Before the U.S. Tax Reform Act of 1986, income from investment funds in U.S. possessions was eligible for the Federal tax credit only if earned in Puerto Rico. Under the 1986 act, however, section 936 was amended to allow income from investments in qualified CBERA countries to be eligible for tax credit as well.

128 Sec. 227, CBERA, as amended.

129 Government of Puerto Rico, Department of State, *Statistical and Graphic Summary Caribbean Development Program*, Nov. 5, 1993.

130 LV. Polly Brown, President, Jamaica Promotions Corporation, a presentation at the C/LAA Conference in Miami, Fla., Nov. 29-Dec. 2, 1993.

However, in recent years, section 936 tax credits have encountered increased scrutiny from the U.S. Congress, as certain members have advocated the reduction or elimination of tax credits to increase Federal tax revenue. In 1992 and 1993, several bills proposing changes to section 936 were introduced in Congress.[131] In August 1993, President Clinton signed the Omnibus Budget Reconciliation Act (OBRA), which curtailed section 936 tax credits for taxable years beginning after December 31, 1993.[132]

The new law gives corporations two options for reducing the tax credit. One option, called "the economic activity limitation," links section 936 tax credits to a project's labor and capital intensity.[133] Under this option, the tax credit may not exceed 60 percent of the project's aggregate wages and benefits and of its applicable depreciation deductions for the tax year. The other, the so-called "percentage limitation" option, allows a corporation to calculate its tax liability as before and simply reduce its section 936 tax credit to 60 percent of this liability in 1994, 55 percent in 1995, 50 percent in 1996, 45 percent in 1997, and 40 percent in 1998 or later.[134]

In the wake of the 1993 changes in section 936 financing, Puerto Rico reviewed its own Caribbean lending policy based on recent experience, with positive results for the Caribbean economies. Acting Governor and Secretary of State Baltasar Corrada del Rio expressed on September 14, 1993, a heightened interest in the Commonwealth in commercial ties with the Caribbean.[135] Mr. Corrada said that "Trade

131 For more background information on the proposed section 936 amendments, see *CBERA, Seventh Annual Report, 1991*, pp.1-10 and 1-11; and *CBERA, Eighth Annual report, 1992*, pp. 1-7 and 1-8.

132 Public Law, 103-66, 107 Stat. 312, Aug. 10, 1993.

133 According to David Benson, Charles Rosario, E. Michael Flynn, Michael Swanick, David Nachman, of Coopers and Lybrand in Washington, DC and Philadephia, PA., "...a high gross margin business that incurs relatively small amounts of wage and depreciation expense in relation to income would elect to use the percentage limitation, whereas a labor or capital intensive business could be expected to use the economic activity limitation." See "OBRA Scaleback of Section 936 Benefits Means Companies Should Consider Their Options," *Tax Management International Journal*, Jan. 14, 1994, pp. 13-20.

134 Sec. 936(a)(4)(B)(ii).

135 Baltasar Corrada del Rio, Secretary of State, Puerto Rico, keynote address at the fifth "Point Four" technical seminar, Sept. 21, 1993, published by the *Department of State of Puerto Rico, Bureau of Caribbean Affairs*, pp. 11-12. These seminars are organized by the Bureau of Caribbean Basin Affairs of the Department of

between Puerto Rico and the Caribbean Basin region has increased steadily in the last years. Today, Puerto Rico sells over $800 million to the Caribbean countries in products and services, while it buys over $960 million from them."[136] The Commonwealth has doubled its lending commitment to CBERA countries to at least $200 million annually and will simplify its Government's endorsement process in order to enable small Caribbean projects (those valued under $1.0 million) to also benefit from section 936 funds. However, Puerto Rico will restrict the use of section 936 funds for tourism to those Caribbean projects whose competition does not adversely affect the Puerto Rican tourism industry.[137]

Section 599 of the Foreign Operations Appropriations Act

Concerned that U.S. foreign assistance might be encouraging the movement of jobs from the United States to other countries, Congress passed section 599 of the fiscal year 1993 Foreign Operations Appropriations Act.[138] This provision prohibits U.S. Government agencies from providing (1) financial incentives that induce business to relocate from the United States to locations overseas, (2) assistance to export processing zones abroad, and (3) assistance to activities that contribute to the violation of workers' rights.[139]

The General Accounting Office (GAO) reviewed the implications of this provision for future U.S. foreign assistance and trade policies in the Caribbean Basin, with special regard to production-sharing assembly industries located in Costa Rica, the Dominican Republic, El Salvador, and Honduras.[140]

The report concluded that

> *"[t]he economic assistance programs have not been a significant factor in the decline in U.S. industrial employment. Much more important have been the pressures of foreign competition and U.S. industries' changing production strategies to become more competitive. Officials of U.S. companies with Basin assembly operations told GAO they were attracted to the region primarily by the plentiful low-cost labor in close proximity to U.S. markets, rather than by the benefits of foreign assistance programs. They did assign some importance to U.S. trade measures that encourage Basin assembly. While section 599 will reduce U.S. expenditures on programs directly supporting Basin assembly industries, it does not appear the legislation will have a significant impact on the movement of jobs from the United States."*[141]

Concerns of Interested Parties

In connection with this year's investigation of CBERA, the USITC received four submissions in response to its formal request for comments: from the Rubber and Plastic Footwear Manufacturers Association (RPFMA), from the Government of Jamaica, and two from parties concerned with violations of intellectual property rights in CBERA countries.

Footwear Manufacturers

The RPFMA[142] addressed the "[s]erious impact section 222 of the 1990 CBERA had on the U.S. industry."[143] Citing data on the increase in the quantity of U.S. fabric-upper footwear imports from the Dominican Republic during 1993 (to 4,495,000 pairs from 2,953,000 pairs in 1992), the RPFMA stated that "[t]he adverse effect on domestic rubber

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135—*Continued*
State of Puerto Rico to promote Caribbean economic development.

136 *Department of State of Puerto Rico*, p. 5.

137 Ibid., pp. 12-13.

138 Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1993, Public Law 102-391, 106 Stat. 1633, Oct. 6, 1992.

139 Congress included these restrictions also in the fiscal year 1994 Foreign Operations Appropriations Act, Public Law 103-87, 107 Stat. 931.

140 General Accounting Office, *Foreign Assistance: U.S. Support for Caribbean Assembly Industries*, GAO/NSIAD-93-31, Dec. 1993.

141 Ibid., p. 3.

142 The submission of the RPFMA to the USITC, dated April 21, 1994, was signed by Mitchell J. Cooper, Counsel, Rubber and Plastic Footwear Manufacturers Association. The concerns of the RPFMA are also documented in USITC, CBRA, *Eighth annual Report, 1992*, p. 1-9; *CBERA, Seventh Annual Report, 1991*, p. 1-13; and *CBERA, Sixth Annual Report, 1990*, p. 1-9.

143 For additional information on section 222 of the 1990 CBERA, see chapter I.

footwear production and employment which we predicted in past years has become a reality and is bound to be substantially more serious if the language of section 222 remains unchanged." According to the RPFMA, domestic production of fabric-upper, rubber-soled footwear has been on a rapid decline, with 97.5 million pairs being produced in 1991 and 66.4 million in 1993. Imports at 82 percent of the U.S. market are at an all-time high according to the Association.

In its 1992 submission, RPFMA reported the closure of two U.S. footwear plants and the shift of U.S. employment to the Dominican Republic and Honduras.[144] In its 1993 submission, RPFMA reports the relocation of still another production facility to the Caribbean, this time from Tennessee to the Dominican Republic. RPFMA claims that, "While section 222 limits duty-free treatment of footwear from the Caribbean to items made 100% from domestic components, this is a condition easily met and is therefore not an inhibitor of CBI exports. The one thing which has prevented these exports from rising even more rapidly than they have is the pendency in Congress of S.530[145] and HR.[*sic*] 795[146] bills that would repeal that part of section 222 relating to footwear."

Jamaica

The Government of Jamaica addressed several issues: the beneficial impact of CBERA and of the CBI program thus far on the Caribbean Basin countries, the complementarity of textile and apparel production in the United States and the Caribbean, the possible adverse implications of NAFTA and the Uruguay Round Agreement reached under the auspices of the GATT for the region, and Jamaica's recent efforts to meet its multilateral commitments and liberalize its trade regime.[147]

The Jamaican Ambassador praised the CBI, which he said "[h]as progressively established a framework that has facilitated mutually beneficial, U.S./Caribbean economic links to flourish." However, the Ambassador expressed concern about possible trade and investment diversion and even relocation of existing Caribbean facilities that might result from NAFTA, especially in the region's important apparel industry. The Ambassador expressed a similar concern that "The Gatt's *[sic]* relatively quick phase-out of the Multifiber Arrangement (MFA), combined with its overall lowering of trade barriers, will reduce the potency of the CBI as well."

The submission requests the United States to provide the same conditions of access to its market for Caribbean countries as is provided for Mexico under NAFTA. This would mean "[u]pgrading CBI to cover those products which are exempted from duty free treatment under CBI." The submission calls for a transitional arrangement, during which Caribbean countries could begin to phase in their extension of full reciprocity to the United States at a later time.

The Jamaican Ambassador asserted that his country is committed to an open multilateral trading system and to Jamaica's participation in several regional trading arrangements. He noted that Jamaica already signed a Bilateral Investment Treaty and an Intellectual Property Rights Agreement with the United States.[148]

Intellectual Property Rights

The International Intellectual Property Alliance (IIPA) called attention to CBERA provisions that link trade benefits to intellectual property rights (IPR) protection.[149] [150] The submission claimed that

> *"[t]he CBI Program has not been used aggressively enough to hold the participating countries receiving CBI beneficiary status responsible for meeting both the mandatory and discretionary criteria in the law. Only within the past year have three CBI countries (Honduras, El Salvador and Jamaica) passed entirely new copyright laws to replace antiquated and inadequate ones. Poor enforcement throughout the region remains a serious problem."*

144 *CBERA, Eighth Annual Report, 1992*, p. 1-9.

145 S. 530 was introduced by Sen. George J. Mitchell (D-ME) on March 9, 1993, and referred to the Senate Committee on Finance.

146 H.R. 795 was introduced by Rep. Charles G. Rose (D-NC) on February 3, 1993, and referred to the House Committee on Ways and Means.

147 Submission to the USITC on May 31, 1994, by Dr. Richard L. Bernal, Ambassador of Jamaica to the United States.

148 Signing a bilateral investment treaty and agreement on IPR protection are proposed by the Administration as conditions to be imposed on CBERA countries in the future for obtaining NAFTA parity. See section on "NAFTA Parity" earlier in this chapter.

149 Sec. 212 of CBERA, as amended (19 U.S.C. 2702).

150 IIPA consists of eight trade associations, each of which represents significant segments of copyright industries in the United States. The submission of the

IIPA provided a country-by-country discussion of the status of copyright protection in El Salvador, Guatemala, Honduras and Panama, estimating that losses in these countries from copyright piracy amounted to $19.7 million in 1993. The submission calls for specific procedures to be developed to review the CBERA countries' compliance with their obligations of protecting intellectual property rights.

Also, the Motion Picture Export Association of America (MPEAA) expressed concern about piracy in the Caribbean with regard to copyrights and estimated annual losses due to such piracy at $5 million in Central America and some $10 million in the entire CBERA region.[151] MPEAA claims that "The video market is nearly 100% pirate throughout the region." The submission discusses the details of copyright piracy in the context of Belize, Guatemala, the Dominican Republic, El Salvador, Honduras, Nicaragua, Panama, and Trinidad and Tobago.

Both the IIPA and the MPEAA emphasize that the issue of inadequate Caribbean IPR protection should be addressed in the context of legislating the extension of NAFTA parity for Caribbean countries.

150—*Continued*
IIPA, dated May 31, 1994, was signed by Maria Strong, Assoicate General Counsel.

151 The submission of the MPEAA, dated May 31, 1994, was signed by Bonnie J.K. Richardson. The MPEAA is a trade association representing seven of the largest U.S. producers, distributors, and exporters of theatrical motion pictures, television programming, and home video entertainment.

CHAPTER 3
Impact of CBERA on the United States in 1993

Since it was implemented in 1984, CBERA has had a minimal economic effect on the overall economy of the United States. In each year between 1984 and 1993, the value of CBERA duty-free U.S. imports was equal to less than 0.03 percent of U.S. gross domestic product (GDP).[152] As pointed out in chapter 1, the total value of imports from CBERA countries remained small—amounting to 1.8 percent of total U.S. imports in 1993.

This chapter presents estimates of the net welfare effects of CBERA on the U.S. economy in 1993. The chapter describes the leading U.S. imports that benefited from CBERA in 1993, discusses how the analytical approach used here measures the net welfare effects of CBERA in 1993, and provides quantitative estimates of CBERA's impact in terms of net welfare and domestic output, leading to the conclusion that the economic impact of CBERA imports on the U.S. economy was minimal again in 1993.

Products Most Affected by CBERA

This chapter defines imports benefiting exclusively from CBERA as products that are not excluded by CBERA[153] or that otherwise would not have entered the United States free of duty either at MFN rates or under GSP.[154] However, this definition includes imports that exceeded the GSP competitive-need limits[155] and were eligible for duty-free entry under CBERA.[156] Since the inception of the program, U.S. imports that benefit exclusively from CBERA have accounted for a very small portion of total U.S. imports from CBERA countries, but this portion has risen substantially in recent years.

Between 1992 and 1993, the value of imports that would not have entered free of duty or under reduced duties without CBERA increased by 51 percent from $671 million to $1,016 million (table 3-1). Such imports made up 10.1 percent of total U.S. imports from CBERA countries in 1993, a relatively large increase from 7.1 percent of total imports in 1992. Five items accounted for about 87 percent of the total increase in exclusive CBERA duty-free imports, each of which had an increase in CBERA imports of $25 million or more between 1992 and 1993. The item adding the most to this total was HTS subheading 2918.90.30, aromatic drugs derived from carboxylic acids. Imports under subheading 2918.90.30 from the Bahamas exceeded the GSP competitive-need limits in 1993. One specific drug in this residual or "basket" category had benefited from a duty suspension under HTS subheading 9902.29.22 until the end of 1992, removing it during that period from the list of items benefiting exclusively from CBERA. The other four items contributing to the large increase in imports benefiting exclusively from CBERA were leather footwear uppers (HTS 6406.10.65), frozen and fresh or chilled boneless beef (HTS 0202.30.60 and

[152] See previous reports in this series.

[153] Items excluded from duty-free entry under CBERA are summarized in table 1-2.

[154] MFN tariff treatment and the GSP program are discussed in greater detail in the *CBERA, Eighth Annual Report, 1992*, p. 1-3.

[155] A country loses GSP benefits for a product when U.S. imports of the product exceed either a specific annually adjusted value or 50 percent of the value of total U.S. imports of the product in the preceding calendar year— the so-called "competitive-need" limits. Sec. 504(c)(1) of the Trade Act of 1974, as amended.

[156] CBERA has no competitive-need limits. Thus, eligible products that are excluded from duty-free entry under GSP because their competitive-need limits have been exceeded can still receive duty-free entry under CBERA.

Table 3-1
Customs value of products that benefited exclusively from CBERA duty elimination and reduced duties, 1991-93

Item	1991	1992	1993
Items benefiting from CBERA:[1]			
Value (*million dollars*)	531	671	1,016
Percent of total	6.5	7.1	10.1
Items entered under CBERA:[2]			
Value (*million dollars*)	1,121	1,528	1,904
Percent of total	13.6	16.2	18.9
Total CBERA country imports:			
Value (*million dollars*)	8,229	9,426	10,094

[1] CBERA duty-free and reduced-duty imports excluding items that are MFN duty-free and eligible for GSP duty-free treatment (except imports that exceeded GSP competitive-need limits and were eligible for duty-free entry under CBERA). Includes items from Nicaragua that would ordinarily be eligible for GSP duty-free treatment since Nicaragua does not qualify for GSP benefits.

[2] CBERA duty-free and reduced duty imports excluding items that are MFN duty-free imports and ineligible items misreported as entering under CBERA.

Source: Estimated by USITC staff from official statistics of the U.S. Department of Commerce.

0201.30.60), raw cane sugar used to produce polyhydric alcohols or for re-export (HTS 1701.11.02), and medical instruments (HTS 9018.90.80).

Leading products that were identified in previous annual CBERA reports as benefiting exclusively from CBERA between 1984 and 1992 continued to rank among the leading products in 1993. Beef, pineapples, frozen concentrated orange juice, tobacco leaf, and rum consistently have ranked among the leading items benefiting from CBERA since 1984. Ethyl alcohol ranked as one of the leading items benefiting under CBERA in each of the past 9 years. Table 3-2 presents the leading 30 import items, on an 8-digit Harmonized Tariff Schedule (HTS) subheading basis, that benefited exclusively from CBERA in 1993.[157]

As indicated above, GSP-eligible products were not considered to contribute to the effects of the CBERA and are thus excluded from the analysis in this chapter because they could have received duty-free entry even if CBERA benefits had been eliminated. However, certain GSP-eligible products from the Bahamas, the Dominican Republic, and Guatemala, which exceeded the competitive-need limits during 1993 and consequently lost their GSP eligibility for the year, are included in the analysis in this chapter because they continued to enter free of duty under CBERA. Nicaraguan products are not eligible for GSP benefits, so two items were added to the list of leading CBERA-beneficiary products in table 3-2 on the basis of imports from Nicaragua. Imports from Nicaragua were included in two other items. The products in question were leather footwear uppers and medical instruments from the Dominican Republic, aromatic drugs from the Bahamas, raw cane sugar[158] from Guatemala and Nicaragua, quota sugar from Nicaragua, cigars from the Dominican Republic and Nicaragua, frozen vegetables from Guatemala, and jewelry of precious metal from Nicaragua.

[157] The first CBERA report analyzed the effects of the one-time duty change in 1984 and identified those products most affected by CBERA. The products that were identified as most likely to benefit from the duty elimination in 1984 were selected from a 1983 list of the leading U.S. dutiable imports from CBERA beneficiary countries. In addition, import data from years before 1983 and actual leading CBERA duty-free imports from 1984 and 1985 were examined to construct the list of most affected products. For further discussion, see U.S. International Trade Commission (USITC), *Annual Report on the Impact of the Caribbean Basin Economic Recovery Act on U.S. Industries and Consumers*. Hereafter in series; for instance, *CBERA, First Annual Report, 1984-1985*, USITC publication 1897, Sept. 1986, pp. 2-2 to 2-4.

