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The Impact of the Caribbean Basin Economic Recovery Act

Eighteenth Report 2005-2006

Investigation No. 332-227
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U.S. International Trade Commission

Washington, DC 20436
www.usitc.gov

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This report was principally prepared by

Project Leader
Walker A. Pollard
walker.pollard@usitc.gov; (202) 205-3228

Deputy Project Leader
James Stamps

Primary Reviewer
William Deese

Contributing Author
Justino De La Cruz and William Green

Office of Industries
Laura Rodriguez, Stephen Wanser, and Jeffrey Clark

Technical Assistance
Office of the Chief Information Officer
Barbara V. Bobbitt

Supporting assistance was provided by
Patricia M. Thomas, *Office of Economics*
and Dean Gudicello, Intern

Under the direction of
Arona M. Butcher
Chief, Country and Regional Analysis Division

PREFACE

The submission of this study to the Congress and to the President continues the reporting by the U.S. International Trade Commission (the Commission or USITC) on the impact of the Caribbean Basin Economic Recovery Act (CBERA) on U.S. industries and consumers. The current study fulfills the Commission's reporting requirement under the statute for calendar year 2006 and represents the eighteenth in the series.

CBERA, enacted on August 5, 1983 (Public Law 98-67, title II; 97 Stat. 384, 19 U.S.C. 2701 et seq.), authorized the President to proclaim duty-free treatment for eligible articles from designated Caribbean Basin countries and territories. Duty-free treatment became effective January 1, 1984. Section 215 of the act requires the Commission to assess both the actual and the probable future effects of CBERA on the U.S. economy generally, on U.S. consumers, and on U.S. industries producing like products or products directly competitive with those products imported from beneficiary countries. The Commission is required to submit its report to the President and the Congress annually by September 30.

The preferences under the CBERA program were enhanced by the United States-Caribbean Trade Partnership Act (CBTPA), passed in May 2000. This legislation altered the frequency of the USITC report, and also elaborated on the Commission's reporting requirement under the statute. Under the CBTPA, the Commission is to submit reports on CBERA biennially in odd-numbered years. The CBTPA mandates that in all future reports under the statute, the Commission also report the impact of the CBERA program on the economy of the beneficiary countries. This eighteenth report is the fourth report to be submitted under the new law. During 2006, the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) entered into force for four Central American countries—El Salvador, Guatemala, Honduras, and Nicaragua—which simultaneously ceased to be designated beneficiary countries under CBERA and CBTPA.

The information provided in this report is for the purpose of this report only. Nothing in this report should be construed as indicating what the Commission's determination would be in an investigation involving the same or similar subject matter conducted under another statutory authority.

ABSTRACT

This report is the eighteenth in a series of reports prepared by the U.S. International Trade Commission pursuant to section 215 of the Caribbean Basin Economic Recovery Act (CBERA) (19 U.S.C. 2704) on the economic impact of the CBERA program on U.S. industries and consumers and on the economy of the beneficiary countries. The current study fulfills the Commission's reporting requirement under the statute for calendar year 2006.

The overall effect of CBERA-exclusive imports (imports that could receive tariff preferences only under CBERA provisions) on the U.S. economy and consumers continued to be negligible in 2006. Based on the upper estimates and industry analysis, the Commission identified one U.S. industry—methanol—that would face potentially significant negative effects from CBERA-exclusive imports. U.S. industries supplying inputs to CBERA country apparel producers benefit from the CBTPA enhancements. U.S. imports of the 20 leading CBERA-exclusive items all produced net welfare gains for U.S. consumers in 2006 except for imports under one sugar subheading from the Dominican Republic.

The probable future effect of CBERA on the United States, as estimated by an examination of export-oriented investment in the beneficiary countries, is also expected to be minimal for most products, as CBERA countries generally are small suppliers relative to the U.S. market. Some U.S. sources have expressed concerns about increasing ethanol imports from CBERA countries, although increasing ethanol imports under CBERA have been accompanied by higher U.S. domestic ethanol production, making the effect on U.S. producers and consumers uncertain.

The impact of the CBERA program on beneficiary countries is small, but positive. CBERA has played an important role in Haiti's ability to develop and diversify its export sector, especially for offshore apparel assembly operations. For Jamaica, CBERA preferences provide an important incentive for exports of ethanol to the U.S. market. Excluding ethanol, however, CBERA has become a less important factor with respect to Jamaica's exports to the United States. For most CBERA countries, recent investment activity has been increasingly focused on export-oriented services, such as tourism, financial, and telecommunications services, rather than on the production of CBERA-eligible exports.

TABLE OF CONTENTS

Page

TABLE OF CONTENTS--*Continued*

TABLE OF CONTENTS--*Continued*

List of Frequently Used Abbreviations and Acronyms

ATC	Agreement on Textiles and Clothing
CAFTA-DR	U.S. Free Trade Agreement with Central America and the Dominican Republic
CBERA	Caribbean Basin Economic Recovery Act
CBEREA	Caribbean Basin Economic Recovery Expansion Act
CBI	Caribbean Basin Initiative
CBTPA	Caribbean Basin Trade Partnership Act
Commission, the	U.S. International Trade Commission
ECLAC	United Nations Economic Commission for Latin America and the Caribbean
EPZ	export processing zone
FDI	foreign direct investment
FTA	free trade agreement
FTAA	Free Trade Area of the Americas
FTZ	free trade zone (also, foreign trade zone)
FY	fiscal year
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GSP	Generalized System of Preferences
HOPE Act	Haitian Hemispheric Opportunity Through Partnership Encouragement Act
HS	Harmonized System
HTS	Harmonized Tariff Schedule
IPR	intellectual property rights
NAFTA	North American Free Trade Agreement
NTR	normal trade relations
OTEXA	Office of Textiles and Apparel, U.S. Department of Commerce
SME	square meter equivalent
TRQ	tariff-rate quota
UNCTAD	United Nations Conference on Trade and Development
URAA	Uruguay Round Agreements Act
USITC	U.S. International Trade Commission
USTR	United States Trade Representative
WTO	World Trade Organization

Executive Summary

This report, the eighteenth in a series, covers the impact of the Caribbean Basin Economic Recovery Act (CBERA) on the United States and on beneficiary countries. This report assesses both the actual and the probable future effects of CBERA on the U.S. economy generally, on U.S. industries, and on U.S. consumers, with particular emphasis on calendar year 2006. The Commission used partial-equilibrium analysis to estimate the impact of CBERA on the U.S. economy. The probable future effect of CBERA on the United States was evaluated mainly by an examination of export-oriented investment in the beneficiary countries.

CAFTA-DR and CBERA

- During 2006, the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) entered into force for four Central American countries—El Salvador, Guatemala, Honduras, and Nicaragua—which simultaneously ceased to be designated beneficiary countries under CBERA and the Caribbean Basin Trade Partnership Act (CBTPA).

- In 2005, these four CAFTA-DR countries accounted for 42.5 percent of U.S. imports entered under CBERA provisions. The departure of the four Central American countries from CBERA during 2006 was an important reason for the reduction in the value of U.S. imports receiving CBERA benefits, from $12.3 billion in 2005 to $9.9 billion in 2006. Excluding these four CAFTA-DR countries, imports under CBERA provisions increased from $7.1 billion to $8.4 billion, or by 19.1 percent, from 2005 to 2006.

- The migration of the four countries to CAFTA-DR has also shifted the product composition of U.S. imports under the CBERA program, and that shift will be more pronounced in future years. Apparel imports, which had come mainly from the CAFTA-DR countries, have become less important, while petroleum and natural gas-related imports originating in non-CAFTA-DR countries (nearly all from Trinidad and Tobago) have become more important, accounting for 43 percent of US imports under CBERA from the non-CAFTA-DR countries in 2006.

Impact of CBERA on the United States in 2006

General

- The overall effect of CBERA-exclusive imports (imports that could receive tariff preferences only under CBERA provisions) on the U.S. economy and on consumers continued to be negligible in 2006. Total imports from CBERA countries represented a minor share (1.4 percent) of the total value of U.S. imports. CBERA-exclusive imports accounted for an even smaller share (0.4 percent) of the total value of U.S. imports.

- Of the $9.9 billion in U.S. imports that entered under CBERA in 2006, imports valued at $8.2 billion could not have received tariff preferences under any other program. These CBERA-exclusive imports accounted for 31.7 percent of total U.S. imports from CBERA countries. The five leading items benefiting exclusively from CBERA in 2006 were light crude oil, methanol, heavy fuel oil, knitted cotton t-shirts, and men's or boys' woven cotton trousers and shorts.

Consumer Surplus and Net Welfare Gains

- Change in consumer surplus is a dollar measure of gains (or losses) to consumers resulting from lower (higher) prices. Knitted cotton t-shirts provided the largest single gain in consumer surplus (between $63.7 million and $68.5 million), followed by men's or boys' woven cotton trousers and shorts (between $56.7 million and $62.3 million).

- Net welfare gain is the gain in consumer surplus minus the loss to the Treasury of tariff revenues that result from duty-free treatment under CBERA. U.S. imports of each of the 20 leading CBERA-exclusive items produced net welfare gains in 2006, except for imports under one sugar subheading from the Dominican Republic (which is subject to a binding tariff-rate quota). Fuel-grade ethanol yielded the largest net gain, valued at between $11.0 million and $18.1 million, followed by men's or boys' woven cotton trousers and shorts and knitted cotton t-shirts.

Effects on U.S. producers

- The Commission's economic and industry analyses indicate that imports receiving CBERA preferences in 2006 in most cases had only minimal effects on competing U.S. industries, mainly because of low U.S. import market shares and/or low margins of preference. Methanol is the only U.S. industry that may have experienced displacement of more than 5 percent of the value of U.S. production in 2006. The Commission estimates that U.S. methanol producers experienced displacement of between 5.2 percent and 10.1 percent of production, valued at $27.6 million to $54.2 million. Further analysis indicates that a large difference in natural gas feedstock prices between the United States and Trinidad and Tobago is the prime driver behind the decline in U.S. industry production and the increase in imports from Trinidad and Tobago in recent years.

Probable Future Effects

- The Commission analyzed recent investment trends for the near-term production and export of CBERA-eligible products. The Commission finds that this investment is not likely to result in imports that have a measurable economic impact on U.S. consumers and producers, as CBERA countries generally are small suppliers relative to the U.S. market. Recent investment activity in CBERA countries has been increasingly focused on export-oriented services, such as tourism, financial, and telecommunications services. Services imports are not covered by CBERA.

- The future economic effects on U.S. producers of an increase in imports under CBERA of fuel-grade ethanol are less clear. Imports of ethanol under CBERA totaled $266.9 million in 2006, up 86.4 percent from $143.2 million in 2005. Imports from Jamaica accounted for 60 percent of the value of ethanol imports from CBERA countries in 2006, and imports from Costa Rica accounted for 28 percent. CBERA countries supplied 18.0 percent of the value of total U.S. ethanol imports in 2006.

- The Commission identified several recent new or expansion investment plans in Jamaica to increase ethanol production and exports. Some sources have expressed the concern that low-cost ethanol imports from CBERA countries could have an advantage over domestically produced ethanol in the U.S. market. However, U.S. domestic ethanol demand and production have also risen rapidly, making it difficult to discern the probable future economic impact on the United States of higher ethanol imports under CBERA.

- CAFTA-DR entered into force for the Dominican Republic in early 2007. Costa Rica has announced plans to hold a referendum on its CAFTA-DR status in October 2007. The United States and Panama signed a free trade agreement in June 2007 and its entry into force is awaiting legislative approval in both countries. The departure of these countries from the CBERA program is likely to reduce further the future trade that is covered by CBERA.

Textiles and Apparel

- The CBERA countries' share of total U.S. imports of textiles and apparel (by value) in 2006 declined to just under 5 percent, down by more than half from the 2005 level. This decline primarily reflects the departure of four of the leading suppliers of textiles and apparel (Guatemala, Honduras, El Salvador, and Nicaragua) from the CBERA program into CAFTA-DR during 2006. The decline also reflects increased competition from China and other lower-cost Asian suppliers since the ending of quotas under the WTO Agreement on Textiles and Clothing on January 1, 2005. When these CAFTA-DR countries are excluded, imports from the remaining CBERA countries fell 10 percent.

- U.S. textile and apparel imports under CBERA from Haiti more than doubled from 2002 to 2006. Haiti was the only CBERA country to register steady growth in textile and apparel exports to the United States during the period. This growth may be attributed to the country's low-cost labor relative to other CBERA countries and to investments made in anticipation of the United States' enactment of the Haitian Hemispheric Opportunity Through Partnership Encouragement Act of 2006 (HOPE Act). The HOPE Act, which was enacted on December 20, 2006, granted more liberal rules of origin to certain textile and apparel imports from Haiti compared to normal CBERA rules of origin.

Footwear

- U.S. imports of footwear from CBERA countries are small, accounting for less than one percent of the total quantity and value of U.S. footwear imports in 2006. The vast majority of such imports are from the Dominican Republic. While total footwear imports from CBERA countries fell 4 percent in quantity from 2005 to 2006 to 8.7 million pairs, they rose 10 percent in value to $107 million. A substantial majority (76 percent in 2005 and 74 percent in 2006) of total U.S. footwear imports from CBERA countries have received CBERA benefits. The increase in the value of footwear imports from the CBERA countries in 2006 can likely be attributed to a change to a higher-end mix of footwear products.

Impact of CBERA on Beneficiary Countries

- The recent economic literature on the effects of preferential trade agreements on the economies of the countries of the Caribbean Basin region generally has found that CBERA has had a small positive effect on exports—and hence on economic growth in the CBERA countries. Moreover, that literature has found that CBERA tariff preferences margins have eroded over time, mainly as a result of the phased reduction of tariffs under the Uruguay Round. The current report focuses on two countries with relatively large CBERA trade flows: Haiti and Jamaica.

Haiti

- CBERA has played an important role in Haiti's ability to develop and diversify its export sector. Although Haiti's apparel assembly sector dominates its export sector, it continues to be challenged by other lower-cost producers and the end of multilateral apparel quotas on competing suppliers in 2005. As mentioned above, the United States enacted the HOPE Act near the end of 2006 that granted more liberal rules of origin for certain imported apparel products and motor vehicle wiring sets from Haiti.

Jamaica

- In 2006, ethanol accounted for more than two-thirds of the value of U.S. imports under CBERA from Jamaica. Excluding ethanol, imports under CBERA from Jamaica totaled $81.4 million, an 8.7 percent decline from $89.2 million in 2005, and a 27.9 percent decline from $112.9 million in 2004. Thus, except for its ethanol provisions, CBERA has become a less important factor with respect to Jamaica's goods exports to the United States.

Other Import and Export Information

- Mostly as a result of the departure of El Salvador, Guatemala, Honduras, and Nicaragua from CBERA to CAFTA-DR, U.S. trade with CBERA countries declined substantially in 2006. In 2006, the U.S. trade deficit with CBERA countries declined to $1.5 billion, or to approximately one-third the deficit in 2005. Total U.S. imports from, and total U.S. exports to, CBERA countries in 2006 were $25.8 billion and $24.3 billion, respectively. (U.S. trade with "CBERA countries" in 2006 includes trade with El Salvador, Guatemala, Honduras, and Nicaragua only for the period during which they were CBERA beneficiary countries.)

- Total U.S. imports from CBERA countries that were CBERA beneficiaries for the full year increased by 4.0 percent in 2006. In contrast, total U.S. imports from all CBERA countries, including those countries that were CBERA beneficiaries only part of the year, decreased by 19.0 percent in the same year. In 2006, imports of mineral fuels surpassed apparel as the leading category of total U.S. imports from CBERA countries.

- In 2006, U.S. exports to full-year CBERA beneficiaries increased by 19.5 percent, while those to all CBERA countries declined by 6.8 percent. The Dominican Republic, Costa Rica, Panama, The Bahamas, and Jamaica were the main Caribbean markets for the United States in 2006.

- U.S. imports under CBERA preferences for the full-year CBERA beneficiaries increased 19.1 percent to $8.4 billion in 2006. This increase was mostly the result of the increased value of imports of energy and related chemical products from the full-year CBERA beneficiaries, as they accounted for nearly all U.S. imports of such products under CBERA.

- Mineral fuels and apparel were jointly responsible for nearly 60 percent of U.S. imports under CBERA preferences in 2006. Mineral fuels increased its share of those imports to 27.0 percent in 2006, an increase of almost 10 percentage points from 2005. In contrast, apparel's share declined by more than 21 percentage points to 32.1 percent in 2006, as four of the leading apparel producers from Central American left CBERA in 2006.

- Of the 20 leading import items entering under CBERA preferences in 2006, light crude oil, methanol, heavy fuel oil, ethanol, and articles of apparel were among the top U.S. imports from the region. Trinidad and Tobago was the single largest supplier of U.S. imports under CBERA mainly because of its abundant petroleum and natural gas resources. Other leading import items under CBERA were pineapples, precious metal jewelry, higher priced cigars, and raw cane sugar.

CHAPTER 1
Introduction

The Caribbean Basin Economic Recovery Act (CBERA)[1] became effective in 1984 as part of the Caribbean Basin Initiative (CBI) to encourage economic growth and development in the Caribbean Basin countries by promoting increased production and exports of nontraditional products.[2] CBERA authorizes the President to proclaim preferential rates of duty on many products entering the United States from the region. The Commission has issued reports on the impact of CBERA preferences on the U.S. economy since 1986.

This report fulfills a statutory mandate under CBERA, as amended, that the U.S. International Trade Commission (USITC or the Commission) report biennially on the economic impact of CBERA on U.S. industries, consumers, the U.S. economy in general, and the economy of the beneficiary countries.[3] This report is the eighteenth in the series and focuses mainly on calendar year 2006. It is the third report with full-year coverage since CBERA was amended by the Caribbean Basin Trade Partnership Act (CBTPA). The provisions of CBTPA took effect on October 2, 2000. Throughout this report, the term "CBERA" refers to CBERA as amended by CBTPA and subsequent legislation. For purposes of identifying CBERA as it existed before CBTPA, the term "original CBERA" will be used. Table 1-1 summarizes the major provisions of CBERA.

The Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) entered into force during 2006 for four CBERA/CBTPA beneficiaries—El Salvador (March 1), Honduras (April 1), Nicaragua (April 1), and Guatemala (July 1)—which simultaneously ceased to be CBERA/CBTPA beneficiaries.[4] Unless otherwise noted, tables in this report referring to trade with CBERA countries do not include data for these four countries after they moved from CBERA to CAFTA-DR.

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[1] CBERA was enacted August 5, 1983, as Public Law 98-67, title II; 97 Stat. 384, 19 U.S.C. 2701 et seq. and became effective January 1, 1984 (Presidential Proclamation 5133, 48 F.R. 54453). Minor amendments to CBERA were made by Public Laws 98-573, 99-514, 99-570, and 100-418. Major amendments were made to CBERA by Public Law 106-200, the Caribbean Basin Trade Partnership Act. Further modifications were made by Public Law 107-210, the Trade Act of 2002; Public Law 109-53, the Dominican Republic-Central America-United States Free Trade Agreement Implementation Act ; and Public Law 109-432, sec. 5001 et seq., the Haitian Hemispheric Opportunity Through Partnership Encouragement Act of 2006 (HOPE Act). CBERA beneficiary countries are listed in table 1-1.

[2] The principal components of CBI were CBERA and a program of preferential access for certain apparel assembled in the region, described below.

[3] The reporting requirement is set forth in section 215(a) of CBERA (19 U.S.C. 2704(a)).

[4] Presidential Proclamations 7987 (February 28, 2006), 7996 (March 31, 2006), and 8034 (June 30, 2006). CAFTA-DR entered into force for the Dominican Republic on March 1, 2007 (Presidential Proclamation 8111, February 28, 2007).

Table 1-1
Summary of CBERA preferential provisions, year-end 2006

History.	Enacted 8/5/83 - CBERA Expanded and made permanent 8/20/90 - CBEREA[a] Enhanced 5/18/00 - CBTPA[b] Modified 8/6/02 - Trade Act of 2002[c] Enhanced for Haiti 12/20/06[d]
Benefits..	Duty-free entry and reduced-duty entry granted on a non-reciprocal, non-MFN basis
Exclusions under original CBERA[e]..	Most textiles/apparel, leather, canned tuna, petroleum and derivatives, certain footwear, certain watches/parts; over-TRQ-trigger agricultural goods
Duration.	Originally 12 years, until 9/30/95 CBEREA: indefinite CBTPA: until 9/30/08[f]
Beneficiaries[g].	24 Central American & Caribbean countries: Full-year beneficiaries in 2006: Antigua and Barbuda, Aruba, The Bahamas, Barbados,* Belize,* British Virgin Islands, Costa Rica,* Dominica, Dominican Republic,* Grenada, Guyana,* Haiti,* Jamaica,* Montserrat, Netherlands Antilles, Panama,* St. Kitts and Nevis, St. Lucia,* St. Vincent and the Grenadines, and Trinidad and Tobago* Part-year beneficiaries in 2006—countries that moved to CAFTA-DR (date of move): El Salvador* (3/1/2006), Guatemala* (7/1/2006), Honduras* (4/1/2006), and Nicaragua* (4/1/2006)
Coverage (eligible provisions).	Approximately 5,700 8-digit tariff lines
Value of imports under the program..	$9.915 billion
Significance in terms of U.S. trade:	
U.S. imports from the region as a share of total U.S. imports..	1.4%
Share of imports from beneficiaries that receive program preferences..	38.5%

Source: Commission compilation.

[a] Caribbean Basin Economic Recovery Expansion Act of 1990.
[b] Caribbean Basin Trade Partnership Act, title II of the Trade and Development Act of 2000, effective October 2000. The measure gives certain preferential treatment to goods originally excluded from the CBERA's benefits by law.
[c] Section 3107 of the Trade Act of 2002.
[d] Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2006 (Pub. Law 109-432, sec. 5001 et seq.)
[e] The CBTPA provides for the application of Mexico's NAFTA rates, where goods from CBTPA countries meet NAFTA rule-of-origin criteria, for most goods excluded from CBERA except for agricultural and textile/apparel products. Certain apparel and textile luggage made from U.S. inputs are eligible for duty-free and quota-free entry (see subchapter XX (20) of chapter 98 of the Harmonized Tariff Schedule. No other CBTPA benefits apply to excluded agricultural and textile/apparel products (that is, NAFTA parity is not accorded)).
[f] The CBTPA benefits expire on either September 30, 2008, or the date on which the Free Trade Area of the Americas or comparable agreement enters into force, whichever is earlier. When an FTA such as CAFTA-DR enters into effect for a country, that country loses its status as a CBTPA or CBERA beneficiary country.
[g] Asterisk (*) indicates CBTPA beneficiary countries.

Organization of the Report

Chapter 1 provides a summary of the CBERA program, including amendments to original CBERA by CBTPA, the Trade Act of 2002, and the HOPE Act of 2006, and describes the analytical approach used in the report. Chapter 2 analyzes U.S. trade with CBERA beneficiaries through 2006. Chapter 3 addresses the estimated effects of CBERA in 2006 on the U.S. economy generally, as well as on U.S. industries and consumers. Chapter 3 also examines the probable future effects of CBERA. Chapter 4 contains a brief review of recent economic literature on the impact of CBERA on beneficiary countries and economic profiles of Haiti and Jamaica.

Appendix A reproduces the *Federal Register* notice by which the Commission solicited public comment on the CBERA program, and appendix B contains a summary of responses received. Appendix C explains the economic model used to derive certain of the findings presented in chapter 3. Appendix D includes tabular presentations of the data underlying some of the analysis of trade trends in chapter 2. Appendix E contains a listing of leading U.S. imports benefiting exclusively from CBERA in 2005.

Summary of the CBERA Program

CBERA authorizes the President to grant certain unilateral preferential trade benefits to Caribbean Basin countries and territories. The program permits shippers from designated beneficiaries to claim duty-free or reduced-duty treatment for eligible products imported into the customs territory of the United States. If importers do not claim this status, the goods are dutiable under the general rates of duty column accorded to countries having normal trade relations (NTR) and generally known as NTR rates of duty.[5] CBERA was initially given statutory effect through September 30, 1995. The Caribbean Basin Economic Recovery Expansion Act (CBEREA) of 1990[6] repealed that termination date, made the program permanent, and expanded CBERA benefits in several respects.[7] In May 2000, the United States-Caribbean Basin Trade Partnership Act (CBTPA) further expanded the CBERA program and extended trade preferences to textiles and apparel from the region.[8] In August 2002, the Trade Act of 2002[9] amended CBERA to clarify and modify several CBTPA provisions. In December 2006, the HOPE Act of 2006 enhanced benefits under CBERA for Haiti.

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[5] This is nondiscriminatory tariff treatment, which is commonly and historically called "most-favored-nation" (MFN) status and is called NTR status in the United States.

[6] The Caribbean Basin Economic Recovery Expansion Act of 1990 was signed into law on August 20, 1990, as part of the Customs and Trade Act of 1990 (Public Law 101-382, title II, 104 Stat. 629, 19 U.S.C. 2101).

[7] Among other things, the 1990 act provided duty reductions for certain products previously excluded from such treatment. For a comprehensive description of the 1990 act, see USITC, *Report on the Impact of the Caribbean Basin Economic Recovery Act, Sixth Report 1990*, USITC publication 2432, September 1991, 1-1 to 1-5.

[8] A description of CBTPA and the enhancement of the preference program is contained in a separate section of this chapter.

[9] Modifications to CBERA were made in section 3107 of the Trade Act of 2002 (Public Law 107-210).

In September 1995, the United States requested that the World Trade Organization (WTO) renew a prior waiver of U.S. obligations under Article I of the General Agreement on Tariffs and Trade (GATT) (nondiscriminatory treatment) to allow continuation of CBERA tariff preferences; that request was granted on November 15, 1995, and the waiver was effective through December 31, 2005.[10] Since the waiver expired, the United States has delayed asking for a waiver for CBERA and other nonreciprocal preference programs pending changes in those programs and has operated CBERA and the other programs without a waiver.[11] The WTO waiver is necessary because CBERA tariff preferences were extended on a nonreciprocal basis to a limited number of countries rather than to all WTO members.

The following sections summarize CBERA provisions concerning beneficiaries, trade benefits, qualifying rules, and the relationship between CBERA and the U.S. Generalized System of Preferences (GSP) program. A description of the provisions of CBERA added by CBTPA concludes this chapter.

Beneficiaries

Eligible imports from 24 countries received CBERA tariff preferences during 2005 and at least part of 2006.[12] Four other countries—Anguilla, Cayman Islands, Suriname, and Turks and Caicos Islands—are potentially eligible for CBERA benefits but have not requested that status.[13] The President can terminate beneficiary status or suspend or limit a country's CBERA benefits at any time as explained below.[14]

CBERA beneficiaries are required to afford internationally recognized worker rights under the definition used in the GSP program[15] and to provide effective protection of intellectual property rights (IPR), including copyrights for film and television material. The President may waive either condition if the President determines, and so reports to Congress, that the designation of a particular country as a beneficiary would be in the economic or security

[10] Decision of the WTO General Council of November 15, 1995 (WT/L/104).

[11] In March 2007, the United States submitted revised waiver requests for the CBERA, Africa Growth and Opportunity Act (AGOA), and Andean Trade Preference Act (ATPA) programs. On July 9, 2007, Paraguay blocked U.S. waiver requests for continuing CBERA, ATPA, and AGOA, citing that "its economic situation as a landlocked country and the use of its territory as a transit area by drug traffickers justify its inclusion in ATPA." WTO, "WTO: 2007 News Items, Council for Trade in Goods, Goods Council Approves Waivers for Mongolia, US," July 9, 2007. Revised waiver requests are to be submitted by the United States at the next Goods Council meeting in November 2007. *http://www.wto.org/english/news_e/news07_e/good_counc_9july07_e.htm*, accessed July 25, 2007.

[12] Those countries were Antigua and Barbuda, Aruba, The Bahamas, Barbados, Belize, British Virgin Islands, Costa Rica, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Montserrat, Netherlands Antilles, Nicaragua, Panama, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago. See Harmonized Tariff Schedule (HTS) general note 7. El Salvador, Honduras, Nicaragua, and Guatemala moved from CBERA to CAFTA-DR during 2006. Dates of the moves are given in the text.

[13] The Caribbean, Central American, and South American countries and territories potentially eligible for CBERA benefits are listed in 19 U.S.C. 2702(b).

[14] 19 U.S.C. 2702(e).

[15] 19 U.S.C. 2462.

interest of the United States.[16] To date, the United States has withdrawn CBERA benefits from only one country, Honduras, on the basis of worker rights or U.S. intellectual property rights violations, and benefits were subsequently restored.[17]

In May 2006, the Office of the U.S. Trade Representative (USTR) released its annual review of country practices pertaining to IPR protection under the Special 301 provisions of the Trade Act of 1974, identifying 48 countries that deny adequate and effective IPR protection.[18] Of the CBERA beneficiaries, Belize was among the 13 countries placed on the "Priority Watch List," and The Bahamas, Costa Rica, the Dominican Republic, Guatemala, and Jamaica were among the 34 countries placed on the "Watch List."[19]

CBERA beneficiary countries must be separately designated by the President for the enhanced benefits of CBTPA—they are not automatically eligible for CBTPA preferences. In considering the eligibility of these countries for CBTPA beneficiary country status, the CBTPA requires the President to take into account certain eligibility criteria in addition to those normally required for CBERA eligibility, including the extent to which the country has implemented its WTO commitments, participated in the Free Trade Area of the Americas (FTAA) negotiation process, protected intellectual property rights, provided internationally recognized workers' rights, implemented its commitments to eliminate the worst forms of child labor, cooperated with the United States on counternarcotic initiatives, implemented an international anticorruption convention, and applied transparent, nondiscriminatory, and competitive procedures in government procurement.

During the summer of 2000, USTR conducted an extensive review of CBERA beneficiaries' compliance with the CBTPA requirements.[20] Based on this review, on October 2, 2000, President Clinton designated all 24 then-current CBERA beneficiaries as eligible for CBTPA preferences, but this designation did not mean that each of the 24 would immediately receive all CBTPA benefits.[21] Ten countries were found by USTR to satisfy customs-related requirements established in the CBTPA as well, thereby becoming fully eligible for benefits under the new legislation pursuant to USTR notices.[22] These countries were Belize, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Nicaragua, and Panama. Subsequently, Barbados, Guyana, St. Lucia, and Trinidad

[16] 19 U.S.C. 2702(b).

[17] Benefits were withdrawn on a limited number of products. See USTR, "USTR Barshefsky Announces Action to Address Honduran Failure to Protect Intellectual Property Rights," press release 97-94, Nov. 4, 1997 and 63 F.R. 16607-16608; USTR, "Trade Preferences for Honduras Suspended," press release 98-36, Mar. 30, 1998; and USTR, "Trade Preferences for Honduras Restored," press release 98-65, July 1, 1998 and 63 F.R. 35633-35634.

[18] See USTR, "Report Notes Continued Progress on Intellectual Property Rights, Identifies Significant Improvements Still Needed in China and Russia," press release, April 28, 2006, and 71 F.R. 26786. See also USTR, *2006 Special 301 Report*, *http://www.ustr.gov/Document_Library/Reports_Publications/2006/2006_Special_301_Review/Section_Index.html*.

[19] Ibid.

[20] 65 F.R. 60236-60237.

[21] Presidential Proclamation 7351—To Implement the United States-Caribbean Basin Trade Partnership Act, October 2, 2000, 65 F.R. 59329-59338.

[22] 65 F.R. 60236-60237.

and Tobago have also qualified.[23] When CAFTA-DR entered into force in 2006 for El Salvador, Honduras, Nicaragua, and Guatemala, and for the Dominican Republic in 2007, they ceased to be CBTPA beneficiaries.[24]

Trade Benefits Under CBERA

CBERA provides duty-free or reduced-duty treatment to qualifying imports from designated beneficiary countries.[25] For some products, duty-free entry under CBERA is subject to statutory conditions in addition to normal program rules. In addition to these basic preference-eligibility rules, certain conditions apply to CBERA duty-free entries of sugar, beef,[26] and ethyl alcohol.[27] Imports of sugar and beef, like those of some other agricultural products, remain subject to any applicable and generally imposed U.S. tariff-rate quotas (TRQs) and food-safety requirements.[28] Under the original CBERA, certain leather handbags, luggage, flat goods (such as wallets and portfolios), work gloves, and leather

[23] See HTS general note 17 and U.S. notes in subchapters II and XX of chapter 98 of the HTS. Countries can be added to the general note list, dealing with nonapparel goods, without qualifying for the apparel articles benefits of chapter 98.

[24] In accordance with sec. 201 of the Dominican Republic-Central America-United States Free Trade Agreement Implementation Act (Public Law 109-53).

[25] General note 3(c) to the HTS summarizes the special tariff treatment for eligible products of covered countries under various U.S. trade programs, including CBERA. General note 7 covers CBERA in detail.

[26] 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 its use and ownership of land. See 19 U.S.C. 2703(c)(1)(B).

[27] Ethyl alcohol produced from agricultural feedstock grown in a CBERA country is admitted free of duty; however, preferential treatment for ethyl alcohol dehydrated 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. An additional 35 million gallons can enter free of duty if it contains at least 30 percent ethyl alcohol produced from local feedstock, and an unlimited amount can enter free of duty if it contains at least 50 percent ethyl alcohol produced from local feedstock. See 19 U.S.C. 2703(a)(1); and section 423 of the Tax Reform Act of 1986, as amended by section 7 of the Steel Trade Liberalization Program Implementation Act of 1989 (19 U.S.C. 2703 nt; Public Law 99-514 as amended by Public Law 101-221). CAFTA-DR countries are counted as CBERA countries in determining the quantity of non-local-feedstock ethanol they can export to the United States free of duty. El Salvador has a preferential access level that is subtracted from the total to determine what can be imported from other CBERA/CAFTA-DR countries. See U.S. note 3, Subchapter I, of the HTS.

[28] These U.S. measures include tariff-rate quotas on imports of sugar and beef, established pursuant to sections 401 and 404 of the Uruguay Round Agreements Act (URAA). These provisions replaced absolute quotas on imports of certain agricultural products imported under section 22 of the Agricultural Adjustment Act of 1933 (7 U.S.C. 624), the Meat Import Act of 1979 (Public Law 88-482), and other authority. The URAA also amended CBERA by excluding from tariff preferences any imports from beneficiary countries in quantities exceeding the new tariff-rate quotas' global trigger levels or individual country allocations. Imports of agricultural products from beneficiary countries remain subject to sanitary and phytosanitary restrictions, such as those administered by the U.S. Animal and Plant Health Inspection Service.

wearing apparel were eligible to enter at reduced rates of duty.[29] Not eligible for any preferential duty treatment under the original CBERA were cotton, wool, and manmade fiber textiles and apparel, certain footwear, canned tuna, petroleum and petroleum derivatives, and certain watches and parts.[30]

The CBTPA amended CBERA to authorize duty-free treatment during a transitional period described in the section on CBTPA to some products previously ineligible for CBERA preferences, most notably certain apparel. It also authorized treatment equivalent to that given Mexico under NAFTA for other products previously ineligible for duty-free treatment, including certain footwear; canned tuna; the above-mentioned handbags, luggage, flat goods, work gloves, and leather wearing apparel; petroleum and petroleum derivatives; and certain watches and watch parts. Roughly 5,700 8-digit tariff lines or products are now covered by CBERA trade preferences, of which about 387 were added by CBTPA. The products that continue to be excluded by statute from receiving preferential treatment are textile and apparel articles not otherwise eligible for preferential treatment under CBTPA, certain footwear, and above-quota imports of certain agricultural products subject to tariff-rate quotas.

Qualifying Rules

CBERA generally provides that eligible products must either be wholly grown, produced, or manufactured in a designated CBERA country or be "new or different" articles made from substantially transformed non-CBERA inputs in order to receive duty-free entry into the United States.[31] The cost or value of the local (CBERA region) materials plus the direct cost of processing in one or more CBERA countries must total at least 35 percent of the appraised customs value of the product at the time of entry. These rules of origin allow goods incorporating value from multiple CBERA countries to meet the local-value-content requirement on an aggregated basis.[32] Also, inputs from Puerto Rico, the U.S. Virgin Islands,

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[29] These are articles that were not designated for GSP duty-free entry as of August 5, 1983. Under CBERA, beginning in 1992, duties on these goods were reduced slightly in five equal annual stages. See 19 U.S.C. 2703(h).

[30] See 19 U.S.C. 2703(b). For discussions of products originally excluded from CBERA and subsequent modifications to the list of excluded products, see USITC, *Impact of the Caribbean Basin Economic Recovery Act on U.S. Industries and Consumers: The First Ten Years of CBERA, Ninth Report 1993*, USITC publication 2813, September 1994, 2-9, and *Caribbean Basin Economic Recovery Act: Impact on U.S. Industries and Consumers, Tenth Report 1994*, USITC publication 2927, September 1995, 3-4.

[31] Certain products do not qualify. These include products that undergo simple combining or packaging operations, dilution with water, or dilution with another substance that does not materially alter the characteristics of the article. See 19 U.S.C. 2703(a)(2). However, articles, other than textiles and apparel or petroleum and petroleum products, that are assembled or processed in CBERA countries wholly from U.S. components or materials also are eligible for duty-free entry pursuant to note 2 to subchapter II, chapter 98, of the HTS. Articles produced through operations such as enameling, simple assembly or finishing, and certain repairs or alterations may qualify for CBERA duty-free entry pursuant to changes made in 1990. For a more detailed discussion, see USITC, *Report on the Impact of the Caribbean Basin Economic Recovery Act, Seventh Report 1991,* USITC publication 2553, September 1992, 1-4.

[32] The Commission is not aware of any articles imported under CBERA that take advantage of the aggregated local-content requirement.

and former CBERA beneficiaries[33] may count in full toward the value threshold. As an advantage over the GSP program's 35 percent local-value-content requirements, the CBERA local-value-content requirement can also be met when the CBERA content is 20 percent of the customs value and the remaining 15 percent is attributable to U.S.-made (excluding Puerto Rican) materials or components.[34] To encourage production sharing between Puerto Rico and CBERA countries, CBERA allows duty-free entry for articles produced in Puerto Rico that are "by any means advanced in value or improved in condition" in a CBERA country.[35]

Qualifying rules for duty-free importation of apparel are complex and are discussed in the CBTPA section of this chapter.

CBERA and GSP

All CBERA beneficiaries except Aruba, The Bahamas, Netherlands Antilles, Nicaragua, Antigua and Barbuda, and Barbados are also GSP beneficiaries.[36] CBERA and GSP are similar in many ways, and many products may enter the United States free of duty under either program at the choice of the importer. Both programs offer increased access to the U.S. market. Like CBERA, GSP requires that eligible imports (1) be imported directly from beneficiaries into the customs territory of the United States, (2) meet the substantial transformation requirement for any foreign inputs,[37] and (3) contain a minimum of 35 percent local-value content. The documentation requirements necessary to claim either CBERA or GSP duty-free entry are identical: A Certificate of Origin Form A is to be

[33] "The term 'former beneficiary country' means a country that ceases to be designated as a beneficiary country under this title because the country has become a party to a free trade agreement with the United States.'' Sec. 402 of Public Law 109-53.

[34] See 19 U.S.C. 2703(a)(1).

[35] Any materials added to such Puerto Rican articles must be of U.S. or CBERA-country origin. The final product must be imported directly into the customs territory of the United States from the CBERA country. See 19 U.S.C. 2703(a)(5). A number of products have been entered under the "Puerto Rico-CBI" coding in import data collected by Customs in large volumes in recent years, most notably fresh pineapples and seasonal cantaloupes in 2004 and 2005. Imports entered under the "Puerto Rico-CBI" coding are counted in this report as having entered under the original CBERA. See chapters 2 and 3 for additional information.

[36] The U.S. GSP program was originally enacted pursuant to title V of the Trade Act of 1974, Public Law 93-618, 88 Stat. 2066 et seq. and was renewed for an additional 10 years pursuant to title V of the Trade and Tariff Act of 1984, Public Law 98-573, 98 Stat. 3018 et seq. as amended by 19 U.S.C. 2461 et seq. Since that time, the GSP program has expired and been renewed several times. GSP expiration and renewal issues are discussed later in this section. Antigua and Barbuda and Barbados were graduated from GSP beneficiary status at the beginning of 2006 because the President determined that they had become "high income" countries. See 69 F.R. 10131-10132. El Salvador, the Dominican Republic, Honduras, and Guatemala lost GSP beneficiary status when they moved to CAFTA-DR. See sec. 201of Public Law 109-53.

[37] In the GSP program a double substantial transformation standard is used. It involves transforming foreign material into a new or different product that, in turn, becomes the constituent material used to produce a second new or different article in the beneficiary country.

presented at the time the qualifying products enter the United States, though slightly varying value-related information may be required under the two programs.[38]

However, the programs differ in several ways that tend to make Caribbean Basin producers prefer the more liberal CBERA. First, CBERA covers more tariff categories than GSP. Unless specifically excluded by law, all products eligible to enter the United States under CBERA can receive a tariff preference, including some textile and apparel goods ineligible for GSP treatment, if the importer claims it. Only products that are specifically designated as eligible can enter under GSP. Second, U.S. imports under CBERA are not subject to GSP competitive-need and country-income restrictions. Under GSP, products that achieve a specified market penetration in the United States (the competitive-need limit) may be excluded from GSP eligibility.[39] Products so restricted may continue to enter free of duty under CBERA. Moreover, countries may lose all GSP privileges once their per capita income grows beyond a specified amount,[40] but they retain their CBERA eligibility since there are no income limits in CBERA. Third, CBERA qualifying rules for individual products are more liberal than those of GSP. GSP requires that 35 percent of the value of the product be added in a single beneficiary or in a specified association of eligible GSP countries,[41] whereas CBERA allows regional aggregation within CBERA (including former CBERA beneficiaries) plus the counting of limited U.S. content.

The tariff preferences of the U.S. GSP program have not been in continuous effect in recent years, making it difficult for firms to predict whether benefits will be available. Between 1995 and 2006, tariff preferences under GSP expired five times without being immediately renewed, with gaps between expiration and (always retroactive) renewal of between one and 15 months.[42] Most recently, GSP was to expire on December 31, 2006, but was extended through the end of 2008 in a measure enacted on December 20, 2006.[43] All imports claiming the GSP tariff preference that entered during periods when GSP was not in effect were subject to ordinary NTR duties at the time of entry unless other preferential treatment, such as CBERA, was claimed. Duties paid on such articles were eligible for refund after the GSP became operative again. During the lapses in GSP, however, suppliers in CBERA countries could use the preferential tariff provisions of CBERA that were known to be in force, rather than anticipating a retroactive extension of GSP. As a result, there was a marked shift away from using GSP to CBERA, particularly in 1995 and 1996, and many Caribbean Basin suppliers continued to enter goods under CBERA even after GSP was reauthorized.

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[38] CBTPA requires a unique certificate of origin form. The requirements for enhanced preferences are similar to those of the NAFTA program.

[39] A beneficiary developing country loses GSP benefits for an eligible product when U.S. imports of the product exceed the competitive-need limit, which is defined as either a specific annually adjusted value ($125 million in 2006) or 50 percent of the value of total U.S. imports of the product in the preceding calendar year (section 503(c))(2) of the Trade Act of 1974, as amended).

[40] See 19 U.S.C. 2464(c)-(f).

[41] See 19 U.S.C. 2463(b)(1)(B).

[42] See USITC, *CBERA Seventeenth Report, 2003-2004*, 1-8.

[43] Public Law 109-432, sec. 8002.

Caribbean Basin Trade Partnership Act

The United States-Caribbean Basin Trade Partnership Act (CBTPA), enacted May 18, 2000, was a major enhancement of the CBERA program.[44] Additional modifications and clarifications were made in the Trade Act of 2002, enacted August 6, 2002.[45] CBTPA became effective on October 2, 2000 as a transitional measure through September 30, 2008, or until the FTAA or a comparable FTA between the United States and individual CBERA countries enters into force.

