United States International Trade Commission

The Impact of the Caribbean Basin Economic Recovery Act

Seventeenth Report 2003-2004

Investigation No. 332-227
USITC Publication 3804
September 2005

U.S. International Trade Commission

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Publication 3804 **September 2005**

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ABSTRACT

The submission of this study to the Congress and to the President continues the reporting by the U.S. International Trade Commission (Commission) on the impact of the Caribbean Basin Economic Recovery Act (CBERA) on U.S. industries and consumers.

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 was 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 Preference 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 report the impact of the CBERA program on the economy of the beneficiary countries. This seventeenth report is the third report to be submitted under the new law.

The current study fulfills the Commission's reporting requirement under the statute for calendar year 2004. The overall effect of CBERA-exclusive imports on the U.S. economy and consumers continued to be negligible in 2004. Based on the upper estimates and industry analysis, the Commission did not identify any U.S. industries 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 2004. 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 in most sectors. In response to increases in global demand and global prices, there was a significant increase in foreign direct investment in oil, gas, and petrochemicals production in Trinidad and Tobago. Investment activity in the textiles and apparel sector continued, but a number of apparel operations in the region closed or relocated to lower cost countries in the face of global competition.

The impact of the CBERA program on beneficiary countries is small, but positive, and has been enhanced by the CBTPA. The recently completed U.S. free trade agreement with the Dominican Republic and five Central American countries, all of whom are

CBERA beneficiaries, has shifted the focus from the unilateral preference program to the potential for increased benefits under a new trading arrangement.

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.

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List of Frequently Used Abbreviations and Acronyms

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
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 covers the impact of the Caribbean Basin Economic Recovery Act (CBERA) on the United States with particular emphasis on calendar year 2004. Section 215 of CBERA requires the U.S. International Trade Commission (Commission or USITC) to prepare a biennial report assessing 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. The section was amended by the Caribbean Basin Trade Partnership Act (CBTPA), which instructed the Commission also to report on the impact of the overall preference program on the economy of the beneficiary countries.

The Commission used partial-equilibrium analysis to estimate the impact of CBERA on the United States economy. The probable future effect of CBERA on the United States was evaluated by an examination of export-oriented investment in the beneficiary countries. Data and information sources for the report included the U.S. Department of Commerce, U.S. embassies that responded to the Commission's biennial Caribbean Basin investment survey in June 2005, various sources published by U.S. and international organizations, and submissions from interested parties.

CBERA entered into effect on January 1, 1984, and became permanent as of August 20, 1990. It eliminates or reduces tariffs on eligible products of designated Caribbean, Central American, and South American countries and territories. The primary goal of CBERA is to promote export-oriented growth in the Caribbean Basin countries and to diversify their economies away from traditional agricultural products and raw materials. CBERA applies to almost all of the tariff categories covered by the U.S. Generalized System of Preferences (GSP). However, CBERA differs from GSP in that its benefits apply to additional tariff categories, its product-qualifying rules are more liberal, and it is not subject to periodic renewal.

CBTPA, which amended CBERA, was enacted in May 2000 and implemented in October 2000, making 2001 the first full calendar year that CBTPA was in effect. A number of products became eligible for preferential duty treatment under CBERA for the first time with the implementation of CBTPA, most notably apparel made from U.S. inputs and petroleum and petroleum products. Apparel and petroleum categories dominated total U.S. imports from CBERA beneficiary countries for a number of years before CBTPA was enacted, but now also dominate imports under the broadened CBERA preference program. For example, in 2004, imports of products in these categories accounted for 49 percent of the value of total U.S. imports from CBERA countries while they accounted for 72 percent of the value of U.S. imports under CBERA preferences, including preferences introduced by CBTPA.

President Bush signed implementing legislation for the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) on August 2, 2005. When the FTA enters into force, the Dominican Republic and five Central American countries–Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua–will no longer be designated beneficiary countries under CBERA and CBTPA. In 2004, the CAFTA-DR countries supplied 79.0 percent of U.S. imports under CBERA. In the same year, Trinidad and Tobago, Haiti, and Jamaica supplied 89.6 percent of U.S. imports under CBERA from non-CAFTA-DR countries.

Impact of CBERA on the United States in 2004

- 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 2004. In 2004, the value of all U.S. imports under CBERA preferences was less than 0.10 percent of U.S. gross domestic product. The value of total U.S. imports from CBERA countries was 1.9 percent of total U.S. imports.
- Of the $10.9 billion in U.S. imports that entered under CBERA in 2004, imports amounting to $8.3 billion could not have received tariff preferences under any other program. The five leading items benefiting exclusively from CBERA in 2004 were knitted cotton t-shirts, light crude oil, knitted cotton tops, men's or boys' woven cotton trousers and shorts, and methanol from Trinidad and Tobago.
- Knitted cotton t-shirts provided the largest gain in consumer surplus ($136.3 million to $145.0 million) resulting exclusively from CBERA tariff preferences in 2004. Men's or boys' woven cotton trousers and shorts provided the second-largest gain in consumer surplus ($96.1 million to $104.8 million). All U.S. imports of the 20 leading CBERA-exclusive items produced net welfare gains for U.S. consumers in 2004. Knitted cotton t-shirts yielded the largest net gain, valued at $11.0 million to $18.1 million, followed by men's or boys' woven cotton trousers and shorts and fuel-grade ethanol.
- No U.S. industries were identified as potentially experiencing displacement of more than 5 percent of the value of U.S. production. The U.S. industry producing knitted manmade fiber t-shirts was the only U.S. industry to experience a net increase in production as a result of CBERA preferences. The net increase stemmed from cut apparel parts supplied by U.S. producers to CBERA producers. The U.S. textile industry maintained a heavy and growing presence in supplying yarn and fabric to the CBERA region.
- According to the U.N. Economic Commission for Latin America and the Caribbean, worldwide foreign direct investment (FDI) in the Latin America/Caribbean region totaled $56.5 billion in 2004, a 9.8 percent increase from $51.4 billion in 2002. The leading FDI recipients among CBERA beneficiaries in 2004 were Trinidad and Tobago, Jamaica, Costa Rica, Panama, and the Dominican Republic.
- Based on recent FDI trends, the probable future effect of CBERA on the United States is expected to be minimal in most economic sectors. The Commission

identified new FDI during 2004 to increase production and export capacity in the oil, gas, and petrochemicals sectors of Trinidad and Tobago, and the fuel-grade ethanol sector of Jamaica. Crude petroleum oils and methanol, respectively, ranked as the second and the fourth leading U.S. imports under CBERA from Trinidad and Tobago in 2004. Fuel-grade ethanol was the leading U.S. import under CBERA from Jamaica in 2004.

- Despite the pressure of increasing international competition from lower-cost producers, some CBERA countries reported new FDI in the textile and apparel sector during 2004. Increased FDI in Guatemala's highly competitive textile and apparel sector was reported during 2004. New apparel assembly FDI also was reported in Guyana and Honduras. Higher cost countries like Costa Rica reported declining investment and production in apparel assembly operations during 2004. Apparel plant closings also were reported in the Dominican Republic and El Salvador.
- To take full advantage of the trade preferences granted by CBTPA and to compete more effectively in the face of greater competition following the complete elimination of textile and apparel quotas on January 1, 2005, suppliers in the CBERA countries have focused on implementing numerous competitive strategies. These have included expanding full package programs, concentrating efforts on integrating the supply chain for greater "speed to market," attracting more investment to upgrade manufacturing equipment and expand textile production facilities, producing higher value-added, innovative products, and enhancing production flexibility.
- The expansion of duty-free access provisions for footwear granted by the Miscellaneous Trade and Technical Corrections Act of 2004, which went into effect on December 3, 2004, has revitalized interest in sourcing footwear from the CBERA countries thereby prompting an expansion of footwear production in U.S.-owned facilities in the Dominican Republic and boosting production contracts with Dominican-owned firms.

Impact of CBERA on Beneficiary Countries

- CBERA has played a key role in the growth and diversification of the Costa Rican economy, and was particularly important to the development of Costa Rica's apparel maquila sector. Despite CBERA trade benefits, Costa Rica's leading manufactured exports to the United States in recent years–electronics goods and medical appliances–enter the United States NTR duty free and do not benefit under CBERA.
- CBERA benefits are important to Nicaragua's ability to maintain a viable export sector. Seven of Nicaragua's top 10 exports to the United States are eligible for CBERA trade benefits. CBERA remains an important growth stimulus for Nicaragua's FTZ-based maquila operations–the most dynamic component of Nicaragua's nascent industrial sector.

- Two recent studies in the available economic literature that evaluated the effects of preferential trade agreements on the economies of the countries of the Caribbean Basin region both generally find that CBERA has had a small positive effect on exports of the CBERA beneficiaries with respect to the production-sharing apparel sector.

Trade-related Activities

- Total U.S. imports from CBERA beneficiary countries were $27.6 billion in 2004, of which $10.9 billion entered under CBERA preferences. The value of U.S. imports under CBERA preferences increased 4.9 percent in 2004. In contrast, total imports from CBERA countries (all goods, regardless of duty treatment) increased 12.5 percent in 2004, while total U.S. imports from all countries increased 16.8 percent during the same period. CBERA countries combined constituted the 12th largest U.S. supplier during 2004–ahead of Ireland but behind Italy.
- The leading U.S. categories of total imports from CBERA beneficiary countries continued to be dominated by articles of apparel and mineral fuels in 2004. Other leading U.S. categories included electrical machinery, edible fruits, and inorganic chemicals. Four countries–Trinidad and Tobago, the Dominican Republic, Honduras, and Costa Rica–supplied 62.8 percent of these imports in 2004.
- The U.S. trade deficit with CBERA countries was $4.6 billion in 2004–equivalent to about 0.5 percent of the total U.S. trade deficit. This amount is twice the 2003 deficit of $2.3 billion and substantially larger than the $0.6 billion deficit of 2002. These U.S. deficits are mostly due to increasingly larger import values of energy and related chemical products and to relatively slow growth in U.S. exports to CBERA countries.
- Knitted and non-knitted (mostly woven) apparel became the two leading U.S. import categories under CBERA preferences in 2001 and have remained so ever since. Imports of knitted apparel under CBERA increased 6.4 percent in 2004 to $4.1 billion. However, imports of non-knitted apparel under CBERA decreased by 3.4 percent in 2004 to $2.4 billion. Four countries supplied 86.5 percent of apparel imports under CBERA in 2004: Honduras, the Dominican Republic, El Salvador, and Guatemala.
- Of the 20 leading import items entering under CBERA in 2004, 12 were apparel items. The largest apparel imports under CBERA included knitted cotton t-shirts, knitted cotton tops, men's or boys' woven cotton trousers and shorts, men's or boy's knitted cotton underpants, brassieres, men's or boys' woven manmade fiber trousers and shorts, women's or girls' woven cotton trousers and shorts, and knitted manmade fiber tops. Other large import items under CBERA, classified by 8-digit HTS number, included crude oil, methanol,

higher priced cigars, fuel oil, precious metal jewelry, raw cane sugar, and naphthas.

- CBTPA provisions have resulted in an ongoing shift in the mix between U.S. exports of textiles and apparel to CBERA countries. CBTPA preferences allow more of the production process in the transformation of textiles into apparel to be located in the Caribbean. Cut apparel parts are generally classified in apparel categories, and the guaranteed access program required these parts to be cut in the United States to qualify for the preferences in most instances. However, CBTPA allows CBERA countries to cut their own parts as long as the fabric used is made in the United States. Since CBTPA was implemented, the United States has exported significantly more textiles (a 7.8 percent increase in 2003 and a 13.7 percent increase in 2004 from the previous years) to CBERA countries, and significantly less apparel (a 10.3 percent decrease in 2003 and a 16.2 percent decrease in 2004 from the previous years). Despite the shift toward exporting more uncut fabric to CBERA countries and less precut garment pieces, the total value of U.S. exports of textiles and apparel to CBERA countries increased only slightly during 2004.

- The value of U.S. exports to CBERA countries increased more slowly in 2004 (3.7 percent) than total U.S. exports (11.6 percent). U.S. exports to the region measured $23.0 billion in 2004. As in recent years, the Dominican Republic, Costa Rica, Honduras, Guatemala, and El Salvador remain the principal Caribbean markets for the United States, collectively responsible for 62.7 percent of all U.S. exports to CBERA countries in 2004.

- Section 211 of the CBTPA legislation extended preferential treatment to certain "import sensitive articles" equivalent to that received by Mexico under the North American Free Trade Agreement, including imports of petroleum and petroleum products (HTS headings 2709 and 2710). Total imports of crude oil (HTS heading 2709) increased 22.3 percent in 2003 and 11.7 percent in 2004; while such imports under CBERA increased 22.7 percent in 2003 and 8.1 percent in 2004. Total imports of petroleum products (HTS heading 2710) increased 23.5 percent in 2003 and 42.4 percent in 2004; such imports under CBERA increased 40.2 percent in 2004 after falling 5.6 percent in 2003. The increase in the value of these imports can be traced to increases in energy prices and new production capacity in CBERA countries.

CHAPTER 1
Introduction

The Caribbean Basin Economic Recovery Act (CBERA)[1] was implemented 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 been reporting the impact of CBERA preferences on the U.S. economy since 1986.

This report fulfills a statutory mandate under CBERA 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 17th in the series and focuses mainly on calendar year 2004. This is the second report with full-year coverage under CBERA as amended by the Caribbean Basin Trade Partnership Act (CBTPA). The provisions of CBTPA entered into effect on October 2, 2000. Throughout this report, the term "CBERA" will refer to CBERA as amended by CBTPA and the Trade Act of 2002. 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.

Organization of the Report

Chapter 1 provides a summary of the CBERA program, including amendments to original CBERA by CBTPA and the Trade Act of 2002, and describes the analytical approach used in the report. Chapter 2 analyzes U.S. trade with CBERA beneficiaries through 2004. Chapter 3 addresses the estimated effects of CBERA in 2004 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 4contains a brief review of economic literature on the impact of CBERA on beneficiary countries and economic profiles of Costa Rica and Nicaragua.

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[1] CBERA was enacted Aug. 5, 1983, as Public Law 98-67, title II; 97 Stat. 384, 19 U.S.C. 2701 et seq. and became effective Jan. 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. 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 and in the textiles and apparel section of chapter 2.

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

Table 1-1
Summary of CBERA preferential provisions, year-end 2004

Inception	Enacted 8/5/83 - CBERA Expanded 8/20/90 - CBEREA[1] Enhanced 5/18/00 - CBTPA[2] Modified 8/6/02 - Trade Act of 2002[3]
Benefits	Duty-free entry and reduced duty entry granted on a non-reciprocal, non-MFN basis
Exclusions under original CBERA [4]	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[5]
Beneficiaries[6]	24 Central American & Caribbean countries: Antigua, 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*
Coverage (eligible provisions)	Approximately 5,726 8-digit tariff lines
Value of imports under the program (million dollars)	$10,937
Significance in terms of U.S. trade:	
Share of U.S. imports from the region as a share of total U.S. imports	1.9%
Share of imports from beneficiaries that receive program preferences	39.7%

[1] Caribbean Basin Economic Recovery Expansion Act of 1990.

[2] 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.

[3] Section 3107 of the Trade Act of 2002.

[4] 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 the 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)).

[5] The CBTPA benefits expire on either Sept. 30, 2008, or the date on which the Free Trade Area of the Americas or comparable agreement enters into force, whichever is earlier. When CAFTA-DR enters into effect, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua will no longer be CBTPA or CBERA beneficiary countries.

[6] Asterisk (*) indicates beneficiary countries under the CBTPA.

Source: Commission compilation.

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 2003.

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.[4] CBERA was initially given statutory effect through September 30, 1995. The Caribbean Basin Economic Recovery Expansion Act (CBEREA) of 1990[5] repealed that termination date, made the program permanent, and expanded CBERA benefits in several respects.[6] 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.[7] In August 2002, the Trade Act of 2002[8] amended CBERA to clarify and modify several CBTPA provisions.

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 is effective through December 31, 2005.[9] 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, and 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.

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

[5] The Caribbean Basin Economic Recovery Expansion Act of 1990 was signed into law on Aug. 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).

[6] 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, pp. 1-1 to 1-5.

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

[8] Modifications to CBERA were made in section 3107 of the Trade Act of 2002 (Public Law 107-210, Aug. 6, 2002).

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

Beneficiaries

Eligible imports from 24 countries received CBERA tariff preferences during 2004.[10] Four other countries–Anguilla, Cayman Islands, Suriname, and Turks and Caicos Islands–are potentially eligible for CBERA benefits but have not requested that status.[11] The President can terminate beneficiary status or suspend or limit a country's CBERA benefits at any time as explained below.[12]

CBERA beneficiaries are required to afford internationally recognized worker rights under the definition used in the GSP program[13] 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 interest of the United States.[14] 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.[15]

In May 2004, 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 52 countries that deny adequate and effective IPR protection.[16] Of the CBERA beneficiaries, The Bahamas was among the 15 countries placed on the "Priority Watch List," and Belize, Costa Rica, the Dominican Republic, Guatemala, and Jamaica were among the 34 countries placed on the "Watch List."[17]

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

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[10] Those countries were Antigua, 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.

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

[12] 19 U.S.C. 2702(e).

[13] 19 U.S.C. 2462.

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

[15] 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.

[16] See USTR, "Special 301 Report Finds Continued Progress but Significant Improvements Needed," press release, May 3, 2004, and 69 F.R. 26917, May 14, 2004. See also USTR, *2004 Special 301 Report*, found at *http://www.ustr.gov/Document_Library/Reports_Publications/2004/2004_Special_301/Section_Index.html,* retrieved July 12, 2005.

[17] Ibid.

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) 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. Based on this review, on October 2, 2000, President Clinton designated all 24 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.[18] 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.[19] These countries were Belize, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Nicaragua, and Panama. Barbados, Guyana, St. Lucia, and Trinidad and Tobago have since qualified.[20]

Trade Benefits Under CBERA

CBERA provides duty-free and reduced-duty treatment to qualifying imports from designated beneficiary countries.[21] 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,[22] and ethyl alcohol.[23] Imports of sugar and beef, like those of some

[18] Presidential Proclamation 7351–To Implement the United States-Caribbean Basin Trade Partnership Act, Oct. 2, 2000.

[19] 65 F.R. 60236-60237.

[20] 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.

[21] 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.

[22] 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).

[23] Ethyl alcohol produced from agricultural feedstock grown in a CBERA country is admitted free of duty; however, preferential treatment for ethyl alcohol produced from non-CBERA agricultural feedstock is restricted to 60 million gallons (227.1 million liters) or 7 percent of the U.S. domestic ethanol market, whichever is greater. 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. 203 nt; Public Law 99-514 as amended by Public Law 101-221).

other agricultural products, remain subject to any applicable and generally imposed U.S. tariff-rate quotas (TRQs) and food-safety requirements.[24] Under the original CBERA, certain leather handbags, luggage, flat goods (such as wallets and portfolios), work gloves, and leather wearing apparel were eligible to enter at reduced rates of duty.[25] 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.[26]

The CBTPA amended CBERA to authorize duty-free treatment to some products previously ineligible for CBERA preferences, most notably certain apparel, as well as equivalent treatment given to 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 5,726 8-digit tariff lines or products are now covered by CBERA trade preferences, of which about 460 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 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.[27] The cost or value of the local (CBERA region)

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[24] 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.

[25] These are articles that were not designated for GSP duty-free entry as of Aug. 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).

[26] 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, pp. 2-9, and *Caribbean Basin Economic Recovery Act: Impact on U.S. Industries and Consumers, Tenth Report 1994*, USITC publication 2927, September 1995, pp. 3-4.

[27] 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

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 CBERA countries to pool their resources to meet the local-value-content requirement on an aggregated basis.[28] Also, inputs from Puerto Rico and the U.S. Virgin Islands may count in full toward the value threshold. As an advantage over the GSP program, 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.[29] 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.[30]

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, and Nicaragua are also GSP beneficiaries.[31] CBERA and GSP are similar in many ways, and many products may enter the United States free of duty under either program. 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,[32] and (3) contain a minimum of 35 percent local-value content. The

[27]— *Continued*
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, p. 1-4.

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

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

[30] 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 large volumes in recent years, most notably fresh pineapples and seasonal cantaloupes in 2004. 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.

[31] 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.

[32] 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.

documentary requirements necessary to claim either CBERA or GSP duty-free entry are identical: A Certificate of Origin Form A is to be presented at the time the qualifying products enter the United States, though slightly varying value-related information may be required under the two programs.[33]

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 does GSP. Unless specifically excluded, 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. 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.[34] 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,[35] 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,[36] whereas CBERA allows regional aggregation within CBERA 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. The preferences expired on July 31, 1995, and were not renewed until October 1, 1996 (the preferences were renewed retroactive to August 1, 1995, and extended through May 31, 1997).[37] The GSP program expired again on May 31, 1997, but was renewed August 5, 1997, retroactive to June 1, 1997, through June 30, 1998.[38] On June 30, 1998, the program expired again and then was renewed October 21, 1998, retroactive to July 1, 1998, through June 30, 1999.[39] The GSP program again expired on June 30, 1999, but was extended retroactively through September 30, 2001, on December 18, 1999.[40] Most recently, after expiring on September 30, 2001, the GSP was extended retroactively through December 31, 2006, by legislation signed by the President on August 6, 2002.[41] All imports claiming

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

[34] 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 ($115 million in 2004) 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).

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

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

[37] On Aug. 20, 1996, the President signed the Small Business Job Protection Act of 1996 (Public Law 104-188, 110 Stat. 1755). Subtitle J, title I, of that law contains provisions entitled the GSP Renewal Act of 1996 (110 Stat. 1917). See also 61 F.R. 52078.

38 See 62 F.R. 46549-46550.

[39] See 63 F.R. 67169-67170.

[40] See Public Law 106-170.

[41] See Public Law 107-210.

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.

Caribbean Basin Trade Partnership Act

The United States-Caribbean Basin Trade Partnership Act (CBTPA), enacted May 18, 2000, is the most recent major enhancement of the CBERA program.[42] Minor modifications and clarifications were made in the Trade Act of 2002, enacted August 6, 2002.[43] CBTPA became effective on October 2, 2000, and is scheduled to expire on September 30, 2008, unless the FTAA or a comparable FTA between the United States and CBERA countries enters into force earlier. The legislation authorizes, for the first time, duty-free treatment for imports of qualifying cotton, wool, and manmade fiber apparel from CBERA countries.

CBTPA is principally aimed at reducing the competitive disadvantage CBERA countries have faced vis-a-vis Mexico since NAFTA entered into force in 1994. Notably, CBTPA authorizes preferential tariff treatment for certain qualifying apparel articles. 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 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.[44]

CBTPA authorizes unlimited 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 unlimited duty-free entry for textile luggage made from inputs of U.S.

[42] See Trade and Development Act of 2000 (Public Law 106-200, title II).
[43] See Trade Act of 2002 (Public Law 107-210).
[44] See HTS 9820.11.21.

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

<table>
<tr><th>Brief description of article[1]</th><th>Brief description of criteria and related information</th></tr>
<tr><td>Apparel assembled from U.S.-formed and -cut fabric

HTS 9802.00.8044 and 9820.1103 (the latter provision is for apparel that underwent further processing such as stone-washing or embroidering)</td><td>* 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</td></tr>
<tr><td>Apparel cut and assembled from U.S. fabric

HTS 9820.11.06 Woven apparel
HTS 9820.11.18 Knit apparel</td><td>* 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</td></tr>
<tr><td>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</td><td>* Fabric must be made wholly of U.S. yarn
* Preferential treatment subject to “caps” for 12-month period beginning on October 1 of:
<table>
<tr><th>Year</th><th>HTS 9820.11.09
Knit apparel except outerwear t-shirts</th><th>HTS 9820.11.12
Outerwear t-shirts</th></tr>
<tr><td>2000</td><td>250 million SMEs</td><td>4,200,000 dozen</td></tr>
<tr><td>2001</td><td>290 million SMEs</td><td>4,872,000 dozen</td></tr>
<tr><td>2002</td><td>500 million SMEs</td><td>9,000,000 dozen</td></tr>
<tr><td>2003</td><td>850 million SMEs</td><td>10,000,000 dozen</td></tr>
<tr><td>2004</td><td>970 million SMEs</td><td>12,000,000 dozen</td></tr>
</table>
Note.– SMEs is square meter equivalents. The 2004 caps apply to subsequent 12-month periods.</td></tr>
<tr><td>Brassieres cut and assembled in the United States and/or the region from U.S. fabric (HTS 9820.11.15)</td><td>* 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).</td></tr>
<tr><td>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)</td><td>* Fabric must be made wholly of U.S. yarn.</td></tr>
<tr><td>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)</td><td>* 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.[2]

* 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.</td></tr>
<tr><td>Handloomed, handmade, and folklore articles (HTS 9820.11.30)</td><td>* Must be certified as such by exporting country</td></tr>
</table>

[1] Applies to articles ineligible for duty-free treatment under the 1983 CBERA (those of cotton, wool, and manmade fibers).

[2] 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.

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

origin,[45] 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,[46] made in CBTPA countries from fabrics knitted in those countries, provided that the fabrics are produced of U.S. yarns (known as regional knit fabrics).[47] 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.

The CBTPA also provides for duty-free and quota-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.[48]

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

[46] 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.

[47] 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, p. 18.

[48] 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 in 2005 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. On Jan. 13, 2005, following receipt of a request from USTR, the Commission instituted investigation No. 332-465, *Commercial Availability of Apparel Inputs (2005): 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 2001-2004 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/pres_cong/332/short_supply/shortsupstat.htm*.

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 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).[49] 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.[50]

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.[51] President Bush signed the U.S.-Central

[49] 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.

[50] 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.

[51] The United States completed FTA negotiations with El Salvador, Guatemala, Honduras, and Nicaragua on Dec. 17, 2003; with Costa Rica on Jan. 25, 2004; and with the Dominican Republic on Mar. 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.

American-Dominica Republic FTA (CAFTA-DR) into law on August 2, 2005.[52] Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and the Dominican Republic will graduate from the CBERA program when CAFTA-DR enters into force, pursuant to section 201 of the FTA implementing legislation, although CAFTA-DR will provide market access that is the same or better than the access provided under CBERA.[53]

More than 80 percent of U.S. imports from the Central American countries and the Dominican Republic already enter the United States free of duty under GSP and CBERA, and approximately 99 percent of agricultural imports from the six countries enter the United States free of duty. CAFTA-DR will provide reciprocal access for U.S. products and services and will not be subject to periodic renewal.[54]

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.[55] Other key enhancements over CBTPA 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;
- 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.[56]

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[52] USTR, "Statement of USTR Rob Portman on Signing of U.S.-Central American-Dominican Republic Free Trade Agreement," press release, Aug. 2, 2005, available at *www.ustr.gov*, retrieved Aug. 22. 2005.

[53] USTR, "Bilateral and Regional Negotiations," *2005 Trade Policy Agenda and 2004 Annual Report*, p. 172, available at *www.ustr.gov*, retrieved Aug. 1, 2005.

[54] USTR, "CAFTA Facts–CAFTA Benefits the American Family," CAFTA Policy Brief, May 2005, available at *www.ustr.gov,* retrieved June 1, 2005.

[55] 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, available at *www.ustr.gov,* retrieved June 1, 2005. Additional information obtained from USTR, "The Dominican Republic-Central America- United States Free Trade Agreement: Summary of the Agreement," available at *www.ustr.gov* retrieved Aug. 8, 2005.

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

U.S.-Panama FTA Negotiations

USTR notified Congress of the Administration's intent to negotiate an FTA with Panama on November 18, 2003.[57] The United States and Panama held six rounds of negotiations during 2004.[58] An interim environmental review issued by USTR in June 2004 found that a U.S.-Panama FTA likely would have a very small impact on U.S. production and exports and, consequently, would have no negative impact on the U.S. environment.[59]

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.[60] 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 in the original CBERA program, which has been in effect since 1984. The direct, short-term effects on the U.S. economy as a whole, U.S. industries and consumers, and the economy of the beneficiary countries of increased U.S. imports of products that became eligible for duty-free treatment with the implementation of CBTPA on October 2, 2000, have probably also been fully realized. The direct, short-term effects of the CBTPA provisions that are being phased in (such as increasing tariff preference levels for knitted apparel and t-shirts made from regional fabrics, and phased tariff elimination for tuna and footwear) are probably currently ongoing, as are the effects of the restrictions on regional dyeing and finishing of U.S.-produced fabrics added by the 2002 Trade Act. Over a longer period, the effects of CBERA will flow mostly from investment in industries in beneficiary countries that benefit from the duty elimination

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

[58] USTR, "Bilateral and Regional Negotiations," *2005 Trade Policy Agenda and 2004 Annual Report*, p. 171, available at *www.ustr.gov*, retrieved Aug. 24, 2005.

[59] USTR, *Interim Environmental Review: U.S.-Panama Free Trade Agreement*, available at *www.ustr.gov*, retrieved June 1, 2005.

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

or reduction. Both short-term and long-term effects are limited by the small size of the CBERA 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 2004,[61] 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.[62]

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 2004. Actual 2004 market conditions are compared with a hypothetical case in which NTR duties were imposed for the year. The effects of CBERA duty reductions for 2004 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.[63] 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.[64] 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 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.

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[61] 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.

[62] A copy of the notice is contained in appendix A. Summaries of comments received are included in appendix B.

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

[64] 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.

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.[65] 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 (see chapter 3).[66] 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. However, no industries met that criterion in 2004.

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.[67]

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[64]—*Continued*

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.

[65] 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, pp. 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), pp. 49-68.

[66] 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.

[67] 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

Introduction

This chapter covers trade with the 24 countries that are currently designated as CBERA beneficiaries (CBERA countries).[1] The principal purpose of the chapter is to examine imports that entered under CBERA preferential tariff provisions (under CBERA) during the 2-year period encompassing 2003 and 2004. Total U.S. imports from CBERA countries and U.S. exports to CBERA countries are also examined. As discussed in chapter 1, there have now been 4 full calendar years of imports under CBERA since CBERA was amended by CBTPA.[2]

In this chapter trade is discussed on the basis of 2-digit Harmonized Tariff Schedule (HTS) chapters and 8-digit HTS subheadings in terms of (a) two-way trade, (b) overall U.S. imports from the beneficiaries, (c) the portion of U.S. imports that enters under CBERA preferences, and (d) U.S. exports to the region's countries. A discussion of leading individual beneficiary countries as sources of and destinations for this trade is also included. The data and discussion concentrate primarily on 2004, although trends or changes with respect to other years are considered in some instances, when appropriate. For example, there were large increases in the prices of energy and related chemical products in both 2003 and 2004 that were important in explaining trends in the value of imports of such products from CBERA countries.

In 2004, the U.S. trade deficit with CBERA countries was $4.6 billion or 0.6 percent of the overall U.S. trade deficit. This level is twice the deficit of $2.3 billion in 2003 and significantly higher than the $552.3 million deficit of 2002 (table 2-1 and figure 2-1). For the most part, these recent U.S. deficits resulted from the comparatively large and increasing import value of energy and related chemical products from CBERA countries while U.S. exports to the region were increasing relatively slowly.