[158] Raw cane sugar imports entered under HTS subheading 1701.11.02 from Guatemala and Nicaragua may not have benefited exclusively from CBERA duty-free entry because, under the U.S. sugar re-export program, importers may claim a duty drawback upon re-export of the sugar after it has been refined or after it has been included in a sugar-containing product that is exported. An unknown portion entered under HTS subheading 1701.11.02 may have been re-exported. Therefore, the value for this item in table 3-2 may overstate the amount that benefited exclusively from CBERA.

Table 3-2
Value of leading imports that benefited exclusively from CBERA duty provisions in 1993[1]
(1,000 dollars)

HTS subheading	Description	C.i.f. value	Customs value
6406.10.65[2]	Footwear uppers, other than formed, of leather	160,659	157,957
2918.90.30[3]	Aromatic drugs derived from carboxylic acids	152,319	152,261
0202.30.60	Frozen boneless beef, except processed	119,262	113,251
0201.30.60	Fresh or chilled boneless beef, except processed	68,823	64,557
1701.11.02[4]	Cane sugar used to produce polyhydric alcohols	57,562	49,494
9018.90.80[2]	Medical, surgical, and dental instruments and appliances	47,417	46,951
2207.10.60	Undenatured ethyl alcohol, for nonbeverage purposes	44,496	40,689
0804.30.40	Pineapples, fresh, in crates or packages	39,987	35,432
2401.10.60	Cigarette leaf, not stemmed	27,509	25,917
2402.10.80[5]	Cigars, cheroots, and cigarillos valued 23 cents or more each	27,340	26,842
7213.31.30	Irregularly wound coils of hot-rolled rod containing < 0.25% carbon	23,884	21,680
2401.20.80	Tobacco, partly or wholly stemmed	21,482	21,024
0710.80.97	Frozen vegetables (asparagus, broccoli, and other), reduced in size	14,980	12,395
4203.10.40[6]	Articles of leather apparel	13,491	13,189
2009.11.00	Frozen concentrated orange juice	12,914	11,828
4202.12.80[6]	Luggage with outer surface of textile material	11,788	11,023
1701.11.01[7]	Cane sugar entered pursuant to its provisions	10,595	9,719
2208.40.00	Rum and tafia	10,537	9,810
8533.40.00	Electrical variable resistors	10,253	10,138
6204.39.80	Women's or girls' suit-type jackets and blazers	7,452	7,130
9111.10.00	Watch cases of precious metal	7,127	7,123
0603.10.60	Roses, fresh cut	6,844	5,759
8533.21.00	Electrical fixed resistors	6,549	6,449
8533.31.00	Electrical wirewound variable resistors	5,959	5,914
2009.40.40	Pineapple juice, concentrated	5,207	4,629
7113.19.10[7]	Rope, curb; and similar articles of precious metal	5,200	5,188
6211.49.00	Women's or girls' track suits	4,741	4,572
6204.69.90	Women's or girls' trousers, overalls, and shorts	4,402	4,262
0710.80.70[8]	Frozen vegetables (carrots and other), not reduced in size	4,386	3,832
4202.12.60[6]	Luggage with outer surface of vegetable fibers except cotton	4,154	3,965

[1] C.i.f. values are presented in tables in this chapter for analytical reasons. Import data presented in the text are customs value.

[2] These HTS subheadings were items from the Dominican Republic that were not GSP eligible during 1993.

[3] This HTS subheading was an item from the Bahamas that was not GSP eligible during 1993.

[4] This HTS subheading was an item that included imports from Guatemala and Nicaragua that were not GSP eligible during 1993. Value for sugar may overstate actual sugar imports benefiting from CBERA duty provisions because of sugar re-exported under the U.S. sugar re-export program.

[5] This HTS subheading was an item that included imports from the Dominican Republic and Nicaragua that were not GSP eligible during 1993.

[6] Items subject to 20 percent duty reductions under the CBERA between 1992 and 1996.

[7] This HTS subheading was an item from Nicaragua that was not GSP eligible during 1993.

[8] This HTS subheading was an item from Guatemala that was not GSP eligible during 1993.

Source: Estimated by USITC staff from official statistics of the U.S. Department of Commerce.

Leading Imports in Terms of Exclusive CBERA Benefits

Recent industry highlights follow of the seven leading items that benefited exclusively from CBERA in 1993: leather footwear uppers, aromatic drugs, beef and veal, pineapples, raw cane sugar, medical instruments, and ethyl alcohol.

Leather Footwear Uppers

U.S. imports of unformed leather footwear uppers from CBERA countries in 1993 increased by 32 percent over the 1992 level to $200 million. U.S. imports of the uppers from all other countries rose by 16 percent to $127 million. According to official statistics of the U.S. Department of Commerce, the CBERA countries supply the majority of these imports, as shown in the following tabulation (in 1,000 dollars, customs value):

Source	1991	1992	1993
World	220,145	260,810	326,336
CBERA countries	121,305	151,764	199,773
Dominican Republic	116,683	151,021	194,292
CBERA duty-free	70,479	132,127	162,741
Dominican Republic	69,894	132,127	157,957
All other countries	98,840	109,046	126,563

Statistics on U.S. production of this footwear component are not available.

The Dominican Republic is the largest supplier of these footwear uppers by far. A number of U.S. producers of leather dress and casual shoes use the Dominican Republic as a low-cost supplemental source to domestic manufacturing to compete with Asian products in the U.S. market.

U.S. imports of the footwear uppers entering free of duty under CBERA increased by 23 percent in 1993 to $163 million, or one-half of total imports that year. This growth followed an increase of 87 percent in 1992. The increase in 1992 primarily reflected a shift in trade between major U.S. duty-free trade programs—from GSP to CBERA. The Dominican Republic lost GSP eligibility for leather footwear uppers on July 1, 1991, when it exceeded the competitive-need limits. At that time, many importers switched to CBERA.

Although the Dominican Republic remained the dominant CBERA supplier of the footwear uppers, its share of CBERA shipments dropped from nearly 100 percent in 1992 to 97 percent in 1993 as two other CBERA countries—Honduras and Costa Rica—joined in exporting footwear uppers to the United States. Although all of these countries' shipments could have entered free of duty under the GSP, all of the imports from Honduras and 63 percent of the total value of imports from Costa Rica entered free of duty under CBERA.

Certain Aromatic Drugs

U.S. imports entering the United States free of duty under HTS subheading 2918.90.30, covering nonenumerated aromatic carboxylic acids and their derivatives used as drugs, under CBERA provisions increased by over 90 percent from $79 million in 1992 to $152 million in 1993, with the Bahamas accounting for all such imports. A significant portion of the increase is attributable to expanded intra-company trade, increased shifting between duty-free provisions during 1992-93, and to market influences.[159] Total imports of pharmaceutical products from the Bahamas under this subheading, however, declined by over 50 percent from $368 million in 1992 to a total of $172 million in 1993.

A large number of pharmaceutical products in bulk form are classified under the "basket" HTS subheading 2918.90.30, including a prescription analgesic used to relieve the symptoms of rheumatoid arthritis, osteoarthritis, ankylosing spondylitis, and related conditions. The numerous other products covered in the basket are less significant in regard to trade. As a result, this discussion addresses only this analgesic. Statistics on U.S. production of this analgesic are proprietary information and unavailable for discussion in this report.

The analgesic, which has to date been manufactured offshore in bulk form by one company, accounts for a large share of the CBERA imports under consideration. For several years, U.S. imports were eligible for duty-free entry under a temporary duty suspension until the provision expired in December 1992, prompting an increase in total imports of the product during the last few months of 1992. As of January 1993, a major share of the imports formerly shipped under the duty suspension provision entered the United States free of duty under CBERA, increasing the value of imports under CBERA significantly. Total U.S. imports of the analgesic from CBERA countries decreased during

[159] Specifically, moving from temporary duty suspensions/reductions to duty-free entry under CBERA. Imports of products from the Bahamas under this subheading have been excluded from GSP benefits for several years because imports from the Bahamas have exceeded the GSP competitive-need limits.

1993, however, as its producer reportedly began shifting production from the Caribbean to Mexico with the intention of eventually closing down the Caribbean facility. This decrease was offset slightly toward the end of 1993 by a spike in imports from the Caribbean intended to satisfy the growth in the U.S. generic market that resulted from the expiration of the U.S. patent on the product in December 1993.

Beef and Veal

U.S. imports of fresh, chilled, or frozen beef and veal (HTS subheadings 0201.30.60 and 0202.30.60) under CBERA increased from $123.7 million in 1992 to $177.8 million in 1993, or by 44 percent.[160] U.S. imports of all quota-type meats[161] (which includes all fresh, chilled, or frozen beef and veal) under CBERA rose from 109.6 million pounds (product weight) in 1992 to 158.0 million pounds in 1993, or by 44 percent.[162]

The 48.4 million pound rise in U.S. imports under the CBERA during 1993 was equivalent to less than 0.2 percent of U.S. beef and veal consumption (24.3 billion pounds[163]) during the year and thus had little overall effect on the U.S. beef and veal sector or on U.S. consumers. Trade and industry sources in CBERA countries report that the great bulk of beef imported into the United States from CBERA countries is derived from grass-fed animals and consists of meat for manufacturing, especially for hamburger.[164] These sources report that, in general, the quantity of beef exported to the United States is significantly influenced by the USDA certification process which limits exports to those from approved plants.[165]

[160] Compiled from official statistics of the U.S. Department of Commerce.

[161] The President's authority to impose quotas on imports of beef, veal, mutton, and goat meat is provided in the Meat Import Act of 1979 (Public Law 96-177, approved Dec. 31, 1979, 93 Stat. 1291, and amended by sec. 301 of Public Law 100-449, approved Sept. 28, 1988, 102 Stat. 1851).

[162] All statistics concerning the quantity of U.S. imports of quota-type meats were derived from "U.S. Customs Service Monitoring of Meat Subject to the Meat Import Act of 1979," report to the U.S. Department of Agriculture (USDA), Foreign Agriculture Service (FAS).

[163] USDA, Economic Research Service (ERS), *Cattle and Sheep Outlook* (LDP-CS-1), Feb. 14, 1994.

[164] Officials of CARNIC (slaughterhouse/meat-packing plant), interview by USITC staff, Managua, Nicaragua, May 13, 1994.

[165] Ibid.

Nicaragua, whose exports to the United States increased from 14.3 million pounds in 1992 to 41.7 million pounds in 1993, accounted for the largest shift in U.S. imports of beef under CBERA. The level of Nicaragua's beef production in 1993 was higher than that in the previous year because of an increase in the number of cattle slaughtered and heavy average cattle slaughter weights. Favorable rains resulted in good pasture conditions in 1993.[166] Also, prices were higher for exports to the United States than for other export markets.[167]

The next largest increase in U.S. imports of beef under CBERA was from Costa Rica, whose imports rose from 32.5 million pounds in 1992 to 47.7 million pounds in 1993, an increase of 47 percent. The increase reflected, in part, the number of animals available for slaughter. According to the USDA, the higher volume of Costa Rican beef exports was achieved by importing a record 52,878 live cattle from Nicaragua, compared with 14,844 in 1992.[168]

U.S. imports of beef from Guatemala rose from 14.5 million pounds in 1992 to 20.5 million pounds in 1993, an increase of 41 percent. Exports were at unusually low levels in 1992 because one plant that was certified to export meat to the United States was decertified by the U.S. Secretary of Agriculture for health and sanitary reasons in December 1992, and another was closed for health and sanitary reasons between August 10, 1992, and mid-November 1992.[169] Also, Guatemalan beef production was reduced in 1992 because of the export of live cattle to Mexico.[170]

U.S. imports from the Dominican Republic increased from 13.1 million pounds in 1992 to 14.4 million pounds in 1993, an increase of 10 percent. In 1993 one plant began exporting to the United States after several months of reorganization and repairs.[171] Also, exports were unusually low in 1992 because three plants that were certified by the U.S. Secretary of Agriculture to export meat to the United States closed in 1992, one for sanitary reasons and two for financial reasons.[172]

[166] USDA, FAS, *Meat Import Quarterly - Nicaragua* (NU3012), Oct. 25, 1993, p. 1.

[167] USDA, FAS, *Livestock Annual - Nicaragua* (NU 3007), July 30, 1993, p. 9.

[168] USDA, FAS, *Meat Quarterly Report - Costa Rica* (CS 4003), Jan. 31, 1994, p. 1.

[169] USDA, FAS, *Livestock - First Quarter Report* (GT 3002), Feb. 1, 1993.

[170] USDA, FAS, *Agricultural Situation Report* (GT 3028), Sept. 30, 1993, p. 14.

[171] USDA, FAS, *Fourth Quarter Meat Report - Dominican Republic* (DR 3032), Nov. 1, 1993, p. 1.

[172] USDA, FAS, *Livestock - First Quarter Report* (DR 3001), Jan. 30, 1993.

Honduras was the only country from which imports of beef under CBERA declined—from 35.3 million pounds in 1992 to 33.7 million pounds in 1993, a decrease of 5 percent. One plant that exported to the United States was delisted as eligible to export for most of October 1993 by the Honduran Meat Inspection System. The plant was relisted as eligible to export effective November 1, 1993.[173] Also, another export plant suffered flood damage from a tropical storm in mid-September 1993.[174]

Imports of quota-type meats from CBERA countries compete for U.S. market share primarily with imports from Australia, New Zealand, and Canada. Imports of quota-type meats from all countries rose from 1,588 million pounds in 1992 to 1,613 million pounds in 1993, with imports under the CBERA accounting for 7 and 10 percent of the respective totals. The quantity of imports from Australia and New Zealand was subject to Voluntary Restraint Agreements (VRAs) during 1993, whereas imports from Canada are excluded from quantitative restraints as a result of the U.S.-Canada Free-Trade Agreement.[175] Imports from CBERA countries have not been subject to VRAs since 1979.[176]

Pineapples

U.S. imports of fresh pineapples in crates and packages (HTS subheading 0804.30.40) from CBERA countries increased 1.2 percent in quantity and 1.7 percent in value from 1992 to 1993.[177] Total imports from CBERA countries rose from 114,733 metric tons (mt) in 1992 to 116,142 mt in 1993, valued at $42.1 million and $42.8 million, respectively.[178]

The rise in the quantity and value of imports from CBERA countries reflects a gain in imports from Costa Rica that offsets the decline of shipments from the Dominican Republic and Honduras. The unit value of imports of fresh pineapples in crates and packages remained virtually unchanged at $0.37 per kilogram in both 1992 and 1993. Overall, the CBERA countries' import market share of all fresh pineapples (including fresh pineapples in bulk, HTS subheading 0804.30.20) declined slightly from 94 percent in 1992 to 93 percent in 1993. Fresh pineapple imports from CBERA countries supplied about 47 percent of U.S. domestic consumption in 1992 and 1993.[179]

Hawaii is the main source of U.S. domestic production, although there is minor cultivation of this crop in Puerto Rico. U.S. domestic production of pineapples for the fresh market increased 1.3 percent from approximately 122,000 mt in 1992 to 123,500 mt in 1993.[180] Nonetheless, the 1993 production was 1.0 percent lower than the 1988-92 average annual production of 124,800 mt.

Transportation costs tend to limit competition between Hawaiian and CBERA pineapples in the U.S. market. Nearly all pineapples imported from CBERA countries are marketed in the eastern and midwestern areas of the United States, while most pineapples sold in the western part of the United States are from Hawaii. In addition, fresh pineapples from Mexico are sold in the southern and central parts of the United States.

Raw Cane Sugar

U.S. imports of raw cane sugar (HTS subheadings 1701.11.01, 1701.11.02, and 1701.11.03) from CBERA countries decreased by 4.0 percent in quantity and 3.9 percent in value from 1992 to 1993. Total imports from CBERA countries decreased from 827,165 metric tons raw value (mtrv) to 793,765 mtrv, valued at $259 million and $249 million, respectively.

U.S. imports of sugar are generally subject to a tariff-rate quota.[181] This quota allows a specified amount of sugar to be imported into the United States during a set period of time at a duty of 0.625 cent per pound (the low duty rate).[182] A tariff of 16 cents per

[173] USDA, FAS, *Meat Import Quarterly - Honduras* (HO 4001), Feb. 1, 1994, p. 1.

[174] USDA, FAS, *Meat Import Quarterly - Honduras* (HO 3021), Nov. 1, 1993, p. 1.

[175] USDA, ERS, *Livestock and Poultry Situation and Outlook Report* (LPS-58), Feb. 1993, p. 11.

[176] USDA, ERS, *Livestock and Poultry Situation and Outlook Report* (LPS-53), May 1992, p. 25.

[177] Compiled from official statistics of the U.S. Department of Commerce.

[178] Ibid.

[179] Compiled from official statistics of the U.S. Department of Commerce, the Hawaiian Agricultural Statistics Service, and from the Agricultural Marketing Service of the U.S. Department of Agriculture.

[180] Compiled from official statistics of the Hawaiian Agricultural Statistics Service and the Agricultural Marketing Service of the U.S. Department of Agriculture.

[181] The authority for the tariff-rate quota derives from additional U.S. note 3 in ch. 17 of the HTS. The tariff-rate quota system was announced in Presidential Proclamation 6174, Sept. 13, 1990, *Weekly Compilation of Presidential Documents*, Sept. 14, 1990, p. 1367. The tariff-rate quota also applies to HTS items 1701.12.01, 1701.91.21, 1701.99.01, 1702.90.31, 1806.10.41, and 2106.90.11.

[182] Imports enter under HTS subheading 1701.11.01. Sugar imports at the low duty rate are allotted to the traditional sugar-supplying countries based on their historical shipments to the United States.

pound applies to imports exceeding the specified amount during the designated period[183] (the high duty rate).[184]

Imports of sugar that qualify for the low duty rate are eligible for GSP duty-free entry provided that competitive-need limits are not exceeded. Imports of sugar that qualify for the low duty rate from CBERA countries are eligible for CBERA duty-free entry, with the exception that duty-free imports from the Dominican Republic, Guatemala, and Panama are subject to statutory maximum absolute quotas.[185] In recent years the tariff-rate quota has been below the GSP competitive-need limits, making the GSP limits for most CBERA countries applicable only to imports of sugar for re-export, which are not subject to the tariff-rate quota. However, imports of sugar from Guatemala under HTS subheading 1701.11.02 (for the production of polyhydric alcohol or for re-export) have exceeded the GSP competitive-need limit since 1991 and, therefore, have entered the United States under CBERA.[186]

The tariff-rate quota system operates on a noncalendar year basis, generally running from October 1 through September 30 of the following year. The 1992-93 U.S. low-duty allocation was originally 1,233,895 mtrv, but, on May 11, 1993, the quota period was extended through September 30, 1994, and the new low-tariff allocation for the extended quota period was set at 2,268,022 mtrv. The changed quota amount stemmed from increases in U.S. sugar production and high U.S. stocks. CBERA countries received 37 percent of the quota allocations.