The legislation authorizes, for the first time, duty-free treatment for imports of qualifying cotton, wool, and manmade fiber apparel from CBERA countries. Key apparel provisions are summarized in table 1-2. For the most part, these CBTPA apparel goods must be made wholly of U.S. inputs and assembled in an eligible CBTPA country listed in chapter 98 of the HTS. The CBTPA also extended preferential treatment (rates of duty identical to those accorded to like goods of Mexico, under the same rules of origin applicable under NAFTA pursuant to HTS general note 12) to a number of other products previously excluded from CBERA, including certain tuna, petroleum and petroleum products, certain footwear, and certain watches and watch parts. CBTPA also provided duty-free treatment for textile luggage assembled from U.S. fabrics made of U.S. yarns.[46]

CBTPA authorizes duty-free entry for imports of apparel assembled in CBTPA countries from fabrics made and cut in the United States of U.S. yarns. If the U.S. fabrics used in the production of such apparel are cut into garment parts in CBTPA countries rather than the United States, the apparel must also be sewn together with U.S. thread. The 2002 modifications required that U.S. fabrics used in the production of CBTPA-qualifying apparel, whether cut in the United States or in CBTPA countries, must be dyed, printed, and finished in the United States. CBTPA countries are also eligible to receive duty-free entry textile luggage made from inputs of U.S. origin,[47] apparel assembled from fabrics or yarns deemed to be in "short supply" in the United States, and hand-loomed, handmade, and folklore articles.

CBTPA provides for duty-free treatment for limited quantities of knit apparel, except socks,[48] made in CBTPA countries from fabrics knitted in those countries, provided that the

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[44] See Trade and Development Act of 2000 (Public Law 106-200, title II).

[45] See Trade Act of 2002 (Public Law 107-210).

[46] See HTS 9820.11.21.

[47] See HTS 9802.00.8046 and U.S. note 7(b)(ii) to chapter 98, subchapter II; and HTS 9820.11.21.

[48] The Trade Act of 2002 extended preferential treatment to imports of socks from CBTPA countries (where the sock toes are sewn together) if they are knit to shape in the United States of U.S. yarn. However, socks knit to shape in the CBTPA countries of U.S. yarn are still excluded from preferential treatment.

Table 1-2
Textiles and apparel made in CBERA countries that are eligible for duty-free and quota-free entry under CBTPA, as amended by the Trade Act of 2002

Brief description of article[a]	**Brief description of criteria and related information**
Apparel assembled from U.S.-formed and -cut fabric HTS 9802.00.8044 and 9820.11.03 (the latter provision is for apparel that underwent further processing such as stone-washing or embroidering)	* Unlimited duty-free and quota-free treatment * Fabric must be made wholly of U.S. yarn * Fabric, whether knit or woven, must be dyed, printed, and finished in the United States
Apparel cut and assembled from U.S. fabric HTS 9820.11.06 Woven apparel HTS 9820.11.18 Knit apparel	* Unlimited duty-free and quota-free treatment * Fabric must be made wholly of U.S. yarn * Fabric, whether knit or woven, must be dyed, printed, and finished in the United States * Apparel must be sewn together with U.S. thread
Certain apparel of “regional knit fabrics” – includes apparel knit to shape directly from U.S. yarn (other than socks) and knit apparel cut and assembled from regional or regional and U.S. fabrics HTS 9820.11.09 Knit apparel except outerwear t-shirts HTS 9820.11.12 Outerwear t-shirts	* Fabric must be made wholly of U.S. yarn * Preferential treatment subject to “caps” for 12-month period beginning on October 1 of: Year / HTS 9820.11.09 / HTS 9820.11.12 2000 / 250 million SMEs / 4,200,000 dozen 2001 / 290 million SMEs / 4,872,000 dozen 2002 / 500 million SMEs / 9,000,000 dozen 2003 / 850 million SMEs / 10,000,000 dozen 2004 / 970 million SMEs / 12,000,000 dozen Note: SMEs is square meter equivalents. The 2004 caps apply to subsequent 12-month periods through September 30, 2008.
Brassieres cut and assembled in the United States and/or the region from U.S. fabric (HTS 9820.11.15)	* Producer must satisfy rule that, in each of seven 1-year periods starting on October 1, 2001, at least 75 percent of the value of the fabric contained in the firm's brassieres in the preceding year was attributed to fabric components formed in the United States (the 75 percent standard rises to 85 percent for a producer found by Customs to have not met the 75 percent standard in the preceding year).
Textile luggage assembled from U.S.-formed and -cut fabric (HTS 9802.00.8046) or from U.S.-formed fabric cut in eligible CBTPA countries (HTS 9820.11.21)	* Fabric must be made wholly of U.S. yarn.
Apparel cut and assembled from fabrics or yarn as identified in annex 401 of NAFTA as being not available in commercial quantities (in “short supply”) in the United States (HTS 9820.11.24) Apparel cut and assembled from additional fabrics or yarns designated as not available in commercial quantities in the United States (HTS 9820.11.27)	* The fabrics and yarn include fine-count cotton knitted fabrics for certain apparel; linen; silk; cotton velveteen; fine wale corduroy; Harris Tweed; certain woven fabrics made with animal hairs; certain lightweight, high thread count polyester/cotton woven fabrics; and certain lightweight, high thread count broadwoven fabrics in production of men's and boys' shirts.[b] * On request of an interested party, the President may proclaim preferential treatment for apparel made from additional fabrics or yarn if the President determines that such fabrics or yarn cannot be supplied by the domestic industry in commercial quantities in a timely manner.
Handloomed, handmade, and folklore articles (HTS 9820.11.30)	* Must be certified as such by exporting country under an agreement with OTEXA.

Source: United States-Caribbean Basin Trade Partnership Act, as amended by the Trade Act of 2002.

[a] Applies to articles ineligible for duty-free treatment under the 1983 CBERA (those of cotton, wool, and manmade fibers).
[b] See U.S. House of Representatives, *Trade and Development Act of 2000: Conference Report to Accompany H.R. 434*, 106th Cong., 2d sess., H. Rept. 106-606, p. 77, which explains a substantially identical provision of the African Growth and Opportunity Act that is contained in CBTPA.

fabrics are produced of U.S. yarns (known as regional knit fabrics).[49] This preferential treatment was limited to 4.2 million dozen outerwear t-shirts and 250 million square meter equivalents (SMEs) of other knit apparel, for the 1-year period beginning on October 1, 2000. Both regional caps were expanded beyond the original caps under the 2002 modifications as shown in table 1-2.

Duty-free treatment is also provided for imports of brassieres from CBTPA countries cut and sewn or otherwise assembled in the United States or CBTPA countries, or both. For the 1-year period beginning on October 1, 2001, and in each of the six succeeding 1-year periods, such treatment is granted only to producers whose total cost of the U.S. fabric components during the previous 1-year period is at least 75 percent of the aggregate declared customs value of the fabric contained in all of their brassieres entered during that period. In general, preferential treatment is granted only to producers who use mostly U.S. fabric components.

CBTPA also provides for duty-free treatment for apparel made in beneficiary countries from fabrics and yarns that are not available in the United States, in addition to those fabrics and yarns already listed in annex 401 of the NAFTA. The CBTPA authorizes the President, on request of any interested party, to proclaim preferential treatment for apparel made in beneficiary countries from additional fabrics or yarns if the President determines that such fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner and the President complies with certain procedural requirements, one of which is to obtain the advice of the U.S. International Trade Commission.[50]

The apparel provisions of CBTPA build upon existing U.S. trade programs that have encouraged U.S. producers of apparel to establish production-sharing arrangements in CBERA countries and Mexico. Under the production-sharing provisions of HTS heading 9802.00.80 and related legal notes of the HTS, commonly referred to by its former Tariff

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[49] Knit apparel made in CBTPA countries from regional knit fabrics includes garments cut and assembled from knit fabrics or those knit-to-shape directly from yarns, such as sweaters. The Trade Act of 2002 clarified that preferential treatment is to be provided for knit-to-shape garments assembled in CBTPA countries. The interim regulations issued by the U.S. Customs Service to implement the trade benefit provisions of the CBTPA had stipulated that knit-to-shape garments were not eligible for trade benefits because they technically do not go through a fabric manufacturing stage (the garments are knitted to shape directly from yarns). See U.S. House of Representatives, *Andean Trade Promotion and Drug Eradication Act,* 107th Congress, first session, Report 107-290, Nov. 14, 2001, 18.

[50] The Commission provides advice as to the probable economic effect of granting preferential treatment to apparel made from fabrics or yarns that are the subject of petitions filed by interested parties with the Committee for the Implementation of Textile Agreements under the "commercial availability" provisions of CBTPA and also the African Growth and Opportunity Act and the Andean Trade Promotion and Drug Eradication Act. In Executive Order No. 13191, the President delegated to USTR the authority to obtain advice from the Commission. Most recently, on January 22, 2007, following receipt of a request from USTR, the Commission instituted investigation No. 332-484, *Commercial Availability of Apparel Inputs (2007): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide the advice. The Commission conducted similar investigations in the years 2001-2006 on petitions filed in those years. For information on the investigation, see the Commission's website at *http://www.usitc.gov/ind_econ_ana/research_ana/Ongoing_Inv/332/short_supply/shortsupstat.htm*.

Schedules of the United States (TSUS) shortened designation as “807,” U.S. importers receive a partial duty exemption for articles assembled abroad in whole or in part of U.S. components. In general, the duty is assessed only on the value added abroad (mainly the cost of sewing the garment parts together). The fabric for making the apparel parts can be of either U.S. or foreign origin as long as the fabric is cut to shape in the United States, exported ready for assembly, and not advanced in value abroad except by assembly and incidental operations. During the late 1980s, the United States created special programs under the former 807 tariff provision for CBERA countries and Mexico to give these countries, in addition to the reduced duties, virtually unlimited market access for apparel assembled there from fabrics wholly made and cut in the United States (commonly known as “807A” imports).[51] However, with implementation of NAFTA in 1994, U.S. imports of 807A-type apparel from Mexico became eligible to enter completely free of duty and quota under heading 9802.00.90 of the HTS. By contrast, imports of similar 807A-type apparel from CBERA countries could enter under preferential quotas but were still subject to duty on the value added abroad until October 2, 2000, when CBTPA was implemented and such apparel could be entered free of duty.[52]

HOPE Act of 2006

On December 20, 2006, the United States further amended the CBERA program by enacting the Haitian Hemispheric Opportunity Through Partnership Encouragement Act of 2006 (HOPE Act).[53] The Act establishes special new rules of origin (section 5002) that make Haiti eligible for new trade benefits for apparel imports and that enhance sourcing flexibility for apparel producers in Haiti. The first rule grants duty-free treatment for a limited amount of apparel imported from Haiti if at least 50 percent of the value of inputs and/or costs of processing (i.e., being wholly assembled or knit-to-shape) are from Haiti, the United States, or any country that is an FTA partner with the United States during years one to three after the Act became effective; in year four, the percentage requirement for originating inputs rises to 55 percent or more, and in year five it increases to 60 percent or more.

The HOPE Act includes a single transformation rule of origin for apparel articles entering under subheading 6212.10 (brassieres) of the Harmonized Tariff Schedule, which allows the components of these garments to be sourced from anywhere as long as the garments are both cut and sewn or otherwise assembled in Haiti. The HOPE Act also authorizes duty-free treatment for three years for a specified quantity of woven apparel imports from Haiti made from fabric produced anywhere in the world—up to 50 million SMEs in years one and two of the Act, and up to 33.5 million SMEs in year three.

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[51] Through the end of 2004, the United States had preferential quotas for 807A imports (known as guaranteed access levels) and regular quotas with five CBERA countries: Costa Rica, the Dominican Republic, El Salvador, Guatemala, and Jamaica. All quotas under the Agreement on Textiles and Clothing ended on Jan. 1, 2005.

[52] In 1999, the last full year before CBTPA entered into force, the dutiable foreign value-added accounted for 31 percent of the customs value of U.S. imports of underwear, foundation garments, and outerwear t-shirts from CBERA countries, and the duty-free U.S. value was 69 percent. The effective U.S. rate of duty on such CBERA goods averaged 4.7 percent ad valorem.

[53] Public Law 109-432, sec. 5001 et seq.

U.S. FTA with Central America and the Dominican Republic

The United States completed negotiations for an FTA with five Central American countries (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua) and the Dominican Republic during 2004.[54] President Bush signed legislation implementing the Dominican Republic-Central American-United States FTA (CAFTA-DR) on August 2, 2005.[55] CAFTA-DR entered into force for El Salvador, Honduras, Nicaragua, and Guatemala during 2006, and pursuant to section 201 of the CAFTA-DR implementing legislation, these countries ceased to be CBERA beneficiaries. CAFTA-DR entered into force for the Dominican Republic on March 1, 2007.[56] Costa Rica has not yet approved CAFTA-DR, but has announced plans to hold a referendum on approval on October 7, 2007.[57] CAFTA-DR provides market access that is the same as or better than the access provided under CBERA.[58] CAFTA-DR provides reciprocal access for U.S. products and services and will not be subject to periodic renewal.[59]

CAFTA-DR provides for significant and permanent enhancements of product eligibility relative to CBTPA as it relates to textiles and apparel. The FTA provides for the immediate elimination of duties on textiles and apparel that meet the rules of origin specified in the FTA, retroactive to January 1, 2004.[60] Other key enhancements include:

- A yarn-forward rule of origin applicable to most apparel articles and woven fabrics under the FTA, meaning that only apparel using yarn and fabric from the United States, the Central American countries, and the Dominican Republic qualifies for duty-free benefits;

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[54] The United States completed FTA negotiations with El Salvador, Guatemala, Honduras, and Nicaragua on December 17, 2003; with Costa Rica on January 25, 2004; and with the Dominican Republic on March 15, 2004. The U.S. FTA with the five Central American countries was signed on May 28, 2004, and the FTA with the Dominican Republic was signed on Aug. 5, 2004, integrating that country into the FTA with the Central American countries. USTR, "U.S., Central American Nations to Sign Free Trade Agreement," press release, May 13, 2004; "United States and Central America Sign Historic Free Trade Agreement," press release, May 28, 2004; and "CAFTA Policy Brief—Free Trade with Central America and the Dominican Republic: Highlights of the CAFTA," February 2005, available at *www.ustr.gov*. The Commission's report on the CAFTA-DR, in accordance with section 2104(f) of the Trade Act of 2002, was published in August 2004. USITC, *U.S.-Central America-Dominican Republic Free Trade Agreement: Potential Economywide and Selected Sectoral Effects*, investigation No. TA-2104-13, USITC publication 3717, August 2004.

[55] Public Law 109-53 (119 Stat. 462) of August 3, 2005.

[56] Presidential proclamation 8111, 72 F.R. 10023-10028.

[57] EIU, *Country Report, Costa Rica*, July 2007.

[58] USTR, "Bilateral and Regional Negotiations," *2005 Trade Policy Agenda and 2004 Annual Report*, 172, *http://www.ustr.gov/Document_Library/Reports_Publications/2005/2005_Trade_Policy_Agenda/Section_Index.htm*.

[59] USTR, "CAFTA Facts–CAFTA Benefits the American Family," CAFTA Policy Brief, May 2005, *www.ustr.gov*, accessed June 1, 2005.

[60] USTR, "CAFTA Facts–CAFTA Benefits the American Family," CAFTA Policy Brief, May 2005, and CAFTA Facts–Textiles: United to Compete with Asia," CAFTA Policy Brief, April 2005, *www.ustr.gov* accessed June 1, 2005. Additional information obtained from USTR, "The Dominican Republic-Central America- United States Free Trade Agreement: Summary of the Agreement," *www.ustr.gov,* accessed August 8, 2005.

- A de minimis foreign content rule that permits up to 10 percent of the total weight of the "essential character component" determining the good's tariff classification to consist of non-originating fibers or yarns (excluding elastomeric yarns, which must be made entirely in an FTA partner); and

- A cumulation provision for woven apparel allowing a limited amount of inputs from Mexico and Canada to be used in Central American/Dominican apparel that will still qualify for duty-free benefits in the United States, subject to a 100 million square meter annual cap in the first calendar year of the FTA, and as much as 200 million SMEs in succeeding years, based on the growth of FTA country exports of qualifying apparel made of woven fabrics.[61]

U.S.-Panama FTA

The United States and Panama completed negotiations on a free trade agreement on December 19, 2006, with the understanding that discussions would continue regarding labor. The agreement was signed on June 28, 2007, and is awaiting U.S. and Panamanian legislative approval.[62]

Analytical Approach

The core of the original CBERA is the duty-free treatment importers can claim when entering qualifying products of designated beneficiary countries (where goods are not specifically excluded from the program). In each case, the duty elimination for all eligible products occurred at once as countries were designated as beneficiaries. While there was generally no phase-in of duty preferences, the duty reductions for a few goods were phased in over 5 years.[63] Direct effects of such a one-time duty elimination can be expected to consist primarily of increased U.S. imports from beneficiary countries resulting from trade and resource diversion to take advantage of lower duties in the U.S. market, including: (1) a diversion of beneficiary-country production away from domestic sales and non-U.S. foreign markets and (2) a diversion of variable resources (such as labor and materials) away from production for domestic and non-U.S. foreign markets. In general, these direct effects are likely to occur within a short time (probably a year or two) after the duty elimination. It is therefore likely that these effects have been fully realized for the original CBERA program, which has been in effect since 1984, as well as for most provisions of CBTPA, implemented in October 2000, and the restrictions on regional dyeing and finishing of U.S.-produced fabrics added by the 2002 Trade Act. The direct, short-term effects of the CBTPA provisions that are being phased in (the tariff elimination for tuna and footwear) are currently ongoing. Over a longer period, the effects of CBERA will flow mostly from investment in industries in beneficiary countries that benefit from the duty elimination or reduction. Both short-term and long-term effects are limited by the small size of the CBERA

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[61] Ibid. Additional information obtained from USTR, "The Dominican Republic-Central America-United States Free Trade Agreement: Summary of the Agreement," *www.ustr.gov*, accessed August 8, 2005.

[62] USTR, "United States and Panama Sign Trade Promotion Agreement," press release, June 28, 2007.

[63] A number of previously excluded products were added for reduced-duty treatment under the Caribbean Basin Economic Recovery Expansion Act of 1990.

beneficiary-country economies, and the long-term effects are likely to be difficult to distinguish from other market forces in play since the program was initiated. Investment, however, has been tracked in past CBERA reports in order to examine the trends in, and composition of, investment in the region.

The effects of CBERA on the U.S. economy, industries, and consumers are assessed through an analysis of (1) imports entered under each program and trends in U.S. consumption of those imports; (2) estimates of gains to U.S. consumers, losses to the U.S. Treasury resulting from reduced tariff revenues, and potential displacement in U.S. industries competing with the leading U.S. imports that benefited exclusively from the CBERA program in 2006,[64] as well as gains to U.S. industries that supply inputs to CBERA-country producers; and (3) an examination of trends in production and other economic factors in the industries identified as likely to be particularly affected by such imports. General economic and trade data come from official statistics of the U.S. Department of Commerce and from materials developed by country/regional and industry analysts of the Commission. The report also incorporates public comments received in response to the Commission's *Federal Register* notice regarding the investigation and field work in beneficiary countries.[65]

As in previous reports in this series, the effects of CBERA are analyzed by estimating the differences in benefits to U.S. consumers, U.S. tariff revenues, and U.S. industry production that would likely have occurred if the tariffs had been in place for beneficiary countries in 2006. Actual 2006 market conditions are compared with a hypothetical case in which NTR duties were imposed for the year. The effects of CBERA duty reductions for 2006 are estimated by using a standard economic approach for measuring the impact of a change in the prices of one or more goods. Specifically, a partial-equilibrium model is used to estimate gains to consumers, losses in tariff revenues, and industry displacement or gains.[66] Previous analyses in this series have shown that since CBERA has been in effect U.S. consumers have benefited from lower prices and higher consumption, competing U.S. producers have had lower sales, and tariff revenues to the U.S. Treasury have been lower.

Generally, the net welfare effect is measured by adding three components: (1) the change in consumer surplus, (2) the change in tariff revenues to the U.S. Treasury resulting from the CBERA duty reduction, and (3) the change in producer surplus.[67] The model used in this analysis assumes that the supply of U.S. domestic production is perfectly elastic; that is, U.S. domestic prices do not fall in response to CBERA duty reductions. Thus, decreases in

[64] That is, those that are not excluded or do not receive unconditional NTR duty-free treatment or duty-free treatment under other preference programs such as GSP.

[65] A copy of the notice is contained in appendix A. Summaries of public submissions are included in appendix B.

[66] A more detailed explanation of the approach can be found in appendix C.

[67] Consumer surplus is a dollar measure of the total net gain to U.S. consumers from lower prices. 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.

Producer surplus is a dollar measure of the total net loss to competing U.S. producers from increased competition with imports. It is defined as the return to entrepreneurs and owners of capital above what they would have earned in their next-best opportunities. See Walter Nicholson, *Microeconomic Theory: Basic Principles and Extensions* (New York: The Dryden Press, 1989), for further discussion of consumer and producer surplus.

The welfare effects do not include short-run adjustment costs to the economy from reallocating resources among different industries.

U.S. producer surplus are not captured in this analysis. The effects of CBERA duty reductions on most U.S. industries are expected to be small.

Ranges of potential net welfare and industry displacement estimates are reported, which reflect a range of assumed substitutabilities between CBERA products and competing U.S. output. The upper estimates reflect the assumption of high substitution elasticities.[68] The lower estimates reflect the assumption of low substitution elasticities. Upper estimates are used to identify items that could be most affected by CBERA.

The analysis was conducted on the 20 leading product categories that benefited exclusively from CBERA tariff preferences in 2006 (see chapter 3).[69] Estimates of welfare and potential U.S. industry displacement and/or gains were made. Further analysis is done on industries for which the upper estimate of displacement is more than 5 percent of the value of U.S. production, the threshold traditionally used in this series for selecting industries for further analysis. One U.S. industry—methanol—met that criterion in 2006.

Probable future effects of CBERA are discussed on the basis of a qualitative analysis of economic trends and investment patterns in beneficiary countries and in competing U.S. industries. Information on investment in CBERA-related production facilities was obtained mainly from U.S. embassies in the regions and other public sources.

CBTPA requires the Commission to report on the impact of CBERA on the economy of the beneficiary countries. Beneficiary country impact is assessed by means of economic profiles of selected beneficiary countries and through State Department cables as discussed later in this report.[70]

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[68] Commission industry analysts provided evaluations of the substitutability of CBERA products and competing U.S. products, which were translated into a range of substitution elasticities: 3 to 5 for high substitutability, 2 to 4 for medium, and 1 to 3 for low. Although there is no theoretical upper limit to elasticities of substitution, a substitution elasticity of 5 is consistent with the upper range of estimates in the economics literature. Estimates in the literature tend to be predominantly lower. See, for example, Clinton R. Shiells, Robert M. Stern, and Alan V. Deardorff, "Estimates of the Elasticities of Substitution Between Imports and Home Goods for the United States," *Weltwirtschaftliches Archiv*, vol. 122, 1986, 497-519; and Michael P. Gallaway, Christine A. McDaniel, and Sandra A. Rivera, "Short-Run and Long-Run Estimates of U.S. Armington Elasticities," *North American Journal of Economics and Finance*, 14 (2003), 49-68.

[69] Commission industry analysts provided estimates of U.S. production and exports for the 20 leading items that benefited exclusively from CBERA, as well as evaluations of the substitutability of CBERA-exclusive imports and competing U.S. products.

[70] The Commission's 15th report undertook an econometric analysis of the original CBERA preference program. Results suggested that CBERA may have had an overall impact on income growth in the region, but that effect was small, and significant only when combined with trade and foreign exchange reforms on the part of the beneficiary countries themselves. The analysis confirmed that another preferential program that focused on apparel (the production-sharing program) did spur growth and investment in CBERA beneficiary countries.

CHAPTER 2
U.S. Trade with the Caribbean Basin

This chapter covers trade with the countries that were designated CBERA beneficiaries (CBERA countries) for all or part of 2006.[1] Its principal purpose is to examine imports that entered under CBERA preferential tariff provisions (under CBERA) during the 2-year period encompassing 2005 and 2006.[2] The data and discussion concentrate primarily on 2006, although trends or changes with respect to other years are considered in some instances, when appropriate. Although 24 CBERA countries are included in this chapter, data for 2006 include U.S imports from and U.S. exports to El Salvador, Guatemala, Honduras, and Nicaragua only for a portion of 2006, the period during which those countries were eligible for CBERA benefits before CAFTA-DR entered into force.[3]

Mostly as a result of the departure of these countries from CBERA, U.S. trade with CBERA countries declined substantially in 2006. However, imports of energy and related chemical products from CBERA countries increased substantially in value because of higher global energy prices and increased U.S. demand. In 2006, imports of mineral fuels surpassed apparel as the leading category of U.S. imports from CBERA countries. The leading suppliers of imports under CBERA in 2006 were those countries that produced energy and related chemical products and apparel—namely, Trinidad and Tobago, the Dominican Republic, Costa Rica, Haiti, Jamaica, and The Bahamas.

Trade with CBERA Countries[4]

CBERA countries account for a very small share of U.S. trade. Mostly as a result of CAFTA-DR entering into force, U.S. trade with CBERA countries declined during 2006. As a percentage of U.S. total exports to the world, the CBERA-country share of U.S. exports declined to 2.6 percent in 2006 from 3.2 percent in 2005. The CBERA-country share of total U.S. imports decreased to 1.4 percent in 2006 from 1.9 percent in 2005. In 2006, the U.S. trade deficit with CBERA countries was $1.5 billion or 0.2 percent of the overall U.S. trade deficit. This level is less than one third the deficit of $5.8 billion in 2005 (table 2-1 and figure 2-1).

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[1] See chapter 1 for a list of the CBERA beneficiary countries.

[2] In this chapter, as discussed in chapter 1, "trade under CBERA" includes imports entered under provisions of original CBERA (including those coded under Puerto Rico-CBI) and imports entered under provisions of CBTPA.

[3] When the CAFTA-DR enters into force for a country, such a country is removed from the enumeration of designated beneficiary countries under CBERA, CBPTA, and GSP. In 2006, CAFTA-DR entered into force for El Salvador (March 1), Honduras and Nicaragua (April 1), and Guatemala (July 1). See chapter 1.

[4] In 2006, U.S. trade with "CBERA countries" included data for El Salvador, Guatemala, Honduras, and Nicaragua only for the part of 2006 during which those countries were eligible for CBERA benefits.

Table 2-1
U.S. trade with CBERA countries, 2002-06

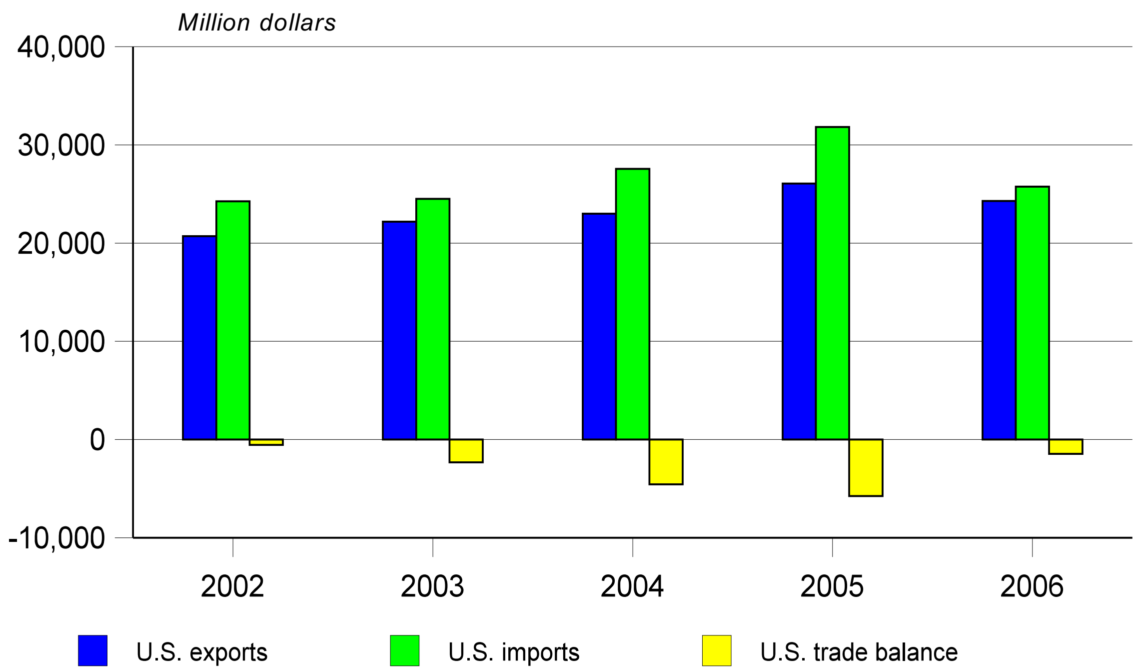
Year	U.S. exports[a]	Share of U.S. exports to the world	U.S. imports[b]	Share of U.S. imports from the world	U.S. trade balance
	Million dollars	*Percent*	*Million dollars*	*Percent*	*Million dollars*
2002.	20,702.5	3.3	21,254.8	1.8	-552.3
2003.	22,183.6	3.4	24,499.6	2.0	-2,315.9
2004.	22,998.8	3.2	27,555.5	1.9	-4,556.7
2005.	26,061.0	3.2	31,814.3	1.9	-5,753.4
2006.	24,292.9	2.6	25,755.2	1.4	-1,462.4

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

Note: Data for 2006 include U.S. imports from and exports to El Salvador, Guatemala, Honduras, and Nicaragua only for the period during which those countries were eligible for CBERA benefits before CAFTA-DR entered into force.

[a] Domestic exports, f.a.s. basis.
[b] Imports for consumption, customs value.

Figure 2-1
U.S. trade with CBERA countries, 2002-06



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

Note: Percentages may not add to 100 because of rounding. Data for 2006 include U.S. imports from and exports to El Salvador, Guatemala, Honduras, and Nicaragua only for the period during which those countries were eligible for CBERA benefits before CAFTA-DR entered into force.

Total Imports

Total U.S. imports from CBERA countries were $31.8 billion in 2005 and $25.8 billion in 2006. In 2006, CBERA countries as a whole constituted the 17th-largest U.S. supplier, ahead of Thailand but behind Brazil. Prior to CAFTA-DR entering into force, CBERA countries as a whole constituted the 12th-largest supplier of U.S. imports in 2005. This section focuses on total U.S. imports from CBERA countries, that is, all goods regardless of duty treatment. U.S. imports entering under the CBERA preferences will be discussed in a later section.

Imports by Country

Total U.S. imports from CBERA countries that were CBERA beneficiaries for the full year increased by 4.0 percent in 2006, while total U.S. imports from the world increased by 11.0 percent in that year. In contrast, total U.S. imports from all 24 CBERA countries, including those countries that were CBERA beneficiaries only part of the year, decreased by 19.0 percent in 2006 (table 2-2). Most of this decline in total U.S. imports from all CBERA countries was driven by the departure of the four countries from CBERA to CAFTA-DR during 2006. However, for the most part, the value of U.S. imports of energy and related chemical products from the region continued to increase substantially, largely as a result of increases in energy prices, particularly in 2005. Most energy and related chemical product imports entered NTR duty free or were imported largely from CBERA countries that were not designated CBTPA beneficiaries.[5]

U.S. imports from each CBERA country during the last five years are presented in table 2-2. Imports from full-year and part-year CBERA beneficiaries are shown as sub-groups. In 2006, Trinidad and Tobago continued to be the top U.S. supplier after displacing the Dominican Republic beginning in 2004. Trinidad and Tobago's share of total U.S. imports from CBERA countries continued to rise, increasing 8.1 percentage points in 2006, from 24.5 percent in 2005 to 32.6 in 2006. The Dominican Republic's share of all U.S. imports from the region was 17.6 percent in 2006, reflecting an increase of 3.2 percentage points from 2005.

Trinidad and Tobago's rise to the top source of U.S. imports from CBERA countries resulted mainly from increases in imports of natural gas and natural gas derivatives. The Dominican Republic remained in second place. Costa Rica regained its position from Honduras as the third largest import source as CAFTA-DR entered into force in 2006 for the latter country, while Aruba and the Netherlands Antilles occupied fourth and fifth places, respectively. The share of U.S. imports from the top five CBERA countries, relative to all U.S. imports from CBERA countries, was 79.4 percent in 2006. Although declining, the combined share of El Salvador, Guatemala, Honduras, and Nicaragua accounted for

[5] As of December 31, 2006, the major CBERA producers of energy and related chemical products were Trinidad and Tobago (petroleum, refined petroleum products, natural gas, and natural gas derivatives), Aruba (refined petroleum products), the Netherlands Antilles (refined petroleum products), Guatemala (petroleum), and The Bahamas (refined petroleum products). Trinidad and Tobago is a designated CBTPA beneficiary country. As noted in table 1-1 of chapter 1, Aruba, The Bahamas, and the Netherlands Antilles, among others, are not designated CBTPA beneficiary countries. Guatemala was a CBPTA beneficiary only during the first six months of 2006.

Table 2-2
U.S. imports for consumption from CBERA countries, by sources, 2002-06

Source	2002	2003	2004	2005	2006	Change 2004-05	Change 2005-06	Change 2004-06
	Value *(1,000 dollars)*					*Percent*		
Full-year 2006 CBERA beneficiaries:[a]								
Trinidad and Tobago	2,418,657	4,298,125	5,842,272	7,792,553	8,398,499	33.4	7.8	43.8
Dominican Republic	4,166,739	4,454,538	4,529,041	4,602,575	4,540,029	1.6	-1.4	0.2
Costa Rica	3,146,218	3,353,928	3,297,292	3,377,265	3,813,454	2.4	12.9	15.7
Aruba	710,618	842,256	1,642,080	2,817,154	2,605,677	71.6	-7.5	58.7
Netherlands Antilles	388,387	631,532	445,814	944,519	1,100,627	111.9	16.5	146.9
Haiti	254,581	332,384	370,533	447,104	496,115	20.7	11.0	33.9
Jamaica	372,940	411,694	308,147	341,353	470,927	10.8	38.0	52.8
Bahamas	459,436	472,894	632,702	697,718	435,711	10.3	-37.6	-31.1
Panama	295,439	289,749	297,529	319,915	337,565	7.5	5.5	13.5
Belize	75,448	101,376	107,165	98,442	146,395	-8.1	48.7	36.6
Guyana	104,435	105,901	119,852	119,917	124,954	0.1	4.2	4.3
St. Kitts and Nevis	48,629	44,570	41,719	49,720	50,041	19.2	0.6	19.9
St. Lucia	19,148	12,932	14,382	64,947	37,280	351.6	-42.6	159.2
Barbados	34,380	43,142	36,421	31,598	32,956	-13.2	4.3	-9.5
British Virgin Islands	26,529	27,682	17,394	33,656	26,303	93.5	-21.8	51.2
Antigua and Barbuda	3,527	5,078	4,366	4,397	5,767	0.7	31.2	32.1
Grenada	7,730	7,491	5,054	5,909	4,467	16.9	-24.4	-11.6
Dominica	5,335	5,520	2,883	3,344	3,148	16.0	-5.9	9.2
St. Vincent and the Grenadines	16,475	4,139	4,122	15,647	2,027	279.6	-87.0	-50.8
Montserrat	430	1,326	463	954	793	106.2	-16.9	71.4
Total of above	12,555,081	15,446,256	17,719,230	21,768,687	22,632,735	22.9	4.0	27.7
Part-year 2006 CBERA beneficiaries:[b]								
Guatemala	2,784,536	2,954,085	3,156,227	3,123,215	1,560,811	-1.0	-50.0	-50.5
Honduras	3,261,983	3,311,683	3,636,731	3,758,408	903,300	3.3	-76.0	-75.2
Nicaragua	677,447	769,056	990,187	1,181,576	383,855	19.3	-67.5	-61.2
El Salvador	1,975,782	2,018,478	2,053,117	1,982,422	274,546	-3.4	-86.2	-86.6
Total of above	8,699,748	9,053,302	9,836,262	10,045,621	3,122,512	2.1	-68.9	-68.3
Total	21,254,828	24,499,559	27,555,492	31,814,307	25,755,248	15.5	-19.0	-6.5

See footnotes at end of table.

Table 2-2–*Continued*
U.S. imports for consumption from CBERA countries, by sources, 2002-06

Source	2002	2003	2004	2005	2006	Change 2004-05	Change 2005-06	Change 2004-06
	Percent of total					*Percentage points*		
Full-year 2006 CBERA beneficiaries:[a]								
Trinidad and Tobago	11.4	17.5	21.2	24.5	32.6	3.3	8.1	11.4
Dominican Republic	19.6	18.2	16.4	14.5	17.6	-2.0	3.2	1.2
Costa Rica	14.8	13.7	12.0	10.6	14.8	-1.4	4.2	2.8
Aruba	3.3	3.4	6.0	8.9	10.1	2.9	1.3	4.2
Netherlands Antilles	1.8	2.6	1.6	3.0	4.3	1.4	1.3	2.7
Haiti	1.2	1.4	1.3	1.4	1.9	0.1	0.5	0.6
Jamaica	1.8	1.7	1.1	1.1	1.8	([c])	0.8	0.7
Bahamas	2.2	1.9	2.3	2.2	1.7	-0.1	-0.5	-0.6
Panama	1.4	1.2	1.1	1.0	1.3	-0.1	0.3	0.2
Belize	0.4	0.4	0.4	0.3	0.6	-0.1	0.3	0.2
Guyana	0.5	0.4	0.4	0.4	0.5	-0.1	0.1	0.1
St. Kitts and Nevis	0.2	0.2	0.2	0.2	0.2	([c])	([c])	([c])
St. Lucia	0.1	0.1	0.1	0.2	0.1	0.2	-0.1	0.1
Barbados	0.2	0.2	0.1	0.1	0.1	([c])	([c])	([c])
British Virgin Islands	0.1	0.1	0.1	0.1	0.1	([c])	([c])	([c])
Antigua and Barbuda	([c])	([c])	([c])	([c])	([c])	([c])	([c])	([c])
Grenada	([c])	([c])	([c])	([c])	([c])	([c])	([c])	([c])
Dominica	([c])	([c])	([c])	([c])	([c])	([c])	([c])	([c])
St. Vincent and the Grenadines	0.1	([c])	([c])	([c])	([c])	([c])	([c])	([c])
Montserrat	([c])	([c])	([c])	([c])	([c])	([c])	([c])	([c])
Total of above	59.1	63.0	64.3	68.4	87.9	4.1	19.5	23.6
Part-year 2006 CBERA beneficiaries:[b]								
Guatemala	13.1	12.1	11.5	9.8	6.1	-1.6	-3.8	-5.4
Honduras	15.3	13.5	13.2	11.8	3.5	-1.4	-8.3	-9.7
Nicaragua	3.2	3.1	3.6	3.7	1.5	0.1	-2.2	-2.1
El Salvador	9.3	8.2	7.5	6.2	1.1	-1.2	-5.2	-6.4
Total of above	40.9	37.0	35.7	31.6	12.1	-4.1	-19.5	-23.6
Total	100.0	100.0	100.0	100.0	100.0	0.0	0.0	0.0

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

Note: Data for 2006 include U.S. imports from El Salvador, Guatemala, Honduras, and Nicaragua only for the period during which those countries were eligible for CBERA benefits before CAFTA-DR entered into force.

[a] Countries that were CBERA beneficiaries as of December 31, 2006.
[b] Countries for which CAFTA-DR entered into force during 2006, but were CBERA beneficiaries during a portion of 2006.
[c] Less than 0.05.

more than 30 percent of total of U.S. imports from CBERA countries during the 2002-2005 period prior to the entering into force of CAFTA-DR in 2006.

Product Composition and Leading Items

Table 2-3 shows total U.S. imports from CBERA countries by major product categories (HTS chapters) for the years 2002 through 2006, while figure 2-2 illustrates the data for 2002 and 2006. In 2002, combined apparel imports (HTS chapters 61 and 62)[6] were the dominant imports at 44.7 percent of total U.S. imports from CBERA countries. By 2006, these imports were no longer dominant because mineral fuel products replaced apparel imports as the leading category. The leading categories of U.S. imports from CBERA countries in 2006 were mineral fuels (HTS chapter 27), knitted apparel (HTS chapter 61), non-knitted apparel (HTS chapter 62), inorganic chemicals (HTS chapter 28), and electrical machinery (HTS chapter 85). Major changes in rankings since 2004 were the aforementioned move of mineral fuels from second to first; the move of inorganic chemicals from sixth to fourth; and the move of organic chemicals from tenth to sixth. All these changes in ranking reflect the increased value of imports of energy and related chemical products noted above and the exit from CBERA of four major apparel producing countries. Non-electrical machinery was ranked tenth after being ranked 16th in 2004.[7]

Table 2-4 shows the 20 leading items on an 8-digit HTS basis, ranked by their 2006 import value. The following discussion focuses on products that were mainly imported at NTR rates of duty. Those products that entered mostly under CBERA provisions are discussed in later sections.

The value of U.S. imports of liquefied natural gas (LNG) (HTS 2711.11.00) from CBERA countries increased 25.2 percent in 2005 and decreased 11.4 percent in 2006. Imports of LNG enter NTR duty free. Trinidad and Tobago and Aruba were the only CBERA countries, which exported LNG to the United States in 2006, with Trinidad and Tobago supplying 99.8 percent of such exports. While the decline in import value in 2006 was the result of both unit value and quantity decreases (7.1 percent and 4.6 percent, respectively), the increase in import value in 2005 resulted from a substantial increase in unit value (103.6 percent) despite a quantity decline of 38.5 percent, as the LNG receiving terminals offshore the United States were shut down temporarily in 2005 because of hurricanes Katrina and Rita.

The value of U.S. imports of anhydrous ammonia (HTS 2814.10.00), another NTR duty-free product, fell 7.3 percent in 2006 in contrast to the 34.3 percent increase in 2005. Anhydrous ammonia is produced from natural gas, and Trinidad and Tobago was the only CBERA country exporting this product to the United States. Although there were increases in the unit value of U.S. anhydrous ammonia imports (16.0 percent in 2005 and 2.3 percent in 2006), quantity changes were also important in explaining the changes in the value of imports—quantity imported increased 15.7 percent in 2005, but declined 9.4 percent in 2006.

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[6] In this report, the Commission defines the apparel sector as including products classified in HTS chapters 61 and 62. This definition includes apparel made of textile materials, but excludes leather apparel and a number of other apparel articles not made from textile materials, most of which were not excluded from eligibility under original CBERA.

[7] See USITC, *CBERA, Seventeenth Report, 2003-2004*, table 2-2, 2-4.