Relative to the world, U.S. trade with CBERA countries showed mixed results in recent years. As a percentage of U.S. total exports to the world, the CBERA-country share of U.S. exports rose to a record 3.4 percent in 2003, but declined to 3.2 percent in 2004. Moreover, the CBERA-country share of total U.S. imports reached 1.9 percent in 2004. That share is lower than the 2.0 percent share in 2003 but higher than the 1.8 percent share of 2002.

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[1] See chapter 1 for a list of 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.

Table 2-1
U.S. trade with CBERA countries, 2000-04

Year	U.S. exports[1]	Share of U.S. exports to the world	U.S. imports[2]	Share of U.S. imports from the world	U.S. trade balance
	Million dollars	*Percent*	*Million dollars*	*Percent*	*Million dollars*
2000	20,727.9	2.9	22,161.1	1.8	-1,433.1
2001	20,117.1	3.0	20,678.9	1.8	-561.8
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

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

Figure 2-1
U.S trade with CBERA countries, 2000-04

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

Total Imports

Total U.S. imports from CBERA countries were $24.5 billion in 2003 and $27.6 billion in 2004. In 2004, CBERA countries combined constituted the 12th-largest U.S. supplier, ahead of Ireland but behind Italy. This section focuses on total U.S. imports from CBERA countries (all goods regardless of duty treatment). U.S. imports entering under the CBERA preferences only will be discussed in detail in a later section.

Product Composition and Leading Items

Total U.S. imports from CBERA countries increased 12.5 percent in 2004, less than the 16.8 percent increase in total U.S. imports from the world in that year. Most of the increase in imports from CBERA countries was driven by the large increases in the value of imports of energy and related chemical products, many of which entered NTR duty free or were imported largely from CBERA countries that were not designated CBTPA beneficiaries.[3] Increases in the value of imports of these products can be traced to increases in energy prices and new production capacity in CBERA countries. The role that energy and related chemical products played in boosting the growth rate of U.S. imports from CBERA countries is illustrated by the fact that when certain energy and related chemical products are excluded, U.S. imports from CBERA countries increased only 4.6 percent in 2004.[4]

Table 2-2 and figure 2-2 show total U.S. imports from CBERA countries by major product categories (HTS chapters) for the years 2000 through 2004. In 2004, the table and figure show that articles of apparel taken together (HTS chapters 61 and 62)[5] continue to be the dominant category, but they also show the replacement of non-knitted apparel by mineral fuel products as the second leading category, starting in 2003. The leading categories of U.S. imports from CBERA countries in 2004 were knitted apparel (HTS chapter 61), mineral fuels (HTS chapter 27), non-knitted apparel (HTS chapter 62), electrical machinery (HTS chapter 85), edible fruit (HTS chapter 8),

[3] The major CBERA producers of energy and related chemical products and the major categories of such products they produce are Trinidad and Tobago (petroleum, refined petroleum products, natural gas, and natural gas derivatives), Aruba (refined petroleum products), The Bahamas (refined petroleum products), the Netherlands Antilles (refined petroleum products), and Guatemala (petroleum). Trinidad and Tobago and Guatemala are designated CBTPA beneficiary countries. As noted in table 1-1 of chapter 1, Aruba, The Bahamas, and the Netherlands Antilles, among others, are not designated CBTPA beneficiary countries.

[4] The energy and related chemical products chosen for exclusion were the energy and related chemical products that were among the leading products shown in table 2-3 that experienced an increase in value in 2004. These products were liquified natural gas (LNG) (HTS 2711.11.00), heavy fuel oil (HTS 2710.19.05), anhydrous ammonia (HTS 2814.10.00), light crude oil (HTS 2709.00.20), methanol (HTS 2905.11.20), and naphthas (HTS 2710.11.25).

[5] 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.

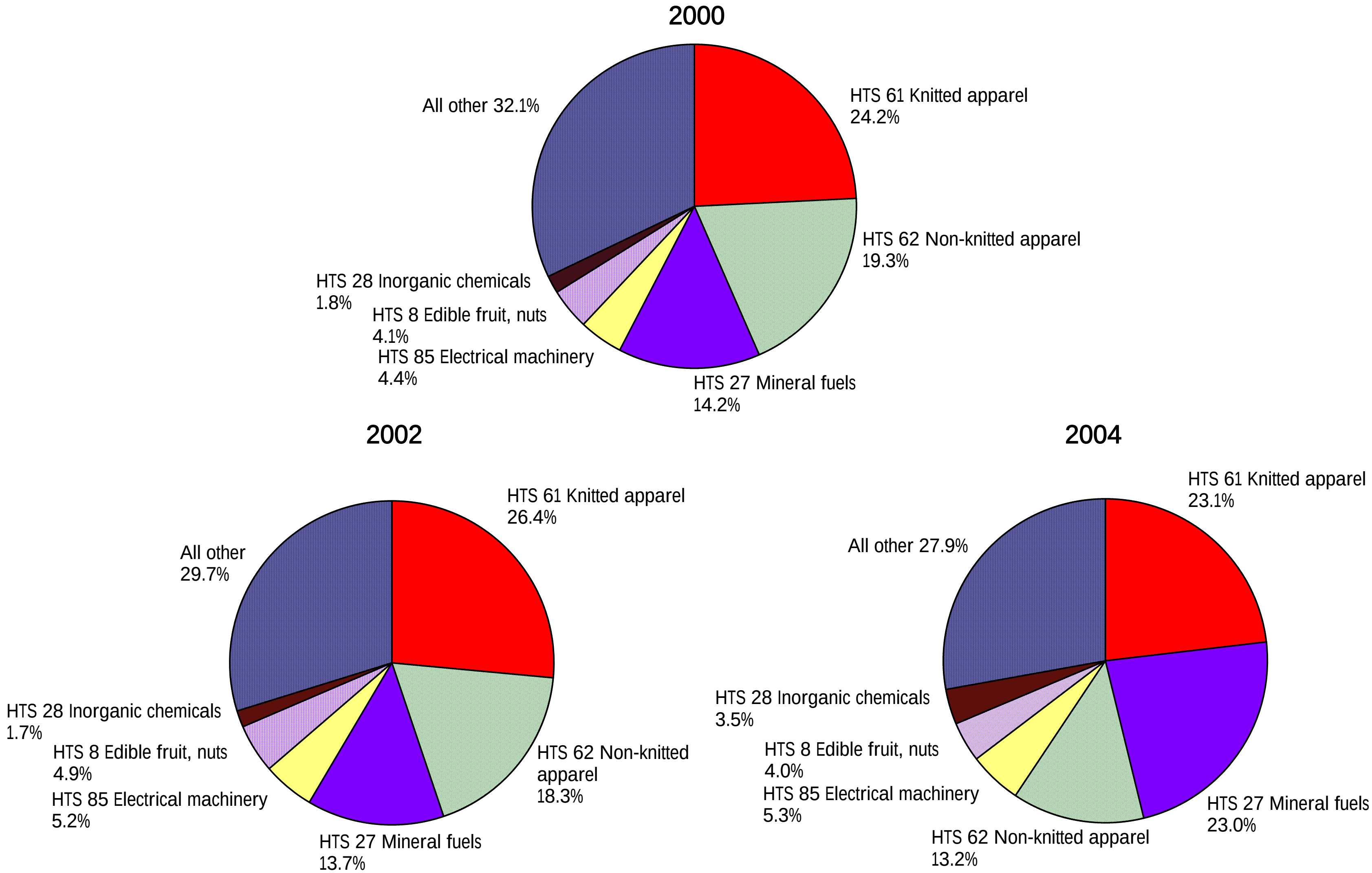
Table 2-2
Leading U.S. imports for consumption from CBERA countries, by major product categories, 2000-04

HTS chapter	Description	2000	2001	2002	2003	2004
		Value *(1,000 dollars)*				
61	Articles of apparel and clothing accessories, knitted or crocheted	5,351,980	5,385,593	5,609,953	5,952,488	6,375,932
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	3,140,624	2,707,366	2,904,256	4,614,113	6,348,958
62	Articles of apparel and clothing accessories, not knitted or crocheted	4,266,139	4,140,921	3,899,599	3,701,475	3,629,622
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	982,360	965,150	1,112,695	1,424,484	1,456,292
8	Edible fruit and nuts; peel of citrus fruit or melons	909,693	1,015,353	1,041,540	1,075,339	1,094,470
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	402,459	443,441	364,629	763,384	954,735
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	562,277	676,831	749,352	963,203	918,990
3	Fish and crustaceans, molluscs and other aquatic invertebrates	646,526	613,655	594,248	599,612	566,976
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	270,916	342,599	447,111	471,677	562,548
29	Organic chemicals	479,461	423,357	310,920	422,759	531,656
	Total of above	17,012,435	16,714,265	17,034,304	19,988,534	22,440,179
	All other	5,148,640	3,964,602	4,220,525	4,511,024	5,115,313
	Total all commodities	22,161,075	20,678,868	21,254,828	24,499,559	27,555,492
		Percent of total				
61	Articles of apparel and clothing accessories, knitted or crocheted	24.2	26.0	26.4	24.3	23.1
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	14.2	13.1	13.7	18.8	23.0
62	Articles of apparel and clothing accessories, not knitted or crocheted	19.3	20.0	18.3	15.1	13.2
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	4.4	4.7	5.2	5.8	5.3
8	Edible fruit and nuts; peel of citrus fruit or melons	4.1	4.9	4.9	4.4	4.0
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	1.8	2.1	1.7	3.1	3.5
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	2.5	3.3	3.5	3.9	3.3
3	Fish and crustaceans, molluscs and other aquatic invertebrates	2.9	3.0	2.8	2.4	2.1
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	1.2	1.7	2.1	1.9	2.0
29	Organic chemicals	2.2	2.0	1.5	1.7	1.9
	Total of above	76.8	80.8	80.1	81.6	81.4
	All other	23.2	19.2	19.9	18.4	18.6
	Total all commodities	100.0	100.0	100.0	100.0	100.0

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

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

Figure 2-2
U.S. imports from CBERA countries, by major product categories, 2000, 2002, and 2004



Note.—Percentages may not add to 100 because of rounding.

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

and inorganic chemicals (HTS chapter 28). Major changes in rankings since 2002 were the aforementioned move of mineral fuels from third to second; the move of inorganic chemicals from tenth to sixth; and the appearance of organic chemicals at tenth after being ranked outside the top 10 in 2002,[6] all reflecting the increased value of imports of energy and related chemical products noted above.

Table 2-3 shows the 20 leading items on an 8-digit HTS basis, ranked by their 2004 import value. The following discussion focuses on products that were mainly imported at NTR rates of duty. As mentioned above, products that entered mainly 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 210.0 percent in 2003 and a further 49.9 percent in 2004. Imports of LNG enter NTR duty free. Trinidad and Tobago is the only CBERA country exporting LNG to the United States. These large increases in import values resulted from both price and quantity increases, especially in 2003 when the average import price increased 24.5 percent and the import quantity increased 149.0 percent.[7] (Price and quantity increases for 2004 were 7.1 percent and 40.0 percent, respectively.) Rising energy prices in general account for the LNG price increases. LNG production capacity in Trinidad and Tobago has been expanding rapidly in recent years.[8]

The value of U.S. imports of anhydrous ammonia (HTS 2814.10.00), another NTR duty-free product from Trinidad and Tobago, increased 120.8 percent in 2003 and 36.2 percent in 2004. Anhydrous ammonia is produced from natural gas, which is abundant in Trinidad and Tobago. Although there were substantial increases in the quantity of U.S. ammonia imports (24.6 percent in 2003 and 5.6 percent in 2004), price increases were more important in explaining the increase in the value of imports (77.1 percent in 2003 and 29.0 percent in 2004).

The value of U.S. imports of heavy fuel oil[9] (HTS 2710.19.05) increased 94.9 percent in 2004, driven mainly by imports that entered at NTR duty rates, which increased by 113.6 percent. Heavy fuel oil is eligible for duty-free entry under CBERA, but only from countries that are designated CBTPA beneficiaries. On the other hand, the NTR duty rate on heavy fuel oil of 5.25 cents per barrel is very low, amounting to well below 0.1 percent ad valorem equivalent. The value of imports of heavy fuel oil from Aruba and The Bahamas, which are not CBTPA beneficiaries, increased 611.3 percent and 50.2 percent respectively in 2004. The expansion of refinery capacity in these two counties, particularly the opening of a new refinery in Aruba around the beginning of 2004, is mainly responsible for the large increases in imports of heavy fuel oil.

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[6] See *CBERA, Sixteenth Report, 2001-2002*, table 2-2, p. 2-6.

[7] Import price changes reported in this section are import unit value changes computed from official statistics of the U.S. Department of Commerce.

[8] In 2003, Trinidad and Tobago completed Train III at the Atlantic LNG plant and a fourth train is currently under construction, see U.S. Department of State, Trinidad and Tobago Profile found at *http://www.state.gov/r/pa/ei/bgn/35638.htm*, retrieved Aug. 3, 2005.

[9] The term "heavy oil" refers to oils testing under 25 degrees A.P.I. (American Petroleum Institute scale), whereas the term"light oil" refers to oils testing 25 degrees A.P.I. or more.

Table 2-3
Leading U.S. imports for consumption from CBERA countries, 2002-04

HTS number	Description	2002	2003	2004	Change 2002-03	Change 2003-04	Change 2002-04
		1,000 dollars			*Percent*		
2711.11.00	Natural gas, liquefied	565,947	1,754,541	2,630,221	210.0	49.9	364.7
6110.20.20	Sweaters, pullovers, sweatshirts, waistcoats, and similar articles, knitted or crocheted, of cotton, n.e.s.o.i.	1,360,159	1,545,614	1,842,573	13.6	19.2	35.5
6109.10.00	T-shirts, singlets, tank tops, and similar garments, knitted or crocheted, of cotton	1,265,181	1,355,663	1,485,826	7.2	9.6	17.4
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.	662,630	741,829	1,445,806	12.0	94.9	118.2
6203.42.40	Men's or boys' trousers, breeches, and shorts, not knitted or crocheted, of cotton, not containing 15 percent or more down	1,104,575	1,091,610	1,027,054	-1.2	-5.9	-7.0
2814.10.00	Anhydrous ammonia	312,255	689,369	939,210	120.8	36.2	200.8
2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more	609,840	762,378	848,397	25.0	11.3	39.1
9018.90.80	Medical, surgical, or dental instruments and appliances	658,178	829,763	793,335	26.1	-4.4	20.5
0803.00.20	Bananas, fresh or dried	622,440	636,071	639,649	2.2	0.6	2.8
6204.62.40	Women's or girls' trousers, breeches, and shorts, not knitted or crocheted, of cotton, n.e.s.o.i.	496,643	499,596	540,356	0.6	8.2	8.8
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	508,920	562,000	493,596	10.4	-12.2	-3.0
8542.21.80	Electronic monolithic digital integrated circuits, not elsewhere specified or included	439,655	615,180	478,825	39.9	-22.2	8.9
0901.11.00	Coffee, not roasted, not decaffeinated	353,010	419,700	471,791	18.9	12.4	33.6
2905.11.20	Methanol (methyl alcohol), n.e.s.o.i.	219,876	340,027	464,646	54.6	36.6	111.3
2710.11.25	Naphthas, not motor fuel/blending stock, from petroleum oils/oils from bituminous minerals, minimum 70 percent by weight of such products	176,679	348,238	449,726	97.1	29.1	154.5
6107.11.00	Men's or boys' underpants and briefs, knitted or crocheted, of cotton	466,815	476,697	422,522	2.1	-11.4	-9.5
6203.43.40	Men's or boys' trousers, breeches, and shorts, not knitted or crocheted, of synthetic fibers, n.e.s.o.i.	311,032	370,639	351,518	19.2	-5.2	13.0
6212.10.90	Brassieres, not containing lace, net, or embroidery, not 70 percent or more silk, whether or not knitted or crocheted	395,460	296,133	347,488	-25.1	17.3	-12.1
6110.30.30	Sweaters, pullovers, sweatshirts, waistcoats, and similar articles, knitted or crocheted, of man-made fibers, n.e.s.o.i.	202,791	241,320	284,708	19.0	18.0	40.4
2402.10.80	Cigars, cheroots and cigarillos, each valued 23 cents or over	244,519	252,197	270,537	3.1	7.3	10.6
	Total of above	10,976,605	13,828,565	16,227,784	26.0	17.3	47.8
	All other	10,278,223	10,670,994	11,327,708	3.8	6.2	10.2
	Total all commodities	21,254,828	24,499,559	27,555,492	15.3	12.5	29.6

Note.—Because of rounding, figures may not add to totals shown. The abbreviation, "n.e.s.o.i." stands for "not elsewhere specified or included."

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

A significant portion of imports of light fuel oil (HTS 2710.19.10) and naphthas (HTS 2710.11.25) also entered at NTR duty rates, mainly from Aruba. Portions of the imports of apparel items in table 2-3 entered at NTR duty rates, in some cases because they entered under HTS heading 9802.00.80 (with duty paid only on the local value added) and in other cases where third-country or non-qualifying regional fabric were used.[10]

Other leading imports in table 2-3 that entered NTR duty free in 2004 were medical instruments (HTS 9018.90.80), bananas (HTS 0803.00.20), semiconductors (HTS 8542.21.80), and coffee (HTS 0901.11.00).

Imports by Country

U.S. imports from each CBERA country during the last five years are presented in table 2-4. In 2004, the Dominican Republic not only ceased to be the top U.S. supplier, but its share of total U.S. imports from CBERA countries continued to decline as Trinidad and Tobago increased its share of U.S. imports substantially. The Dominican Republic's share of all U.S. imports from the region was 16.4 percent in 2004, down from 18.2 percent in 2003 and 19.6 percent in 2002.

In 2004, Trinidad and Tobago replaced the Dominican Republic as the top source of U.S. imports from CBERA countries, mainly as a result of large increases in imports from Trinidad and Tobago of natural gas and natural gas derivatives. Honduras replaced Costa Rica for the third-place position, while Guatemala remained fifth. U.S. imports from the top five CBERA countries, as a share of all U.S. imports from CBERA countries, decreased slightly from 75.0 percent in 2003 to 74.3 percent in 2004.

Dutiability

In 2002, the dutiable portion of the value of U.S. imports from CBERA countries was 25.8 percent. The dutiable portion fell to 20.2 percent in 2003 and rose to 21.0 percent in 2004. 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).[11] 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.[12] Such products

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[10] For information about rules for qualifying for partial or full duty-free entry of apparel see chapter 1, and for information on the relative importance of various qualifying rules see the section on textiles and apparel in this chapter.

[11] 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 provisions that are eligible for duty-free NTR treatment.

[12] 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

Table 2-4
U.S. imports for consumption from CBERA countries, by sources, 2000-04

Source	2000	2001	2002	2003	2004
	Value *(1,000 dollars)*				
Trinidad and Tobago	2,179,039	2,350,942	2,418,657	4,298,125	5,842,272
Dominican Republic	4,378,235	4,187,143	4,166,739	4,454,538	4,529,041
Honduras	3,090,922	3,131,004	3,261,983	3,311,683	3,636,731
Costa Rica	3,555,153	2,912,106	3,146,218	3,353,928	3,297,292
Guatemala	2,603,452	2,589,243	2,784,536	2,954,085	3,156,227
El Salvador	1,925,054	1,881,921	1,975,782	2,018,478	2,053,117
Aruba	1,222,018	822,556	710,618	842,256	1,642,080
Nicaragua	596,931	602,956	677,447	769,056	990,187
Bahamas	272,794	311,887	459,436	472,894	632,702
Netherlands Antilles	720,950	498,144	388,387	631,532	445,814
Haiti	296,713	263,103	254,581	332,384	370,533
Jamaica	631,452	441,997	372,940	411,694	308,147
Panama	296,917	285,437	295,439	289,749	297,529
Guyana	126,700	125,165	104,435	105,901	119,852
Belize	91,073	98,459	75,448	101,376	107,165
St. Kitts and Nevis	36,808	41,096	48,629	44,570	41,719
Barbados	38,451	39,526	34,380	43,142	36,421
British Virgin Islands	30,943	11,858	26,529	27,682	17,394
St. Lucia	22,208	30,730	19,148	12,932	14,382
Grenada	27,072	21,807	7,730	7,491	5,054
Antigua and Barbuda	2,286	3,741	3,527	5,078	4,366
St. Vincent and the Grenadines	8,800	22,510	16,475	4,139	4,122
Dominica	6,938	5,245	5,335	5,520	2,883
Montserrat	167	292	430	1,326	463
Total	22,161,075	20,678,868	21,254,828	24,499,559	27,555,492
	Percent of total				
Trinidad and Tobago	9.8	11.4	11.4	17.5	21.2
Dominican Republic	19.8	20.2	19.6	18.2	16.4
Honduras	13.9	15.1	15.3	13.5	13.2
Costa Rica	16.0	14.1	14.8	13.7	12.0
Guatemala	11.7	12.5	13.1	12.1	11.5
El Salvador	8.7	9.1	9.3	8.2	7.5
Aruba	5.5	4.0	3.3	3.4	6.0
Nicaragua	2.7	2.9	3.2	3.1	3.6
Bahamas	1.2	1.5	2.2	1.9	2.3
Netherlands Antilles	3.3	2.4	1.8	2.6	1.6
Haiti	1.3	1.3	1.2	1.4	1.3
Jamaica	2.8	2.1	1.8	1.7	1.1
Panama	1.3	1.4	1.4	1.2	1.1
Guyana	0.6	0.6	0.5	0.4	0.4
Belize	0.4	0.5	0.4	0.4	0.4
St. Kitts and Nevis	0.2	0.2	0.2	0.2	0.2
Barbados	0.2	0.2	0.2	0.2	0.1
British Virgin Islands	0.1	0.1	0.1	0.1	0.1
St. Lucia	0.1	0.1	0.1	0.1	0.1
Grenada	0.1	0.1	([1])	([1])	([1])
Antigua and Barbuda	([1])	([1])	([1])	([1])	([1])
St. Vincent and the Grenadines	([1])	0.1	0.1	([1])	([1])
Dominica	([1])	([1])	([1])	([1])	([1])
Montserrat	([1])	([1])	([1])	([1])	([1])
Total	100.0	100.0	100.0	100.0	100.0

[1] Less than 0.05 percent.

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

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

Table 2-5
U.S. imports for consumption from CBERA countries: Dutiable value, calculated duties, and average duty, 2000-04

Item	2000	2001	2002	2003	2004
Dutiable Value *(1,000 dollars)*[1]	7,777,576	5,589,630	5,462,109	4,902,482	5,770,423
Dutiable as a share of total imports *(percent)*	35.3	27.1	25.8	20.2	21.0
Calculated duties *(1,000 dollars)*[1]	915,368	577,598	496,338	513,082	456,963
Average duty *(percent)*[2]	11.8	10.3	9.1	10.5	7.9

[1] 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.

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

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.

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

originating in CBTPA beneficiary countries (principally Trinidad and Tobago) and entered under CBERA were no longer dutiable starting in 2003. The increase in the dutiable share in 2004 mainly reflects the large increase in imports of dutiable petroleum products from Aruba and The Bahamas, which are not CBTPA beneficiaries.

U.S. tariff revenues derived from imports from CBERA countries, as indicated by calculated duties, increased from $496.3 million in 2002 to $513.1 million in 2003 but fell to $457.0 million in 2004. The average duty increased from 9.1 percent in 2002 to 10.5 percent in 2003 and then fell to 7.9 percent in 2004. 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 because of the surge in dutiable imports of petroleum products from Aruba and The Bahamas (which are not designated CBTPA beneficiary countries), with their extremely low duty rates, increasing the importance of such products in the calculation.

Duty Treatment

Duty-free imports entered in 2004 under one of the following provisions: (1) unconditionally free under NTR duties; (2) conditionally free under GSP; (3) conditionally free under the production-sharing provisions of HTS heading 9802.00.80;[13] (4) conditionally free under CBERA;[14] or (5) free of duty under other provisions. Table 2-6 shows the breakdown of dutiable imports and duty-free imports.

12—Continued

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 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.

[13] 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.

[14] Including CBTPA and Puerto Rico-CBI. See footnote 30 in chapter 1.

Table 2-6
U.S. imports for consumption from CBERA countries, by duty treatment, 2000-04

Item	2000	2001	2002	2003	2004
	Value *(1,000 dollars, customs value)*				
Total imports	22,057,117	20,605,872	21,184,912	24,276,589	27,428,620
Dutiable value[1]	7,777,576	5,589,630	5,462,109	4,902,482	5,770,423
Production sharing[2]	2,810,910	1,395,432	1,001,833	917,072	1,042,282
CBERA reduced duty	54,511	83,305	15,617	8,336	10,109
CBTPA reduced duty[3]	0	453,314	1,016,897	245	991
Other dutiable	4,912,155	3,657,579	3,427,762	3,976,829	4,717,041
Duty-free value[4]	14,279,541	15,016,242	15,722,803	19,374,106	21,658,197
NTR[5]	6,640,928	5,621,251	5,822,878	8,060,485	9,696,893
Production sharing[6]	4,633,704	1,373,895	758,628	510,556	592,342
CBERA[7]	2,578,707	2,622,559	2,909,634	2,956,724	3,018,297
CBTPA[3]	157,004	5,139,556	6,061,113	7,461,819	7,906,536
GSP[8]	202,062	178,855	93,074	253,194	349,350
Other duty-free[9]	67,137	80,126	77,477	131,328	94,780
	Percent of total				
Total imports	100.0	100.0	100.0	100.0	100.0
Dutiable value[1]	35.3	27.1	25.8	20.2	21.0
Production sharing[2]	12.7	6.8	4.7	3.8	3.8
CBERA reduced duty	0.2	0.4	0.1	([10])	([10])
CBTPA reduced duty[3]	0.0	2.2	4.8	([10])	([10])
Other dutiable	22.3	17.8	16.2	16.4	17.2
Duty-free value[4]	64.7	72.9	74.2	79.8	79.0
NTR[5]	30.1	27.3	27.5	33.2	35.4
Production sharing[6]	21.0	6.7	3.6	2.1	2.2
CBERA[7]	11.7	12.7	13.7	12.2	11.0
CBTPA[3]	0.7	24.9	28.6	30.7	28.8
GSP[8]	0.9	0.9	0.4	1.0	1.3
Other duty-free[9]	0.3	0.4	0.4	0.5	0.3

[1] Dutiable value excludes the U.S. content entered under HTS heading 9802.00.80 and heading 9802.00.60, and misreported imports.

[2] 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.

[3] Program implemented Oct. 2, 2000.

[4] Calculated as total imports less dutiable value.

[5] Value of imports which have an NTR duty rate of free.

[6] 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.

[7] 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.

[8] Reduced by the value of unconditionally duty-free imports and ineligible items that were misreported as entering under the GSP program.

[9] Calculated as a remainder, and represents imports entering free of duty under column 1-special.

[10] Less than 0.05 percent.

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.

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

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 2-13, which are unadjusted (i.e., based on entries as reported). The share of imports entering free of duty under the original CBERA decreased from 13.7 percent in 2002 to 12.2 percent in 2003 and 11.0 percent in 2004. With CBTPA imports included, the share of total imports entering free of duty under CBERA was 42.3 percent in 2002, 42.9 percent in 2003, and 39.8 percent in 2004.

In 2004, the share of duty-free U.S. imports under production-sharing provisions declined to 2.2 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 3.6 percent in 2002 and 2.1 percent in 2003. 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. Moreover, the portion of duty-free imports from CBERA countries entering NTR duty free increased significantly from 27.5 percent in 2002 to 33.2 percent in 2003 and to 35.4 percent in 2004. Natural gas and anhydrous ammonia account for a substantial portion of this increase. In addition, the share imported that was dutiable at NTR duty rates increased substantially, mainly because of increased imports of dutiable heavy fuel oil.

Imports under CBERA

In 2004, U.S. imports entering under CBERA preferences increased 4.9 percent to $10.9 billion from $10.4 billion in 2003. The increase in U.S. imports under CBERA preferences was small relative to both the 12.5 percent increase in total U.S. imports from CBERA countries and the 16.8 percent increase in overall U.S. imports. When certain energy and related chemical products are excluded, the increase in U.S. imports under CBERA was only 2.3 percent.[15] The small increase mainly reflects uncertainties related to prospects of increased competition from imports of apparel from China and other low-cost Asian producers after the end of U.S. textile and apparel quotas on January 1, 2005.[16] In addition, a number of products became NTR duty free in 2004 as part of the last tranche of Uruguay Round duty reductions, removing them from the list of products entered under CBERA. Most notable of these products were nonwoven disposable apparel (HTS 6210.10.50) and a number of iron and steel products.

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[15] The energy and related chemical products chosen for exclusion were the energy and related chemical products that were among the leading products in 2004 shown in table 2-8. These products were light crude oil (HTS 2709.00.20), methanol (HTS 2905.11.20), heavy fuel oil (HTS 2710.19.05), heavy crude oil (HTS 2709.00.10), and naphthas (HTS 2710.11.25).

[16] See the section on textiles and apparel in this chapter.

Product Composition and Leading Items

Apparel and mineral fuels became the leading import categories under CBERA after they became eligible for preferences under CBTPA. The two apparel categories, knitted apparel (HTS chapter 61) and non-knitted apparel (HTS chapter 62), and mineral fuels (HTS chapter 27) became the first, second, and third leading categories in 2001 and have remained in that order ever since. As a percentage of U.S. imports under CBERA, knitted and non-knitted apparel accounted collectively for 59.3 percent in 2004, followed by mineral fuels at 12.4 percent. Together, the three leading categories have accounted for just over 70 percent of U.S. imports under CBERA in recent years.

Table 2-7 and figure 2-3 show U.S. imports under CBERA by major product categories (HTS chapters) for the years 2000 through 2004. In addition to the apparel and mineral fuel categories mentioned above, major categories include organic chemicals (HTS chapter 29), edible fruit and nuts (HTS chapter 8), tobacco (HTS chapter 24), and electrical machinery (HTS chapter 85). Leading HTS chapters in U.S. imports under CBERA preferences in 2004 are discussed below, in conjunction with the top tariff items classified under each chapter.

Knitted apparel was the leading category of imports under CBERA in 2004, with 37.8 percent of the value of all imports under CBERA, up from 34.6 percent in 2002. Among knitted apparel products, the largest U.S. import items under CBERA, shown in table 2-8, 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), knitted manmade fiber tops (HTS 6110.30.30), women's or girls' knitted cotton panties (HTS 6108.21.00), stockings and socks (HTS 6115.92.90), and knitted manmade fiber shirts (HTS 6109.90.10). These seven import items accounted for 79.7 percent of HTS chapter 61 imports under CBERA in 2004.

The second leading category of imports from CBERA in 2004 was non-knitted apparel, with 21.5 percent share of imports under CBERA, down from 26.4 percent in 2002. 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), brassieres (HTS 6212.10.90), men's or boys' woven manmade fiber trousers and shorts (HTS 6203.43.40), women's or girls' woven cotton trousers (HTS provision 6204.62.40), and men's or boys' woven manmade fiber shirts (HTS 6205.30.20). These five import items accounted for 79.6 percent of non-knitted apparel imports under CBERA in 2004.