Because the tariff-rate quota system operates on a noncalendar year basis, comparisons of calendar year data may not reflect any actual import trends, particularly during the current extended quota year, during which most CBERA countries may fill their quota at any point during the 2-year quota period.[187] CBERA countries experiencing significant declines in exports to the United States during calendar year 1993 included Belize, El Salvador, Guatemala, Honduras, and Nicaragua. The increase in calendar year shipments from Antigua, Costa Rica, Jamaica, and Panama offset almost all of these decreases.

Sugar imports from CBERA countries have almost no effect on U.S. consumers because the U.S. sugar program maintains a minimum processor price for raw cane sugar and a support price for beet sugar. These maintained prices support the U.S. sugar industry when downward price changes caused by imports might hurt domestic producers. At the same time, the U.S. sugar quota guarantees CBERA producers a high-priced market for certain amounts of their sugar.

Miscellaneous Medical and Surgical Instruments and Appliances

U.S. imports of miscellaneous medical and surgical instruments and appliances (HTS subheading 9018.90.80) that benefited from duty-free entry under CBERA increased from $42 million in 1992 to $47 million in 1993.[188] A large portion of the increase resulted from a change in GSP eligibility rather than a change in overall trade patterns. Imports of this item from the Dominican Republic lost GSP eligibility on July 1, 1992, because imports from that country exceeded the competitive-need limits. Some items under HTS subheading 9018.90.80 were entered under CBERA before that time, but a much larger portion of imports from the Dominican Republic is entered under CBERA now to obtain duty-free entry.

[183] Imports enter under HTS subheading 1701.11.03. HTS subheading 1701.11.03 does not allow for duty-free entry under CBERA or GSP.

[184] Consequently, any increase in overall U.S. imports of sugar is the result of (1) an increase in the amount of sugar allowed entry at the low duty rate, (2) countries with low duty allotments utilizing a larger percentage of their allotment than in the previous year, (3) imports in excess of the low duty quota, for which the higher duty is paid, (4) countries using part of the previous year's unfilled allocation or using part of the following quota year's allocation, or (5) imports entering under the re-export program.

[185] Sec. 213(d), CBERA, as amended.

[186] Sugar imported into the United States under HTS subheading 1701.11.02 must be accompanied by a license issued by the U.S. Secretary of Agriculture. This license helps to ensure that sugar entered under this subheading is used only for the purposes described in the subheading description (polyhydric alcohol production or re-export) and that such importations are not used as the bases for later duty drawback claims. Imports of sugar for re-export under HTS subheading 1701.11.02 are not subject to specified turnaround times for re-export as are imports eligible for duty drawbacks entered under other subheadings.

[187] Because of their relatively large sugar allotments, imports from Guatemala, Panama, and the Dominican Republic have restricted shipping schedules.

[188] Compiled from official statistics of the U.S. Department of Commerce.

The Dominican Republic supplied 88 percent and Costa Rica 12 percent of CBERA imports of miscellaneous medical instruments and appliances in 1993.[189] Imports from the Dominican Republic have grown significantly since several large U.S. producers established assembly facilities in that country in the late 1980s to take advantage of preferential financing allowed under section 936 of the Internal Revenue Code.[190] That provision provided incentives for U.S. producers with Puerto Rican manufacturing operations to establish assembly facilities in CBERA countries to promote development there. The Puerto Rican subsidiaries perform the more capital-intensive functions in the manufacture of medical instruments and appliances, then send the semifinished goods and components to Dominican Republic subsidiaries for final assembly.[191] U.S. imports under CBERA from Costa Rica increased significantly when a major U.S. producer transferred offshore assembly of medical and surgical appliances to that country from Singapore in 1993.[192]

Increasing price pressures in the U.S. health care market have led major U.S. producers to increase the amount of assembly they do in the Dominican Republic and Costa Rica to take advantage of relatively low wage rates in those countries.[193] As a result, total imports of miscellaneous medical instruments and appliances from CBERA countries increased by 26 percent from $114 million in 1992 to $143 million in 1993. Some of the types of products imported included blood and plasma transfusion products, blood collection sets, intravenous solution administration sets, and sterile feeding tubes.

In 1993, the value of U.S. imports of miscellaneous medical instruments and appliances that benefited exclusively from CBERA represented 33 percent of total U.S. imports under HTS subheading 9018.90.80 from CBERA countries, or about 7 percent of total U.S. imports of such instruments. The ratio of the value of these imports to the value of U.S. producers' domestic shipments in 1993 was about 1 percent.

Ethyl Alcohol

U.S. imports of ethyl alcohol (ethanol) for nonbeverage uses (HTS subheading 2207.10.60) under the CBERA were $40.7 million in 1993, a 71-percent increase from 1992 imports of $23.8 million. These imports are largely composed of ethanol intended to be used as an additive in gasoline. In terms of volume, U.S. imports increased 75 percent from 79.6 million liters in 1992 to 139.5 million liters in 1993. Imports under CBERA in 1993 amounted to less than 3 percent of the value of U.S. domestic shipments.

Sugarcane is the major indigenous feedstock used in the production of Caribbean Basin fuel ethanol. Ethyl alcohol production is influenced by the sugar production and the world price of sugar and molasses (a product of sugar). Additionally, relatively inexpensive imported feedstocks, such as wine-based, partially distilled hydrous ethanol, are available, particularly from the European Union, but the United States imposes feedstock content requirements on duty-free imports of ethyl alcohol from CBERA countries.[194]

The normal duty rate on imports of this item is 3 percent ad valorem, but imports intended for use in motor fuel are subject to additional duties under HTS subheading 9901.00.50 of 14.27 cents per liter—an ad valorem equivalent of nearly 50 percent. Exemption from the latter additional tariff under CBERA is what makes production of fuel-grade ethanol in CBERA countries attractive.

As was the case in 1992, Jamaica and Costa Rica were the leading CBERA suppliers of ethyl alcohol for the U.S. market in 1993. Combined imports from Costa Rica and Jamaica accounted for 77 percent of the total quantity of U.S. ethyl alcohol imports from CBERA countries and for 19 percent of the quantity of U.S. imports from all countries during 1993. El Salvador accounted for the remaining 23 percent of U.S. imports from CBERA countries in 1993.

Imports from Jamaica more than doubled from 1992 to 1993, increasing from 29 million liters to 69 million liters. The large increase in Jamaican imports

189 The Netherlands Antilles and the Bahamas also supplied CBERA imports to the United States in 1993. However, the amount of imports from those countries was negligible.

190 U.S. industry officials, telephone conversations with USITC staff, Apr. 25, 1994. For more information on section 936, see chapters 1 and 2.

191 Ibid.

192 U.S. industry official, telephone conversation with USITC staff, May 5, 1994.

193 Ibid.

194 Sec. 213(a)(1), CBERA, as amended. See also sec. 423 of the Tax Reform Act of 186, as amended by sec. 7 of the Steel Trade Liberalization Program Implementation Act of 1989 (19 U.S.C. 203 note; Public Law 99-514 as amended by Public Law 101-221).

resulted from the resumption of operation of that country's major refinery, which had ceased all operations in 1992. The refinery was taken over by the British firm E,D&F Mann and resumed processing in December 1992.

Measuring the Net Welfare Effects of CBERA

Analytical Approach

The following discussion briefly describes the approach that was used to analyze the net welfare effects of duty-free and reduced-duty status under CBERA in 1993 on the U.S. economy and consumers and on industries whose goods compete with CBERA imports. Specifically, a computable partial equilibrium model was used to estimate the net welfare effect of CBERA. A more detailed explanation is found in the "Technical Notes" in appendix C.

The estimation of the net welfare effects of CBERA duty reduction[195] for 1993 is made using a standard economic methodology for measuring the welfare impact of a change in the prices of one or more goods. Without the duty reduction, full tariffs would have been in place in 1993 for CBERA imports. Since CBERA has been in effect, therefore, consumers have benefited from lower prices and higher consumption; competing U.S. producers have had lower sales and prices; and tariff revenues to the U.S. Treasury have been lower.

Typically, the net welfare effect is measured by adding three components: (1) the gain in consumer surplus,[196] (2) the decrease in producer surplus,[197] and (3) the decrease in tariff revenues to the U.S. Treasury resulting from the CBERA duty reduction. Because the model used in this analysis assumes that the supply of U.S. domestic production is perfectly elastic, that is, that the U.S. domestic price does not fall in response to CBERA,[198] decreases in U.S. producer surplus are not captured in this analysis. Therefore, the net welfare effect on a sector resulting from CBERA duty reduction is measured by adding the gain in consumer surplus and the decrease in tariff revenues to the U.S. Treasury.[199]

Quantitative Results

In 1993, the value of U.S. imports from CBERA countries was $10.1 billion, or 1.8 percent of total U.S. imports. Imports that benefited exclusively from CBERA, that is, those that were not specifically excluded under the act or that could not have entered free of duty under GSP or MFN, totaled $1.0 billion. This figure represents 10.1 percent of total imports from CBERA countries, or about 0.18 percent of total U.S. imports. Thus, the overall effect of CBERA on the U.S. economy is very small.

This section presents dollar estimates of the net welfare gains of duty reductions for the leading 20 products that benefited exclusively from CBERA in 1993. In addition, estimates are presented of the tariff revenue forgone, the consumer surplus generated, and the domestic shipments displaced in 1993.

Items analyzed

The effects of CBERA were calculated for the 20 items listed in table 3-3 (the top 20 items from table 3-2). These items accounted for 82.8 percent of the total customs value of imports that benefited exclusively from CBERA duty elimination and reduced duties in 1993. The value of these imports as a ratio of competing U.S. producers' domestic shipments varied considerably in magnitude (table 3-3). For instance, in 1993, the value of U.S. imports

[195] For simplicity, the remaining discussion focuses solely on the net welfare effects of reduced duties under CBERA. However, the same analysis applies to both duty-free and reduced-duty treatment under CBERA.

[196] Consumer surplus is a dollar measure of the total net gain to U.S. consumers from lower prices. Conceptually, it is defined as the "difference between the total value consumers receive from the consumption of a particular good and the total amount they pay for the good." See Walter Nicholson, *Microeconomic Theory: Basic Principles and Extensions* (New York: The Dryden Press, 1989), for further discussion on consumer surplus.

[197] Producer surplus is a dollar measure of the total net loss to competing U.S. producers from increased competition with CBERA imports. Conceptually, it is defined as the returns to entrepreneurs and owners of capital over and above what they would have earned in their next-best opportunities. See Nicholson, *Microeconomic Theory*, for further discussion on producer surplus.

[198] The effects of CBERA duty reductions on most U.S. sectors are small. The assumption that supply curves are perfectly elastic provides maximum, or upper bound, estimates both of U.S. production that might be displaced and of U.S. net welfare gains.

[199] The net welfare effects do not include short-run adjustment costs to the economy from reallocating resources between different industries.

of frozen concentrated orange juice benefiting exclusively from CBERA was approximately 1.0 percent of the value of domestic shipments. Conversely, the value of CBERA imports of pineapples was approximately 83 percent of the value of U.S. producers' domestic shipments.

The economic effects of duty elimination and reduced duties for these leading 20 items are summarized in tables 3-4 and 3-5. Table 3-4 presents dollar estimates of the consumer surplus that was generated and tariff revenue from CBERA imports that was forgone. Table 3-5 presents dollar estimates of U.S. shipments displaced by CBERA imports.[200]

Net welfare costs and the displacement of domestic output

In 1993, except for sugar, the gain in consumer surplus was greater than the corresponding decline in tariff revenue for all of the items analyzed.[201] Ethyl alcohol was the item with the largest net welfare gain resulting from CBERA duty-free entry. Five other items with high net welfare gains, in value terms, were frozen concentrated orange juice, stemmed tobacco, unstemmed cigarette leaf, medical instruments, and frozen vegetables. The only item to show a potential net welfare loss was quota sugar from Nicaragua at $367,000.

In 1993, the six products with the largest displacement effects, in value terms, were ethyl alcohol, frozen concentrated orange juice, medical instruments, beef, stemmed tobacco, and unstemmed cigarette leaf.[202] In value terms, the largest effect occurred for ethyl alcohol, for which the displacement of domestic shipments was $38.6 million (2.5 percent of the value of total domestic shipments). In percentage terms, the largest displacement of domestic shipments occurred for unstemmed cigarette leaf at 12.1 percent ($7.6 million of domestic shipments).

[200] See Technical Notes in appendix C for a more complete discussion of the data used to estimate the effects shown in tables 3-4 and 3-5. As discussed in the text and appendix C, a number of assumptions were made about supply elasticities and elasticities of substitution to obtain upper bound estimates of the potential displacement of U.S. production resulting from CBERA duty reductions. In many cases, especially for pineapples, cigars, and frozen concentrated orange juice, the effects reported probably overstate the actual displacement that occurred because of the low substitutability between Caribbean products and U.S. products. However, in evaluating the accuracy of the estimates, it should be noted that, even in the cases where the estimates are overstated, the effects reported ranged from small to minuscule.

[201] Because domestic sugar growers benefit from U.S. price supports and U.S. tariff-rate quotas on imports, the elimination of the low-duty rate on quota sugar (HTS 1701.11.01) imports from Nicaragua does not affect its price to U.S. consumers. In such instances, the CBERA tariff elimination merely redistributes tariff revenue from the U.S. Treasury to exporters of Nicaraguan sugar (sugar quotas are allocated in a way that allows foreign producers to receive essentially the U.S. support price). There is no benefit to U.S. consumers, nor is there any

201—*Continued*
displacement of U.S. producers' domestic shipments with the elimination of the tariff on sugar.

Imports of sugar under HTS 1701.11.02 from Guatemala and Nicaragua are believed to be re-exported after being refined and/or included in other products for export. These imports have no direct effect on U.S. consumers, and there is no revenue loss to the Treasury, given U.S. law on sugar imported for re-export. The U.S. industry benefits from these imports because it allows the use of excess refinery capacity, and U.S. consumers may benefit indirectly because of the added efficiency in the refining industry. Sugar imported under other provisions that is refined and re-exported qualifies for duty drawbacks—i.e. any duties paid are refunded.

Sugar quotas are discussed in further detail in the section "Products Most Affected by CBERA" above.

[202] Imports of footwear uppers from the Dominican Republic and aromatic drugs from the Bahamas were the leading items that benefited from CBERA duty-free entry in 1993 (table 3-2). However, because of the lack of data for competing U.S. domestic production of these items, no net-welfare or displacement effects are reported in tables 3-4 and 3-5. As discussed above, imports of these items are usually eligible for duty-free entry under GSP as well. However, imports of these items from these countries exceeded competitive-need limits, and, therefore, were not GSP-eligible in 1993.

Table 3-3
C.i.f. value of imports that benefit exclusively from CBERA and U.S. producers' domestic shipments that compete with imports that benefit from CBERA, 1993

HTS subheading	Description	CBERA beneficiary imports (c.i.f. value)	Value of U.S. producers' domestic shipments[1]	Ratio of CBERA duty-free imports to competing U.S. shipments
		(1,000 dollars)	*(1,000) dollars)*	*(Percent)*
6406.10.65[2]	Footwear uppers, other than formed, of leather	160,659	-	-
2918.90.30[2]	Aromatic drugs derived from carboxylic acids	152,319	-	-
0202.30.60[3]	Frozen boneless beef, except processed	119,262	4,086,212	4.60
0201.30.60[3]	Fresh or chilled boneless beef, except processed	68,823	-	-
1701.11.02[4]	Cane sugar used to produce polyhydric alcohols	57,562	3,337,377	2.04
9018.90.80	Medical, surgical, and dental instruments and appliances	47,417	3,352,197	1.41
2207.10.60	Undenatured ethyl alcohol, for non beverage purposes	44,496	1,561,396	2.85
0804.30.40	Pineapples, fresh, in crates or packages	39,987	48,045	83.23
2401.10.60	Cigarette leaf, not stemmed	27,509	62,634	43.92
2402.10.80	Cigars, cheroots, and cigarillos valued 23 cents or more each	27,340	354,299	7.72
7213.31.30	Irregularly wound coils of hot-rolled rod containing < 0.25% carbon	23,884	1,015,084	2.35
2401.20.80	Tobacco, partly or wholly stemmed	21,482	1,420,433	1.51
0710.80.97	Frozen vegetables (asparagus, broccoli, and other), reduced in size	14,980	294,141	5.09
4203.10.40	Articles of leather apparel	13,491	214,930	6.28
2009.11.00	Frozen concentrated orange juice	12,914	1,291,616	1.00
4202.12.80	Luggage with outer surface of textile material	11,788	200,000	5.89
1701.11.01[4]	Cane sugar entered pursuant to its provisions	10,595	-	-
2208.40.00	Rum and tafia	10,537	97,897	10.76
8533.40.00	Electrical variable resistors	10,253	98,107	10.45
6204.39.80	Women's or girls' suit–type jackets and blazers	7,452	26,700	27.91

[1] U.S. producers' domestic shipments are defined as total U.S. production less exports.
[2] Value of U.S. domestic shipments not available.
[3] Domestic production of HTS subheadings 0201.30.60 and 0202.30.60 were aggregated into one category.
[4] Domestic production of HTS subheadings 1701.11.01 and 1701.11.02 were aggregated into one category.
Source: Estimated by USITC staff from official statistics of U.S. Department of Commerce, U.S. Department of Agriculture, and the U.S. Treasury.

Table 3-4
Estimated U.S. net-welfare effects of CBERA duty provisions, by leading imports, 1993
(1,000 dollars)

HTS subheading	Description	Gain in consumer surplus	Loss in tariff revenue	Net-welfare effect
		(A)	(B)	(A-B)
2401.20.80	Tobacco, partly or wholly stemmed	2,132	1,545	587
6406.10.65	Footwear uppers, other than formed, of leather	(1)	(1)	(1)
2918.90.30	Aromatic drugs derived from carboxylic acids	(1)	(1)	(1)
0202.30.60[2]	Frozen boneless beef, except processed	3,200	3,065	135
0201.30.60[2]	Fresh or chilled boneless beef, except processed	-	-	-
1701.11.02[3]	Cane sugar used to produce polyhydric alcohols	0	0	0
9018.90.80	Medical, surgical, and dental instruments and appliances	3,064	2,539	525
2207.10.60	Undenatured ethyl alcohol, for nonbeverage purposes	12,741	6,752	5,989
0804.30.40	Pineapples, fresh, in crates or packages	1,434	1,354	80
2401.10.60	Cigarette leaf, not stemmed	2,424	1,984	440
2402.10.80	Cigars, cheroots, and cigarillos valued 23 cents or more each	1,139	1,024	115
7213.31.30	Irregularly wound coils of hot-rolled rod containing < 0.25% carbon	304	295	10
2401.20.80	Tobacco, partly or wholly stemmed	2,132	1,545	587
0710.80.97	Frozen vegetables (asparagus, broccoli, and other), reduced in size	1,542	1,112	430
4203.10.40	Articles of leather apparel	78	77	1
2009.11.00	Frozen concentrated orange juice	2,565	885	1,680
4202.12.80	Luggage with outer surface of textile material	210	201	9
1701.11.01[4]	Cane sugar entered pursuant to its provisions	0	367	-367
2208.40.00	Rum and tafia	881	700	181
8533.40.00	Electrical variable resistors	530	460	70
6204.39.80	Women's or girls' suit-type jackets and blazers	433	369	64

[1] Not available.