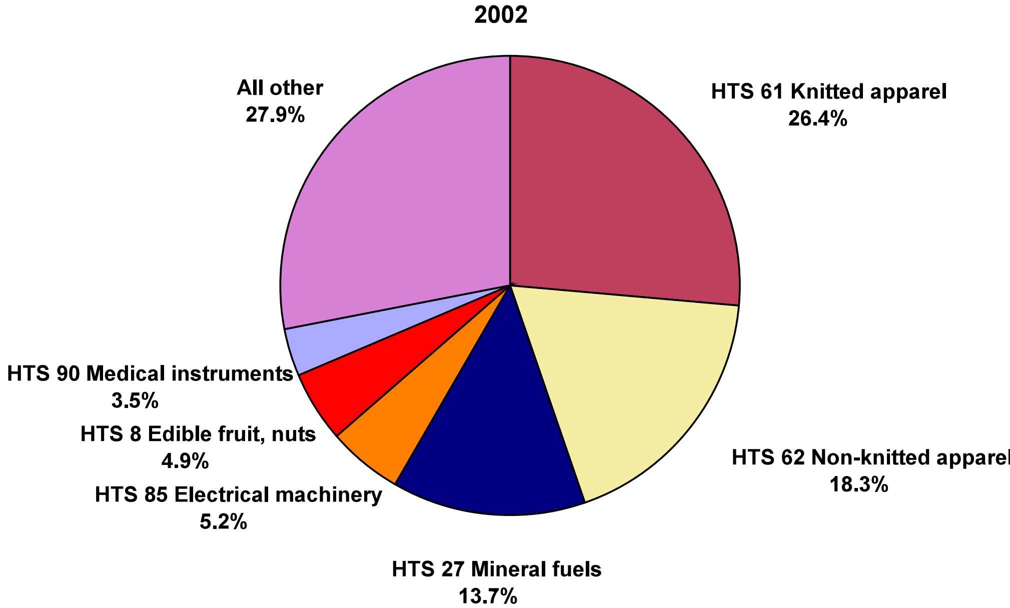
Table 2-3
Leading U.S. imports for consumption from CBERA countries, by major product categories, 2002-06

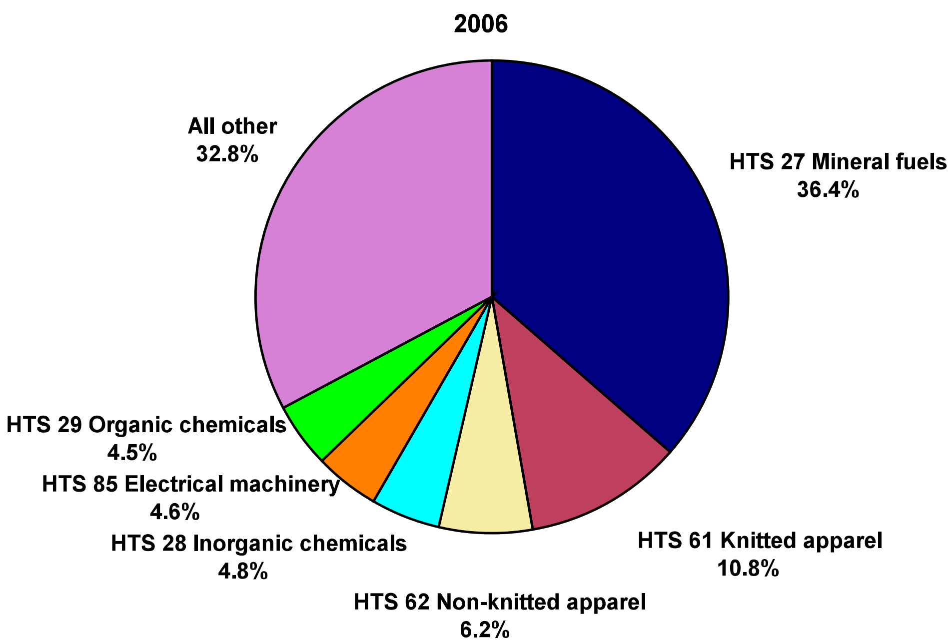
HTS chapter	Description	2002	2003	2004	2005	2006
		Value (*1,000 dollars*)				
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	2,904,256	4,614,113	6,348,958	9,385,401	9,384,691
61	Articles of apparel and clothing accessories, knitted or crocheted	5,609,953	5,952,488	6,375,932	6,444,092	2,771,977
62	Articles of apparel and clothing accessories, not knitted or crocheted	3,899,599	3,701,475	3,629,622	3,196,831	1,587,090
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	364,629	763,384	954,735	1,299,657	1,231,951
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	1,112,695	1,424,484	1,456,292	1,474,823	1,185,975
29	Organic chemicals	310,920	422,759	531,656	796,718	1,146,809
8	Edible fruit and nuts; peel of citrus fruit or melons	1,041,540	1,075,339	1,094,470	1,137,338	1,057,958
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	749,352	963,203	918,990	980,017	1,042,399
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	447,111	471,677	562,548	587,113	623,004
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	155,230	145,764	189,562	475,371	469,447
	Total of above	16,595,286	19,534,687	22,062,765	25,777,360	20,501,300
	All other	4,659,543	4,964,872	5,492,727	6,036,947	5,253,948
	Total all commodities	21,254,828	24,499,559	27,555,492	31,814,307	25,755,248
		Percent of total				
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	13.7	18.8	23.0	29.5	36.4
61	Articles of apparel and clothing accessories, knitted or crocheted	26.4	24.3	23.1	20.3	10.8
62	Articles of apparel and clothing accessories, not knitted or crocheted	18.3	15.1	13.2	10.0	6.2
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	1.7	3.1	3.5	4.1	4.8
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	5.2	5.8	5.3	4.6	4.6
29	Organic chemicals	1.5	1.7	1.9	2.5	4.5
8	Edible fruit and nuts; peel of citrus fruit or melons	4.9	4.4	4.0	3.6	4.1
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	3.5	3.9	3.3	3.1	4.0
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	2.1	1.9	2.0	1.8	2.4
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	0.7	0.6	0.7	1.5	1.8
	Total of above	78.1	79.7	80.1	81.0	79.6
	All other	21.9	20.3	19.9	19.0	20.4
	Total all commodities	100.0	100.0	100.0	100.0	100.0

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

Note: Data for 2006 include U.S. imports from El Salvador, Guatemala, Honduras, and Nicaragua only for the period during which those countries were eligible for CBERA benefits before CAFTA-DR entered into force. Because of rounding, figures may not add to totals shown.

Figure 2-2
U.S. imports from CBERA countries, by major product categories, 2002 and 2006





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

Note: Percentages may not add to 100 because of rounding. Data for 2006 include U.S. imports from El Salvador, Guatemala, Honduras, and Nicaragua only for the period during which those countries were eligible for CBERA benefits before CAFTA-DR entered into force.

Table 2-4
Leading U.S. imports for consumption from CBERA countries, 2004-06

HTS number	Description	2004	2005	2006	Change 2004-05	Change 2005-06	Change 2004-06
		1,000 dollars			Percent		
2711.11.00	Natural gas, liquefied	2,630,221	3,293,244	2,918,351	25.2	-11.4	11.0
2710.19.05	Distillate and residual fuel oil (including blends) derived from petroleum or oils from bituminous minerals, testing under 25 degrees A.P.I.	1,445,806	2,483,967	2,697,133	71.8	8.6	86.5
2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more	848,397	1,134,504	1,746,900	33.7	54.0	105.9
2814.10.00	Anhydrous ammonia	939,210	1,261,459	1,168,923	34.3	-7.3	24.5
2905.11.20	Methanol (methyl alcohol), n.e.s.o.i.	464,646	713,116	1,038,365	53.5	45.6	123.5
9018.90.80	Medical, surgical, or dental instruments and appliances	793,335	793,412	785,693	0.0	-1.0	-1.0
2710.11.25	Naphthas, not motor fuel/blending stock, from petroleum oils/oils from bituminous minerals, minimum 70 percent by weight of such products	449,726	646,764	735,795	43.8	13.8	63.6
6110.20.20	Sweaters, pullovers, sweatshirts, waistcoats, and similar articles, knitted or crocheted, of cotton, n.e.s.o.i.	1,842,573	1,932,877	712,249	4.9	-63.2	-61.3
6109.10.00	T-shirts, singlets, tank tops, and similar garments, knitted or crocheted, of cotton	1,485,826	1,546,008	704,596	4.1	-54.4	-52.6
2710.19.10	Distillate/residual fuel oil (including blends) derived from petroleum oils or oil of bituminous minerals, testing 25 degrees A.P.I. or more	493,596	1,000,072	515,890	102.6	-48.4	4.5
6203.42.40	Men's or boys' trousers, breeches, and shorts, not knitted or crocheted, of cotton, not containing 15 percent or more down	1,027,054	911,650	504,942	-11.2	-44.6	-50.8
0803.00.20	Bananas, fresh or dried	639,649	631,630	415,356	-1.3	-34.2	-35.1
8473.30.10	Printed circuit assemblies	135,761	414,894	389,061	205.6	-6.2	186.6
0901.11.00	Coffee, not roasted, not decaffeinated	471,791	565,194	340,959	19.8	-39.7	-27.7
2710.11.45	Mixtures of hydrocarbons n.e.s.o.i., none comprising over half of product, 70% or more by weight from petroleum oils and bituminous minerals	48,882	222,300	279,550	354.8	25.8	471.9
2207.10.60	Undenatured ethyl alcohol for nonbeverage purposes	96,813	183,568	277,154	89.6	51.0	186.3
7113.19.50	Articles of jewelry and parts thereof, of precious metal except silver, except necklaces and clasps	222,456	233,015	274,428	4.7	17.8	23.4
0804.30.40	Pineapples, fresh or dried, not reduced in size, in crates or other packages	99,294	222,899	246,048	124.5	10.4	147.8
8542.21.80	Electronic monolithic digital integrated circuits, n.e.s.o.i.	478,825	317,904	235,727	-33.6	-25.8	-50.8
2402.10.80	Cigars, cheroots and cigarillos, each valued 23 cents or over	270,537	282,024	217,429	4.2	-22.9	-19.6
	Total of items shown	14,884,397	18,790,497	16,204,548	26.2	-13.8	8.9
	All other	12,671,095	13,023,810	9,550,700	2.8	-26.7	-24.6
	Total all commodities	27,555,492	31,814,307	25,755,248	15.5	-19.0	-6.5

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

Note: Data for 2006 include U.S. imports from El Salvador, Guatemala, Honduras, and Nicaragua only for the period during which those countries were eligible for CBERA benefits before CAFTA-DR entered into force. Because of rounding, figures may not add to totals shown. The abbreviation, "n.e.s.o.i." stands for "not elsewhere specified or included."

The value of U.S. imports of heavy fuel oil[8] (HTS 2710.19.05) increased 71.8 percent in 2005 and 8.6 percent in 2006— with about 81 percent of those imports entering at NTR duty rates. Heavy fuel oil is eligible for duty-free entry under CBERA, but only from countries that are designated CBTPA beneficiaries.[9] The NTR duty rate on heavy fuel oil of 5.25 cents per barrel is well below 0.1 percent ad valorem equivalent, so the effects of CBPTA preferences are minuscule compared to supply and demand forces. In 2006, the value of U.S. imports of heavy fuel oil from Aruba and the Netherlands Antilles, two countries which are not CBTPA beneficiaries but combined accounted for 73.1 percent of such imports, increased 6.0 percent and 57.6 percent, respectively; these increases were primarily because of increases in unit values, and for the Netherlands Antilles also because of increases in quantity of 146.3 percent in 2005 and 35.9 percent in 2006.[10]

More than 90 percent of imports of light fuel oil (HTS 2710.19.10) and naphthas (HTS 2710.11.25) also entered at NTR duty rates. Aruba supplied 82.9 percent of imports of light fuel oil and 70.4 percent of naphthas in 2006. In addition, portions of the imports of apparel items in table 2-4 also entered at NTR duty rates.[11] Other leading imports in table 2-4 that entered NTR duty free in 2006 were medical instruments (HTS 9018.90.80), bananas (HTS 0803.00.20), coffee (HTS 0901.11.00), and semiconductors (HTS 8542.21.80).

Dutiability

In 2004, the dutiable portion of the value of U.S. imports from CBERA countries was 21.0 percent. The dutiable portion rose to 22.7 percent in 2005 and fell to 19.7 percent in 2006. The dutiable portion encompassed primarily petroleum products from CBERA countries that were not CBTPA beneficiaries and articles of apparel that did not qualify for duty-free entry under CBERA (table 2-5).[12] The sharp decline in the share from 2002 to 2003 mainly reflects the phased reduction of duties on petroleum and petroleum products to zero in accord with provisions of CBTPA.[13] Such products originating in CBTPA beneficiary

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[8] The term “heavy oil” refers to distillate and residual fuel oils testing under 25 degrees A.P.I. (American Petroleum Institute scale), whereas the term“light oil” refers to distillate and residual oils testing 25 degrees A.P.I. or more.

[9] Countries eligible for CBPTA benefits are listed in chapter 1 of this report, table 1-1, 1-2.

[10] In late 2004 and early 2005, the Emmastad refinery, the sole refinery in the Netherlands Antilles, came back on stream running at almost full capacity after a major overhaul.

[11] See the section on textiles and apparel of this chapter for information on the relative importance of various qualifying rules.

[12] The analysis of U.S. imports and exports throughout this chapter is based on data that were processed from entries as reported, with the exception of analysis based on tables 2-5 and 2-6, which exclude imports into the U.S. Virgin Islands and are based on entries adjusted for misreporting of items under CBERA and other provisions that are eligible for duty-free NTR treatment.

[13] As discussed in chapter 1, CBTPA provides that petroleum and petroleum products, which had been excluded from eligibility in the original CBERA statute, would qualify for rates of duty specified for Mexico under NAFTA if imported from designated CBTPA beneficiary countries. (Other non-textile/apparel products excluded by the original CBERA also were accorded NAFTA-Mexico duty rates.) NAFTA-Mexico duty rates on many products have been or are being phased to zero over various time periods. Duty rates on petroleum and petroleum products were phased to zero starting in 2003, so such products from CBTPA-eligible countries became eligible for a

(continued...)

Table 2-5
U.S. imports for consumption from CBERA countries: Dutiable value, calculated duties, and average duty, 2002-06

Item	2002	2003	2004	2005	2006
Dutiable value (1,000 dollars)[a]	5,462,109	4,902,482	5,770,423	7,180,640	5,033,034
Dutiable as a share of total imports (percent).	25.8	20.2	21.0	22.7	19.7
Calculated duties (1,000 dollars)[a].	496,338	513,085	456,963	482,653	190,385
Average duty (percent)[b]	9.1	10.5	7.9	6.7	3.8

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

Note: This table and table 2-6 use adjusted data. The adjusted data differ from their counterparts in the other tables, which contain data based on unadjusted, reported entries. U.S. Virgin Islands data have been excluded from this table.

Note: Data for 2006 include U.S. imports from El Salvador, Guatemala, Honduras, and Nicaragua only for the period during which those countries were eligible for CBERA benefits before CAFTA-DR entered into force.

[a] Dutiable value and calculated duty exclude the U.S. content entering under HTS heading 9802.00.80 and heading 9802.00.60 and misreported imports. Data based on product eligibility corresponding to each year.
[b] Average duty = (calculated duty/dutiable value) *100.

countries (principally Trinidad and Tobago) and entered under CBERA were no longer dutiable starting in 2003. The increases in the dutiable share in 2004 and 2005 mainly reflect the large increase in imports of dutiable petroleum products from Aruba, the Netherlands Antilles, and The Bahamas, which are not CBTPA beneficiaries. In 2006, there were large increases in imports of methanol, fuel-grade ethanol, and fresh pineapples, all of which are free of duty under original CBERA, thus lowering the dutiable share.

U.S. tariff revenues derived from imports from CBERA countries, as indicated by calculated duties, increased from $457.0 million in 2004 to $482.7 million in 2005 but fell precipitously to $190.4 million in 2006. The average duty on dutiable imports declined from 7.9 percent in 2004 to 6.7 percent in 2005 and to 3.8 percent in 2006. The rate rose in 2003 because petroleum and petroleum products from CBTPA beneficiaries and entered under CBERA were no longer dutiable, making apparel items with their much higher duty rates more dominant in the calculation. The rate fell in 2004 and 2005 because of the surge in dutiable imports of petroleum products with their extremely low duty rates from Aruba, the Netherlands Antilles, and The Bahamas (which are not designated CBTPA beneficiary countries), increasing the importance of such products in the calculation. The rate fell in 2006 because the departure of the four Central American countries from CBERA during 2006 removed imports of their dutiable apparel from the calculation, further increasing the importance of dutiable petroleum and petroleum products.

Duty Treatment

Duty-free imports entered in 2006 under one of the following provisions: (1) unconditionally free under NTR duties; (2) conditionally free under GSP; (3) conditionally

[13] (...continued)
preferential duty rate of free in that year. Notwithstanding the opportunity for CBERA duty-free entry, some petroleum and petroleum products from Trinidad and Tobago and Guatemala are entered at full NTR duty rates.

free under the production-sharing provisions of HTS heading 9802.00.80;[14] (4) conditionally free under CBERA;[15] or (5) free of duty under other provisions. Table 2-6 shows the breakdown of dutiable imports and duty-free imports. In this table data have been adjusted to exclude imports into the U.S. Virgin Islands and for entries made by the importer under inappropriate U.S. duty provisions, mainly where CBERA preferences were claimed for products that are NTR duty free. Therefore, some data in table 2-6 may differ from their counterparts in tables 2-7, 2-8, and 2-9, which are unadjusted (i.e., based on entries as reported).

The share of imports entering free of duty under the original CBERA rose from 11.0 percent in 2004 to 11.2 percent in 2005 and to 15.4 percent in 2006. With CBTPA imports included, the share of total imports entering free of duty under CBERA was 39.8 percent in 2004, 38.9 percent in 2005, and 38.7 percent in 2006, with a major drop in the share of imports under CBTPA largely offsetting the increase in the share under original CBERA. The four countries that left CBERA in 2006 were major apparel producers within CBERA and about 75 percent of imports under CBTPA in 2005 were apparel imports. The increase in the share of imports under original CBERA in 2006 can be largely attributed to major increases in imports of methanol, fuel-grade ethanol, and fresh pineapples.

In 2006, the share of duty-free U.S. imports under production-sharing provisions declined to 0.8 percent in contrast to the 21.0 percent of 2000 when CBTPA was only in effect for part of the year. The returning duty-free content (U.S. value) accounted for 1.8 percent in 2004, and 1.3 percent in 2005. The data reflect a shift in the production of apparel in the CBERA region from sewing apparel using U.S.-cut fabric, which qualifies the apparel for entry under the production-sharing provisions of HTS heading 9802.00.80, to cutting and sewing U.S.-made fabric in the region, which qualifies for duty-free entry under CBTPA provisions. In addition, the four countries that left CBERA, as major apparel producers, were major sources of apparel entered under the production-sharing provisions of HTS heading 9802.00.80.

Imports under CBERA

In 2006, U.S. imports under CBERA preferences decreased by 19.6 percent to $9.9 billion from $12.3 billion in 2005, mostly as a result of El Salvador, Guatemala, Honduras, and Nicaragua leaving CBERA during 2006. The decrease in U.S. imports under CBERA preferences was similar to the 19.0 percent decline in total U.S. imports from CBERA countries but in contrast to the 11.0 percent increase in overall U.S. imports from the world and the 4.0 percent increase in total imports from full-year CBERA beneficiaries.

[14] Excludes imports under HTS 9802.00.8044 (apparel assembled from U.S.-formed and -cut fabric from U.S. yarn) and HTS 9802.00.8046 (luggage assembled from U.S.-formed and -cut fabric from U.S. yarn), which enter 100 percent free of duty under CBTPA provisions.

[15] Including CBTPA and Puerto Rico-CBI. See footnote 35 in chapter 1.

Table 2-6
U.S. imports for consumption from CBERA countries, by duty treatment, 2002-06

Item	2002	2003	2004	2005	2006
	Value (*thousand dollars, customs value*)				
Total imports	21,184,912	24,276,589	27,428,620	31,627,520	25,592,740
Dutiable value[a]	5,462,109	4,902,482	5,770,423	7,180,640	5,033,034
Production sharing[b]	942,958	816,546	967,642	793,612	327,736
CBERA reduced duty	15,617	8,336	10,109	7,668	1,469
CBTPA reduced duty	1,016,897	245	991	5,611	9,527
Other dutiable	3,486,637	4,077,355	4,791,680	6,373,749	4,694,303
Duty-free value[c]	15,722,803	19,374,106	21,658,197	24,446,879	20,559,706
NTR[d]	5,822,878	8,060,485	9,696,893	11,045,271	9,889,991
Production sharing[e]	687,408	419,410	501,183	412,599	192,396
CBERA[f]	2,909,634	2,956,724	3,018,471	3,555,681	3,953,263
CBTPA	6,061,113	7,461,819	7,906,536	8,767,325	5,951,171
GSP[g]	93,074	253,194	349,350	464,838	382,442
Other duty-free[h]	148,697	222,474	185,765	201,165	190,442
	Percent of total				
Total imports	100.0	100.0	100.0	100.0	100.0
Dutiable value[a]	25.8	20.2	21.0	22.7	19.7
Production sharing[b]	4.5	3.4	3.5	2.5	1.3
CBERA reduced duty	0.1	([i])	([i])	([i])	([i])
CBTPA reduced duty	4.8	([i])	([i])	([i])	([i])
Other dutiable	16.5	16.8	17.5	20.2	18.3
Duty-free value[c]	74.2	79.8	79.0	77.3	80.3
NTR[d]	27.5	33.2	35.4	34.9	38.6
Production sharing[e]	3.2	1.7	1.8	1.3	0.8
CBERA[f]	13.7	12.2	11.0	11.2	15.4
CBTPA	28.6	30.7	28.8	27.7	23.3
GSP[g]	0.4	1.0	1.3	1.5	1.5
Other duty-free[h]	0.7	0.9	0.7	0.6	0.7

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

Note: This table and table 2-5 use adjusted data. The adjusted data differ from their counterparts in the other tables, which contain data based on unadjusted, reported entries. U.S. Virgin Islands data have been excluded from this table.

Note: Because of rounding, figures may not add to the totals shown. Data for 2006 include U.S. imports from El Salvador, Guatemala, Honduras, and Nicaragua only for the period during which those countries were eligible for CBERA benefits before CAFTA-DR entered into force.

[a] Dutiable value excludes the U.S. content entered under HTS heading 9802.00.80 and heading 9802.00.60, and misreported imports.
[b] Value of Caribbean Basin-origin value added, under HTS heading 9802.00.80 and heading 9802.00.60, excluding items entered under CBERA, CBTPA, or GSP provisions.
[c] Calculated as total imports less dutiable value.
[d] Value of imports which have an NTR duty rate of free.
[e] Value of nondutiable exported and returned U.S.-origin products or components, under HTS heading 9802.00.80 and heading 9802.00.60, excluding items entered under CBERA or GSP provisions.
[f] Reduced by the value of unconditionally 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.
[g] Reduced by the value of unconditionally duty-free imports and ineligible items that were misreported as entering under the GSP program.
[h] Calculated as a remainder, and represents imports entering free of duty under column 1-special and other special programs.
[i] Less than 0.05 percent.

Imports by Country

U.S. imports under CBERA preferences by sources during the last five years are reported in table 2-7. Countries are grouped into those that were CBERA beneficiaries for the full year of 2006 and those that were CBERA beneficiaries only during part of 2006. Figure 2-3 illustrates the data for 2004 and 2006. As table 2-7 shows, U.S. imports under CBERA for the full-year CBERA beneficiaries increased 19.1 percent to $8.4 billion in 2006 from $7.1 billion in 2005. This increase, substantially higher than the 4.0 percent increase in total U.S. imports from full-year CBERA beneficiaries and the 11.0 percent increase in overall U.S. imports from the world, was mostly the result of the increase in the value of energy and related chemical products. In addition, U.S. imports under CBERA from the full-year CBERA beneficiaries in 2006 represented a substantial share of U.S. imports under CBERA preferences of energy and related chemical products—97.0 percent of mineral fuels (HTS chapter 27), 100 percent of inorganic chemicals (HTS chapter 28), and 99.9 percent of organic chemicals (HTS chapter 29).

In 2006, U.S. imports under CBERA were dominated by countries that produced energy and related chemical products, and apparel. One country alone, Trinidad and Tobago, accounted for 97.2 percent of energy and related products entering under CBERA. Three countries—Costa Rica, the Dominican Republic, and Haiti—accounted for 64.8 percent of U.S. apparel imports entering under CBERA. The increase in the relative importance of Costa Rica and Haiti in U.S. imports of apparel and the substantial reduction in the value of U.S. apparel imports under CBERA are due mostly to the move of the four Central American countries from CBERA to CAFTA-DR during 2006,[16] although the end of the Agreement on Textiles and Clothing (ATC) in 2005 also played a role.[17] In contrast to the marked decline in U.S. imports of apparel under CBERA, the value of U.S. imports of energy and related chemical products entering under CBERA preferences increased substantially.

Four full-year 2006 CBERA beneficiaries—Trinidad and Tobago, the Dominican Republic, Costa Rica, and Haiti—accounted for 79.9 percent of all U.S. imports entering under CBERA preferences in 2006 (table 2-7 and figure 2-3). U.S. imports under CBERA from Trinidad and Tobago increased by 63.3 percent in 2005 and 34.5 percent in 2006. U.S. imports under CBERA from the Dominican Republic decreased in both years, 4.4 percent in 2005 and 0.1 percent in 2006, while those from Costa Rica increased 7.3 percent and 19.4 percent, respectively. U.S. imports under CBERA from Haiti increased by 39.0 percent in 2005 and 25.0 percent in 2006.

Trinidad and Tobago was the single largest supplier of U.S. imports under CBERA in 2006, mainly stemming from its abundant petroleum and natural gas resources. Imports under CBERA preferences from Trinidad and Tobago totaled $3.7 billion in 2006, as its share of total U.S. imports under CBERA continued to increase from 15.3 percent in 2004 to 22.2 percent in 2005 and 37.1 percent in 2006. The yearly share increases are mainly the result of higher prices for crude oil and methanol, increases in the country's production and export

[16] In 2005, El Salvador, Guatemala, Honduras and Nicaragua combined accounted for 65.7 percent of U.S. imports of apparel under CBERA preferences. This share declined to 33.0 percent in 2006 since these countries were CBERA beneficiaries for only part of the year.

[17] See the Textiles and Apparel section in this chapter.

Table 2-7
U.S. imports for consumption under CBERA, by source, 2002-06

Source	2002	2003	2004	2005	2006	Change 2004-05	Change 2005-06	Change 2004-06
	Value *(1,000 dollars)*					*Percent*		
Full-year 2006 CBERA beneficiaries:[a]								
Trinidad and Tobago	1,173,434	1,410,853	1,674,430	2,734,524	3,677,726	63.3	34.5	119.6
Dominican Republic	2,679,342	2,614,736	2,598,254	2,483,579	2,481,035	-4.4	-0.1	-4.5
Costa Rica	1,154,516	1,083,025	1,078,966	1,157,763	1,382,065	7.3	19.4	28.1
Haiti	176,509	210,690	218,264	303,390	379,321	39.0	25.0	73.8
Jamaica	194,059	178,939	166,708	152,163	245,755	-8.7	61.5	47.4
Bahamas	70,881	87,996	92,705	111,345	125,056	20.0	12.3	34.9
Belize	42,834	41,583	44,477	54,749	72,221	23.1	31.9	62.4
Panama	41,551	40,834	32,791	40,751	33,828	24.3	-17.0	3.2
St. Kitts and Nevis	27,305	25,713	29,663	25,211	24,750	-15.0	-1.8	-16.6
St. Lucia	7,980	5,288	5,836	6,353	7,076	8.9	11.4	21.3
Guyana	21,912	16,668	21,048	6,721	5,098	-68.1	-24.2	-75.8
Barbados	12,357	6,951	3,513	3,859	4,765	9.9	23.5	35.6
Netherlands Antilles	3,089	2,714	5,206	6,763	2,157	29.9	-68.1	-58.6
British Virgin Islands	66	229	319	198	223	-37.9	12.3	-30.2
St. Vincent and the Grenadines	5,514	2,536	2,925	521	210	-82.2	-59.6	-92.8
Aruba	23	69	29	30	171	3.3	467.2	485.8
Dominica	374	2,528	369	79	66	-78.5	-16.8	-82.1
Grenada	37	3	11	9	56	-12.6	508.5	431.7
Antigua and Barbuda	43	60	51	34	23	-34.4	-30.4	-54.4
Montserrat	0	0	0	0	0	0.0	0.0	0.0
Total of above	5,611,826	5,731,416	5,975,565	7,088,042	8,441,602	18.6	19.1	41.3
Part-year 2006 CBERA beneficiaries:[b]								
Guatemala	1,044,628	1,088,930	1,189,520	1,246,183	652,845	4.8	-47.6	-45.1
Honduras	1,989,871	2,175,122	2,314,464	2,372,315	555,925	2.5	-76.6	-76.0
El Salvador	1,144,089	1,185,146	1,125,843	1,226,033	154,121	8.9	-87.4	-86.3
Nicaragua	212,845	249,015	331,229	403,798	110,981	21.9	-72.5	-66.5
Total of above	4,391,435	4,698,213	4,961,056	5,248,330	1,473,872	5.8	-71.9	-70.3
Total	10,003,260	10,429,629	10,936,621	12,336,372	9,915,473	12.8	-19.6	-9.3

See footnotes at end of table.

Table 2-7–*Continued*
U.S. imports for consumption under CBERA, by source, 2002-06

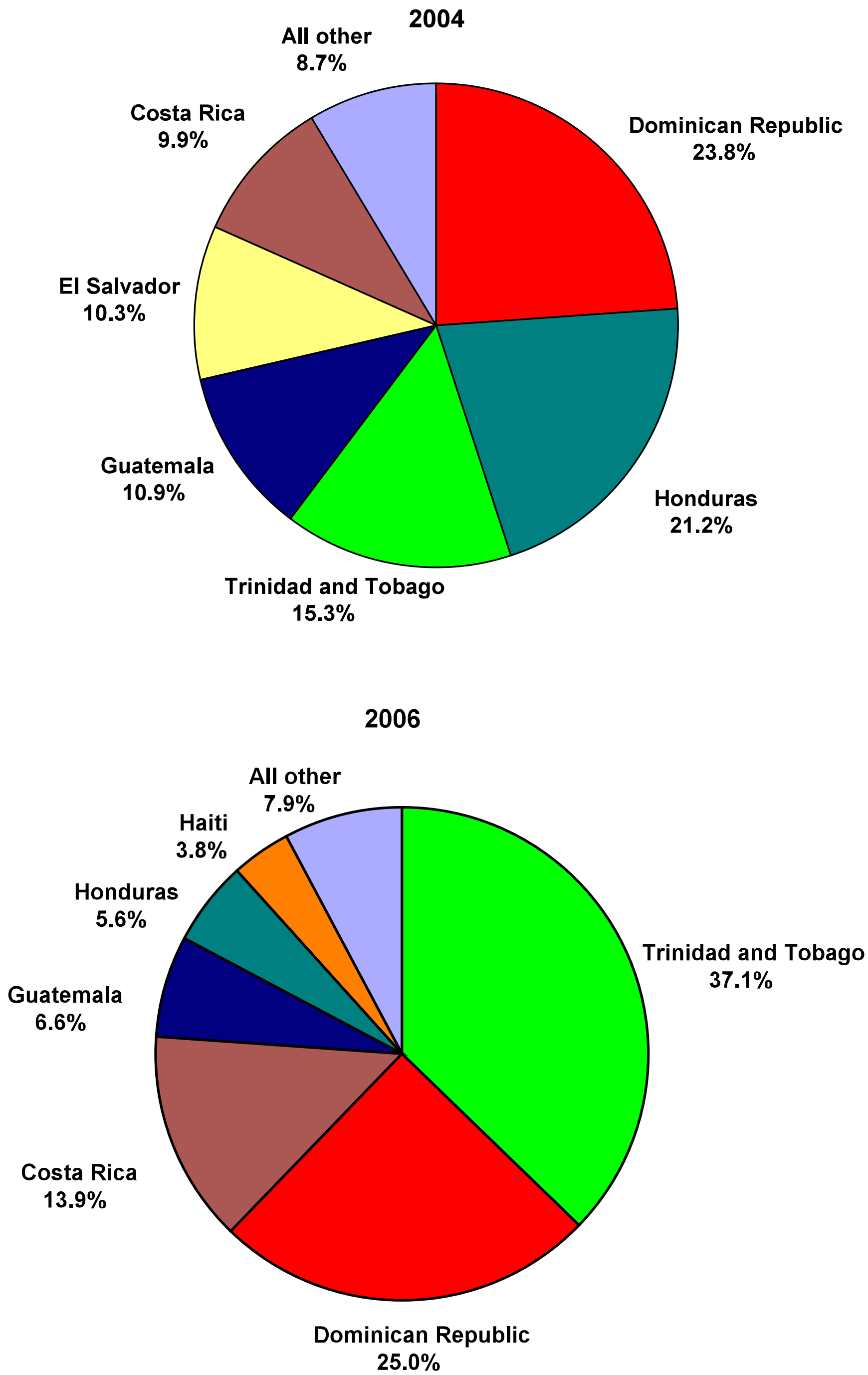
Source	2002	2003	2004	2005	2006	Change 2004-05	Change 2005-06	Change 2004-06
	Percent of total					*Percentage points*		
Full-year 2006 CBERA beneficiaries:[a]								
Trinidad and Tobago	11.7	13.5	15.3	22.2	37.1	6.9	14.9	21.8
Dominican Republic	26.8	25.1	23.8	20.1	25.0	-3.6	4.9	1.3
Costa Rica	11.5	10.4	9.9	9.4	13.9	-0.5	4.6	4.1
Haiti	1.8	2.0	2.0	2.5	3.8	0.5	1.4	1.8
Jamaica	1.9	1.7	1.5	1.2	2.5	-0.3	1.2	1.0
Bahamas	0.7	0.8	0.9	0.9	1.3	0.1	0.4	0.4
Belize	0.4	0.4	0.4	0.4	0.7	(c)	0.3	0.3
Panama	0.4	0.4	0.3	0.3	0.3	(c)	(c)	(c)
St. Kitts and Nevis	0.3	0.3	0.3	0.2	0.3	-0.1	(c)	(c)
St. Lucia	0.1	0.1	0.1	0.1	0.1	(c)	(c)	(c)
Guyana	0.2	0.2	0.2	0.1	0.1	-0.1	(c)	-0.1
Barbados	0.1	0.1	(c)	(c)	(c)	(c)	(c)	(c)
Netherlands Antilles	(c)	(c)	(c)	(c)	(c)	(c)	(c)	(c)
British Virgin Islands	(c)	(c)	(c)	(c)	(c)	(c)	(c)	(c)
St. Vincent and the Grenadines	0.1	(c)	(c)	(c)	(c)	(c)	(c)	(c)
Aruba	(c)	(c)	(c)	(c)	(c)	(c)	(c)	(c)
Dominica	(c)	(c)	(c)	(c)	(c)	(c)	(c)	(c)
Grenada	(c)	(c)	(c)	(c)	(c)	(c)	(c)	(c)
Antigua and Barbuda	(c)	(c)	(c)	(c)	(c)	(c)	(c)	(c)
Montserrat	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total above	56.1	54.9	54.5	57.4	85.1	2.9	27.6	30.5
Part-year 2006 CBERA beneficiaries:[b]								
Guatemala	10.4	10.4	10.9	10.1	6.6	-0.8	-3.5	-4.3
Honduras	19.9	20.9	21.2	19.2	5.6	-1.9	-13.6	-15.6
El Salvador	11.4	11.4	10.3	9.9	1.6	-0.4	-8.4	-8.7
Nicaragua	2.1	2.4	3.0	3.3	1.1	0.2	-2.2	-1.9
Total of above	43.9	45.0	45.4	42.2	14.9	-2.8	-27.7	-30.5
Total	100.0	100.0	100.0	100.0	100.0	0.0	0.0	0.0

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

Note: Data for 2006 include U.S. imports from El Salvador, Guatemala, Honduras, and Nicaragua only for the period during which those countries were eligible for CBERA benefits before CAFTA-DR entered into force. Because of rounding, figures may not add to totals shown.

[a] Countries that were CBERA beneficiaries as of December 31, 2006.
[b] Countries for which CAFTA-DR entered into force during 2006, but were CBERA beneficiaries during a portion of 2006.
[c] Less than 0.05.

Figure 2-3
U.S. imports under CBERA, by sources, 2004 and 2006



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

Note: Percentages may not add to 100 because of rounding. Data for 2006 include U.S. imports from El Salvador, Guatemala, Honduras, and Nicaragua only for the period during which those countries were eligible for CBERA benefits before CAFTA-DR entered into force.

capacity in recent years,[18] and the exit from CBERA of CAFTA-DR countries. Trinidad and Tobago was the leading supplier of four of the leading 20 items in table 2-8. Light crude oil and methanol (derived from natural gas) accounted for 73.6 percent of U.S. imports under CBERA from Trinidad and Tobago in 2006.

The Dominican Republic was the leading supplier of U.S. imports under CBERA from the beginning of the program until 2005, when it was displaced by Trinidad and Tobago. In 2006, U.S. imports under CBERA from the Dominican Republic were $2.5 billion. However, the Dominican Republic's share of total U.S. imports under CBERA increased to 25.0 percent in 2006 from 20.1 percent in 2005. The relative increase is mainly due to the move to CAFTA-DR by the four Central American countries. The Dominican Republic was the leading supplier of 10 of the 20 leading items shown in table 2-8. Of the five leading import items under CBERA from the Dominican Republic, two were apparel items (see table D-1 in appendix D). Precious metal jewelry, higher priced cigars, and automatic circuit breakers were the other three.[19]

Costa Rica was the third leading source of U.S. imports under CBERA in 2006. Imports under CBERA from Costa Rica totaled $1.4 billion in 2006 as its share of total imports under CBERA increased to 13.9 percent in 2006 from 9.4 percent in 2005. Costa Rica was the leading supplier of 2 of the leading 20 items in table 2-8. The five leading import items under CBERA from Costa Rica were apparel, fresh or dried pineapples in crates, fresh or dried pineapples reduced in size, fresh or dried pineapples in bulk, and ethyl alcohol.

Haiti was the fourth leading source of U.S. imports under CBERA in 2006 among full-year beneficiaries, mainly because of its strength as an apparel supplier. U.S. imports under CBERA preferences from Haiti totaled $379.3 million in 2006 as its share of total imports under CBERA increased to 3.8 percent in 2006 from 2.5 percent in 2005. Haiti was the leading supplier of one of the leading 20 items in table 2-8. All of the five leading items entered under CBERA from Haiti were apparel items and accounted for 92.3 percent of total U.S. imports under CBERA from this country.

Jamaica was the fifth leading source of U.S. imports under CBERA in 2006 among full-year beneficiaries. U.S. imports from Jamaica under CBERA preferences totaled $245.8 million in 2006 as its share of total imports under CBERA increased to 2.5 percent in 2006 from 1.2 percent in 2005. Jamaica was the leading supplier of one of the leading 20 items in table 2-8. Of the five leading import items under CBERA from Jamaica, ethanol was the main item accounting for 67 percent of U.S. imports under CBERA preferences from that country.[20] The other three were apparel items, followed by fresh or chilled yams.

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[18] See USITC, *CBERA, Seventeenth Report, 2003-2004,* 2-27.

[19] CAFTA-DR entered into force for the Dominican Republic on March 1, 2007. Presidential Proclamation 8111 (Feb. 28, 2007).

[20] Jamaica, Costa Rica, Trinidad and Tobago, and El Salvador were the suppliers of U.S. imports of ethanol under CBERA in 2006, with shares of 59.4 percent, 27.9 percent, 9.0 percent, and 3.7 percent, respectively. U.S. imports of fuel-grade ethanol under CBERA ranked seventh among the leading 20 items in table 2-8 reflecting substantial increases in value—89.6 percent in 2005 and 51.0 percent in 2006. The increase in value of these imports was due to price increases but mostly to the upgrading or construction of new dehydration plants that came on line in 2005. In Jamaica two plants started processing ethanol in 2005—Petrojam Ethanol Ltd. and an ethanol dehydrator operated by ED&F Man Holdings Ltd. In Trinidad and Tobago, Trinidad Bulk Traders Ltd., a new state-of-the-art ethanol dehydration plant, started operations in 2005. In El Salvador, a new plant started processing ethanol in 2005.

Table 2-8
Leading U.S. imports for consumption under CBERA, 2004-06

HTS number	Description	2004	2005	2006	Change 2004-05	Change 2005-06	Change 2004-06	Leading CBERA source
		--------------(*1,000 dollars*)-------------			--------------*Percent*---------------			
2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more.	802,713	1,076,028	1,693,823	34.0	57.4	111.0	Trinidad and Tobago
2905.11.20	Methanol (methyl alcohol), n.e.s.o.i..	460,208	700,604	1,029,660	52.2	47.0	123.7	Trinidad and Tobago
6109.10.00	T-shirts, singlets, tank tops, and similar garments, knitted or crocheted, of cotton..	1,266,969	1,301,437	607,282	2.7	-53.3	-52.1	Dominican Republic
2710.19.05	Distillate and residual fuel oil (including blends) derived from petroleum or oils from bituminous minerals, testing under 25 degrees A.P.I..	205,236	474,595	517,694	131.2	9.1	152.2	Trinidad and Tobago
6203.42.40	Men's or boys' trousers, breeches, and shorts, not knitted or crocheted, of cotton, not containing 15 percent or more down.	797,626	730,118	449,480	-8.5	-38.4	-43.6	Dominican Republic
6110.20.20	Sweaters, pullovers, sweatshirts, waistcoats, and similar articles, knitted or crocheted, of cotton, n.e.s.o.i..	830,281	1,033,152	392,969	24.4	-62.0	-52.7	Honduras
2207.10.60	Undenatured ethyl alcohol for nonbeverage purposes.	96,813	183,568	277,154	89.6	51.0	186.3	Jamaica
0804.30.40	Pineapples, fresh or dried, not reduced in size, in crates or other packages.	99,141	222,797	245,597	124.7	10.2	147.7	Costa Rica
2710.11.45	Mixtures of hydrocarbons n.e.s.o.i., none comprising over half of product, 70% or more by weight from petroleum oils and bituminous minerals.	14,369	182,195	245,278	1,167.9	34.6	1,607.0	Trinidad and Tobago
7113.19.50	Articles of jewelry and parts thereof, of precious metal except silver,except necklaces and clasps.	193,815	192,918	234,104	-0.5	21.3	20.8	Dominican Republic
2402.10.80	Cigars, cheroots and cigarillos, each valued 23 cents or over.	250,000	267,587	210,585	7.0	-21.3	-15.8	Dominican Republic
6107.11.00	Men's or boys' underpants and briefs, knitted or crocheted, of cotton.	376,493	400,512	171,011	6.4	-57.3	-54.6	Dominican Republic
6203.43.40	Men's or boys' trousers, breeches, and shorts, not knitted or crocheted, of synthetic fibers, n.e.s.o.i..	318,984	306,677	160,052	-3.9	-47.8	-49.8	Dominican Republic
6115.92.90	Stockings, socks, and other hosiery, not surgical and not containing lace or net, knitted or crocheted, of cotton, n.e.s.o.i..	213,763	188,188	153,502	-12.0	-18.4	-28.2	Dominican Republic
1701.11.10	Raw sugar not containing added flavoring or coloring.	138,293	144,325	140,276	4.4	-2.8	1.4	Dominican Republic
8536.20.00	Automatic circuit breakers, for a voltage not exceeding 1,000 volts	94,771	84,907	134,598	-10.4	58.5	42.0	Dominican Republic
6109.90.10	T-shirts, singlets, tank tops, and similar garments, knitted or crocheted, of man-made fibers.	154,890	213,489	127,476	37.8	-40.3	-17.7	Haiti
6204.62.40	Women's or girls' trousers, breeches, and shorts, not knitted or crocheted, of cotton, n.e.s.o.i..	294,025	249,988	122,519	-15.0	-51.0	-58.3	Costa Rica
3903.11.00	Polystyrene, expandable, in primary forms.	86,518	107,456	121,455	24.2	13.0	40.4	Bahamas
6212.10.90	Brassieres, not containing lace, net, or embroidery, not 70 percent or more silk, whether or not knitted or crocheted.	337,205	279,473	117,029	-17.1	-58.1	-65.3	Dominican Republic
	Total of above.	7,032,111	8,340,015	7,151,546	18.6	-14.3	1.7	
	All other..	3,904,510	3,996,357	2,763,928	2.4	-30.8	-29.2	
	Total.	10,936,621	12,336,372	9,915,473	12.8	-19.6	-9.3	

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

Note: Data for 2006 include U.S. imports from El Salvador, Guatemala, Honduras, and Nicaragua only for the period during which those countries were eligible for CBERA benefits before CAFTA-DR entered into force. Because of rounding, figures may not add to totals shown. The abbreviation, "n.e.s.o.i." stands for "not elsewhere specified or included."

Product Composition and Leading Items

Mineral fuels and apparel became the leading import categories under CBERA in 2006 after they became eligible for preferences under CBTPA. Mineral fuels (HTS chapter 27) and two apparel categories, knitted apparel (HTS chapter 61) and non-knitted apparel (HTS chapter 62), were the first, second, and third leading categories in 2006. As a share of U.S. imports under CBERA, mineral fuels accounted for 27.0 percent in 2006, an increase from 17.1 in 2005. Knitted and non-knitted apparel collectively accounted for 32.1 percent in 2006, a decline from 53.3 percent in 2005 as a result of four of the leading apparel producers leaving CBERA in 2006.

Table 2-9 shows U.S. imports under CBERA by major product categories (HTS chapters) for the years 2002 through 2006, while figure 2-4 illustrates the data for 2002 and 2006. In addition to mineral fuels and the apparel categories mentioned above, major categories include organic chemicals (HTS chapter 29), edible fruit and nuts (HTS chapter 8), and electrical machinery (HTS chapter 85). Leading HTS chapters in U.S. imports under CBERA preferences in 2006 are discussed below, in conjunction with the top tariff items classified under each chapter.