U.S. imports of brassieres decreased 26.5 percent in 2003 but increased 19.0 percent in 2004. U.S. import quotas on manmade fiber brassieres ended at the beginning of 2002. China rapidly increased its share of the value of U.S. imports under this category from 9.2 percent in 2001 to 19.6 percent in 2002 (largely at the expense of Mexico) and to 28.4 percent in 2003. Under the safeguard provisions of China's WTO accession agreement, the United States established limits on imports of brassieres from

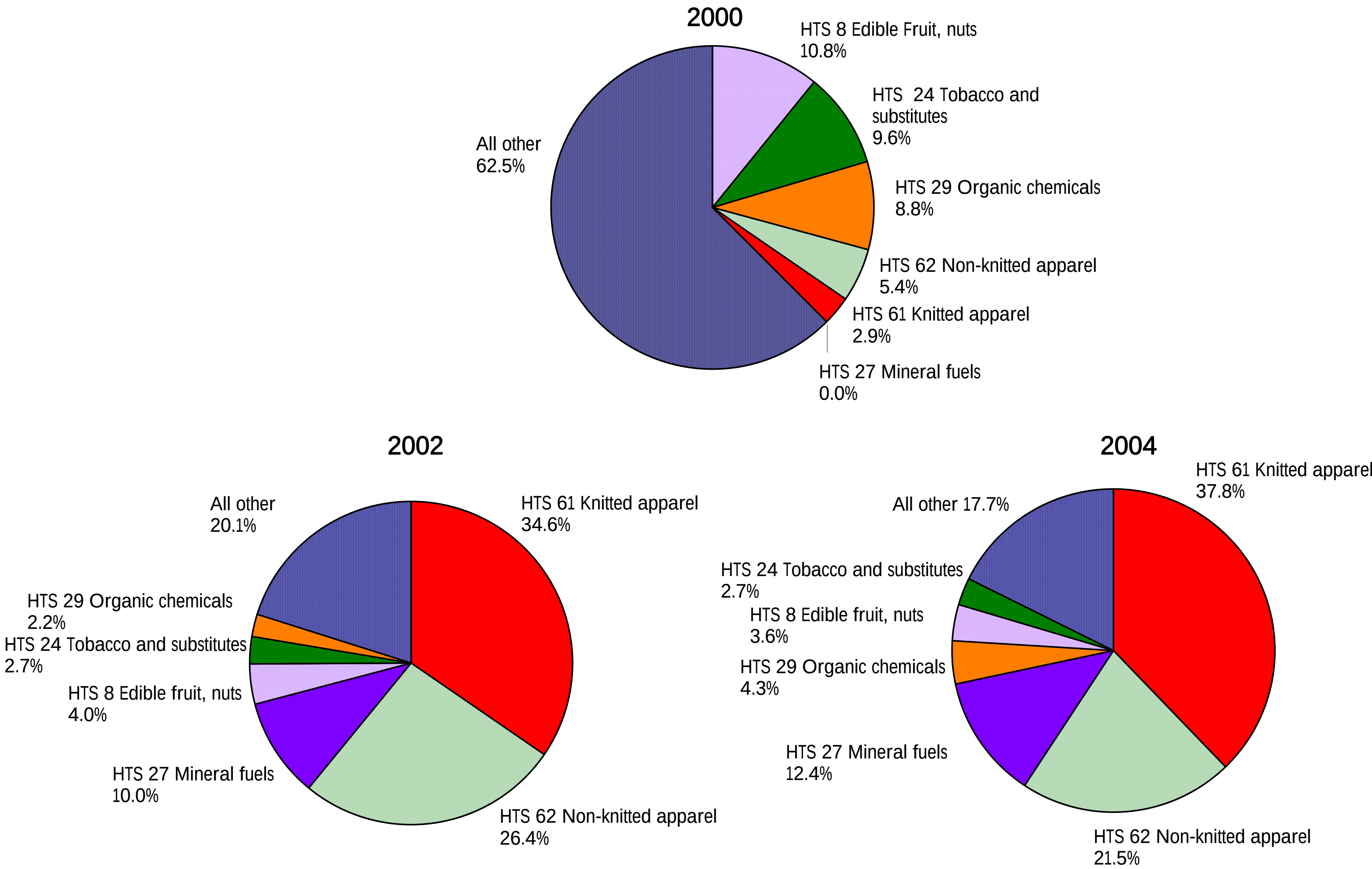
Table 2-7
Leading U.S. imports for consumption under CBERA, by major product categories, 2000-04

HTS chapter	Description	2000	2001	2002	2003	2004
		Value *(1,000 dollars)*				
61	Articles of apparel and clothing accessories, knitted or crocheted	81,021	2,935,751	3,461,319	3,886,864	4,136,379
62	Articles of apparel and clothing accessories, not knitted or crocheted	150,932	2,256,618	2,639,772	2,433,211	2,351,482
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	0	436,360	996,610	1,158,551	1,355,361
29	Organic chemicals	246,629	286,438	221,314	343,174	466,524
8	Edible fruit and nuts; peel of citrus fruit or melons	301,009	332,169	396,268	402,712	389,859
24	Tobacco and manufactured tobacco substitutes	268,435	257,713	274,908	265,384	298,687
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	343,536	307,366	307,350	306,917	296,676
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	171,056	192,714	240,663	228,157	254,133
17	Sugars and sugar confectionery	189,189	184,570	211,683	221,406	207,208
7	Edible vegetables and certain roots and tubers	125,811	132,070	134,698	138,189	174,843
	Total of above	1,877,618	7,321,768	8,884,584	9,384,566	9,931,152
	All other	916,557	986,402	1,118,676	1,045,063	1,005,469
	Total all commodities	2,794,174	8,308,171	10,003,260	10,429,629	10,936,621
		Percent of total				
61	Articles of apparel and clothing accessories, knitted or crocheted	2.9	35.3	34.6	37.3	37.8
62	Articles of apparel and clothing accessories, not knitted or crocheted	5.4	27.2	26.4	23.3	21.5
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	0.0	5.3	10.0	11.1	12.4
29	Organic chemicals	8.8	3.4	2.2	3.3	4.3
8	Edible fruit and nuts; peel of citrus fruit or melons	10.8	4.0	4.0	3.9	3.6
24	Tobacco and manufactured tobacco substitutes	9.6	3.1	2.7	2.5	2.7
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	12.3	3.7	3.1	2.9	2.7
71	Natural or cultured pearls, precious or semiprecious stones, precious metals; precious metal clad metals, articles thereof; imitation jewelry; coin	6.1	2.3	2.4	2.2	2.3
17	Sugars and sugar confectionery	6.8	2.2	2.1	2.1	1.9
7	Edible vegetables and certain roots and tubers	4.5	1.6	1.3	1.3	1.6
	Total of above	67.2	88.1	88.8	90.0	90.8
	All other	32.8	11.9	11.2	10.0	9.2
	Total all commodities	100.0	100.0	100.0	100.0	100.0

Note.—Because of rounding, figures may not add to totals shown. Figures include Puerto Rico-CBI.

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

Figure 2-3
U.S. imports under CBERA, by major product categories, 2000, 2002, and 2004



Note:—Percentages may not add to 100 because of rounding.
Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 2-8
Leading U.S. imports for consumption under CBERA, 2002-04

HTS number	Description	2002	2003	2004	Change 2002-03	Change 2003-04	Change 2002-04	Leading CBERA source
		1,000 dollars			Percent			
6109.10.00	T-shirts, singlets, tank tops, and similar garments, knitted or crocheted, of cotton	1,093,055	1,195,086	1,266,969	9.3	6.0	15.9	Honduras
6110.20.20	Sweaters, pullovers, sweatshirts, waistcoats, and similar articles, knitted or crocheted, of cotton, n.e.s.o.i.	485,435	677,858	830,281	39.6	22.5	71.0	Honduras
2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more	609,776	741,541	802,713	21.6	8.2	31.6	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	863,751	822,045	797,626	-4.8	-3.0	-7.7	Dominican Republic
2905.11.20	Methanol (methyl alcohol), n.e.s.o.i.	219,876	340,004	460,208	54.6	35.4	109.3	Trinidad and Tobago
6107.11.00	Men's or boys' underpants and briefs, knitted or crocheted, of cotton	438,609	440,893	376,493	0.5	-14.6	-14.2	Dominican Republic
6212.10.90	Brassieres, not containing lace, net, or embroidery, not 70 percent or more silk, whether or not knitted or crocheted	385,518	283,415	337,205	-26.5	19.0	-12.5	Honduras
6203.43.40	Men's or boys' trousers, breeches, and shorts, not knitted or crocheted, of synthetic fibers, n.e.s.o.i.	289,466	343,506	318,984	18.7	-7.1	10.2	Dominican Republic
6204.62.40	Women's or girls' trousers, breeches, and shorts, not knitted or crocheted, of cotton, n.e.s.o.i.	290,408	269,829	294,025	-7.1	9.0	1.2	Guatemala
2402.10.80	Cigars, cheroots and cigarillos, each valued 23 cents or over	228,526	228,348	250,000	-0.1	9.5	9.4	Dominican Republic
6110.30.30	Sweaters, pullovers, sweatshirts, waistcoats, and similar articles, knitted or crocheted, of man-made fibers, n.e.s.o.i.	138,743	183,571	232,861	32.3	26.9	67.8	Honduras
6108.21.00	Women's or girls' briefs and panties, knitted or crocheted, of cotton	261,127	219,738	223,392	-15.9	1.7	-14.5	Costa Rica
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.	4	157,970	213,763	([1])	35.3	([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.	215,416	160,934	205,236	-25.3	27.5	-4.7	Trinidad and Tobago
7113.19.50	Precious metal (o/than silver) articles of jewelry and parts thereof, whether or not plated or clads with precious metal, n.e.s.o.i	227,516	186,333	193,815	-18.1	4.0	-14.8	Dominican Republic
2709.00.10	Petroleum oils and oils from bituminous minerals, crude, testing under 25 degrees A.P.I.	130,900	167,502	179,559	28.0	7.2	37.2	Guatemala
6109.90.10	T-shirts, singlets, tank tops, and similar garments, knitted or crocheted, of man-made fibers	173,750	133,081	154,890	-23.4	16.4	-10.9	Honduras
1701.11.10	Raw sugar not containing added flavoring or coloring	148,769	128,001	138,293	-14.0	8.0	-7.0	Dominican Republic
2710.11.25	Naphthas, not motor fuel/blending stock, from petroleum oils/oils from bituminous minerals, minimum 70 percent by weight of such products	28,770	66,155	126,377	129.9	91.0	339.3	Trinidad and Tobago
6205.30.20	Men's or boys' shirts, not knitted or crocheted, of manmade fibers, n.e.s.o.i.	95,140	97,214	123,606	2.2	27.1	29.9	Honduras
	Total of above	6,324,554	6,843,023	7,526,293	8.2	10.0	19.0	
	All other	3,678,706	3,586,606	3,410,328	-2.5	-4.9	-7.3	
	Total all commodities	10,003,260	10,429,629	10,936,621	4.3	4.9	9.3	

[1] The 2002-03 change was 4,206,831.7 percent, while the 2002-04 change was 5,692,653.0 percent.

Note.—Because of rounding, figures may not add to totals shown. The abbreviation, "n.e.s.o.i." stands for "not elsewhere specified or included." Figures include Puerto Rico-CBI.

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

China beginning December 24, 2003, and ending December 23, 2004. The limits allowed CBERA producers to regain some of their market share in 2004.

Imports of mineral fuels ranked as the third largest U.S. import under CBERA preferences measuring $1.4 billion in 2004, reflecting an increase of 17.0 percent in 2004 and 16.2 percent in 2003. U.S. imports of crude oil (HTS 2709) under CBERA increased 22.7 percent in 2003 and 8.1 percent to $982.3 million in 2004. Moreover, U.S. imports of refined petroleum products (HTS 2710) under CBERA increased 49.5 percent to $373.1 million in 2004.[17] Four chapter 27 import provisions (light crude oil, HTS 2709.00.20; heavy fuel oil, HTS 2710.19.05; heavy crude oil, HTS 2709.00.10; and naphthas, HTS 2710.11.25) accounted for 96.9 percent of chapter 27 imports under CBERA preferences in 2004. The value of U.S. imports of naphthas measured $126.4 million in 2004, reflecting an increase of 91.0 percent in 2004 and 129.9 percent in 2003. The change in 2004 is due to an increase of 58.0 percent in quantity imported, solely from Trinidad and Tobago, and a 29.0 percent increase in its price.[18]

Most of the increase in the quantity of naphthas entered under CBERA can be attributed to a change in the classification under which it was imported (a switch from no program claimed to CBERA) since the total quantity of naphthas imported from Trinidad and Tobago under all classifications increased only 1.3 percent in 2004.

Organic chemicals (HTS chapter 29) ranked as the fourth leading U.S. import under CBERA in 2004 after rising from eighth in 2002, mainly on the strength of imports of methanol (HTS 2905.11.20) from Trinidad and Tobago. Trinidad and Tobago is the sole CBERA country supplier of methanol. Methanol is produced from Trinidad and Tobago's abundant natural gas resources. Methanol accounted for 98.6 percent of HTS chapter 29 imports under CBERA in 2004. The value of imports of methanol under CBERA increased 54.6 percent in 2003 and 35.4 percent in 2004. The increase in 2003 was due almost exclusively to higher prices. In 2004, the increase resulted from 23.4 percent higher quantity imported at a 9.7 percent higher price, reflecting the start of production at a new methanol plant in September 2004.[19]

Edible fruit and nuts (HTS chapter 8) ranked as the fifth leading U.S. import category under CBERA in 2004. Pineapples (HTS 0804.30) and melons (HTS 0807.11 and 0807.19) accounted for 81.6 percent of chapter 8 imports under CBERA in 2004.

Tobacco and manufactured tobacco (HTS chapter 24) was the sixth-leading import category under CBERA in 2004. Higher priced cigars (HTS 2402.10.80) accounted for 83.7 percent of chapter 24 imports under CBERA in 2004. The largest CBERA supplier of tobacco products in 2004 was the Dominican Republic.

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[17] 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.

[18] Import price changes reported in this section are import unit value changes computed from official statistics of the U.S. Department of Commerce.

[19] See the section on investment in chapter 3 for more information about investment in methanol production facilities in Trinidad and Tobago.

Textiles and Apparel

The textile and apparel sector[20] continued to be the largest source of trade between the United States and CBERA countries, accounting for 29 percent of the total value of two-way trade in 2004. Two-way trade in sector goods in 2004 rose 3 percent over the 2003 level to $14.9 billion, reflecting an increase of 4 percent in U.S. imports to $10.2 billion[21] and an increase of 0.1 percent in U.S. exports to $4.7 billion (table 2-9). The sector's share of total U.S. merchandise imports and exports (by value) with the region in 2004 was 37 percent and 20 percent, respectively, representing a decline from their respective 2000 levels of 44 percent and 25 percent.

Notwithstanding the implementation of the CBTPA in 2000 and its expansion in 2002, the CBERA countries' share of total U.S. imports of textiles and apparel (by value) in 2004 remained relatively unchanged from the 2003 level of 12 percent, and from the 2000 level of 13 percent. This can be attributed, at least in part, to increased

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

[21] The six CAFTA-DR countries–Costa Rica, the Dominican Republic, El Salvador, Honduras, Guatemala, and Nicaragua–accounted for 96 percent of U.S. imports of apparel from the CBERA region in 2004.

Table 2-9
U.S. imports and exports of textiles and apparel[1] from CBERA countries, 2000-04
(1,000 dollars)

Country	2000	2001	2002	2003	2004
	U.S. imports for consumption (customs value)				
Honduras	2,421,702	2,442,361	2,508,741	2,576,414	2,752,959
Dominican Republic	2,417,722	2,280,724	2,198,664	2,174,340	2,114,814
Guatemala	1,497,260	1,628,206	1,673,454	1,776,176	1,962,855
El Salvador	1,631,937	1,666,118	1,707,715	1,754,634	1,756,350
Nicaragua	338,241	380,733	433,401	484,275	595,831
Costa Rica	840,678	779,712	733,918	597,834	527,528
Haiti	261,690	234,292	223,271	298,632	330,456
Jamaica	267,646	187,717	124,181	105,262	85,513
Other	50,931	43,136	36,861	33,806	32,280
Total	9,727,807	9,642,999	9,640,206	9,801,373	10,158,586
	U.S. domestic exports (fas value)				
Honduras	1,470,127	1,400,812	1,521,388	1,519,595	1,547,064
Dominican Republic	1,388,778	1,284,566	1,282,421	1,259,942	1,262,856
El Salvador	823,792	804,929	732,300	734,786	679,252
Guatemala	337,926	359,328	369,101	396,218	437,304
Costa Rica	562,311	476,004	428,785	347,535	340,857
Haiti	177,749	154,986	164,095	192,037	189,061
Nicaragua	60,620	59,519	74,823	81,835	96,180
Jamaica	192,036	133,024	94,127	73,161	64,450
Other	109,534	96,340	85,219	86,180	80,632
Total	5,122,873	4,769,508	4,752,259	4,691,289	4,697,656

[1] U.S. textile and apparel imports and exports in this table are classified in HTS chapters 50-63.
Source: Compiled from official statistics of the U.S. Department of Commerce.

competition from lower cost suppliers in Asia, particularly China, which became eligible for phased quota liberalization under the WTO Agreement on Textiles and Clothing as part of its accession to the WTO in December 2001. Several large U.S. apparel suppliers have indicated that although the CBERA countries have been an integral part of their sourcing strategy, the benefits of the CBTPA preferences are becoming less attractive as production costs in the region increase vis-a-vis those in Asia, particularly when combined with the higher costs of using U.S. yarns and fabrics, which are generally required for CBTPA duty-free treatment.[22]

U.S. imports of sector goods from CBERA countries continued to consist almost entirely 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. Nevertheless, to build on their speed to market advantage over lower cost Asian suppliers and otherwise enhance their competitiveness in the U.S. apparel market, apparel producers in CBERA countries are increasingly focusing on moving beyond assembly of basic garments to higher value-added apparel products and full-package programs (see below for further information on these issues).

U.S. imports of textiles and apparel from CBERA countries that entered free of duty under CBTPA in 2004 rose 4 percent over the 2003 level to $6.5 billion, representing nearly two-thirds of total U.S. imports of sector goods from the region (table 2-10).[23] The CBTPA duty-free imports consisted almost entirely of apparel articles made of U.S. fabrics formed of U.S. yarns ($5.2 billion) or made of regional knit fabrics formed of U.S. yarns ($1.1 billion). The remainder of sector imports from the region in 2004 ($3.5 billion) consisted of apparel articles that were either subject to normal trade relations (NTR) rates of duty ($2.3 billion) or eligible for a partial duty exemption under the traditional production-sharing provisions of HTS heading 9802.00.80 ($1.3 billion).[24] Apparel imports from CBERA countries under HTS 9802.00.8065 and heading 9802.00.8015 (the "807A" program), have declined substantially since the implementation of the CBTPA in 2000.[25] U.S. importers have shifted from importing

[22] USITC, *Textiles and Apparel: Assessment of the Competitiveness of Certain Foreign Suppliers to the U.S. Market*, Investigation No. 332-448, USITC Publication 3671, January 2004, p. 3-33.

[23] 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*.

[24] 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 has had a "special access program" (commonly known as 807A) that allows 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. CBERA apparel shipments under the 807A program totaled just $1.4 million in 2004. Since the elimination of quotas on Jan. 1, 2005, the 807A program no longer applies.

[25] 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 region as evidenced by the switch from traditional 807A programs to 809 and regional fabric programs (which were made duty free under CBTPA)." Stephen Lamar, Senior Vice President, American Apparel & Footwear Association (AAFA), email to Commission staff, Aug. 2, 2005.

qualifying apparel articles previously entered under these production-sharing provisions to importing them under the duty-free provisions of the CBTPA (HTS 9802.00.8044 and 9820.11.03-9820.11.33).

U.S. exports of textiles and apparel to CBERA countries in 2004 remained relatively unchanged from the 2003 level of $4.7 billion. Nevertheless, the CBERA countries as a group remained the second- largest export market for the U.S. textile mill industry after Mexico, accounting for 23 percent of total U.S. exports of textile and apparel articles in 2004. The decline during 2000-2004 in U.S. exports of sector goods to CBERA countries, 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 56 percent during 2000-2004 to $1.8 billion (table 2-11). The significant change in the

Table 2-10
Textiles and apparel: U.S. general imports from CBERA countries, 2004

(Million dollars)

	Duty-free under the CBTPA assembled from–					
Country	U.S. fabrics[1]	Regional knit fabrics	Total[2]	Under HTS heading 9802.00.80[3]	At NTR duty rates	Grand total
Honduras	1,572.5	524.6	2,135.6	180.4	361.5	2,677.5
Dominican Republic	1,554.0	41.7	1,688.8	251.5	125.3	2,065.6
Guatemala	455.2	253.7	712.1	237.6	1,009.8	1,959.5
El Salvador	789.3	251.8	1,077.9	381.0	298.0	1,756.9
Nicaragua	171.0	12.0	195.7	5.0	394.3	595.0
Costa Rica	362.3	7.3	369.6	111.8	42.6	524.0
Haiti	192.5	15.3	207.7	101.6	14.9	324.2
Jamaica	73.3	0.0	73.3	2.2	10.1	85.6
Other	22.5	0.1	24.0	2.8	7.7	34.5
Total	5,192.6	1,106.5	6,484.7	1,273.9	2,264.2	10,022.8

[1] 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.

[2] 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.

[3] Under HTS provisions 9802.00.8065 (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."

Note.–Because of rounding, figures may not add to totals shown (except as noted in footnote 2).

Source: Compiled from official statistics (based on U.S. customs value) of the U.S. Department of Commerce, found at *http://otexa.ita.doc.gov.*

Table 2-11
U.S. textile and apparel[1] sector exports to CBERA beneficiary countries, 2000-04

Item	2000	2001	2002	2003	2004
			1,000 dollars		
Apparel	4,080,126	2,992,462	2,376,460	2,130,653	1,785,950
Textiles	1,042,748	1,777,045	2,375,769	2,560,636	2,911,706
Total sector	5,122,873	4,769,508	4,752,259	4,691,289	4,697,656
			Percent of sector total		
Apparel	79.6	62.7	50.0	45.4	38.0
Textiles	20.4	37.3	50.0	54.6	62.0

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

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

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

composition of U.S. exports of sector 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 sector goods to CBERA countries accounted for by cut garment parts declined from about 80 percent in 2000 to 38 percent in 2004, whereas the share accounted for by textile inputs (mainly yarns and fabrics) increased from 20 percent to 62 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. This uncut fabric 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.

The enactment of CAFTA-DR likely will be met with continued efforts by textile and apparel producers in the region to implement a comprehensive set of strategies to remain competitive in the U.S. market.[26] Such strategies include enhancing full-package programs,[27] adding higher value-added products, integrating their

[26] The CBERA countries view the CAFTA-DR as integral to ensuring the future success of their textile and apparel industries. Without CAFTA, they contend that proximity to the U.S. market alone will not compensate for the gap between the CBERA region's production costs and lower Asian production costs, particularly in view of growing competition following the elimination of quotas on Jan. 1, 2005. Industry sources in the CBERA region estimate that the CAFTA-DR will provide an estimated 20 percent reduction in costs for companies sourcing from the region. See Kelly Stanmore and Benedict Pillionel, "Honduras Holding Its Own," *Apparel,* Nov. 1, 2003, available at *http://www.nexis.com*, retrieved Dec. 7, 2004, and Scott Malone, "Counting on CAFTA," *Women's Wear Daily,* May 18, 2004, p. 20, and Jordan K. Speer, "Fate of DR-CAFTA Region at Mercy of Trade Agreement," *Apparel,* May 2005.

[27] Full-package programs in the CBERA region typically refer to services ranging from procurement of materials to cutting and sewing, and to finishing and packaging of the final products. In many Asian countries, an established infrastructure exists to provide full package imports to U.S. buyers, including product development, fabric sourcing and cutting, garment sewing, packaging, quality control, trade financing, and logistics arrangements.

supply chain to maximize production flexibility[28] and ensure greater speed-to-market capability, and attracting more investment to upgrade manufacturing equipment and expand production facilities.[29] Lack of access to domestic supplies of quality fabrics and raw materials, insufficient financing, and the higher costs of energy and other production factors, however, remain key challenges despite the increased U.S. market access under CAFTA-DR.

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.[30] Before the CBTPA, U.S. imports of footwear had been able to benefit from reduced duties under HTS heading 9802.00.80[31] and from duty-free treatment under section 222 of the 1990 Caribbean Basin Economic Recovery Expansion Act, only if the finished footwear is assembled in CBERA countries entirely from U.S. components.[32] Under the CBTPA, imports of CBERA footwear meeting NAFTA rules of origin are eligible to enter the United States on the same terms as imports of footwear from Mexico under HTS general note 12.[33] Under NAFTA, most U.S. tariffs on eligible footwear are being phased out in equal annual increments, reaching duty-free status 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 2004. CBERA shipments of these goods in 2004 fell by 2 percent in quantity from the 2003 level to 2.8 million pairs, but rose by 18 percent in value to $85 million (table 2-12). U.S. imports of footwear from the world in 2004 increased by 8 percent in quantity to 2.1 million pairs and 6 percent in value to $16.2 billion. Imports

[28] Production flexibility is needed to change styles, sizes, or other design elements at the last possible moment in order to meet the need of fashion-driven retailers for quick replenishment and for emergencies (reportedly 30 percent to 40 percent of the business in the region). See Jordan K. Speer, "Paralysis and Momentums: A Region Awaits 2005 and CAFTA" (Central America Journal / Guatemala), Aug. 1, 2004, available at *http://www.nexis.com*, retrieved Dec. 7, 2004.

[29] According to one industry survey, 51 percent of U.S. industry respondents plan to boost business in Central America after CAFTA-DR is ratified. See "Why CAFTA is Critical for Guatemala," *http://just-style.com*, May 31, 2004, retrieved May 25, 2005.

[30] 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.

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

[32] 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.

[33] 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 local value content of not less than 55 percent. Other footwear parts need only be made in a beneficiary country from materials from any source.

from China, the leading U.S. supplier with 83 percent of the import quantity in 2004, rose by 10 percent in quantity to 1.8 billion pairs, and by 8 percent in value to $11.2 billion.

Table 2-12
U.S. imports of footwear[1] from CBERA countries, 2000-04

(1,000 dollars)

Country	2000	2001	2002	2003	2004
Dominican Republic	59,862	76,187	66,672	62,207	73,492
El Salvador	5,226	7,377	5,988	7,980	8,082
Guatemala	3,085	2,446	1,755	1,911	2,007
British Virgin Islands	0	174	15	103	1,400
Costa Rica	2,572	1,643	86	101	237
Panama	2	143	84	41	103
Other	519	73	258	38	124
Total	71,266	88,043	74,858	72,381	85,445

[1] U.S. footwear imports in this table are classified in HTS subheadings 6401.10.00-6405.90.90; they exclude footwear uppers and parts.
Source: Compiled from official statistics of the U.S. Department of Commerce.

The Miscellaneous Trade and Technical Corrections Act of 2004,[34] which went into effect on December 3, 2004, allows U.S. imports of footwear from CBERA countries to be eligible for duty-free treatment under GSP-style rules of origin as well as substantial transformation and 35 percent value-added requirements. This law also eliminated special requirements for stitched uppers. The enhanced preferential treatment for footwear may revitalize interest in sourcing footwear from the CBERA region[35] or could help maintain production in existing U.S.-owned or locally owned facilities in the Dominican Republic.[36] The CAFTA-DR, which was signed into law on August 2, 2005, further enhanced footwear production flexibility by eliminating all local content requirements.

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 from $44 million in 2000 to $28 million in 2004. Footwear imports under section 222 in 2004, which came almost entirely from the Dominican Republic, accounted for 43 percent of the quantity (1.8 million pairs) and 39 percent of the value ($33 million) of total U.S. footwear imports from CBERA countries in 2004. The decline in section 222 imports of footwear during 2000-2004 likely reflected increased competition from China.[37]

U.S. imports of footwear uppers and parts from CBERA countries decreased by 16 percent to $64.0 million in 2004 from $76.4 million in 2003. Most of these imports

[34] Public Law 108-429. The footwear changes relating to the CBERA countries are in section 1558 (118 Stat. 2579-80).
[35] Nate Herman, Director of International Trade, AAFA, telephone interview with Commission staff, June 7, 2005.
[36] Peter Mangione, President, Footwear Distributors and Retailers of America, telephone interview with Commission staff, Aug. 25, 2005.
[37] Ibid.

entered free of duty under NTR rates or CBERA came from the Dominican Republic and consisted of footwear uppers of leather. Imports of footwear uppers and parts from all other countries rose less than 0.5 percent to $317 million in 2004. As a result, the CBERA share of total imports of footwear uppers and parts fell by 4 percentage points to 20 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. From 2000 to 2003, U.S. footwear production fell 59 percent by quantity to 39.7 million pairs.[38] Trade sources report that U.S. producers' footwear shipments continued to fall in 2004 from the 2003 level of $2.7 billion.[39]

Imports by Country

In 2004, U.S. imports under CBERA were dominated by those countries that produced apparel and energy and related chemical products. Four countries–Honduras, the Dominican Republic, El Salvador, and Guatemala–accounted for 86.6 percent of apparel imports entering under CBERA in 2004. Although growth in the value of U.S. apparel imports was small, the value of U.S. imports of energy and related chemical products entering under CBERA preferences increased substantially. One country–Trinidad and Tobago–accounted for 89.9 percent of energy and related chemical products entering under CBERA in 2004.

Table 2-13 presents U.S. imports under CBERA by beneficiary country. Four countries–the Dominican Republic, Honduras, Trinidad and Tobago, and Guatemala–accounted for 71.1 percent of all U.S. imports entering under CBERA preferences in 2004 (figure 2-4). U.S. imports under CBERA from the Dominican Republic decreased 2.4 percent in 2003 and 0.6 percent in 2004.[40] U.S. imports under CBERA from Honduras increased 9.3 percent in 2003 and 6.4 percent in 2004, while those from Trinidad and Tobago increased 20.2 percent and 18.7 percent in 2003 and 2004, respectively. Furthermore, U.S. imports under CBERA from Guatemala increased 4.2 percent in 2003 and 9.2 percent in 2004.

The Dominican Republic, the single largest supplier of U.S. imports under CBERA since the beginning of the program, continued as the top supplier in 2004 with $2.6 billion in shipments under CBERA to the United States. However, its share of total imports under

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[38] U.S. Census Bureau, "Footwear Production: 2003," Current Industrial Reports MA316A(03)-1, Oct. 2004.

[39] In 2004, the U.S. Census Bureau announced that it was no longer going to publish *Current Industrial Reports: Footwear Production.* Consequently, no shipments data by quantity or value are available for 2004. Officials of the AAFA stated that in 2004 U.S. footwear production continued to decline and that two footwear plants closed, LaCross in LaCrosse, WI, and Weyco in Beaver Dam, WI. Fawn Evenson, Vice President Global Business and Services, AAFA, email to Commission staff, Mar. 14, 2005, and Nate Herman, International Trade Advisor, AAFA, email to Commission staff, Mar. 11, 2005.