[2] Analysis for HTS subheadings 0201.30.60 and 0202.30.60 is combined under HTS 0202.30.60.

[3] Most sugar imported under HTS subheading 1701.11.02 is believed to be re-exported either as refined sugar or in sugar-containing products, which would qualify for a duty drawback under other HTS subheadings. Therefore there is no effect on U.S. consumers and no loss of tariff revenues.

[4] Sugar imports are subject to U.S. tariff-rate quotas; therefore, the net-welfare effect of a tariff elimination is composed solely of a transfer of tariff revenue from the U.S. Treasury to sugar exporters.

Source: Estimated by USITC staff from official statistics of U.S. Department of Commerce, U.S. Department of Agriculture, and the U.S. Treasury.

Table 3-5
Estimated effects of CBERA duty reduction on U.S. domestic shipments by CBERA imports, by HTS items, 1993

HTS subheading	Description	Value	Share of value
		1,000 dollars	*Percent*
6406.10.65	Footwear uppers, other than formed, of leather	(1)	(1)
2918.90.30	Aromatic drugs derived from carboxylic acids	(1)	(1)
0202.30.60[2]	Frozen boneless beef, except processed	10,285	0.25
0201.30.60[2]	Fresh or chilled boneless beef, except processed	-	-
1701.11.02	Cane sugar used to produce polyhydric alcohols	0	0.00
9018.90.80	Medical, surgical, and dental instruments and appliances	11,835	0.35
2207.10.60	Undenatured ethyl alcohol, for nonbeverage purposes	38,609	2.47
0804.30.40	Pineapples, fresh, in crates or packages	3,585	7.46
2401.10.60	Cigarette leaf, not stemmed	7,568	12.08
2402.10.80	Cigars, cheroots, and cigarillos valued 23 cents or more each	5,281	1.49
7213.31.30	Irregularly wound coils of hot-rolled rod containing <0.25% carbon	1,068	0.11
2401.20.80	Tobacco, partly or wholly stemmed	7,987	0.56
0710.80.97	Frozen vegetables (asparagus, broccoli, and other), reduced in size	6,074	2.07
4203.10.40	Articles of leather apparel	48	0.02
2009.11.00	Frozen concentrated orange juice	16,380	1.27
4202.12.80	Luggage with outer surface of textile material	530	0.27
1701.11.01	Cane sugar entered pursuant to its provisions	0	0.00
2208.40.00	Rum and tafia	4,490	4.59
8533.40.00	Electrical variable resistors	788	0.80
6204.39.80	Women's or girls' suit-type jackets and blazers	354	1.32

[1] Not available.

[2] Analysis for HTS subheadings 0201.30.60 and 0202.30.60 is combined under HTS 0202.30.60.

Source: Estimated by USITC staff from official statistics of U.S. Department of Commerce, U.S.Department of Agriculture, and the U.S. Treasury.

CHAPTER 4
Probable Future Effects of CBERA

Previous reports in this series found that most of the effects on the U.S. economy and consumers of the one-time elimination of duties on imports originally granted by the CBERA took place during the first 2 years after the act became operative in 1984. Other effects were expected to occur over time through export-oriented investment in the region in response to lowered tariff levels for certain Caribbean Basin products.[203] Consequently, this series of reports continues to monitor CBERA-related investment in the Caribbean Basin as a proxy for future trade effects on the United States.

This chapter describes probable future effects of CBERA on the U.S. economy. It begins with a survey of overall investment activity and trends in the CBERA countries during 1993 using information from various published sources and data on investment obtained from U.S. Embassy reports from CBERA countries. Based on reported investment data, this section assesses whether such investments may affect U.S. imports in the near term. A discussion on the investment climate in Costa Rica, Honduras, and Nicaragua and their recent experiences exporting to the United States under CBERA follows. It is based on information obtained from field interviews conducted during May 1994 in these countries.

[203] The effects analyzed on U.S. imports and competing U.S. products included (1) CBERA products displacing sales of U.S. products as well as sales of other foreign suppliers and (2) an increase in total sales of the affected products as lower priced CBERA articles prompt other producers to lower their prices, stimulating consumption of these products, with displaced U.S. sales less than the increase in CBERA sales. The effects analyzed on U.S. consumers included (1) the benefit of lower prices for CBERA products and (2) the benefit of lower prices for competing U.S. products as prices for these items are bid down in response to the CBERA price advantage because of the tariff elimination. U.S. International Trade Commission (USITC), *Annual Report on the Impact of the Caribbean Basin Economic Recovery Act on U.S. Industries and Consumers, First Report, 1984-1985*, publication 1897, Sept. 1986. Hereafter in series: *CBERA, First Annual Report, 1984-85*, pp. 2-4 to 2-5 and p. 4-1.

Summary of Investment Activities and Trends

Much of the new export-oriented investment in CBERA countries in 1993 focused on products eligible for preferential duty treatment under the act, continuing the trend noted in previous reports in this series.[204] However, a significant amount of new, export-oriented investment in CBERA countries is directed toward the production of articles covered by U.S. trade provisions other than CBERA. Textile and apparel production remained the leading such sector during 1993. Many of these investment projects are in free-trade zones (FTZs)[205] where U.S.-origin components are assembled for return to the United States under Harmonized Tariff Schedule (HTS) provision 9802.00.80.[206] Other investments occurring in nonexport areas, such as tourism, were still consistent with the broad goals of CBERA to

[204] For additional information, see USITC, *CBERA, Eighth Annual Report, 1992*, USITC publication 2675, p. 4-1.

[205] Each country in the Caribbean Basin has its own rules governing manufacturing and/or assembly activities in free-trade zones (FTZs), which are also called export processing zones (EPZs) and industrial free zones (or "zonas industrial de exportacion"—ZIPs). In the United States, such areas are called foreign-trade zones. Just as U.S. laws governing FTZs have special provisions for "manufacturing subzones" associated with a larger "general purpose" FTZ, some Caribbean Basin governments have provisions for ZIPs associated or attached to larger FTZs. In general, these FTZs (or EPZs or ZIPs) are restricted-access areas for industrial, commercial, and service facilities that operate independent of commercial regulations otherwise applicable in the host country. In-bond operations in FTZs are allowed to import duty-free inputs used as components for further transformation or assembly within the zone. Such duty-free admission is temporary, as the inputs are further processed and subsequently re-exported for final sale. Such operations in the Caribbean Basin have been dominated by apparel and electronics assembly operations.

[206] HTS provision 9802.00.80 is discussed in greater detail in chapter 1.

strengthen and diversify the economies of the region.[207] A number of both trade-related and nontrade-related investments received section 936 financing.[208]

Despite the achievements some CBERA countries have made in attracting foreign investment, a few continue to encounter difficulties in drawing overseas investor interest. These difficulties are the result of political instability, insufficient investment incentives, restrictions on foreign exchange and profit repatriation, inadequate physical infrastructure (such as roads, ports, and public utilities), and insecure or uncertain property rights. Several Caribbean Basin countries, especially islands in the Eastern Caribbean, have been slow to diversify their economies. They remain extremely dependent on exports of a small variety of agricultural products, such as sugar and bananas, and are adversely affected when domestic production or global prices decline. Finally, investment in the region may have suffered as potential investors evaluate the implementation and effects of NAFTA. Some of these problems are discussed in more detail below.

New CBERA-related Investment in 1993

Information from U.S. Embassies in the CBERA countries and other published sources identified 39 new investments in CBERA-related projects and 10 projects expanding existing facilities in 1993, as indicated in table 4-1.[209]

A general description follows of regional investment activity in new or expanded CBERA-related projects in Central Caribbean, Eastern Caribbean, oil-producing Caribbean, and Central American CBERA countries.

Central Caribbean

The Dominican Republic is by far the leading source of duty-free imports into the United States under CBERA. It is also the top Caribbean supplier of apparel (under HTS provision 9802.00.80) to the United States[210] and the major beneficiary of section 936 funds.[211] There were 28 FTZs in operation in the Dominican Republic in 1993, with 7 more in the planning stage.[212] Based on information from the Secretary of Industry and Commerce in the Dominican Republic and the Counsel of Free-Trade Zones, 52 projects in the country's FTZ's received investments totaling $67 million in 1993. These investments created an estimated 12,400 jobs. All of these investments, except for projects involving textiles, apparel, and data processing, may produce products that benefit from duty-free entry under CBERA.[213] The following tabulation provides a summary of the new projects in terms of product categories (in million dollars):

	Projects	Value
Textiles and apparel	30	31.3
Electronics	71	9.5
Footwear	3	4.0
Jewelry	2	2.9
Medical instruments	2	1.5
Curtain hardware	2	0.8
Lamps	1	1.0
Cardboard boxes	1	0.7
Fish processing	1	3.4
Doors, windows	1	0.4
Luggage	1	0.8
Data processing	1	0.9

In addition, 17 projects in 1993 received financing worth $103 million based on section 936 funds. The projects likely to increase exports to the United States involved textiles, fruit processing, juice processing, sugar refining, mango production, avocado plantation, frozen peas, steel foundry, and sheet metal/painting. Also, late 1993 completion of two mills by Rosario Dominicana was expected to increase the company's daily gold production from 300 ounces per day to

[207] Section 232 of the 1990 CBERA states that "appropriate agencies of the United States Government should assign a high priority to projects that promote the tourism industry in the Caribbean Basin."

[208] Section 936 financing is discussed in greater detail in chapter 2.

[209] Because data are based primarily on investments reported by the U.S. Embassies, the USITC does not maintain that the figures reported here are all-inclusive.

[210] There were 328 companies manufacturing apparel in the Dominican Republic in 1992. Apparel accounted for 64 percent of all firms operating in free trade zones; another 45 firms make apparel for local consumption as well as for export. The Dominican Republic was expected to import sewing machines worth $19.2 million in 1993.

[211] See chapter 2 for an explanation of section 936 financing.

[212] In 1992, the 390 companies operating in the free zones employed 153,000 workers and exported merchandise worth $825 million.

[213] U.S. Department of State, telegram, prepared by the U.S. Embassy in Santo Domingo, Dominican Republic, May 1994.

Table 4-1
Reported CBERA-Related Export–Oriented Investment Activity, 1993

Number of new projects	Number of expansion projects	New investment ($ million)	Expansion investment ($ million)	Total ($ million)
39	10	$55.8	$31.6	$87.4

Source: Derived from information reported by U.S. Embassies in CBERA countries and as reported in published sources indicated below.

700.[214] Finally, an $810,000 section 936-based loan from Citibank in 1993 will be used to produce cocoa cream, pina colada mix, and tropical fruit for export from the Haina Free Zone and is expected to increase CBERA exports to the United States.[215]

Growth in the Jamaican economy stagnated in 1993 due most likely to tight monetary and fiscal policies, devaluation of the Jamaican dollar, declining real incomes for the majority of the population, heavy debt service, high interest rates, and weak international prices in the bauxite/alumina industry.[216] Devaluation of the Jamaican dollar gave Jamaican exports a price advantage on international markets and led to strong export growth in 1993. Yet, manufacturing industries were also hurt by the devaluation because those industries make greater use of imported parts, materials, and energy, whose prices increased because of the devaluation.

According to JAMPRO Ltd., the Jamaican Government's investment promotion agency, over 110 projects received investments worth $14.9 million in 1993,[217] but only 3 of the major projects were CBERA related. These projects, with an investment value of $1.4 million, involved agribusiness, mining, chemicals, and castings. Several other projects in the pipeline should yield additional exports to the United States under CBERA by the end of 1994. These projects, with a combined investment value of $15.7 million, involve coffee liqueurs, bottled spring water, fruit puree, marble, bricks, bus assembly, and refurbished auto parts. Fifteen projects valued at $339 million were financed with section 936 funding in 1993.

Eastern Caribbean

Foreign investment activity in Guyana in 1993 increased sharply, but only one project, a section 936 funded investment in chemical production,[218] is likely to increase U.S. CBERA-related imports in 1994. Foreign investments in rice,[219] gold,[220] lumber,[221] and plywood[222] resulted in increased exports of those products to Caribbean markets, with prospects bright for substantial export growth and new markets in 1994.

Two other significant investments in the Eastern Caribbean in 1993 will likely result in increased U.S. imports under CBERA. Puerto Rico-based Caribbean Basin Partners for Progress Ltd. used $600,000 in

[214] *Caribbean Update*, Aug. 1993, p. 9.

[215] Ibid., Apr. 1993, p. 11.

[216] Ibid., Feb. 1994, p. 12.

[217] U.S. Department of State, telegram, prepared by U.S. Embassy, Kingston, Jamaica, May 1994.

[218] Ibid., prepared by the U.S. Embassy in Georgetown, Guyana, May 1994.

[219] Rice production is benefiting from development of a new type of rice that has more than doubled per-acre yields, from 20 bags per acre to 45 bags. The U.N. Food and Agriculture Organization assisted the Government of Guyana on the project. Rice exports are expected to rise sharply in the coming years. Rice currently ranks third in export value behind bauxite and sugar. *Caribbean Update*, Jan. 1993, p. 10.

[220] A joint venture between two Canadian firms and the Government of Guyana began to bear fruit in December 1992, with initial milling from the Omai Gold Mines site on the Essequibo River. The venture expects to export approximately $8 billion worth of gold from Guyana over the next 10 years. *Caribbean Update*, Feb. 1993, p. 9.

[221] Three-year-old Demaerara Timbers Ltd., a modern, mechanized sawmill owned by a London-based entrepreneur, exported lumber to Grenada, Barbados, and St. Lucia at a rate of $100,000 per month in 1993. The company expects strong growth for exports in 1994. *Caribbean Update*, Dec. 1993, p. 10.

[222] Barama Co. Ltd., jointly owned by Korean and Malaysian interests, began exporting plywood to Trinidad, Jamaica, and Barbados in 1993. Further investments in the logging and sawmilling operation (totaling $154 million by 2001) and increased exports are expected. The company expects exports to rise from $3.2 million in 1993 to $35 million in 1994; $12 million will be shipped to the United States and Mexico. Venezuela and Puerto Rico are also new markets that Barama began shipping to in 1994. *Caribbean Update*, June 1994, p. 12.

section 936 funds to finance a $1.5 million investment in the 1994 reopening of a grapefruit concentrate processing plant in Dominica.[223] As part of an EUS8.4 million program in St. Vincent and the Grenadines, undertaken in conjunction with the International Fund for Agricultural Development,[224] two Florida companies agreed to import more than 120,000 pounds of mangoes and hot peppers monthly; there was an additional order for 40,000 pounds of eddoes and dasheen.

Oil-producing Countries

The Government of Trinidad and Tobago has renewed its efforts to attract foreign investors after realizing only 1 percent growth in 1993. The Government is focusing on downstream companies that will use Trinidad's inexpensive natural gas. There was only one investment in 1993 that is likely to increase U.S. imports under CBERA—construction by Nucor Corporation of a $60 million iron plant designed to produce 320,000 tons of iron carbide annually, beginning in 1994. The plant will use iron ore from Brazil and locally produced natural gas[225] to produce iron carbide for export to Nucor's steel plants in the United States.

Central America

Foreign investments in Central America have, until recently, occurred mainly in mining and agriculture (sugar, coffee, bananas, and other tropical fruits). Many of the foreign companies involved in these sectors made their initial investments around the turn of the century. With the exception of Costa Rica, foreign manufacturing concerns have been discouraged from investing in Central America over the past two decades by civil wars, guerilla activities, political instability, inadequate legal protection, poorly developed infrastructure, and protectionist trade policies. However, the implementation of CBERA benefits in 1984, resolution of most of the armed conflicts, and more free-market-oriented government policies have greatly boosted investor confidence in the region in recent years. Consequently, this report provides a more detailed country analysis of recent investment history and potential in three Central American countries. (See a discussion of Costa Rica, Honduras, and Nicaragua later in this chapter.) A briefer examination of the situation in the remainder of Central America follows immediately.

[223] *Caribbean Update*, Feb. 1994, p. 7.

[224] Ibid., May 1994, p. 19.

[225] Ibid., Feb. 1993, p. 18.

Eight companies in Belize are expected to increase their exports to the United States because of investments made in 1993:[226] two investments will increase shipments of oranges; two, of shrimp, lobster, and tilapia (fish); one, of papayas; one, of processed vegetables; one, of apparel; and one, of bicycles. Shrimp are already unconditionally (MFN) free of duty, and apparel articles are generally not eligible for duty-free entry under CBERA, but the other products may enter under CBERA.

Belize Bicycle Company began production of bicycles in the EPZ at San Andres in mid-1993. Although many parts for the bicycle production are imported from Taiwan, Japan, and the United States, the frames are made in Belize. Local value added exceeds the 35 percent requirement to qualify a product under CBERA. The bicycles are exported under that program to Sun World Distributors in Jacksonville, Florida. Belize Bicycle Company expects to produce 300 bicycles weekly.[227]

El Salvador has provided maquiladora[228] services for the U.S. garment industry for several decades. However, the civil war drained much of the nation's resources during the past decade and most maquiladoras were forced to curtail their operations during the conflict. The apparel industry quickly recovered in 1993 as implementation of the peace accord brokered by the United Nations stabilized supplies of materials, electricity, and manpower and reduced transportation risks. The only nontextile firm to invest in El Salvador in 1993 because of the tariff benefits of CBERA was hairpin manufacturer

[226] Robert Merrigan, Economic and Commercial Officer, U.S. Embassy, letter, Belize City, Belize, May 18, 1994.

[227] *Caribbean Update*, Aug. 1993, p. 5.