Mineral fuels was the leading category of U.S. imports under CBERA preferences measuring \$2.7 billion in 2006, reflecting an increase of 26.9 percent from \$2.1 billion in 2005. U.S. imports of crude oil (HTS 2709) under CBERA increased 46.6 percent to \$1.8 billion in 2006 from \$1.2 billion in 2005. U.S. imports of refined petroleum products (HTS 2710) under CBERA increased only 0.4 percent to \$903.6 million in 2006, after a substantial increase of 141.2 percent in 2005.[21] Five chapter 27 import provisions—light crude oil (HTS 2709.00.20); heavy fuel oil (HTS 2710.19.05); light oil mixtures (HTS 2710.11.45); heavy crude oil (HTS 2709.00.10); and naphthas (HTS 2710.11.25)—accounted for 97.4 percent of chapter 27 imports under CBERA preferences in 2006. The value of U.S. imports of light oil mixtures was \$245.3 million in 2006, reflecting an increase of 34.6 percent in 2006, after a substantial increase of 1,167.9 percent in 2005. The change in 2006 is due to increases of 16.8 percent and 15.3 percent in unit value and quantity imported of light oil mixtures, while the change in 2005 was due to increases of 29.4 percent and 879.7 percent in unit value and quantity imported, respectively. Almost 100 percent of the increase in the quantity imported of light oil mixtures that entered under CBERA was supplied by Trinidad and Tobago, a country that is a CBTPA beneficiary.

Knitted apparel was the second leading category of imports under CBERA in 2006, with a share of 20.0 percent of the value of all imports under CBERA, down from 35.6 percent in 2005. The value of U.S. imports of knitted apparel under CBERA declined 54.9 percent in 2006 in contrast to a 6.3 percent increase in 2005. The decrease in both the share and the value of imports of knitted apparel under CBERA in 2006 was primarily because of the move of four Central American countries from CBERA to CAFTA-DR.[22] The largest U.S. import items under CBERA in 2006 were knitted cotton t-shirts (HTS 6109.10.00), knitted cotton tops (HTS 6110.20.20), men's or boys' knitted cotton underpants (HTS 6107.11.00),

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[21] This chapter reports U.S. imports by 2-digit and 8-digit HTS classification in most sections. However, because the CBERA legislation deals with petroleum and petroleum products under the two 4-digit HTS specifications, trade data for these provisions are included here at this same 4-digit level.

[22] See the section on Textiles and Apparel in this chapter.

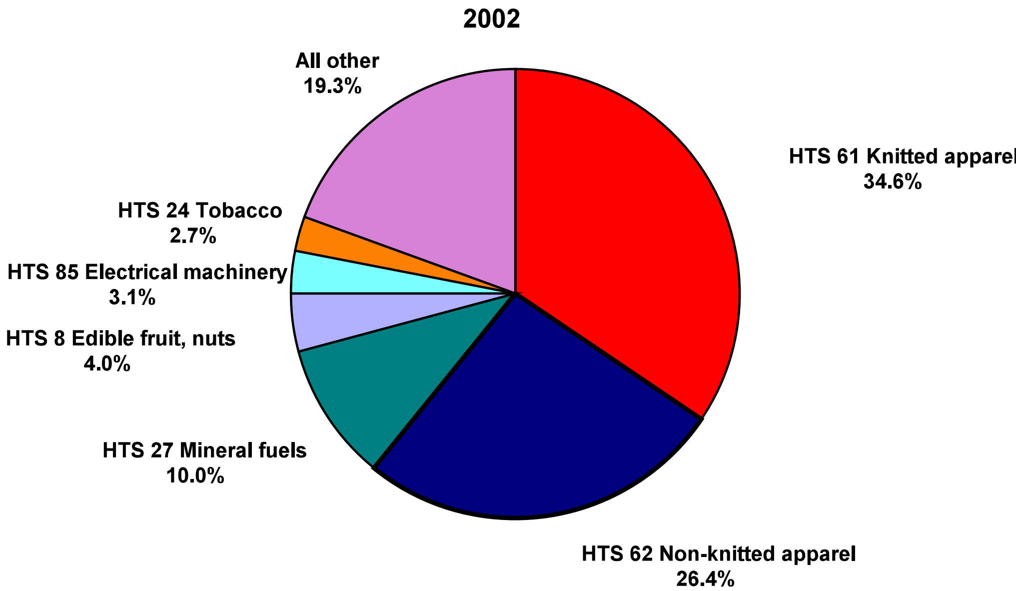
Table 2-9
Leading U.S. imports for consumption under CBERA, by major product categories, 2002–06

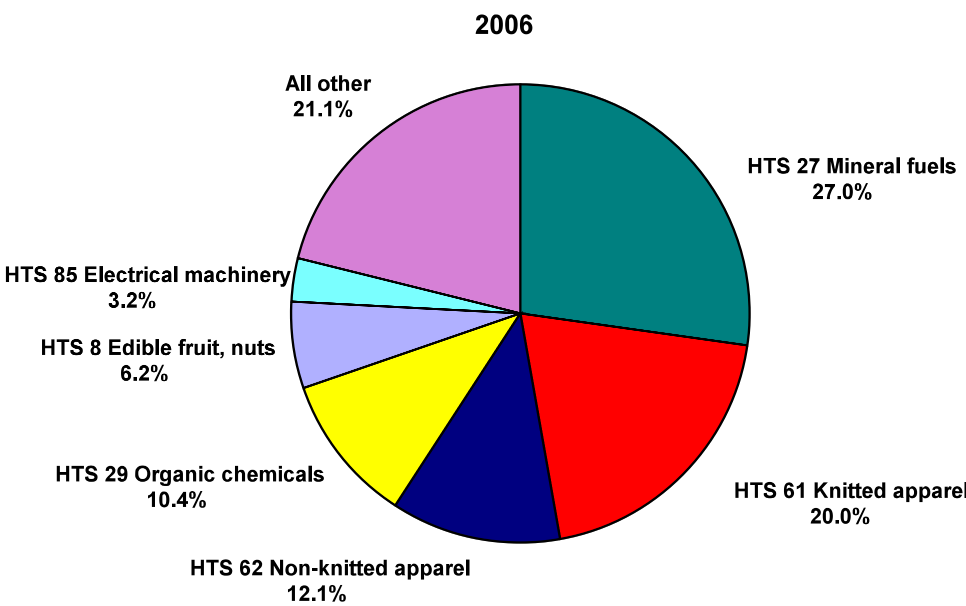
HTS chapter	Description	2002	2003	2004	2005	2006
		Value *(1,000 dollars)*				
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	996,610	1,158,551	1,355,361	2,107,682	2,673,932
61	Articles of apparel and clothing accessories, knitted or crocheted	3,461,319	3,886,864	4,136,379	4,396,758	1,985,092
62	Articles of apparel and clothing accessories, not knitted or crocheted	2,639,772	2,433,211	2,351,482	2,180,152	1,198,237
29	Organic chemicals	221,314	343,174	466,524	711,459	1,030,808
8	Edible fruit and nuts; peel of citrus fruit or melons	396,268	402,712	389,859	452,693	616,138
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	307,350	306,917	296,676	277,368	317,716
22	Beverages, spirits and vinegar	92,094	94,006	111,721	205,058	306,832
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	240,663	228,157	254,133	260,663	279,248
24	Tobacco and manufactured tobacco substitutes	274,908	265,384	298,687	303,931	271,934
39	Plastics and articles thereof	161,514	151,111	142,235	181,633	200,693
	Total of above	8,791,811	9,270,087	9,803,056	11,077,396	8,880,631
	All other	1,211,449	1,159,542	1,133,565	1,258,976	1,034,843
	Total all commodities	10,003,260	10,429,629	10,936,621	12,336,372	9,915,473
		Percent of total				
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	10.0	11.1	12.4	17.1	27.0
61	Articles of apparel and clothing accessories, knitted or crocheted	34.6	37.3	37.8	35.6	20.0
62	Articles of apparel and clothing accessories, not knitted or crocheted	26.4	23.3	21.5	17.7	12.1
29	Organic chemicals	2.2	3.3	4.3	5.8	10.4
8	Edible fruit and nuts; peel of citrus fruit or melons	4.0	3.9	3.6	3.7	6.2
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	3.1	2.9	2.7	2.2	3.2
22	Beverages, spirits and vinegar	0.9	0.9	1.0	1.7	3.1
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	2.4	2.2	2.3	2.1	2.8
24	Tobacco and manufactured tobacco substitutes	2.7	2.5	2.7	2.5	2.7
39	Plastics and articles thereof	1.6	1.4	1.3	1.5	2.0
	Total of above	87.9	88.9	89.6	89.8	89.6
	All other	12.1	11.1	10.4	10.2	10.4
	Total all commodities	100.0	100.0	100.0	100.0	100.0

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

Note: Data for 2006 include U.S. imports from El Salvador, Guatemala, Honduras, and Nicaragua only for the period during which those countries were eligible for CBERA benefits before CAFTA-DR entered into force. Because of rounding, figures may not add to totals shown.

Figure 2-4
U.S. imports under CBERA, by major product categories, 2002 and 2006





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

Note: Percentages may not add to 100 because of rounding. Data for 2006 include U.S. imports from El Salvador, Guatemala, Honduras, and Nicaragua only for the period during which those countries were eligible for CBERA benefits before CAFTA-DR entered into force.

knitted cotton stockings and socks (HTS 6115.92.90), and knitted manmade fiber shirts (HTS 6109.90.10). These five import items accounted for 73.2 percent of HTS chapter 61 imports under CBERA in 2006.

The third leading category of imports from CBERA in 2006 was non-knitted apparel, with a 12.1 percent share of imports under CBERA, down from 17.7 percent in 2005. The value of U. S. imports of non-knitted apparel under CBERA declined in both years—7.3 percent in 2005 and 45.0 percent in 2006. In 2006, the share and the value of imports decreased mostly as a result of the entering into force of CAFTA-DR.[23] Among non-knitted apparel products, the largest U.S. imports under CBERA were men's or boys' woven cotton trousers and shorts (HTS 6203.42.40), men's or boys' woven manmade fiber trousers and shorts (HTS 6203.43.40), women's or girls' woven cotton trousers (HTS 6204.62.40), and brassieres (HTS 6212.10.90). These four import items accounted for 70.9 percent of non-knitted apparel imports under CBERA in 2006.

Organic chemicals (HTS chapter 29) ranked as the fourth leading U.S. import under CBERA in 2006, mainly due to substantial increases in imports of methanol (HTS 2905.11.20) from Trinidad and Tobago. Although the Dominican Republic was a minor supplier of methanol in 2006, Trinidad and Tobago supplied almost 100 percent of U.S. imports of methanol under CBERA. Methanol, produced from Trinidad and Tobago's abundant natural gas resources, accounted for 99.9 percent of HTS chapter 29 imports under CBERA in 2006. The value of U.S. imports of methanol under CBERA increased by 52.2 percent in 2005 and 47.0 percent in 2006. The increase in 2006 was due to a higher unit value and a larger quantity of methanol imported, 33.3 percent and 10.3 percent, respectively. The increase in 2005 resulted mostly from an increase of 80.6 percent in the quantity of methanol imported (unit value declined by 15.7 percent), reflecting a larger capacity to produce methanol in Trinidad and Tobago.[24]

Edible fruit and nuts (HTS chapter 8) ranked as the fifth leading U.S. import category under CBERA in 2006. Pineapples (HTS 0804.30) and melons (HTS 0807.19) accounted for 86.4 percent of chapter 8 imports under CBERA in 2006.

Electrical machinery (HTS chapter 85) was the sixth-leading import category under CBERA in 2006. Automatic circuit breakers (HTS 8536.20.00) accounted for 42.4 percent of chapter 85 imports under CBERA in 2006, of which the Dominican Republic was the sole supplier.

Textiles and Apparel

Trade Developments

The textile and apparel sector[25] was the second largest source of trade (after mineral fuels) between the United States and CBERA countries, accounting for 20 percent of the total value of two-way trade in 2006, down from 24 percent in 2005. Two-way trade in sector

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[23] Ibid.

[24] See USITC, *CBERA, Seventeenth Report, 2003-2004,* 2-27 for more information on investment in methanol production facilities in Trinidad and Tobago.

[25] In this report, the Commission defines the textile and apparel sector as including products classified in HTS Chapters 50-63.

goods in 2006 fell 52 percent from the 2005 level to $6.8 billion, reflecting a 54 percent decrease in U.S. imports to $4.5 billion and a 47 percent decrease in U.S. exports to $2.3 billion (table 2-10). The sector's share of total U.S. merchandise imports and exports (by value) with the region in 2006 was 28 percent and 13 percent, respectively, representing declines from their respective 2002 levels of 45 percent and 23 percent.

The CBERA countries' share of total U.S. imports of textiles and apparel (by value) in 2006 accounted for just under 5 percent, down by more than half from the 2005 level of 11 percent, and from the 2002 level of 13 percent. The substantial decline in U.S. imports of textiles and apparel in 2006 from CBERA beneficiaries primarily reflects the departure of four of the leading suppliers of textiles and apparel (El Salvador, Guatemala , Honduras, and Nicaragua) from the CBERA program into CAFTA-DR during 2006. Part of the decline is also attributable to the end of the Agreement on Textiles and Clothing (ATC) on January 1, 2005, that ended quotas and allowed lower cost suppliers, particularly China, India, and other Asian countries to become more competitive with suppliers in the CBERA countries.[26]

Several representatives of the U.S. apparel industry have indicated that recent changes in their industry, including the consolidation of retailers which led to a restructuring of the U.S. apparel market and the surge in private labels, have boosted the emphasis on speed to market, product design, and value-added merchandise, factors in which the CBERA countries are less competitive than China and other lower cost Asian suppliers.[27] Apparel producers in the Caribbean Basin reportedly also have higher costs of financing (11-12 percent interest rates compared with 6.25 percent in Asia), less ready access to capital than Asian producers,[28] and high electricity and cargo costs.[29] Limited infrastructure in some of the CBERA countries furthermore hampers transportation of goods.[30] Some industry sources have predicted that the poor condition of national road networks and lack of adequate port

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[26] Industry sources attribute declines in market shares of U.S. apparel imports from the CAFTA-DR countries to increasing competition from Asian countries such as China, Bangladesh, and Indonesia. See Economist Intelligence Unit (EIU), "Manufacturing: Honduras," *Business Latin America,* May 14, 2007, and "The Domestic Economy: Free Zone Output Falls, as Textiles Lose Out to China," *Country Report Dominican Republic*, May 1, 2007.

[27] Caribbean Central American Action, Notes from 30th Miami Conference on the Caribbean Basin: A United Third Border, Breakout sessions, "Apparel and Assembly - Reinventing the Region to be Innovative and Faster," December 5, 2006 and "Competitiveness: Reaching for Prosperity Through Productivity," December 6, 2006.

[28] Caribbean Central American Action, Notes from 30th Miami Conference on the Caribbean Basin: A United Third Border, Breakout sessions, "Apparel and Assembly - Reinventing the Region to be Innovative and Faster," December 5, 2006 and "Competitiveness: Reaching for Prosperity Through Productivity," December 6, 2006.

[29] High electricity and cargo costs were cited in a report by the technical secretary of the Dominican Republic's presidency as factors limiting the competitiveness of textile and apparel producers in the Dominican Republic. The study noted, however, that since 2006, most industrial parks have been granted "non-regulated consumer status and access to power at a lower cost" in an attempt to offset this problem. EIU, "The Domestic Economy: Free Zone Output Falls, as Textiles Lose Out to China," *Country Report Dominican Republic*, May 1, 2007.

[30] Caribbean Central American Action, Notes from 30th Miami Conference on the Caribbean Basin: A United Third Border, Breakout sessions, "Apparel and Assembly - Reinventing the Region to be Innovative and Faster," December 5, 2006 and "Competitiveness: Reaching for Prosperity Through Productivity," December 6, 2006.

Table 2-10
Textile and apparel:[a] U.S. imports from and exports to CBERA countries, 2002–06

Country	2002	2003	2004	2005	2006
	U.S. imports for consumption (customs value)				
	(*1,000 dollars*)				
Full-year 2006 CBERA beneficiaries[b]					
Dominican Republic.	2,198,664	2,174,340	2,114,814	1,922,009	1,623,691
Costa Rica.	733,918	597,834	527,528	492,684	474,717
Haiti..	223,271	298,632	330,456	410,131	451,727
Jamaica..	124,181	105,262	85,513	56,440	49,042
All other..	36,862	33,807	32,281	28,781	27,762
Total of above	3,316,896	3,209,875	3,090,592	2,910,045	2,626,939
Part-year 2006 CBERA beneficiaries[c]					
Guatemala.	1,673,454	1,776,176	1,962,855	1,833,524	847,316
Honduras.	2,508,741	2,576,414	2,752,959	2,700,172	594,703
El Salvador.	1,707,715	1,754,634	1,756,350	1,645,840	214,945
Nicaragua.	433,401	484,275	595,831	716,727	191,311
Total of above	6,323,311	6,591,499	7,067,995	6,896,263	1,848,275
Total for all countries.	9,640,207	9,801,374	10,158,587	9,806,309	4,475,215
	U.S. domestic exports (f.a.s. basis)				
	(*1,000 dollars*)				
Full-year 2006 CBERA beneficiaries[b]					
Dominican Republic.	1,282,421	1,259,942	1,262,856	1,087,653	1,022,967
Costa Rica.	428,785	347,535	340,857	286,992	254,524
Haiti..	164,095	192,037	189,061	227,670	176,596
Jamaica..	94,127	73,161	64,450	45,679	48,891
All other..	85,220	86,180	80,632	82,005	107,620
Total of above	2,054,648	1,958,855	1,937,856	1,729,999	1,610,598
Part-year 2006 CBERA beneficiaries[c]					
Honduras.	1,521,388	1,519,595	1,547,064	1,456,016	361,632
Guatemala.	369,101	396,218	437,304	393,329	177,167
El Salvador.	732,300	734,786	679,252	648,776	99,213
Nicaragua.	74,823	81,835	96,180	94,305	26,658
Total of above	2,697,612	2,732,434	2,759,800	2,592,426	664,670
Total for all countries.	4,752,260	4,691,289	4,697,656	4,322,425	2,275,268

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

Note: Data for 2006 include U.S. imports from El Salvador, Guatemala, Honduras, and Nicaragua only for the period during which those countries were eligible for CBERA benefits before CAFTA-DR entered into force.

[a] U.S. textile and apparel imports and exports in this table are classified in HTS chapters 50-63.
[b] Countries that were CBERA beneficiaries as of December 31, 2006.
[c] Countries for which CAFTA-DR entered into force during 2006, but were CBERA beneficiaries during a portion of 2006.

facilities in some countries such as Nicaragua will constrain their ability to take full advantage of the CAFTA-DR.[31]

Haiti was the only CBERA country for which U.S. textile and apparel imports registered a steady increase, more than doubling during 2002-06 to $452 million by 2006.[32] The recent growth in textile and apparel sector imports from Haiti may be attributed to the country's low-cost labor[33] relative to neighboring Dominican Republic and most of Central America, and to anticipation of and optimism toward the United States' enactment of the Haitian Hemispheric Opportunity Through Partnership Encouragement Act of 2006 (HOPE Act)[34] on December 20, 2006.[35] The HOPE Act amends the Caribbean Basin Economic Recovery Act and establishes special rules (Sec. 5002) that make Haiti eligible for new trade benefits for textiles and apparel products.

Nicaragua was the only other CBERA country that registered an increase in its exports of textiles and apparel to the United States in 2006 (including the period when it was under CAFTA-DR). The increase in total U.S. textile and apparel imports from Nicaragua can likely be attributed to the tariff preference level (TPL) that the CAFTA-DR grants the country which has been the smallest and least-developed apparel supplier among the CAFTA-DR countries.[36] However, this growth is not reflected in table 2-10, which only shows data for imports entered while Nicaragua was a CBERA beneficiary and not after its move to CAFTA-DR on April 1, 2006.

U.S. imports of sector goods from CBERA countries continued to consist primarily of apparel articles, particularly high-volume commodity garments that have reasonably predictable consumer demand and few styling changes, such as basic tops, pants, underwear, and nightwear. To enhance their competitiveness, some apparel producers in CBERA countries have added newer, lower-cost textile production facilities and have aligned their sewing operations around these fabric production centers.[37] Additionally, apparel producers in CBERA countries have continued to focus on moving beyond assembly of basic garments to higher value-added apparel products and full-package programs[38] to take advantage of

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[31] U.S. Department of State telegram, "Nicaragua: Weak Infrastructure Hampers Trade," prepared by U.S. Embassy, Managua, message reference No. 327, February 5, 2007.

[32] An economic profile for Haiti that includes a discussion of the impact of CBERA on Haiti's economy is presented in chapter 4 of this report.

[33] Minimum wages in Haiti are reportedly less than $2 a day, compared with more than $5 a day in the Dominican Republic and other Central American countries. Carol J. Williams, "Haiti Seeks U.S. Tariff Relief for Garment Industry," *www.latimes.com,* June 17, 2006, accessed July 3, 2006.

[34] Division D, Title V of Public Law 109-432.

[35] Jacqueline Charles, "Haiti: Business Climate's 'Getting Worse.'" *Miami Herald*, November 15, 2006; and remarks by Rene Garcia Preval, President of Haiti, "A Breakfast Discussion: U.S. Chamber of Commerce," Washington, DC, May 8, 2007.

[36] The TPL extends duty-free treatment for 10 years to a limited amount of cotton and manmade-fiber apparel made in Nicaragua from nonoriginating fabrics, provided that the fabrics are cut and sewn into garments in Nicaragua with regional thread. (Imports in excess of the TPL level are subject to the higher NTR rates of duty.)

[37] In 2005-06, Hanesbrands added new textile facilities in the Dominican Republic and Central America. "Dominican Republic: Hanesbrands to Axe 1,400 Jobs," *www.just-style.com*, May 4, 2007, accessed May 7, 2007.

[38] Full package programs typically refer to arrangements in which a supplier agrees to provide a range of services, such as apparel design, fabric procurement, and apparel assembly, packaging,

(continued...)

their proximity to the U.S. market.[39] Industry sources note, however, that full-package sourcing is still relatively underdeveloped in the region which prevents producers from competing effectively against Mexican and Asian suppliers. In addition, textile manufacturing for a variety of fabrics and other related operations such as dyeing, finishing, washing, and bleaching in the CBERA countries are limited because of statutory provisions.[40]

U.S. imports of textiles and apparel from CBERA countries that entered free of duty under CBTPA in 2006 fell 52 percent from the 2005 level to $3.2 billion, representing just over one-third of total U.S. imports of sector goods from the region (table 2-11).[41] One-fourth of the CBTPA duty-free imports consisted of apparel articles made of U.S. fabrics formed of U.S. yarns ($832 million) or made of regional knit fabrics formed of U.S. yarns ($761 million). The remainder of sector imports from the region in 2006 consisted of apparel articles that were either subject to NTR rates of duty[42] or eligible for a partial duty exemption under the traditional production-sharing provisions of HTS heading 9802.00.80 ($762 million) or CAFTA-DR.[43] Apparel imports from CBERA countries under HTS heading 9802.00.80.68 (807) and heading 9802.00.80.15, (the "807A" program) have declined substantially and steadily since the implementation of the CBTPA in 2000. U.S. importers have not only shifted from importing qualifying apparel articles previously entered under these production-sharing provisions to importing them under the duty-free provisions of the CBTPA (HTS heading 9802.00.80.44 and headings 9820.11.03-9820.11.33), but have also increased their sourcing from Asian suppliers.[44]

[38] (...continued)
and distribution, or any combination of these services.

[39] U.S. Department of State, Embassy of San Salvador, "More CAFTA-DR Trade Data and Successes, (SAN SALVADOR 453)," March 9, 2007.

[40] "Strategic Planning for the U.S. Textile Industry in the Post-Quota Era, Achieving Speed-to-Market Advantages with DR-CAFTA Countries," May 19, 2007, *Journal of Fashion Marketing and Management,* 246.

[41] These trade data represent U.S. general imports of goods subject to U.S. textile trade agreements; the data are available on the website of the U.S. Department of Commerce, Office of Textiles and Apparel (OTEXA) at *http://otexa.ita.doc.gov*. The sharp decline in U.S. imports under the CBTPA can be attributed to four of the leading CAFTA suppliers—Honduras, Guatemala, El Salvador, and Nicaragua—losing their CBTPA status when they moved to CAFTA-DR during 2006.

[42] Data for U.S. imports entering under NTR duty rates are not available for the countries that were CBERA beneficiaries during a portion of 2006 and then became part of CAFTA-DR during the same year.

[43] Under HTS heading 9802.00.80 (before 1989, item 807.00 of the former Tariff Schedule of the United States), U.S. importers receive a partial duty exemption for goods assembled abroad in whole or in part of U.S. components. In brief, duty is assessed only on the value added abroad (mainly the cost of sewing the garment parts together). The fabric for making the garment parts can be of either U.S. or foreign origin as long as it is cut to shape in the United States and exported ready for assembly. The United States also had a "special access program" (commonly known as "807A") that allowed apparel made in participating CBERA countries from U.S.-formed and cut fabric to enter under preferential quotas known as guaranteed access levels, but still be subject to duty on the value added abroad. Since the elimination of quotas on January 1, 2005, the 807A program no longer applies.

[44] According to a representative of the American Apparel and Footwear Association, "U.S. apparel buyers have shifted the sourcing mix in the region, but have not put new sourcing in the
(continued...)

Table 2-11
Textile and apparel: U.S. general imports from CBERA countries, 2006
(*Million dollars*)

Country	Duty-free under the CBTPA assembled from-- U.S. fabrics[a]	Regional knit fabrics	Total[b]	Under HTS heading 9802.00.80[c]	At NTR duty rates[d]	Grand total[e]
Honduras	70.0	169.2	473.7	115.2	NA	2,445.4
Guatemala	6.6	213.2	367.0	119.5	NA	1,678.3
Dominican Republic	375.2	121.5	1,362.4	121.8	66.3	1,550.5
El Salvador	32.9	37.4	138.8	206.3	NA	1,433.2
Nicaragua	14.3	21.3	68.9	17.2	NA	879.4
Costa Rica	176.0	20.5	339.6	106.7	33.2	479.5
Haiti	99.5	172.3	364.4	72.8	12.5	449.7
Jamaica	39.2	5.7	46.6	2.0	0.3	48.9
Other.	18.7	0	21.9	0.4	5.6	27.9
Total	832.4	761.1	3,183.3	761.9	NA	8,992.7

Source: Compiled from official statistics of the U.S. Department of Commerce, found at http://otexa.ita.doc.gov.

Note: Because of rounding, figures may not add to totals shown (except as noted in footnotes a, b, c, and d).

[a] Includes apparel assembled in CBTPA-eligible countries from U.S.-formed and -cut fabric made from U.S.-formed yarn imported under HTS provision 9802.00.8044.

[b] Also includes imports of apparel made in CBERA countries from yarns or fabrics that are not produced in the United States in commercial quantities. Imports of such apparel from CBERA countries enter free of duty under CBTPA.

[c] Under HTS provisions 9802.00.8068 (articles assembled from any fabric cut in the United States) and 9802.00.8015 (apparel assembled from U.S. formed and cut fabric), U.S. importers receive a partial duty exemption for articles assembled abroad in whole or in part of U.S. components. In general, the duty is assessed only on the value added abroad (mainly the cost of sewing the garment parts together). The fabric for making the garment parts can be of either U.S. or foreign origin as long as the fabric is cut to shape (components) in the United States, exported ready for assembly, and not advanced in value abroad except by assembly and incidental operations. For this table, data for imports under HTS provision 9802.00.8044 are reported under the column for "Duty-free under the CBTPA assembled from U.S. fabrics."

[d] U.S. imports entering under NTR duty rates for the CBERA countries that joined the CAFTA-DR during 2006 (El Salvador, Guatemala, Honduras, and Nicaragua) cannot be tallied because data were not yet available for imports entering under CAFTA-DR at the time of publication of this study.

[e] For former CBTPA beneficiary countries, this includes imports under NTR and CAFTA, in addition to the enumerated categories.

U.S. exports of textiles and apparel to CBERA countries declined 47 percent from the 2005 level of $4.3 billion to just under $2.3 billion in 2006 (table 2-12), principally because four of these countries (El Salvador, Guatemala, Honduras, and Nicaragua) moved to CAFTA-DR during 2006. Nevertheless, the CBERA countries as a group remained the second-largest export market for the U.S. textile mill industry, after Mexico, accounting for 24 percent of

[44] (...continued)
region as evidenced by the switch from traditional 807A programs to 809 (allows duty-free imports of apparel made from fabric of yarn spun in the United States that has undergone dyeing, design, cutting, assembly, and finishing in the region) and regional fabric programs (which were made duty free under CBTPA)." Stephen Lamar, Senior Vice President, American Apparel and Footwear Association, e-mail to Commission staff, June 26, 2007.

Table 2-12
Textile and apparel:[a] U.S. sector exports to CBERA beneficiary countries, 2002-06

	2002	2003	2004	2005	2006
	1,000 dollars				
Apparel	2,376,490	2,130,653	1,785,950	1,514,330	820,308
Textiles	2,375,769	2,560,636	2,911,706	2,808,095	1,454,960
Total sector	4,752,259	4,691,289	4,697,656	4,322,424	2,275,268
	Percent of sector total				
Apparel	50.0	45.4	38.0	35.0	36.1
Textiles	50.0	54.6	62.0	65.0	63.9

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

Note: Because of rounding, figures may not add to totals or percentages shown.

Note: Data for 2006 include U.S. exports to El Salvador, Guatemala, Honduras, and Nicaragua only for the period during which those countries were eligible for CBERA benefits before CAFTA-DR entered into force.

[a] U.S. apparel exports are classified in HTS chapters 61-62. U.S. textile exports are classified in HTS chapters 50-60 and 63.

total U.S. exports of textile and apparel articles in 2006. The decline in U.S. exports of sector goods to CBERA countries during 2002-06, which are estimated to consist almost entirely of yarns, fabrics, and cut garment parts for use in the production of apparel for export to the United States, reflected a substantial decline in U.S. exports of the cut garment parts, which fell 65 percent during 2002-06 to $820 million (table 2-11). A significant change in the composition of U.S. exports of textile and apparel goods to CBERA countries resulted from the implementation of the CBTPA, which does not require firms to cut fabrics into garment parts in the United States to qualify for trade preferences on the finished garments assembled in the region, as was the case under HTS heading 9802.00.80 and the 807A program. As such, the share of U.S. exports of textile and apparel goods to CBERA countries accounted for by cut garment parts declined from about 50 percent in 2002 to 36 percent in 2006, whereas the share accounted for by textile inputs (mainly yarns and fabrics) increased from 50 percent to 64 percent in the period. Since the implementation of the CBTPA in 2000, U.S. textile companies have been shipping greater quantities of uncut fabric to the CBERA countries, which is then cut and assembled into finished garments that are eligible for duty-free treatment upon importation into the United States. Under the CBTPA, preferential treatment for imports of apparel articles made in CBERA countries is contingent in part on the use of fabrics that are formed in the United States of U.S. yarns.

Footwear and Footwear Parts

The CBTPA granted NAFTA-equivalent tariff treatment to most footwear and certain other articles that are ineligible for duty-free treatment under the original CBERA.[45] Before the CBTPA, U.S. imports of footwear had only been able to benefit from reduced duties under HTS heading 9802.00.80[46] and from duty-free treatment under section 222 of the 1990

[45] Zoris (thonged sandals), disposable footwear, and most footwear uppers and parts, however, are eligible for duty-free treatment under the original CBERA or at NTR duty rates.

[46] HTS heading 9802.00.80 provides a partial duty exemption for imported products assembled from U.S.-fabricated components. In general, duty is assessed only on the value added abroad

(continued...)

Caribbean Basin Economic Recovery Act (the 1990 Act), provided the finished footwear is assembled in CBERA countries entirely from U.S. components.[47] Under the CBTPA, imports of CBERA footwear meeting NAFTA rules of origin are eligible to enter the United States on the same NAFTA terms as goods from Mexico.[48] Under NAFTA, most U.S. tariffs on footwear are being phased out in equal yearly increments and will be duty free by January 1, 2008.

U.S. imports of footwear (except footwear uppers and parts) from CBERA countries are small, accounting for less than 1 percent of the total quantity and value of U.S. footwear imports in 2006. CBERA shipments[49] of these goods in 2006 fell 4 percent in quantity from the 2005 level to 9.0 million pairs, but rose 10 percent in value to $107 million (table 2-13). It is likely that the increase in the value of footwear imports from the CBERA region can be attributed to a change to a higher-end mix of footwear products.[50] U.S. imports of footwear from the world in 2006 increased 5 percent in quantity to 2.4 billion pairs and 7 percent in value to $18.7 billion.[51] Imports from China, the leading U.S. supplier with 86 percent of the import quantity in 2006, rose 6 percent to 2.1 billion pairs, and 9 percent in value to $13.6 billion.

The Miscellaneous Trade and Technical Corrections Act of 2004 (Act),[52] which went into effect in December 2004, enhanced flexibility for sourcing footwear from the CBERA region. The Act allows U.S. imports of footwear from CBERA countries to be eligible for

[46] (...continued)
(essentially the cost of stitching the footwear parts together).

[47] Section 222 was codified in note 2(b) to subchapter II of chapter 98 of the HTS. The 1990 Caribbean Basin Economic Recovery Expansion Act also permitted Puerto Rican inputs to be used in CBERA exports so that these exports could be considered in qualifying such exports for preferential duty treatment. The Act stipulates that articles produced in Puerto Rico that are "by any means advanced in value or improved in condition by a beneficiary CBERA country" are eligible for duty-free entry into the United States. The law also requires that any materials added to such Puerto Rican articles must be of U.S.- or CBERA-country origin, and the final product must be imported directly into the customs territory of the United States from the CBERA country.

[48] The rules of origin set forth in general note 12(t) of the HTS for most footwear effectively require that the uppers and parts thereof be produced in a beneficiary country and assembled there into footwear, and must have a total value content of not less than 55 percent (NAFTA rule of origin for footwear). Other footwear parts need only be made in a beneficiary country from materials from any source.

[49] The Dominican Republic is the leading source of U.S. footwear imports from the CBERA region, accounting for 93 percent of the value of U.S. imports from the region in 2006.

[50] Reportedly, only a few U.S. companies such as Timberland, Wolverine, and Rocky own factories and are producing high-end, outdoor leather footwear products. Peter Mangione, President, Footwear Distributors and Retailers of America, telephone interview with Commission staff, June 14, 2007.

[51] The NPD Group reports that in 2006 total footwear sales in the United States rose 4.6 percent to $43.7 billion. Standard & Poor's, *Industry Surveys: Apparel & Footwear*, May 24, 2007, 15, accessed June 7, 2007.

[52] Public Law 108-429. The footwear changes related to the CBERA countries are in section 1558 (118 Stat. 2579-80).

Table 2-13
Footwear:[a] U.S. imports from CBERA countries, 2002–06

Country	2002	2003	2004	2005	2006
	1,000 dollars				
Dominican Republic	66,672	62,207	73,492	86,522	104,341
Guatemala	1,755	1,911	2,007	2,380	1,294
El Salvador	5,988	7,980	8,082	7,539	833
Panama	84	41	103	222	155
Costa Rica	86	101	237	61	64
Nicaragua	([b])	1	49	73	38
Other.	273	140	1,475	159	69
Total	74,858	72,381	85,445	96,956	106,794

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

Note: Data for 2006 include U.S. imports from El Salvador, Guatemala, Honduras, and Nicaragua only for the period during which those countries were eligible for CBERA benefits before CAFTA-DR entered into force.

[a] U.S. footwear imports in this table are classified in HTS subheadings 6401.10.00-6405.90.90; they exclude footwear and parts.
[b] Less than $500.

duty-free treatment if they undergo substantial transformation (i.e., the footwear is assembled in the region) and if 35 percent of the labor and/or materials (value added) is sourced from the region (GSP-style rules of origin), instead of the 55 percent value-added requirement stipulated under NAFTA. One industry source noted that the Act prompted Payless and Walmart to invest in footwear production in the Dominican Republic in 2005. In general, however, the Act was responsible for helping to maintain existing production in the region.[53] This law also eliminated special requirements for stitched uppers. CAFTA-DR, which was signed into law on August 2, 2005, further enhanced footwear production flexibility by eliminating all local content requirements. Because the Dominican Republic, the principal source of footwear imports from the CBERA region, did not become part of CAFTA-DR until March 2007, no major shift in U.S. footwear imports from the region could be attributed to the FTA in 2006.

U.S. imports of footwear from CBERA countries entering free of duty under section 222, which requires that the footwear articles be assembled entirely from U.S.-made components, decreased 70 percent in value from $46 million in 2002 to $14 million in 2006. Footwear imports under section 222 in 2006, all of which came from the Dominican Republic, accounted for 26 percent of the quantity (2.4 million pairs) and 12 percent of the value ($14 million) of total U.S. footwear imports from CBERA countries in 2006. The substantial decline in section 222 imports of footwear during 2002-06 likely reflected a shift to footwear imports entering under the preferential trade provisions granted by the Miscellaneous Trade and Technical Corrections Act of 2004, as well as increased competition from low-cost producers such as China and Vietnam.[54]

[53] Nate Herman, Director of International Trade, AAFA, telephone interview with Commission staff, June 15, 2007. Payless and Walmart reportedly wanted to take advantage of existing idle footwear capacity in the Dominican Republic.
[54] U.S. imports of footwear from Vietnam rose 33 percent in value over the 2005 level to just under $1 billion in 2006.

U.S. imports of footwear uppers and parts from CBERA countries fell 55 percent from $54.4 million in 2005 to $24.3 million in 2006. Virtually all of these imports, which entered free of duty from the Dominican Republic, consisted of footwear uppers of leather. Imports of footwear uppers and parts from all other countries rose 12 percent to $323 million in 2006. As a result, the CBERA share of total imports of footwear uppers and parts fell by 9 percentage points to 7 percent. The overall decline in U.S. imports of footwear uppers and parts from CBERA countries likely reflected the ongoing contraction of the U.S. footwear industry and the decline in U.S. footwear production in recent years.[55]

Total Exports

In 2006, total U.S. exports to CBERA countries amounted to $24.3 billion. Collectively, CBERA countries ranked tenth among U.S. market export destinations, behind the Netherlands but ahead of France. Total U.S. exports to CBERA countries fell 6.8 percent in 2006 in contrast to the 13.3 percent increase in 2005. The decline in 2006 is, for the most part, due to the move of Central American countries from CBERA to CAFTA-DR.

Table 2-14 shows total U.S. exports to CBERA countries from 2002 to 2006 (ranked by 2006 value). As noted in the sections on U.S. imports, countries are grouped into those that were CBERA beneficiaries during all of 2006 and those that were CBERA beneficiaries only during a portion of the year. As table 2-14 shows, U.S. exports to full-year CBERA beneficiaries increased by 19.5 percent to $21.4 billion in 2006 from $17.9 billion in 2005. This increase was higher than the 15.6 percent increase in total U.S. exports to the world.

The Dominican Republic, Costa Rica, Panama, The Bahamas, and Jamaica were the principal Caribbean markets for the United States, collectively responsible for 64.2 percent of all U.S. exports to CBERA countries in 2006. Prior to CAFTA-DR entering into force, El Salvador, Guatemala, Honduras, and Nicaragua's combined share of total U.S. exports to CBERA countries was 31.4 percent in 2005.

The largest absolute increases in U.S. exports to CBERA countries in 2006 were for the Dominican Republic ($681.9 million or 15.7 percent), Costa Rica ($580.3 million or 17.6 percent), Panama ($541.7 million or 27.3 percent), The Bahamas ($521.1 million or 30.6 percent), the Netherlands Antilles ($349.6 million or 35.9 percent), and Jamaica ($348.8 million or 21.9 percent). The increase in U.S. exports to the Dominican Republic was mainly driven by increased shipments of motor fuels, automatic circuit breakers, and articles of jewelry, the later two being inputs for assembly operations in the Dominican Republic. The increase in U.S. exports to Costa Rica was mainly due to increased shipments of kraftliner, semiconductors, and parts and accessories for automatic data processing machines, the later two being inputs for assembly operations in Costa Rica. The increase in U.S. exports to Panama was mostly the result of increased shipments of motor fuels, light oils, and airplanes and parts for airplanes. The increase in U.S. exports to The Bahamas was

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[55] The U.S. Census Bureau ceased publishing *Current Industrial Reports: Footwear Production* in 2004 and, consequently, no footwear shipments data by quantity or value have been available since 2003. However, one industry source reports that domestic shoe production has fallen to represent less than 5 percent of shoe purchases in the United States in recent years. Standard & Poor's, *Industry Surveys: Apparel & Footwear*, May 24, 2007, 7.

Table 2-14
U.S. exports to CBERA countries, 2002-06

Market	2002	2003	2004	2005	2006	Change 2004-05	Change 2005-06	Change 2004-06
	Value *(1,000 dollars)*					*Percent*		
Full-year 2006 CBERA beneficiaries:[a]								
Dominican Republic	4,109,077	4,023,912	4,116,102	4,351,226	5,033,134	5.7	15.7	22.3
Costa Rica	2,891,380	3,133,773	3,028,809	3,296,808	3,877,119	8.8	17.6	28.0
Panama	1,298,957	1,699,707	1,642,680	1,981,901	2,523,583	20.7	27.3	53.6
Bahamas	936,655	1,029,003	1,121,385	1,703,415	2,224,494	51.9	30.6	98.4
Jamaica	1,357,752	1,396,994	1,320,601	1,595,603	1,944,363	20.8	21.9	47.2
Trinidad and Tobago	984,448	997,598	1,150,507	1,366,455	1,511,554	18.8	10.6	31.4
Netherlands Antilles	664,855	666,712	717,519	974,757	1,324,390	35.9	35.9	84.6
Haiti	571,124	626,688	649,940	674,740	772,888	3.8	14.5	18.9
Aruba	442,579	317,671	338,508	502,417	481,901	48.4	-4.1	42.4
Barbados	248,164	275,256	303,094	355,152	402,185	17.2	13.2	32.7
Belize	129,930	189,499	143,683	209,821	229,994	46.0	9.6	60.1
British Virgin Islands	60,505	63,445	90,875	114,805	206,943	26.3	80.3	127.7
Antigua and Barbuda	75,025	119,206	114,000	180,434	180,391	58.3	0.0	58.2
Guyana	125,704	112,756	129,556	166,503	171,584	28.5	3.1	32.4
St. Lucia	91,501	114,709	92,637	124,964	142,904	34.9	14.4	54.3
St. Kitts and Nevis	47,755	56,974	55,938	86,622	121,662	54.9	40.5	117.5
Grenada	54,325	63,383	66,196	78,933	72,479	19.2	-8.2	9.5
Dominica	37,777	30,761	32,287	59,207	65,238	83.4	10.2	102.1
St. Vincent and the Grenadines	38,961	44,642	43,794	43,913	55,557	0.3	26.5	26.9
Montserrat	4,844	6,946	5,628	4,334	13,643	-23.0	214.8	142.4
Total of above	14,171,317	14,969,635	15,163,742	17,872,011	21,356,006	17.9	19.5	40.8
Part-year 2006 CBERA beneficiaries:[b]								
Guatemala	1,976,029	2,175,324	2,436,864	2,665,842	1,627,314	9.4	-39.0	-33.2
Honduras	2,524,397	2,793,076	3,019,222	3,155,129	831,547	4.5	-73.6	-72.5
El Salvador	1,607,638	1,763,354	1,811,494	1,778,437	308,615	-1.8	-82.6	-83.0
Nicaragua	423,116	482,259	567,479	589,534	169,372	3.9	-71.3	-70.2
Total of above	6,531,180	7,214,013	7,835,059	8,188,942	2,936,848	4.5	-64.1	-62.5
Total	20,702,497	22,183,649	22,998,801	26,060,953	24,292,855	13.3	-6.8	5.6

See footnotes at end of table.