[40] The Dominican Republic underwent financial and exchange rate crises in 2003 and part of 2004, experiencing negative GDP growth in 2003. See United Nations, *ECLAC Preliminary Overview of the Economies of Latin America and the Caribbean 2004,* December 2004, pp. 129-131.

Table 2-13
U.S. imports for consumption under CBERA, by source, 2000-04

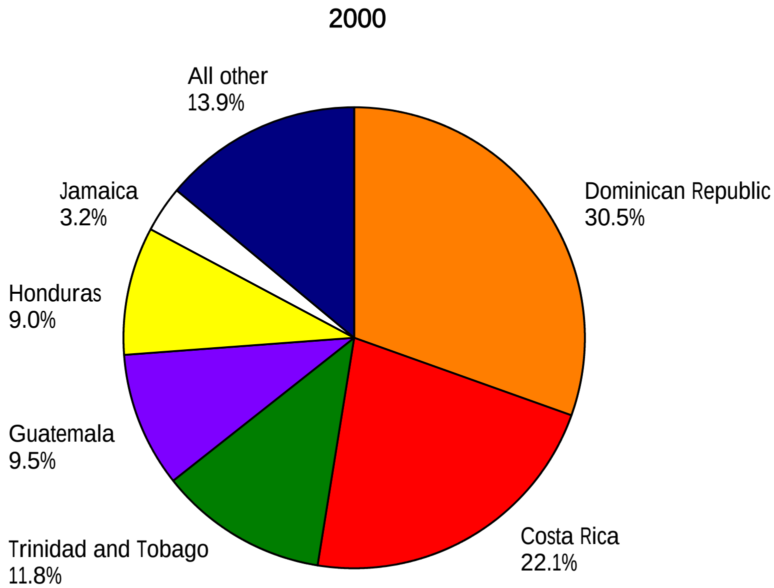
Source	2000	2001	2002	2003	2004
	Value *(1,000 dollars)*				
Dominican Republic	852,294	2,363,324	2,679,342	2,614,736	2,598,254
Honduras	252,149	1,670,844	1,989,871	2,175,122	2,314,464
Trinidad and Tobago	329,471	753,448	1,173,434	1,410,853	1,674,430
Guatemala	264,630	744,157	1,044,628	1,088,930	1,189,520
El Salvador	71,565	1,008,274	1,144,089	1,185,146	1,125,843
Costa Rica	617,142	1,011,454	1,154,516	1,083,025	1,078,966
Nicaragua	57,555	147,887	212,845	249,015	331,229
Haiti	25,160	158,698	176,509	210,690	218,264
Jamaica	89,459	195,207	194,059	178,939	166,708
Bahamas	74,451	75,811	70,881	87,996	92,705
Belize	32,360	48,519	42,834	41,583	44,477
Panama	42,639	42,254	41,551	40,834	32,791
St. Kitts and Nevis	27,613	29,490	27,305	25,713	29,663
Guyana	17,143	23,769	21,912	16,668	21,048
St. Lucia	7,471	7,225	7,980	5,288	5,836
Netherlands Antilles	3,624	6,043	3,089	2,714	5,206
Barbados	10,441	12,002	12,357	6,951	3,513
St. Vincent and the Grenadines	1,947	2,223	5,514	2,536	2,925
Dominica	196	80	374	2,528	369
British Virgin Islands	31	21	66	229	319
Antigua and Barbuda	4	152	43	60	51
Aruba	128	22	23	69	29
Grenada	16,702	7,265	37	3	11
Montserrat	0	0	0	0	0
Total	2,794,174	8,308,171	10,003,260	10,429,629	10,936,621
	Percent of total				
Dominican Republic	30.5	28.4	26.8	25.1	23.8
Honduras	9.0	20.1	19.9	20.9	21.2
Trinidad and Tobago	11.8	9.1	11.7	13.5	15.3
Guatemala	9.5	9.0	10.4	10.4	10.9
El Salvador	2.6	12.1	11.4	11.4	10.3
Costa Rica	22.1	12.2	11.5	10.4	9.9
Nicaragua	2.1	1.8	2.1	2.4	3.0
Haiti	0.9	1.9	1.8	2.0	2.0
Jamaica	3.2	2.3	1.9	1.7	1.5
Bahamas	2.7	0.9	0.7	0.8	0.8
Belize	1.2	0.6	0.4	0.4	0.4
Panama	1.5	0.5	0.4	0.4	0.3
St. Kitts and Nevis	1.0	0.4	0.3	0.2	0.3
Guyana	0.6	0.3	0.2	0.2	0.2
St. Lucia	0.3	0.1	0.1	0.1	0.1
Netherlands Antilles	0.1	0.1	([1])	([1])	([1])
Barbados	0.4	0.1	0.1	0.1	([1])
St. Vincent and the Grenadines	0.1	([1])	0.1	([1])	([1])
Dominica	([1])	([1])	([1])	([1])	([1])
British Virgin Islands	([1])	([1])	([1])	([1])	([1])
Antigua and Barbuda	([1])	([1])	([1])	([1])	([1])
Aruba	([1])	([1])	([1])	([1])	([1])
Grenada	0.6	0.1	([1])	([1])	([1])
Montserrat	0.0	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0

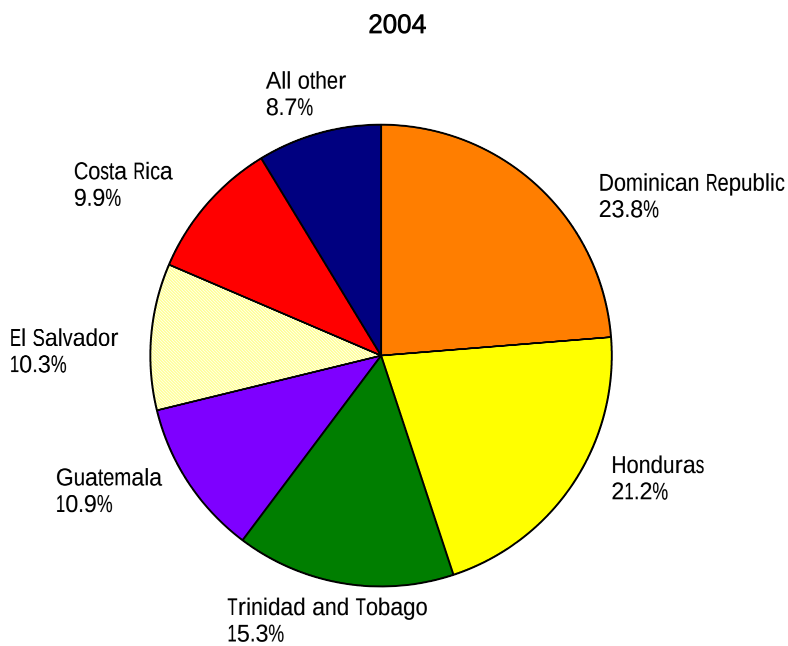
[1] Less than 0.05 percent.

Note.—Because of rounding, figures may not add to totals shown. Figures include Puerto Rico-CBI.

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

Figure 2-4
U.S. imports under CBERA, by sources, 2000 and 2004





Note.—Percentages may not add to 100 because of rounding.

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

CBERA decreased from 26.8 percent in 2002 to 25.1 percent in 2003 and 23.8 percent in 2004. The relative decline is mainly due to substantial increases in other CBERA countries' exports, particularly Trinidad and Tobago. The Dominican Republic was the leading supplier of 7 of the 20 leading items shown in table 2-8. Of the five leading import items under CBERA from the Dominican Republic, three were apparel items (see table D-1 in appendix D). Higher priced cigars and precious metal jewelry were the other two, both of which have been major items imported under the original CBERA.

Honduras was the second leading source of U.S. imports under CBERA in 2004, mainly on its strength as an apparel supplier. Imports under CBERA preferences from Honduras totaled $2.3 billion in 2004 as its share of total imports under CBERA increased from 19.9 percent in 2002 to 20.9 percent in 2003 and 21.2 percent in 2004. Honduras was the leading supplier of 6 of the leading 20 items in table 2-8. All of the five leading items entered under CBERA from Honduras were apparel items.

Trinidad and Tobago was the third leading source of U.S. imports under CBERA in 2004, mainly stemming from its abundant petroleum and natural gas resources. Imports under CBERA preferences from Trinidad and Tobago totaled $1.7 billion in 2004 as its share of total imports under CBERA increased from 11.7 percent in 2002 to 13.5 percent in 2003 and 15.3 percent in 2004. The year-to-year increases are mainly the result of higher prices for crude oil and methanol, especially in 2003, and a major new methanol facility that came on stream in September 2004, which increased the country's production and export capacity.[41] Trinidad and Tobago was the leading supplier of 4 of the leading 20 items in table 2-8. Light crude oil and methanol (derived from natural gas) accounted for 75.4 percent of U.S. imports under CBERA from Trinidad and Tobago in 2004.

Guatemala was the fourth leading source of U.S. imports under CBERA in 2004. U.S. imports from Guatemala under CBERA preferences totaled $1.2 billion in 2004 as its share of total imports under CBERA increased slightly from 10.4 percent in 2002 and 2003 to 10.9 percent in 2004. Guatemala was the leading supplier of 2 of the leading 20 items in table 2-8. Of the five leading import items under CBERA from Guatemala, four were apparel items. Heavy crude oil was the other.

El Salvador was the fifth leading source of U.S. imports under CBERA in 2004 on the strength of its apparel industry. Imports under CBERA from El Salvador totaled $1.1 billion in 2004, but its share of total imports under CBERA declined to 10.3 percent in 2004 from 11.4 percent in 2003 and 2002. El Salvador was not a leading supplier of any of the leading 20 items in table 2-8. All of the five leading import items under CBERA from El Salvador were apparel items.

Costa Rica was the sixth leading source of U.S. imports under CBERA in 2004. High labor costs in Costa Rica reportedly have priced the country out of the market for many U.S. importers of apparel, and the Government of Costa Rica is now trying to attract

[41] See the discussion of Trinidad and Tobago's fixed direct investment in the section "Investment in Selected CBERA Countries," in chapter 3 of this report.

other, nonapparel investment to the country to utilize its relatively highly educated labor force.[42] Costa Rica has become an important supplier of semiconductors and medical instruments, both of which are NTR duty free. For example, Costa Rica supplied almost 100 percent of U.S. imports of semiconductors (HTS 8542.21.80) from CBERA countries. Semiconductors enter free of duty at NTR duty rates. Imports under CBERA from Costa Rica totaled $1.1 billion in 2004 as its share of total imports under CBERA decreased from 11.5 percent in 2002 to 10.4 percent in 2003 and to 9.9 percent in 2004. Costa Rica was the leading supplier of 1 of the leading 20 items in table 2-8. Of the five leading import items under CBERA from Costa Rica, three were apparel items. Fresh pineapples in crates and rubber gaskets, washers, and other seals (HTS 4016.93.50) were the other two items.

Total Exports

The mix between U.S. exports of textiles and apparel to CBERA countries continued to shift in 2004 as a result of CBTPA provisions. As stated earlier in the textiles and apparel section, CBTPA preferences allow more of the production process in the making of textiles into apparel to be located in the region than under the 807A regime. Cut apparel parts are generally classified under apparel categories, and the 807A program required these parts to be cut in the United States from U.S.-made fabric to qualify for the preferences in most instances. However, CBTPA allows CBERA countries to cut their own apparel parts as long as the fabric used is made in the United States from U.S. yarn. As a result, the United States has exported substantially more textiles and significantly less apparel to CBERA countries since CBTPA was implemented.

In 2004, total U.S. exports to CBERA countries increased more slowly, 3.7 percent, than total U.S. exports, 11.6 percent. In the same year U.S. exports to CBERA countries reached $23 billion (table 2-14). Collectively, CBERA countries rank eighth among U.S. market export destinations, behind South Korea but ahead of Taiwan.

As in recent years, the Dominican Republic, Costa Rica, Honduras, Guatemala, and El Salvador remained the principal Caribbean markets for the United States, collectively responsible for 62.7 percent of all U.S. exports to CBERA countries in 2004.

The largest absolute increases in U.S. exports to CBERA countries in 2004 were for Guatemala ($261.5 million or 12.0 percent), Honduras ($226.1 million or 8.1 percent), and Trinidad and Tobago ($152.9 million or 15.3 percent). The increase in U.S. exports to Guatemala was mainly driven by increased shipments of cotton denim fabrics, articles donated for relief, and motor fuels. The increase in U.S. exports to Honduras was mainly due to increased shipments of ignition wiring sets,[43] cotton yarns, and motor fuels. The increase in U.S. exports to Trinidad and Tobago was

[42] USITC, *Textiles and Apparel: Assessment of the Competitiveness of Certain Foreign Suppliers to the U.S. Market*, Inv. No. 332-448, USITC publication 3671, January 2004, vol. 1, p. 3-33. Costa Rica's shares of U.S. imports of apparel (HTS chapters 61 and 62) under CBERA preferences were 7.8 percent, 6.5 percent, and 5.7 percent in 2002, 2003, and 2004, respectively.

[43] These are parts of ignition wiring sets that are assembled in Honduras and re-exported to motor vehicle assembly plants in the United States.

Table 2-14
U.S. exports to CBERA countries, 2000-04

Market	2000	2001	2002	2003	2004
	Value *(1,000 dollars)*				
Dominican Republic	4,351,913	4,290,041	4,109,077	4,023,912	4,116,102
Costa Rica	2,368,026	2,410,713	2,891,380	3,133,773	3,028,809
Honduras	2,544,821	2,405,390	2,524,397	2,793,076	3,019,222
Guatemala	1,835,476	1,800,853	1,976,029	2,175,324	2,436,864
El Salvador	1,741,095	1,689,898	1,607,638	1,763,354	1,811,494
Panama	1,501,429	1,222,878	1,298,957	1,699,707	1,642,680
Jamaica	1,339,061	1,351,583	1,357,752	1,396,994	1,320,601
Trinidad and Tobago	1,072,883	1,053,562	984,448	997,598	1,150,507
Bahamas	1,026,584	913,223	936,655	1,029,003	1,121,385
Netherlands Antilles	614,701	763,263	664,855	666,712	717,519
Haiti	562,520	541,930	571,124	626,688	649,940
Nicaragua	360,830	427,714	423,116	482,259	567,479
Aruba	269,566	263,142	442,579	317,671	338,508
Barbados	282,195	266,402	248,164	275,256	303,094
Belize	204,320	165,914	129,930	189,499	143,683
Guyana	154,090	137,511	125,704	112,756	129,556
Antigua and Barbuda	130,911	88,816	75,025	119,206	114,000
St. Lucia	97,864	82,320	91,501	114,709	92,637
British Virgin Islands	58,837	67,655	60,505	63,445	90,875
Grenada	76,443	57,378	54,325	63,383	66,196
St. Kitts and Nevis	53,295	44,379	47,755	56,974	55,938
St. Vincent and the Grenadines	35,808	37,365	38,961	44,642	43,794
Dominica	35,470	29,393	37,777	30,761	32,287
Montserrat	9,807	5,735	4,844	6,946	5,628
Total	20,727,945	20,117,056	20,702,497	22,183,649	22,998,801
	Percent of total				
Dominican Republic	21.0	21.3	19.8	18.1	17.9
Costa Rica	11.4	12.0	14.0	14.1	13.2
Honduras	12.3	12.0	12.2	12.6	13.1
Guatemala	8.9	9.0	9.5	9.8	10.6
El Salvador	8.4	8.4	7.8	7.9	7.9
Panama	7.2	6.1	6.3	7.7	7.1
Jamaica	6.5	6.7	6.6	6.3	5.7
Trinidad and Tobago	5.2	5.2	4.8	4.5	5.0
Bahamas	5.0	4.5	4.5	4.6	4.9
Netherlands Antilles	3.0	3.8	3.2	3.0	3.1
Haiti	2.7	2.7	2.8	2.8	2.8
Nicaragua	1.7	2.1	2.0	2.2	2.5
Aruba	1.3	1.3	2.1	1.4	1.5
Barbados	1.4	1.3	1.2	1.2	1.3
Belize	1.0	0.8	0.6	0.9	0.6
Guyana	0.7	0.7	0.6	0.5	0.6
Antigua and Barbuda	0.6	0.4	0.4	0.5	0.5
St. Lucia	0.5	0.4	0.4	0.5	0.4
British Virgin Islands	0.3	0.3	0.3	0.3	0.4
Grenada	0.4	0.3	0.3	0.3	0.3
St. Kitts and Nevis	0.3	0.2	0.2	0.3	0.2
St. Vincent and the Grenadines	0.2	0.2	0.2	0.2	0.2
Dominica	0.2	0.1	0.2	0.1	0.1
Montserrat	([1])	([1])	([1])	([1])	([1])
Total	100.0	100.0	100.0	100.0	100.0

[1] Less than 0.05 percent.

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

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

mainly the result of increased shipments of parts of oil and gas field machinery, radiotelephones, and refined petroleum products (mainly quenching or cutting oils and lubricating oils).

As discussed in the textiles and apparel section earlier in this chapter, the shift in U.S. exports to CBERA countries from cut apparel parts to intermediate textiles, such as fabrics and yarn, continued in 2004. U.S. exports of textiles to CBERA countries increased 13.7 percent to $2.9 billion, whereas U.S. exports of apparel to CBERA countries decreased 16.2 percent to $1.8 billion in 2004 (table 2-11). As a share of U.S. exports of both textiles and apparel to CBERA countries in 2003, textiles accounted for 54.6 percent while apparel accounted for the remaining 45.4 percent. In 2004, the trend continued as the share of textiles accounted for 62.0 percent while that of apparel accounted for 38.0 percent.

The largest U.S. export market for textiles in the region was Honduras, for which U.S. textile exports increased 21.6 percent to $1.0 billion in 2004. The Dominican Republic ranked second with an annual increase of 8.2 percent to $739.3 million in 2004. El Salvador was the third largest market for U.S. textile exports with an increase of 5.4 percent to $474.7 million in 2004. Guatemala ranked fourth with an increase of 18.5 percent to $383.8 million in 2004. Other CBERA countries to which the United States exported significantly more textiles included Costa Rica and Nicaragua. In 2004, U.S. apparel export markets with the largest decreases included Honduras (22.9 percent), El Salvador (28.0 percent), the Dominican Republic (9.3 percent), and Costa Rica (6.3 percent).

The leading U.S. exports to CBERA countries are shown in table 2-15 and figure 2-5 by 2-digit HS classification. In 2004, the largest U.S. exports to CBERA countries were electrical machinery (HS chapter 85), mineral fuels (HS chapter 27), and non-electrical machinery (HS chapter 84). The largest absolute increases in U.S. exports during 2004 included raw cotton, cotton yarn, woven cotton fabric (HS chapter 52), which increased $262.8 million or 32.0 percent; cereals (HS chapter 10), which increased $159.8 million or 17.6 percent; and electrical machinery (HS chapter 85), which increased $116.3 million or 4.8 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. In 2004, the largest U.S. exports to CBERA countries were fuel oils products (HS 2710.19, mainly heavy fuel oils), semiconductors (HS 8542.21), light oils (HS 2710.11, mainly motor fuels), corn (HS 1005.90), radio transmission apparatus incorporating reception apparatus (HS 8525.20, mainly cellular phones), and wheat (HS 1001.90). The largest absolute increases in U.S. exports in 2004 included automatic circuit breakers (HS 8536.20), which increased $127.8 million or 138.9 percent; fuel oils (HS 2710.19), which increased $118.9 million or 7.0 percent; rice in the husk (HS 1006.10), which increased $71.4 million or 88.0 percent; and radio transmission apparatus incorporating reception apparatus, which increased $60.4 million or 22.0 percent.

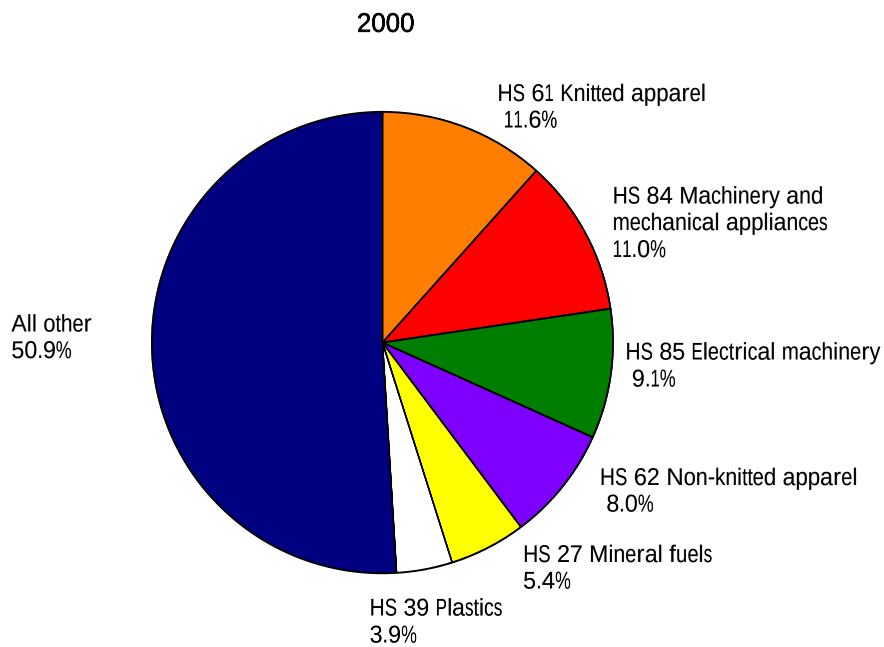
Table 2-15
Leading U.S. exports to CBERA countries, by major product categories, 2000-04

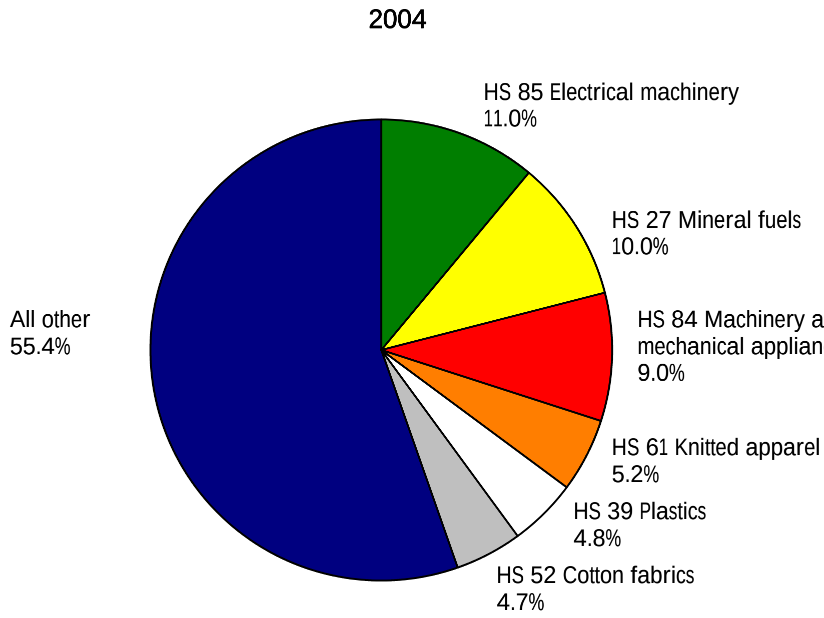
HS chapter	Description	2000	2001	2002	2003	2004
		Value *(1,000 dollars)*				
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	1,887,258	1,857,195	2,210,833	2,417,403	2,533,735
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	1,117,410	987,734	1,174,436	2,237,799	2,291,096
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	2,280,835	2,365,733	2,137,970	2,081,889	2,068,363
61	Articles of apparel and clothing accessories, knitted or crocheted	2,412,428	1,891,218	1,452,878	1,367,172	1,189,229
39	Plastics and articles thereof	809,443	891,451	965,107	1,007,056	1,098,159
52	Cotton, including yarns and woven fabrics thereof	296,474	609,140	780,151	821,295	1,084,089
10	Cereals	704,069	744,502	824,121	906,377	1,066,139
60	Knitted or crocheted fabrics	104,160	270,110	525,331	799,551	863,524
48	Paper and paperboard; articles of paper pulp, paper or paperboard	674,999	669,899	654,018	661,071	711,451
62	Articles of apparel and clothing accessories, not knitted or crocheted	1,667,697	1,101,244	923,612	763,481	596,722
	Total of above	11,954,775	11,388,227	11,648,457	13,063,094	13,502,506
	All other	8,773,170	8,728,830	9,054,040	9,120,555	9,496,295
	Total of all commodities	20,727,945	20,117,056	20,702,497	22,183,649	22,998,801
		Percent of total				
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	9.1	9.2	10.7	10.9	11.0
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	5.4	4.9	5.7	10.1	10.0
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	11.0	11.8	10.3	9.4	9.0
61	Articles of apparel and clothing accessories, knitted or crocheted	11.6	9.4	7.0	6.2	5.2
39	Plastics and articles thereof	3.9	4.4	4.7	4.5	4.8
52	Cotton, including yarns and woven fabrics thereof	1.4	3.0	3.8	3.7	4.7
10	Cereals	3.4	3.7	4.0	4.1	4.6
60	Knitted or crocheted fabrics	0.5	1.3	2.5	3.6	3.8
48	Paper and paperboard; articles of paper pulp, paper or paperboard	3.3	3.3	3.2	3.0	3.1
62	Articles of apparel and clothing accessories, not knitted or crocheted	8.0	5.5	4.5	3.4	2.6
	Total of above	57.7	56.6	56.3	58.9	58.7
	All other	42.3	43.4	43.7	41.1	41.3
	Total all commodities	100.0	100.0	100.0	100.0	100.0

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

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

Figure 2-5
Leading U.S. exports to CBERA countries, by major product categories, 2000 and 2004





Note.—Percentages may not add to 100 because of rounding.

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

Table 2-16
Leading U.S. exports to CBERA countries, 2002-04

HS number	Description	2002	2003	2004	Change 2002-03	Change 2003-04	Change 2002-04	Leading CBERA market
		1,000 dollars			*Percent*			
2710.19	Petroleum oils & oils (not light) from bituminous minerals or preps n.e.s.o.i. 70%+ by wt. from petroleum oils or bitum. min.	889,138	1,686,870	1,805,746	89.7	7.0	103.1	Panama
8542.21	Electronic monolithic digital integrated circuits	708,040	853,098	709,203	20.5	-16.9	0.2	Costa Rica
2710.11	Light oils and preparations from petroleum oils & oils from bituminous min. or preps 70%+ by wt. from petro. oils or bitum. min.	203,280	426,857	397,595	110.0	-6.9	95.6	Honduras
1005.90	Corn (maize), other than seed corn	346,133	367,787	396,498	6.3	7.8	14.6	Dominican Republic
8525.20	Transmission apparatus incorporating reception apparatus for radio-telephony, radiotelegraphy, radiobroadcasting or television	228,849	275,059	335,508	20.2	22.0	46.6	Guatemala
1001.90	Wheat (other than durum wheat), and meslin	277,001	293,663	335,483	6.0	14.2	21.1	Dominican Republic
6109.10	T-shirts, singlets, tank tops and similar garments of cotton, knitted or crocheted	402,237	364,431	304,101	-9.4	-16.6	-24.4	Honduras
6006.22	Dyed knitted or crocheted fabrics of cotton, n.e.s.o.i.	147,902	316,478	292,374	114.0	-7.6	97.7	Honduras
7113.19	Jewelry and parts thereof, of precious metal other than silver	280,788	286,519	262,617	2.0	-8.3	-6.5	Netherlands Antilles
8473.30	Parts and accessories for automatic data processing machines and units thereof, magnetic or optical readers, transcribing machines, etc., n.e.s.o.i	233,764	222,381	228,277	-4.9	2.7	-2.3	Guatemala
8536.20	Automatic circuit breakers for a voltage not exceeding 1,000 v	12,472	91,974	219,731	637.4	138.9	1,661.8	Dominican Republic
8802.40	Airplanes and other aircraft n.e.s.o.i, of an unladen weight exceeding 15,000 kg	287,749	227,873	187,646	-20.8	-17.7	-34.8	Panama
3901.10	Polyethylene having a specific gravity of less than 0.94, in primary forms	157,749	142,393	184,628	-9.7	29.7	17.0	Guatemala
4804.11	Kraftliner, uncoated, unbleached, in rolls or sheets	137,853	165,623	181,028	20.1	9.3	31.3	Costa Rica
8703.23	Passenger motor vehicles with spark-ignition internal combustion reciprocating piston engine, cylinder capacity over 1,500 cc but not over 3,000 cc	150,944	133,076	170,478	-11.8	28.1	12.9	Dominican Republic
6115.92	Socks and hosiery n.e.s.o.i. and footwear without applied soles, of cotton, knitted or crocheted	48,610	115,115	158,298	136.8	37.5	225.7	Dominican Republic
8431.43	Parts for boring or sinking machinery, n.e.s.o.i	237,254	149,976	157,802	-36.8	5.2	-33.5	Trinidad and Tobago
1006.10	Rice in the husk (paddy or rough)	69,092	81,177	152,574	17.5	88.0	120.8	Costa Rica
6006.21	Unbleached or bleached knitted or crocheted fabrics of cotton	82,287	164,229	150,265	99.6	-8.5	82.6	Honduras
6203.42	Men's or boy's trousers, bib and brace overalls, breeches	275,440	268,750	150,003	-2.4	-44.2	-45.5	Costa Rica
	Total of above	5,176,584	6,633,330	6,779,855	28.1	2.2	31.0	
	All other	15,525,914	15,550,319	16,218,947	0.2	4.3	4.5	
	Total	20,702,497	22,183,649	22,998,801	7.2	3.7	11.1	

Note.—Because of rounding, figures may not add to totals shown. The abbreviation "n.e.s.o.i." stands for "not elswere specified or otherwise included."

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

In 2004, the Dominican Republic, the largest market for U.S. exports, was the leading market for 5 of the 20 leading exports to the region, including corn (HS 1005.90), wheat (HS 1001.90), automatic circuit breakers (HS 8536.20), passenger motor vehicles (HS 8703.23), and knitted cotton socks and hosiery (HS 6115.92). Honduras, 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 light oils (HS 2710.11), knitted cotton t-shirts (HS 6109.10), dyed knitted cotton fabrics (HS 6006.22), and unbleached or bleached knitted cotton fabrics (HS 6006.21).

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 2004 and the probable future effects of the program. Current items most affected by CBERA preferences were identified in an impact analysis. Information on CBERA-related investment in the beneficiary countries was the main basis for the analysis of probable future effects. Most of the information on investment was collected from U.S. embassies in the countries of the region.

Impact of CBERA on the United States in 2004

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. Imports under CBERA were 0.10 percent of U.S. GDP in 2003 and 0.09 percent in 2004. As pointed out in chapter 2, the total value of U.S. imports from CBERA countries remained small in 2004, amounting to 1.9 percent of total U.S. imports. The impact of CBERA on U.S. industries and consumers was also minimal in 2004 as it has been in the recent past.