[228] Throughout Latin America, the assembly (or export processing) industry is referred to as the "maquiladora" industry. The verb "maquilar" means to process a good without taking ownership of the good. The operator of the maquiladora is paid for the service he provides: adding value to the goods or components through processing or assembly. Almost all maquiladoras operate in free-trade zones or take advantage of in-bond or duty drawback customs provisions, thereby processing goods for export without paying customs duties on imported machinery, materials, or components, provided that such goods are eventually exported. For more information on Mexico's maquiladora industry, see U.S. International Trade Commission, *Production Sharing: U.S. Imports Under Harmonized Tariff Schedule Provisions 9802.00.60 and 9802.00.80, 1989-92*, USITC publication 2729, Feb. 1994, chpts. 3 and 4, and Patricia Wilson, *Exports and Local Development: Mexico's New Maquiladoras*, University of Texas Press, 1992.

AVX.[229] In response to government-led efforts to diversify the country's export portfolio, farmers were expected to sharply increase their exports of sesame seeds and frozen vegetables (okra, broccoli, and black-eyed peas) in 1993.

As of March 1993, 3,398 workers were employed in El Salvador's three active "industrial free zones." A fourth zone had just started operations and six more were in various stages of development.[230]

Unlike in 1992, when U.S. funds flowing into Guatemala were focused on the apparel industry, investment activity was strong in high-value vegetables and cut flowers in 1993. Two furniture manufacturers that export to the United States under CBERA expanded their plant capacity with investments of $500,000 and $300,000, respectively.[231]

Investments made in late 1993 to improve sanitary conditions in Guatemala's slaughterhouses could lead to a sharp increase in U.S. imports of frozen beef under CBERA in 1994. The United States banned imports of frozen beef from Guatemala in the second half of 1993 because of sanitary conditions at the country's four plants. However, improvements resulting from subsequent investment led to U.S. recertification of the meat-packing plants in January 1994.[232]

Eleven companies were established in Panama in 1993 for the purpose of exporting to the United States under CBERA. Total investment amounted to about $5 million. Most of the companies are focusing on nontraditional agricultural exports.[233]

Country Profiles: Costa Rica, Honduras, and Nicaragua

The following is an in-depth discussion of the climate for CBERA exports and CBERA-related investment in Costa Rica, Honduras, and Nicaragua, the three countries visited during the course of this investigation.

Costa Rica

Economic and Trade Performance

Costa Rica has the third largest economy in Central America behind Guatemala and El Salvador and is part of a group of three Central American countries having annual Gross Domestic Product (GDP) per capita above $2,000 (the others in the group being Panama and Belize).[234] Costa Rica enjoyed a second year of strong growth in 1993, with real GDP up 6.3 percent, making it the fastest growing economy in the region. This followed a real GDP growth of 7.3 percent in 1992. Retail price inflation fell to 9 percent for 1993 from 17 percent in 1992.[235]

Merchandise exports rose by more than 15 percent in 1993 to $1,976 million, led by the strong growth (25 percent) in nontraditional exports such as various fruits, electrical goods, jewelry, baseball and softball, plastics, and ethyl alcohol. The value of traditional exports (such as bananas, coffee, sugar, and beef) increased by a more moderate 5 percent.[236] Tourism exceeded bananas as the top foreign exchange earner for the first time.[237] Notwithstanding the modest growth in traditional exports, the top merchandise exports were bananas, coffee, and beef. The United States was the destination of well over one-half of total Costa Rican merchandise exports.[238]

Imports in 1993 increased even faster than exports to an estimated $2,630 million, an increase of about 22 percent. The current account deficit increased from $371 million in 1992 to $530 million in 1993, but this was adequately covered by capital inflows. More than one-half of Costa Rican imports originated in the United States.[239] The United States had a trade deficit with Costa Rica throughout the CBERA period. In 1993, the U.S. deficit amounted to $38 million.

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[229] U.S. Department of State, telegram, prepared by the U.S. Embassy in San Salvador, El Salvador, May 1994.

[230] *Caribbean Update*, Nov. 1993. p. 7.

[231] U.S Department of State, telegram, prepared by the U.S. Embassy in Guatemala City, Guatemala, May 1994.

[232] *Caribbean Update*, Mar. 1994, p. 12.

[233] U.S. Department of State, telegram, prepared by the U.S. Embassy in Panama City, Panama, May 1994.

[234] Other countries in Central America have per capita GDP of less than $1,600.

[235] The Economist Intelligence Unit (EIU), *Country Report: Costa Rica, Panama*, 2nd quarter 1994, pp. 4, 10-12, 15-16, and 18.

[236] Ibid., pp. 4, 20-21.

[237] *Caribbean Update*, May 1994, p. 6.

[238] EIU, *Country Report: Costa Rica, Panama*, 2nd quarter 1994, pp. 4, 20-21.

[239] Ibid.

Investment Climate

Costa Rica is the most politically stable country in Central America, with over 40 years of democratically elected governments. Recent government policy has made Costa Rica a favored destination for foreign investment. The Government continues to pursue policies favoring freer trade, international competition, and less state intervention in the economy. The Central Bank stopped active control of the foreign exchange market in 1992, but there are still some regulations limiting the free flow of foreign exchange.[240]

There are extensive benefits available for production for export in FTZs.[241] Benefits include exemption from import duties on raw materials, processed or semi-processed products, parts or components; exemption from all export taxes associated with the export or re-export of products (including re-export of equipment and machinery used in the productive process); exemption from sales and consumer taxes; exemption from taxes levied on remittances abroad; exemption from all taxes on profits for a period of 6 years from the beginning of operations; a 50-percent exemption for the following four years; and no restrictions on foreign currency conversion on companies operating in FTZs. Export-oriented production outside FTZs also benefits from duty-free import of inputs on a drawback basis.[242]

Property rights protection is uneven. A number of pending land expropriation claims by U.S. citizens have not been resolved, and squatters are a problem on absentee-owned land in rural areas. The term of patent protection is short—the standard being a nonextendable 12-year term. Patents deemed to be "in the public interest" are granted for only 1 year. Notable "public interest" items include pharmaceuticals and all beverage and food products.[243] The national health service is especially interested in maintaining the limited patent on pharmaceuticals, hoping to contain the escalating health care budget.[244] Copyright laws are generally adequate, but enforcement is a problem.[245]

Import tariffs have been cut to 20 percent for most finished goods, with a further cut to 15 percent planned, but no date has been set.[246] Tariffs on raw materials and other inputs were cut from 7.5 to 5 percent on April 1, 1994. Costa Rica is a member of the Central American Common Market (along with Nicaragua, Honduras, El Salvador, and Guatemala), which provides for free trade in manufactured goods among members.[247]

During 1993, Costa Rica and Mexico negotiated a Free-Trade Agreement, which was signed in April 1994 and will go into effect in 1995.[248] The structure of the Agreement is similar to NAFTA, in an effort to pave Costa Rica's way to NAFTA at some time in the future.[249]

Investment Activity

According to the quasi-governmental Costa Rican Coalition for Development Incentives (CINDE), foreign investments in 1993 that are likely to increase Costa Rica's exports to the United States occurred in the following sectors (in 1,000 dollars):[250]

Agriculture, fisheries, and forestry	14,500
Consumer products	4,955
Electronics	181
Plastics	1,600
Textiles and apparel	11,912
Total	33,147

[240] U.S. Department of State, *Country Reports on Economic Policy and Trade Practices*, Feb. 1994, pp. 345-355.

[241] As of March 1994, 133 companies were operating in Costa Rica's 14 FTZs. Only 19 percent of these firms were sewing apparel; 13 percent were assembling electronic products. Nevertheless, the apparel industry (including maquiladoras operating outside of FTZs) employed 70,000 workers in early 1994. *Corporation Zona Franca Noticias*, Mar. 1994, p. 7.

[242] U.S. Department of State telegram, "Investment Climate Statement—Costa Rica," message reference No. 08918, prepared by U.S. Embassy, San Jose, Oct. 28, 1992.

[243] Ibid.

[244] Costa Rican Government officials, interview by USITC staff, May 11, 1994.

[245] U.S. Department of State telegram, "Investment Climate Statement—Costa Rica," message reference No. 08918, prepared by U.S. Embassy, San Jose, Oct. 28, 1992.

[246] EIU, *Country Report: Costa Rica, Panama*, 2nd quarter 1994, pp. 14-15. There are, however, substantial consumption taxes on motor vehicles and many other imported products. USITC, *U.S. Market Access in Latin America: Recent Liberalization Measures and Remaining Barriers*, USITC publication 2521, June 1992, ch. 8.

[247] EIU, *Country Report: Costa Rica, Panama*, 2nd quarter 1994, pp. 14-15.

[248] *Caribbean Update*, June 1994, p. 6.

[249] Officials of the Costa Rican Government, interview by USITC staff, May 11, 1994.

[250] U.S. Department of State, telegram, prepared by the U.S. Embassy in San Jose, Costa Rica, May 1994.

Most export-oriented foreign investment in Costa Rica in 1993 will lead to increased shipments of products that do not qualify for duty-free treatment under CBERA or are already eligible for duty-free treatment without CBERA. Specific examples of such recent investments include women's pantyhose ($2.5 million), women's undergarments ($3.8 million), infant/children's clothing ($2 million), and chrysanthemums and roses ($1.5 million). Also, the Caribbean Basin Financing Authority (CARIFA), using 936 funds, loaned $38 million in 1993 to 15 companies to expand their banana production in the Atlantic region. The loan was expected to generate 3,500 jobs.[251] Bananas have no MFN rate of duty.

Section 936 funds helped finance investments in agribusiness, plastic products, metal products, rubber packaging, and cardboard boxes. Caribbean Basin Partners for Progress (CBPP) also used section 936 funds to finance a $900,000 project (100 jobs) to increase production and exports of leather-leaf fern.[252] Costa Rican manufacturers have recently found success in the United States by targeting "ethnic" markets—goods with a Latin American orientation. Hence, Costa Rican-made goods are selling well in Puerto Rico.[253]

Nontraditional agricultural products have been the target of many CBERA-related investments. The fastest growing nontraditional exports in 1993 were ornamental plants, pineapples, and melons. Other new exports included cut flowers, yucca, and cassava. Del Monte, a U.S.-based company recently purchased by Mexican interests, has been investing in pineapples, melons, and tropical fruits.[254] Furthermore, Collin Steet Bakery (Corsicana, Texas) began harvesting pineapples from its new plantation in Costa Rica in 1993. Most of the pineapples will be shipped to its fruitcake bakery in the United States; the remainder will be sold on the world market.[255]

[251] *Caribbean Update*, Mar. 1993, p. 7.

[252] Ibid., Apr. 1993, p. 9.

[253] Ing. Samuel Yankelewitz Berger, President, Costa Rican Chamber of Industries, interview by USITC staff, San Jose, Costa Rica, May 11, 1994.

[254] Lic. Carlos Alvarado Moya, President, Costa Rican Chamber of Commerce, interview by USITC staff, San Jose, Costa Rica, May 11, 1994.

[255] *Caribbean Update*, May 1993, p. 5.

Honduras

Economic and Trade Performance

The Honduran economy experienced macroeconomic problems in 1993, especially toward the end of the year. Real GDP growth of 3.7 percent in 1993 was significantly lower than the 5.6-percent rate in 1992, while consumer price inflation was up to 13.0 percent in 1993 from 6.5 percent in 1992 and foreign exchange reserves fell to critical levels to cover rising deficits. Foreign exchange shortages threatened debt repayment schedules and the ability to pay for imports. According to financial analysts interviewed in Tegucigalpa, a leading cause of the depletion of foreign exchange reserves was a 1993 government budget deficit of 10.6 percent of GDP that was fueled by end-of-term spending by the outgoing Partido Nacional. (Carlos Roberto Reina of the Partido Liberal was elected President in November and took office in January 1994.) Honduras remains the second poorest country in Central America, but per capita GDP still exceeds that of Nicaragua by about 50 percent.[256]

Merchandise exports increased by only 1.6 percent in 1993 to $846 million, while imports increased by 9.0 percent. The resulting trade deficit of $233 million was 48.4 percent higher than that in 1992, and the current account deficit of $353 million was 36.8 percent higher. The increased current account deficit was financed mainly by drawing down foreign exchange reserves. On the brighter side, nontraditional exports, such as cultivated shrimp, melons, and squash, have increased rapidly in recent years and now account for about 35 percent of export revenues. The United States is the destination of over half of Honduran exports and the origin of a similar share of imports.[257]

Investment Climate

The Economist Intelligence Unit (EIU) recently gave Honduras a "high risk" credit risk rating, placing Honduras in the same EIU foreign investment risk category as Bosnia, Serbia, Iraq, Angola, Sudan, Yemen, Nicaragua, and the Congo. The rating was based on the country's high debt burden and debt

[256] EIU, *Country Report: Nicaragua, Honduras*, 2nd quarter 1994, pp. 3, 9.

[257] Ibid., pp. 3, 15-16.

service payments equal to 35 percent of the Government's budget, as well as high Government and current account deficits and low net foreign exchange reserves. The Government of Honduras strongly condemned the rating, stressing efforts the country had made to attract foreign investment.[258]

Under the previous administration, Honduras made a number of structural changes in the economy. Barriers to imports were reduced in a reversal of many years of import-substitution policies. Price controls were removed on everything but utilities, public transport, and cement.[259] Foreign exchange trading was liberalized. There is currently a free market interest rate policy. The corporate tax rate is high, but there are extensive tax exemptions for export-oriented firms operating in FTZ's and industrial parks. Despite the many liberal reforms, a number of protectionist policies remain in place, as well as restrictions on foreign ownership in a number of sectors.[260]

Investment Activity

The apparel industry has received the most foreign investment in Honduras over the past 5 years. Since 1989, 12 private "industrial processing zones"[261] (ZIPs) have been established in Honduras, with 14 more being developed. Almost all of the plants in current operation produce apparel for export to the United States.[262] Honduras increased its exports of apparel to the United States from $42 million to $506 million during 1987-93, and its share of total U.S. apparel imports rose from 0.23 percent to 1.79 percent. Three quarters of U.S. apparel imports from Honduras entered under HTS provision 9802.00.80 in 1993; 61 percent of that value entered free of duty as U.S.-origin components.[263]

By mid-1994, apparel maquilas operating in ZIPs employed 45,000 workers. Maquiladora exports totaled $365 million in 1992, 35 percent of total Honduran exports. Half of the invested capital in these ZIPs is Honduran. Because there are no quotas on apparel imports from Honduras into the United States, Honduras is an attractive location for foreign investors seeking access to the U.S. apparel market. By mid-1994, there were 30 Korean maquilas in Honduras employing 20,000 workers. Most of the Korean maquilas export apparel to the United States under HTS provision 9802.00.80.[264] In addition, at the end of 1993, Taiwan-based Chuang Hgion Textile was preparing to invest $112 million in a new apparel assembly plant in Honduras.[265] The investment is reportedly being made in anticipation of an eventual free-trade agreement between the United States and Honduras on the assumption that apparel from the facility would qualify as Honduran-origin under fabric-forward rules of origin requirements.[266]

The most significant CBERA-related foreign investment was the initial stage of a $25 million United Technologies plant that will assemble wire harnesses for the U.S. motor vehicle industry.[267] Section 936 funds were used in 1993 to finance an $80 million investment by AT&T to provide additional telephone lines. Smaller section 936 investments involved construction of a banana pulp processing plant, modernization of a furniture factory, development of nontraditional agricultural exports, including ginger, yucca, and pepper.[268]

Agriculture remains the leading source of export earnings and still attracts foreign investors, particularly in nontraditional products. In recent years,

[258] U.S. Department of State telegram, "'Economist' Slams Honduran Investment Climate: GOH Wants an Apology," message reference No. 003901, prepared by U.S. Embassy, Tegucigalpa, May 18, 1994.

[259] Price controls were temporarily reimposed in December 1993 on 44 basic products. These controls were lifted in early 1994. EIU, *Country Report: Nicaragua, Honduras*, 2nd quarter 1994, p. 17.

[260] U.S. Department of State, *Country Reports on Economic Policy and Trade Practices*, Feb. 1994, pp. 379-385.

[261] Industrial Free Zones are industrial parks that are, in essence, subzones of Honduras' two free-trade zones, the Caribbean ports of Puerto Cortes and La Ceiba. "ZIPs" is the Spanish acronym used to refer to such zones.

[262] *Caribbean Update*, Nov. 1993, p. 11.

[263] Juan De Dios Herrera, Executive Director, Honduran Association of Maquiladoras, interview by USITC staff, San Pedro Sula, Honduras, May 18, 1994.

[264] Ibid.

[265] *Caribbean Update*, Feb. 1994, p. 11.

[266] Norman Garcia, Executive President, FIDE (Foundation for Investment and Development of Exports), interview by USITC staff, Tegucigalpa, Honduras, May 16, 1994.

[267] McDonald's will open its first restaurant in Honduras next to the United Technologies plant, which is expected to employ 5,000 workers. Lic. Roberto Reyes Silva, President, Chamber of Commerce and Industry of Cortes, interview by USITC staff, San Pedro Sula, Honduras, May 18, 1994.

[268] U.S. Department of State, telegram, prepared by the U.S. Embassy in Tegucigalpa, Honduras, May 1994.

a group of investors from Ecuador, Germany, and the United States joined with Honduran firms to develop shrimp cultivation in a 10,000 hectare area of the Golfo de Fonseca. There are currently eight export-oriented shrimp factories in the Gulf, and exports are expected to continue to climb beyond the current annual level of $30 million. Shrimp exports from the Atlantic region earn Honduras $45 million annually. Shrimp from both coasts are Honduras' third largest export product, after coffee and bananas. Cantaloupes and watermelons rank fourth and fifth.[269] The Honduran melon industry has received significant investments from Chiquita as that U.S. company tries to diversify its product portfolio.[270] Belgian and Israeli investors have also been influential in development of the Honduran melon industry.