Table 2-14–*Continued*
U.S. exports to CBERA countries, 2002-06

Market	2002	2003	2004	2005	2006	Change 2004-05	Change 2005-06	Change 2004-06
	Percent of total					*Percentage points*		
Full-year 2006 CBERA beneficiaries:[a]								
Dominican Republic	19.8	18.1	17.9	16.7	20.7	-1.2	4.0	2.8
Costa Rica	14	14.1	13.2	12.7	16.0	-0.5	3.3	2.6
Panama	6.3	7.7	7.1	7.6	10.4	0.5	2.8	3.2
Bahamas	4.5	4.6	4.9	6.5	9.2	1.7	2.6	4.3
Jamaica	6.6	6.3	5.7	6.1	8.0	0.4	1.9	2.3
Trinidad and Tobago	4.8	4.5	5.0	5.2	6.2	0.2	1.0	1.2
Netherlands Antilles	3.2	3.0	3.1	3.7	5.5	0.6	1.7	2.3
Haiti	2.8	2.8	2.8	2.6	3.2	-0.2	0.6	0.4
Aruba	2.1	1.4	1.5	1.9	2.0	0.5	0.1	0.5
Barbados	1.2	1.2	1.3	1.4	1.7	([c])	0.3	0.3
Belize	0.6	0.9	0.6	0.8	0.9	0.2	0.1	0.3
British Virgin Islands	0.3	0.3	0.4	0.4	0.9	([c])	0.4	0.5
Antigua and Barbuda	0.4	0.5	0.5	0.7	0.7	0.2	0.1	0.2
Guyana	0.6	0.5	0.6	0.6	0.7	0.1	0.1	0.1
St. Lucia	0.4	0.5	0.4	0.5	0.6	0.1	0.1	0.2
St. Kitts and Nevis	0.2	0.3	0.2	0.3	0.5	0.1	0.2	0.3
Grenada	0.3	0.3	0.3	0.3	0.3	([c])	([c])	([c])
Dominica	0.2	0.1	0.1	0.2	0.3	0.1	([c])	0.1
St. Vincent and the Grenadines	0.2	0.2	0.2	0.2	0.2	([c])	0.1	([c])
Montserrat	([c])	([c])	([c])	([c])	0.1	([c])	([c])	([c])
Total of above	68.4	67.4	65.9	68.6	87.9	2.6	19.3	22.0
Part-year 2006 CBERA beneficiaries:[b]								
Guatemala	9.5	9.8	10.6	10.2	6.7	-0.4	-3.5	-3.9
Honduras	12.2	12.6	13.1	12.1	3.4	-1.0	-8.7	-9.7
El Salvador	7.8	7.9	7.9	6.8	1.3	-1-1	-5.6	-6.6
Nicaragua	2.0	2.2	2.5	2.3	0.7	-0.2	-1.6	-1.8
Total of above	31.5	32.5	34.1	31.4	12.1	-2.6	-19.3	-22.0
Total	100.0	100.0	100.0	100.0	100.0	0.0	0.0	0.0

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

Note: Data for 2006 include U.S. imports from El Salvador, Guatemala, Honduras, and Nicaragua only for the period during which those countries were eligible for CBERA benefits before CAFTA-DR entered into force. Because of rounding, figures may not add to totals shown.

[a] Countries that were CBERA beneficiaries as of December 31, 2006.
[b] Countries for which CAFTA-DR entered into force during 2006, but were CBERA beneficiaries during a portion of 2006.
[c] Less than 0.05.

mainly the result of increased shipments of motor fuels, light oils, and styrene (an input to polystyrene produced in The Bahamas). The increase in U.S. exports to the Netherlands Antilles was mostly due to increased shipments of acyclic ethers, jewelry, and articles of precious or semiprecious stones. The increase in U.S. exports to Jamaica was primarily the result of increased shipments of motor fuels, light oils, and corn.

The leading U.S. exports (by 2-digit HS classification) to CBERA countries are shown in table 2-15 and figure 2-5. In 2006, the largest U.S. exports to CBERA countries were mineral fuels (HS chapter 27), electrical machinery (HS chapter 85), non-electrical machinery (HS chapter 84), plastics (HS chapter 39), and cereals (HS chapter 10). The largest absolute increases in U.S. exports during 2006 included mineral fuels (HS chapter 27), which increased $625.8 million or 19.5 percent; electrical machinery (HS chapter 85), with an increase of $279.9 million or 10.4 percent; and precious metals (HS chapter 71), increasing $158.3 million or 22.4 percent.

Leading U.S. exports to CBERA countries, including the primary country market for each item, are shown in table 2-16 at the 6-digit HS classification level. In 2006, the largest U.S. exports to CBERA countries were fuel oils (HS 2710.19), semiconductors (HS 8542.21), light oils (HS 2710.11), jewelry (HS 7113.19), corn (HS 1005.90), and automatic circuit breakers (HS 8536.20). The largest absolute increases in U.S. exports in 2006 included fuel oils (HS 2710.19), which increased $566.4 million or 20.9 percent; semiconductors (HS 8542.21), with an increase of $225.5 million or 33.4 percent; jewelry (HS 7113.19), increasing $105.5 million or 36.5 percent; automatic circuit breakers (HS 8536.20), with an increase of $101.7 million or 44.0 percent; airplanes and other aircraft (HS 8802.40), which increased $54.6 million or 49.9 percent; and light oils (HS 2710.11), which increased $26.1million or 6.4 percent.

In 2006, the Dominican Republic, the largest market for U.S. exports, was the leading market for 7 of the 20 leading exports to the region, including corn other than seed, for human consumption (HS 1005.90), automatic circuit breakers (HS 8536.20), wheat other than durum, whether seed or for human consumption (HS 1001.90), passenger motor vehicles (HS 8703.23), soybean oilcake (HS 2304.00), cotton yarn (HS 5205.12), and medical instruments (HS 9018.90). Costa Rica, the second largest market for U.S. exports to the region, was the leading market for 4 of the 20 leading exports to CBERA countries, including semiconductors (HS 8542.21), parts and accessories for automated data processing machines (HS 8473.30), kraftliner (HS 4804.11), and polyethylene (HS 3901.10). Panama, the third largest market for U.S. exports to the region, was the leading market for 3 of the 20 leading exports to CBERA countries, including other petroleum products (HS 2710.19), large airplanes and other aircraft (HS 8802.40), and certain medicaments (HS 3004.90).

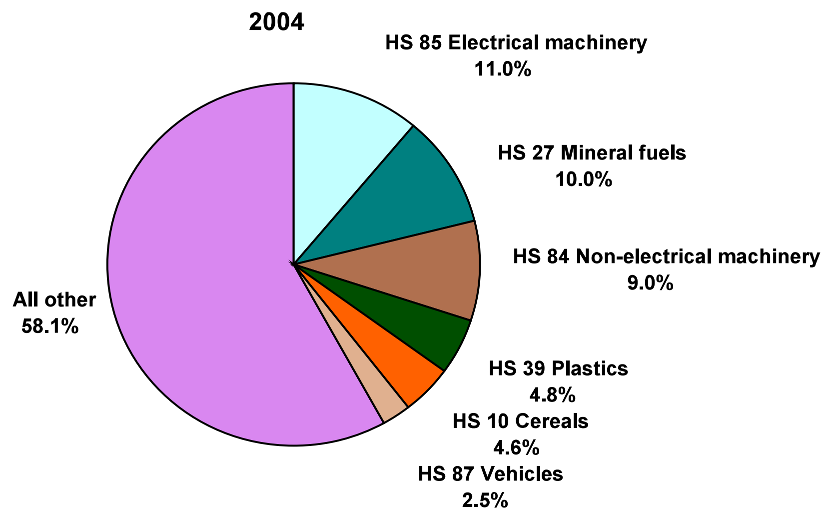
Table 2-15
Leading U.S. exports to CBERA countries, by major product categories, 2002–06

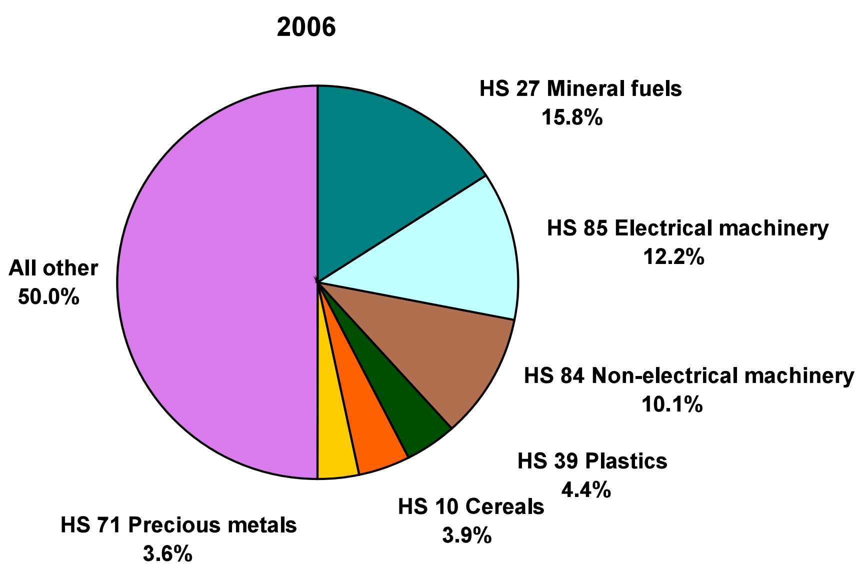
HS chapter	Description	2002	2003	2004	2005	2006
		Value *(1,000 dollars)*				
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	1,174,436	2,237,799	2,291,096	3,216,493	3,842,279
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	2,210,833	2,417,403	2,533,735	2,693,017	2,972,967
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	2,137,970	2,081,889	2,068,363	2,636,970	2,455,190
39	Plastics and articles thereof	965,107	1,007,056	1,098,159	1,215,551	1,073,708
10	Cereals	824,121	906,377	1,066,139	1,095,215	941,885
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	521,138	558,564	576,900	708,027	866,365
87	Vehicles, other than railway or tramway rolling stock, and parts and accessories thereof	564,952	553,210	585,059	758,804	809,788
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	481,438	537,768	535,216	676,006	709,378
48	Paper and paperboard; articles of paper pulp, paper or paperboard	654,018	661,071	711,451	761,063	671,769
61	Articles of apparel and clothing accessories, knitted or crocheted	1,452,878	1,367,172	1,189,229	1,044,392	599,530
	Total of above	10,986,892	12,328,309	12,655,346	14,805,538	14,942,859
	All other	9,715,606	9,855,340	10,343,455	11,255,415	9,349,995
	Total all commodities	20,702,497	22,183,649	22,998,801	26,060,953	24,292,855
		Percent of total				
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	5.7	10.1	10.0	12.3	15.8
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	10.7	10.9	11.0	10.3	12.2
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	10.3	9.4	9.0	10.1	10.1
39	Plastics and articles thereof	4.7	4.5	4.8	4.7	4.4
10	Cereals	4.0	4.1	4.6	4.2	3.9
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	2.5	2.5	2.5	2.7	3.6
87	Vehicles, other than railway or tramway rolling stock, and parts and accessories thereof	2.7	2.5	2.5	2.9	3.3
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	2.3	2.4	2.3	2.6	2.9
48	Paper and paperboard; articles of paper pulp, paper or paperboard	3.2	3.0	3.1	2.9	2.8
61	Articles of apparel and clothing accessories, knitted or crocheted	7.0	6.2	5.2	4.0	2.5
	Total of above	53.1	55.6	55.0	56.8	61.5
	All other	46.9	44.4	45.0	43.2	38.5
	Total all commodities	100.0	100.0	100.0	100.0	100.0

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

Note: Data for 2006 include U.S. imports from El Salvador, Guatemala, Honduras, and Nicaragua only for the period during which those countries were eligible for CBERA benefits before CAFTA-DR entered into force. Because of rounding, figures may not add to totals shown.

Figure 2-5
Leading U.S. exports to CBERA countries, by major product categories, 2004 and 2006





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

Note: Percentages may not add to 100 because of rounding. Data for 2006 include U.S. imports from El Salvador, Guatemala, Honduras, and Nicaragua only for the period during which those countries were eligible for CBERA benefits before CAFTA-DR entered into force.

Table 2-16
Leading U.S. exports to CBERA countries, 2004-06

HS number	Description	2004	2005	2006	Change 2004-05	Change 2005-06	Change 2004-06	Leading CBERA Market
		(1,000 dollars)			*Percent*			
2710.19	Oils and preparations from petroleum oils and oils from bituminous minerals, minimum 70 percent by weight of such products, not light. . . .	1,805,746	2,714,649	3,281,077	50.3	20.9	81.7	Panama
8542.21	Electronic monolithic digital integrated circuits.	709,203	675,084	900,560	-4.8	33.4	27.0	Costa Rica
2710.11	Light oils and preparations from petroleum oils and oils from bituminous minerals, minimum 70 percent by weight of such products.	397,595	404,433	430,490	1.7	6.4	8.3	Bahamas
7113.19	Articles of jewelry and parts thereof, of precious metal(excluding silver). . . .	262,617	289,191	394,665	10.1	36.5	50.3	Netherlands Antilles
1005.90	Corn (maize), other than seed..	396,498	412,840	380,630	4.1	-7.8	-4.0	Dominican Republic
8536.20	Automatic circuit breakers, for a voltage not exceeding 1,000 votage not exceeding 1,000 volts.	219,731	230,846	332,506	5.1	44.0	51.3	Dominican Republic
8525.20	Transmission apparatus incorporating reception apparatus	335,508	319,523	301,570	-4.8	-5.6	-10.1	Trinidad and Tobago
1001.90	Wheat and meslin, excluding durum wheat.	335,483	358,413	283,469	6.8	-20.9	-15.5	Dominican Republic
8703.23	Passenger motor vehicles with spark-ignition internal-combustion reciprocating piston engine, cylinder capacity over 1,500 but not over 3,000 cc.	170,478	273,396	261,026	60.4	-4.5	53.1	Dominican Republic
8473.30	Parts and accessories for automated data processing machines and units.	228,277	269,766	256,483	18.2	-4.9	12.4	Costa Rica
7116.20	Articles of precious or semiprecious stones (natural, synthetic or reconstructed).	114,731	238,960	255,964	108.3	7.1	123.1	Netherlands Antilles
4804.11	Kraftliner, uncoated, unbleached, in rolls or sheets.	181,028	194,975	210,602	7.7	8.0	16.3	Costa Rica
2304.00	Soybean oilcake and other solid residue, whether or not ground.	143,526	221,866	185,966	54.6	-16.2	29.6	Dominican Republic
3901.10	Polyethylene, having a specific gravity of less than 0.94, in primary forms..	184,628	202,080	167,983	9.5	-16.9	-9.0	Costa Rica
8802.40	Airplanes and other aircraft, of an unladen weight exceeding 15,000 kg. . . .	187,646	109,342	163,945	-41.7	49.9	-12.6	Panama
5205.12	Cotton yarn nesoi, 85 or more by weight of cotton, not put up for retail sale, single uncombed yarn, over 14 nm but not over 43 nm..	147,382	262,998	158,938	78.4	-39.6	7.8	Dominican Republic
1006.30	Rice, semi-milled or wholly milled, whether or not polished or glazed.	137,806	127,878	148,748	-7.2	16.3	7.9	Haiti
3004.90	Certain medicaments put up in measure doses or in forms or packings for retail sale, n.e.s.o.i..	126,669	173,083	146,690	36.6	-15.2	15.8	Panama
8431.43	Parts for boring or sinking machinery, n.e.s.o.i...	157,802	150,735	143,057	-4.5	-5.1	-9.3	Trinidad and Tobago
9018.90	Medical, surgical, dental or veterinary sciences instruments, appliances, and parts, n.e.s.o.i..	123,336	137,626	142,361	11.6	3.4	15.4	Dominican Republic
	Total of above.	6,365,690	7,767,685	8,546,728	22.0	10.0	34.3	
	All other..	16,633,111	18,293,268	15,746,127	10.0	-13.9	-5.3	
	Total.	22,998,801	26,060,953	24,292,855	13.3	-6.8	5.6	

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

Note: Data for 2006 include U.S. imports from El Salvador, Guatemala, Honduras, and Nicaragua only for the period during which those countries were eligible for CBERA benefits before CAFTA-DR entered into force. Because of rounding, figures may not add to totals shown. The abbreviation, "n.e.s.o.i." stands for "not elsewhere specified or included."

CHAPTER 3
Impact of CBERA on the United States and Probable Future Effects

This chapter addresses the impact of the CBERA preference program on the economy of the United States in 2006 and the probable future effects of the program. Current items most affected by CBERA preferences are identified in an impact analysis. Information on CBERA-related investment in the beneficiary countries is the main basis for the analysis of probable future effects. Most of the information on investment has been collected from U.S. embassies in the countries of the region.

Impact of CBERA on the United States in 2006

Since its implementation in 1984, CBERA has had a minimal effect on the overall economy of the United States. In each year from 1984 through 2000, the value of U.S. imports entered under CBERA remained less than 0.04 percent of U.S. gross domestic product (GDP). Starting in 2001, CBERA country producers took advantage of expanded opportunities under CBTPA and imports under CBERA increased considerably to 0.10 percent of U.S. GDP from 2002 through 2005. Imports under CBERA fell to 0.07 percent in 2006, reflecting the movement of four countries from CBERA to CAFTA-DR during 2006. As pointed out in chapter 2, the total value of U.S. imports from CBERA countries remained small in 2006, amounting to 1.4 percent of total U.S. imports. The impact of CBERA on U.S. industries and consumers was also minimal in 2006 as it has been in recent years.

CBTPA increased the number of products and sharply increased the value of imports benefiting from CBERA, especially apparel and petroleum and petroleum products. However, the value of the CBERA program to beneficiary countries and its potential to affect the U.S. economy, consumers, and industries has declined since implementation because the margin of preference for many products has eroded as NTR duty rates have fallen (to free in some instances) on many products produced in the region. In addition, the advantages of preferential access to the U.S. market have been diluted as more countries have received preferential access under other programs or FTAs, and as apparel quotas under the ATC ended in 2005.[1]

To evaluate the impact of CBERA, it is appropriate to consider only the portion of imports that can receive preferential treatment only under CBERA. Because some CBERA-eligible products are also eligible for duty-free entry under GSP, they were eliminated from the analysis. Many apparel articles that became eligible for CBERA duty-free entry as a result of CBTPA contain U.S.-cut parts that are not dutiable under production-sharing arrangements (under HTS heading 9802.00.80). The value of U.S.-cut parts incorporated in

[1] For most intents and purposes, CBERA countries were not subject to apparel quotas. See USITC, *CBERA, Seventeenth Report, 2003-2004*, chapter 3, for more detail on the erosion of the margin of preference.

such articles, therefore, does not benefit exclusively from CBERA. In addition, because El Salvador, Honduras, Nicaragua, and Guatemala moved from CBERA to CAFTA-DR during 2006, data are included for these countries only for the period for which they were still CBERA beneficiaries in that year.

Because tariff preferences under the original CBERA legislation are permanent, the presence of CBERA ensures that products also eligible for GSP from CBERA beneficiary countries can continue to enter the United States free of duty, making investment in such products more attractive than would be the case in the absence of CBERA.[2] Investment that depends solely on GSP for duty-free preferences can be seen as riskier because of the uncertainties surrounding the periodic renewals of GSP and because certain products from particular countries may exceed competitive-need limits and may therefore lose GSP eligibility, as was discussed in chapter 1. Quantifying these effects is beyond the scope of this study.

This section defines products that benefit exclusively from CBERA; presents quantitative estimates of the impact of CBERA on U.S. consumers, the U.S. Treasury, and U.S. industries whose goods compete with CBERA imports; and describes the U.S. imports that benefited exclusively from CBERA in 2006 and had the largest potential impact on competing U.S. industries.

Products That Benefited Exclusively from CBERA in 2006

U.S. imports of products benefiting exclusively from CBERA are defined as those that enter under either CBERA duty-free or CBERA reduced-duty provisions and are not eligible to enter free of duty under NTR rates or under other programs, such as GSP.[3] Consistent with this definition, GSP-eligible items imported from CBERA countries that entered under CBERA preferences are considered to benefit exclusively from CBERA only if they originated in a country that is not currently a designated GSP beneficiary or if imports of the item from a certain country exceeded GSP competitive-need limits.[4]

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[2] With the exception of four tariff lines, none of the products excluded from the original CBERA are eligible for normal GSP treatment. A limited number of products excluded from the original CBERA are eligible for GSP treatment if they originate in least-developed GSP beneficiary countries—mostly canned tuna and petroleum and petroleum products. Haiti is the only such least-developed country among CBERA countries.

[3] Since CBTPA amended CBERA, imports under CBERA and imports benefiting exclusively from CBERA include imports made eligible for preferential treatment by CBTPA.

[4] Prior to 2006, the Netherlands Antilles, Aruba, Nicaragua, and The Bahamas were the only CBERA countries that were not designated GSP-beneficiary countries. Antigua and Barbuda and Barbados ceased to be GSP-beneficiary countries at the beginning of 2006, and Nicaragua lost GSP-beneficiary status when it moved to CAFTA-DR.

A beneficiary developing country loses GSP benefits for an eligible 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 limit (sec. 503(c)(2) of the Trade Act of 1974, as amended). 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. Statistics reported for the customs value of U.S. imports generally include the U.S. value of items

(continued...)

Table 3-1
Total imports from CBERA beneficiaries, imports entered under CBERA provisions, and imports that benefited exclusively from CBERA provisions, 2002-06

Item	2002	2003	2004	2005	2006
Total imports from CBERA beneficiaries:					
Value (*million dollars*[a])	21,255	24,500	27,555	31,814	25,755
Imports entered under CBERA provisions:[b]					
Value (*million dollars*[a])	10,003	10,429	10,937	12,336	9,915
Percent of total	47.1	42.6	39.7	38.8	38.5
Imports that benefited exclusively from CBERA provisions:					
Value (*million dollars*[a])	6,695	7,407	8,304	9,834	8,175
Percent of total	31.5	30.2	30.1	30.9	31.7

Source: Estimated by the U.S. International Trade Commission from official statistics of the U.S. Department of Commerce.

[a] Customs value.
[b] Includes articles entered free of duty or at reduced duties under CBERA provisions.

From the implementation of CBERA in 1984 until 2000, U.S. imports that benefited exclusively from CBERA accounted for a relatively small portion of total U.S. imports from CBERA countries. This portion rose steadily through 1993, mainly through growth in imports of products that exceeded GSP competitive-need limits. From 1993 onward, with the exception of 1995 and 1996, the portion was roughly stable between 8.4 percent and 10.1 percent before dropping significantly in 1999 to less than 7.0 percent.[5] Starting in 2001, the first full year that CBTPA was in effect, the share of U.S. imports benefiting exclusively from CBERA rose significantly and increased again in 2002 before stabilizing around 30 percent to 32 percent during 2002-2006 as CBERA-country textile and apparel producers adjusted production patterns and petroleum importers took greater advantage of CBERA provisions (table 3-1).

The value of U.S. imports that benefited exclusively from CBERA decreased from $9.8 billion in 2005 to $8.2 billion in 2006, or by 16.9 percent (table 3-1). Such imports accounted for 31.7 percent of total U.S. imports from CBERA countries in 2006, compared with 30.9 percent in 2005.

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[4] (...continued)
imported under production-sharing provisions (HTS heading 9802.00.80). Such U.S. value is generally free of duty. As such, it is excluded from the value of imports that benefit exclusively from CBERA in 2006. In addition, items that are free of duty under NTR rates are sometimes erroneously recorded as entering under CBERA provisions. Such items have been excluded from the total value of imports benefiting exclusively from CBERA in table 3-1 in 2002 through 2006.

[5] The "exclusively benefiting" shares were markedly higher in 1995 and 1996, mainly because of the lapse in the GSP program from August 1, 1995 through September 30, 1996, and subsequent increased use of CBERA provisions to ensure duty-free entry. See USITC, *CBERA, Twelfth Report, 1996*, 35-36, for further explanation of the assumptions and analysis used to deal with the lapse in GSP. Because of the assumptions about GSP made in the 1995 and 1996 CBERA reports, the findings derived from the analysis in those reports are not strictly comparable to the findings in subsequent reports in this series or in reports previous to the 1995 report, despite the similar analytical approach used.

The 20 leading items that benefited exclusively from CBERA are shown in table 3-2. The most notable change in the value of such imports was for light crude oil (HTS 2709.00.20). Imports of light crude oil increased by 57 percent from 2005 to 2006.[6] Other notable changes occurred with respect to brassieres containing lace (HTS 6212.10.50), up 51 percent; fuel grade ethanol (HTS 2207.10.60), up 51 percent; methanol (HTS 2905.11.20) from Trinidad and Tobago, up 47 percent; and raw cane sugar (HTS 1701.11.10[7]) from the Dominican Republic, up 45 percent. There was a large change in the value of imports of one pineapple category—fresh or dried pineapples, reduced in size (HTS 0804.30.60), up 3,425 percent. Taken together with fresh or dried pineapples in crates (HTS 0804.30.40) and fresh or dried pineapples in bulk (HTS 0804.30.20), there was a 72 percent increase in fresh or dried pineapple imports, reflecting large increases in both volume and unit values. All of the apparel items, except brassieres containing lace, experienced substantial drops in CBERA-exclusive imports, reflecting the movement of major apparel-producing countries from CBERA to CAFTA-DR.

Four items were added to the list in 2006: fresh or dried pineapples reduced in size, raw cane sugar from the Dominican Republic, polystyrene (HTS 3903.11.00) from The Bahamas, and brassieres containing lace. All four items experienced large increases in exclusively benefiting imports, displacing heavy crude oil (HTS 2709.00.10); naphthas (HTS 2710.11.25); women's or girls' knitted cotton briefs or panties (HTS 6108.21.00); and knitted manmade fiber tops (HTS 6110.30.30) from the list of 20 leading items benefiting exclusively from CBERA.

CBTPA elevated many previously excluded products to the list of leading imports benefiting exclusively from CBERA. As a result, only one leading import that was identified in previous annual CBERA reports as benefiting exclusively from CBERA in each year between 1984 and 2005 continued to rank among the 20 leading U.S. imports in 2006. That item was fresh or dried pineapples in crates (HTS 0804.30.40). Items that have appeared consistently among the leading imports benefiting exclusively from CBERA since before CBTPA was implemented include higher priced cigars (HTS 2402.10.80), methanol, and jewelry articles and parts (HTS 7113.19.50).

Welfare and Displacement Effects of CBERA on U.S. Industries and Consumers in 2006

The analytical approach for estimating the welfare and displacement effects of CBERA is described in the introduction to this report and is discussed in more detail in appendix C. A

[6] The leading imports benefiting exclusively from CBERA in 2005 are reported in table E-1 in appendix E. The large change in exclusively benefiting imports of light crude oil reflects price increases common to most petroleum products and also an increase in total import volume.

[7] The full HTS description for provision 1701.11.10 includes "Described in additional U.S. note 5 to this chapter and entered pursuant to its provisions." The referenced note sets out rules for the tariff-rate quota for U.S. sugar imports. Within-quota imports of sugar are subject to relatively low tariff rates and are eligible for preferences under GSP, CBERA, ATPA, NAFTA, CAFTA-DR, and U.S. FTAs with Israel, Chile, Singapore, Jordan, Morocco, and Bahrain. Over-quota imports are generally subject to much higher tariffs, although some FTA partners are subject to preferential rates on over-quota imports.

range of estimates is reported, reflecting those made assuming higher substitution elasticities (upper estimate) and those made assuming lower substitution elasticities (lower estimate).

The analysis was conducted on the 20 leading items that benefited exclusively from CBERA (table 3-2).[8] Estimates of welfare effects and potential effects on U.S. industry were calculated. Estimates of potential U.S. industry displacement effects were small, with only one industry—methanol—having an upper estimate of displacement of more than 5.0 percent, the cutoff traditionally used in this series for selecting industries for further analysis. A number of U.S. producers benefited from CBERA preferences because they supplied inputs to apparel assembled in CBERA countries. Those U.S. producers supplying cut apparel parts are included in the welfare and industry effects analysis. Those supplying fabric and yarn are not explicitly analyzed because of data limitations,[9] but U.S. exports of textiles to CBERA countries have risen from $1.0 billion in 2000 to a peak of $2.9 billion in 2004 as exports have shifted to fabric and yarn, and away from cut apparel parts (see table 2-13). U.S. exports of both textiles and apparel to CBERA countries fell in 2005 and especially in 2006, but the textiles share of textile and apparel exports rose from 20 percent in 2000 to 65 percent in 2005 and 64 percent in 2006.

Items Analyzed

Although a large number of products are eligible for duty-free or reduced-duty entry under CBERA, a relatively small group of products accounts for most of the imports that benefit exclusively from CBERA. As noted previously, table 3-2 presents the 20 leading items that benefited exclusively from CBERA in 2006. They are ranked on the basis of their c.i.f. (customs value plus insurance and freight charges) import values that benefited exclusively from CBERA.[10] Those products represented 81.2 percent of the $8.2 billion in imports that benefited exclusively from CBERA during 2006.[11] The five leading CBERA-exclusive imports in 2006 were: (1) light crude oil (HTS 2709.00.20), (2) methanol from Trinidad and

[8] USITC industry analysts provided estimates of U.S. production and exports for the 20 leading items that benefited exclusively from CBERA, as well as evaluations of the substitutability of CBERA-exclusive imports and competing U.S. products.

[9] To estimate the impact of CBERA on U.S. textile producers, it would be necessary to separate imports of apparel made with U.S. fabric and yarn from imports made from regional fabric. Data necessary to allow this distinction to be made are not available.

[10] In the analysis, U.S. market expenditure shares were used to compute estimates of welfare and domestic production displacement effects. U.S. expenditures on imports necessarily include freight and insurance charges and duties, when applicable. Therefore, where indicated in the text and supporting tables, the analysis used c.i.f. values for duty-free items and landed, duty-paid values for reduced-duty items benefiting exclusively from CBERA and the remaining imports. Technically, landed, duty-paid values are equal to c.i.f. values for items entering free of duty. Because no duty is assessed on the U.S. value of imports entered under the production-sharing provisions of HTS heading 9802.00.80, such value is excluded from the value benefiting exclusively in table 3-2. To compute the market expenditure shares reported in table 3-3 and used in the analysis, the U.S. value was included.

[11] The import values reported in tables 3-2 and 3-3 do not include imports under each HTS provision on which full duties were paid. Even though all these products were eligible for CBERA tariff preferences, full duties were paid on a certain portion of imports under each HTS provision for a variety of reasons, such as failure to claim preferences, insufficient documentation, or because CBTPA requirements were not met.

Table 3-2
Value of leading imports that benefited exclusively from CBERA, 2006
(*1,000 dollars*)

HTS number	Description	Customs value	C.i.f. value
2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more..	1,693,823	1,724,848
2905.11.20[a]	Methanol (Methyl alcohol), other than imported only for use in producing synthetic natural gas (SNG) or for direct use as fuel.	1,029,652	1,110,190
2710.19.05	Distillate and residual fuel oil (including blends) derived from petroleum or oils from bituminous minerals, testing under 25 degrees A.P.I..	517,694	542,681
6109.10.00	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton.	450,907	464,562
6203.42.40	Men's or boys' trousers and shorts, not bibs, not knitted or crocheted, of cotton, not containing 15% or more by weight of down, etc.	416,723	424,297
6110.20.20	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, n.e.s.o.i..	386,531	396,813
0804.30.40	Pineapples, fresh or dried, not reduced in size, in crates or other packages.	245,597	291,907
2207.10.60	Undenatured ethyl alcohol of 80 percent vol. alcohol or higher, for nonbeverage purposes.	277,154	290,534
2710.11.45	Light oil mixt. of hydrocarbons fr petro oils & bitum min(o/than crude) or prep 70%+ wt. fr petro oils, n.e.s.o.i.,n/o 50% any single hydrocarbon.	245,278	253,919
7113.19.50[b]	Precious metal (o/than silver) articles of jewelry and parts thereof,whether or not plated or clad with precious metal, n.e.s.o.i..	210,193	210,723
2402.10.80[c]	Cigars, cheroots and cigarillos containing tobacco, each valued 23 cents or over.	202,782	208,967
6203.43.40	Men's or boys' trousers, breeches & shorts, of synthetic fibers, con under 15% wt down etc, cont under 36% wt wool, n/water resist, not k/c.	141,375	144,365
3903.11.00	Polystyrene, expandable, in primary forms..	121,455	124,888
1701.11.10[d]	Cane sugar, raw, in solid form, w/o added flavoring or coloring, subject to add. US 5 to Ch.17.	112,098	118,695
6212.10.90	Brassieres, not containing lace, net or embroidery, containing under 70% by wt of silk or silk waste, whether or not knitted or crocheted.	116,750	117,872
6204.62.40	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of cotton, n.e.s.o.i..	98,523	100,668
6109.90.10	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of man-made fibers.	93,758	96,094
6107.11.00	Men's or boys' underpants and briefs, knitted or crocheted, of cotton.	93,538	95,528
6212.10.50	Brassieres containing lace, net or embroidery, containing under 70% by weight of silk or silk waste, whether or not knitted or crocheted.	93,115	93,860
0804.30.60	Pineapples, fresh or dried, reduced in size.	89,763	93,413

Source: Estimated by the U.S. International Trade Commission from official statistics of the U.S. Department of Commerce.

Note: The abbreviation, n.e.s.o.i., stands for “not elsewhere specified or otherwise included.”

[a] Includes only imports from Trinidad and Tobago. Item is GSP-eligible, but imports from Trinidad and Tobago exceeded the competitive-need limit and thus were eligible for duty-free entry only under CBERA.

[b] Includes only imports from the Dominican Republic, The Bahamas, Aruba, and the Netherlands Antilles. Item is GSP-eligible, but imports from the Dominican Republic exceeded the competitive need limit and thus were eligible for duty-free entry only under CBERA. Imports from The Bahamas, Aruba, and the Netherlands Antilles, other suppliers of this item, were included because those countries were not designated GSP beneficiaries in 2006.

[c] Includes only imports from the Dominican Republic, The Bahamas, and Nicaragua. Item is GSP-eligible, but imports from the Dominican Republic exceeded the competitive need limit and thus were eligible for duty-free entry only under CBERA. Imports from The Bahamas and Nicaragua, other suppliers of this item, were included because those countries were not designated GSP beneficiaries in 2006.

[d] Includes only imports from the Dominican Republic. Item is GSP-eligible, but imports from the Dominican Republic exceeded the competitive-need limit and thus were eligible for duty-free entry only under CBERA.

Tobago, (3) heavy fuel oil (HTS 2710.19.05), (4) knitted cotton t-shirts (HTS 6109.10.00), and (5) men's or boys' woven cotton trousers and shorts (HTS 6203.42.40).[12] Light crude oil and methanol ranked first and fourth, respectively, in 2005.

For any particular item, the size of the U.S. market share accounted for by CBERA-exclusive imports (value of imports benefiting exclusively from CBERA relative to apparent consumption) was a major factor in determining the estimated impact on competing domestic producers.[13] Market shares varied considerably in 2006 (table 3-3). For instance, the market share of CBERA-exclusive imports of fresh pineapples (HTS 0804.30.20 and 0804.30.40) was approximately 80 percent, whereas the market share of CBERA-exclusive imports of two of the three petroleum items was less than 1.0 percent.

Estimated Effects on Consumers and Producers

Tables 3-4 and 3-5 present the estimated impact of CBERA tariff preferences on the U.S. economy in 2006.[14] Estimates of the gains in consumer surplus and the losses in tariff revenue, as well as measures of the potential displacement of U.S. production, are discussed below.

Effects on U.S. consumers

In 2006, knitted cotton t-shirts provided the largest gain in consumer surplus ($63.7 million to $68.5 million) resulting exclusively from CBERA tariff preferences (table 3-4). The price U.S. consumers would have paid for imports of such t-shirts from CBERA countries would have been 12 percent higher (the ad valorem duty rate adjusted for freight and insurance charges) without CBERA. Men's or boys' woven cotton trousers or shorts provided the second-largest gain in consumer surplus ($56.7 million to $62.3 million). Without CBERA, the import price of men's or boys' woven cotton trousers or shorts from CBERA countries would have been 15 percent higher. In general, items providing the largest gains in consumer surplus also have either the highest NTR tariff rates or the largest volumes of imports from CBERA countries, or both.

CBERA preferences also reduced U.S. tariff revenues, offsetting much of the gain in consumer surplus. For example, for men's or boys' woven manmade-fiber trousers and shorts (HTS 6203.43.40), lower tariff revenues offset 74 percent to 86 percent of the gain in consumer surplus; for knitted manmade-fiber t-shirts (HTS 6109.90.10), the offset was 75 percent to 86 percent. For many of the other items listed in table 3-4, especially those items with low NTR duty rates, lower tariff revenues offset nearly all of the gain in consumer surplus.

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[12] Leading CBERA suppliers are shown in table 2-8.

[13] Other factors include the ad valorem equivalent tariff rate; the substitutability among beneficiary imports, nonbeneficiary imports, and domestic production; and the overall demand elasticity for the product category.

[14] The methodology is described in appendix C.

Table 3-3
Value of leading imports that benefited exclusively from CBERA, apparent U.S. consumption, and CBERA-exclusive market share, 2006

HTS number	Description	Imports from CBERA countries (c.i.f. value) (A)[a]	Apparent U.S. consumption (B)[b]	Market share (A/B)
		--------*1,000 dollars*-------		*Percent*
2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more	1,724,848	191,856,568	0.90
2905.11.20	Methanol (Methyl alcohol), other than imported only for use in producing synthetic natural gas (SNG) or for direct use as fuel	1,110,190	2,259,229	49.14
2710.19.05	Distillate and residual fuel oil (including blends) derived from petroleum or oils from bituminous minerals, testing under 25 degrees A.P.I.	542,681	126,892,119	0.43
6109.10.00	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton	620,936	5,140,125	12.08
6203.42.40	Men's or boys' trousers and shorts, not bibs, not knitted or crocheted, of cotton, not containing 15% or more by weight of down, etc	457,054	7,481,487	6.11
6110.20.20	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, n.e.s.o.i.	403,251	([c])	([c])
0804.30.40	Pineapples, fresh or dried, not reduced in size, in crates or other packages	291,907	479,608	80.34
2207.10.60	Undenatured ethyl alcohol of 80 percent vol. alcohol or higher, for nonbeverage purposes	290,534	7,850,958	3.70
2710.11.45	Light oil mixt. of hydrocarbons fr petro oils & bitum min(o/than crude) or prep 70%+ wt. fr petro oils, n.e.s.o.i.,n/o 50% any single hydrocarbon	253,919	4,290,832	5.92
7113.19.50	Precious metal (o/than silver) articles of jewelry and parts thereof, whether or not plated or clad with precious metal, n.e.s.o.i.	210,723	7,556,958	2.79
2402.10.80	Cigars, cheroots and cigarillos containing tobacco, each valued 23 cents or over	208,967	1,454,202	14.37
6203.43.40	Men's or boys' trousers, breeches & shorts, of synthetic fibers, con under 15% wt down etc, cont under 36% wt wool, n/water resist, not k/c	163,042	1,561,763	10.44
3903.11.00	Polystyrene, expandable, in primary forms	124,888	1,197,906	10.43
1701.11.10	Cane sugar, raw, in solid form, w/o added flavoring or coloring, subject to add. US 5 to Ch.17	118,695	5,179,867	2.29
6212.10.90	Brassieres, not containing lace, net or embroidery, containing under 70% by wt of silk or silk waste, whether or not knitted or crocheted	118,151	([c])	([c])
6204.62.40	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of cotton, n.e.s.o.i.	124,664	7,425,343	1.68
6109.90.10	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of man-made fibers	129,812	796,869	16.29
6107.11.00	Men's or boys' underpants and briefs, knitted or crocheted, of cotton	173,000	([c])	([c])
6212.10.50	Brassieres containing lace, net or embroidery, containing under 70% by weight of silk or silk waste, whether or not knitted or crocheted	93,861	([c])	([c])
0804.30.60	Pineapples, fresh or dried, reduced in size	93,413	([d])	([d])

Source: Estimated by the U.S. International Trade Commission from official statistics of the U.S. Department of Commerce.

Note: The abbreviation, n.e.s.o.i., stands for “not elsewhere specified or otherwise included.”

[a] Includes value of U.S. components incorporated in imports entered under HTS heading 9802.00.80.
[b] Apparent U.S. consumption defined as U.S. production plus total imports (landed, duty-paid basis) minus exports.
[c] U.S. production and/or export data not available.
[d] Apparent consumption for HTS 0804.30.40 and 0804.30.60 was aggregated into one category and reported under HTS 0804.30.40.

Table 3-4
Estimated welfare effects on the United States of leading imports that benefited exclusively from CBERA, 2006
(*1,000 dollars*)

HTS number	Description	Gain in consumer surplus (A) Upper estimate	Gain in consumer surplus (A) Lower estimate	Loss in tariff revenue (B) Upper estimate	Loss in tariff revenue (B) Lower estimate	Net welfare effect (A-B) Upper estimate	Net welfare effect (A-B) Lower estimate
2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more.	3,371	3,378	3,355	3,368	16	10
2905.11.20	Methanol (Methyl alcohol), other than imported only for use in producing synthetic natural gas (SNG) or for direct use as fuel..	52,644	53,977	48,910	51,449	3,734	2,528
2710.19.05	Distillate and residual fuel oil (including blends) derived from petroleum or oils from bituminous minerals, testing under 25 degrees A.P.I..	516	517	515	516	1	1
6109.10.00	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton..	63,694	68,522	54,406	63,163	9,288	5,359
6203.42.40	Men's or boys' trousers and shorts, not bibs, not knitted or crocheted, of cotton, not containing 15% or more by weight of down, etc.	56,583	62,315	46,088	56,207	10,495	6,108
6110.20.20	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, n.e.s.o.i...	([a])	([a])	([a])	([a])	([a])	([a])
0804.30.40	Pineapples, fresh or dried, not reduced in size, in crates or other packages..	4,673	4,684	4,651	4,673	22	11
2207.10.60	Undenatured ethyl alcohol of 80 percent vol. alcohol or higher, for nonbeverage purposes.	43,494	52,698	24,610	37,819	18,885	14,879
2710.11.45	Light oil mixt. of hydrocarbons fr petro oils & bitum min(o/than crude) or prep 70%+ wt. fr petro oils, n.e.s.o.i.,n/o 50% any single hydrocarbon.	245	245	244	245	1	([b])
7113.19.50	Precious metal (o/than silver) articles of jewelry and parts thereof, whether or not plated or clad with precious metal, n.e.s.o.i..	10,155	10,682	8,891	9,864	1,265	818
2402.10.80	Cigars, cheroots and cigarillos containing tobacco, each valued 23 cents or over..	5,294	5,412	5,119	5,351	175	62
6203.43.40	Men's or boys' trousers, breeches & shorts, of synthetic fibers, con under 15% wt down etc, cont under 36% wt wool, n/water resist, not k/c..	29,259	33,643	21,515	28,784	7,743	4,858
3903.11.00	Polystyrene, expandable, in primary forms.	6,877	7,254	5,968	6,661	909	593
1701.11.10[c]	Cane sugar, raw, in solid form, w/o added flavoring or coloring, subject to add. US 5 to Ch.17..	0	0	3,538	3,538	-3,538	-3,538
6212.10.90	Brassieres, not containing lace, net or embroidery, containing under 70% by wt of silk or silk waste, whether or not knitted or crocheted.	([a])	([a])	([a])	([a])	([a])	([a])
6204.62.40	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of cotton, n.e.s.o.i..	13,646	14,910	11,344	13,606	2,302	1,304
6109.90.10	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of man-made fibers.	22,772	25,824	17,171	22,294	5,602	3,531
6107.11.00	Men's or boys' underpants and briefs, knitted or crocheted, of cotton..	([a])	([a])	([a])	([a])	([a])	([a])
6212.10.50	Brassieres containing lace, net or embroidery, containing under 70% by weight of silk or silk waste, whether or not knitted or crocheted.	([a])	([a])	([a])	([a])	([a])	([a])
0804.30.60	Pineapples, fresh or dried, reduced in size..	([d])	([d])	([d])	([d])	([d])	([d])

Source: Estimated by the U.S. International Trade Commission from official statistics of the U.S. Department of Commerce.

Note: The abbreviation, n.e.s.o.i., stands for “not elsewhere specified or otherwise included.”

[a] Welfare and displacement effects were not calculated because of the unavailability of U.S. production and/or export data.
[b] Less than $500.
[c] Raw sugar imports of this category are subject to U.S. tariff-rate quotas; therefore, the net welfare effect from a tariff elimination on these imports is composed solely of a transfer of tariff revenue for the U.S. Treasury to sugar exporters. Because the quotas set maximum U.S. import levels, no U.S. production is displaced following a tariff reduction.
[d] Analysis for HTS 0804.30.40 and 0804.30.60 is combined under HTS 0804.30.40.