CBTPA has 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 original 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.[1] The margin of preference provided by tariffs has also declined for some of the products added by CBTPA, but for a shorter time and mostly by smaller amounts. Sources of erosion include the final (through 1987) phased tariff cuts under the Tokyo Round of tariff reductions, phased tariff cuts under the Uruguay Round of trade concessions, tariff cuts and eliminations under sectoral trade negotiations, the extension of preferential trading arrangements such as NAFTA and the U.S.-Chile FTA, and the erosion of the ad valorem equivalent of specific duties because of

[1] The higher the NTR duty rate for any given product, the greater is the benefit to CBERA beneficiaries and the higher the margin of preference. CBERA beneficiaries also benefit more if the NTR rate is more extensively applied; that is, if fewer non-CBERA countries enjoy preferential rates under GSP or other programs.

inflation.[2] Final tariff cuts under the Uruguay Round became effective in 2004. Several leading items once entered under CBERA have dropped from the under-CBERA and CBERA-exclusive lists because NTR rates have fallen to zero in recent years. These include medical instruments (free of duty in 1999), leather footwear uppers (1999), electrical variable resistors (2000), steel wire rod (2004), and nonwoven disposable apparel (2004).[3] The erosions noted above will continue, and the margin of preference that CBERA-country apparel producers have received because of U.S. apparel quotas that apply to other countries fell significantly starting in 2005, when most U.S. textile and apparel quotas ended.

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 such articles therefore does not benefit exclusively from CBERA.

Because tariff preferences under original CBERA legislation are permanent, the presence of CBERA makes it more certain 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.[4] Investment that depends solely on GSP for duty-free preferences is riskier because of the recent uncertainties about 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 2004 and had the largest potential impact on competing U.S. industries.

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[2] For a more detailed analysis of the erosion of the margin of preference, see USITC, *CBERA, Thirteenth Report,* 1997, pp. 53-56.

[3] For more details, see Walker Pollard, "Impact of Caribbean Basin Economic Recovery Act Declines," *International Economic Review,* USITC publication 3298, April/May 2000, pp. 15-20.

[4] 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.

Products That Benefited Exclusively From CBERA in 2004

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.[5] 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.[6]

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.[7] 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 rose yet again in 2002 before stabilizing at just over 30 percent during 2002-2004 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 increased from $7.4 billion in 2003 to $8.3 billion in 2004, or by 12.1 percent (table 3-1). Such imports accounted for 30.1 percent of total U.S. imports from CBERA countries in 2004, compared with 30.2 percent in 2003.

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

[6] In 2004, the Netherlands Antilles, Aruba, Nicaragua, and The Bahamas were the only CBERA countries that were not designated GSP-beneficiary countries.

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 (section 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 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 2004. 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 2000 through 2004.

[7] The "exclusively benefiting" shares were markedly higher in 1995 and 1996, mainly because of the lapse in the GSP program from Aug. 1, 1995 through Sept. 30, 1996, and subsequent increased use of CBERA provisions to ensure duty-free entry. See USITC, *CBERA, Twelfth Report,* 1996, pp. 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.

Table 3-1
Total imports from CBERA beneficiaries, imports entered under CBERA provisions, and imports that benefited exclusively from CBERA provisions, 2000-04

Item	2000	2001	2002	2003	2004
Total imports from CBERA beneficiaries:					
Value (*million dollars*[1])	22,161	20,679	21,255	24,500	27,555
Imports entered under CBERA provisions:[2]					
Value (*million dollars*[1])	2,794	8,308	10,003	10,429	10,937
Percent of total	12.6	40.2	47.1	42.6	39.7
Imports that benefited exclusively from CBERA provisions:					
Value (*million dollars*[1])	1,497	4,734	6,695	7,407	8,304
Percent of total	6.8	22.9	31.5	30.2	30.1

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

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

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 napthas (HTS 2710.11.25). Imports of napthas increased by 91 percent from 2003 to 2004.[8] Other notable changes occurred with respect to knitted manmade fiber t-shirts (HTS 6109.90.10), up 57 percent; knitted manmade fiber tops (HTS 6110.30.30), up 41 percent; knitted cotton tops (HTS 6110.20.20), up 39 percent; methanol (HTS 2905.11.20) from Trinidad and Tobago, up 35 percent; fuel-grade ethanol (HTS 2207.10.60), up 31 percent; and light fuel oil (HTS 2710.19.05), up 28 percent. There were large changes in the value of imports of two pineapple categories–fresh pineapples in bulk (HTS 0804.30.20), up 7,935 percent, and fresh pineapples in crates (HTS 0804.30.40), down 49 percent. Taken together, there was less than a 1 percent decrease.

Three items were added to the list in 2004: napthas, knitted manmade fiber t-shirts, and fresh pineapples in bulk. All three items experienced large increases in exclusively benefiting imports, displacing men's or boys' knitted cotton shirts (HTS 6105.10.00),

[8] The leading imports benefiting exclusively from CBERA in 2003 are reported in table E-1 in appendix E. The large change in exclusively benefiting imports of naphthas reflects mainly a greater use by importers of CBERA provisions, but also reflects price increases common to most petroleum products and a modest increase in total import volume. Exclusively benefiting imports of apparel articles can change sharply due to a number of reasons. The simplest is similar to the case of naphthas–greater use of CBERA provisions instead of not claiming a preferential program. Another major reason is shifting from use of partially dutiable production-sharing provisions under HTS heading 9802.00.80 to use of fully duty-free entry for apparel assembled from U.S. fabric cut in the region. Other scenarios also exist that could lead to large changes in exclusively benefiting apparel imports. See the section on textiles and apparel in chapter 2 for more information.

raw cane sugar (HTS 1701.11.10[9]) from the Dominican Republic and Nicaragua, and polystyrene (HTS 3903.11.00) from The Bahamas 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 between 1984 and 2000 continued to rank among the 20 leading U.S. imports in 2004. That item was fresh pineapples in crates (HTS 0804.30.40).[10] Items that have appeared consistently among the leading imports benefiting exclusively from CBERA in the last 5 years 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 2004

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 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).[11] Estimates of welfare effects and potential effects on U.S. industry were calculated. Estimates of potential U.S. industry displacement effects were small, with no industry 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,[12] but U.S. exports of textiles to CBERA countries have risen from $1.0 billion in 2000 to $1.9 billion in 2002 and to $2.1 billion in 2004 as exports have shifted to fabric and yarn, and away from cut apparel parts (see table 2-11).

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[9] 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, the U.S.-Israel Free Trade Agreement, and the U.S.-Jordan Free Trade Agreement. Over-quota imports are subject to much higher tariffs and are not eligible for these preferences, except for a slight reduction from the over-quota column 1-special rate for over quota imports from Mexico.

[10] Fresh pineapples were also a leading import benefiting exclusively in 2001 and 2003. See table E-1 in appendix E in USITC, *CBERA, Sixteenth Report,* 2001-2002, and table E-1 in appendix E in this report.

[11] 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.

[12] 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 available to the Commission do not allow this distinction to be made.

Table 3-2
Value of leading imports that benefited exclusively from CBERA, 2004

(1,000 dollars)

HTS number	Description	Customs value	C.i.f. value
6109.10.00	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton	951,659	978,790
2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more	802,713	834,092
6110.20.20	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, n.e.s.o.i.	755,421	774,734
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	695,507	708,332
2905.11.20[1]	Methanol (Methyl alcohol), other than imported only for use in producing synthetic natural gas (SNG) or for direct use as fuel	460,208	500,336
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	336,162	339,228
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	277,305	283,081
6204.62.40	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of cotton, n.e.s.o.i.	250,993	256,375
6107.11.00	Men's or boys' underpants and briefs, knitted or crocheted, of cotton	229,339	233,786
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	219,096
2402.10.80[2]	Cigars, cheroots and cigarillos containing tobacco, each valued 23 cents or over	207,479	211,674
6110.30.30	Sweaters, pullovers and similar articles, knitted or crocheted, of manmade fibers, n.e.s.o.i.	188,794	195,328
2709.00.10	Petroleum oils and oils from bituminous minerals, crude, testing under 25 degrees A.P.I.	179,559	192,058
7113.19.50[3]	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.	169,776	170,223
6108.21.00	Women's or girls' briefs and panties, knitted or crocheted, of cotton	134,296	137,138
2710.11.25	Naphthas, not motor fuel/blending stock, from petroleum oils/oils from bituminous minerals, minimum 70 percent by weight of such products	126,377	132,216
0804.30.40	Pineapples, fresh or dried, not reduced in size, in crates or other packages	99,141	125,460
6109.90.10	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of man-made fibers	104,937	107,632
2207.10.60	Undenatured ethyl alcohol of 80 percent vol. alcohol or higher, for nonbeverage purposes	96,813	103,104
0804.30.20	Pineapples, fresh or dried, not reduced in size, in bulk	95,451	96,359

[1] 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.

[2] 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 2004.

[3] 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 2004.

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

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

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 2004. 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.[13] Those products represented 76.7 percent of the $8.3 billion in imports that benefited exclusively from CBERA during 2004.[14] The five leading CBERA-exclusive imports in 2004 were (1) knitted cotton t-shirts (HTS 6109.10.00), (2) light crude oil (HTS 2709.00.20), (3) knitted cotton tops, (4) men's or boys' woven cotton trousers and shorts (HTS 6203.42.40), and (5) methanol from Trinidad and Tobago.[15] Knitted cotton t-shirts and light crude oil ranked second and first, respectively, in 2003.

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.[16] Market shares varied considerably in 2004 (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 70 percent, whereas the market share of CBERA-exclusive imports of each of the four petroleum items was 1.5 percent or less.

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 2004.[17] 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.

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[13] 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 landed, duty-paid values for the remaining imports. Technically, landed, duty-paid values are equal to c.i.f. values for items entering free of duty. Since 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.

[14] 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 items 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.

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

[16] 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.

[17] The methodology used 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, 2004

HTS number	Description	Imports from CBERA countries (c.i.f. value) (A)[1]	Apparent U.S. consumption (B)[2]	Market share (A/B)
		1,000 dollars		*Percent*
6109.10.00	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton	1,294,100	4,813,257	26.89
2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more	834,092	114,339,380	0.73
6110.20.20	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, n.e.s.o.i.	849,594	([3])	([3])
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	810,451	7,071,969	11.46
2905.11.20	Methanol (Methyl alcohol), other than imported only for use in producing synthetic natural gas (SNG) or for direct use as fuel	500,336	2,264,310	22.10
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	340,270	([3])	([3])
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	324,760	([3])	([3])
6204.62.40	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of cotton, n.e.s.o.i.	299,408	7,348,228	4.07
6107.11.00	Men's or boys' underpants and briefs, knitted or crocheted, of cotton	380,940	([3])	([3])
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.	219,096	74,042,370	0.30
2402.10.80	Cigars, cheroots and cigarillos containing tobacco, each valued 23 cents or over	211,674	1,375,579	15.39
6110.30.30	Sweaters, pullovers and similar articles, knitted or crocheted, of manmade fibers, n.e.s.o.i.	239,394	([3])	([3])
2709.00.10	Petroleum oils and oils from bituminous minerals, crude, testing under 25 degrees A.P.I.	192,058	63,072,439	0.30
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.	175,070	7,577,890	2.31
6108.21.00	Women's or girls' briefs and panties, knitted or crocheted, of cotton	226,234	([3])	([3])
2710.11.25	Naphthas, not motor fuel/blending stock, from petroleum oils/oils from bituminous minerals, minimum 70 percent by weight of such products	132,216	9,326,199	1.42
0804.30.40	Pineapples, fresh or dried, not reduced in size, in crates or other packages	125,460	316,877	70.00
6109.90.10	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of man-made fibers	157,585	647,212	24.35
2207.10.60	Undenatured ethyl alcohol of 80 percent vol. alcohol or higher, for nonbeverage purposes	103,104	5,619,505	1.83
0804.30.20	Pineapples, fresh or dried, not reduced in size, in bulk	96,359	([4])	([4])

[1] Includes value of U.S. components incorporated in imports entered under HTS heading 9802.00.80.

[2] Apparent U.S. consumption defined as U.S. production plus total imports (landed, duty-paid basis) minus exports.

[3] U.S. production and/or export data not available.

[4] Apparent consumption for HTS 0804.30.20 and 0804.30.40 were aggregated into one category and reported under HTS 0804.30.40.

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

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

Table 3-4
Estimated welfare effects on the United States of leading imports that benefited exclusively from CBERA, 2004

(1,000 dollars)

HTS number	Description	Gain in consumer surplus (A)		Loss in tariff revenue (B)		Net welfare effect (A-B)	
		Upper estimate	Lower estimate	Upper estimate	Lower estimate	Upper estimate	Lower estimate
6109.10.00	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton	136,337	145,011	118,222	134,043	18,115	10,968
2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more	2,391	2,398	2,374	2,388	17	10
6110.20.20	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, n.e.s.o.i.	([1])	([1])	([1])	([1])	([1])	([1])
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	96,111	104,769	79,753	95,185	16,357	9,584
2905.11.20	Methanol (Methyl alcohol), other than imported only for use in producing synthetic natural gas (SNG) or for direct use as fuel	22,909	23,790	20,699	22,353	2,210	1,436
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	([1])	([1])	([1])	([1])	([1])	([1])
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	([1])	([1])	([1])	([1])	([1])	([1])
6204.62.40	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of cotton, n.e.s.o.i.	34,511	37,810	28,477	34,349	6,034	3,461
6107.11.00	Men's or boys' underpants and briefs, knitted or crocheted, of cotton	([1])	([1])	([1])	([1])	([1])	([1])
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.	409	409	407	408	2	1
2402.10.80	Cigars, cheroots and cigarillos containing tobacco, each valued 23 cents or over	4,833	4,929	4,690	4,879	143	50
6110.30.30	Sweaters, pullovers and similar articles, knitted or crocheted, of manmade fibers, n.e.s.o.i.	([1])	([1])	([1])	([1])	([1])	([1])
2709.00.10	Petroleum oils and oils from bituminous minerals, crude, testing under 25 degrees A.P.I.	357	358	356	357	2	1
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.	8,228	8,645	7,227	7,999	1,001	646
6108.21.00	Women's or girls' briefs and panties, knitted or crocheted, of cotton	([1])	([1])	([1])	([1])	([1])	([1])
2710.11.25	Naphthas, not motor fuel/blending stock, from petroleum oils/oils from bituminous minerals, minimum 70 percent by weight of such products	252	252	250	251	1	1
0804.30.40	Pineapples, fresh or dried, not reduced in size, in crates or other packages	4,999	5,033	4,939	5,006	60	26
6109.90.10	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of man-made fibers	26,360	29,315	20,608	25,658	5,753	3,656
2207.10.60	Undenatured ethyl alcohol of 80 percent vol. alcohol or higher, for nonbeverage purposes	24,995	33,934	15,157	28,920	9,838	5,014
0804.30.20	Pineapples, fresh or dried, not reduced in size, in bulk	948	952	942	949	6	3

[1] Welfare and displacement effects were not calculated because of the unavailability of U.S. production and/or export data.

[2] Analysis for HTS 0804.30.20 and 0804.30.40 is combined under HTS 0804.30.40.

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

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

Table 3-5
Estimated effects on the production of U.S. industries of leading imports that benefitted exclusively from CBERA, 2004

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	1,000 dollars	1,000 dollars	Percent	Percent
6109.10.00	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton	1,835,000	-55,972	-3,783	-3.05	-0.21
2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more	47,343,849	-4,143	-2,161	-0.01	([1])
6110.20.20	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, n.e.s.o.i.	([2])	([2])	([2])	([2])	([2])
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	2,034,000	-44,044	-6,860	-2.17	-0.34
2905.11.20	Methanol (Methyl alcohol), other than imported only for use in producing synthetic natural gas (SNG) or for direct use as fuel	1,138,000	-51,498	-26,565	-4.53	-2.33
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	([2])	([2])	([2])	([2])	([2])
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	([2])	([2])	([2])	([2])	([2])
6204.62.40	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of cotton, n.e.s.o.i.	1,335,000	-7,195	-155	-0.54	-0.01
6107.11.00	Men's or boys' underpants and briefs, knitted or crocheted, of cotton	([2])	([2])	([2])	([2])	([2])
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.	59,946,050	-1,327	-692	([1])	([1])
2402.10.80	Cigars, cheroots and cigarillos containing tobacco, each valued 23 cents or over	1,120,000	-10,956	-3,063	-0.98	-0.27
6110.30.30	Sweaters, pullovers and similar articles, knitted or crocheted, of manmade fibers, n.e.s.o.i.	([2])	([2])	([2])	([2])	([2])
2709.00.10	Petroleum oils and oils from bituminous minerals, crude, testing under 25 degrees A.P.I.	25,492,850	-603	-314	([1])	([1])
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.	3,674,254	-8,014	-2,641	-0.22	-0.07
6108.21.00	Women's or girls' briefs and panties, knitted or crocheted, of cotton	([2])	([2])	([2])	([2])	([2])
2710.11.25	Naphthas, not motor fuel/blending stock, from petroleum oils/oils from bituminous minerals, minimum 70 percent by weight of such products	5,499,638	-580	-303	-0.01	-0.01
0804.30.40	Pineapples, fresh or dried, not reduced in size, in crates or other packages	79,934	-2,916	-790	-3.65	-0.99
6109.90.10	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of man-made fibers	131,100	4,094	3,256	3.13	2.48
2207.10.60	Undenatured ethyl alcohol of 80 percent vol. alcohol or higher, for nonbeverage purposes	5,421,900	-67,375	-1,633	-1.24	-0.03
0804.30.20	Pineapples, fresh or dried, not reduced in size, in bulk	([3])	([3])	([3])	([3])	([3])

[1] Absolute value less than 0.005 percent.

[2] Welfare and displacement effects were not calculated because of the unavailability of U.S. production and/or export data.

[3] Analysis for HTS 0804.30.20 and 0804.30.40 is combined under HTS 0804.30.40.

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

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

Effects on U.S. consumers

In 2004 knitted cotton t-shirts provided the largest gain in consumer surplus ($136.3 million to $145.0 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 ($96.1 million to $104.8 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 fuel-grade ethanol, lower tariff revenues offset 61 percent to 85 percent of the gain in consumer surplus; for knitted manmade-fiber t-shirts, the offset was 78 percent to 88 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.

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. Of the resulting net welfare gains, the largest were for knitted cotton t-shirts ($11.0 million to $18.1 million) and men's or boys' woven cotton trousers or shorts ($9.6 million to $16.4 million). Knitted cotton t-shirts and brassieres (HTS 6212.10.90) had the largest net welfare gains in 2002.[18]

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.[19] The positive net effect occurs for 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.

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[18] See USITC, *CBERA, Sixteenth Report,* 2001-2002, table 3-4, p. 3-9.

[19] 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.

Estimates of the potential displacement of domestic production were small for most of the individual sectors.[20] The analysis indicates that the largest potential displacement effects were for methanol (2.3 percent to 4.5 percent displaced, valued at $26.6 million to $51.5 million); fresh pineapples (1.0 percent to 3.7 percent displaced, valued at $0.8 million to $2.98 million); knitted cotton t-shirts (0.2 percent to 3.1 percent, valued at $3.8 million to $56.0 million); and men's or boys' woven cotton trousers or shorts (0.3 percent to 2.2 percent displaced, valued at $6.9 million to $44.0 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 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 2.5 percent to 3.1 percent, valued at $3.3 million to $4.1 million. By comparison, almost all of the apparel products experienced positive net effects in 2002.[21] 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 2004 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, none of the items that benefit exclusively from CBERA 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 production of apparel parts.

Investment and Future Effects of CBERA

This section describes the probable future effects of CBERA, including CBTPA, on the U.S. economy. As in the Commission's prior reports in this series, the discussion of the probable future effects of CBERA on the United States is based on an analysis of CBERA-related investment activity in the region and an assessment of the impact that investment might have on future imports under the program.

[20] 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.

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

This section begins with a discussion of the approach and methods used for the analysis, followed by a summary of investment activities and trends in the CBERA region, and a description of CBERA-related investment in selected countries during 2004. The section concludes with an assessment of the effects that CBERA-related investments–i.e., investment expenditures motivated by the preferences extended under CBERA–during 2003-2004 may have on U.S. imports in the near term.

Analytical Approach

CBERA was designed to encourage Caribbean Basin countries to diversify their economies by increasing and expanding the range of their exports to the United States.[22] 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 the Caribbean Basin Economic Recovery Expansion Act (CBEREA) in 1990, CBTPA in 2000, and the Trade Act of 2002.[23] Remaining effects[24] 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 from these sectors that, in turn, could have future effects on the U.S. economy and consumers.

A number of sources were used by the USITC 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 in June 2005. 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.

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[22] 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 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 (ITA), *Guide to the Caribbean Basin Initiative,* November 2000, found at *http://www.mac.doc.gov/CBI/webmain/guide3.htm,* retrieved July 22, 2005.

[23] CBEREA repealed the CBERA termination date, made the program permanent, and expanded CBERA benefits. CBTPA authorized preferential tariff treatment for certain qualifying apparel articles and extended preferential treatment to a number of products previously excluded from CBERA. The Trade Act of 2002 expanded TPLs for knitted products from regional cloth. CBEREA, CBTPA, and the relevant parts of the Trade Act of 2002 are described in chapter 1 of this report.

[24] USITC, *Caribbean Basin Economic Recovery Act, Tenth Report, 1994,* USITC publication 2927, September 1995, p. 37.

Summary of Investment Activities and Trends

Worldwide FDI inflows totaled an estimated $612.0 billion in 2004, representing a 9.8 percent decrease from $678.7 billion in 2002 (table 3-6). Among the developing countries, worldwide FDI inflows totaled an estimated $255.0 billion in 2004, representing a 47.9 percent decline from almost $490.0 billion in 2002. FDI flows to Latin America and the Caribbean totaled $56.4 billion in 2004, which represents a 9.8 percent increase from $51.4 billion in 2002, but was down from $97.5 billion in

Table 3-6
Foreign direct investment flows for Latin America and the Caribbean, 2000-04

Host region/economy	2000	2001	2002	2003	2004 [1]	2002-04 change
	Million dollars					Percent
World	1,387,953	817,574	678,751	559,576	612,000	-9.8
Developing countries	1,107,987	571,483	489,907	366,573	255,000	-47.9
Latin America and the Caribbean	97,537	88,139	51,358	49,722	56,378	9.8
CBERA countries:						
Antigua and Barbuda	28	44	48	57	n.a.	(2)
Aruba	117	-261	289	165	n.a.	(2)
Bahamas	250	101	200	145	n.a.	(2)
Barbados	19	19	17	121	n.a.	(2)
Belize	30	60	25	40	n.a.	(2)
Costa Rica	409	454	662	587	565	-14.6
Dominica	11	12	14	17	n.a.	(2)
Dominican Republic	953	1079	917	310	463	-49.5
El Salvador	173	279	208	157	389	87.0
Grenada	37	59	58	59	n.a.	(2)
Guatemala	230	456	110	104	195	77.3
Guyana	67	56	44	26	35	-20.4
Haiti	13	4	6	8	6	0.0
Honduras	282	193	176	198	195	10.8
Jamaica	469	614	479	520	606	26.7
Montserrat	3	1	2	2	n.a.	(2)
Netherlands Antilles	-63	-5	8	-81	n.a.	(2)
Nicaragua	267	150	204	201	261	27.9
Panama	603	405	78	792	467	498.7
Saint Kitts and Nevis	96	88	52	53	n.a.	(2)
Saint Lucia	55	22	31	22	n.a.	(2)
Saint Vincent and the Grenadines	29	21	32	38	n.a.	(2)
Trinidad and Tobago	680	835	791	616	1,826	130.8
Total	4,758	4,686	4,451	4,157	(2)	

[1] Data for 2004 are estimated.

[2] Not calculated because of missing data.

Note.—Negative sign indicates investment outflow.

Sources: Compiled from multiple sources, including ECLAC, *Foreign Investment in Latin America and the Caribbean, 2004*, table 1, p. 12 and table 2, p. 27; ECLAC, *Statistical Yearbook for Latin America and the Caribbean, 2004*, table A-11, p. 80; UNCTAD *World Investment Report 2004*, annex table B.1, pp. 367 and 369; and reports from U.S. Embassies in respective countries.

2000.[25] According to the UN Economic Commission for Latin America and the Caribbean (ECLAC), 2004 marked the first year that FDI in Latin America and the Caribbean had increased since 1999.[26] ECLAC reported that the worldwide economic upturn in 2004 compared with 2003, driven largely by strong economic performance in the United States and, to a lesser extent, Japan, China, and India, was largely responsible for the upturn in global FDI during 2004.[27]

With respect to FDI in Latin America and the Caribbean during 2004, ECLAC reported that the increase in FDI in the region was significantly influenced by "a small number of corporate acquisitions involving vast sums of money" in a few countries rather than a broad trend of increased FDI throughout the region.[28] ECLAC also reported that the Latin America and Caribbean region accounted for a smaller share of global FDI in 2004 (when the region accounted for 9.3 percent of global FDI) than the region did during 1977-1983 (12.0 percent) or during 1994-1998 (11.2 percent).[29]

During 2002-2004, a significant amount of export-oriented investment in CBERA countries continued to be directed toward the production of goods eligible for CBERA or other U.S. trade provisions, notably GSP. As in past years, much of that investment was directed toward activities in export-processing zones (EPZs) and free-trade zones (FTZs),[30] where U.S.-origin components are processed or assembled for return to the United States under HTS heading 9802.00.80 (production-sharing provisions). Such assembly operations frequently are referred to as maquila activities.[31]

CBTPA, which affords preferential tariff and quota treatment for certain qualifying apparel articles and extends preferential treatment to a number of products previously excluded from CBERA,[32] remained an important impetus for investment in CBERA

[25] ECLAC, *Foreign Investment in Latin America and the Caribbean, 2004,* table 1, p. 12 and table 2, p. 27; ECLAC, *Statistical Yearbook for Latin America and the Caribbean, 2004,* table A-11, p. 80; and UNCTAD *World Investment Report 2004,* annex table B.1, pp. 367 and 369.

[26] ECLAC, *Foreign Investment in Latin America and the Caribbean, 2004,* p. 11.

[27] Ibid., p. 27.

[28] Ibid., p. 29.

[29] Ibid., p. 30.

[30] EPZs and FTZs (also referred to as foreign trade zones, free zones, and industrial free zones) are clearly delineated restricted-access areas for industrial, commercial, and service facilities that operate independent of commercial regulations otherwise applicable in the host country. Each country has its own rules governing manufacturing or assembly activities by local and foreign firms in such zones. In general, in-bond operations in these zones are allowed to import duty-free inputs used as components for further transformation or assembly within the zone. Duty-free admission is temporary. Production in the zones is intended primarily for export, although FTZs may allow goods to enter into the host country, with duties paid on the foreign components only if the end product is actually moved from the FTZ into the host country. Apparel and electronics assembly operations are the principal sectors involved in Caribbean Basin EPZs and FTZs.

[31] The term "maquila" (or "maquiladora") is generally associated with Mexico's in-bond program that allows the temporary duty-free admission of imported machinery, equipment, parts, and materials for the production of exports. Currently, maquila is widely used to describe operations throughout the Caribbean and Central American region based on the processing or assembly of imported components for export. U.S. production-sharing provisions complement these in-bond export-processing operations.

[32] As noted elsewhere in this report, CBTPA provides tariff treatment equivalent to that extended to Mexican products under the NAFTA for certain items previously excluded from duty-free treatment under the CBERA. Those products are: footwear, canned tuna, petroleum products, watches and watch parts, certain handbags, luggage, flat goods, work gloves, and leather wearing apparel. USTR, *Fifth Report to Congress on the Operation of the Caribbean Basin Economic Recovery Act,* available at *www.ustr.gov,* retrieved July 24, 2005.

countries during 2002-2004.[33] However, an ECLAC report on the economic performance of the countries of Latin America and the Caribbean during 2004 noted that exports from the Caribbean Basin "have come up against fierce competition from Chinese products."[34]

Some CBERA countries received significant FDI inflows during 2003-2004 directed toward the production of goods that have an NTR rate free of duty, particularly in the case of certain mineral fuels and inorganic chemicals experiencing global price increases or increases in global demand. A significant increase in FDI in natural gas extraction in Trinidad and Tobago, as described in more detail below, was an important new trend that emerged during 2002-2004. Other investment in CBERA countries during 2002-2004 occurred in nonexport industries,[35] such as tourism, which nevertheless was consistent with the CBERA goals of promoting economic diversification.[36]

Investment in Selected CBERA Countries

In 2004, the leading recipients of FDI inflows among CBERA beneficiaries were Trinidad and Tobago ($1.8 billion), Jamaica ($606 million), Costa Rica ($565 million), Panama ($467 million), and the Dominican Republic ($463 million) (table 3-6).[37] There were significant increases in FDI inflows during 2002-2004 in Trinidad and Tobago as a result of an investment surge in gas extraction in that country and in Panama as a result of unusually low investment during 2002. More detailed descriptions of investment activities in the leading recipients of FDI inflows are presented below. Information is also presented on CBERA-related FDI inflows in other countries obtained from the Commission's biennial investment survey and from USITC staff research specifically focused on the textiles and apparel sector.

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[33] CBTPA also accounted for a significant share of imports under CBERA since 2002, as discussed in chapter 2 of this report.

[34] ECLAC, *Preliminary Overview of the Economies of Latin America and the Caribbean, 2004* (December 2004), p. 21.

[35] Among other things, CBERA amended section 936 of the U.S. Internal Revenue Code to exempt U.S. companies doing business in Puerto Rico from U.S. corporate income taxes on profits deposited in the Puerto Rican banking system. These funds could be lent at below-market interest rates to finance development projects in qualifying CBERA countries that sign a tax information exchange agreement (TIEA) with the United States. The section 936 provision was repealed in 1996, although certain tax credit claims were permitted to continue until 2005. U.S. Department of Commerce, ITA, *Guide to the Caribbean Basin Initiative,* November 2000.

[36] Signing a TIEA allows U.S. companies holding conventions and seminars in the signatory country to deduct expenses from these activities from their Federal income taxes without regard to the more stringent rules generally applicable to foreign conventions, thus providing a boost to tourism in the signatory country. Ibid. Section 232 of the CBEREA (Public Law 101-382, title II, 104 Stat. 629, 19 U.S.C. 2101 note) states the Congressional finding that "the tourism industry must be recognized as a central element in the economic development and political stability of the Caribbean Basin region because of the potential that the industry has for increasing employment and foreign exchange earnings, establishing important linkages with other related sectors, and having a positive complementary effect on trade with the United States." Further, it stated that "[i]t is the sense of Congress that increased tourism and related activities should be developed in the Caribbean Basin region as a central part of the Caribbean Basin Initiative program."

[37] Based on available data from sources cited in table 3-6 as of Aug. 1, 2005.

Trinidad and Tobago

FDI inflows in Trinidad and Tobago were valued at $1.8 billion in 2004, up from $616 million in 2003 and $791 million in 2002. Trinidad and Tobago is the leading oil and gas producer in the CBERA region,[38] and much of the country's FDI is directed toward oil, gas, and petrochemical production—products largely that do not benefit from CBERA because they enter the United States NTR free of duty.