Although shrimp and melons accounted for three-quarters of Honduran exports of nontraditional agricultural exports in 1993, the Government is encouraging small farmers to grow a variety of other crops for export. These include cocoa, pineapples, tilapia, grapefruit, cucumbers and pickles, raspberries, mangoes, pumpkins, onions, asparagus, and ginger. Employment in the production of these crops for export is expected to rise from 36,000 in 1993 to 74,000 in 1998. A Honduran official involved in promotion of these exports indicated that these products will likely be imported into the United States under CBERA.[271]

Honduran capital has been an important source of investment for small- and medium-sized farmers involved in nontraditional export crops. Honduran importers and distributors of consumer goods have invested in nontraditional agricultural products destined for export as a way to gain foreign exchange in order to expand their import businesses. The Federacion de Agroexportadores de Honduras (Foundation for the Promotion of Agricultural Exports) has worked directly with local investors, banks, and farmers to find products that Honduras can grow and market competitively and that will qualify for duty-free treatment under CBERA.[272]

U.S. imports of furniture under CBERA from Honduras should increase in 1994. The Banco Sogerin (a Honduras-based bank) helped finance purchases of manufacturing equipment from the United States for two Honduran furniture producers in 1993. Mimbres de Honduras makes iron furniture for both indoor and outdoor uses. Artesanos makes knock-down[273] pine furniture. Both companies export to the United States and to other Central American countries.[274] A third Honduran furniture producer, Derimase, has received financing and technological assistance from Willington Hall of the United States. Derimase makes complete (not knock-down) pine furniture for both the local market and for export to the United States. The company expects to increase exports to the U.S. market significantly in 1994.[275]

Nicaragua

Economic and Trade Performance

Nicaragua has experienced negligible real economic growth for the past several years. A decline in real GDP of less than 1 percent was estimated for 1993. Recent performance has actually improved compared with periods in the late 1970s and in the mid to late 1980s when large drops in real GDP were experienced. Given a fairly high rate of population growth, this has led to steady declines in per capita GDP. Real GDP per capita in 1992 has been estimated at just over a third of what it was in 1977.[276] Nicaragua has the lowest per capita GDP of the Central American countries and is one of the poorest

[269] *Caribbean Update*, June 1993, p. 11.

[270] Norman Garcia, Executive President, FIDE (Foundation for Investment and Development of Exports), interview by USITC staff, Tegucigalpa, Honduras, May 16, 1994.

[271] Medardo Galindo, General Manager, FPX (Honduran Federation of Agricultural Exporters), interview by USITC staff, San Pedro Sula, Honduras, May 17, 1994.

[272] Ibid.

[273] "Knock-down" furniture consists of sets of furniture parts (usually of wood) that are shipped disassembled. The furniture can be assembled by the retailer or, more often, by the end user. Shipping furniture in knock-down form reduces transportation costs and the likelihood of damage during transit.

[274] Lic. Marcia Bogran de Viara, Banco Sogerin, interview by USITC staff, San Pedro Sula, Honduras, May 18, 1994.

[275] Norman Garcia, Executive President, FIDE (Foundation for Investment and Development of Exports), interview by USITC staff, Tegucigalpa, Honduras, May 16, 1994.

[276] EIU, *Country Profile: Nicaragua, Honduras 1993/94*, p. 15.

countries in the Western Hemisphere. Consumer price inflation increased to about 20 percent in 1993, compared with a surprisingly low 3.5 percent in 1992, which followed two bouts of hyperinflation.[277]

Merchandise exports rose 16.7 percent to total $260.4 million in 1993. The value of meat exports rose 29.9 percent and nontraditional exports rose 67.0 percent in value, while the value of coffee exports declined by 22.5 percent and cotton exports collapsed. Imports fell 12.2 percent to $729.5 million.[278] The trade deficit is financed largely by foreign aid grants and loans.[279]

Investment Climate

The Nicaraguan economy is still in transition from the years of state control under the Sandinista government. Since taking office in 1990, the government of President Violeta Chamorro has undertaken a massive privatization program. By the end of 1993, 315 of 351 state-owned enterprises had been privatized.[280] Private banking has been reinstituted and there were seven private banks in operation at the end of 1992.[281] A new investment law in 1991 allows 100 percent foreign ownership in virtually all sectors of the economy, guaranteed repatriation of profits, and repatriation of original capital three years after the initial investment. Some restrictions remain, however.[282]

Definition of property rights continues to be a problem for both domestic and foreign investment. The Sandinista Government confiscated a large number of homes, businesses, and tracts of land without compensation. Over 5,000 individuals, including more than 400 U.S. citizens, have outstanding claims against the Government regarding confiscated property. The Chamorro government also committed itself to "provide adequate and effective protection for the right to intellectual properties of foreign nationals" as part of its request for designation as a beneficiary under CBERA, but has been unable to devote extensive resources to protecting IPR.[283]

Other problems deterring investment include renewed fighting in the northern part of the country, continued Sandinista control of the army, and massive official external debt.[284] These problems, in addition to those mentioned above, presumably are responsible for the "high risk" rating given to Nicaragua by the EIU.[285]

Investment Activity

Because Nicaragua is not eligible for GSP, most U.S. imports from Nicaragua, other than apparel or products that are unconditionally free of duty under MFN, enter under CBERA. In that regard, Nicaragua is more reliant on CBERA for preferential access to the U.S. market than any other country in the Caribbean Basin.

Nicaraguan export earnings have traditionally relied on beef,[286] sugar,[287] bananas, coffee, cotton, and seafood. However, recent efforts toward diversification have attracted foreign investment in assembly operations in the Las Mercedes Industrial Free Zone. The largest company in the zone is Taiwan-owned Fortex that makes jeans and shirts for export to the United States. Companies in the zone have taken advantage of both the GAL and duty-free provisions of CBERA to increase their exports of

[277] EIU, *Country Report: Nicaragua, Honduras*, 2nd quarter 1994, pp. 3, 9.

[278] Ibid., pp. 15-16.

[279] EIU, *Country Profile: Nicaragua, Honduras* 1993/94, pp. 26-28.

[280] EIU, *Country Report: Nicaragua, Honduras*, 2nd quarter 1994, p. 13.

[281] EIU, *Country Profile: Nicaragua, Honduras* 1993/94, p. 23.

[282] U.S. Department of State, *Country Reports on Economic Policy and Trade Practices*, Feb. 1994, pp. 396-403.

[283] Ibid.

[284] Ibid.

[285] U.S. Department of State telegram, "'Economist' Slams Honduran Investment Climate: GOH Wants an Apology," message reference No. 003901, prepared by U.S. Embassy, Tegucigalpa, May 18, 1994.

[286] Eighty percent of Nicaragua's beef production is exported. Most special cuts go to Puerto Rico. Dr. Enrique Moncada, General Manager, Cooperativa Nuevo Carnic, interview by USITC staff, Managua, Nicaragua, May 13, 1994.

[287] Only a small portion is exported to the United States. Most is split between the local market and European distribution. Huberto Cuadra Shults, General Manager, AGROINSA, interview by USITC staff, Managua, Nicaragua, May 13, 1994.

apparel, shoes, jewelry,[288] aluminum frames,[289] and electronic components. CBERA has also attracted foreign investment outside the zone in fish, shrimp, onions, mangoes, other tropical fruits, and mining (gold and silver).[290]

Georgia Vegetable Company (Tifton, Georgia) and DeBruyn Produce Company (Zeeland, Michigan) began importing sweet onions from the Sebaco Valley to complement seasonal availability of Vidalia onions from U.S. growers. U.S. imports are expected to grow substantially in the next few years. Onions from the Sebaco Valley are also being exported to Mexico. Exports of black beans, another nontraditional export, are expected to total $5 million in 1994, with most going to the United States, Costa Rica, and the Dominican Republic.[291]

In the mining sector, exports of gold to the United States will likely increase in 1994 because of a $60 million investment by Arizona-based Hunt Exploration and Mining in infrastructure for mines in north-central Nicaragua.[292] Two Canadian firms have also recently restarted long-dormant mining operations in Nicaragua.

[288] Most of the gold chain assembled in the FTZ is exported to Italy. Gustavo Mercado, interview by USITC staff, Managua, Nicaragua, May 12, 1994.

[289] The Government of Nicaragua owns the aluminum frame facility in the free trade zone. Aluminum frames are currently exported throughout Central America and the Government is seeking customers in the United States. Carlos Zuniga, Promotion Manager, Free Zone Corporation, interview by USITC staff, Managua, Nicaragua, May 13, 1994.

[290] U.S. Department of State, telegram, prepared by the U.S. Embassy in Managua, Nicaragua, Apr. 18, 1994.

[291] *Caribbean Update*, June 1994, p. 17.

[292] Ibid., Mar. 1994, p. 16.

The European Union gives incentives for investment in Nicaragua and provides tariff concessions to imports from the country. Concerns about possible medfly contamination have prevented exports of pitghaya to the United States, but the fruit is exported fresh to the Netherlands, Belgium, and Germany. Because of a U.S. phytosanitary restriction that was only recently lifted, most mango exports go to Europe. Most ginger is exported to Canada and Europe. European financing has helped convert land formerly used to grow cotton to production of sesame seeds, peanuts, soybeans, sorghum, yucca, baby corn, asparagus, squash, cucumbers, okra, lettuce, and celery. Many of these products are now exported to Europe.[293] Nicaragua has also recently started exporting sorghum to El Salvador but not to the United States. H.B. Fuller of the United States has invested in paint production in Nicaragua, but sales have targeted the Central American market.[294]

The U.S. Embassy in Managua has identified 42 companies that have shown an interest in investing in Nicaragua and have "somehow been assisted by CBI."[295] Although most would benefit from the broadly defined CBI (such as section 936 loans and guarenteed access levels for apparel), a much smaller number would likely use the duty-free provisions of the CBERA. Potential CBERA beneficiaries fall in the following categories: furniture, fish, beef, leather products, sugar, chili peppers, and electronic assembly.

[293] Lic. Patrick Bolanos, General Manager, APENN (Nicaraguan Association of Producers and Exporters of Nontraditional Products), interview by USITC staff, Managua, Nicaragua, May 12, 1994.

[294] Paul Trivelli, Chief Economic and Commercial Officer, U.S. Embassy, interview by USITC staff, Managua, Nicaragua, May 12, 1994.

[295] USITC, fascimile, sent by Paul Trivelli, U.S. Embassy, Managua, Nicaragua, May 16, 1993.

APPENDIX A
FEDERAL REGISTER NOTICE AND LIST OF SUBMISSIONS

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332–227]

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

AGENCY: International Trade Commission.

ACTION: Notice of deadline to submit comments in connection with 1993 annual report.

EFFECTIVE DATE: March 31, 1994.

FOR FURTHER INFORMATION CONTACT: Magda Kornis (202–205–3261), Trade Reports Division, Office of Economics, U.S. International Trade Commission, Washington, DC 20436.

Background

Section 215(a) of the Caribbean Basin Economic Recovery Act (CBERA) (19 U.S.C. 2704(a)) requires that the Commission submit annual reports to the Congress and the President on the impact of the act on industries and consumers in the United States. Section 215(b) of the CBERA requires the Commission to assess the actual effect of the act on the United States economy generally as well as on appropriate domestic industries and to assess the probable future effects of the act. The Commission instituted the present investigation under section 332(b) of the Tariff Act of 1930 (19 U.S.C. 1332(b)) on March 21, 1986, for the purpose of gathering and presenting such information on the CBERA. Notice of institution of the investigation and the schedule for such reports was published in the Federal Register of May 14, 1986 (51 FR 17678). The ninth report, covering calendar year 1993, is to be submitted by September 30, 1994.

Written Submissions

The Commission does not plan to hold a public bearing in connection with the ninth annual report. However, interested persons are invited to submit written statements concerning the matters to be addressed in the report. Statements also are invited on the potential effects of the North American Free-Trade Agreement on U.S. imports under the CBERA. 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 § 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 report should be submitted at the earliest practical date and should be received no later than May 29, 1994.

Address all submissions to the Secretary to the Commission, U.S. International Trade Commission, 500 E St., SW., Washington, DC 20436. Hearing-impaired persons are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on (202) 205–1809.

Issued: March 31, 1994.

By order of the Commission.

Donna R. Koehnke,

Secretary.

[FR Doc. 94–8239 Filed 4–5–94; 8:45 am]

BILLING CODE 7020-02-P

SUBMISSIONS FOR THE RECORD INVESTIGATION NO. 332-227

Mitchell J. Cooper, on behalf of the Rubber and Plastic Footwear Manufacturers Association (RPFMA)
Dr. Richard L. Bernal, Ambassador of Jamaica to the United States
Maria Strong, Associate General Counsel, on behalf of the International Intellectual Property Alliance (IIPA)
Bonnie J.K. Richardson, on behalf of the Motion Picture Export Association of America (MPEAA)

APPENDIX B
Statistical Tables

Table B-1
Definition of product categories used in table 1-8 (U.S. import items from CBERA countries of goods not eligible for CBERA duty-free entry, 1984, 1986, 1988, 1990, 1992, and 1993)

Textiles and apparel are defined as HTS items 51012110, 51012160, 51012910, 51012960, 51013060, 51021090, 51051000-51053000, 51061000-51082060, 51091040-51091060, 51099040, 51099060, 51111120-51129090, 52041100-52082980, 52083140-52083180, 52083230-52083980, 52084140-52084180, 52084230-52084980, 52085140-52085180, 52085230-52092900, 52093160-52093900, 52094160-52094900, 52095160-52122560, 53092120-53092920, 53110020, 54011000-54034900, 54041080, 54061000, 54062000, 54050030, 54071000-54083490, 55011000-55169400, 56011010, 56012100, 56013000, 56021010-56042000, 56012200, 56074130, 56074915-56075040, 56081100-56081920, 56090030, 56089027, 56090010, 57011016-57011020, 57023110-57023220, 57024110-57024910, 57025120-57025910, 57029130-57029910, 57031000-57033000, 57041000, 57049000, 58011000-58013600, 58021100-58021900, 58031000-58039012, 58039030, 58042100, 58050025-58050030, 58061010-58061020, 58063100-58063910, 58109100-58109200, 58110010-58110030, 59011010, 59019020, 59021000-59029000, 59031018, 59031025, 59032018, 59039018, 59039025, 59069125-59069910, 59069110, 59069925, 59070010, 60011020, 60012100, 60012200, 60019100-60019200, 60021040, 60022010-60022060, 60024100-60024300, 60029100-60029300, 61011000-61013020, 61021000-61023020, 61031100-61031920, 61032100-61032910, 61033100-61033910, 61034110-61034920, 61041100-61041915, 61042100-61042910, 61043100-61043910, 61044100-61044420, 61045100-61045910, 61046100-61046920, 61051000-61059010, 61061000-61069010, 61071100-61071200, 61072100-61072920, 61079100-61079920, 61081100, 61082100-61082200, 61083100-61083910, 61089100-61089920, 61091000-61099015, 61101010-61103030, 61111000-61119050, 61121100-61121910, 61122010, 61123100, 61124100, 61141000, 61142000-61143030, 61151100-61151200, 61159100-61159918, 61169100, 61169274, 61169294, 61169394, 61169954, 61169364-61169374, 61171010-61171020, 62011100-62011340, 62019110-62019335, 62021100-62021340, 62029110-62029350, 62031110-62031930, 62032100-62032920, 62033100-62033920, 62034110-62034920, 62041100-62041920, 62042100-62042920, 62043110-62043930, 62044110, 62044120, 62044220-62044230, 62044320-62044340, 62044430-62044440, 62045100, 62045220, 62045320-62045330, 62045920-62045930, 62046100-62046220, 62046240-62046315, 62046325-62046925, 62051020, 62052020, 62053015-62053020, 62062020-62062030, 62063020-62063030, 62064020-62064030, 62071100, 62072100-62072200, 62079110-62079940, 62081100-62081920, 62082100-62082200, 62089110-62089920, 62091000-62099030, 62102010, 62103010, 62104010, 62105010, 62111110, 62111210, 62114100-62114300, 62132010-62139010, 62142000-62144000, 62152000, 62160041, 62160058, 62160080, 63012000-63014000, 63021010-63022220, 63023110-63023220, 63025110-63025140, 63025300, 63029920, 63031100, 63031200, 63039100, 63039200, 63029310, 63029320, 63041110-63041120, 63041905-63041920, 63049200-63049300, 63049915, 63052000-63053900, 63061100, 63061200, 63062100, 63062290, 63064100, 63069100, 63071010, 63101010, 63109010, 65010090, 65030090, 65059030-65059080, 64049010, 63026000-63029100, 5801902090, 5803904090, 5805004010, 5601290020-5604200000, 5701901020, 5702109010, 5702109030, 5705002010, 5705002030, 5802200020-5802200090, 5802300020-5802300090, 5804100020-5804100090, 5804290020-5804290090, 5804300090, 5806103020-5806103090, 5806393020-5806393080, 5807101020, 5807901010-5807901020, 5808102010, 5808103010, 5810990010, 5903903010, 6001990090, 6002990090, 6101900010-6101900030, 6101900050-6101900060, 6102900005-6102900015, 6102900025-6102900030, 6103194010-6103194050, 6103194070-6103194080, 6103292030, 6103292036, 6103292042, 6103292054, 6103292058-6103292062, 6103292066-6103292074, 6103292082, 6103392010-6103392030, 6103392050-6103392060, 6103493010-6103493014, 6103493018-6103493038, 6103493040-6103493060, 6104192010-6104192060, 6104192080-6104192090, 6104292010-6104292014, 6104292018-6104292026, 6104292030-6104292038, 6104292042-6104292050, 6104292053-6104292060, 6104292064-6104292078, 6104292082-6104292090, 6104392010-6104392030, 6104392050-6104392090, 6104490010-6104490030, 6104490050-6104490060, 6104592010-6104592030, 6104592050-6104592090, 6104693010-6104693014, 6104693018, 6104693026, 6104693030-6104693032, 6105903010-6105903030, 6105903050-6105903060, 6106902010-6106902030, 6106902050, 6107190020, 6107294020, 6108190010, 6108190030, 6108290020, 6108392020, 6108994020, 6109902015, 6109902030, 6110900010-6110900014, 6110900018-6110900030, 6110900036-6110900040, 6110900044-6110900054, 6110900060-6110900068, 6110900072-6110900078, 6110900084-6110900090, 6111906020, 6112192020-6112192030, 6112192050-6112192060, 6112192080-6112192090, 6114900010, 6114900020, 6114900030, 6114900040-6114900055, 6114900065-6114900070, 6115190010-6115190020, 6116103510-6116103530, 6116106010-6116106030, 6116999010-6116999030, 6116999050-6116999060, 6116109010-6116109025, 6116998010-6116998030, 6117200010-6117200019, 6117200050-6117200060, 6117800019-6117800025, 6117800050-6117800060, 6117900010-6117900014, 6117900018-6117900026, 6117900030-6117900036, 6117900040-6117900046, 6117900050-6117900051, 6117900055-6117900056, 6117900060, 6201190010-6201190030, 6201190050-6201190060, 6201990010-6201990030, 6201990050-6201990060, 6202190010-6202190030, 6202190050-6202190060, 6202990010-6202990030, 6202990050-6202990060, 6203194010-6203194050, 6203194070-6203194080, 6203293020, 6203293028, 6203293040, 6203293060, 6203293080, 6203394010-6203394030, 6203394050-6203394060, 6203493015-6203493030, 6203493040, 6203493060, 6204193010-6204193060, 6204193080, 6204294010-6204294014, 6204294018-6204294026, 6204294030-6204294038, 6204294042-6204294050, 6204294054-6204294062, 6204294066-6204294068, 6204394010-6204394030, 6204394050-6204394060, 6204490010-6204490030, 6204490050-6204490060, 6204594010-6204594020, 6204693010-6204693030, 6204693050, 6204693070, 6205902010-6205902030, 6205902050, 6206100010-6206100030, 6206100050, 6207190030, 6207290010, 6207290030, 6207996020, 6207996040, 6208194020, 6208290010, 6208290030, 6208996020, 6208996040, 6209904020, 6210104015-6210104025, 6210202020, 6210302020, 6210402020-6210402050, 6210502020-6210502050, 6211112010-6211112020, 6211112040, 6211123003-6211123005, 6211123025, 6211201030-6211201040,

Table B-1—Continued
Definition of product categories used in table 1-8 (U.S. import items from CBERA countries of goods not eligible for CBERA duty-free entry, 1984, 1986, 1988, 1990, 1992, and 1993)

6211390020-6211390080, 6211490020-6211490070, 6211490090, 6212101010, 6212101040, 6212102040, 6215100025, 6215100090, 6216003010-6216003030, 6216003110-6216003130, 6217100020, 6217900003-6217900010, 6217900020-6217900035, 6217900045-6217900060, 6217900070, 6217900080-6217900085, 6217900095, 6301900010, 6301900030, 6302290020, 6302390010, 6302390030, 6304193040, 6304910020-6304910050, 6304996010-6304996020, 6367102005-6307102028, 6502009030, 6504009015, 6504009060, 6505909060, 9404909010, 5903203010, 6107994020, 6115190040, 6115200010, 6115200030, 6115992020, 6109902035, 6116926050, 6116926060, 6116926070, 6116995040, 6216003210-6216003225, 6216005220, 6216005245, 6216003920.