Table 3-5
Estimated effects on the production of U. S. industries of leading imports that benefited exclusively from CBERA, 2006

HTS number	Description	U.S. production	Change in U.S. production: Value, Upper estimate	Value, Lower estimate	Share, Upper estimate	Share, Lower estimate
		---1,000 dollars---			---Percent---	
2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more.	80,740,650	-5,891	-3,072	-0.01	([a])
2905.11.20	Methanol (Methyl alcohol), other than imported only for use in producing synthetic natural gas (SNG) or for direct use as fuel.	535,000	-54,195	-27,573	-10.13	-5.15
2710.19.05	Distillate and residual fuel oil (including blends) derived from petroleum or oils from bituminous minerals, testing under 25 degrees A.P.I..	105,990,860	-1,699	-886	([a])	([a])
6109.10.00	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton.	1,307,900	-12,545	1,730	-0.96	0.13
6203.42.40	Men's or boys' trousers and shorts, not bibs, not knitted or crocheted, of cotton, not containing 15% or more by weight of down, etc.	1,660,000	-21,939	-3,753	-1.32	-0.23
6110.20.20	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, n.e.s.o.i..	([b])	([b])	([b])	([b])	([b])
0804.30.40	Pineapples, fresh or dried, not reduced in size, in crates or other packages.	62,370	-1,249	-341	-2.00	-0.55
2207.10.60	Undenatured ethyl alcohol of 80 percent vol. alcohol or higher, for nonbeverage purposes.	6,000,000	-203,526	-102,169	-3.39	-1.70
2710.11.45	Light oil mixt. of hydrocarbons fr petro oils & bitum min(o/than crude) or prep 70%+wt. fr petro oils, n.e.s.o.i.,n/o 50% any single hydrocarbon.	1,393,140	-207	-108	-0.01	-0.01
7113.19.50	Precious metal (o/than silver) articles of jewelry and parts thereof, whether or not plated or clad with precious metal, n.e.s.o.i..	885,580	-3,361	-1,119	-0.38	-0.13
2402.10.80	Cigars, cheroots and cigarillos containing tobacco, each valued 23 cents or over.	1,164,800	-11,864	-3,316	-1.02	-0.28
6203.43.40	Men's or boys' trousers, breeches & shorts, of synthetic fibers, con under 15% wt down etc, cont under 36% wt wool, n/water resist, not k/c.	400,000	-11,558	-1,544	-2.89	-0.39
3903.11.00	Polystyrene, expandable, in primary forms.	890,000	-20,344	-10,542	-2.29	-1.18
1701.11.10[c]	Cane sugar, raw, in solid form, w/o added flavoring or coloring, subject to add. US 5 to Ch.17.	4,433,000	0	0	0	0
6212.10.90	Brassieres, not containing lace, net or embroidery, containing under 70% by wt of silk or silk waste, whether or not knitted or crocheted.	([b])	([b])	([b])	([b])	([b])
6204.62.40	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of cotton, n.e.s.o.i..	800,000	45	813	0.01	0.10
6109.90.10	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of man-made fibers.	45,600	2,871	2,599	6.30	5.70
6107.11.00	Men's or boys' underpants and briefs, knitted or crocheted, of cotton.	([b])	([b])	([b])	([b])	([b])
6212.10.50	Brassieres containing lace, net or embroidery, containing under 70% by weight of silk or silk waste, whether or not knitted or crocheted.	([b])	([b])	([b])	([b])	([b])
0804.30.60	Pineapples, fresh or dried, reduced in size.	([d])	([d])	([d])	([d])	([d])

Source: Estimated by the U.S. International Trade Commission from official statistics of the U.S. Department of Commerce.

Note: The abbreviation, n.e.s.o.i., stands for “not elsewhere specified or otherwise included.”

[a] Absolute value less than 0.005 percent.
[b] Welfare and displacement effects were not calculated because of the unavailability of U.S. production and/or export data.
[c] Raw sugar imports of this category are subject to U.S. tariff-rate quotas. Because the quotas set maximum U.S. import levels, no U.S. production is displaced following a tariff reduction.
[d] Analysis for HTS subheadings 0804.30.40 and 0804.30.60 is combined under HTS subheading 0804.30.40.

Overall, the estimated net welfare effects of CBERA were small. The gain in consumer surplus (column A of table 3-4) was greater than the corresponding decline in tariff revenue (column B) for all of the products analyzed for which data were available except raw cane sugar, which did not provide a gain in consumer surplus because it was subject to a binding tariff-rate quota.[15] Of the resulting net welfare gains, the largest were for fuel-grade ethanol ($14.9 million to $18.9 million) and men's or boys' woven cotton trousers or shorts ($6.1 million to $10.5 million). Knitted cotton t-shirts and men's or boys' woven cotton trousers or shorts had the largest net welfare gains in 2004.[16]

Effects on U.S. producers

Estimates of the potential effects of CBERA on domestic production are shown in table 3-5. Some industries experienced displacement of domestic production as a result of CBERA preferences and there was a positive net effect on others.[17] The positive net effect occurs for U.S. industries that include firms that produce cut apparel parts that are assembled in beneficiary countries. These industries experience a negative effect (displacement) from competition with imports from beneficiary countries and a positive effect from their exports of apparel parts to the beneficiary countries.

Estimates of the potential displacement of domestic production were small for most of the individual sectors.[18] The analysis indicates that the largest potential displacement effects were for methanol (5.2 percent to 10.1 percent displaced, valued at $27.6 million to $54.2 million); fuel grade ethanol (1.7 percent to 3.4 percent displaced, valued at $102.2 million to $203.5 million); men's or boys' woven manmade-fiber trousers or shorts (0.4 percent to 2.9 percent displaced, valued at $1.5 million to $11.6 million); polystyrene (1.2 percent to 2.3 percent displaced, valued at $10.5 million to $20.3 million); and fresh or dried

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[15] Tariff-rate quotas (TRQs) that apply to HTS 1701.11.10 set maximum sugar import levels at lower tariff rates both globally and for imports from individual countries. Over-quota imports are charged much higher tariffs, which tend to be prohibitive. When in-quota import quantities are filled, a TRQ is binding, and imports subject to the TRQ are constrained. Because the TRQ for sugar is binding, import volumes and the price of sugar did not change, and the net welfare change associated with duty elimination is composed solely of a transfer of tariff revenue from the U.S. Treasury to CBERA country sugar exporters (who benefit from a quota allocation system that appropriates quota rents for exporters); thus, there was no consequent gain in consumer surplus, even after CBERA tariff reductions on sugar were implemented.

[16] See USITC, *CBERA, Seventeenth Report, 2003-2004*, table 3-4, 3-9.

[17] CBERA requires the Commission to assess the effect of CBERA on the "domestic industries which produce articles that are like, or directly competitive with, articles being imported into the United States from beneficiary countries." Defining these industries is not always clear cut, especially in the apparel sector. Resources used in the apparel sector, such as sewing machines, fabric cutters, and operators of these machines, can, for the most part, be easily reallocated from one type of apparel to another. This is due both to the nature of the machinery and operators and to the fickle nature of the fashion industry, which requires flexibility. For analytical purposes, industries have been defined in terms of estimated production of particular types of apparel, but the number of apparel "industries" is actually much smaller than this analysis implies.

[18] U.S. market share, ad valorem equivalent tariff rate, and elasticity of substitution between beneficiary imports and competing U.S. production are the main factors that affect the estimated displacement of U.S. domestic shipments. In general, the larger the CBERA share of the U.S. market, ad valorem equivalent tariff rate, and substitution elasticity, the larger the displacement of domestic shipments.

pineapples (0.6 percent to 2.0 percent displaced, valued at $0.3 million to $1.2 million). However, the estimated displacement share for other products experiencing net displacement was around 1.0 percent or less, even in the upper range of estimates.

Only one of the apparel products experienced a significant positive net effect because U.S. domestic producers supplied cut apparel parts for assembly in beneficiary countries as well as finished apparel for domestic sales. The analysis indicates that the positive net effect for knitted manmade-fiber t-shirts was 5.7 percent to 6.3 percent, valued at $2.6 million to $2.9 million. Only knitted manmade-fiber t-shirts experienced a positive net effect in 2004.[19] By comparison, almost all of the apparel products experienced positive net effects in 2002.[20] This change reflects the continuing shift from apparel assembly using U.S.-cut parts to the greater usage of U.S. fabric that is cut and assembled in CBERA countries and regionally produced knitted fabric.

In addition, the U.S. textile industry benefits from CBERA by supplying yarn and fabric directly to beneficiary country apparel producers, as well as to the U.S. producers of exported cut fabric parts. Data limitations have prevented making estimates of the impact of CBERA on U.S. textile producers.

Overall, the above estimates suggest that the impact of CBERA in 2006 on the U.S. economy, industries, and consumers was minimal, mainly because of the very small portion of U.S. imports that come from CBERA countries. Similarly, only one of the items that benefit exclusively from CBERA (methanol) had any significant displacement impact on U.S. production. On the other hand, some U.S. producers benefit from CBERA preferences, most notably producers of yarn, fabric, thread, and cut apparel parts, although estimates of the impact of CBERA on U.S. production have only been possible for apparel parts.

Highlights of U.S. Industries Most Affected by CBERA

Industries having estimated displacements of 5 percent or more, based on upper estimates, were chosen for further analysis. In 2006, one product that benefited exclusively from CBERA met this criterion—methanol from Trinidad and Tobago. Methanol is discussed in greater detail in the following section.

Methanol

U.S. imports of methanol under HTS 2905.11.20 (methanol other than for use in producing synthetic natural gas or for direct use as a fuel) in 2006 were dutiable at the NTR rate of 5.5 percent ad valorem or were eligible for duty-free or reduced-duty treatment under a number of preferential programs and FTAs, including CBERA.[21] U.S. imports of methanol under

[19] See USITC, *CBERA, Seventeenth Report, 2003-2004*, table 3-5, 3-10.

[20] See USITC, *CBERA, Sixteenth Report, 2001-2002*, table 3-5, 3-10.

[21] Imports entered under 2905.11.20 were eligible for duty-free treatment under GSP (from all designated beneficiary developing countries except Trinidad and Tobago in 2006), ATPA, CBERA, CAFTA-DR, NAFTA, and free trade agreements with Australia, Bahrain, Chile, Israel, Jordan, and Morocco, and were eligible for reduced-duty treatment under the FTA with Singapore.

HTS 2905.11.10 (methanol for use in producing synthetic natural gas or for direct use as a fuel) were subject to an NTR duty rate of free.

U.S. imports of methanol under HTS 2905.11.20 from all sources increased 17.8 percent to $1.6 billion in 2006. The 45.6 percent ($325.2 million) increase in imports from Trinidad and Tobago accounted for more than the increase ($245.5 million) in imports of methanol from all sources in 2006 as that nation captured all of the increase in U.S. imports as well as some market share from other import sources. Trinidad and Tobago became the primary source of methanol imports under HTS 2905.11.20 in 1998 and since 2004 has been greatly expanding its share of U.S. imports, reaching a high of 64.0 percent in 2006.[22]

U.S. production of methanol was estimated at 1.06 million metric tons (mt) in 2006. After peaking at 5.98 million mt in 1997, U.S. production declined rapidly.[23] The number of operating U.S. plants followed a similar trend, falling from 17 in the late 1990s to 4 in 2007.[24] High North American prices for natural gas, the primary input for methanol, and a global redistribution of the methanol industry made it unprofitable for U.S. producers to remain operating. Almost all current U.S. production of methanol is for captive consumption.[25]

Other countries with significant natural gas resources have transformed the geographic composition of this industry by investing in new, large-scale production facilities to leverage their access to cheap natural gas and to take advantage of the more cost-effective and easier shipping of methanol relative to natural gas. New mega-facilities with capacities of 1-2 million mt in Trinidad and the Middle East have shifted the bulk of production from the developed economies of Europe and North America to these developing areas.[26] In general, these producers are supplying the merchant market rather than captively consuming the methanol.

The driving force in the geographic redistribution of methanol production is the relative cost of natural gas, the main input for most methanol production processes. Even Methanex, the world's largest methanol producer, has shuttered its North American plant because of the high cost of natural gas in North America.[27] Natural gas in Trinidad cost $1.60 per million BTUs in 2005, whereas natural gas in the United States cost $8.85 per million BTUs.[28] A multiple of more than five between the price of natural gas in Trinidad and that in the United States ensures that Trinidad will continue to supply a large share of the U.S. methanol market. Even in the absence of imports from Trinidad, other producers with access to natural

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[22] USITC *DataWeb*.

[23] Chemical Economics Handbook program, Methanol Market Report, July 2007, with the permission of SRI Consulting.

[24] Staff correspondence with Dick Simmons, DeWitt Consulting, July 9, 2007.

[25] Chemical Economics Handbook program, Methanol Market Report, July 2007, with the permission of SRI Consulting.

[26] Chemical Economics Handbook program, Methanol Market Report, July 2007, with the permission of SRI Consulting.

[27] "Due to the high cost of natural gas in North America, Methanex permanently ceased production at its Kitimat manufacturing plants November 1, 2005." *http://www.methanex.com/ourcompany/locations_canada.html*, accessed July 23, 2007.

[28] American Chemistry Council, Natural Gas Costs Around the World, 2005, *http://www.americanchemistry.com/s_acc/bin.asp?CID=491&DID=1723&DOC=FILE.PDF*, accessed July 23, 2007.

gas for less than \$2 per million BTUs (e.g., Bolivia, the countries bordering the Persian Gulf, Russia) would be able to supply the U.S. market with methanol at prices well below those of domestic producers.[29] Therefore, the impact of CBERA is minimal on the U.S. methanol industry.

Another factor contributing to the geographic redistribution is the lower cost and relative ease of transporting methanol compared to natural gas. The transition from natural gas exports to methanol exports is logical because it is cheaper to ship methanol than natural gas, and the countries with the natural gas reserves get to retain the extra value added.

Methanex is the world's largest methanol producer with capacities of 3.8 million mt per year in Chile, 2.5 million mt per year in Trinidad, and 530,000 mt per year in New Zealand.[30] In addition to Methanex, one other company produces methanol in Trinidad. Methanol Holdings (Trinidad) Ltd. has five methanol plants in Trinidad with a capacity of over 4 million mt.[31] The Saudi Basic Industries Corporation (SABIC) made over 4.1 million mt of methanol in 2006 and expects to bring another plant with a capacity of 1.7 million mt on stream in 2008.[32] These three companies accounted for approximately 30 percent of global methanol capacity in 2006. Russia and the Persian Gulf states also have some large-scale producers, but other countries like China have numerous smaller producers.

U.S. demand for methanol peaked at 8.77 million mt in 2000 before beginning a gradual decline to an estimated 6.93 million mt in 2006.[33] The demand for methanol to produce MTBE[34] increased throughout the 1990s as it was used to enhance octane in fuels. However, this pattern reversed in 1999 when California and other states began to phase out MTBE in fuel due to groundwater contamination and methanol demand has been declining ever since.[35] Although TAME,[36] one of the fuel additive replacements for MTBE, can also be produced from methanol, the use of methanol to produce TAME was insufficient to offset fully the MTBE-related decline in methanol demand.[37]

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[29] American Chemistry Council, Natural Gas Costs around the World, 2005, *http://www.americanchemistry.com/s_acc/bin.asp?CID=491&DID=1723&DOC=FILE.PDF*, accessed July 23, 2007.

[30] Methanex website, *http://www.methanex.com/ourcompany/profile.html*, accessed July 23, 2007.

[31] Methanol Holdings (Trinidad), Ltd., *http://www.ttmethanol.com/web/index.htm*, accessed July 24, 2007.

[32] SABIC Annual Report 2006, *http://www.sabic.com/corporate/en/binaries/Annual%20Report-2006_tcm4-3241.pdf*, accessed July 23, 2007.

[33] Chemical Economics Handbook program, Methanol Market Report, July 2007, with the permission of SRI Consulting.

[34] Methyl tert-butyl ether.

[35] California Energy Commission, "Energy Commission MTBE Study," *http://www.energy.ca.gov/mtbe/*, accessed August 8, 2007. Energy Information Administration, Department of Energy, "Status and Impact of State MTBE Bans," revised March 27, 2003, *http://tonto.eia.doe.gov/FTPROOT/service/mtbe.pdf*, accessed August 8, 2007.

[36] Tert-amyl methyl ether.

[37] Chemical Economics Handbook program, Methanol Market Report, July 2007, with the permission of SRI Consulting. Energy Information Administration, Department of Energy, "MTBE, Oxygenates, and Motor Gasoline," *http://www.eia.doe.gov/emeu/steo/pub/special/mtbe.html*, accessed August 8, 2007.

(continued...)

Other major uses of methanol in the United States include formaldehyde and acetic acid production. Formaldehyde production has become the primary use of methanol in the United States. Formaldehyde resins are used in the production of plywood, particle board, paints, and adhesives. Acetic acid is an input for other intermediate chemicals which go into plastic bottles, paints, adhesives, and synthetic fibers. Smaller quantities of methanol are used to manufacture dimethyl terephthalate, methyl methacrylate, methylene chloride, solvents, and windshield washer fluid.[38]

Investment and Future Effects of CBERA

Based on an analysis of CBERA-related investment activity in the Caribbean Basin region and an assessment of the impact that investment might have on future imports under the program, the future effects of CBERA on the U.S. economy are likely to be minimal. Most of the effects of CBERA on the U.S. economy happened shortly after the program's implementation in 1984. In addition, as discussed earlier in this chapter, the economic impact of CBERA on the U.S. economy, industries, and consumers is—and will likely continue to be—minimal mainly because of the small portion of U.S. imports that come from CBERA countries. Moreover, several countries that historically have been leading suppliers of imports under CBERA are no longer eligible for CBERA benefits, as those countries have implemented CAFTA-DR.

This section begins with a discussion of the analytical approach used for the analysis, followed by a summary of investment activities and trends in the CBERA region, and a description of CBERA-related investments—i.e., investment expenditures directed at the production of exports that qualify for CBERA preferences—in selected countries during 2005–06. CBERA-related investments are described with a focus on the effects those investments may have on U.S. imports in the near term. Countries that have implemented CAFTA-DR—the Dominican Republic, El Salvador, Honduras, Nicaragua, and Guatemala—are not considered in this analysis because those countries are no longer eligible for CBERA benefits.[39]

Analytical Approach

CBERA was primarily designed to encourage Caribbean Basin countries to diversify their economies by increasing and expanding the range of their exports to the United States.[40]

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[37] (...continued)

[38] Staff correspondence with Dick Simmons, DeWitt Consulting, July 9, 2007.

[39] Costa Rica also was a CAFTA-DR signatory but it has not implemented the agreement as of this report. The Dominican Republic implemented the agreement effective March 1, 2007. USTR, "Statement of U.S. Trade Representative Susan C. Schwab Regarding Entry into Force of the CAFTA-DR for the Dominican Republic," press release, March 1, 2007.

[40] Prior to the mid-1980s, U.S. imports from Caribbean Basin countries consisted largely of agricultural products, raw materials, and their derivatives—namely petroleum products, sugar cane, coffee, cocoa, bananas, and aluminum ores and concentrates. "The deterioration in the terms of trade for these export items and a quest for economic growth prompted CBI countries to seek

(continued...)

Previous reports in this series have found that most of the effects on the U.S. economy and consumers of the one-time elimination of import duties under CBERA occurred within 2 years of the program's implementation in 1984. Other one-time effects on the U.S. economy and consumers likely occurred within 2 years after such expansions of preferential treatment afforded by CBEREA in 1990, CBTPA in 2000, and the Trade Act of 2002.[41] Remaining effects have occurred over time as a result of increased export-oriented investment in the region in response to the diminution of tariffs for certain CBERA-eligible products. Consequently, the analysis in this section uses recent CBERA-related investment as a barometer of future trade flows under the program. That is, this analysis considers that new or increased recent investment in certain CBERA-eligible sectors is likely to lead to increased exports to the United States, which could have future effects on the U.S. economy and consumers.

The Commission used a number of sources for the analysis in this section. With the assistance of U.S. embassies in the Caribbean Basin region, the Commission conducted its biennial Caribbean Basin investment survey during June–July 2007. Data collected and provided by U.S. embassies in response to the Commission's biennial investment survey served as a primary source of information for this analysis. Additional data and other information on investment were obtained from various sources published by U.S. and international organizations, and other cited publications.

Summary of Investment Activities and Trends

Worldwide foreign direct investment (FDI) flows into Latin America and the Caribbean totaled an estimated $72.4 billion in 2006, which represents a 54 percent increase from $47.0 billion in 2002, but only a small (less than 1 percent) increase from $71.4 billion in 2005 (table 3-6). According to the U.N. Economic Commission for Latin America and the Caribbean (ECLAC), worldwide FDI flows into the region stabilized during the 2003–06 period, after recovering from a sharp decline during the period 1998–2002, largely as a result of stronger performance of the world economy and higher growth in key sources of global FDI—the United States, the countries of the euro zone, China, and Japan.[42]

Worldwide FDI flows into CBERA countries[43] rose from $2.9 billion in 2002 to $5.8 billion in 2006, an increase of about 96 percent (table 3-6). Worldwide FDI flows into CBERA countries surged by more than $1 billion between 2005 and 2006 alone,[44] although much of

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[40] (...continued)
diversification in their export profile. The encouragement of such diversification . . . was one of the intended goals of the United States in implementing the [CBERA] program." U.S. Department of Commerce, International Trade Administration, *Guide to the Caribbean Basin Initiative*, November 2000, *http://www.ita.doc.gov/media/Publications/pdf/cbi2000.pdf*, accessed July 22, 2005.

[41] These provisions are described in chapter 1 of this report.

[42] ECLAC, *Foreign Investment in Latin America and the Caribbean, 2006*, 21–23.

[43] Refers to countries designated for CBERA benefits as of December 31, 2006.

[44] Data for CBERA countries for 2006 shown in table 3-6 represent data only for Belize, Costa Rica, Haiti, Jamaica, Panama, and Trinidad and Tobago. 2006 data for other CBERA countries were not available.

Table 3-6
Worldwide foreign direct investment flows into CBERA countries, 2002–06

Host region/economy	2002	2003	2004	2005	2006[a]	2002-06 change[b]
	--------------------------		*Million dollars*	----------------------		*Percent*
Latin America and the Caribbean	47,042	39,127	61,503	71,361	72,439	54
CBERA countries[c]:						
Anguilla	33	29	87	78		
Antigua and Barbuda	66	166	77	114		
Aruba	331	156	143	119		
Bahamas	153	190	274	360		
Barbados	17	58	-12	159		
Belize	25	-11	112	126	153	512
Costa Rica	659	575	617	861	1,436	118
Dominica	18	29	24	26		
Grenada	54	89	54	26		
Guyana	44	26	30	77		
Haiti	6	14	6	26	160	2,567
Jamaica	481	721	602	682	621	29
Montserrat	1	2	2	1		
Netherlands Antilles	8	-81	-26	48		
Panama	99	771	1,012	1,027	2,560	2,486
Saint Kitts and Nevis	80	76	46	47		
Saint Lucia	52	106	80	108		
Saint Vincent and the Grenadines	34	55	66	56		
Trinidad and Tobago	791	808	998	940	883	12
Total	2,952	3,779	4,192	4,881	5,813	96

Sources: Compiled from multiple sources. Data for Latin America and the Caribbean and countries are from ECLAC, *Foreign Investment in Latin America and the Caribbean, 2006*, table I-A-1; ECLAC, *Foreign Investment in Latin America and the Caribbean, 2005*, table 1; ECLAC, *Foreign Investment in Latin America and the Caribbean, 2004*, table 1; and ECLAC, FDI in Latin America and the Caribbean, by Receiving Country, 1992–2006.

Note: Negative signs indicate investment outflows.

[a] Data for 2006 are estimated by sources cited. Missing values indicate data unavailable from sources cited.
[b] Percent change calculated only when 2006 data are available.
[c] Excludes countries that have implemented CAFTA-DR—the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua.

that increase was the result of a single transaction in Panama in which a Panama-based bank was purchased by a foreign banking and financial services company.[45] In addition to Panama, other leading CBERA recipients of FDI in 2006, for which data were available, were Costa Rica, Trinidad and Tobago, and Jamaica.

ECLAC reported that the Caribbean Basin countries "are long-standing recipients of FDI thanks to a combination of low costs and their proximity to the United States."[46] According to ECLAC, FDI in the Caribbean Basin region traditionally has been largely either "natural-resource-seeking" investment, based largely on investments in the hydrocarbons sector (such as in Trinidad and Tobago) and mining (Jamaica), or "efficiency-seeking" investment based largely on investments seeking to make use of the region's low labor costs and low transportation costs to the U.S. market (for sectors such as textiles and apparel throughout

[45] ECLAC, *Foreign Investment in Latin America and the Caribbean, 2006*, 29.
[46] Ibid., 51.

the Caribbean Basin region).[47] However, ECLAC reported that competition from low-cost producers in Asia and as a result of the end of global quotas on apparel under the WTO Agreement on Textiles and Clothing effective January 1, 2005, create new challenges for Caribbean Basin producers.[48] Throughout the Caribbean Basin region, ECLAC finds that "[t]here is a general shift of focus, even in the countries in which investments have traditionally concentrated on natural resources, towards services."[49]

Investment in Selected CBERA Countries and Future Effects of CBERA

In 2006, the leading recipients of worldwide FDI inflows among CBERA beneficiaries were Panama ($2.6 billion), Costa Rica ($1.4 billion), Trinidad and Tobago ($883 million), and Jamaica ($621 million) (table 3-6).[50] More detailed descriptions of selected investment activities in those four countries, and the likely future effects of any increase in imports under CBERA on U.S. consumers and producers as a result of that investment, are presented below. The descriptions emphasize investments to produce CBERA-eligible exports although, as stated above, export-oriented services have become increasingly important in many CBERA countries.[51]

In general, and as summarized below, increases in investment in the production and export of CBERA-eligible products in the near term are not likely to have a significant economic impact on U.S. consumers and producers. However, for one product, undenatured ethyl alcohol (HTS 2207.10.60, or fuel-grade ethanol[52]), the economic effects are less clear. Total U.S. imports of ethanol were valued at $1.5 billion in 2006, up 378.8 percent from $309.4 million in 2005. Imports of ethanol under CBERA[53] totaled $266.9 million in 2006, up 86.4

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[47] ECLAC also identifies market-seeking investment directed at consumers in the region. ECLAC notes that, in view of the relatively small size of the Caribbean Basin market, investments are mainly focused in services sectors. ECLAC, *Foreign Investment in Latin America and the Caribbean, 2006*, 46 and 51-2.

[48] ECLAC, *Foreign Investment in Latin America and the Caribbean, 2006*, 52.

[49] Ibid., 52.

[50] Based on available data from sources cited in table 3-6.

[51] Under the Caribbean Basin Initiative, countries that have signed a Tax Information Exchange Agreement (TIEA) with the United States, are eligible for the CBI Convention Tourism Tax Credit that affords a deduction on U.S. taxes for companies that hold business conventions in an eligible country. The U.S. embassy in Trinidad and Tobago reported that this tax deduction had been particularly important for the development of the country's tourism sector. U.S. Department of State telegram, "2007 Report for Biennial Caribbean Basin Investment Survey," prepared by U.S. Embassy Port of Spain, message reference No. 00648, July 3, 2007.

[52] Refers to fuel-grade ethanol used mostly as an additive to gasoline to reduce carbon monoxide exhaust emissions.

[53] Most ethanol produced in Caribbean Basin countries is made from imported ethanol feedstock. European wine alcohol was an important source of ethanol feedstock for Caribbean producers until directive entered into force in 2004 to promote the use of biofuels in the European Union (Directive 2003/30/EC of the European Parliament and of the Council of 8 May 2003 on the promotion of the use of biofuels and other renewable fuels for transport). Since 2004, Brazil has emerged as a leading supplier of ethanol feedstock (primarily derived from sugarcane). USDA,

(continued...)

percent from $143.2 million in 2005. CBERA countries (Jamaica, Costa Rica, and, to a lesser extent, Trinidad and Tobago) supplied 18.0 percent of the value of total U.S. ethanol imports in 2006, down from 42.3 percent in 2005. According to a recent report by the Congressional Research Service, low-cost ethanol imports from CBERA countries could have an advantage over domestically produced ethanol in the U.S. market.[54] However, rising U.S. ethanol imports have been accompanied by greater U.S. domestic ethanol production.[55] Consequently, the economic impact of an increase in ethanol imports under CBERA is uncertain.

Costa Rica

The future effects of any increase in imports under CBERA from Costa Rica on the U.S. economy are likely to be minimal. As discussed throughout this report, the United States completed FTA negotiations with five Central American countries and the Dominican Republic during 2004. CAFTA-DR entered into force for El Salvador, Guatemala, Honduras, and Nicaragua during 2006. However, Costa Rica has not implemented the agreement as of this report. If the agreement is implemented by both parties, Costa Rica would no longer be eligible for CBERA benefits.[56]

Fresh or dried pineapples in crates (HTS 0804.30.40) and fresh or dried pineapples reduced in size (HTS 0804.30.60) ranked as the top two imports under CBERA from Costa Rica in 2006. Imports of pineapples in crates were valued at $235.4 million in 2006, a 119.5 percent increase from $107.2 million in 2005, and a 191.7 percent increase from imports of $80.7 million in 2004; imports of pineapples reduced in size were valued at $89.8 million in 2006, an increase of more than 900 percent from $8.6 million in 2004 (table D-1). Both categories of pineapples ranked among the top 20 products that benefited exclusively from CBERA in 2006 (table 3-2), and Costa Rica was the primary supplier. Costa Rica is the largest world supplier of pineapples to the U.S. market.[57] Pineapple output by value and quantity in the United States, produced almost exclusively in Hawaii, has generally declined since 2000 based on factors not related to CBERA imports.[58] The Commission did not identify new

[53] (...continued)
FAS, *Brazil: Bio-Fuels Annual 2006*, GAIN Report BR6008, May 26, 2006.

[54] Congressional Research Service, *Ethanol Imports and the Caribbean Basin Initiative*, RS21930, March 10, 2006. See also Senator Chuck Grassley, "Floor Statement of Sen. Chuck Grassley Chairman, Committee on Finance Delivered Friday, May 5, 2006," *http://www.senate.gov/~finance/press/Gpress/2005/prg050506.pdf*.

[55] Economic Research Service and Foreign Agricultural Service, USDA, *Outlook for U.S. Agricultural Trade*, May 31, 2007, *http://www.fas.usda.gov/cmp/outlook/2007/May-07/AES-05-31-2007.pdf*.

[56] For additional information, see the section "U.S. FTAs with Central America and the Dominican Republic" in chapter 1 of this report.

[57] USDA, Economic Research Service, *Outlook for U.S. Agricultural Trade*, AES-52, November 22, 2006, 12.

[58] A significant factor cited by sources in connection with this investigation has been rising costs, especially related to real estate values in Hawaii. Del Monte ended its pineapple operations in Hawaii in 2006, leaving just two companies producing pineapples in Hawaii. State of Hawaii, National Agricultural Statistics Office, Hawaii Pineapples, Annual Summary, February 7, 2007, *http://www.nass.usda.gov/hi/fruit/pine.pdf*. For background information on pineapple production (continued...)

foreign investment in Costa Rica's pineapple sector during 2005–06; however, any near-term increase in pineapple imports from Costa Rica as a result of new FDI in this sector will not likely have a measurable impact on U.S. production of pineapples given current trends in the U.S. sector, while U.S. consumers would likely continue to benefit from increased availability of pineapples imported from Costa Rica.

Undenatured ethyl alcohol (HTS 2207.10.60, or fuel-grade ethanol) ranked as the third leading import under CBERA from Costa Rica with imports valued at $77.4 million in 2006, a 26.3 percent increase from $61.3 million in 2005, and a 120.6 percent increase from $35.1 million in 2004 (table D-1). U.S. ethanol imports from the world were valued at $1.5 billion in 2006, and Costa Rica supplied approximately 5 percent of the total value in 2006. Undenatured alcohol ranked among the 20 leading imports that benefited exclusively from CBERA in 2006, and Costa Rica supplied about 28 percent of those imports (table 3-2) largely through processing (dehydrating) hydrous ethanol from Brazil and exporting the dehydrated ethanol to the United States.[59] The Commission did not identify any new investment projects to expand ethanol production in Costa Rica during 2005–06, although Costa Rica launched a pilot project in 2006 to study the feasibility of introducing ethanol-blended gasoline into that country's domestic market using ethanol supplied by Brazil.[60]

Imports under CBERA of certain men's or boys' trousers (HTS 6203.42.40) from Costa Rica were valued at $75.6 million in 2006, a 1.2 percent increase from $74.7 million in 2005, and a 5.5 percent increase from $71.7 million in 2004 (table D-1). Men's or boys' trousers ranked as the fifth leading imports that benefited exclusively from CBERA in 2006, and Costa Rica supplied 17 percent of those imports (table 2-8). The Commission did not identify new foreign investment in Costa Rica's apparel sector during 2005–06.

FDI inflows into Costa Rica were valued at $1.4 billion for 2006, up from $861 million in 2005 (table 3-6). FDI in Costa Rica during 2005–06 continued to focus on industry (electronics and medical equipment), real estate, and financial services, and information technology services.[61] In 2005, 40 percent of FDI was directed into the manufacturing sector, 27 percent into real estate, 9 percent into nonfinancial services, with smaller shares into financial services, tourism, and agroindustry.[62] According to Costa Rican data sources, of 27 new export-oriented FDI projects launched in that country during 2006, 15 were in services, 5 in electronics, 4 in medical equipment, and 3 classified as "other."[63]

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[58] (...continued)
trends in the United States, see USDA, ERS, Fruits and Tree Nut Outlook, FTS-307, November 21, 2003, *http://www.ers.usda.gov/Briefing/FruitAndTreeNuts/fruitnutpdf/pineapple.pdf*.

[59] Congressional Research Service, *Ethanol Imports and the Caribbean Basin Initiative*, RS21930, March 10, 2006, 4, and Katzen International, Inc., "International Operations," *http://www.katzen.com/intops/map.html#*, accessed July 5, 2007.

[60] "The Age of Ethanol?" Latin Business Chronicle, October 5, 2006, *http://www.latinbusinesschronicle.com*.

[61] ECLAC, *Foreign Investment in Latin America and the Caribbean, 2006*, 70.

[62] Costa Rica Investment and Development Board (CINDE), "Current Situation," *http://www.cinde.org/eng-situacionactual.shtml*, accessed July 5, 2007.

[63] CINDE, "Informe de Labores 2006," (Annual Report 2006), 27, *http://www.cinde.org/UserFiles/File/Informe%20CINDE2006.pdf*, accessed July 5, 2007.

Jamaica

The future effects of any increase in imports under CBERA from Jamaica on the U.S. economy are likely to be minimal, although some U.S. corn and ethanol producers have expressed concern about possible future increases of duty-free ethanol imports from CBERA countries. FDI inflows into Jamaica were valued at $621 million in 2006, down from $682 million in 2005. Jamaica's manufacturing, mining, and tourism sectors were the largest recipients of FDI in 2005, with each sector registering more than $100 million in investment inflows.[64] According to the U.S. embassy in Jamaica, investment in the manufacturing sector was associated with a $100 million expansion in a cement plant for production primarily for the local market.[65] In 2005, Alcoa announced a $1.5 billion project to expand an export-oriented alumina refinery in Jamaica to be completed over two years.[66] Also in 2005, Jamaica signed an agreement valued at $200 million for Venezuela's state oil company to modernize and expand an oil refinery in Kingston, Jamaica.[67] The EIU reported that economic growth in Jamaica during 2007–08 is likely to continue to be driven by increased FDI in the country's tourism and bauxite mining sectors.[68] Several investments in new or expansion of ethanol plants in Jamaica also have been announced in response to higher ethanol prices in the United States.[69]

Jamaican government officials reported that they issued 484 CBERA/CBTPA export certificates in 2006, a 12 percent decline from 546 certificates issued in 2005. Difficulties in meeting CBERA/CBTPA rules of origin were cited as a key reason for this decline. Jamaican producers reportedly must source increasing amounts of raw materials and inputs from outside the United States and Caribbean Basin region in order to be competitive, which makes it difficult for them to meet CBERA/CBTPA rules of origin.[70]

Undenatured ethyl alcohol (HTS 2207.10.60, or fuel-grade ethanol) ranked as the leading U.S. import from Jamaica in 2006 and the leading import under CBERA from Jamaica, with imports valued at $164.6 million, a 161.3 percent increase from $63.0 million in 2005, and a 205.9 percent increase from $53.8 million in 2004 (table D-1). Undenatured alcohol

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[64] U.S. Department of State telegram, "USITC Biennial Caribbean Basin Investment Survey," prepared by U.S. Embassy Kingston, message reference No. 01011, June 28, 2007.

[65] Ibid., and Caribbean Cement Company, Ltd., "Carib Cement Corporate Profile," *http://www.caribcement.com/about/*, accessed July 1, 2007.

[66] "Important Jamalco Expansion," Daily Gleaner, May 10, 2005, *http://www.jamaica-gleaner.com/*; U.S. Department of State telegram, "USITC Biennial Caribbean Basin Investment Survey," prepared by U.S. Embassy Kingston, June 28, 2007; and Alcoa, "What's New in Jamaica," *http://www.alcoa.com/jamaica/en/home.asp*. Aluminum, including its ores and concentrates, is considered a traditional Jamaican export and is not a targeted export of CBERA.

[67] "Jamaica and Venezuela Sign US$200 Million PetroJam Agreement," *Caribbean Net News*, August 25, 2005, *http://www.caribbeannetnews.com*.

[68] EIU, "Outlook for 2007-08: Economic Growth," *Country Report—Updater: Jamaica*, July 1, 2007, *http://www.eiu.com*.

[69] U.S. Department of State telegram, "USITC Biennial Caribbean Basin Investment Survey," prepared by U.S. Embassy Kingston, June 28, 2007, and Jamaica Trade and Invest, "Petrojam's New Ethanol Plant to Cost US$20 Million," June 27, 2007, *http://www.jamaicatradeandinvest.org/news_245.html*.

[70] U.S. Department of State telegram, "USITC Biennial Caribbean Basin Investment Survey," prepared by U.S. Embassy Kingston, June 28, 2007.

ranked among the 20 leading import items that benefited exclusively from CBERA in 2006 and Jamaica supplied about 60 percent of those imports (table 3-2).[71] U.S. ethanol imports from the world were valued at $1.5 billion in 2006, and Jamaica supplied 11.1 percent of the total value in 2006. According to one Jamaican ethanol producer, "[t]he United States market has been targeted for Jamaican ethanol in the short term. . . [because] [t]he US ethanol market has moved from an oversupply situation early in 2003 to a position of undersupply . . . as a result of increased demand."[72] According to industry sources, the United States imported more than 17.4 million barrels of fuel ethanol in 2006, and Jamaica supplied 1.9 million barrels, or 10.9 percent of the total.[73] Largely in response to higher ethanol prices in the United States,[74] several plans have been announced in recent years for new or expansion investments in ethanol dehydration[75] and ethanol distillery plants,[76] to increase Jamaican ethanol production and ethanol exports.

Panama

The future effects of increased imports under CBERA from Panama on the U.S. economy are likely to be minimal. Panama is a relatively small supplier of imports that benefit exclusively from CBERA. The United States and Panama initiated negotiations for an FTA

[71] CBERA countries may supply up to 7 percent of the U.S. market for ethanol duty free with ethanol containing no local feedstock. For 2007, this is the equivalent of 351.7 million gallons of ethanol. However, CBERA countries have not yet reached their quota for duty-free shipments to the United States. Congressional Research Service, *Ethanol Imports and the Caribbean Basin Initiative*, RS21930, March 10, 2006, and USITC, "Ethyl Alcohol for Fuel Use: Determination of the Base Quantity of Imports," *Federal Register*, January 5, 2007, 72 FR 580.

[72] Petrojam Ethanol, Ltd., "Marketing Opportunities," *http://www.pcj.com/petrojam/associate_text.htm*, accessed July 1, 2007.

[73] Ethanol Imports Fall in Early 2007," Ethanol Producer Magazine, July 2007, *http://www.ethanolproducer.com/*.

[74] U.S. Department of State telegram, "USITC Biennial Caribbean Basin Investment Survey," prepared by U.S. Embassy Kingston, June 28, 2007, and Jamaica Trade and Invest, "Petrojam's New Ethanol Plant to Cost US$20 Million," June 27, 2007, *http://www.jamaicatradeandinvest.org/news_245.html*.

[75] An ethanol dehydration plant refurbished with a Brazilian partner opened in Kingston, Jamaica in November 2005 to supply the United States with 150 million liters of ethanol annually, with plans to add another 220 million liters of capacity in the future. "Ethanol Plant Opened in Jamaica—Will Supply an Initial 150 Million Liters to US," *Jamaica Gleaner*, November 24, 2005. Jamaica Broilers Group, poultry producer, has invested $910 million in an ethanol dehydration plant in Jamaica; the plant received its first shipment of Brazilian hydrous raw material in mid-2007, and expects to begin ethanol production and export to the United States by the end of 2007. "Broilers Reports $910m Ethanol Expenditure," *Jamaica Gleaner*, June 15, 2007.

[76] A Brazilian firm is constructing a distillery in Jamaica to produce ethanol from Jamaican sugar cane for export to the United States. "Brazil Wants Jamaica Ethanol Plant to Avoid U.S. Tax (Update1)" Bloomberg.com, November 17, 2005, *http://www.bloomberg.com/index.html*, and "Petrojam's New Ethanol Plant to Cost US$20m—Looks to Local Sugar Sector for Feedstock," *Jamaica Gleaner*, June 27, 2007.

on April 26, 2004.[77] The two parties completed FTA negotiations on December 19, 2006,[78] and signed the agreement—the United States-Panama Trade Promotion Agreement—on June 28, 2007.[79] If the agreement is approved by national legislatures and implemented by both parties, Panama will no longer be eligible for CBERA benefits.

FDI inflows into Panama were valued at $2.6 billion in 2006. The large increase in FDI in Panama during 2006 was a result of the $1.7 billion purchase of a Panama-based bank by a foreign banking and financial services company.[80] Without that transaction, FDI into Panama in 2006 would have totaled about $900 million, slightly below the 2004 level (table 3-6).

A recent Inter-American Development Bank report characterized Panama's economy as one having a dual structure that "is divided between a modern, dynamic, competitive sector based on exportable services which is integrated into the international economy, but which has little connection to the national economy, and a production sector oriented toward agricultural or industrial activities that are not internationally competitive and that cater primarily to the domestic market."[81] Most FDI in Panama is directed at that country's export-focused services sector and its three main components—the Panama Canal zone, the Colón Free Trade Zone, and Panama's international banking center.

Raw cane sugar (HTS 1701.11.10) ranked as the leading CBERA import from Panama in 2006, with imports valued at $7.5 million, a 20.8 percent decline from $9.4 million in 2005, and a 9.0 percent decline from $8.2 million in 2004 (table D-1). Raw cane sugar ranked among the top 20 imports that benefited exclusively from CBERA in 2006, and Panama supplied less than 10 percent of the total (table 3-2). Fresh or dried pineapples in crates (HTS 0804.30.40) ranked as the second leading CBERA import from Panama in 2006 with imports value at $2.3 million, a 17.7 percent decline from almost $2.8 million in 2005, but nevertheless 56.7 percent higher than just over $1.5 million in 2004 (table D-1). Pineapples in crates ranked among the top 20 imports that benefited exclusively from CBERA in 2006, and Panama supplied about 1 percent of the total (table 3-2).

The Commission identified no new investment in Panama's sugar and pineapple sectors during 2005–06. Because Panama is a relatively small supplier of imports that benefited from CBERA during 2006 and a relatively small supplier to the U.S. market, it is likely that any increase in investment in the production of CBERA-eligible exports in Panama in the near term will have little measurable effect on U.S. consumers or producers.

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[77] USTR, "U.S. and Panama to Begin FTA Negotiations on April 26," press release, March 26, 2004.

[78] USTR, "U.S. and Panama Complete Trade Promotion Agreement Negotiations," press release, December 19, 2006.

[79] USTR, "United States and Panama Sign Trade Promotion Agreement," press release, June 28, 2007.

[80] ECLAC, *Foreign Investment in Latin America and the Caribbean, 2006*, 29.

[81] Inter-American Development Bank, "Panama—IDB: Country Strategy with Panama," October 2005, available at *http://www.iadb.org/*.