Trinidadian oil and gas exports benefited from higher global prices for oil and natural gas during 2004.[39] Liquefied natural gas[40] accounted for nearly one-half of the value of U.S. imports from Trinidad and Tobago in 2004, with imports valued at $2.6 billion, a 365 percent increase from $565.9 million in 2002. Anhydrous ammonia[41] ranked as the second leading U.S. import from Trinidad and Tobago, with imports valued at $933.2 million in 2004, a 200 percent increase from $312.2 million in 2002. Crude petroleum oils (HTS 2709.00.20, entered under CBTPA) ranked as the third leading U.S. import from Trinidad and Tobago, with imports valued at $825.5 million in 2004, a 39 percent increase from $595.3 million in 2002. Methanol (HTS 2905.11.20, entered under CBERA) ranked as the fourth leading U.S. import from Trinidad and Tobago, with imports valued at $464.6 million in 2004, a 111 percent increase from $219.9 million in 2002.

Several large investments in oil and gas extraction projects in Trinidad and Tobago were announced during 2004. In February 2004, the Trinidadian government announced the approval of a $1.1 billion liquified natural gas expansion project with an estimated output capacity of 850,000 metric tons (mt) annually.[42] On September 15, 2004, production was officially launched at Trinidad's Atlas Methanol. Atlas has been under construction since 2001 and is the world's largest methanol plant with an output capacity of 1.7 million mt annually.[43] In early 2005, a U.S. company finalized plans for a five-plant, $550 million ammonia and urea ammonia nitrate fertilizer project in Trinidad to supply agricultural and industrial customers in North America, with production estimated to begin within 2 years.[44] According to the source, fertilizer production in Trinidad is cheaper than in the United States because of the availability of lower-cost natural gas in Trinidad.[45]

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[38] CIA, "Trinidad and Tobago," *The World Factbook,* available at *http://www.cia.gov/cia/publications/factbook,* retrieved July 24, 2005.

[39] ECLAC, *Preliminary Overview of the Economies of Latin America and the Caribbean, 2004,* p. 141, and Repsol YPF, "Exploration and Production 2004," available at repsolypf.com, retrieved July 24, 2005.

[40] Liquefied natural gas (HTS 2711.11.00) enters the United States NTR duty free.

[41] Anhydrous ammonia (HTS 2814.10.00), which enters the United States NTR free of duty, is widely used in fertilizer.

[42] U.S. Department of State telegram, "Trinidad Petroleum Conference," prepared by U.S. embassy Port of Spain, message reference No. 0282, Feb. 12, 2004.

[43] U.S. Department of State telegram, "Trinidad Gasbag Energy Sector News," prepared by U.S. embassy Port of Spain, message reference No. 1768, Sept. 30, 2004.

[44] "Trinidad & Tobago," *Caribbean Update,* February 2005, p. 20, and April 2005, p. 20.

[45] Ibid. "Natural gas is a key feedstock in the manufacturing of nitrogen. . . [and] accounts for . . . up to 90 percent . . . of the total cost of manufacturing nitrogen fertilizer." U.S. General Accounting Office (GAO), *Natural Gas: Domestic Nitrogen Fertilizer Production Depends on Natural Gas Availability and Prices—Report to the Ranking Democratic Member, Committee on Agriculture, Nutrition and Forestry, U.S. Senate,* GAO-03-1148, September 2003, pp. 4-5.

Jamaica

FDI inflows in Jamaica were valued at $606 million in 2004, up from $520 million in 2003 and $479 million in 2002. Much of that investment was directed toward the production of goods eligible for CBERA. The two leading U.S. imports from Jamaica during 2004, fuel-grade ethanol (HTS 2207.10.60)[46] and knitted cotton t-shirts (HTS 6109.10.00), entered under CBERA. U.S. ethanol imports from Jamaica were valued at $53.8 million in 2004, a 68 percent increase from $32.0 million in 2002, while U.S. imports of cotton t-shirts from Jamaica were valued at $45.1 million, a 12 percent decrease from $51.1 million in 2002 (appendix table D-1).

In January 2004, press reports stated that Jamaica had entered into a $7.7 million ethanol project with Brazil to produce sugarcane-derived ethanol for export to the United States.[47] In early 2005, press reports indicated that Venezuelan investors were considering a $170 million expansion and upgrade project of Jamaica's sole oil refinery to increase crude oil refining capacity from 36,000 barrels of oil to 60,000 barrels of oil per day.[48]

The Jamaican Promotions Corporation (Jampro), the country's investment promotion agency, reports annual FDI in Jamaica's tourism sector to be $500 million.[49] Jampro reported significant new and expansion investment in the country's tourism sector, including improvements at cruise ship piers, new hotel construction, and the development of facilities to serve private aircraft.[50]

Costa Rica

FDI inflows in Costa Rica were valued at $565 million for 2004, down from $587 million in 2003 and $662 million in 2002 (table 3-6). The gradual decline in FDI in Costa Rica is a result of lower FDI in the tourism sector,[51] as well as reports of a generally declining investor perception of Costa Rica as a business-friendly FDI destination as a result of rising costs, reports of a deteriorating local business climate, and a proposed 15 percent income tax.[52] Moreover, the surge of FDI into Costa Rica during the late 1990s as a result of the construction of new operations by U.S. companies such as Intel Corp., Abbott Laboratories, and Procter & Gamble, peaked by 2002. The U.S. Embassy in San José reported that more than one-half of FDI in

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[46] Refers to fuel-grade ethanol used mostly as an additive to gasoline to reduce carbon monoxide exhaust emissions. Sugarcane is the major indigenous feedstock.

[47] "Jamaica: Brazil-Jamaica Ethanol Project," *Caribbean Update,* January 2005, p. 21, and "Brazil Offers Jamaica Assistance with Ethanol, Sugar Production," *The Jamaican Observer,* May 17, 2005. Similar plans for a joint Brazilian ethanol project in Trinidad and Tobago and in El Salvador also were announced. See "Trinidad & Tobago: U.S. Congress Scrutinizes Ethanol Plant," Caribbean Update, January 2005, p. 28.

[48] "Jamaica: LNG Deal with Venezuela?" *Caribbean Update,* April 2005, p. 14.

[49] Jampro, "Tourism," available at *www.investjamaica.com,* retrieved July 25, 2005.

[50] Ibid.

[51] U.S. Department of State telegram, "Costa Rica Input—USITC Biennial Caribbean Basin Investment Survey, message reference No. 01491, prepared by U.S. Embassy San José, June 28, 2005.

[52] Ibid., and Industry Canada "Costa Rica," Dec. 30, 2003, found at *http://strategis.ic.gc.ca/epic/internet/inimr-ri.nsf/en/gr122577e.html,* retrieved July 25, 2005.

Costa Rica in 2004 was by U.S. investors.[53] Nearly three-fourths of FDI in Costa Rica is in the manufacturing sector (with most of that investment directed toward the production of CBERA-eligible goods in Costa Rican FTZs), with 8.6 percent in Costa Rica's tourism sector and 6.2 percent in services (including call centers, business centers, and real estate).[54] The U.S. Embassy in San José reported that recent FDI in Costa Rica reflects the trend that an "influx of capital-intensive and higher value-added industrial and service companies have come to replace much of the draw-back [in- bond] garment industry . . . that has moved to other Central American countries or to China due to labor cost differentials."[55]

The leading U.S. imports from Costa Rica in 2004 entered NTR free of duty, including semiconductors (HTS 8542.21.80) and medical, surgical, dental, or veterinary instruments and appliances (HTS 9018.90.80). The U.S. Embassy in San José reported that FDI inflows in the Costa Rican manufacturing sector in 2004 focused on investment in capital-intensive industries such as the production of electronic components and pharmaceutical products as a number of U.S. companies produce in Costa Rica for export to other Latin American countries.[56]

The leading CBERA-eligible imports from Costa Rica in 2004 included a number of textile and apparel articles, as shown in appendix table D-1. U.S. imports of apparel items from Costa Rica (most of which entered under CBERA) generally declined during 2002-2004 for most categories. Costa Rica's textile and apparel production was valued at an estimated $363 million in 2004 or about 9 percent of total manufacturing production.[57] Although Costa Rica's textile and apparel sector's high productivity has reportedly enabled it to remain competitive in niche markets, the rising cost of Costa Rican labor[58] and the lack of access to domestic supplies of quality fabrics and other raw materials[59] have contributed to declining production and have led to the recent closure of several clothing assembly plants as they relocated to lower-cost Central American and Asian countries.[60]

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[53] U.S. Department of State telegram, "Costa Rica Input—USITC Biennial Caribbean Basin Investment Survey," message reference No. 01491, prepared by U.S. Embassy San José, June 28, 2005.

[54] Ibid.

[55] Ibid.

[56] Ibid.

[57] U.S. Department of State telegram, "Costa Rican Textile and Apparel Sector Rests Hopes for Survival on DR-CAFTA," message reference No. 2649, prepared by U.S. Embassy San José, Sept. 30, 2004.

[58] According to one source, in early 2004, Costa Rica's daily wages were $11.28 per day compared with $4.28 in El Salvador, $3.85 in Guatemala, and $1.94 in Nicaragua. See EIU, "Costa Rica Industry: Manufacturing Update," EIU ViewsWire, Mar. 23, 2004, found at *http://www.nexis.com,* retrieved Dec. 7, 2004.

[59] U.S. Department of State telegram, "Costa Rican Textile and Apparel Sector Rests Hopes for Survival on DR-CAFTA," message No. 2649, prepared by U.S. Embassy San José, Sept. 30, 2004.

[60] U.S. Department of State telegram, "Costa Rica Input—USITC Biennial Caribbean Basin Investment Survey," message reference No. 01491, prepared by U.S. Embassy San José, June 28, 2005.

Panama

FDI inflows in Panama were valued at $467 million in 2004, down from $792 million in 2003 but still a significant increase from the $78 million recorded in 2002.[61] The U.S. Embassy in Panama City reported that the very low level of FDI in 2002 reflected the end of an extensive privatization program in Panama and that FDI surged in 2003 as a result of major investments in Panama's energy and construction sectors as well as renewed investor interest in Panama's banking sector.[62] Panama experienced strong economic performance in 2004 in large part as a result of a boom in exports of agricultural products, especially melons, pineapples, shrimp, and beef.[63] A significant share of FDI in Panama during 2004 was directed toward the production of CBERA-eligible goods.

Reported FDI inflows in Panama during 2004 focused on the following sectors: green and roasted coffee, fresh and chilled seafood (shrimp and trout), smoked seafood, fruit (including pineapple, honey dew melon, and watermelon), vegetables (squash), and candy and cookies. In response to the Commission's survey, most respondents[64] indicated that these projects would not have been launched in the absence of CBERA/CBTPA benefits. Almost all of the projects—particularly those involving exports of coffee, melons, and seafood—reported using inputs of the United States, U.S. Virgin Islands, Puerto Rico, or other CBERA country origin to meet the CBERA local value content requirement.[65]

Dominican Republic

FDI inflows in the Dominican Republic were valued at $463 million in 2004, up from $310 million in 2003, but down 49.5 percent from $917 million in 2002.[66] Foreign investment in Dominican FTZs in 2004 (much of which was directed toward the production of CBERA-eligible goods) was valued at $114 million, with investment from U.S. businesses accounting for $57 million of the total. An estimated 76 percent of Dominican FTZ exports were shipped to the United States. Of the 569 FTZ businesses in the Dominican Republic, 456 use materials originating in the United States.[67] An estimated 25 percent of total FDI in the Dominican Republic is concentrated in the tourism sector, making tourism the country's leading investment activity.[68]

[61] The U.S. Embassy in Panama reported FDI in Panama during 2004 of $1.01 billion, based on statistics of the Panamanian government. U.S. Department of State telegram, "Panama: USITC Biennial Caribbean Basin Investment Survey," prepared by U.S. Embassy Panama City, message reference No. 1539, July 20, 2005.

[62] Ibid.

[63] Ibid.

[64] The U.S. Embassy in Panama City sent the Commission's questionnaires to 120 companies in Panama, with 19 respondents. Ibid.

[65] Ibid.

[66] The U.S. Embassy in Santo Domingo reported FDI in the Dominican Republic of $650 million in 2004, down from $1.01 billion in 2003. U.S. Department of State telegram, "Dominican Republic: USITC Biennial Caribbean Basin Investment Survey," prepared by U.S. Embassy Santo Domingo, message reference No. 3564, July 12, 2005.

[67] Ibid.

[68] "Dominican Republic: Clouds on Foreign Investment Horizon," *Caribbean Update,* April 2005, p. 9.

An estimated 47 percent of FDI in Dominican FTZs is for the production of textile and apparel goods, 10 percent for metals, 9 percent for medical instruments, and 8 percent for services.[69] Most of the leading U.S. imports from the Dominican Republic entered under CBERA.[70] The leading CBERA-eligible imports from the Dominican Republic are shown in appendix table D-1.

According to the U.S. Embassy in Santo Domingo, CBERA has been a significant factor in attracting FDI and new business to the Dominican Republic.[71] Like many other Caribbean Basin apparel producers, the Dominican Republic faces rising labor costs, high electricity rates, and outmoded ports and airports that reduce the country's international competitiveness in apparel production.[72] Those factors have contributed to the steady decline in the Dominican Republic's apparel exports to the United States in recent years. Despite efforts to reduce in-country production costs, nine export-oriented apparel plants closed or merged production lines during 2004.[73]

The Dominican Republic has about 300 apparel producers in 55 FTZs throughout the country. Grupo M, reputed to be the largest private sector employer in the Dominican Republic (with 12,000 employees and 22 production facilities) and the largest apparel producer in the CBERA region, is developing a new $43 million FTZ-based production facility located on the Dominican Republic–Haiti border.[74] Industry sources also report that a Canadian apparel producer is developing new manufacturing hubs in the Dominican Republic and Haiti.[75] According to one large apparel manufacturer located in a Dominican FTZ, CBERA/CBTPA benefits are essential to that company's ability to continue its operations in the Dominican Republic.[76]

Other Countries

Belize

The Government of Belize awarded development concessions to nine companies during 2004, six involved in tourism and three in the non-tourism services sector. One

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[69] Ibid.

[70] The second leading U.S. import from the Dominican Republic, medical, surgical, dental, or veterinary instruments and appliances (HTS 9018.90.80), with imports valued at $384.2 million in 2004, entered NTR duty free.

[71] U.S. Department of State telegram, "Dominican Republic: USITC Biennial Caribbean Basin Investment Survey," prepared by U.S. Embassy Santo Domingo, message reference No. 3564, July 12, 2005.

[72] Sewn Products Equipment and Suppliers of the Americas, "Dominican Republic Free Zones Face China," Jan. 10, 2005, available at *www.behind-the-seams.com,* retrieved May 25, 2005.

[73] "Dominican Republic: Free Zones Concerned about Survival," *Caribbean Update,* April 2005, p. 9.

[74] Aroq, Ltd., "Haiti and the Dominican Republic Post-2005," May 7, 2004, available at *just-style.com,* retrieved May 25, 2005.

[75] "Canada: Gildan Posts Record Profit, Invests $60 Million in Nicaragua," Aug. 5, 2004, available at *just-style.com,* retrieved May 25, 2005.

[76] U.S. Department of State telegram, "Dominican Republic: USITC Biennial Caribbean Basin Investment Survey," prepared by U.S. Embassy Santo Domingo, message reference No. 3564, July 12, 2005.

company has received a license to operate in an EPZ to manufacture apparel for the U.S. market during 2004.[77]

Guatemala

FDI inflows totaled $195 million in 2004, a 77.3 percent increase from $110 million in 2002. Guatemala, the third largest CBERA supplier of textiles and apparel to the U.S. market in 2004, has historically had one of the most vertically integrated textile and apparel sectors in the CBERA region. Guatemala has some sophisticated, highly competitive apparel manufacturing facilities, and, in recent years, the textile and apparel sector has continued to expand full-package services (in which apparel is designed and fully made in-country, with the manufacturer responsible for sourcing all material) and the production of high-end garments.[78] In 2003, Guatemala had 226 clothing factories and 39 textile mills employing 142,000 workers.[79] About 62-70 percent of Guatemala's textile and apparel manufacturing facilities are South Korean-owned firms located in the rural areas outside Guatemala City.[80]

Recent efforts have been made to attract new FDI in textile production and to develop state-of-the-art spinning, knitting, dyeing, and finishing facilities in Guatemala.[81] One company is developing one of the region's large-scale denim mills with a new $90 million plant that is to begin operations in 2005.[82] An Ohio label producer announced plans in 2004 to establish a distribution center and manufacturing plant in Guatemala.[83] A Korean-owned factory opened outside of Guatemala City in April 2004 to produce yarn and knitted fabrics to supply local knitted garment and t-shirt producers.[84]

El Salvador

FDI inflows were valued at $389 million in 2004, an 87.0 percent increase from $208 million in 2002. However, four textile and apparel maquila operations in El Salvador

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[77] U.S. Department of State telegram, "USITC Biennial Caribbean Basin Initiative," prepared by U.S. Embassy Belize City, message reference No. 0485, July 5, 2005.

[78] Jordan K. Speer, "Paralysis and Momentum: A Region Awaits 2005 and CAFTA, " *Central America Journal (Guatemala),* Aug. 1, 2004, available at *http://www.nexis.com,* retrieved Dec. 7, 2004.

[79] "Why CAFTA is Critical for Guatemala," available at *just-style.com,* May 31, 2004, retrieved May 25, 2005.

[80] Jordan K. Speer, "Paralysis and Momentum: A Region Awaits 2005 and CAFTA,"and "Guatemala Offers $Fast-Fashion' Options for Asian Investors," June 17, 2004, available at *www.tdctrade.com,* retrieved June 15, 2005.

[81] "Guatemala in the Race for Speed-to-Market," May 23, 2005, available at *just-style.com,* retrieved May 25, 2005.

[82] Leonie Barrie, "Cone Shows CAFTA Confidence," May 17, 2004, available at *just-style.com,* retrieved May 25, 2005.

[83] Scott Malone, "Counting on CAFTA," Women's Wear Daily, May 18, 2004, found at *http://www.sweatshopwatch.org*, retrieved Nov. 29, 2004.

[84] Ibid.

closed in 2004 resulting in a loss of 6,000 Salvadoran jobs.[85] The elimination of quotas is expected to lead to additional job losses and a decline in investment.[86] Nevertheless, in January 2004, a new sweater manufacturing facility opened in El Salvador's Miramar Free Zone with the capacity to produce 300,000-500,000 sweaters from U.S. yarn.[87]

Guyana

FDI inflows totaled $35 million in 2004, a 20.4 percent decrease from $44 million in 2002. An estimated $25 million of 2004 FDI was directed toward Guyana's telecommunications sector. Other sectors receiving investment included mining ($5 million), forestry ($3.3 million), and manufacturing, including sugar production ($1.7 million). In response to the Commission's biennial investment survey, the U.S. Embassy in Georgetown identified two investment projects in 2004 that reportedly would not have been launched without CBERA benefits: one producing decking lumber and plywood for U.S. retailers and another producing hunters' suits, masks, and clothing using 50 percent U.S. fabric, trimmings, and accessories. Non-CBERA related investment projects during 2004 reported by the U.S. Embassy in Georgetown involved the production for export of jams and jellies, fish and shrimp, and sawn timbers.[88]

Honduras

FDI inflows totaled $195 million in 2004, a 10.8 percent increase from $176 million in 2002. Honduras has been the leading CBERA supplier of textile and apparel goods to the U.S. market for a number of years,[89] and the third-leading global supplier of textile and apparel goods to the United States.[90] The U.S. Embassy in Honduras reports that CBERA has played a significant positive role in the growth of the Honduran maquila industry, and that cumulative FDI in the Honduran maquila sector—the majority of which being textile or apparel related—is estimated to be more than $1.0 billion as of 2004.[91] Approximately 162 of the more than 280 maquila manufacturers in Honduras are textile and apparel producers.[92]

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[85] U.S. Department of State telegram, "Changes in the Salvadorean Textile and Apparel Industry," message No. 2786, prepared by U.S. Embassy of San Salvador, Sept. 30, 2004, and U.S. Department of State telegram, "Salvadoran Apparel Sector Frays While the U.S. Debates CAFTA," message No. 638, prepared by U.S. Embassy, San Salvador, June 3, 2005.

[86] U.S. Department of State telegram, "Changes in the Salvadorean Textile and Apparel Industry," message reference No. 2786, prepared by U.S. Embassy of San Salvador, Sept. 30, 2004.

[87] "National Spinning Opens Sweater Facility in El Salvador," April 2004, found at *textileworld.com,* retrieved July 25, 2005.

[88] U.S. Department of State telegram, "USITC Biennial Caribbean Basin Investment Survey," prepared by U.S. Embassy Georgetown, message reference No. 0740, July 14, 2005.

[89] U.S. Department of State telegram, "Honduras: Textile and Apparel Statistics: Both Employment and Fear of China Growing," message reference No. 2276, prepared by U.S. Embassy Tegucigalpa, Oct. 13, 2004, and John Authers, "Honduras Textile Groups Will Sew Up Future," *Financial Times,* July 27, 2004.

[90] U.S. Department of State telegram, "USITC Caribbean Basin Investment Survey," message reference No. 1535, prepared by U.S. Embassy Tegucigalpa, July 27, 2005.

[91] Ibid.

[92] U.S. Department of State telegram, "Honduras: Textile and Apparel Statistics: Both Employment and Fear of China Growing," message reference No. 2276, prepared by U.S. Embassy Tegucigalpa, Oct. 13, 2004, and John Authers, "Honduras Textile Groups Will Sew Up Future," *Financial Times,* July 27, 2004.

According to some industry sources, the elimination of quotas on January 1, 2005, poses a "serious threat to the viability of the [textile and apparel] industry" in Honduras[93] because of increasing competition from lower-cost Asian suppliers. As a result, efforts underway to improve the Honduran competitive position include the establishment of a number of alliances between textile and apparel producers to expand full-package services.[94] Apparel assembly operations in Honduras increasingly have shifted from basic assembly operations to more sophisticated manufacturing centers where competitiveness relies on non-price factors such as flexible supply chain management, proximity to the U.S. market, and effective management.[95] For example, one Honduran-owned facility in San Pedro Sula now manufactures textiles and cuts cloth in addition to assembling apparel for major U.S. brands.[96] Some of the larger companies in Honduras also have been investing substantially in cutting, spreading, embroidery, and screen printing operations.[97] According to one source, full-package programs accounted for an estimated 37 percent of the 159 apparel companies in Honduras in late 2004.[98] Some producers have invested in specialized software systems to streamline and support full-package operations.[99] New facilities, a number of which are owned/operated by Asian firms, are also being established to further expand textile production in Honduras.[100]

Nicaragua

FDI inflows totaled $261 million in 2004, a 27.9 percent increase from $204 million in 2002. U.S. FDI in Nicaragua totaled $34.7 million in 2004, one-half of which was associated with investments in FTZs primarily for apparel production.[101] Key manufacturing investment activities identified during 2004 include a $10 million plant expansion for a U.S. manufacturer of women's shape wear and a $4.8 million plant expansion for a U.S. producer of automobile parts. FDI in Nicaragua's tourism sector

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[93] U.S. Department of State telegram, "Honduras: Textile and Apparel Statistics: Both Employment and Fear of China Growing," message reference No. 2276, prepared by U.S. Embassy Tegucigalpa, Oct. 13, 2004.

[94] U.S. Department of State telegram, USITC Caribbean Basin Investment Survey," message reference No. 1535, prepared by U.S. Embassy Tegucigalpa, July 27, 2005.

[95] "Honduras Steps into Full-Package Mode," Apr. 14, 2003, available at *just-style.com,* retrieved May 25, 2005.

[96] John Authers, "Honduras Textile Groups Hope Trade Deal Will Sew Up Future," *Financial Times,* July 27, 2004.

[97] Kelly Stanmore and Benedict Pillionel, "Honduras Holding Its Own," Apparel, Nov. 1, 2003, found at *http://www.nexis.com/research/search/submitViewTagged*, retrieved Dec. 7, 2004.

[98] Ibid.

[99] "Honduras: Roka to Use NGC to Streamline Operations," Sept. 3, 2004, available at *just-style.com,* retrieved May 25, 2005.

[100] Industry sources state that 29 percent of the apparel companies in Honduras are backed by Asian companies. The executive director of the Honduran Manufacturers Association, based in San Pedro Sula, has reported interest by Asian investors who seek to open new mills in Honduras. See Kelly Stanmore and Benedict Pillionel, "Honduras Holding Its Own," Apparel, Nov. 1, 2003, available at *http://www.nexis.com*, retrieved Dec. 7, 2004, and Scott Malone, "Counting on CAFTA," Women's Wear Daily, May 18, 2004, available at *http://www.sweatshopwatch.org,* retrieved Nov. 29, 2004.

[101] U.S. Department of State telegram, "Nicaragua Input—USITC Biennial Caribbean Basin Investment Survey," prepared by U.S. Embassy Managua, message reference No. 1984, July 11, 2005.

during 2004 totaled more than $21 million for the construction of two new resort properties.[102] In early 2005, Nicaragua added new incentives for FDI in the tourism sector to expand tax exemption for small businesses in the sector and to create a new fund to support private investment.[103]

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[102] Ibid.
[103] "Nicaragua: Tourism Incentives Sweetened," *Caribbean Update,* March 2005, p. 15.

CHAPTER 4
Impact of CBERA on the Beneficiary Countries

This chapter evaluates the impact of CBERA on the economies of the beneficiary countries. It begins with a brief review of recent economic literature on the impact of CBERA, followed by economic profiles of Costa Rica and Nicaragua.[1] Each economic profile concludes with an assessment of the economic impact of CBERA.

Literature Review

Two recent studies have evaluated the effects of preferential trade agreements on the economies of the countries of the Caribbean Basin region. Both generally find that CBERA has had a small positive effect on exports, and hence economic growth, in the CBERA beneficiaries with respect to the production-sharing apparel sector.

A 2005 World Bank study used a variety of approaches including econometric analysis, trend analysis, and qualitative analysis to assess development strategies for the Caribbean region.[2] According to the study, "[e]mpirical evidence shows that trade preferences do not help overall trade performance."[3] While the authors report that trade preferences have encouraged growth in certain sectors, they find that "evidence does not show a positive correlation between aggregate trade and trade preferences . . . . Specifically, preferences do not have large effects on export volumes."[4] Specific study findings are: (1) trade preferences tend to steer resources to sectors that are not necessarily the most internationally competitive; (2) once resources have shifted to take advantage of the preferences, countries tend to become focused on maintaining the preferences, and their economies become less dynamic than they otherwise would be; and (3) countries that receive unilateral trade preferences tend to have more restrictive trade policies because they have not been required to liberalize their own regimes on a reciprocal basis.[5] The study notes that CBERA has helped stimulate growth in the

[1] Costa Rica and Nicaragua were selected for economic profiles based on several factors. Most significantly, among the leading sources of U.S. imports under CBERA in 2004 (see table 2-13 in chapter 2 of this report), Costa Rica and Nicaragua were the only countries that had not been selected for economic profiles or factfinding fieldwork for this series of reports in recent years. El Salvador, Guatemala, and Honduras were the subjects of economic profiles in USITC, *The Impact of the Caribbean Basin Economic Recovery Act, Sixteenth Report, 2001-2002*, USITC publication 3636, September 2003, and Commission staff conducted fieldwork in the Dominican Republic, Guatemala, and Trinidad and Tobago for USITC, *The Impact of the Caribbean Basin Economic Recovery Act, Fifteenth Report, 1999-2000*, USITC publication 3447, September 2001.

[2] World Bank, *A Time to Choose: Caribbean Development in the 21st Century*, Report No. 31725-LAC, Apr. 27, 2005.

[3] Ibid., para. 4.45.

[4] Ibid., para. 4.46.

[5] Ibid., paras. 4.46-4.47.

apparel sector, but it also reports that Caribbean service exports—which receive no trade preferences—have grown even faster than merchandise exports for the period 1981-2002.[6]

A 2002 study uses an econometric analysis to assess the impact of CBERA on economic growth in the CBERA beneficiaries.[7] The study found that CBERA duty elimination "may have had a small positive effect on growth in the beneficiary countries," but that this effect "only occurred during the years in which the beneficiary countries were liberalizing their own trade and foreign exchange regimes."[8] However, the production-sharing provisions, like the apparel assembly provisions of CBTPA (this study was conducted using data before the implementation of CBTPA), were found to have "a consistently strong impact on growth." Regarding indirect effects of CBERA on economic growth in the beneficiary countries resulting from increased investment, the study found that CBERA duty elimination had no impact on investment, but that production-sharing provisions had a "consistent positive impact" on investment in the region.[9]

Country Profiles

The following section presents country profiles for Costa Rica and Nicaragua. Each profile contains information on basic economic indicators and trade statistics, such as 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.

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[6] Ibid., box 4.2.

[7] Judith Dean, U.S. International Trade Commission, *Do Preferential Trade Agreements Promote Growth? An Evaluation of the Caribbean Basin Economic Recovery Act*, Office of Economics working paper, No. 2002-07-A, July 2002.

[8] Ibid., pp. 19-20. The author reports that "[i]n Costa Rica, Trinidad, Jamaica, and Guyana this transformation [from protectionist economic policies to more open and liberalized economic policies] took place as early as the mid-to late 1980s. The other Central American and Caribbean countries began major reforms in the early to mid-1990s." Ibid., p. 6.

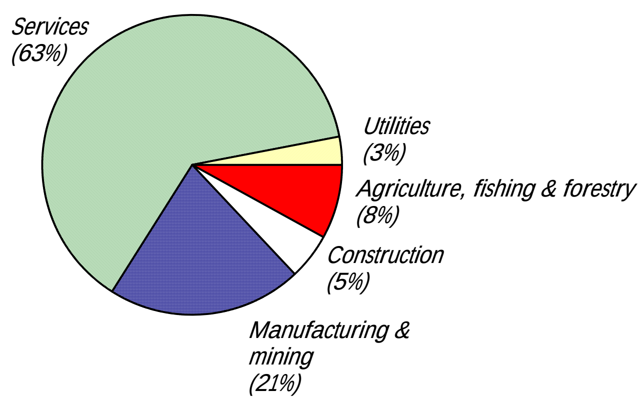
[9] Ibid., pp. 19-20. For the Central American countries, the author reports that when "[production-sharing] variables are included in the [economic model] specification, the CBERA program loses its significance, and production-sharing has a positive significant effect on investment. . . . This result corresponds to anecdotal evidence from discussions with producers in CBERA countries, who stressed the significance of apparel exports and . . . [production-sharing] for their country's investment, employment, and growth." Ibid., pp. 13-14. NAFTA reportedly diminished the positive effects of production sharing on Central American economic growth by diverting regional apparel trade toward Mexico, but this effect was mitigated by the Central American countries' domestic trade liberalization. Ibid., p. 15. Similar trends are reported for the Caribbean countries. Ibid., pp. 16-18.