Petroleum and petroleum products are HTS items 2709, 2710.00.05-2710.00.30, 2710.00.45, 2712, 2713.11.00, 2713.20.00, 2713.90.00, 2714, 2715.

Footwear are HTS items 6401.10.00-6402.19.90, 6402.30.30-6405.20.90, 6405.90.90-6406.10.50, 6406.10.77, and 6406.99.15.

Handbags, luggage and flat goods are HTS items 4202.11.00-4202.22.15*, 4202.22.40-4202.22.60*, 4202.22.80*, 4202.29.00*, 4202.31.60*, 4202.32.40*, 4202.32.95*, 4202.91.00-4202.92.45*, 4202.92.60-4202.99.00*, 4602.10.21*, 4602.10.22*, 4602.10.25*, and 4602.10.29*.

Certain leather apparel is HTS item 4203.10.40*.

Work gloves are HTS items 4203.29.08*, 4203.29.18*, 6116.10.15, 6116.10.18*, 6116.10.25, 6116.10.45*, 6116.10.35.40, 6116.10.70.40*, 6216.00.15, 6216.00.12, 6216.00.20, 6216.00.18*, 6216.00.25.40, 6216.00.27.40, and 6216.00.28.40*.

Tuna is comprised of HTS items 1604.14.10, 1604.14.20, and 1604.14.30.

Note.-Certain articles within these categories (HTS item followed by *) are eligible for a 20-percent duty reduction, to be implemented in five equal annual stages effective Jan. 1, 1992.

Table B-2
Leading U.S. imports for consumption entering under CBERA duty-free and reduced-duty provisions, 1993, by source

(1,000 dollars)

Country	HTS No.	Description	1993 CBERA Imports	Share of 1993 CBERA Imports
Antigua	8534.00.00	Printed circuits, without elements	762	68.6
	0302.69.40	Fish, nesoi, excl. fillets, livers and roes, fresh	229	20.6
	2814.30.00	Sodium dichromate	64	5.8
	2208.40.00	Rum and tafia	15	1.3
		Total of items shown	1,070	96.3
Aruba	9606.29.60	Buttons, nesi	10	47.6
	4823.51.00	Printed, embossed or perforated paper/paperboard	6	28.6
	9406.00.40	Prefabricated buildings of wood	4	19.0
	4823.59.40	Paper and paperboard of a kind used for writing	1	4.8
		Total of items shown	21	100.0
Bahamas	2918.90.30	Aromatic drugs derived from carboxylic acids	152,261	91.1
	2937.22.00	Halogenated derivatives of adrenalcortical hormones	4,034	2.4
	3812.30.40	Other antioxidizing preparations for rubber	3,237	1.9
	2922.19.50	Nonaromatic alcohols, their ethers and esters	3,033	1.8
		Total of items shown	162,565	97.2
Barbados	8533.31.00	Electrical wirewound variable resistors	5,914	29.3
	9032.89.60	Automatic regulating or controlling instruments	4,236	21.0
	8533.21.00	Electrical fixed resistors	3,227	16.0
	2208.40.00	Rum and tafia	2,610	12.9
	8533.39.00	Electrical wirewound variable resistors	1,011	5.0
	8205.40.00	Screwdrivers and parts thereof, of base metal	765	3.8
		Total of items shown	17,763	88.0
Belize	2009.11.00	Orange juice, frozen, unfermented	6,689	53.4
	1702.90.40	Syryp nesi derived from sugar cane or sugar beets	1,875	15.0
	2009.20.40	Grapefruit juice, unfermented, concentrated	1,147	9.1
	0807.20.00	Papayas (papaws), fresh	915	7.3
	1702.90.35	Invert molasses	899	7.2
		Total of items shown	11,525	92.0
British Virgin Islands	8544.49.00	Insulated electric conductors nesi	11	64.8
	6204.69.90	Women's or girls' trousers bib and brace overalls	3	17.6
	8517.10.00	Telephone sets	2	11.7
		Total of items shown	16	94.1
Costa Rica	0202.30.60	Frozen boneless beef, except processed	37,611	9.7
	0804.30.40	Pineapples, fresh or dried	30,803	7.9
	8516.31.00	Electrothermic hair dryers	26,992	7.0
	0807.10.20	Cantaloupes, fresh, entered between 9/16-7/31	20,712	5.3
	7113.19.50	Jewelry and jewelry parts of precious metal	20,689	5.3
	0201.30.60	Fresh or chilled boneless beef, except processed	19,250	5.0
	0302.69.40	Fish, nesoi, excl. fillets, livers and roes, fresh	13,084	3.4
	4016.93.00	Gaskets, washers and other seals	11,778	3.0
	2207.10.60	Undenatured ethyl alcohol, for nonbeverage use	11,303	2.9
	0807.10.70	Melons, nesoi, fresh	10,916	2.8
	9506.69.20	Baseballs and softballs	10,894	2.8
	0714.10.00	Cassava (manioc), fresh or dried	8,119	2.1
	8533.40.00	Electrical variable resistors, nesoi	7,958	2.0
	3926.90.95	Other articles of plastics	7,438	1.9
	9111.10.00	Watch cases of precious metal or of metal clad	7,025	1.8
	0603.10.70	Chrysanthemums, standard carnations, anthuriums	6,905	1.8
	9018.39.00	Catheters, cannulae and the like nesi	6,200	1.6
	0714.90.10	Fresh dasheens, whether or not sliced	4,971	1.3

Table B-2—Continued
Leading U.S. imports for consumption entering under CBERA duty-free and reduced-duty provisions, 1993, by source

(1,000 dollars)

Country	HTS No.	Description	1993 CBERA Imports	Share of 1993 CBERA Imports
Costa Rica (continued)	9403.70.40	Furniture of reinforced or laminated plastics	4,702	1.2
	2008.99.13	Banana pulp, otherwise prepared or preserved	4,534	1.2
	0714.90.20	Fresh yams, whether or not sliced	4,138	1.1
	0603.10.80	Cut flowers and flower buds	3,876	1.0
		Total of items shown	291,509	75.1
Dominica	3401.11.50	Soap, nesoi, organic surface active products	1,021	78.9
	3920.51.50	Nonadhesive plates, sheets, film, foil and strip	83	6.4
	2208.40.00	Rum and tafia	26	2.0
	2202.90.90	Nonalcoholic beverages, nesi, not including fruit	25	1.9
		Total of items shown	1,155	89.2
Dominican Republic	6406.10.65	Footwear uppers, other than formed, of leather	157,957	24.0
	7113.19.50	Jewelry and jewelry parts of precious metal	61,474	9.3
	9018.90.80	Miscellaneous medical and surgical instruments and appliances	46,951	7.1
	1701.11.01	Raw cane sugar, no flavoring/coloring, quota	41,523	6.3
	8535.40.00	Lightning arrestors, voltage limiters	26,946	4.1
	2402.10.80	Cigars, cheroots, and cigarillos	26,802	4.1
	7113.19.21	Rope necklaces and neck chains of gold	17,951	2.7
	7113.19.10	Rope, curb, etc. in continuous lengths	16,906	2.5
	4203.10.40	Leather apparel[1]	12,454	1.8
	0202.30.60	Frozen boneless beef, except processed	11,357	1.7
	1703.10.50	Cane molasses	11,152	1.7
	4202.12.80	Trunks, suitcases, occupational luggage	11,008	1.6
	8305.20.00	Staples in strips	10,872	1.6
	8531.10.00	Electric burglar or fire alarms	10,148	1.5
	8538.90.00	Parts for use with electrical apparatus	10,037	1.5
	8536.90.00	Electrical apparatus, nesoi, for switching	9,427	1.4
	8531.20.00	Indicator panels incorporating liquid crystal	7,656	1.1
		Total of items shown	490,621	74.6
El Salvador	2207.10.60	Undenatured ethyl alcohol, for nonbeverage use	9,439	35.6
	0807.10.70	Melons, nesoi, fresh	2,783	10.5
	4819.40.00	Sacks and bags, nesoi, including cones, of paper	1,752	6.6
	8532.24.00	Ceramic dielectric fixed capacitors, multilayer	1,660	6.3
	1703.10.50	Cane molasses	881	3.3
	3923.10.00	Boxes, cases, crates and similar articles	831	3.1
	9507.90.70	Artificial baits and flies	715	2.7
	6204.39.80	Other women's and girls' suit ensembles	694	2.6
	4420.90.80	Wood marquetry and inlaid wood; wooden articles	656	2.4
	7615.10.70	Aluminum cooking and kitchen ware, not enameled	643	2.4
		Total of items shown	20,054	75.5
Grenada	0804.50.40	Guavas, mangoes, and mangosteens, fresh entered between 9/1-5/31	55	38.2
	4818.10.00	Toilet paper	28	19.4
	0809.40.40	Plums, prunes and sloes, fresh	18	12.5
	0804.50.60	Guavas, mangoes, and mangosteens, fresh entered between 6/1-8/31	13	9.0
	0810.90.40	Fresh fruit, nesi	9	6.3
		Total of items shown	123	85.4
Guatemala	1701.11.02	Sugar used in production of polyhydric alcohols	47,064	22.6
	2401.10.60	Cigarette leaf, not stemmed, not oriental	21,054	10.1
	0202.30.60	Frozen boneless beef, except processed	12,066	5.8
	0710.80.97	Other frozen vegetables not reduced in size	11,960	5.7

Table B-2—Continued
Leading U.S. imports for consumption entering under CBERA duty-free and reduced-duty provisions, 1993, by source

(1,000 dollars)

Country	HTS No.	Description	1993 CBERA Imports	Share of 1993 CBERA Imports
Guatemala (continued)	2401.20.80	Tobacco, partly or wholly stemmed	10,998	5.3
	1701.11.01	Raw cane sugar, no flavoring/coloring, quota	9,592	4.6
	0201.30.60	Fresh or chilled boneless beef, except processed	9,310	4.5
	0807.10.20	Cantaloupes, fresh, entered between 9/16-7/31	6,576	3.2
	0708.10.40	Peas, fresh or chilled, shelled or unshelled	6,213	2.9
	6204.39.80	Other women's and girls' suit ensembles	5,214	2.5
	0603.10.60	Roses, fresh cut	4,866	2.3
	0710.80.70	Other frozen vegetables reduced in size	3,832	1.8
	3808.30.10	Herbicides, antisprouting products, plant growth	3,828	1.8
	6211.49.00	Women's or girls' track suits or other garments	3,434	1.6
	0807.10.70	Melons, nesoi, fresh	3,225	1.5
		Total of items shown	159,232	76.2
Guyana	0303.79.40	Fish, excluding fillets, frozen, nesoi	463	37.2
	2935.00.57	Other fast color bases and salts	293	23.5
	2208.40.00	Rum and tafia	142	11.4
	0302.69.40	Fish, nesoi, excl. fillets, livers and roes, fresh	112	9.0
		Total of items shown	1,010	81.1
Haiti	9506.69.20	Baseballs and softballs	6,470	19.4
	0804.50.40	Guavas, mangoes, and mangosteens, fresh entered between 9/1-5/31	2,344	7.0
	6116.10.45	Gloves, mittens & mitts (excl. ski/snowmobile)	2,083	6.2
	8536.69.00	Plugs and sockets for making connections	1,606	4.8
	0804.50.60	Guavas, mangoes, and mangosteens, fresh entered between 6/1-8/31	1,420	4.3
	3926.90.95	Other articles of plastics	1,312	3.9
	0811.90.52	Mangoes, frozen	1,190	3.6
	2905.11.20	Methanol (methyl alcohol)	1,052	3.1
	8536.50.00	Switches, nesoi, for switching, making connections	824	2.5
	8504.90.00	Parts of electrical transformers, static convert	805	2.4
	8538.90.00	Parts for use with electrical apparatus	730	2.2
	4203.10.40	Leather apparel[1]	709	2.1
	7326.90.90	Articles of iron or steel wire, other than coated	606	1.8
	9405.10.80	Chandeliers and other electrical ceiling lights	584	1.7
	4016.99.25	Articles made of noncellular vulcanized rubber	535	1.6
	9503.41.10	Stuffed toys representing animals or non-human	513	1.5
	8533.90.00	Parts of electrical resistors, rheostats	494	1.5
	6116.10.13	Gloves, mittens & mitts (excl. ski/snowmobile)	484	1.5
	8306.29.00	Statuettes and other ornaments, and parts thereof	464	1.4
	4203.30.00	Belts and bandoliers with or without buckles	436	1.3
	9503.49.00	Toys representing animals or non-human	414	1.2
		Total of items shown	25,075	75.1
Honduras	0202.30.60	Frozen boneless beef, except processed	24,445	19.2
	0807.10.20	Cantaloupes, fresh, entered between 9/16-7/31	14,180	11.1
	0201.30.60	Fresh or chilled boneless beef, except processed	13,412	10.5
	2402.10.80	Cigars, cheroots, and cigarillos	7,724	6.1
	2401.20.80	Tobacco, partly or wholly stemmed	5,646	4.4
	9506.69.20	Baseballs and softballs	5,046	4.0
	2401.10.60	Cigarette leaf, not stemmed, not oriental	4,863	3.8
	9603.90.80	Brooms and brushes nesi, mops, hand-operated	3,593	2.8
	6406.10.65	Footwear uppers, other than formed, of leather	3,569	2.8
	9403.50.90	Wooden bedroom furniture	3,536	2.8
	3923.21.00	Sacks and bags (including cones)	3,455	2.7
	7317.00.55	Nails, tacks, corrugated nails and staples	2,676	2.1
	2008.99.13	Banana pulp, otherwise prepared or preserved	2,359	1.8
	0807.10.70	Melons, nesoi, fresh	2,320	1.8
		Total of items shown	96,824	76.0

Table B-2—Continued
Leading U.S. imports for consumption entering under CBERA duty-free and reduced-duty provisions, 1993, by source

(1,000 dollars)

Country	HTS No.	Description	1993 CBERA Imports	Share of 1993 CBERA Imports
Jamaica	2207.10.60	Undenatured ethyl alcohol, for nonbeverage use	19,947	26.1
	1701.11.01	Raw cane sugar, no flavoring/coloring, quota	9,902	12.9
	2208.40.00	Rum and tafia	6,145	8.0
	0714.90.20	Fresh yams, whether or not sliced	6,105	8.0
	2402.10.80	Cigars, cheroots, and cigarillos	3,849	5.0
	2203.00.00	Beer made from malt	3,184	4.2
	2207.20.00	Ethyl alcohol and other spirits, denatured	2,477	3.2
	8536.90.00	Electrical apparatus nesoi, for switching	2,440	3.2
	2208.90.45	Cordials, liqueurs, kirschwasser and ratafia	2,428	3.2
	0807.20.00	Papayas (papaws), fresh	2,356	3.1
		Total of items shown	58,833	76.9
Montserrat	8535.90.00	Electrical apparatus, for switching, protecting	267	98.5
	8207.90.75	Interchangeable tools, not suitable for cutting	4	1.5
		Total of items shown	271	100.0
Netherlands Antilles	3507.90.00	Enzymes; prepared enzymes nesoi, excluding rennet	671	19.2
	3303.00.30	Perfumes and toilet waters, containing alcohol	631	18.1
	8504.31.40	Electrical transformers, nesoi	528	15.1
	8544.60.20	Insulated electric conductors nesoi	446	12.8
	7326.20.00	Articles of iron or steel wire, nesoi	345	9.9
	8524.21.30	Pre-recorded magnetic tapes, of certain width	234	6.7
	4818.10.00	Toilet paper	225	6.4
		Total of items shown	3,080	88.2
Nicaragua	0202.30.60	Frozen boneless beef, except processed	27,772	37.3
	0201.30.60	Fresh or chilled boneless beef, except processed	17,276	23.2
	1701.11.01	Raw cane sugar, no flavoring/coloring, quota	9,719	13.1
	7113.19.10	Rope, curb, etc. in continuous lengths	5,188	7.0
		Total of items shown	59,955	80.6
Panama	0302.69.40	Fish, nesoi, excl. fillets, livers and roes, fresh	8,037	20.8
	1701.11.01	Raw cane sugar, no flavoring/coloring, quota	5,496	14.3
	2401.20.80	Tobacco, partly or wholly stemmed	4,380	11.4
	0807.10.70	Melons, nesoi, fresh	3,670	9.5
	2008.99.13	Banana pulp, otherwise prepared or preserved	3,302	8.5
	3004.90.60	Medicaments of mixed or unmixed products, nesi	2,458	6.4
	2402.20.80	Cigarettes containing tobacco	2,271	5.9
		Total of items shown	29,614	76.8
St. Kitts and Nevis	8536.50.00	Switches, nesi, for switching, making connections	8,405	52.6
	8533.40.00	Electrical variable resistors, nesoi	1,986	12.4
	8473.30.80	Parts and accessories, nesoi, of ADP machines	1,386	8.7
	8529.90.35	Parts of television apparatus, nesi	1,013	6.3
		Total of items shown	12,790	80.0
St. Lucia	8533.21.00	Electrical fixed resistors	2,129	47.7
	8532.29.00	Fixed electrical capacitors, nesoi	861	19.3
	8516.80.80	Electric heating resistors, nesi	269	6.0
	6307.90.40	Cords and tassels made up of textile materials	260	5.8
		Total of items shown	3,519	78.8
St. Vincent and Grenadines	7113.19.50	Jewelry and jewelry parts of precious metal	72	30.9
	8504.50.00	Inductors, nesoi	72	30.9

Table B-2-Continued
Leading U.S. imports for consumption entering under CBERA duty-free and reduced-duty provisions, 1993, by source

(1,000 dollars)

Country	HTS No.	Description	1993 CBERA Imports	Share of 1993 CBERA Imports
St. Vincent	9502.91.00	Doll garments and accessories therefor	38	16.3
(Continued)		Total of items shown	182	78.1
Trinidad and Tobago	7213.31.30	Hot-rolled low-carbon steel wire rod measuring under 14 mm in diameter in irregularly wound coils	21,680	48.6
	2905.11.20	Methanol (methyl alcohol)	5,341	12.0
	7214.40.00	Bars and rods of iron or nonalloy steel	2,816	6.3
	2304.00.00	Oilcake and other solid residues	2,311	5.2
	0302.69.40	Fish, nesoi, excl. fillets, livers and roes, fresh	1,395	3.1
		Total of items shown	33,543	75.2

[1] Indicated articles are subject to the CBERA 20-percent duty reduction.