Trinidad and Tobago

The future effects of any increase in imports under CBERA from Trinidad and Tobago on the U.S. economy are likely to be minimal. Trinidad and Tobago is the leading CBERA supplier of a number of oil and gas products. However, Trinidad and Tobago is not likely to sufficiently increase its refining and export capacity to have any significant impact on U.S. energy consumption or production.
FDI inflows into Trinidad and Tobago were valued at $883 million in 2006, down from $940 million in 2005 and $998 million in 2004. Trinidad and Tobago is the leading oil and gas producer in the Caribbean Basin region,[82] and much of the country's FDI is directed toward oil, gas, and petrochemical production—including a number of products that do not benefit from CBERA because they enter the United States NTR free of duty.

Oil and gas exports from Trinidad and Tobago benefited from higher global prices for oil and natural gas during 2005–06. Crude petroleum (HTS 2709.00.20) ranked as the second leading U.S. import from Trinidad and Tobago and the leading imports under CBERA from Trinidad and Tobago in 2006 with imports valued at $1.7 billion, a 56.0 percent increase from $1.1 billion in 2005, and a 109.1 percent increase from $802.7 million in 2004 (table D-1). Crude petroleum ranked as the leading import that benefited exclusively from CBERA in 2006, and Trinidad and Tobago supplied almost all of those imports (table 3-2). Methanol (HTS 2905.11.20) ranked as the fourth leading U.S. import from Trinidad and Tobago and the second largest import under CBERA in 2006 with imports valued at $1.0 billion, a 47.0 percent increase from $700.6 million in 2005, and a 123.7 percent increase from $460.2 million in 2004 (table D-1). Methanol ranked as the second leading import that benefited exclusively from CBERA in 2006, and Trinidad and Tobago supplied almost all of those imports (table 3-2). As discussed in chapter 2, the higher value of U.S. imports of methanol under CBERA in 2006 was due to higher price and quantity of methanol imports and reflected, in part, larger capacity to produce methanol in Trinidad and Tobago.

Distillate and residual fuel oils (HTS 2710.19.05) ranked as the fifth leading U.S. import from Trinidad and Tobago and the third largest import under CBERA in 2006, with imports valued at $627.6 million, a 26.0 percent increase from $498.1 million in 2005.[83] Distillate and residual fuel oils ranked as the third leading import that benefited exclusively from CBERA in 2006 (table 3-2). Light oils (HTS 2710.11.45, entered under CBTPA) ranked as the sixth leading U.S. import from Trinidad and Tobago in 2006 with imports valued at $245.3 million, a 29.6 percent increase from $189.3 million in 2005, and more than 5,500 percent increase from $4.4 million in 2002.[84] Light oils ranked as the ninth leading import that benefited exclusively from CBERA in 2006 (table 3-2).

FDI in Trinidad and Tobago during 2005–06 continued to focus largely on oil, gas, and petrochemical production. In 2005, plans were announced for a new methanol plant with a $500 million investment to produce 1.8 million mt of methanol per year, which stands to make Trinidad the world's second largest methanol producer after Chile, and the leading

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[82] U.S. Department of Energy, Energy Information Administration, *Country Analysis Briefs: Caribbean*, July 2006, *http://www.eia.doe.gov/emeu/cabs/Caribbean/Full.html*.
[83] USITC, *DataWeb*.
[84] USITC, *DataWeb*.

exporter of methanol to the U.S. market.[85] In addition, a U.S. firm announced plans to expand its fuel refinery operations in Trinidad and Tobago through the construction of a new fuel refinery with a $100 million investment.[86]
In response to the Commission's biennial Caribbean Basin investment survey,[87] the U.S. embassy in Port of Spain identified the following CBERA-related investment projects during 2006:

- two investment projects with combined value of $30 million for the production and export of fuel-grade ethanol;
- one project valued at $4.1 million to produce electrical goods (copper electrical cables);
- three projects valued at almost $2 million to produce and export food products (including processed seafood, sugar, and confectionary goods);
- three projects valued at more than $100 million to produce a variety of manufactured goods;
- two projects valued at more than $650 million to produce petrochemicals, including refined methanol and gasoline products; and
- equipment replacement valued at $14,000 at a company that produces and exports apparel.

According to the U.S. embassy in Trinidad and Tobago, CBERA preferences have been essential to the growth and development of Trinidad's methanol industry.[88] The embassy also reported that ethanol producers stated that they would not do business in Trinidad and Tobago without the availability of CBERA preferences for ethanol.[89]

Other Countries

Bahamas

Imports under CBERA from The Bahamas have increased from $92.7 million in 2004, to $111.3 million in 2005, to $125.0 million in 2006 (table 2-7). More than 97 percent of these imports were of polystyrene (HTS 3903.11.00).

FDI inflows into The Bahamas increased from $274 million in 2004 to $360 million in 2005 (table 3-6). In response to the Commission's biennial Caribbean Basin investment survey, the U.S. embassy in Nassau identified one investment to expand production of polystyrene products for export to the United States; this operation reportedly uses inputs from the

85 *Caribbean Update*, December 2005, 19
86 Ibid., November 2005, 19.
87 U.S. Department of State telegram, "2007 Report for Biennial Caribbean Basin Investment Survey," prepared by U.S. Embassy Port of Spain, message reference No. 00648, July 3, 2007.
88 Ibid.
89 Ibid.

United States, U.S. Virgin Islands, Puerto Rico, or other CBERA countries.[90] According to the U.S. embassy, exporters in The Bahamas stated that CBERA preferences are essential to maintaining the competitiveness of the Bahamian goods in the U.S. market given the relatively high costs of industrial production in The Bahamas.[91]

Belize

Imports under CBERA from Belize have increased significantly in recent years, from $44.5 million in 2004, to $54.7 million in 2005, to $72.2 million in 2006 (table 2-7). Papayas (HTS 0807.20.00) and crude petroleum oils (HTS 2709.00.20) were the leading imports under CBERA from Belize in 2006 with imports valued at $15.6 million and $15.5 million, respectively.

FDI inflows into Belize increased from $25 million in 2002 to $153 million in 2006 (table 3-6). According to statistics of the Government of Belize, the leading sectors for U.S. FDI in Belize include telecommunications, petroleum exploration, tourism, and agricultural production.[92] In response to the Commission's biennial Caribbean Basin investment survey, the U.S. embassy in Belize identified one new and one expansion investment in papaya production and export operations in 2006, with a combined value at more than $1.3 million; more than 90 percent of Belize's papaya exports currently are destined for the U.S. market.[93] The U.S. embassy also reported that two apparel manufacturers in Belize ceased operations in that country in 2006 because of competition from neighboring CAFTA countries.[94] All of Belize's apparel exports are supplied to the U.S. market. However, imports of men's or boys' track suits (HTS 6211.33.00), the leading apparel article supplied by Belize under CBERA, declined from $7.4 million in 2004 to $6.8 million in 2006 (table D-1).

Guyana

Imports under CBERA from Guyana have fallen steeply in recent years, down from $21.0 million in 2004 to $6.7 million in 2005, to $5.1 million in 2006 (table 2-7). Approximately 39.0 percent of imports under CBERA from Guyana in 2006 consisted of men's or boys' knitted or crocheted synthetic trousers (HTS 6103.43.15) (table D-1). Given the sharp decline in imports under CBERA from Guyana, it is unlikely that any future increase in imports under CBERA from Guyana will have a measurable impact on U.S. producers or consumers.

FDI inflows into Guyana rose from $30 million in 2004 to $77 million in 2005, the most recent year for which data were available (table 3-6). Approximately 47 percent of that

[90] U.S. Department of State telegram, "Bahamas: USITC Biennial CBI Survey," prepared by U.S. Embassy Nassau, message reference No. 00879, July 17, 2007.

[91] Ibid.

[92] U.S. Department of State, "2007 Investment Climate Statement—Belize," *http://www.state.gov/e/eeb/ifd/2007/80680.htm*.

[93] U.S. Department of State telegram, "2007 USITC Biennial Caribbean Basin Investment Survey," prepared by U.S. Embassy Belmopan, Belize, message reference No. 00453, July 17, 2007.

[94] Ibid.

investment in 2005 was in Guyana's mining sector, and 39 percent in Guyana's transportation and telecommunication sectors, the remaining 14 percent in other sectors of the economy including agriculture, forestry, and fishing. In response to the Commission's biennial Caribbean Basin investment survey, the U.S. embassy in Guyana identified more than $38 million in CBERA-related investment in Guyana during 2006, including an investment to expansion operations by a Guyanese apparel manufacturer and exporter.[95]

[95] U.S. Department of State telegram, "Guyana Submission for USITC Biennial Caribbean Basin Investment Survey," prepared by U.S. Embassy Georgetown, message reference No. 00675, July 10, 2007.

CHAPTER 4
Impact of CBERA on the Beneficiary Countries

Previous Commission reports have examined the impact of CBERA on those countries which had relatively large trade flows with the United States, most of which have now implemented CAFTA-DR and are generally no longer eligible for CBERA benefits.[96] Haiti and Jamaica have relatively large trade flows with the United States among the remaining non-CAFTA-DR CBERA countries. Hence, this chapter provides economic profiles for these two countries.[97] Each profile contains information on basic economic indicators and trade statistics, including major trading partners, principal products of trade, and the main sectors of GDP in each economy. Each profile concludes with a discussion of the economy of the country in general, the trade and investment climate, and an evaluation of the impact of CBERA.

The Commission's analysis in this chapter finds that CBERA, and in particular its enhancement by the Haiti Hemispheric Opportunity through Partnership Encouragement (HOPE) Act, remains an important factor promoting apparel production and exports in Haiti. In the case of Jamaica, however, CBERA provisions appear to have less of an impact on its increasingly services-oriented economy. Excluding undenatured ethyl alcohol (fuel-grade ethanol),[98] imports under CBERA from Jamaica have declined since 2004.

This series of reports as well as other recent economic studies on the effects of preferential trade agreements on the economies of the countries of the Caribbean Basin region generally have found that CBERA has had a small positive effect on exports—and hence on economic growth in the CBERA countries—and that positive effect has been concentrated in a few countries.[99] Moreover, some of those studies found that CBERA tariff preferences have eroded over time as the phased reduction of tariffs under the Uruguay Round occurred. The end of the textile and apparel quotas on January 1, 2005, under the WTO Agreement on

[96] CAFTA-DR and its implications for CBERA beneficiary status are discussed in chapter 1 of this report.

[97] Costa Rica and Nicaragua were the subjects of economic profiles in USITC, *CBERA, Seventeenth Report, 2003-2004*, El Salvador, Guatemala, and Honduras were subjects of economic profiles in USITC, *CBERA, Sixteenth Report 2001-2002*, and the Dominican Republic, Guatemala, and Trinidad and Tobago were subjects of economic profiles in USITC, *CBERA, Fifteenth Report, 1999-2000.*

[98] For more information on imports under CBERA of fuel-grade ethanol from Jamaica, see the section on "Jamaica" in chapter 3 of this report.

[99] For example, see J. F. Hornbeck, *CRS Report for Congress: U.S .Trade Policy and the Caribbean: From Trade Preferences to Free Trade Agreements*, April 4, 2007; Judith Dean, U.S. International Trade Commission, "Is Trade Preference Erosion Bad for Development?" Office of Economics working paper, No. 2006-11-A, November 2006; and World Bank, *A Time to Choose: Caribbean Development in the 21st Century*, Report No. 31725-LAC, April 27, 2005. Also see chapter 3 of this report for a discussion of the erosion of the margin of preference.

Textiles and Clothing has led to increasing global competition from low-cost producers in China, India, and other Asian countries.[100]

Imports under CBERA from seven countries declined between 2005 and 2006—the Dominican Republic, Panama, Guyana, Netherlands Antilles, St. Vincent and the Grenadines, Dominica, and Antigua and Barbuda. Moreover, imports under CBERA from eight countries declined between 2004 and 2006—Dominican Republic, St. Kitts and Nevis, Guyana, Netherlands Antilles, British Virgin Islands, St. Vincent and the Grenadines, Dominica, and Antigua and Barbuda (table 2-7). Thus, it appears that for a number of countries, either CBERA benefits may no longer provide a sufficient margin of preference to encourage exports, or countries are focusing less on goods exports to the United States to earn foreign exchange.

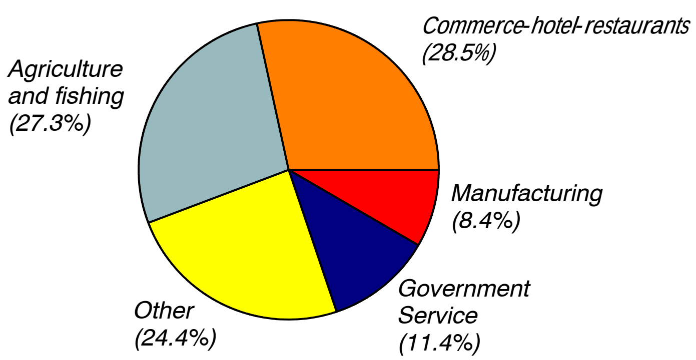
[100] For a discussion of trends in textiles and apparel imports from CBERA countries, see the section on "Textiles and Apparel" in chapter 2 of this report.

HAITI

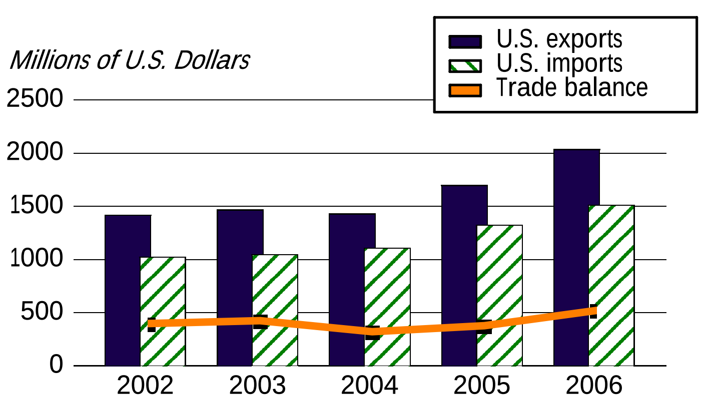
Economic Overview

Economic indicators	2004	2005	2006
GDP (US $ bn)	3.7	4.2	4.9
GDP growth (%)	-3.5	1.8	2.3
Inflation (CPI %)	23	16	13
Goods exports (US $ mn)	378	459	494
Goods imports (US $ mn)	1,211	1,309	1,548
Trade balance (US $ mn)	-833	-850	-1,054
Current account balance (US $ mn)	-54.3	-54.1	-0.6
Foreign exchange reserves (US $ mn)	114	133	253
Total external debt (US $ bn)	1.2	1.4	1.3
Foreign direct investment (US $ mn)	6	26	160

Origins of GDP, 2005



U.S.-Haiti Merchandise Trade



Economic Profile

As a result of longstanding political instability, Haiti experienced a decades-long economic downturn beginning in the 1980s that has resulted in economic performance that registered among the worst in the Latin America and Caribbean region. Haiti's economy deteriorated further during 1991–94 when the United States and other countries imposed UN-mandated economic sanctions and an economic embargo aimed at restoring constitutional government. Haiti has achieved modest economic recovery since the embargo's end in 2004. After four years of decline, Haiti experienced positive GDP growth of 1.8 percent in 2005 and 2.3 percent in 2006. Greater political stability and improved fiscal and monetary policies contributed to increased domestic economic activity, especially in construction and manufacturing. Increased foreign aid and remittances from Haitians abroad contributed to additional investment in Haiti. Both imports and exports expanded, although the current account remained in deficit.

The World Bank classifies Haiti as a low-income economy (a grouping of countries with annual per capita GDP of $825 or less) with 80 percent of the population living below the poverty line (defined as living on the equivalent of less than $2 per day), and estimates that income inequality in Haiti ranks among the highest in the Latin America and Caribbean region.[3] Haiti's economy is dominated by small-scale subsistence farming and foreign trade. The Haitian agricultural sector, once the dominant sector, declined due to severe soil erosion, soil exhaustion and deforestation, hurricane damage, declining international commodity prices, and the highly fragmented nature of Haiti's land tenure system. Haiti's principal traditional cash crops include coffee, cacao, mangos, and sugar. Political unrest and economic decline caused many farmers to shift away from traditional cash corps to subsistence crops for domestic consumption, such as rice, corn, millet, and beans. Recent foreign assistance has focused on channeling resources towards the resumption of agricultural production.

[3] World Bank, *Country Economic Memorandum—Haiti: Opportunities for Inclusive Growth*, July 1, 2006.

Trade Profile

Haiti's exports to the world have increased modestly in recent years, growing from $378 million in 2004 to $494 million in 2006. Haiti's main exports to the world were apparel products from its offshore assembly sector that accounted for 88 percent of it's exports in 2005. Haiti's offshore sector continues to grow in importance and other important export products include essential oils, coffee, and mangos.

The United States is Haiti's primary trading partner. The United States is Haiti's largest import supplier and supplied 49 percent of Haiti's total imports in 2006. U.S. exports to Haiti were valued at $772.9 million in 2006 (table 2-14) and leading U.S. exports to Haiti in 2006 included petroleum oil, sodium hydroxide, charity and donated articles, corn, and precious and semiprecious stones.

The United States accounted for 81 percent of Haiti's total exports in 2005. Total U.S. imports from Haiti were valued at $496.1 million in 2006 (table 2-2). Leading U.S. imports from Haiti in 2006 included apparel products that accounted for over 90 percent of U.S. imports from Haiti in 2006. U.S. imports from Haiti under CBERA were valued at $379.3 million in 2006. Apparel products entered under CBTPA accounted for 73.4 percent of U.S. imports from Haiti in 2006, with CBERA-eligible products like leather and hides, guavas, mangos, and mangosteens accounting for much of the remainder.

In December 2006, the United States enacted the Haiti Hemispheric Opportunity through Partnership Encouragement (HOPE) Act. The HOPE Act, grants duty-free treatment for certain products imported from Haiti, including woven and knit apparel products and wiring sets.[4] The HOPE Act grants Haiti preferential access to the U.S. market that will not be available to other CBERA countries.

Investment Profile

The Haitian government began liberalizing its foreign investment policies in the early 1990s as part of an IMF-backed economic adjustment program. Haiti's government established a "one-stop" investment office and an inter-ministerial commission to assist potential foreign investors. Since 2002, Haiti has outlawed fiscal and legal discrimination against foreigner investors, allowed for 100 percent foreign ownership, removed foreign exchange controls, and modernized its commercial laws, banking regulations, and tax codes. Foreign investors, especially in Haiti's free trade zones, can benefit from tax holidays, tax incentives for reinvestment, exemptions from import duties on equipment and raw materials, and relaxed import licensing requirements. Nevertheless, the World Bank's Ease of Doing Business Index in 2006 ranked Haiti 139th of 175 countries overall, and 167th in the ease of starting a business, 60th in dealing with licenses, 135th on registering property, 142nd in protecting investors, 107th in enforcing contracts, and 117th in getting credit. The World Bank rated Haiti last in Latin America and the Caribbean in the ease of doing business, last in the ease of starting a business, and fifth from last in the ease of registering property and getting credit.

FDI inflows into Haiti have grown from approximately $6 million in 2002 to $26 million in 2005, to $160 million in 2006. Most of Haiti's FDI inflows originate from the United States, France, and Canada and have been directed to the apparel assembly sector and, most recently, the mobile telecommunications system. Haiti is heavily dependent on international development assistance and loans and the amount of assistance has exceeded $2.5 billion. The United States, Haiti's largest single aid donor, provided more than $850 million between 2004 and 2007.

Main trade partners and exports/imports, 2005 (US $ mn)

Markets for exports		Sources of imports	
United States	372	United States	641
Dominican Republic	32	Netherlands Antilles	170
Canada	18	Malaysia	52

[4] The HOPE Act makes Haiti eligible for new trade benefits, in addition to those it currently receives under CBERA. Before the HOPE Act became effective on January 1, 2007, apparel imports from Haiti qualified for duty-free treatment only if they were made from U.S. or Haitian fabric. The HOPE Act allows apparel imports from Haiti to enter the United States duty free if at least 50 percent of the value of inputs and/or costs of processing are from any combination of U.S. FTA and regional preference program partner

[4]—*Continued*
countries. The HOPE Act is described in chapter 1. USTR, "U.S. Trade Representative Schwab Applauds Trade Bill Signing," press release, December 20, 2006, *www.ustr.gov*.

Investment Profile—Cont.

Based on information provided by the U.S. embassy in Haiti, the Commission identified 12 new or expansion investment projects for the production of CBERA-eligible goods in Haiti during 2006. All of the projects were for the production of apparel articles. A total of five new projects provided for investments of about $4 million, and seven expansion projects were valued at $2.3 million.

Impact of CBERA

According to reports from the U.S. embassy in Haiti, CBERA benefits have been important to Haiti's ability to develop and diversify its export sector. In 2006, 76.5 percent of U.S. imports from Haiti entered under CBERA. Cotton t-shirts (HTS 6109.10.00) ranked as the leading import under CBERA from Haiti in 2006, with imports valued at $159.6 million in 2006, a 59.8 percent increase from $99.8 million in 2005, and a 139.5 percent increase from $67.6 million in 2004 (table D-1). Cotton t-shirts ranked as the fourth leading product that benefited exclusively from CBERA in 2006 (table 3-2), and Haiti supplied 26.3 percent of that amount. Cotton tops (HTS 6110.20.20) ranked as the second leading CBERA import from Haiti in 2006 with imports valued at $83.6 million in 2006, a 5.3 percent decline from $88.2 million in 2005, and an 80.7 percent increase from $46.2 million in 2004 (table D-1). Cotton sweaters ranked as the sixth leading product that benefited exclusively from CBERA in 2006 (table 3-2). T-shirts of manmade fibers (HTS 6109.90.10) ranked as the third leading CBERA import from Haiti in 2006 with imports valued at $67.8 million in 2006, a 96.7 percent increase from $34.5 million in 2005, and a 238.4 percent increase from $20.0 million in 2004 (table D-1). T-shirts of manmade fibers ranked among the top 20 products that benefited exclusively from CBERA in 2006 (table 3-2).

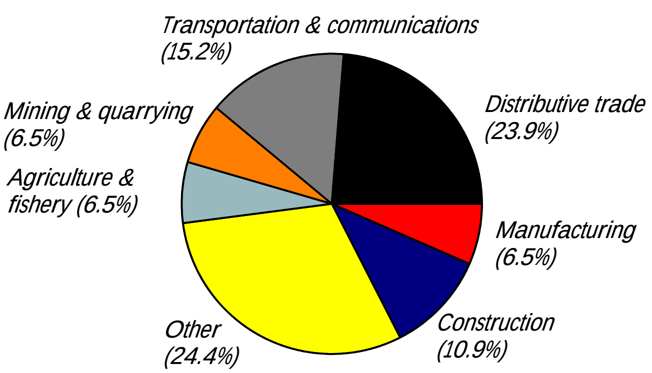
Sources: UNCTAD, World Bank, U.S. Department of Commerce, EIU, *Country Profile 2005, Haiti;* EIU, Country Reports; U.S. Department of State, *Country Commercial Guide-Haiti*; U.S. Department of State, *"Background Note: Haiti*;" World Trade Atlas; U.S. Department of State, *Haitian Commerce Minister Fritz Kenol, Requests Textile Trade Benefits in Department Meetings*; U.S. Department of State, *Haiti: Moving Forward on Privatization in 2006*; U.S. Department of State, *Haiti's Ports: An Obstacle to Economic Growth*; U.S. Department of State, *United States Begins $20 Million Haiti Stabilization Initiative*; U.S. State Department, *2005 Investment Climate Statement - Haiti*, Industry Canada, *Market Research Textile and Apparel Sector - October 2006.* U.S. Department of State, Haiti: Information for USITC Biennial Caribbean Basin Investment Survey, prepared by U.S. Embassy Port au Prince, message reference No. 001178, July 6, 2007.

JAMAICA

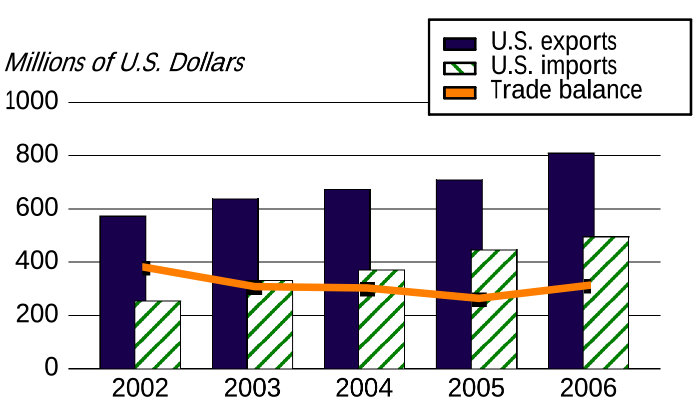
Economic Overview

Economic indicators	2004	2005	2006
GDP (US $ bn)	8.8	9.7	10.3
GDP growth (%)	1.0	1.4	2.5
Inflation (CPI %)	13.6	15.3	8.6
Goods exports (US $ mn)	1,602.0	1,664.0	2,117.0
Goods imports (US $ mn)	3,546.0	4,246.0	5,062.0
Trade balance (US $ mn)	-1,944.0	-2,582.0	-2,945
Current account balance (US $ mn)	-509.0	-1,079.0	-1,096.0
Foreign exchange reserves (US $ mn)	1,846.5	2,169.8	2,300.0
Total external debt (US $ bn)	6.4	6.5	6.9
Foreign direct investment (US $ mn)	602	682	621

Origins of GDP, 2005



U.S.-Jamaica Merchandise Trade



Economic Profile

Jamaica is the Caribbean's largest English speaking country and its third largest island. Its economy grew by 2.5 percent in 2006, the country's fastest economic growth since 1999. Jamaica's sluggish growth prior to 2005 resulted from a rising current account deficit, rising imports, especially for energy-related products, and lower agricultural and manufacturing output.

Jamaica is one of the world's leading producers and exporters of bauxite-alumina, although declining world prices during the 1990s and greater international competition have encouraged Jamaica to increasingly shift away from an economy dominated by mining to one based on services, particularly tourism. Services and tourism have become Jamaica's main growth sector, accounting for 61 percent of GDP and $1.5 billion of Jamaica's foreign exchange earnings.

A more competitive international agricultural market, generally lower commodity prices, disruptions caused by hurricanes, and the reduction of EU sugar and banana preference programs precipitated a gradual decline in Jamaica's agricultural sector. This sector declined from 8.1 percent of GDP in 1991 to less than 6 percent in 2004 as food supplies declined and food prices surged. Major export crops include sugar, bananas, citrus, and coffee. Due to declining international prices and poor harvests, sugar is no longer as important to Jamaica's economy and, in some years, declining production has forced Jamaica to import sugar to meet its domestic demand and fulfill its U.S. and EU quota allocation. As the EU reduces its price paid for sugar, scheduled to decline by 37 percent between 2005 and 2008, Jamaica's sugar industry will continue to decline further. Coffee exports, on the other hand, more than doubled in value between 1998 and 2006 because of growing global coffee demand.

Jamaica's manufacturing sector contracted because of a downturn in textile and apparel manufacturing, the closure of its cigarette industry, and a national cement shortage that made repair and expansion of industrial facilities difficult. Much of the decline in textile production can be tied to the end of textile and apparel quotas in 2005, NAFTA-related trade diversion to Mexico, growing competition from China, the extension of U.S. trade preferences to lower-cost Central American countries, high production costs, and the cost of crime. Overall, Jamaica's textile and apparel exports declined from $300 million in the mid-1990s to $7.5 million in 2005, resulting in the closure of a number of Jamaican fabric and garment assembly plants.

Economic Profile—Cont.

By 2003, Jamaica's external debt had grown to represent 135 percent of GDP, inflation had grown to a 10-year high at 19 percent, interest payments on public debt accounted for nearly 50 percent of total government spending, and Jamaica's merchandise trade deficit reached $2.5 billion. In 2004, the government initiated economic policies focused on tight monetary policy and a fiscal austerity program designed to lower public debt, reduce inflation, and balance the budget. These policies successfully cut the current account deficit by $111 million and lowered inflation rates to 2.4 percent in 2005. Jamaica's current account deficit was offset somewhat by a 2.3 percent increase in real GDP during 2006, a growing surplus in the services and transfers accounts, higher remittance inflows from overseas workers, better weather conditions, which increased domestic production and lowered the need for imports, and lower food prices, and growing inflows of FDI related to tourism and telecommunications (call centers). Overseas remittances, representing 19 percent of GDP and twice the value of foreign direct assistance and foreign direct investment, increased from $1.6 billion in 2005 to $1.8 billion in 2006.

Trade Profile

Jamaica's exports to the world have increased modestly in recent years, growing from $1.6 billion in 2004 to $2.1 billion in 2006. Traditionally, Jamaica's main exports to the world have been alumina-bauxite and sugar. Higher prices and growing worldwide demand for aluminum stimulated Jamaica's bauxite-alumina exports except for temporary interruptions during the 2004-05 hurricane seasons.

The United States is Jamaica's primary trading partner. The United States is Jamaica's largest import supplier, and supplied 41 percent of Jamaica's total imports in 2005. U.S. exports to Jamaica were valued at $1.9 billion in 2006 (table 2-14). Leading U.S. exports to Jamaica in 2006 included rice; t-shirts, singlets, and tank tops; and donated medical and pharmaceutical products. Total U.S. imports from Jamaica were valued at $ 470.9 million in 2006 (table 2-2). Leading U.S. imports from Jamaica in 2006 included fuel-grade ethanol, aluminum oxide, aluminum ore, and beer. U.S. imports from Jamaica under CBERA were valued at $245.7 million in 2006. Imports under CBERA accounted for 52 percent or $470.9 million of total U.S. imports from Jamaica in 2006. Leading CBERA imports from Jamaica in 2006 included ethyl alcohol, cotton t-shirts, and other apparel products.

Main trade partners and exports/imports, 2005 (US $ mn)

Markets for exports		Sources of imports	
United States	387	United States	2,030
Canada	294	Trinidad and Tobago	734
United Kingdom	162	Venezuela	263

Investment Profile

Since 2000, Jamaica has instituted a wide range of policies to encourage foreign investment designed to take

Investment Profile—Cont.

advantage of Jamaica's proximity to the United States. These policies are also designed to generate foreign exchange, generate employment, and make use of Jamaica's natural resources and raw materials. There are no constraints on the repatriation of profits; foreign investors are normally given national treatment, exchange controls have been removed, and Jamaica has made efforts to modernize its commercial laws and banking sector. Foreign companies located in free trade zones are eligible for a variety of incentives, including tax holidays and duty-free importation of all capital goods and raw materials used in the production process.

FDI inflows into Jamaica, which peaked at $721 million in 2003, declined to $682 million in 2005, and $621 million in 2006. Leading sectors attracting FDI include hotels, tourism and leisure, real estate, and financial services. The United States and Spain rank as the leading sources of FDI into Jamaica, especially in the tourism sector (hotel construction and refurbishment), information technology, and telecommunications (call centers). Recent information about FDI in Jamaica is presented in chapter 3 of this report.

According to the World Bank's Ease of Doing Business Index, Jamaica ranked 50th of 175 countries in the ease of doing business, 10th in starting a business, 101st in getting credit, 60th in protecting investors, 74th in trading across borders, 46th in enforcing contracts, and 93rd in dealing with licenses in 2006. Jamaica and the United States concluded a Bilateral Investment Treaty in 1994. The treaty entered into force in March 1997, and was intended to protect U.S. investors and assist Jamaica in its efforts to develop its economy by creating conditions more favorable for U.S. private investment and, thus, strengthening the development of the private sector.

Impact of CBERA

As discussed in chapter 3 of this report, Jamaica supplied more than one-half of U.S. imports of undenatured ethyl alcohol (HTS 2207.10.60) that benefited exclusively from CBERA in 2006. Ethanol was the only product that benefited exclusively from CBERA for which Jamaica was a significant supplier. Imports under CBERA of ethanol from Jamaica were valued at $164.6 million in 2006, a 161 percent increase from $63.0 million in 2005, and a 206 percent increase from $53.8 million in 2004 (table D-1).

Cotton t-shirts (HTS 6109.10.00) ranked as the second leading CBERA import from Jamaica. Cotton t-shirts ranked as the fourth leading import that benefited exclusively from CBERA in 2006 (table 3-2). U.S. imports of cotton t-shirts from Jamaica totaled $22.4 million in 2006, down 0.2 percent from $22.5 million in 2005, and down 49.9 percent from $44.8 million in 2004. In contrast, imports of cotton t-shirts from Haiti—a much lower-cost supplier—increased from $67.6 million in 2004 to $159.6 million in 2006, or by 135.9 percent (table D-1). According to the U.S. embassy in Jamaica, "the apparel sector in its original form will most certainly disappear."

The increase in U.S. imports of ethanol under CBERA from Jamaica was due both to higher volume of exports as well as higher ethanol prices. Excluding ethanol, CBERA imports from Jamaica totaled $81.4 million in 2006, an 8.7 percent decline from $89.2 million in 2005, and a 27.9 percent decline from $112.9 million in 2004. Thus, except for its ethanol provisions, CBERA has become a significantly less important factor with respect to Jamaica's exports to the United States, particularly vis-à-vis lower-cost apparel suppliers in the region such as Haiti.

Sources: World Bank, U.S. Department of Commerce, Jamaica Promotion Corp., Jamaica Information Service, U.N. Conference on Trade and Development, *World Investment Report 2006*; USTR, 2004 Special 301 Report Watch List; Jamaica Trade & Invest, *Preliminary Overview of the Economies of Latin America and the Caribbean, 2005*; EIU, EIU *Country Profile - Main Report: July 14th 2006*; U.S. Department of State, *Jamaican Economy Remains Buoyant*; U.S. Department of State, *Jamaica: Economic Fundamentals Improve*; U.S. Department of State, *Jamaican Economic Performance in 2005: A Year of Missed Targets*; U.S. Department of State, *Jamaican Textiles and Apparel Sector: Updated Statistics and Projection of Future Competitiveness*; U.S. Department of State, *Prospects for Jamaican Sugar Industry*; U.S. Department of State, *Textiles and Apparel Sector: Updated Statistics and Projection of Future Competitiveness*; U.S. Department of State, *Textiles and Apparel: Updated Statistics and Projection of Future Competitiveness*; U.S. Department of State, *Background Note: Jamaica*; U.S. Department of State, *2007 Investment Climate Statement-Jamaica*, UNCTAD, *World Investment Report 2006; and U.S. Department of State telegram, "USITC Biennial Caribbean Basin Investment Survey," prepared by U.S. Embassy Kingston, June 28, 2007.*

APPENDIX A
Federal Register Notice

9. Pine River ID, Pine River Project, Colorado: Contract to allow the district to use a limited amount of project irrigation water for municipal, domestic, and industrial uses. Contract executed on March 16, 2007.

26. Emery County Project, Utah: The Huntington Cleveland Irrigation Company has requested a contract for carriage of up to 14,074 acre-feet of nonproject water; utilizing Huntington North Reservoir as a regulating feature associated with their Salinity Control Project. Contract executed on February 7, 2007.

28. North Fork Water Conservancy District and Ragged Mountain Water Users Association, Paonia Project, Colorado: North Fork and Ragged Mountain have requested a contract for supplemental water from the Paonia Project. Their contract expired on December 31, 2005, and the amended contract was executed on January 27, 2006. There is a need to amend this contract to include reference to the M&I contract waiting to be executed. Contract executed on January 23, 2007.

Great Plains Region: Bureau of Reclamation, PO Box 36900, Federal Building, 316 North 26th Street, Billings, Montana 59101, telephone 406–247–7752.

New contract actions:

49. City of Beloit, P–SMBP, Kansas: Contract renewal for M&I contract.

50. Twin Lakes Reservoir and Canal Company, Fryingpan-Arkansas Project, Colorado: Consideration of a request for a long-term contract for the use of excess capacity in the Fryingpan-Arkansas Project.

51. Giant Springs, Inc., Canyon Ferry Unit, P–SMBP, Montana: Request for a long-term contract for up to 5,600 acre-feet of water per year to fulfill the State requirement to replace water used under private rights.

Modified contract action:

12. Savage ID, P–SMBP, Montana: The district is currently seeking title transfer. The contract is subject to renewal pending outcome of the title transfer process. The existing interim contract is due to expire in May 2008.

Discontinued contract actions:

13. City of Fort Collins, Colorado-Big Thompson Project, Colorado: Long-term contracts for conveyance and storage of nonproject M&I water through Colorado-Big Thompson Project facilities.

14. Standing Rock Sioux Tribe, P–SMBP, North Dakota: Negotiate a long-term water service contract with the Standing Rock Sioux Tribe in North Dakota for irrigation of up to 2,380 acres of land within the reservation.

22. Garrison Diversion Unit, P–SMBP, North Dakota: Contracts to provide for project use pumping power or project use pumping power and supplemental irrigation water with various irrigation districts in North Dakota, covering a combined maximum 28,000 acres within the boundaries and limits set by the Dakota Water Resources Act of 2000.

Completed contract actions:

26. Pueblo West Metropolitan District, Pueblo West, Fryingpan-Arkansas Project, Colorado: Consideration of a request for a 5- to 10-year contract for the use of excess capacity in the Fryingpan-Arkansas Project. A 5-year contract was executed on January 1, 2007.

48. City of Beloit, P–SMBP, Kansas: Execution of a contract amendment to the original contract to add a renewal provision in accordance with Section 1 of the Act of June 21, 1963. Contract amendment was executed on February 6, 2007.

Dated: April 9, 2007.

Roseann Gonzales,

Director, Office of Program and Policy Services.

[FR Doc. E7–9275 Filed 5–14–07; 8:45 am]

BILLING CODE 4310–MN–P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332–227]

Caribbean Basin Economic Recovery Act: Impact on U.S. Industries and Consumers and on Beneficiary Countries

AGENCY: United States International Trade Commission.

ACTION: Notice of opportunity to submit comments in connection with the eighteenth report covering 2005 and 2006.

DATES: *Effective Date:* April 30, 2007.

FOR FURTHER INFORMATION CONTACT: Walker Pollard (202–205–3228; *walker.pollard@usitc.gov*), Country and Regional Analysis Division, Office of Economics, U.S. International Trade Commission, Washington, DC 20436. The media should contact Peg O'Laughlin, Public Affairs Officer (202–205–1819; *margaret.olaughlin@usitc.gov*).

Background: Section 215(a)(1) of the Caribbean Basin Economic Recovery Act (CBERA) (19 U.S.C. 2704(a)(1)), as amended, requires that the Commission submit biennial reports to the Congress and the President regarding the economic impact of the Act on U.S. industries and consumers, and on beneficiary countries. Section 215(b)(1) requires that the reports include, but not be limited to, an assessment regarding:

(1) The actual effect of CBERA on the U.S. economy generally as well as on specific domestic industries which produce articles that are like, or directly competitive with, articles being imported from beneficiary countries under the Act; and

(2) The probable future effect of CBERA on the U.S. economy generally and on such domestic industries.

Notice of institution of the investigation was published in the **Federal Register** of May 14, 1986 (51 FR 17678). The eighteenth report, covering calendar years 2005 and 2006, is to be submitted by September 30, 2007.

Written Submissions: The Commission does not plan to hold a public hearing in connection with the preparation of this eighteenth report. However, interested persons are invited to submit written submissions concerning the matters to be addressed in the report. All written submissions should be addressed to the Secretary, United States International Trade Commission, 500 E Street, SW., Washington, DC 20436. To be assured of consideration by the Commission, written submissions relating to the Commission's report should be submitted to the Commission at the earliest practical date and should be received no later than the close of business on June 8, 2007. All written submissions must conform with the provisions of section 201.8 of the Commission's Rules of Practice and Procedure (19 CFR 201.8). Section 201.8 of the rules requires that a signed original (or a copy designated as an original) and fourteen (14) copies of each document be filed. In the event that confidential treatment of the document is requested, at least four (4) additional copies must be filed, in which the confidential business information (CBI) must be deleted (see the following paragraph for further information regarding CBI). The Commission's rules do not authorize filing submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the rules (see Handbook for Electronic Filing Procedures, *http://www.usitc.gov/secretary/fed_reg_notices/rules/documents/handbook_on_electronic_filing.pdf*). Persons with questions regarding electronic filing should contact the Secretary (202–205–2000 or *edis@usitc.gov*).

Any submissions that contain CBI must also conform with the requirements of section 201.6 of the Commission's rules (19 CFR 201.6).

Section 201.6 of the rules requires that the cover of the document and the individual pages clearly be marked as to whether they are the ''confidential'' or ''nonconfidential'' version, and that the CBI be clearly identified by means of brackets. All written submissions, except for CBI, will be made available for inspection by interested parties.

The Commission intends to publish only a public report in this investigation. Accordingly, any CBI received by the Commission in this investigation will not be published in a manner that would reveal the operations of the firm supplying the information. The report will be made available to the public on the Commission's Web site.

The public record for this investigation may be viewed on the Commission's electronic docket (EDIS) at *http://edis.usitc.gov*. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000.

By order of the Commission.

Issued: May 9, 2007.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. E7–9248 Filed 5–14–07; 8:45 am]

BILLING CODE 7020–02–P

JUDICIAL CONFERENCE OF THE UNITED STATES

Meeting of the Judicial Conference Committee on Rules of Practice and Procedure

AGENCY: Judicial Conference of the United States, Committee on Rules of Practice and Procedure.

ACTION: Relocation of open meeting.

SUMMARY: The location of the two-day meeting of the Committee on Rules of Practice and Procedure has been changed from Washington, DC to San Francisco, California. The meeting will be open to public observation but not participation. [Original notice of the meeting appeared in the **Federal Register** of March 7, 2007.]

DATES: June 11–12, 2007.

Time: 8:30 a.m. to 5 p.m.

ADDRESSES: Le Meridien San Francisco, Mercantile Room, 333 Battery Street, San Francisco, CA.

FOR FURTHER INFORMATION CONTACT: John K. Rabiej, Chief, Rules Committee Support Office, Administrative Office of the United States Courts, Washington, DC 20544, telephone (202) 502–1820.

Dated: May 9, 2007.

John K. Rabiej,

Chief, Rules Committee Support Office.

[FR Doc. 07–2381 Filed 5–14–07; 8:45 am]

BILLING CODE 2210–55–M

DEPARTMENT OF LABOR

Employment Standards Administration

Proposed Collection; Comment Request

ACTION: Notice.

SUMMARY: The Department of Labor, as part of its continuing effort to reduce paperwork and respondent burden, conducts a preclearance consultation program to provide the general public and Federal agencies with an opportunity to comment on proposed and/or continuing collections of information in accordance with the Paperwork Reduction Act of 1995 (PRA95) [44 U.S.C. 3506(c)(2)(A)]. This program helps to ensure that requested data can be provided in the desired format, reporting burden (time and financial resources) is minimized, collection instruments are clearly understood, and the impact of collection requirements on respondents can be properly assessed. Currently, the Employment Standards Administration is soliciting comments concerning the proposed collection: Operator Response to Schedule for Submission of Additional Evidence (CM–2970) and Operator Response to Notice of Claim (CM–2970A). A copy of the proposed information collection request can be obtained by contacting the office listed below in the **ADDRESSES** section of this Notice.

DATES: Written comments must be submitted to the office listed in the **ADDRESSES** section below on or before July 16, 2007.

ADDRESSES: Ms. Hazel M. Bell, U.S. Department of Labor, 200 Constitution Ave., NW., Room S–3201, Washington, DC 20210, telephone (202) 693–0418, fax (202) 693–1451, E-mail *bell.hazel@dol.gov*. Please use only one method of transmission for comments (mail, fax, or e-mail).

SUPPLEMENTARY INFORMATION:

I. Background

The Division of Coal Mine Workers' Compensation administers the Black Lung Benefits Act (30 U.S.C. 901 *et seq.*) which provides benefits to coal miners totally disabled due to pneumoniosis, and their surviving dependents. When the Division of Coal Mine Workers' Compensation (DCMWC) makes a preliminary analysis of a claimant's eligibility for benefits, and if a coal mine operator has been identified as potentially liable for payment of those benefits, the responsible operator is notified of the preliminary analysis. Regulations require that a coal mine operator be identified and notified of potential liability as early in the adjudication process as possible. Forms CM–970 and CM–970a are now obsolete and renewal will not be requested in the extension request for information collection 1215–0058. The CM–970 and CM–970a will be replaced by CM–2970 and CM–2970a. Regulatory authority is found in 20 CFR 725.410 for the CM–2970 and 20 CFR 725.408 for the CM–2970A. This information collection is currently approved for use through October 31, 2007.