COSTA RICA

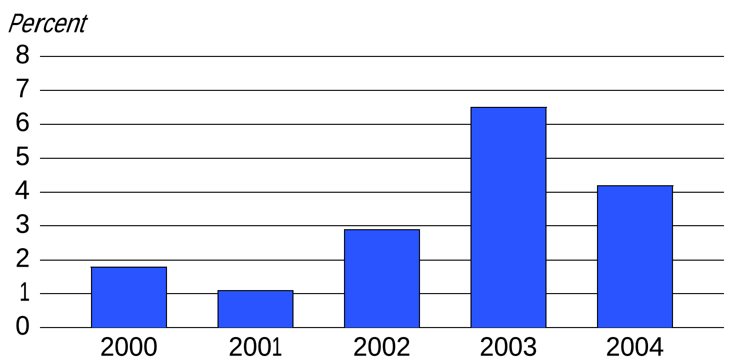
Economic Overview

Economic indicators	2002	2003	2004
GDP (colones, tn)	6.1	7.0	8.1
GDP (US $ bn)	16.8	17.5	18.4
GDP growth (%)	2.9	6.5	4.2
Inflation (CPI %)	9.2	9.5	12.3
Goods exports (US $ mn)	5,270	6,125	6,311
Goods imports (US $ mn)	6,537	7,294	7,832
Trade balance (US $ mn)	-1,267	-1,169	-1,521
Current account balance (US $ mn)	-916	-967	-892
Foreign exchange reserves (US $ mn)	1.5	1.8	1.9
Total external debt (US $ bn)	5.0	5.4	5.6
Debt service ratio (%)	8.5	9.3	9.7
Exchange rate, colones per US $	359.8	398.8	437.9

Origins of GDP, 2004



Real GDP Growth Rate



Economic Profile

Costa Rica traditionally was known primarily as a producer and exporter of bananas and coffee. By the early 1990s, encouraged by U.S. trade preferences, exports from a growing FTZ-based manufacturing sector became more important to the Costa Rican economy than traditional agricultural exports. Apparel maquila (assembly) operations and the production of medical supplies dominated Costa Rican manufacturing for most of the 1990s.

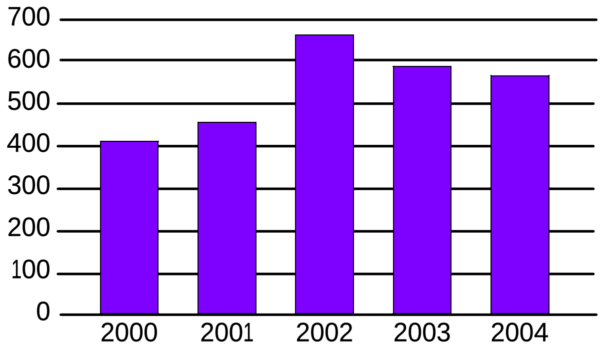
Apparel assembly declined in its importance to the Costa Rican economy in the late 1990s as production shifted to lower-cost Central American and Asian countries, while Costa Rica began to attract more capital-intensive and higher value-added industrial and service companies. Intel Corp. opened its first microprocessor plant in Costa Rica in 1998; since then, the assembly of microprocessors has become the largest single area of manufacturing activity in Costa Rica. However, Costa Rica's reliance on exports of microprocessors makes export earnings vulnerable to fluctuations in world market conditions related to the cyclical nature of the global semiconductor market. The production of pharmaceutical products also has increased in importance as several U.S. companies produce in Costa Rica for export to other Central American countries. Agricultural production has become more diversified, and now includes significant quantities of such products as pineapples, melons, live plants, and flowers.

Services also have increased in importance to the Costa Rican economy in recent years. Tourism is Costa Rica's single largest source of foreign exchange earnings. Costa Rica's large tourism sector includes a globally recognized ecotourism niche. Costa Rica's relatively well-educated population also has provided the basis for development of service industries in such sectors as off-shore call centers providing customer service and technical support, financial and accounting services, software design and development, and computer-aided industrial design services.

The World Bank classifies Costa Rica as an upper-middle income economy—a grouping of countries with per capita GDP of $3,256–$10,065 (other countries in this group include Chile, Mexico, Russia, and South Africa). On several socioeconomic indicators, including at-birth life expectancy, infant mortality, and incidence of illiteracy, Costa Rica ranks significantly higher than most other Latin American and Caribbean countries as well as higher than most other upper-middle income countries.

Net Foreign Direct Investment

Millions of U.S. Dollars



Main trade partners, country and share of total exports/imports, 2004

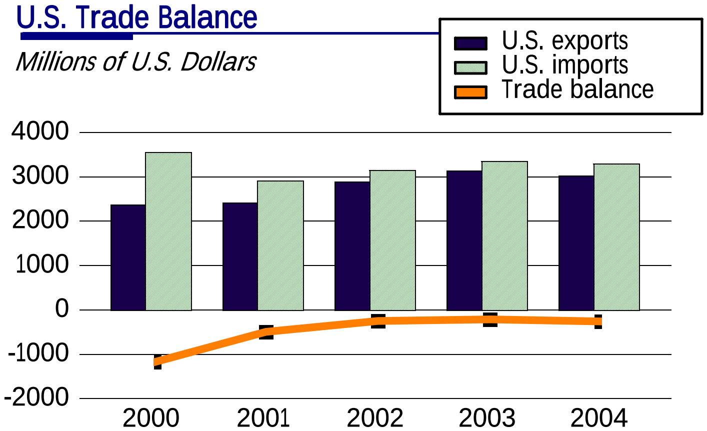
Markets for exports		Sources of imports	
United States	44	United States	46
Netherlands	5	Japan	6
Guatemala	4	Mexico	5

Principal products of trade, 2004, US $ mn

Exports		Imports	
Maquiladora and FTZ	3,597	Raw materials	4,711
Indust. & manuf. goods	1,230	Consumer goods	1,494
Bananas	546	Capital goods	1,255
Coffee	200		

U.S. Trade Balance

Millions of U.S. Dollars



Economic Profile—Cont.

During the 1990s, Costa Rica's export-led development strategy resulted in an average annual GDP growth rate of nearly 5.0 percent, significantly above the average for the Latin American/Caribbean region as a whole. Strong, but somewhat lower growth has continued since 2000. Economic growth surged by 6.5 percent in 2003 based on strong exports of high technology goods such as microprocessors and telecommunications equipment , agricultural goods, and an increase in international tourism. More moderate growth of 4.2 percent in 2004 reflected a decline in the value microprocessor shipments.

The structure of Costa Rica's economy has changed significantly since the early 1980s. Agriculture, forestry, and fishing made up 26 percent of Costa Rica's GDP in 1983; that share declined to 8 percent by 2004. Manufacturing has declined marginally from 25 percent of GDP in 1983 to 21 percent in 2004. Services increased from 41 percent of GDP in 1983 to 63 percent of GDP in 2004.

Investment Profile

Costa Rica has an open investment climate supported by a generally transparent regulatory system and a strong judicial system that upholds contracts. Industry surveys by Costa Rican public and private sector entities report that investors are most attracted by Costa Rica's economic and political stability and well-educated workforce with bilingual (Spanish and English) language abilities. Negotiations for a bilateral investment treaty (BIT) with the United States were suspended in 1990, restarted in 1996, and suspended again in 1997. However, the investment chapter of CAFTA-DR includes all aspects of a BIT for the protection of U.S. investors.

FDI has been the largest source of financing of the Costa Rican current account deficit since 1995, allowing the country to maintain adequate international reserves and avoid implementing capital controls. Costa Rica shifted its development strategy to encourage FDI in high technology sectors in the late 1990s. FDI in Costa Rica was valued at $565 million in 2004, more than one-half of which was by U.S. investors. The manufacturing industry received 73 percent of Costa Rican FDI during 2004, followed by services and tourism.

Trade Profile

In 2004, Costa Rica's merchandise exports to the world were valued at $6.3 billion, and total imports were valued at $7.8 billion, resulting in a merchandise trade deficit of $1.5 billion. Costa Rica's worldwide export profile has changed significantly since the early 1980s. Of total exports valued at $834 million in 1983, bananas accounted for 29 percent of Costa Rica's exports, coffee 27 percent, and manufactured goods 29 percent. In 2004, bananas accounted for 9 percent of total exports, coffee 3 percent, and manufactured goods 76 percent (more than one-half of which were the product of FTZs).

Trade Profile—Cont.

Costa Rica historically has ranked among the leading U.S. suppliers in the Caribbean Basin region and as one of the top suppliers of imports under CBERA, although its rank among CBERA suppliers has declined. The United States by far is Costa Rica's largest trading partner, accounting for 44 percent of Costa Rica's total exports in 2004; the Netherlands ranked as the second leading destination of Costa Rican exports, accounting for 5 percent of total shipments in 2004. The United States supplied 46 percent of Costa Rica's total imports; Japan ranked as Costa Rica's second leading supplier, accounting for 6 percent of imports in 2004.

FTZ exports account for about one-half of Costa Rica's total merchandise exports. FTZ exports increased from $2.7 billion in 2002 to $3.3 billion in 2004. Exports of microprocessors remained unchanged at about $897 during the period 2002-04, resulting in a decline in the share of microprocessor exports from 34 percent to 27 percent of FTZ exports between 2002 and 2004. Apparel exports declined from 15 percent to 8 percent of FTZ exports, and exports of medical instruments and pharmaceuticals increased from 15 percent to 17 percent of FTZ exports between 2002 and 2004.

The composition of U.S. imports from Costa Rica has changed significantly since the late 1980s. In 1989, apparel articles accounted for one-third of U.S. imports from Costa Rica, while bananas accounted for 20 percent of the total. In 2004, electrical machinery and parts accounted for 22 percent of U.S. imports from Costa Rica, electronics articles 18 percent, apparel articles 16 percent, and bananas 7 percent.

Impact of CBERA

CBERA has played a key role in the growth and diversification of the Costa Rican economy. CBERA was particularly important to the development of Costa Rica's maquila sector. While CBERA benefits remain important, apparel producers are relocating to lower-cost Central American countries or to Asia. CAFTA-DR could further enhance Costa Rica's position as an important apparel producer in the region. Despite CBERA trade benefits, Costa Rica's leading manufactured exports to the United States in recent years—electronics goods, and medical appliances—enter the United States NTR duty-free and do not benefit under CBERA.

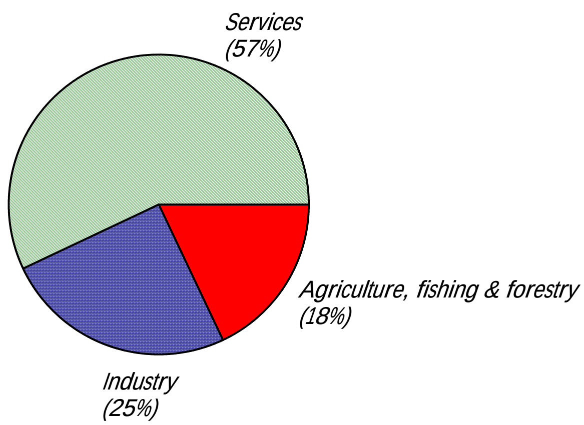
Sources: CINDE (Costa Rican Investment Board), "Business Sectors," available at *http://www.cinde.org/eng-cinde.shtml;* ECLAC, *Preliminary Overview of the Economies of Latin America and the Caribbean*, December 2004; EIU, *EIU Viewswire: Costa Rica*; U.S. Department of State, "2005 Investment Climate Statement—Costa Rica," available at *http://www.state.gov*, and "Costa Rica Input—USITC Biennial Caribbean Basin Investment Survey, message reference No. 01491, prepared by U.S. Embassy San Jose, June 28, 2005; World Bank, Costa Rica at a Glance, available at *http://www.worldbank.org/*; and USTR, "Costa Rica," *2005 National Trade Estimate Report on Foreign Trade Barriers*, Mar. 30, 2005, available at *http://www.ustr.gov*.

NICARAGUA

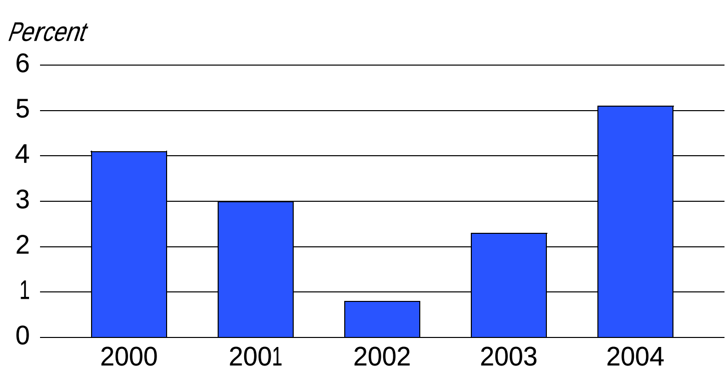
Economic Overview

Economic indicators	2002	2003	2004
GDP (córdobas, bn)	57.4	62.7	72.6
GDP (US $ bn)	4.0	4.1	4.6
GDP growth (%)	0.8	2.3	5.1
Inflation (CPI %)	3.7	5.2	8.5
Goods exports (US $ mn)	917	1,049	1,245
Goods imports (US $ mn)	1,853	2,021	2,357
Trade balance (US $ mn)	-936	-972	-1,112
Current account balance (US $ mn)	-784	-780	-795
Foreign exchange reserves (US $ mn)	448	502	668
Total external debt (US $ bn)	6.5	6.9	3.4
Debt service ratio (%)	9.9	11.8	16.8
Exchange rate, cordobas per US $	14.25	15.10	15.94

Origins of GDP, 2004



Real GDP Growth Rate



Economic Profile

Nicaragua was granted CBERA beneficiary status in November 1990. After several years of modest growth during the late 1990s, the Nicaraguan economy stagnated during 2000-03 as a result of the effects of low international prices for coffee, its main export commodity. Nicaragua has experienced trade deficits for many years. Offsetting the trade deficits are significant inflows from family remittances, equivalent to approximately 20 percent of GDP, and foreign assistance, equivalent to 13 percent of GDP in 2004.

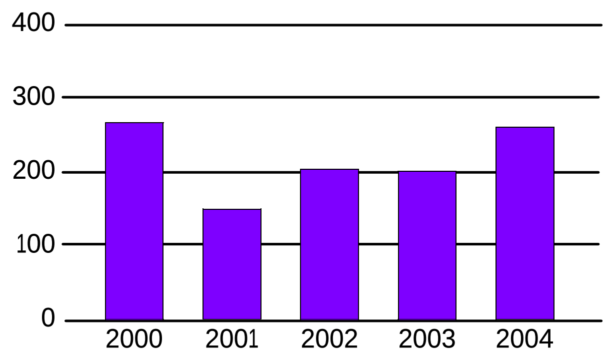
The World Bank classifies Nicaragua as a low-income economy—a grouping of countries with per capita GDP of $825 or less (other countries in this group include India, Kenya, Senegal, Uzbekistan, and Vietnam). On a variety of socioeconomic indicators, including at-birth life expectancy, infant mortality, and incidence of illiteracy, Nicaragua ranks below average for the Latin America/Caribbean region, but generally better than average compared to other low-income economies worldwide.

The agriculture, forestry, and fishing sector makes up 18 percent of Nicaragua's economy. Industry, including manufacturing activities, accounts for 25 percent of the economy. Nicaragua has 16 operative FTZs in which 43 plants operate, mainly from the United States and Taiwan. With wages lower than the regional average, Nicaragua has a low cost structure that gives it an advantage over other Central American neighbors for maquila operations servicing the U.S. market. Like other countries in the region, Nicaragua's maquila sector is shifting away from an exclusive emphasis on apparel. Services, primarily tourism, accounts for 57 percent of the Nicaraguan economy. Tourism has become an increasingly important source of foreign exchange earnings. Nicaragua experienced real GDP growth of 2.3 percent during 2003 and 5.1 percent growth during 2004. Nicaragua's growth surge in 2004 was a result of tourism sector growth and increased economic activity in FTZs.

NICARAGUA

Net Foreign Direct Investment

Millions of U.S. Dollars



Main trade partners, country and share of total exports/imports, 2004

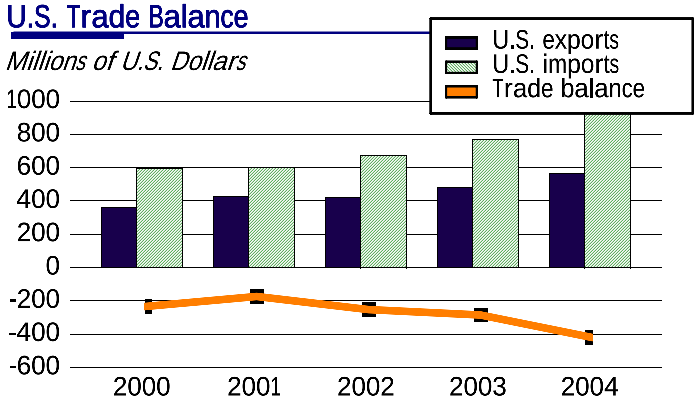
Markets for exports		Sources of imports	
United States	35	United States	22
El Salvador	15	El Salvador	15
Honduras	7	Costa Rica	8

Principal products of trade, 2004, US $ mn

Exports		Imports	
Coffee	127	Consumer goods	734
Beef	110	Intermediate goods	646
Shrimp & lobster	81	Petroleum	426
Sugar	37	Capital goods	405

U.S. Trade Balance

Millions of U.S. Dollars



Investment Profile

Nicaragua welcomes foreign investment, although IPR enforcement has been a longstanding concern of the United States. Nicaragua implemented a revised foreign investment law in 2000 to simplify investment procedures, remove previous restrictions, allow 100 percent foreign ownership in all sectors of the economy, and offer national treatment to foreign investors. In 2003, the Nicaraguan government implemented administrative reforms to facilitate and encourage FDI, including the creation of a one-stop shop for foreign investors and creation of an investment promotion agency. Nevertheless, ongoing concern about political stability means that much FDI in Nicaragua remains geared towards low-risk, short-term projects to maintain a market presence rather than long-term commitments involving large capital outlays. FDI in Nicaragua totaled $261 million in 2004, of which U.S. FDI was $34.7 million. Most of that investment was directed toward production in Nicaraguan FTZs.

Nicaragua and the United States concluded a BIT in 1995. Nicaragua's National Assembly ratified the BIT in 1996, but the U.S. Senate has not ratified it. However, the investment chapter of the CAFTA-DR includes provisions for the protection of U.S. investors similar to those in the 1995 BIT.

Trade Profile

In 2004, Nicaragua's merchandise exports to the world were valued at $1.2 billion, and total imports were valued at $2.4 billion, resulting in a merchandise trade deficit of $1.1 billion. Nicaragua's worldwide export profile has not changed significantly since the early 1980s and continues to be dominated by coffee and, to a lesser extent, shrimp and lobster. Coffee remains Nicaragua's leading export, although its share of total exports has declined significantly in large part as a result of recent declines in international coffee prices and the rise in importance of manufactured exports. Exports from Nicaraguan FTZs have doubled in recent years, increasing from $94 million in 2001 to $180 million in 2004.

The United States is Nicaragua's largest trading partner, accounting for 35 percent of Nicaragua's total exports in 2004; El Salvador ranked as the second leading destination of Nicaraguan exports, accounting for 14 percent of total shipments in 2004. The United States supplied 22 percent of Nicaragua's total imports; El Salvador ranked as Nicaragua's second leading supplier, accounting for 15 percent of imports in 2004.

The composition of U.S. imports from Nicaragua has changed significantly since Nicaragua has been eligible for CBERA benefits. In 1991, sugar accounted for 61 percent of U.S. imports from Nicaragua, while apparel articles accounted for just 2 percent of imports. In 2004, apparel articles accounted for 60 percent of U.S. imports from Nicaragua, while sugar accounted for 1.5 percent of imports. Seafood and electrical machinery each accounted for 7 percent of U.S. imports from Nicaragua in 2004, and beef accounted for 6 percent of imports.

Impact of CBERA

CBERA benefits are important to Nicaragua's ability to maintain a viable export sector. Seven of Nicaragua's top 10 exports to the United States are eligible for CBERA trade benefits (coffee, frozen shellfish, and nonmonetary gold are NTR duty-free). CBERA remains an important growth stimulus for Nicaragua's FTZ-based maquila operations—the most dynamic component of Nicaragua's nascent industrial sector. Nicaragua's low cost structure gives it an advantage over other higher cost countries in the region for a wide range of maquila operations to service the U.S. market. However, the impact of CBERA is dampened by non-trade-related factors. Nicaragua's reliance on FDI to finance development, and foreign investors' concerns about Nicaragua's prospects for political stability, remain constraints to economic growth. The U.S. Embassy in Managua estimates that CAFTA-DR will serve as a catalyst for increased foreign investment.

Sources: ECLAC, *Preliminary Overview of the Economies of Latin America and the Caribbean*, December 2004; EIU, *EIU Viewswire: Nicaragua*; U.S. Department of State telegram, "Nicaragua Input—USITCs Biennial Caribbean Basin Investment Survey," message reference No. 01984, prepared by U.S. Embassy Managua, July 11, 2005; U.S. Department of State, "Nicaragua Investment Climate Statement 2003," available at *http://managua.usembassy.gov/* ; and USTR, "Nicaragua," *2005 National Trade Estimate Report on Foreign Trade Barriers*, Mar. 30, 2005, available at *http://www.ustr.gov*.

APPENDIX A
Federal Register Notice

3. You must not make unreasonable noise based on location, time of day, proximity of neighbors, or in violation of posted regulations or direction from an authorized officer, or other factors that would govern the conduct of a reasonably prudent person.

4. You must not create or maintain a hazardous or physically offensive condition.

e. Firearms

1. You must not discharge a firearm or device that is designed for and capable of expelling a projectile by use of spring, air, gas or other explosive at any time into or from any area posted as a no-shooting or a safety zone, or into or from any developed camp or recreation site. No-shooting zones are established through a final land use planning decision, Federal Register notification, or other planning process.

2. You must not discharge or possess a firearm or explosive device in violation of State law.

f. Sanitation and Refuse

1. You must not dispose of any cans, bottles or other refuse except in designated places or receptacles.

2. You must not dump household, commercial, or industrial refuse onto public lands.

3. You must not possess glass containers where prohibited as established through a final land use planning decision, Federal Register notification, or other planning process.

4. You must not litter.

g. Other Acts

1. You must not violate state laws relating to the use, possession, or consumption of alcohol or controlled substances.

Penalties

a. On public lands in grazing districts (see 43 U.S.C. 315a) and on public lands leased for grazing under 43 U.S.C. 315m, any person who violates any of these supplementary rules may be tried before a United States Magistrate and fined no more than $500.00. Such violations may also be subject to the enhanced fines provided for by 18 U.S.C. 3571.

b. On public lands subject to a conservation and rehabilitation program implemented by the Secretary under 16 U.S.C. 670g *et seq.* (Sikes Act), any person who violates any of these supplementary rules may be tried before a United States Magistrate and fined no more than $500.00 or imprisoned for no more than six months, or both. 16 U.S.C. 670(a)(2). Such violations may also be subject to the enhanced fines provided for by 18 U.S.C. 3571.

c. On public lands subject to the Federal Land Policy and Management Act of 1976, 43 U.S.C. 1701 *et seq.*, any person who violates any of these supplementary rules may be tried before a United States Magistrate and fined no more than $1,000 or imprisoned for no more than 12 months, or both. 43 U.S.C. 1733(a); 43 CFR 8360.0–7. Such violations may also be subject to the enhanced fines provided for by 18 U.S.C. 3571.

Elaine M. Brong,

Oregon State Director, Bureau of Land Management.

[FR Doc. 05–16162 Filed 8–17–05; 8:45 am]

BILLING CODE 4310–33–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 seventeenth report covering 2003 and 2004; change in title of investigation.

EFFECTIVE DATE: August 12, 2005.

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 seventeenth report, covering calendar years 2003 and 2004, is to be submitted by September 30, 2005.

The Commission has also changed the title of this investigation to delete the reference to "annual report," since the reports are now provided biennially.

Written Submissions: The Commission does not plan to hold a public hearing in connection with the preparation of this seventeenth 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 September 6, 2005. 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://hotdocs.usitc.gov/pubs/electronic_filing_handbook.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: August 12, 2005.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 05–16342 Filed 8–17–05; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332–469]

Conditions of Competition for Certain Oranges and Lemons in the U.S. Fresh Market

AGENCY: United States International Trade Commission.

ACTION: Correction of notice of investigation.

SUMMARY: The Commission's notice published in the **Federal Register** on August 8, 2005 (70 FR 45746) contained a typographical error that incorrectly identified "February 21, 2005" as the final date for receipt of any written submissions to the United States International Trade Commission regarding investigation No. 332–469 *Conditions of Competition for Certain Oranges and Lemons in the U.S. Fresh Market,* under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)). The correct date for written submissions on this investigation is February 21, 2006.

By order of the Commission.

Issued: August 11, 2005.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 05–16341 Filed 8–17–05; 8:45 am]

BILLING CODE 7020–02–P

INTERNATIONAL TRADE COMMISSION

[Investigations Nos. 701–TA–318 and 731–TA–538 and 561 (Second Review)]

Sulfanilic Acid From China and India

AGENCY: United States International Trade Commission.

ACTION: Notice of Commission determination to conduct full five-year reviews concerning the countervailing duty order on sulfanilic acid from India and the antidumping duty orders on sulfanilic acid from China and India.

SUMMARY: The Commission hereby gives notice that it will proceed with full reviews pursuant to section 751(c)(5) of the Tariff Act of 1930 (19 U.S.C. 1675(c)(5)) to determine whether revocation of the countervailing duty order on sulfanilic acid from India and the antidumping duty orders on sulfanilic acid from China and India would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time. A schedule for the reviews will be established and announced at a later date. For further information concerning the conduct of these reviews and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A, D, E, and F (19 CFR part 207).

DATES: *Effective Date:* August 5, 2005.

FOR FURTHER INFORMATION CONTACT: Mary Messer (202–205–3193), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter 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. General information concerning the Commission may also be obtained by accessing its Internet server (*http://www.usitc.gov*). The public record for these reviews may be viewed on the Commission's electronic docket (EDIS) at *http://edis.usitc.gov.*

SUPPLEMENTARY INFORMATION: On August 5, 2005, the Commission determined that it should proceed to full reviews in the subject five-year reviews pursuant to section 751(c)(5) of the Act.[1] The Commission found that the domestic interested party group response to its notice of institution (70 FR 22698, May 2, 2005) was adequate, and that the respondent interested party group response with respect to India was adequate, but found that the respondent interested party group response with respect to China was inadequate. However, the Commission determined to conduct a full review concerning subject imports from China to promote administrative efficiency in light of its decision to conduct a full review with respect to subject imports from India. A record of the Commissioners' votes, the Commission's statement on adequacy, and any individual Commissioner's statements will be available from the Office of the Secretary and at the Commission's Web site.

Authority: These reviews are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.62 of the Commission's rules.

By order of the Commission.

Issued: August 11, 2005.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 05–16340 Filed 8–17–05; 8:45 am]

BILLING CODE 7020–02–P

[1] Commissioner Marcia E. Miller did not participate in these determinations.

INTERNATIONAL TRADE COMMISSION

[Investigation No. 731–TA–851 (Review)]

Synthetic Indigo From China

AGENCY: United States International Trade Commission.

ACTION: Notice of Commission determination to conduct a full five-year review concerning the antidumping duty order on synthetic indigo from China.

SUMMARY: The Commission hereby gives notice that it will proceed with a full review pursuant to section 751(c)(5) of the Tariff Act of 1930 (19 U.S.C. 1675(c)(5)) to determine whether revocation of the antidumping duty order on synthetic indigo from China would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time. A schedule for the review will be established and announced at a later date. For further information concerning the conduct of this review and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A, D, E, and F (19 CFR part 207).

DATES: *Effective Date:* August 5, 2005.

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

Submissions for the Record Investigation No. 332-227

Florida Citrus Mutual[1]

Florida Citrus Mutual (FCM) is a voluntary cooperative association whose active membership consists of more than 11,000 Florida growers of citrus for processing and fresh consumption, and represents more than 90 percent of Florida's citrus growers. According to FCM, its membership accounts for as much as 80 percent of all oranges grown in the United States for processing into juice and other citrus products. In its submission, FCM reported its longstanding support of the CBERA program and stated that it supports CBERA because, "[b]y offering CBERA countries an advantage over Brazil, the CBERA program gave life to many fledgling citrus industries in the Central American and Caribbean regions, and sustains them as thriving engines of economic growth."

FCM summarized key concerns raised in its previous submissions to the Commission for this investigation[2] about the possibility for abuse of the CBERA program by illegal transshipments through the Central American and Caribbean region of orange juice originating in Brazil. According to FCM, "the CBERA preserves healthy global competition in the citrus industry, and serves as a counter-force to the growing monopoly power of the Brazilian orange juice processors. Such abuse undermines the objectives of the CBERA program, and damages indigenous citrus growers in the CBERA region, as well as those in Florida."

FCM stated that it will continue to monitor and report on possible transshipments of orange juice through CBERA countries, particularly in light of recent preliminary U.S. antidumping investigation determinations finding that Brazilian orange juice processors had engaged in U.S. sales below fair market value, and that the U.S. industry had been injured by those imports.[3] According to FCM, this means that "the incentives for transshipment of Brazilian juice through CBERA countries are great and will become even greater if dumping margins are issued." To assist in monitoring transshipments, FCM encourages CBERA countries to continue to update their citrus production figures with the UN Food and Agricultural Organization.

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[1] Submission to the Commission by Andrew Lavigne, Executive Vice President and CEO, Florida Citrus Mutual, received Sept. 6, 2005.

[2] See USITC, *CBERA, Fifteenth Report,* 1999-2000, p. 127.

[3] See USITC, *Certain Orange Juice from Brazil*, investigation No. 731-TA-1089 (Preliminary), publication 3757, March 2005, and U.S. Department of Commerce, *Preliminary Determination in the Antidumping Duty Investigation on Imports of Orange Juice from Brazil (A-351-840)*, Aug. 17, 2005, fact sheet, available at *http://www.ita.doc.gov/media/medianews.html*.

International Intellectual Property Alliance[4]

The International Intellectual Property Alliance (IIPA), a private sector coalition that represents U.S. copyright based industries[5] in bilateral and multilateral efforts to improve international protection of copyrighted materials, stated in its submission that modern copyright laws, together with effective enforcement, are necessary for copyright industries to flourish. According to IIPA, "the IPR standards in the CBERA (as amended) have provided, and can continue to provide, a good foundation for these eligible countries to improve both their copyright laws and enforcement mechanisms, in order to protect both their domestic rightholders as well as foreign rightholders."

The IIPA acknowledged that "some positive economic impact" has occurred over the last two decades as a result of the CBERA program. At the same time, the organization maintained that it was unable to identify specific attributes connecting the strength of U.S. copyright-based industries to the implementation of CBERA.

According to the IIPA, "the most immediate problem in the Central American and Caribbean . . . is the failure of many of these countries to adequately enforce their existing copyright laws." The submission also states that many of the CBTPA-eligible countries fail to meet the intellectual property rights standards set forth by the CBTPA, and that "[a]ll countries in this region should be on notice that they must take appropriate action, both in terms of reforming their legislation as well as enforcing their laws, to meet their $part of the bargain' in receiving these unilateral preference trade benefits."