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

Source: Compiled from official statistics of the U.S. Department of Commerce. Commodities sorted by imports for consumption, customs value in 1993.

Table B-3
U.S. exports to CBERA countries, 1984, 1986, 1988, 1990, 1992, and 1993

(1,000 dollars, f.a.s. value)

Country	1984	1986	1988	1990	1992	1993
Antigua	(2)	(2)	65,579	67,759	65,549	67,035
Aruba[1]	(2)	(2)	95,636	196,896	282,289	260,625
Bahamas	546,320	747,989	725,328	785,442	691,320	668,136
Barbados	232,852	142,832	154,276	158,062	122,780	132,097
Belize	49,462	55,095	89,585	101,107	111,363	120,403
British Virgin Islands	(2)	(2)	36,878	58,995	42,263	42,118
Costa Rica	417,641	475,367	683,716	959,769	1,317,645	1,504,155
Dominica	(2)	(2)	2,962	30,045	32,515	26,648
Dominican Republic	630,599	891,546	1,340,582	1,620,510	2,062,919	2,290,533
El Salvador	380,331	426,578	450,577	546,970	727,188	847,143
Grenada	(2)	(2)	24,360	34,251	22,983	22,704
Guatemala	369,794	392,311	568,544	743,533	1,167,411	1,267,554
Guyana[3]	(2)	(2)	66,763	74,299	114,210	117,835
Haiti	405,890	379,444	464,519	460,974	213,050	219,149
Honduras	304,083	323,004	445,656	554,211	790,027	867,033
Jamaica	488,463	445,619	741,286	916,802	914,200	1,079,888
Leeward and Windward Isles[4]	201,336	218,335	(2)	(2)	(2)	(2)
Montserrat	(2)	(2)	5,446	10,540	12,911	5,035
Netherlands Antilles	607,814	369,318	411,569	521,169	450,123	492,228
Nicaragua[5]	(2)	(2)	(2)	66,180	180,420	141,486
Panama[6]	730,382	674,378	588,213	807,459	998,417	1,086,757
St. Kitts and Nevis	(2)	(2)	35,387	51,514	30,111	34,872
St. Lucia	(2)	(2)	67,316	81,417	79,528	89,230
St. Vincent and Grenadines	(2)	(2)	34,655	34,486	33,832	36,118
Trinidad and Tobago	587,917	522,828	323,005	424,748	438,640	523,134
Total	5,952,884	6,064,644	7,421,840	9,307,140	10,901,693	11,941,917

1 Export data for Aruba was reported within statistics for Netherlands Antilles until Jan. 1, 1988.
2 Not applicable.
3 Guyana was designated a beneficiary country effective Nov. 24, 1988.
4 Exports to Antigua, British Virgin Islands, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and Grenadines were reported cumulatively as exports to the Leeward and Windward Islands until Jan. 1, 1988.
5 Nicaragua was designated as a CBERA beneficiary effective Nov. 8, 1990.
6 Panama lost its designation as a beneficiary effective Apr. 9, 1988, and was reinstated in Mar. 1990.

Note.-Because of rounding, figures may not add to totals shown.

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

Table B-4
U.S. imports for consumption, from CBERA countries, 1984, 1986, 1988, 1990, 1992, and 1993
(1,000 dollars, customs value)

Country	1984	1986	1988	1990	1992	1993
Antigua	7,898	11,849	6,893	4,120	5,414	14,806
Aruba[1]	(2)	1,797	647	967	189,657	306,578
Bahamas	1,154,282	440,985	268,328	506,772	580,700	341,547
Barbados	252,598	108,991	51,413	30,899	30,528	34,027
Belize	42,843	50,181	52,049	43,978	58,510	48,984
British Virgin Islands	1,335	5,904	684	1,999	3,235	14,143
Costa Rica	468,633	646,508	777,797	1,006,474	1,402,042	1,542,098
Dominica	86	15,185	8,530	8,346	4,506	5,833
Dominican Republic	994,427	1,058,927	1,425,371	1,725,430	2,366,509	2,667,202
El Salvador	381,391	371,761	282,584	237,538	383,245	481,342
Grenada	766	2,987	7,349	7,783	7,476	7,940
Guatemala	446,267	614,708	436,979	790,900	1,072,697	1,178,094
Guyana[3]	(2)	(2)	50,432	52,260	87,064	87,870
Haiti	377,413	368,369	382,466	339,177	107,170	154,335
Honduras	393,769	430,906	439,504	486,330	780,638	914,380
Jamaica	396,949	297,891	440,934	563,723	593,361	710,260
Montserrat	989	3,472	2,393	562	1,095	1,513
Netherlands Antilles	2,024,367	453,333	408,100	421,789	569,689	381,776
Nicaragua[4]	(2)	(2)	(2)	15,254	68,609	124,543
Panama[5]	311,627	352,206	256,046	226,555	218,232	233,131
St. Kitts and Nevis	23,135	22,278	20,822	16,100	22,857	23,775
St. Lucia	7,397	12,269	26,044	26,920	28,065	31,285
St. Vincent and Grenadines	2,958	7,836	13,950	8,672	4,530	4,855
Trinidad and Tobago	1,360,106	786,405	701,738	1,002,661	839,788	783,714
Total	8,649,235	6,064,745	6,061,054	7,525,208	9,425,616	10,094,033

1 Aruba was designated a beneficiary country effective Jan. 1, 1986.
2 Not applicable.
3 Guyana was designated a beneficiary country effective Nov. 24, 1988.
4 Nicaragua was designated as a CBERA beneficiary effective Nov. 8, 1990.
5 Panama lost its designation as a beneficiary effective Apr. 9, 1988, and was reinstated in Mar. 1990.

Note.—Because of rounding, figures may not add to totals given.

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

APPENDIX C
Technical Notes to Chapter 3

The following discussion presents the methodology for estimating the net–welfare effects and the level of domestic output displaced by the duty–free and reduced–duty status granted to Caribbean imports under CBERA in 1993. This comparative static analysis measures the effects of CBERA under the current set of market conditions. Because the CBERA duty changes were already in place in 1993, this analysis estimates how net welfare and domestic output would have changed had full tariffs been in place for CBERA imports.[1]

The removal of CBERA duty–free treatment is analyzed in a computable partial equilibrium (CPE) model. Imports from CBERA beneficiary countries, imports from non–CBERA countries, and competing domestic output are assumed to be imperfect substitutes for each other. Each of the three products is characterized by a separate market where differing equilibrium prices can exist. The three markets are depicted in panels a, b, and c of figure C–1.

It is assumed that the CBERA import supply curve to the U.S. market, the non–CBERA import supply curve, and the domestic industry supply curve are horizontal. This is shown by the curves S_c, S_n, and S_d. The subscripts c, n, and d refer to CBERA imports, non–CBERA imports, and U.S. output, respectively. Because CBERA imports account for a very small share of total domestic consumption, this assumption is made to obtain the maximum displacement effects to domestic production by CBERA imports. In addition, this assumption also provides the maximum net–welfare gains. The CBERA and non–CBERA import demand curves, D_c and D_n, and the demand curve for domestic output, D_d, are all assumed to be downward sloping.

Elimination of duty–free treatment for CBERA imports causes the import supply curve, S_c, in panel a to shift up by the amount of the ad valorem tariff, t.[2] Therefore, the equilibrium price in the U.S. market for CBERA imports increases from P_c to P_c while the quantity imported decreases from Q_c to Q'_c. The relation between the tariff–ridden and tariff–free price is $P'_c = P_c(1 + t)$.

[1] For purposes of clarity, the methodological presentation in the section entitled "Analytical Approach" in ch. 3 discusses the net welfare effects of the CBERA duty provisions in terms of a duty reduction or elimination.

[2] For simplicity, this discussion focuses solely on the comparative statics of duty-free treatment under CBERA. However, the same CPE analysis applies to both the duty-free and reduced-duty treatment under CBERA.

With an increase in the price of CBERA imports, the demand curves for both non–CBERA imports and domestic output, D_n and D_d, shift out to D'_n and D'_d, respectively. Since the supply curves in both these markets are perfectly elastic, the equilibrium prices do not change. The equilibrium quantity supplied in each market increases from Q_n and Q_d to Q'_n and Q'_d, respectively.

The increase in the tariff for CBERA imports causes the tariff revenue collected from CBERA imports to increase. This is measured by the area of the rectangle $P'_c acP_c$ in panel a. In the market for CBERA imports, there is also a simultaneous decrease in consumer surplus. This is measured by the trapezoid $P'_c abP_c$.

The net–welfare cost of eliminating the duty–free treatment granted CBERA imports is the increase in tariff revenue less the decrease in consumer surplus—the rectangle $P'_c acP_c$ minus the trapezoid $P'_c abP_c$ in panel a. The dollar amount by which U.S. output displaces CBERA imports is measured by the rectangle $Q_d deQ'_d$ in panel c.[3]

Given the above assumptions and constant elasticity demand curves, the markets for all three goods are described by the following three equations:

$$(1) \qquad (Q'_c/Q_c) = (P'_c/P_c)^{\varepsilon_{cc}}$$

$$(2) \qquad (Q'_n/Q_n) = (P'_c/P_c)^{\varepsilon_{nc}}$$

$$(3) \qquad (Q'_d/Q_d) = (P'_c/P_c)^{\varepsilon_{dc}}$$

given $P_c' = P_c(1+t)$, these can be restated as

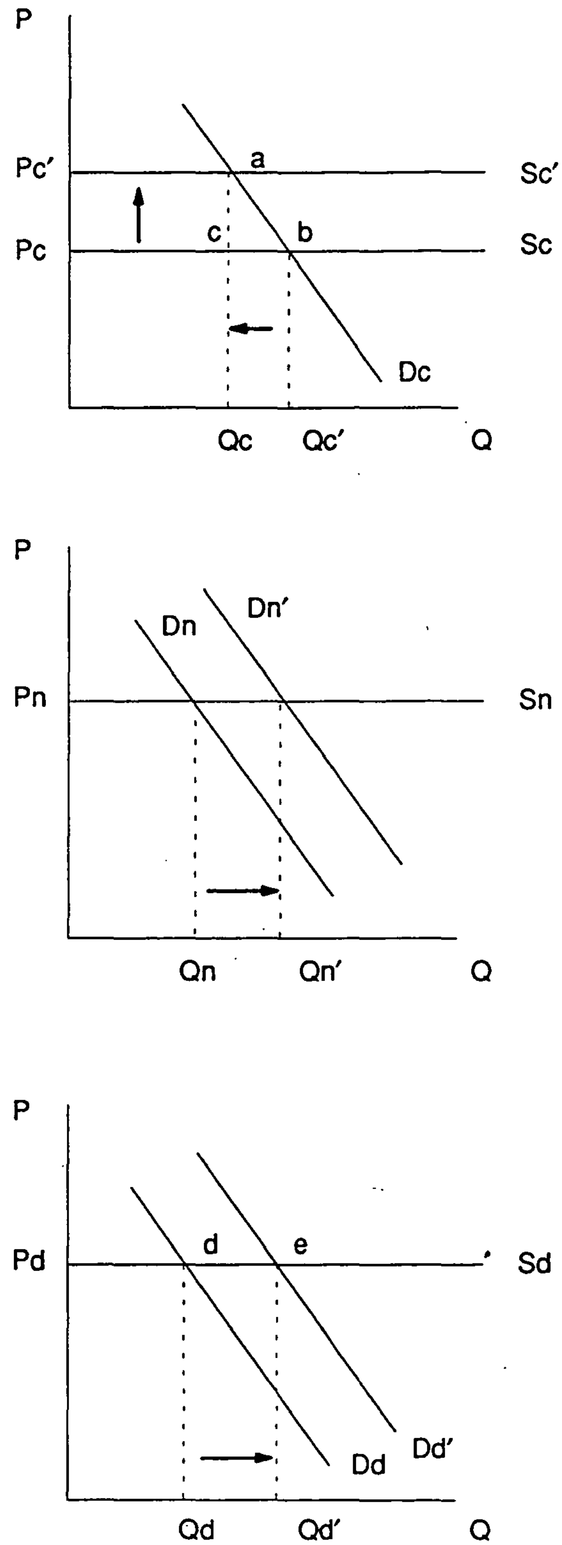
$$(1') \qquad (Q'_c/Q_c) = (1+t)^{\varepsilon_{cc}}$$

$$(2') \qquad (Q'_n/Q_n) = (1+t)^{\varepsilon_{nc}}$$

$$(3') \qquad (Q'_d/Q_d) = (1+t)^{\varepsilon_{dc}}$$

[3] CBERA imports are also displaced by non-CBERA imports. The dollar amount by which non-CBERA imports displace CBERA imports is measured by the area beneath the supply curve, S_n , and between quantities Q_d and Q'_d in panel b. However, these results are not presented in ch. 3.

Figure C-1
Partial equilibrium analysis of the effects of removing CBERA duty provisions on U.S. imports from CBERA beneficiaries



a. CBERA imports

b. non-CBERA imports

c. Domestic output

ε_{ij} is the uncompensated elasticity of demand for good i with respect to price j. The values for the ε_{cc}, ε_{nc}, and ε_{dc} are derived from the following relations

$$(4) \qquad \varepsilon_{cc} = V_c\eta - V_n\sigma_{cn} - V_d\sigma_{cd}$$

$$(5) \qquad \varepsilon_{nc} = V_c(\sigma_{nc} + \eta)$$

$$(6) \qquad \varepsilon_{dc} = V_c(\sigma_{dc} + \eta)$$

where the V_i's are market shares for CBERA and non–CBERA imports and domestic output, η is the aggregate demand elasticity, and the σ_{ij}'s are the elasticities of substitution between the ith and jth products.[4] The aggregate demand elasticities were taken from the literature.[5] To obtain the maximum displacement effects on domestic production, it is assumed that all of the elasticities of substitution are identical and high, in this case, 5.[6]

Given equations (1′) – (3′), we can derive the following measurements for changes in consumer surplus, tariff revenue, and domestic output:[7]

Consumer surplus: (where k is a constant)

$$\text{trapezoid } P'_c abP_c = \int_{P_c}^{P'_c} kP_c^{\varepsilon_{cc}}\, dP_c$$

$$= [1/(1+\varepsilon_{cc})][1+t)^{(1+\varepsilon_{cc})} - 1]\, P_c\, Q_c \qquad \text{if } \varepsilon_{cc} \neq -1$$

$$= k\ln(1+t) \qquad \text{if } \varepsilon_{cc} = -1$$

Tariff revenue from CBERA imports:

$$\text{rectangle } P_c'acP_c = t\, P_c\, Q'_c$$

$$= t\, P_c\, Q_c\, (1+t)^{\varepsilon_{cc}}$$

Domestic output:

$$\text{rectangle } Q_d deQ_d' = P_d\,(Q'_d - Q_d)$$

$$= P_d\, Q_d\, [(1+t)^{\varepsilon_{dc}} - 1]$$

---

[4] Equations (4) - (6) are derived from P.R.G. Layard and A. A. Walters, *Microeconomic Theory* (New York: McGraw-Hill, 1978).

[5] The aggregate elasticities were taken from sources referenced in *The Economic Effects of Significant U.S. Import Restraints, Phase I: Manufacturing*, USITC pub. 2222, October 1989.

[6] The elasticity of substitution (EOS) for ethyl alcohol was set equal to 3 rather than to 5. Because of the relatively small market share for CBERA imports and the high tariff rate, an EOS of 3 or more implies that CBERA imports of ethyl alcohol fully displace domestic output on a dollar for dollar basis.

[7] A similar equation for the changes in non-CBERA imports can be derived; however, these results are not presented in ch. 3.

Other Recent USITC Publications

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Production Sharing: U.S. Imports Under Harmonized Tariff Schedule Provisions 9802.00.60 and 9802.00.80, 1989-1992 (Inv. 332-237, USITC Publication 2729, February 1994). Updated each year, assesses by industry sector the products and countries that make use of the production sharing provisions of the Harmonized Tariff Schedule of the United States, which provide reduced tariff treatment for eligible goods that are processed in foreign locations but contain U.S.-made components. This report also examines the implications of the North American Free-Trade Agreement for the maquiladora industry in Mexico and phased-in access to the Mexican market for maquila production.

U.S. Imports of Textiles and Apparel Under the Multifiber Arrangement: Annual Report for 1993 (Inv. 332-343, USITC Publication 2763, March 1994). This report is the second of three annual reports on U.S. imports of textiles and apparel under the Multifiber Arrangement (MFA). The MFA is a multilateral agreement which provides a general framework and guiding principles for the negotiation of bilateral agreements between textile importing and exporting countries, or for unilateral action by an importing country if an agreement cannot be reached. The United States maintains quotas on MFA goods from some 40 countries that supply almost 80 percent of the import volume of such products.

Synthetic Organic Chemicals, U.S. Production and Sales, 1992 (Inv. 332-135, USITC Publication 2720, February 1994). Contains 1992 data about synthetic organic chemicals, the raw materials for many consumer and industrial products. The report is one of the few publicly available reports containing such comprehensive information. It covers about 6,000 individual chemicals and chemical products and includes a list of manufacturers of each item for which production and/or sales was reported. The report presents data aggregated in the format of the *Harmonized Tariff Schedule of the United States* on an 8-digit basis.

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