II. Review Focus

The Department of Labor is particularly interested in comments which:

- Evaluate whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility;
- evaluate the accuracy of the agency's estimate of the burden of the proposed collection of information, including the validity of the methodology and assumptions used;
- enhance the quality, utility and clarity of the information to be collected; and
- minimize the burden of the collection of information on those who are to respond, including through the use of appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submissions of responses.

III. Current Actions

The Department of Labor seeks the extension of approval to collect this information in order to carry out its responsibility to administer the Black Lung Benefits Act.

Type of Review: Revision.

Agency: Employment Standards Administration.

Title: Operator Response to Schedule for Submission of Additional Evidence (CM–2970), Operator Response to Notice of Claim (CM–2970A).

OMB Number: 1215–0058.

Agency Number: CM–2970 and CM–2970A.

APPENDIX B
Summary of Submissions in Response to *Federal Register* Notice

APPENDIX B
Summary of Submissions in Response to *Federal Register* Notice

Submissions for the Record Investigation No. 332-227

Puerto Rico Chamber of Commerce[1]

The Puerto Rico Chamber of Commerce (Camera de Comercio de Puerto Rico, CCPR) is an association of private companies in Puerto Rico. The CCPR states that it has a membership of more than 2,000 members comprising more than 50 allied entrepreneurial and professional associations of all sectors in Puerto Rico. The CCPR lists among its goals "to promote the development of all economic sectors in Puerto Rico, based on private initiative and free enterprise," and "to defend the free enterprise system based on the premise that the Government must be a stimulating agent in promoting business."[2] The CCPR submission is in regard to the Seventeenth CBERA report, published in 2005. The CCPR observed that "the report does not consider the asymmetries between the U.S. and the local [Puerto Rican] economy when analyzing the effects of the CBERA on the island. Puerto Rico is in an unusual position in that it can conceivabl[y] qualify as a 'beneficiary' along with the other 24 Caribbean nations included in the report, as well as on the 'Effects on U.S. Consumers and Producers' section, since Puerto Rico is a Commonwealth of the United States."

The CCPR expressed the concerns that, over the last two decades, Puerto Rico "did not find a niche in globalization," and that "Puerto Rico has not been able to compete in the high technology sectors . . . nor have we been able to compete in the low manufacturing jobs with low wages." The CCPR stated that multinational corporations operating in Puerto Rico, which generate most of the island's exports, have not been adequately linked to the local domestic economy to benefit employment creation and income growth, while few of Puerto Rico's more labor-intensive local small and medium enterprises export. The CCPR stated that Puerto Rico's competitive position has eroded vis-à-vis lower-wage Caribbean Basin countries because of CBERA and, more recently, because of CAFTA.

The CCPR concluded its submission stating, "in order for Puerto Rico to craft an adequate supplementary agenda, the Puerto Rico Chamber of Commerce is convinced that it is indispensable that the United States International Trade Commission include Puerto Rico in its Partial Equilibrium Analysis by factoring the appropriate macroeconomic indication in its Computable General Equilibrium and GTAP 5 Model to measure the possible impact of the CAFTA-DR, CBERA and NAFTA in the industries, consumers and the economy of Puerto Rico."[3]

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[1] Submission to the Commission by Marcos Vidal, President, Puerto Rico Chamber of Commerce, and Pablo L. Figueroa, President, International Trade Committee, Puerto Rico Chamber of Commerce, received June 7, 2006.

[2] Puerto Rico Chamber of Commerce, "Puerto Rico Chamber of Commerce," press kit, *http://camarapr.org/site/beneficios/kit%20ing%20to%20export.pdf*, retrieved August 3, 2007.

[3] CBERA requires the Commission to submit reports "regarding the economic impact of this title on United States industries and consumers." In addition, CBERA states that "For purposes of this section, industries in the Commonwealth of Puerto Rico and the insular possessions of the United States are considered to be United States industries." CBERA sec. 215.

APPENDIX C
Technical Notes for Chapter 3

Technical Notes for Chapter 3

This section presents the methodology used to estimate the impact of CBERA on the U.S. economy in 2006. The economic effects of CBERA duty reductions[4] were evaluated with a comparative static analysis. Since CBERA tariff preferences were already in effect in 2006, the impact of the program was measured by comparing the market conditions currently present (duty-free or reduced-duty entry, for eligible products entered under CBERA provisions) with those that might have existed under full tariffs (i.e., no CBERA tariff preferences). Thus, the analysis provides an estimate of what the potential costs and benefits to the U.S. economy would have been if CBERA had not been in place during 2006. However, the material on welfare and displacement effects, in the section titled "Analytical Approach" in the Introduction and in this appendix, discusses the impact of CBERA in terms of duty reductions, rather than the "removal" of duty eliminations already in place.[5] The effects of a duty reduction and a duty imposition are symmetrical and lead to results that are equivalent in magnitude but opposite in sign.[6] Thus, the discussion is framed with respect to the implementation of duty reductions simply for clarity.

A partial equilibrium framework was used to model three different markets in the United States, namely, the markets for CBERA products, competing non-CBERA (foreign) products, and competing domestic products. These three markets are depicted in panels a, b, and c of figure C-1. In the model, imports from CBERA beneficiaries, imports from non-CBERA countries, and competing domestic output are assumed to be imperfect substitutes for each other, and each is characterized by a separate market where different equilibrium prices exist.

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 with a constant elasticity of demand.[7] 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, S_c, S_n, and S_d, are all horizontal, that is, perfectly elastic. The assumption of perfectly elastic supply curves greatly simplifies computation although it leads to an upward bias in the estimates of the welfare and domestic displacement effects on the U.S. economy.[8]

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[4] Although the term *duty reduction* is used, the methodology employed in the analysis for this report applies equally to a duty elimination (which is a duty reduction in the full amount of the duty).

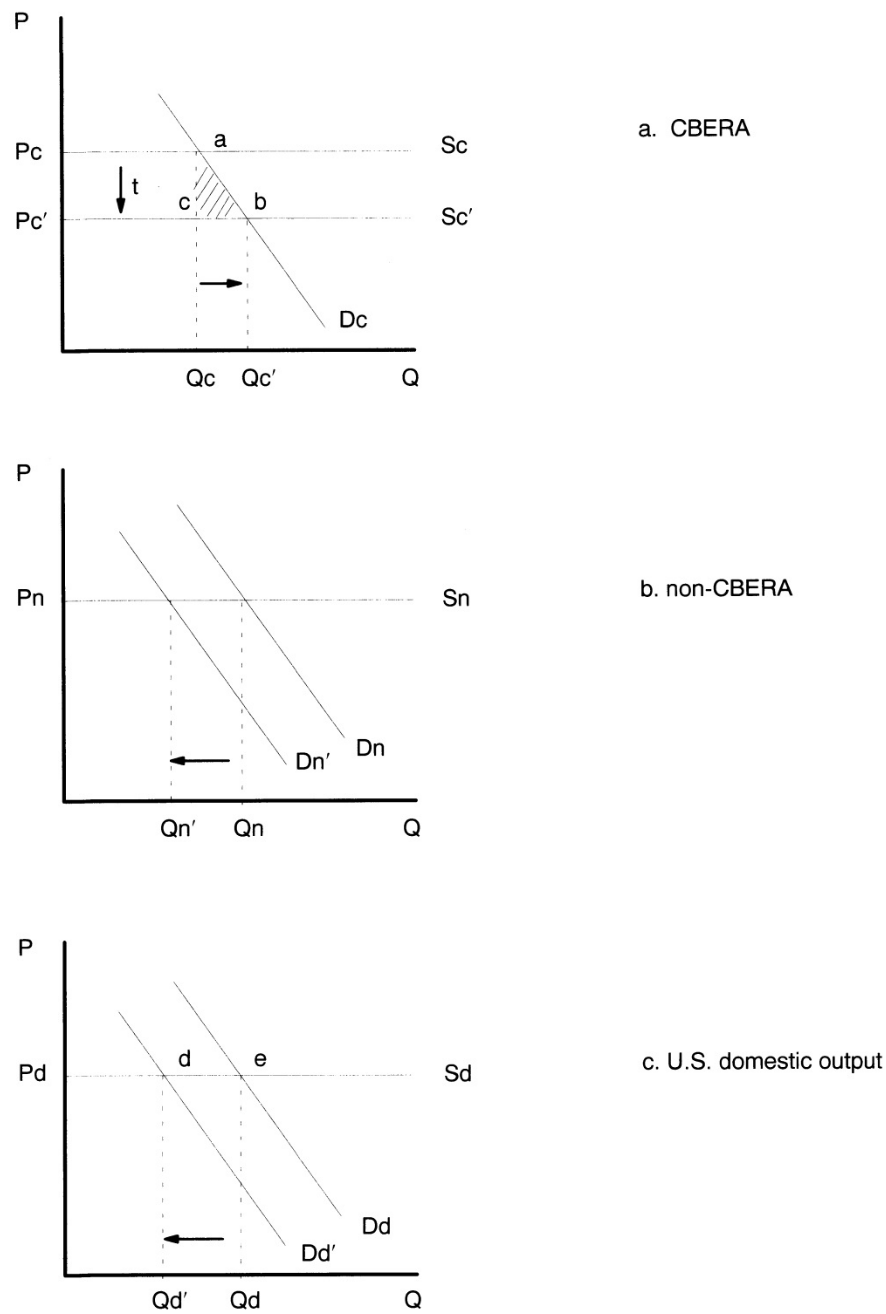
[5] Most comparative static analyses are used to evaluate the effects of an event that has not already happened— such as a proposed tariff elimination. This comparative analysis evaluates the effects of an event that has already happened—CBERA duty elimination has been in effect since 1984. The method described in this section can be used in either situation.

[6] This is technically true only if income effects are negligible. Given the small U.S. expenditure on goods from CBERA countries, income effects are likely to be negligible for the products under consideration. See R. Willig, "Consumer's Surplus Without Apology," *American Economic Review*, 66 (1976), pp. 589-597.

[7] The subscripts c, n, and d refer to CBERA imports, non-CBERA imports, and U.S. domestic output, respectively.

[8] Since CBERA imports account for a very small share of U.S. domestic consumption in most sectors, even the upper range estimates were very small. Assuming upward-sloping supply curves would have resulted in even lower estimates.

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



The change from full tariffs to duty-free treatment for CBERA imports causes the import supply curve, S_c, in panel a to shift down to S_c' by the amount of the ad valorem tariff, t. Thus, the equilibrium price in the U.S. market for CBERA imports decreases from P_c to P_c', whereas the quantity imported increases from Q_c to Q_c'. The relationship between the price with the tariff (P_c) and the tariff-free price (P_c') is $P_c = P_c'(1+t)$.

The decrease in the price of CBERA imports leads to a decrease in demand for similar goods from other countries and domestic U.S. producers. Thus, the demand curves for both non-CBERA imports and domestic output, D_n and D_d, shift back to D_n' and D_d', respectively. Since the supply curves in both of these markets are assumed to be perfectly elastic, the equilibrium prices do not change. The equilibrium quantity supplied in each market decreases from Q_n and Q_d to Q_n' and Q_d', respectively.

The impact of CBERA on the U.S. economy was measured by examining the welfare effects of the tariff reduction in the market for CBERA imports and the domestic displacement effects of a decrease in demand in the competing U.S. market. The displacement of non-CBERA country imports because of CBERA tariff preferences was not estimated because the focus of the analysis was on the direct effects of CBERA provisions on the United States.

The decrease in the tariff for CBERA imports leads to an increase in consumer surplus for these products. This is measured by the trapezoid $P_c abP_c'$ in panel a. There is also an accompanying decrease in the tariff revenue collected from CBERA imports. This is measured by the area of the rectangle $P_c acP_c'$ in panel a.

The net welfare effect of CBERA is equal to the increase in consumer surplus plus the decrease in tariff revenue—the trapezoid $P_c abP_c'$ minus the rectangle $P_c acP_c'$ in panel a, that is, triangle abc.[9] The dollar amount by which CBERA imports displace U.S. output is measured by the rectangle $Q_d'deQ_d$ in panel c.

Given the above assumptions and the additional assumption of constant elasticity demand curves, the markets for the 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 that $P_c = P_c'(1+t)$, these can be restated as

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

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

[9] Welfare effects typically include a measure of the change in producer surplus. The change in producer surplus for CBERA producers was not considered in this analysis because the focus of the analysis was on the direct effects of CBERA provisions on the United States.

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

where ε_{ij} is the uncompensated elasticity of demand for good I with respect to price j. The values for the elasticities 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 imports, non-CBERA imports, and domestic output, respectively, η is the aggregate demand elasticity, and the σ_{ij}'s are the elasticities of substitution between the ith and jth products.[10] Estimates of the aggregate demand elasticities were taken from the literature.[11] Ranges of potential net welfare and industry displacement estimates are reported. The reported ranges reflect a range of assumed substitutabilities between CBERA products and competing U.S. output. The upper range estimates reflect the assumption of high substitution elasticities. The lower range estimates reflect the assumption of low substitution elasticities.[12]

Since the implementation of CBTPA in October 2000, apparel assembled in CBERA countries from U.S.-made fabric and components has come to dominate the list of leading imports benefiting exclusively from CBERA. U.S. producers of such fabric and components benefit from CBERA duty preferences. Where the U.S. value of components can be identified (for example, the U.S. value of components assembled abroad under HTS heading 9802.00.80 is recorded and data are readily available), it is possible to estimate the effect of CBERA tariff preferences on U.S. producers of the components. In the case of cut apparel parts used in the assembly of apparel in CBERA countries, the U.S.-produced cut parts are recorded as apparel production in the United States and the effect of CBERA tariff preferences can be added to the (negative) displacement effects for that industry.

Given equations (1)′ through (4)′, one can derive the following equations for calculating the changes in consumer surplus, tariff revenue, and domestic output:

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

[11] The aggregate elasticities were taken from sources referenced in USITC, *Potential Impact on the U.S. Economy and Selected Industries of the North American Free-Trade Agreement*, USITC publication 2596, January 1993.

[12] Commission industry analysts provided evaluations of the substitutability of CBERA products and competing U.S. products, which were translated into a range of substitution elasticities--3 to 5 for high substitutability, 2 to 4 for medium, and 1 to 3 for low. Although there is no theoretical upper limit to elasticities of substitution, a substitution elasticity of 5 is consistent with the upper range of estimates in the economics literature. Estimates in the literature tend to be predominantly lower. See, for example, M. Galloway, C. McDaniel, and S. Rivera, "Long-Run Industry-Level Estimates of U.S. Armington Elasticities," USITC Working Paper *2000-09*A, Sept. 2000.

Consumer surplus (where k is a constant)

area of

trapezoid $P_c abP_c{}'$ $= \int_{P_c'}^{P_c} kP_c^{\varepsilon_{cc}} dP_c$

$= [1/(1+\varepsilon_{cc})]\,[(1+t)^{(1+\varepsilon_{cc})} - 1\,]P_c{}'Q_c{}'$ if $\varepsilon_{cc} \neq -1$

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

Tariff revenue from U.S. imports from CBERA partners

area of
rectangle $P_c acP_c{}'$ $= (P_c - P_c{}')Q_c$

$= P_c{}'tQ_c$ given $P_c = P_c{}'(1+t)$

$= tP_c{}'Q_c{}'(1+t)^{\varepsilon_{cc}}$ given $Q_c = Q_c{}'(1+t)^{\varepsilon_{cc}}$

Domestic output

area of
rectangle $Q_d{}'deQ_d$ $= P_d(Q_d - Q_d{}')$

$= P_dQ_d{}'\,[(1+t)^{\varepsilon_{dc}} - 1]$

The change in the value of U.S. cut apparel parts = $uP_c{}'Q_c{}'[(1+t')^{\varepsilon_{cc}} - 1]$, where u is the ratio of the value of U.S. cut apparel parts to total imports under CBERA, and t′ is the ad valorem equivalent of duties paid on imports under HTS 9802.00.80 under CBERA. t is opposite in sign to the displacement effect shown above. The net effect of CBERA tariff preferences on domestic output is estimated as

$$P_dQ_d{}'\,[(1+t)^{\varepsilon_{dc}} - 1] + uP_c{}'Q_c{}'[(1+t')^{\varepsilon_{cc}} - 1].$$

APPENDIX D
Statistical Tables

Table D-1
Leading U.S. imports for consumption entered under CBERA, by sources, 2004-06

Source	HTS number	Description	2004	2005	2006	Change 2004-05	Change 2005-06	Change 2004-06
			--------Value *(1,000 dollars)*------			--------------*Percent*-------------		
Antigua and Barbuda	2208.40.60	Rum and tafia, in containers each holding over 4 liters, valued not over $0.69 per proof liter.	-	-	12	-	-	-
	0807.19.50	Ogen and Galia melons, fresh, if entered during the period from December 1, in any year, to the following May 31, inclusive..	-	16	7	-	-55.0	-
Total of above.			-	16	19	-	18.6	-
Aruba	7713.19.50	Articles of jewelry and parts thereof, of precious metal except silver, except necklaces and clasps..	9	3	65	-66.3	1,928.7	584.5
	8504.40.95	Static converters, n.e.s.o.i..	-	-	56	-	-	-
Total of above.			9	3	121	-63.0	3,689.4	1,178.6
Bahamas	3903.11.00	Polystyrene, expandable, in primary forms..	86,493	107,456	121,455	24.2	13.0	40.4
Total of above.			86,493	107,456	121,455	24.2	13.0	40.4
Barbados	2207.10.30	Undenatured ethyl alcohol of an alcoholic strength by volume of 80 percent volume or higher, for beverage purposes.	1,944	2,789	2,603	43.5	-6.7	33.9
	9030.39.00	Instruments and apparatus, nesi, for measuring or checking electrical voltage, current, resistance or power without a recording device.	26	38	524	45.2	1,286.4	1,912.8
	8503.00.95	Other parts, n.e.s.o.i., suitable for use solely or principally with electric motors, generators, generating sets, and rotary converters.	-	-	305	-	-	-
Total of above..			1,970	2,827	3,432	43.5	21.4	74.2
Belize	0807.20.00	Papayas (papaws), fresh.	11,180	12,881	15,649	15.2	21.5	40.0
	2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more.	-	-	15,514	-	-	-
	2009.11.00	Frozen concentrated juice.	11,769	16,553	13,293	40.7	-19.7	13.0
	6211.33.00	Men’s or boys’ track suits or other garments, not knitted or crocheted, of man-made fibers, n.e.s.o.i..	7,394	6,502	6,766	-12.1	4.1	-8.5
Total of above.			30,343	35,937	51,222	18.4	42.5	68.8
British Virgin Islands	8481.80.30	Taps, cocks, valves & similar appliances for pipes, boiler shells, tanks, vats or the like, hand-operated, of iron or steel, n.e.s.o.i.	-	-	93	-	-	-
	4011.20.50	New pneumatic tires excluding radials, of rubber, of a kind used on buses or trucks.	-	79	85	-	6.8	-
Total of above.			-	79	177	-	123.7	-
Costa Rica	0804.30.40	Pineapples, fresh or dried, not reduced in size, in crates or other packages..	80,680	107,206	235,366	32.9	119.5	191.7
	0804.30.60	Pineapples, fresh or dried, reduced in size.	8,593	2,510	89,763	-70.8	3,476.6	944.6
	2207.10.60	Undernatured ethyl alcohol for nonbeverage purposes	35,092	61,315	77,420	74.7	26.3	120.6

Table D-1--*Continued*

Leading U.S. imports for consumption entered under CBERA, by sources, 2004-06

Source	HTS number	Description	2004	2005	2006	Change 2004-05	Change 2005-06	Change 2004-06
			------Value *(1,000 dollars)*--------			--------------*Percent*-------------		
Costa Rica–*continued*	6203.42.40	Men's or boys' trouser, breeches, and shorts, not knitted or crocheted, or cotton, not containing 15 percent or more down.	71.688	74,698	75,625	4.2	1.2	5.5
	0804.30.20	Pineapples, fresh or dried, not reduced in size, in bulk.	2,471	588	64,929	-76.2	10,934.9	2,527.4
	4011.10.10	New pneumatic radial tires, of rubber, of a kind used on motor cars, including station wagons and racing cars.	43,461	58,651	63,683	35.0	8.6	46.5
	6108.21.00	Women's or girls' briefs and panties, knitted or crocheted, of cotton..	87,888	80,016	58,222	-9.0	-27.2	-33.8
	6115.92.90	Stockings, socks, and other hosiery, not surgical and not containing lace or net, knitted or crocheted, of cotton, n.e.s.o.i...	60,685	53,892	55,192	-11.2	2.4	-9.1
	4016.93.50	Non-automotive gaskets, washers, and seals of vulcanized rubber.	47,828	49,927	51,296	4.4	2.7	7.3
	6204.62.40	Women's or girls' trousers, breeches, and shorts, not knitted or crocheted, of cotton, n.e.s.o.i..	40,664	35,842	41,724	-11.9	16.4	2.6
	0807.19.20	Cantaloupes, fresh, not entered Aug. 1-Sept. 15.	7,683	3,513	39,842	-54.3	1,034.3	418.6
	2009.11.00	Frozen concentrated orange juice.	32,299	25,032	38,079	-22.5	52.1	17.9
	0603.10.80	Cut flowers and flower buds suitable for bouquets, n.e.s.o.i...	14,908	19,475	24,839	30.6	27.5	66.6
	0602.10.00	Unrooted cuttings and slips of live plants.	18.837	20,063	24,168	6.5	20.5	28.3
	6107.11.00	Men's or boys' underpants and briefs, knitted or crocheted, of cotton..	23,470	23,457	22,090	-0.1	-5.8	-5.9
	7113.19.50	Articles of jewelry and parts thereof, of precious metal except silver, except necklaces and clasps.	15,264	17,368	20,382	13.8	17.4	33.5
Total of above..			591,511	633,551	982,619	7.1	55.1	66.1
Dominica	3307.10.20	Pre-shave, shaving or after-shave preparations, containing alcohol.	34	28	35	-16.4	21.2	1.4
	0714.90.10	Fresh or chilled dasheens, whether or not sliced or in the form of pellets.	89	22	23	-74.9	1.3	-74.6
Total of above.			123	51	57	-58.7	-12.4	-56.3
Dominican Republic	6203.42.40	Men's or boys' trousers, breeches, and shorts, not knitted or crocheted, of cotton, not containing 15 percent or more down..	395,918	334,307	288,632	-15.6	-13.7	-27.1
	7113.19.50	Articles of jewelry and parts thereof, of precious metal except silver, except necklaces and clasps.	174,489	174,354	212,193	-0.1	21.7	21.6
	6109.10.00	T-shirts, singlets, tank tops, and similar garments, knitted or crocheted, of cotton.	163,365	180,187	194,999	10.3	8.2	19.4
	2402.10.80	Cigars, cheroots and cigarillos, each valued 23 cents or over..	181,554	187,923	194,871	3.5	3.7	7.3
	8536.20.00	Automatic circuit breakers, for a voltage not exceeding 1,000 volts..	94,771	84,907	134,598	-10.4	58.5	42.0

Table D-1--*Continued*
Leading U.S. imports for consumption entered under CBERA, by sources, 2004-06

Source	HTS number	Description	2004	2005	2006	Change 2004-05	Change 2005-06	Change 2004-06
			------Value *(1,000 dollars)*--------			--------------*Percent*-------------		
Dominican Republic– *continued*	6107.11.00	Men's or boys' underpants and briefs, knitted or crocheted, of cotton	192,193	195,885	112,621	1.9	42.5	-41.4
	1701.11.10	Raw sugar not containing added flavoring or coloring	74,051	77,347	112,098	4.5	44.9	51.4
	6203.43.40	Men's or boys' trousers, breeches, and shorts, not knitted or crocheted, of synthetic fibers, n.e.s.o.i.	150,853	136,744	94,898	-9.4	-30.6	-37.1
	6115.92.90	Stockings, socks, and other hosiery, not surgical and not containing lace or net, knitted or crocheted, of cotton, n.e.s.o.i.	91,121	99,829	91,538	9.6	-8.3	0.5
	6212.10.90	Brassieres, not containing lace, net, or embroidery, not 70 percent or more silk whether or not knitted or crocheted	150,342	123,610	86,109	-17.8	-30.3	-42.7
	6212.10.50	Brassieres, containing lace, net or embroidery, under 70 percent by weight of silk or silk waste, whether or not knitted or crocheted	4,027	18,640	76,606	362.9	311.0	1,802.3
	6112.41.00	Women's or girls' knitted or crocheted swimwear of synthetic fibers.	41,247	41,184	43,990	-0.2	6.8	6.7
	6108.22.90	Women's of girls' briefs and panties (other than disposable), of man-made fibers, knitted or crocheted.	40,870	31,879	43,124	-22.0	35.3	5.5
	6110.20.20	Sweaters, pullover, sweatshirts, waistcoats, and similar articles, knitted or crocheted, of cotton, n.e.s.o.i.	65,894	48,897	43,108	-25.8	-11.8	-34.6
	2402.10.60	Cigars, cheroots and cigarillos containing tobacco, each valued 15 cents or over but less than 23 cents.	13,173	14,264	40,471	8.3	183.7	207.2
Total of above			1,833,867	1,749,955	1,769,854	-4.6	1.1	-3.5
El Salvador	6109.10.00	T-shirts, singlets, tank tops, and similar garments, knitted or crocheted, of cotton.	336,714	351,530	36,649	4.4	-89.6	-89.1
	6110.20.20	Sweaters, pullovers, sweatshirts, waistcoats, and similar articles, knitted or crocheted, of cotton, n.e.s.o.i.	148,714	167,681	16,728	12.8	-90.0	-88.8
	6115.11.00	Panty hose and tights, knitted or crocheted, of synthetic fibers, measuring per single yarn less than 67 decitex.	50,662	70,304	16,368	38.8	-76.7	-67.7
	6107.11.00	Men's or boys' underpants and briefs, knitted or crocheted, of cotton.	69,024	80,924	10,592	17.2	-86.9	-84.7
	2207.10.60	Undenatured ethyl alcohol for nonbeverage purposes.	7,894	40,361	10,215	411.3	-74.7	29.4
	6109.90.10	T-shirts, singlets, tank tops, and similar garments, knitted or crocheted, of man-made fibers.	19,426	53,495	7,775	175.4	-85.5	-60.0
	6110.30.30	Sweaters, pullovers, sweatshirts, waistcoats, and similar articles, knitted or crocheted, of man-made fibers, n.e.s.o.i.	71,701	65,930	5,328	-8.0	-91.9	-92.6
	6104.63.20	Women's or girls' briefs and panties, knitted or crocheted, of cotton.	62,281	35,972	4,925	-42.2	-86.3	-92.1
Total of above			766,415	866,197	108,579	13.0	-87.5	-85.8

Table D-1--*Continued*
Leading U.S. imports for consumption entered under CBERA, by sources, 2004-06

Source	HTS number	Description	2004	2005	2006	Change 2004-05	Change 2005-06	Change 2004-06
			------Value *(1,000 dollars)*--------			--------------*Percent*-------------		
Grenada	0709.90.91	Vegetables, not elsewhere specified or included, fresh or chilled.	-	-	18	-	-	-
	8414.59.60	Fans, n.e.s.o.i..	-	-	17	-	-	-
	7113.19.50	Articles of jewelry and parts thereof, of precious metal except silver, except necklaces and clasps.	-	-	13	-	-	-
Total of above.			-	-	48	-	-	-
Guatemala	6110.20.20	Sweaters, pullovers, sweatshirts, waistcoats, and similar articles, knitted or crocheted, of cotton, n.e.s.o.i..	152,832	197,569	108,674	29.3	-45.0	-28.9
	2709.00.10	Petroleum oils and oils from bituminous minerals, crude, testing under 25 degrees A.P.I..	179,559	131,857	76,540	-26.6	-42.0	-57.4
	6109.10.00	T-shirts, singlets, tank tops, and similar garments, knitted or crocheted, of cotton..	41,931	67,509	61,998	61.0	-8.2	47.9
	0807.19.20	Cantaloupes, fresh, not entered Aug. 1-Sept. 15.	24,892	35,486	42,421	42.6	19.5	70.4
	6204.62.40	Women's or girls' trousers, breeches, and shorts, not knitted or crocheted, of cotton, n.e.s.o.i..	104,870	124,593	38,511	18.8	-69.1	-63.3
	6203.42.40	Men’s or boys’ trousers, breeches, and shorts, not knitted or crocheted, of cotton, not containing 15 percent or more down.	152,690	126,828	26,835	-6.9	-78.8	-82.4
	6203.43.40	Men’s or boys’ trousers, breeches, and shorts, not knitted or crocheted, of synthetic fibers, n.e.s.o.i...	20,402	17,958	14,580	-12.0	-18.8	-28.5
	6110.30.30	Sweaters, pullovers, sweatshirts, waistcoats, and similar articles, knitted or crocheted, of man-made fibers, n.e.s.o.i.	29,571	40,779	13,688	37.9	-66.4	-53.7
	0807.19.70	Other melons if not entered Jun.1-Nov. 30..	8,194	10,595	13,608	29.3	28.4	66.1
	1701.11.20	Other sugar to be used for the production (other than distillation) of polyhydric alcohols.	33,017	43,593	11,639	32.0	-73.3	-64.7
	1701.11.10	Raw sugar not containing added flavoring of color..	15,450	30,960	11,151	100.4	-64.0	-27.8
	7116.20.15	Jewelry articles of precious or semiprecious stones, valued over $40 per piece..	14,630	20,402	10,805	39.5	-47.0	-26.1
	6105.10.00	Men’s or boys’ shirts, knitted or crocheted, of cotton.	19,466	15,978	9,908	-17.9	-38.0	-49.1
	0708.10.40	Peas, fresh or chilled, shelled or unshelled, if entered Nov. 1 through the following June 30, inclusive.	8,077	11,759	9,222	45.6	-21.6	14.2
	6106.10.00	Women’ or girls’ blouses and shirts, knitted or crocheted, of cotton.	26,241	14,024	9,209	-46.6	-34.3	-64.9
Total of above.			831,821	889,890	458,789	7.0	-48.4	-44.8
Guyana	6103.43.15	Men's or boys' trousers, breeches and shorts, knitted or crocheted, of synthetic fibers, n.e.s.o.i...	3,155	3,552	1,986	12.6	-44.1	-37.1
	6110.30.30	Sweaters, pullovers, sweatshirts, waistcoats, and similar articles, knitted or crocheted, of man-made fibers, n.e.s.o.i..	1,057	476	650	-55.0	36.5	-38.6
	6104.63.20	Women's or girls' trousers, breeches and shorts, knitted or crocheted, of synthetic fibers, n.e.s.o.i..	15	108	625	606.8	478.8	3,991.2

Table D-1--*Continued*
Leading U.S. imports for consumption entered under CBERA, by sources, 2004-06

Source	HTS number	Description	2004	2005	2006	Change 2004-05	Change 2005-06	Change 2004-06
			------Value *(1,000 dollars)*--------			--------------*Percent*-------------		
Guyana–*continued*	6114.30.20	Bodysuits and bodyshirts, knitted or crocheted, of man-made fibers	-	-	358	-	-	-
Total of above			4,228	4,135	3,619	-2.2	-12.5	-14.4
Haiti	6109.10.00	T-shirts, singlets, tank tops, and similar garments, knitted or crocheted, of cotton.	67,635	99,846	159,570	47.6	59.8	135.9
	6110.20.20	Sweaters, pullovers, sweatshirts, waistcoats, and similar articles, knitted or crocheted, of cotton, n.e.s.o.i.	46,252	88,242	83,563	90.8	-5.3	80.7
	6109.90.10	T-shirts, singlets, tank tops, and similar garments, knitted or crocheted, of man-made fibers	20,043	34,481	67,829	72.0	96.7	238.4
Total of above			133,930	222,570	310,961	66.2	39.7	132.2
Honduras	6110.20.20	Sweaters, pullovers, sweatshirts, waistcoats, and similar articles, knitted or crocheted, of cotton, n.e.s.o.i.	397,860	473,035	123,278	18.9	-73.9	-69.0
	6109.10.00	T-shirts, singlets, tank tops, and similar garments, knitted or crocheted, of cotton.	599,776	560,195	119,011	-6.6	-78.8	-80.2
	6203.42.40	Men's or boys' trousers, breeches, and shorts, not knitted or crocheted, of cotton, not containing 15 percent or more down	98,861	119,710	23,580	21.1	-80.3	-76.1
	6109.90.10	T-shirts, singlets, tank tops, and similar garments, knitted or crocheted, of man-made fibers	77,559	93,514	22,693	20.6	-75.7	-70.7
	6212.10.90	Brassieres, not containing lace, net, or embroidery, not 70 percent or more silk, whether or not knitted or crocheted.	151,480	116,084	22,464	-23.4	-80.6	-85.2
	6203.43.40	Men's or boys' trousers, breeches, and shorts, not knitted or crocheted, of synthetic fibers, n.e.s.o.i..	75,426	80,722	18,726	7.0	-76.8	-75.2
	8544.30.00	Ignition wiring sets, other wiring sets of a kind used in vehicles, aircraft or ships.	5,170	2,292	18,006	-55.7	685.6	248.3
	6110.30.30	Sweaters, pullovers, sweatshirts, waistcoats, and similar articles, knitted or crocheted, of man-made fibers, n.e.s.o.i..	76,221	102,935	17,535	35.0	-83.0	-77.0
	6107.11.00	Men’s or boys’ underpants and briefs and knitted or crocheted, of cotton.	82,544	92,102	16,427	11.6	-82.2	-80.1
	6108.21.00	Women’s or girls’ briefs and panties, knitted or crocheted, of cotton.	54,870	70,859	15,672	29.1	-77.9	-71.4
Total of above			1,619,768	1,711,449	397,393	5.7	-76.8	-75.5
Jamaica	2207.10.60	Undenatured ethyl alcohol for nonbeverage purposes	53,827	63,006	164,640	17.1	161.3	205.9
	6109.10.00	T-shirts, singles, tank tops, and similar garments, knitted or crocheted, of cotton.	44,790	22,486	22,445	-49.8	-0.2	-49.9
Total of above			98,618	85,492	187,085	-13,3	118.8	89.7
Netherlands Antilles	8544.51.90	Insulated electric conductors nesi, for a voltage exceeding 80 V but not exceeding 1,000 V, fitted with connectors, n.e.s.o.i.	59	390	470	565.2	20.7	703.0

Table D-1--*Continued*
Leading U.S. imports for consumption entered under CBERA, by sources, 2004-06

Source	HTS number	Description	2004	2005	2006	Change 2004-05	Change 2005-06	Change 2004-06
			------Value *(1,000 dollars)*--------			---------------*Percent*--------------		
Netherlands Antilles–*continued*	8544.60.20	Insulated electric conductors n.e.s.o.i., for a voltage exceeding 1,000 volts, fitted with connectors.	2,928	1,087	371	-62.9	-65.8	-87.3
	0603.10.80	Cut flowers and flower buds suitable for bouquets, n.e.s.o.i...	268	268	313	-0.1	16.9	16.7
	8504.31.40	Electrical transformers, other than liquid dielectric, having a power handling capacity less than 1 KVA.	479	379	229	-20.9	-39.5	-52.1
	7113.19.50	Articles of jewelry and parts thereof, of precious metal except silver, except necklaces and clasps.	80	36	168	-54.7	365.1	110.8
Total of above.			3,814	2,159	1,552	-43.4	-28.1	-59.3
Nicaragua	6110.20.20	Sweaters, pullovers, sweatshirts, waistcoats, and similar articles, knitted or crocheted, of cotton, n.e.s.o.i..	16,188	55,400	14,405	242.2	-74.0	-11.0
	6212.20.00	Girdles and panty-girdles.	22,481	29,214	11,432	30.0	-60.9	-49.1
	0202.30.50	Frozen boneless beef, except processed..	39,471	41,449	11,350	5.0	-72.6	-71.2
	6203.42.40	Men's or boys' trousers, breeches, and shorts, not knitted or crocheted, of cotton, not containing 15 percent or more down.	33,289	48,486	9,905	45.6	-79.6	-70.2
	6203.43.40	Men's or boys' trousers, breeches, and shorts, not knitted or crocheted, of synthetic fibers, n.e.s.o.i..	30,558	33,314	8,630	9.0	-74.1	-71.8
	6109.10.00	T-shirts, singlets, tank tops, and similar garments, knitted or crocheted, of cotton.	7,901	15,232	7,877	92.8	-48.3	-0.3
	2402.10.80	Cigars, cheroots, and cigarillos, each valued 23 cents or over.	24,612	26,121	7,005	6.1	-73.2	-71.5
	8544.30.00	Ignition wiring sets, other wiring sets of a kind used in vehicles, aircraft or ships..	7,006	763	6,225	-89.1	716.1	-11.2
	6205.30.20	Men’s or boys’ shirts, not knitted or crocheted, of manmade fibers, n.e.s.o.i..	18,500	15,932	5,259	-13.9	-67.0	-71.6
Total of above.			200,005	265,911	82,089	33.0	-69.1	-71.6
Panama	1701.11.10	Raw sugar not containing added flavoring or coloring.	8,225	9,452	7,485	14.9	-20.8	-9.0
	0807.19.70	Other melons if not entered Jun.1-Nov.30.	4,471	4,850	6,273	8.5	29.3	40.3
	2202.90.36	Single fruit or vegetable juice (other than orange), fortified with vitamins or minerals, not concentrated.	242	1,341	2,683	454.4	100.1	1,009.2
	7010.90.30	Glass containers for perfume or toilet preparations, or designed for ground glass stopper, not made by automatic machine.	1,324	319	2,449	-75.9	667.5	84.9
	0804.30.40	Pineapples, fresh or dried, not reduced in size, in crates or other packages.	1,481	2,818	2,320	90.3	-17.7	56.7
	0709.90.05	Jicamas, pumpkins and breadfruit, fresh or chilled.	2,136	1,969	1,968	-7.8	-0.0	-7.9
	0714.90.20	Fresh or chilled yams, whether or not sliced or in the form of pellets.	243	1,717	908	606.5	-47.1	273.6
Total of above.			18,121	22,465	24,086	24.0	7.2	32.9
St. Kitts and Nevis	8536.50.90	Switches n.e.s.o.i., for switching or making connections to or in electrical circuits, for a voltage not exceeding 1,000 volts..	17,355	16,064	11,456	-7.4	-28.7	-34.0

Table D-1--*Continued*
Leading U.S. imports for consumption entered under CBERA, by sources, 2004-06

Source	HTS number	Description	2004	2005	2006	Change 2004-05	Change 2005-06	Change 2004-06
			------Value *(1,000 dollars)*--------			---------------*Percent*--------------		
St. Kitts and Nevis–*continued*	8504.90.95	Parts (other than printed circuit assemblies) of electrical transformers, static converters and inductors.	2,214	2,200	4,651	-0.6	111.4	110.1
	8503.00.95	Other parts, n.e.s.o.i., suitable for use solely or principally with electric motors, generators, generating sets, and rotary converters.	2,731	3,399	4,217	24.5	24.1	54.4
Total of above.			22,299	21,663	20,324	-2.9	-6.2	-8.9
St. Lucia	8529.10.20	Television antennas and antenna reflectors, and parts suitable for use therewith.	3,427	2,357	2,804	-31.2	19.0	-18.2
	9025.19.80	Thermometers, not combined with other instruments, other than liquid-filled for direct reading.	69	2,370	2,499	259.7	5.4	279.2
Total of above.			4,086	4,727	5,303	15.7	12.2	29.8
St. Vincent and the Grenadines	0714.90.10	Fresh or chilled dasheens, whether or not sliced or in the form of pellets.	113	178	169	57.3	-5.1	49.2
Total of above.			113	178	169	57.3	-5.1	49.2
Trinidad and Tobago	2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more.	802,713	1,076,028	1,678,309	34.0	56.0	109.1
	2905.11.20	Methanol (methyl alcohol), n.e.s.o.i...	460,208	700,604	1,029,652	52.2	47.0	123.7
Total of above.			1,262,921	1,776,632	2,707,961	40.7	52.4	114.4

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

Note: Data for 2006 include U.S. imports from El Salvador, Guatemala, Honduras, and Nicaragua only for the period during which those countries were eligible for CBERA benefits before CAFTA-DR entered into force. Percent based on actual (unrounded) data. The abbreviation “n.e.s.o.i.” stands for “not elsewhere specified or included.”

APPENDIX E
Leading Imports that Benefited Exclusively from CBERA in 2005

Table E-1
Value of leading imports that benefited exclusively from CBERA, 2005
(*1,000 dollars*)

HTS number	Description	Customs value	C.i.f. value
2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more.	1,076,028	1,109,073
6109.10.00	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton.	1,030,082	1,059,884
6110.20.20	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, n.e.s.o.i..	1,000,868	1,025,365
2905.11.20[a]	Methanol (Methyl alcohol), other than imported only for use in producing synthetic natural gas (SNG) or for direct use as fuel.	700,604	769,059
6203.42.40	Men's or boys' trousers and shorts, not bibs, not knitted or crocheted, of cotton, not containing 15% or more by weight of down, etc.	619,353	632,032
2710.19.05	Distillate and residual fuel oil (including blends) derived from petroleum or oils from bituminous minerals, testing under 25 degrees A.P.I..	474,595	496,306
6203.43.40	Men's or boys' trousers, breeches & shorts, of synthetic fibers, con under 15% wt down etc, cont under 36% wt wool, n/water resist, not k/c..	281,229	287,387
6212.10.90	Brassieres, not containing lace, net or embroidery, containing under 70% by wt of silk or silk waste, whether or not knitted or crocheted..	278,980	282,071
6107.11.00	Men's or boys' underpants and briefs, knitted or crocheted, of cotton.	256,905	261,656
0804.30.40	Pineapples, fresh or dried, not reduced in size, in crates or other packages..	222,797	256,173
6110.30.30	Sweaters, pullovers and similar articles, knitted or crocheted, of manmade fibers, n.e.s.o.i..	243,394	250,308
6204.62.40	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of cotton, n.e.s.o.i..	216,943	222,436
2710.11.25	Naphthas (exc. motor fuel/mtr fuel blend. stock) fr petroleum oils & bitumin minerals (o/than crude) or preps 70%+ by wt. fr petroleum oils.	193,451	201,180
2207.10.60	Undenatured ethyl alcohol of 80 percent vol. alcohol or higher, for nonbeverage purposes.	183,568	194,966
2402.10.80[b]	Cigars, cheroots and cigarillos containing tobacco, each valued 23 cents or over.	215,833	221,016
2710.11.45	Light oil mixt. of hydrocarbons fr petro oils & bitum min(o/than crude) or prep 70%+ wt. fr petro oils, n.e.s.o.i.,n/o 50% any single hydrocarbon..	182,195	190,119
6109.90.10	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of man-made fibers.	174,052	178,219
7113.19.50[c]	Precious metal (o/than silver) articles of jewelry and parts thereof, whether or not plated or clad with precious metal, n.e.s.o.i..	171,479	171,950
2709.00.10	Petroleum oils and oils from bituminous minerals, crude, testing under 25 degrees A.P.I..	131,857	139,291
6108.21.00	Women's or girls' briefs and panties, knitted or crocheted, of cotton.	123,103	125,620

Source: Estimated by the U.S. International Trade Commission from official statistics of the U.S. Department of Commerce.

Note.–The abbreviation, n.e.s.o.i., stands for “not elsewhere specified or otherwise included.”

[a] Includes only imports from Trinidad and Tobago. Item is GSP-eligible, but imports from Trinidad and Tobago exceeded the competitive-need limit and thus were eligible for duty-free entry only under CBERA.

[b] Includes only imports from the Dominican Republic, The Bahamas, and Nicaragua. Item is GSP-eligible, but imports from the Dominican Republic exceeded the competitive need limit and thus were eligible for duty-free entry only under CBERA. Imports from The Bahamas and Nicaragua, other suppliers of this item, were included because those countries were not designated GSP beneficiaries in 2005.

[c] Includes only imports from the Dominican Republic, The Bahamas, Aruba, and the Netherlands Antilles. Item is GSP-eligible, but imports from the Dominican Republic exceeded the competitive need limit and thus were eligible for duty-free entry only under CBERA. Imports from The Bahamas, Aruba, and the Netherlands Antilles, other suppliers of this item, were included because those countries were not designated GSP beneficiaries in 2005.