The submission identified the economic costs of copyright piracy in the Central American and Caribbean region. Among examples offered were: the unauthorized reception and retransmission of U.S. domestic satellite signals; end-user piracy affecting business software; piracy of sound recordings and music; commercial and photocopying piracy of books, and inadequate enforcement in the entertainment software industry that results in the counterfeiting of cartridges, personal computer CD-ROMs, and multimedia products. The IIPA estimates trade losses amounting to $40.3 million in 2004 due to copyright piracy in six CBERA countries: Costa Rica ($11.0 million), the Dominican Republic ($15.3 million), El Salvador ($3.0 million), Guatemala ($8.0 million), Honduras ($2.0 million), and Nicaragua ($1.0 million).

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[4] Submission to the Commission by Maria Strong, Vice President and General Counsel, International Intellectual Property Alliance, received Sept. 6, 2005.

[5] IIPA comprises seven trade associations—the Association of American Publishers, Inc, Business Software Alliance, Entertainment Software Association, Independent Film Television Alliance, Motion Picture Association of America, Inc., National Music Publishers' Association, and Recording Industry Association of America, Inc. The associations represent about 1,900 U.S. companies producing and distributing materials protected by copyright laws throughout the world, including: computer and business application software; theatrical films, television programs, home videos and digital representations of audiovisual works; music, records, CDs, and audio cassettes; and textbooks, trade books, reference and professional publications and journals in both electronic and print media.

APPENDIX C
Technical Notes for Chapter 3

Technical Notes to Chapter 3

This section presents the methodology used to estimate the impact of CBERA on the U.S. economy in 2004. The economic effects of CBERA duty reductions[1] were evaluated with a comparative static analysis. Since CBERA tariff preferences were already in effect in 2004, the impact of the program was measured by comparing the current market conditions (duty-free entry, or 20 percent reduced-duty entry, for eligible products entered under CBERA provisions) with the conditions that might have existed under full tariffs (i.e., no CBERA tariff preferences). Thus, the analysis provides an estimate of the potential costs and benefits to the U.S. economy that would have occurred if CBERA had not been in place during 2002. 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.[2] 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.[3] Thus, the discussion is framed with respect to the implementation of duty reductions simply for clarity.

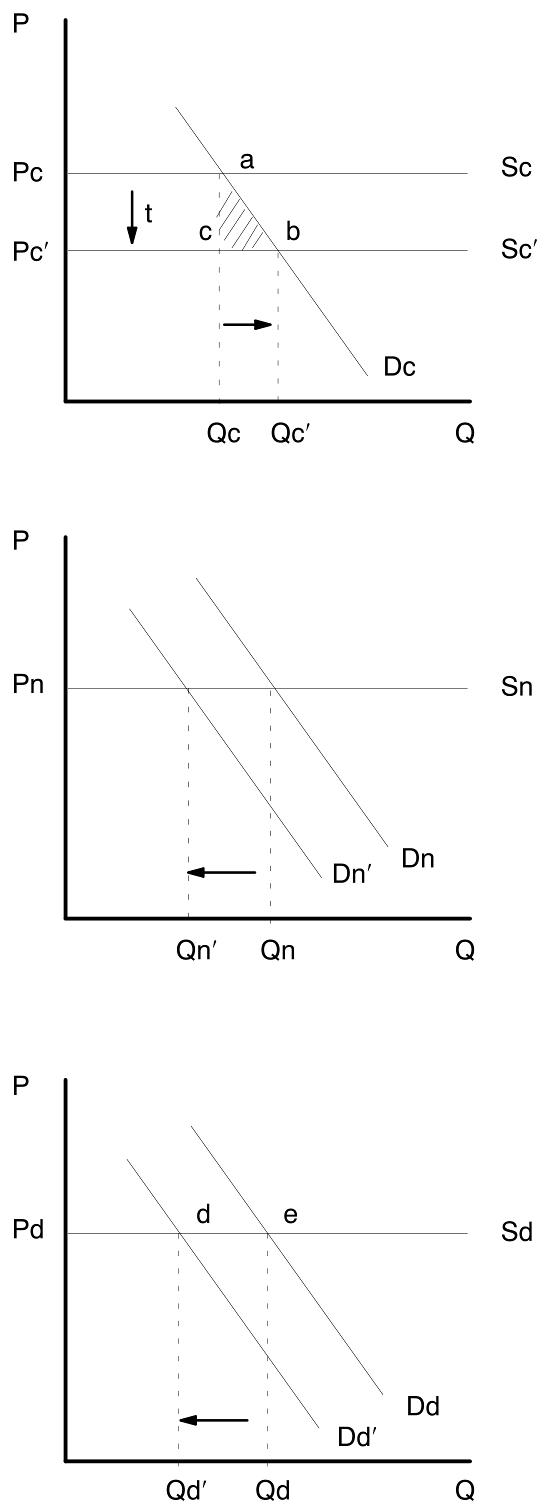
A partial equilibrium framework was used to model three different markets in the United States, namely, the markets for CBERA products, competing non-CBERA (foreign) products, and competing domestic products. These three markets are depicted in panels a, b, and c of figure C-1. In the model, imports 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.

[1] 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).

[2] 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 in the case of products eligible under the original CBERA, and since October 2000 in the case of products that became eligible under CBTPA. The method described in this section can be used in either situation.

[3] 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.

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



a. CBERA

b. non-CBERA

c. U.S. domestic output

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.[4] 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.[5]

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, which 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, which 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.[6] The dollar amount by which CBERA imports displace U.S. output is measured by the rectangle $Q_d 4deQ_d$ in panel c.

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

[5] Since imports under CBERA 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.

[6] Welfare effects typically include a measure of the change in producer surplus. There is no change in producer surplus for CBERA producers because of the assumption of perfectly elastic supply cuves.

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

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

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

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

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

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

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

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

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

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

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.[7] Estimates of the aggregate demand elasticities were taken from the literature.[8] Ranges of potential net welfare and industry displacement estimates are reported. The reported estimates reflect a range of assumed substitutabilities between CBERA products and competing U.S. output. The upper estimates reflect the assumption of high substitution elasticities. The lower estimates reflect the assumption of low substitution elasticities.[9]

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

[8] 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.

[9] 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*, 122 (1986), pp. 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), pp. 49-68.

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:

Consumer surplus (where k is a constant)

area of

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

$$= [1/(1+\varepsilon_{cc})]\,[(1+t)^{(1+\varepsilon_{cc})} - 1\,]P'_cQ'_c \qquad \text{if } \varepsilon_{cc} \neq -1$$

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

Tariff revenue from U.S. imports from CBERA partners

area of

$$\text{rectangle } P_c acP'_c = (P_c - P'_c)Q_c$$

$$= P'_c tQ_c \qquad \text{given } P_c = P'_c(1+t)$$

$$= tP'_cQ'_c(1+t)^{\varepsilon_{cc}} \qquad \text{given } Q_c = Q'_c(1+t)^{\varepsilon_{cc}}$$

Domestic output

area of

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

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

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 heading 9802.00.80 under CBERA. It 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, 2002-04

Source	HTS item	Description	2002	2003	2004	Change 2002-03	Change 2003-04	Change 2002-04
			1,000 dollars			*Percent*		
Antigua and Barbuda	2005.70.25	Olives, green, in a saline solution, pitted or stuffed, not place packed	-	-	26	-	-	-
	9002.11.90	Objective lenses and parts & access. thereof, for cameras, projectors, or photographic enlargers or reducers, except projection, n.e.s.o.i.	-	-	11	-	-	-
Total of above			-	-	37	-	-	-
Aruba	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.	-	12	9	-	-23.9	-
	8411.99.90	Parts of gas turbines n.e.s.o.i., other than those of subheading 8411.99.10	-	12	8	-	-33.3	-
	8509.80.00	Electromechanical domestic appliances n.e.s.o.i., with self-contained electric motor	-	-	5	-	-	-
Total of above			-	24	22	-	-9.2	-
Bahamas	3903.11.00	Polystyrene, expandable, in primary forms	61,744	81,482	86,493	32.0	6.1	40.1
Total of above			61,744	81,482	86,493	32.0	6.1	40.1
Barbados	2207.10.30	Undenatured ethyl alcohol of 80 percent vol. alcohol or higher, for beverage purposes	2,016	2,161	1,944	7.2	-10.0	-3.6
	2208.40.60	Rum and tafia, in containers each holding over 4 liters, valued not over $0.69/proof liter	570	593	291	4.1	-50.9	-48.9
	9028.30.00	Electricity supply or production meters, including calibrating meters thereof	954	176	201	-81.5	14.0	-78.9
Total of above			3,540	2,931	2,436	-17.2	-16.9	-31.2
Belize	2009.11.00	Orange juice, frozen, unfermented and not containing added spirit	11,747	10,347	11,769	-11.9	13.7	0.2
	0807.20.00	Papayas (papaws), fresh	7,796	7,722	11,180	-1.0	44.8	43.4
	6211.33.00	Men's or boys' track suits or other garments n.e.s.o.i., not knitted or crocheted, of man-made fibers	6,989	7,220	7,394	3.3	2.4	5.8
	1701.11.10	Cane sugar, raw, in solid form, w/o added flavoring or coloring, subject to add. US 5 to Ch.17	4,866	4,866	4,228	0.0	-13.1	-13.1
Total of above			31,399	30,155	34,571	-4.0	14.6	10.1

See notes at end of table.

Table D-1—*Continued*
Leading U.S. imports for consumption entered under CBERA, by sources, 2002-04

Source	HTS item	Description	2002	2003	2004	Change 2002-03	Change 2003-04	Change 2002-04
			1,000 dollars			Percent		
British Virgin Islands	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.	-	-	148	-	-	-
	7113.19.29	Gold necklaces and neck chains (o/than of rope or mixed links)	-	-	38	-	-	-
	8302.41.60	Iron or steel, aluminum or zinc mountings, fittings & similar articles, n.e.s.o.i., suitable for buildings, & base metal pts thereof	-	-	36	-	-	-
	7117.19.90	Imitation jewelry (o/than toy jewelry & rope, curb, cable, chain etc.), of base metal (wheth. or n/plated with precious metal), n.e.s.o.i.	-	-	16	-	-	-
Total of above			-	-	238	-	-	-
Costa Rica	6108.21.00	Women's or girls' briefs and panties, knitted or crocheted, of cotton	91,399	77,695	87,888	-15.0	13.1	-3.8
	0804.30.40	Pineapples, fresh or dried, not reduced in size, in crates or other packages	161,951	185,604	80,680	14.6	-56.5	-50.2
	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	80,356	81,870	71,688	1.9	-12.4	-10.8
	6115.92.90	Stockings, socks, etc. n.e.s.o.i. (not surgical and not containing lace or net), knitted or crocheted, of cotton	-	56,395	60,685	-	7.6	-
	4016.93.50	Gaskets, washers and other seals, of noncellular vulcanized rubber other than hard rubber	35,316	40,183	47,828	13.8	19.0	35.4
	4011.10.10	New pneumatic radial tires, of rubber, of a kind used on motor cars (including station wagons and racing cars)	11,687	15,107	43,461	29.3	187.7	271.9
	6204.62.40	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of cotton, n.e.s.o.i.	40,374	34,550	40,664	-14.4	17.7	0.7
	2207.10.60	Undenatured ethyl alcohol of 80 percent vol. alcohol or higher, for nonbeverage purposes	15,212	18,536	35,092	21.8	89.3	130.7
	2009.11.00	Orange juice, frozen, unfermented and not containing added spirit	36,360	35,601	32,299	-2.1	-9.3	-11.2

See notes at end of table.

Table D-1—*Continued*
Leading U.S. imports for consumption entered under CBERA, by sources, 2002-04

Source	HTS item	Description	2002	2003	2004	Change 2002-03	Change 2003-04	Change 2002-04
			1,000 dollars			*Percent*		
Costa Rica–Cont.	6107.11.00	Men's or boys' underpants and briefs, knitted or crocheted, of cotton	38,580	34,210	23,470	-11.3	-31.4	-39.2
	0714.10.20	Cassava (manioc), fresh, chilled or dried, whether or not sliced or in the form of pellets	12,892	12,167	18,888	-5.6	55.2	46.5
	0602.10.00	Unrooted cuttings and slips of live plants	14,932	16,413	18,837	9.9	14.8	26.2
	8516.31.00	Electrothermic hair dryers	31,930	32,631	18,039	2.2	-44.7	-43.5
	6212.20.00	Girdles and panty-girdles	23,312	15,900	18,003	-31.8	13.2	-22.8
	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.	26,363	15,481	15,264	-41.3	-1.4	-42.1
	0603.10.80	Cut flowers and flower buds suitable for bouquets or ornamental purposes, fresh cut, n.e.s.o.i.	11,171	13,764	14,908	23.2	8.3	33.5
	0202.30.50	Bovine meat cuts, boneless, not processed, frozen, descr in add. US note 3 to Ch. 2	11,623	14,003	13,274	20.5	-5.2	14.2
	9609.10.00	Pencils & crayons, with leads encased in a rigid sheath	975	7,984	10,927	719.0	36.9	1,020.9
	0714.90.20	Fresh or chilled yams, whether or not sliced or in the form of pellets	7,628	7,200	9,738	-5.6	35.3	27.7
	1701.11.10	Cane sugar, raw, in solid form, w/o added flavoring o coloring, subject to add. US 5 to Ch.17	6,725	-	9,061	-	-	34.7
Total of above			658,788	715,295	670,693	8.6	-6.2	1.8
Dominica	6910.10.00	Porcelain or china ceramic sinks, washbasins, baths, bidets, water closet bowls, urinals & siml. sanitary fixtures	-	1,900	204	-	-89.3	-
	0714.90.10	Fresh or chilled dasheens, whether or not sliced or in the form of pellets	25	-	89	-	-	258.6
Total of above			25	1,900	293	7,557.2	-84.6	1,081.2
Dominican Republic	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	460,495	407,286	395,918	-11.6	-2.8	-14.0

See notes at end of table.

Table D-1—*Continued*
Leading U.S. imports for consumption entered under CBERA, by sources, 2002-04

Source	HTS item	Description	2002	2003	2004	Change 2002-03	Change 2003-04	Change 2002-04
			1,000 dollars			*Percent*		
Dominican Republic–Cont.	6107.11.00	Men's or boys' underpants and briefs, knitted or crocheted, of cotton	192,707	223,772	192,193	16.1	-14.1	-0.3
.	2402.10.80	Cigars, cheroots and cigarillos containing tobacco, each valued 23 cents or over	169,354	174,232	181,554	2.9	4.2	7.2
	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.	160,386	166,441	174,489	3.8	4.8	8.8
	6109.10.00	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton	157,036	156,118	163,365	-0.6	4.6	4.0
	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	177,708	181,177	150,853	2.0	-16.7	-15.1
	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	145,227	114,770	150,342	-21.0	31.0	3.5
	8536.20.00	Automatic circuit breakers, for a voltage not exceeding 1,000 V	77,062	91,292	94,771	18.5	3.8	23.0
	6115.92.90	Stockings, socks, etc. n.e.s.o.i. (not surgical and not containing lace or net), knitted or crocheted, of cotton	-	56,797	91,121	-	60.4	-
	6204.62.40	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of cotton, n.e.s.o.i.	152,933	115,428	89,076	-24.5	-22.8	-41.8
	1701.11.10	Cane sugar, raw, in solid form, w/o added flavoring or coloring, subject to add. US 5 to Ch.17	69,461	69,317	74,051	-0.2	6.8	6.6
	6110.20.20	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, n.e.s.o.i.	49,670	66,035	65,894	32.9	-0.2	32.7
Total of above			1,812,039	1,822,665	1,823,627	0.6	0.1	0.6
El Salvador	6109.10.00	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton	281,973	325,422	336,714	15.4	3.5	19.4

See notes at end of table.

Table D-1—*Continued*
Leading U.S. imports for consumption entered under CBERA, by sources, 2002-04

Source	HTS item	Description	2002	2003	2004	Change 2002-03	Change 2003-04	Change 2002-04
			1,000 dollars			*Percent*		
El Salvador–Cont.	6110.20.20	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, n.e.s.o.i.	149,618	146,499	148,714	-2.1	1.5	-0.6
	6110.30.30	Sweaters, pullovers and similar articles, knitted or crocheted, of manmade fibers, n.e.s.o.i.	41,247	62,948	71,701	52.6	13.9	73.8
	6107.11.00	Men's or boys' underpants and briefs, knitted or crocheted, of cotton	87,122	78,810	69,024	-9.5	-12.4	-20.8
	6108.21.00	Women's or girls' briefs and panties, knitted or crocheted, of cotton	84,994	72,070	62,281	-15.2	-13.6	-26.7
	6115.11.00	Panty hose and tights, knitted or crocheted, of synthetic fibers, measuring per single yarn less than 67 decitex	-	35,894	50,662	-	41.1	-
	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	30,669	47,276	33,236	54.1	-29.7	8.4
	6104.62.20	Women's or girls' trousers, breeches and shorts, knitted or crocheted, of cotton	36,524	37,394	32,108	2.4	-14.1	-12.1
Total of above			712,147	806,313	804,440	13.2	-0.2	13.0
Grenada	0302.23.00	Sole, fresh or chilled, excluding fillets, other meat portions, livers and roes	-	-	8	-	-	-
Total of above			-	-	8	-	-	-
Guatemala	2709.00.10	Petroleum oils and oils from bituminous minerals, crude, testing under 25 degrees A.P.I.	130,900	167,502	179,559	28.0	7.2	37.2
	6110.20.20	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, n.e.s.o.i.	61,448	90,638	152,832	47.5	68.6	148.7
	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	162,971	161,474	152,690	-0.9	-5.4	-6.3
	6204.62.40	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of cotton, n.e.s.o.i.	54,385	66,523	104,870	22.3	57.6	92.8
	6109.10.00	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton	27,290	36,733	41,931	34.6	14.1	53.6

See notes at end of table.

Table D-1—*Continued*
Leading U.S. imports for consumption entered under CBERA by sources, 2002-04

Source	HTS item	Description	2002	2003	2004	Change 2002-03	Change 2003-04	Change 2002-04
			1,000 dollars			*Percent*		
Guatemala–Cont.	1701.11.20	Cane sugar, raw, in solid form, to be used for certain polyhydric alcohols	15,582	47,952	33,017	207.7	-31.1	111.9
	0710.80.97	Vegetables n.e.s.o.i., uncooked or cooked by steaming or boiling in water, frozen, reduced in size	22,628	28,571	32,313	26.3	13.1	42.8
	6110.30.30	Sweaters, pullovers and similar articles, knitted or crocheted, of manmade fibers, n.e.s.o.i.	13,864	22,773	29,571	64.3	29.8	113.3
	6106.10.00	Women's or girls' blouses and shirts, knitted or crocheted, of cotton	6,893	12,019	26,241	74.4	118.3	280.7
	0807.19.20	Cantaloupes, fresh, if entered during the periods from January 1 through July 31 or September 16 to December 31, inclusive	52,782	46,316	24,892	-12.3	-46.3	-52.8
	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	12,370	24,015	20,402	94.1	-15.0	64.9
	6105.10.00	Men's or boys' shirts, knitted or crocheted, of cotton	19,429	19,133	19,466	-1.5	1.7	0.2
	6204.63.35	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of synthetic fibers, n.e.s.o.i.	22,177	22,908	18,440	3.3	-19.5	-16.9
Total of above			602,718	746,558	836,223	23.9	12.0	38.7
Guyana	1701.11.10	Cane sugar, raw, in solid form, w/o added flavoring or coloring, subject to add. US 5 to Ch.17	5,064	2,549	7,134	-49.7	179.8	40.9
	4412.14.31	Plywood sheet n/o 6 mm thick, at least one outer ply of nonconiferous wood, with face ply n.e.s.o.i., not surface covered beyond clear/transparent	1,754	1,893	3,554	7.9	87.7	102.6
	6103.43.15	Men's or boys' trousers, breeches and shorts, knitted or crocheted, of synthetic fibers, n.e.s.o.i.	294	1,585	3,155	440.0	99.0	974.7
	4412.22.31	Plywood n.e.s.o.i., least one hardwood outer ply, w/tropical wood ply, not surface-covered beyond clear/transparent, not w/face ply of birch	3,754	2,077	1,756	-44.7	-15.4	-53.2
Total of above			10,866	8,104	15,599	-25.4	92.5	43.6

See notes at end of table.

Table D-1—*Continued*
Leading U.S. imports for consumption entered under CBERA, by sources, 2002-04

Source	HTS item	Description	2002	2003	2004	Change 2002-03	Change 2003-04	Change 2002-04
			1,000 dollars			*Percent*		
Haiti	6109.10.00	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton	48,082	53,975	67,635	12.3	25.3	40.7
	6110.20.20	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, n.e.s.o.i.	32,596	44,867	46,252	37.6	3.1	41.9
	6109.90.10	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of man-made fibers	10,245	20,623	20,043	101.3	-2.8	95.6
	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	4,682	5,377	11,918	14.8	121.7	154.5
.	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	5,747	9,652	9,305	67.9	-3.6	61.9
Total of above			101,353	134,494	155,153	32.7	15.4	53.1
Honduras	6109.10.00	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton	511,185	559,303	599,776	9.4	7.2	17.3
	6110.20.20	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, n.e.s.o.i.	182,748	315,313	397,860	72.5	26.2	117.7
	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	169,361	135,098	151,480	-20.2	12.1	-10.6
	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	93,923	85,988	98,861	-8.4	15.0	5.3
	6107.11.00	Men's or boys' underpants and briefs, knitted or crocheted, of cotton	111,614	95,339	82,544	-14.6	-13.4	-26.0
	6109.90.10	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of man-made fibers	108,296	68,183	77,559	-37.0	13.8	-28.4
	6110.30.30	Sweaters, pullovers and similar articles, knitted or crocheted, of manmade fibers, n.e.s.o.i.	60,238	61,370	76,221	1.9	24.2	26.5

See notes at end of table.

Table D-1—*Continued*
Leading U.S. imports for consumption entered under CBERA, by sources, 2002-04

Source	HTS item	Description	2002	2003	2004	Change 2002-03	Change 2003-04	Change 2002-04
			1,000 dollars			Percent		
Honduras-Cont.	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	37,946	64,716	75,426	70.5	16.5	98.8
	6205.30.20	Men's or boys' shirts, not knitted or crocheted, of manmade fibers, n.e.s.o.i.	43,397	52,093	73,066	20.0	40.3	68.4
Total of above			1,318,708	1,437,404	1,632,793	9.0	13.6	23.8
Jamaica	2207.10.60	Undenatured ethyl alcohol of 80 percent vol. alcohol or higher, for nonbeverage purposes	32,045	47,515	53,827	48.3	13.3	68.0
	6109.10.00	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton	50,052	50,806	44,790	1.5	-11.8	-10.5
	6108.21.00	Women's or girls' briefs and panties, knitted or crocheted, of cotton	27,219	19,435	11,738	-28.6	-39.6	-56.9
	0714.90.20	Fresh or chilled yams, whether or not sliced or in the form of pellets	10,130	9,066	9,828	-10.5	8.4	-3.0
Total of above			119,446	126,822	120,183	6.2	-5.2	0.6
Netherlands Antilles	8544.60.20	Insulated electric conductors n.e.s.o.i., for a voltage exceeding 1,000 V, fitted with connectors	718	1,675	2,928	133.4	74.8	308.1
	2710.11.90	Light oils and preparations from petroleum oils & oils from bituminous min. or preps 70%+ by wt. from petro. oils or bitum. min., n.e.s.o.i.	-	-	1,073	-	-	-
Total of above			718	1,675	4,001	133.4	138.9	457.6
Nicaragua	0202.30.50	Bovine meat cuts, boneless, not processed, frozen, descr in add. US note 3 to Ch. 2	20,139	22,045	39,471	9.5	79.0	96.0
	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	30,637	32,774	33,289	7.0	1.6	8.7
	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	14,849	22,602	30,558	52.2	35.2	105.8
	2402.10.80	Cigars, cheroots and cigarillos containing tobacco, each valued 23 cents or over	19,734	17,388	24,612	-11.9	41.5	24.7

See notes at end of table.

Table D-1—*Continued*
Leading U.S. imports for consumption entered under CBERA, by sources, 2002-04

Source	HTS item	Description	2002	2003	2004	Change 2002-03	Change 2003-04	Change 2002-04
			1,000 dollars			*Percent*		
Nicaragua—Cont.	6212.20.00	Girdles and panty-girdles	20,228	16,729	22,481	-17.3	34.4	11.1
	6205.30.20	Men's or boys' shirts, not knitted or crocheted, of manmade fibers, n.e.s.o.i.	13,108	15,195	18,500	15.9	21.8	41.1
	0201.30.50	Bovine meat cuts, boneless, not processed, fresh or chld., descr in add. US note 3 to Ch. 2	12,046	13,191	16,446	9.5	24.7	36.5
	6110.20.20	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, n.e.s.o.i.	197	10,854	16,188	5,410.8	49.1	8,118.6
	1701.11.10	Cane sugar, raw, in solid form, w/o added flavoring or coloring, subject to add. US 5 to Ch.17	9,105	9,791	10,977	7.5	12.1	20.6
	6204.63.35	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of synthetic fibers, n.e.s.o.i.	7,950	8,977	10,851	12.9	20.9	36.5
	6212.30.00	Corsets	5,403	4,490	8,182	-16.9	82.2	51.4
.	6109.10.00	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton	13,182	7,513	7,901	-43.0	5.2	-40.1
Total of above			166,577	181,550	239,455	9.0	31.9	43.8
Panama	1701.11.10	Cane sugar, raw, in solid form, w/o added flavoring or coloring, subject to add. US 5 to Ch.17	13,733	12,099	8,225	-11.9	-32.0	-40.1
	0807.19.70	Other melons n.e.s.o.i., fresh, if entered during the period from December 1, in any year, to the following May 31, inclusive	4,459	3,996	4,471	-10.4	11.9	0.3
	9603.90.80	Brooms & brushes n.e.s.o.i., mops, hand-operated mechanical floor sweepers, squeegees and similar articles, n.e.s.o.i.	3,704	3,523	4,092	-4.9	16.2	10.5
	0709.90.05	Jicamas, pumpkins and breadfruit, fresh or chilled	1,727	1,398	2,136	-19.0	52.7	23.6
	0804.30.40	Pineapples, fresh or dried, not reduced in size, in crates or other packages	296	284	1,481	-3.9	420.8	400.5
	7010.90.30	Glass containers for convey/pack perfume/toilet preps & containers with/designed for ground glass stopper, not made by automatic machine	-	893	1,324	-	48.2	-

See notes at end of table.

Table D-1—*Continued*
Leading U.S. imports for consumption entered under CBERA, by sources, 2002-04

Source	HTS item	Description	2002	2003	2004	Change 2002-03	Change 2003-04	Change 2002-04
			1,000 dollars			*Percent*		
Panama-Cont.	3924.90.55	Household articles and toilet articles, n.e.s.o.i., of plastics	642	982	1,197	53.0	22.0	86.6
	1701.11.20	Cane sugar, raw, in solid form, to be used for certain polyhydric alcohols	687	1,094	1,034	59.3	-5.5	50.5
Total of above			25,247	24,270	23,959	-3.9	-1.3	-5.1
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 V	19,067	19,459	17,355	2.1	-10.8	-9.0
	8529.90.39	Parts of television receivers specified in U.S. note 10 to chapter 85, other than printed circuit assemblies, n.e.s.o.i.	2,481	1,106	6,357	-55.4	474.9	156.3
Total of above			21,548	20,565	23,712	-4.6	15.3	10.0
St. Lucia	8529.10.20	Television antennas and antenna reflectors, and parts suitable for use therewith	4,347	3,154	3,427	-27.4	8.7	-21.2
	9025.19.80	Thermometers, for direct reading, not combined with other instruments, other than liquid-filled ther mometers	3	-	659	-	-	24,929.5
Total of above			4,349	3,154	4,086	-27.5	29.6	-6.1
St. Vincent and the Grenadines	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.	2,470	2,370	2,763	-4.1	16.6	11.9
Total of above			2,470	2,370	2,763	-4.1	16.6	11.9
Trinidad and Tobago	2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25	595,232	738,225	802,713	24.0	8.7	34.9
	2905.11.20	Methanol (Methyl alcohol), other than imported only for use in producing synthetic natural gas (SNG) or for direct use as fuel	219,876	340,004	460,208	54.6	35.4	109.3
Total of above			815,108	1,078,229	1,262,921	32.3	17.1	54.9

Note.—Percent based on actual (unrounded) data. The abbreviation “n.e.s.o.i.” stands for “not elsewhere specified or included.”
Source: Compiled from official statistics of the U.S. Department of Commerce.

APPENDIX E
Leading Imports That Benefited Exclusively From CBERA in 2003

Table E-1
Value of leading imports that benefited exclusively from CBERA, 2003

(*1,000 dollars*)

HTS number	Description	Customs value	C.i.f. value
6109.10.00	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton	845,070	870,031
2709.00.20	Petroleum oils and oils from bituminous minerals, crude, testing 25 degrees A.P.I. or more	741,541	769,968
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	697,283	708,548
6110.20.20	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, n.e.s.o.i.	544,978	561,321
2905.11.20[1]	Methanol (Methyl alcohol), other than imported only for use in producing synthetic natural gas (SNG) or for direct use as fuel	340,004	373,182
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	281,777	284,190
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	262,345	267,607
6107.11.00	Men's or boys' underpants and briefs, knitted or crocheted, of cotton	250,923	255,919
0804.30.40	Pineapples, fresh or dried, not reduced in size, in crates or other packages	194,117	239,499
6204.62.40	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of cotton, n.e.s.o.i.	231,526	236,259
2402.10.80[2]	Cigars, cheroots and cigarillos containing tobacco, each valued 23 cents or over	192,419	195,605
2709.00.10	Petroleum oils and oils from bituminous minerals, crude, testing under 25 degrees A.P.I.	167,502	179,094
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.	160,934	169,863
7113.19.50[3]	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.	166,563	166,908
6110.30.30	Sweaters, pullovers and similar articles, knitted or crocheted, of manmade fibers, n.e.s.o.i.	133,964	138,469
6108.21.00	Women's or girls' briefs and panties, knitted or crocheted, of cotton	113,188	115,750
6105.10.00	Men's or boys' shirts, knitted or crocheted, of cotton	87,128	89,085
1701.11.10[4]	Cane sugar, raw, in solid form, w/o added flavoring or coloring, subject to add. US 5 to Ch.17	79,108	83,646
3903.11.00[5]	Polystyrene, expandable, in primary forms	81,482	83,115
2207.10.60	Undenatured ethyl alcohol of 80 percent vol. alcohol or higher, for nonbeverage purposes	74,145	81,186

[1] 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.

[2] 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 2003.

[3] 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 2004.

[4] Includes only imports from the Dominican Republic 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 Nicaragua, another supplier of this item, were included because that country was not a designated GSP beneficiary in 2003.

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

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

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