

GENERAL AGREEMENT ON TARIFFS AND TRADE

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CARIBBEAN BASIN ECONOMIC RECOVERY ACT

United States request for Waiver

The following communication, dated 31 October 1983, has been received from the office of the United States trade representative in Geneva, with the request that it be circulated to contracting parties.

At the Council Meeting on October 3, 1983, the United States, in conformance with paragraph 4 (a) of the Framework Agreement,* informed the Council of the enactment of the Caribbean Basin Recovery Act, P.L. No. 98-67 on August 5, 1983. (GATT Doc. C/M/171). At that time the United States also stated its intention to take the steps necessary to implement the Act in a manner which is consistent with the requirements of the GATT.

The Caribbean Economic Basin Recovery Act authorizes the President to provide certain trade and tax benefits to countries located in the Caribbean Basin. The Act is part of the Caribbean Basin Initiative (CBI) which is intended to promote the trade and economic stability of countries located in the Caribbean Basin through the provision of increased foreign assistance, the provision of duty free treatment to imports and by extending the applicability of the U.S. convention expense tax deduction to conventions held in the region to encourage greater tourism and investment. The only portion of the CBI which pertains to the GATT is the provision of duty free treatment included in the recently enacted Caribbean Basin Economic Recovery Act.

The United States requests that the Contracting Parties grant the United States a waiver from the provisions of paragraph 1 of Article I of the General Agreement authorizing the United States to provide duty free treatment to the imports of eligible Caribbean nations. The United States request is made in accordance with footnote 2 of paragraph 2 of the Framework Agreement and paragraph 5 of Article XXV of the General Agreement.

*Decision of November 28, 1979 (GATT Doc. L/4903) concerning Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries.

The duty-free provision of the CBI do not fall specifically within any of the categories of programs authorized in sections (a) through (d) of paragraph 2 of the Framework Agreement. However, footnote 2 to paragraph 2 provides that the Contracting Parties may consider on an ad hoc basis under the GATT provisions for joint action any proposals for differential and more favorable treatment not falling specifically within the scope of that paragraph. For the reasons set out below, the United States believes that the duty free treatment provisions of the CBI meet the criteria of paragraph 3 of the Framework Agreement, and asks that the Contracting Parties take joint action under paragraph 5 of Article XXV to grant its waiver request.

Discussion

I. The Caribbean Basin Initiative is designed to facilitate and promote the trade of the developing nations in the Caribbean Region and will not raise barriers or create undue difficulties for the trade of any other Contracting Parties.

A. Purpose

The Caribbean Basin Initiative (CBI) is a development program, which seeks to use trade, tax and assistance measures to facilitate the revitalization of the economies of countries in the Caribbean Basin. The small and fragile economies of this region have been seriously affected by escalating costs of imported oil, declining prices for their major exports (sugar, coffee, etc.) a shrinking of export markets due to world-wide recession, and a decline in tourism. The measures are designed to help the Caribbean nations to solve these problems by encouraging the expansion of productive capacity in response to the opening of new markets for Caribbean exports as well as to assist the service sectors of their economies, especially tourism.

The United States is seeking a waiver from paragraph 1 of Article I in order to implement the centerpiece of the program which is a temporary extension of one-way, duty-free access for the Caribbean nations. Duty-free treatment is to be extended on all products with the exception of textiles and apparel, footwear, petroleum, leather apparel, and canned tuna fish. The granting of duty-free access will be for a period of 11 years commencing on January 1, 1984. The program places a ceiling on duty-free entry for sugar, for so long as the United States is protecting the domestic sugar price through a support program mandated by Congress. The program will provide duty free access for Caribbean exports not presently covered under the U.S. GSP Program. A list of countries that may be designated as beneficiaries is attached.

B. The Caribbean Basin Initiative Will Not Create Undue Difficulties for the Trade of Other Contracting Parties

The U.S. believes that the proposed duty free treatment will not create new barriers or otherwise impede the trade of Contracting Parties because the beneficiary countries account for a small portion of U.S. imports and the program is limited in both scope and duration. In 1982 the U.S. imported \$3.4 billion in manufactured goods and agricultural products and of that total 70% of that trade or \$2.3 billion was entered duty-free under the U.S. GSP program. The duty-free treatment under the CBI would cover an additional 26% of U.S. Caribbean imports amounting to only \$600 million. Additionally, the United States does not believe that extension of such duty-free treatment will result in

the displacement of imports of like products from non-Caribbean nations, particularly in light of the narrow range of products covered under the program. The program does not envisage the establishment of a permanent preferential regional arrangement because it is limited to a period of 11 years.

II. The CBI Will Not Create Any Impediments to the Reduction or Elimination of Tariffs or Other Restrictions to Trade on a Most-Favored Nation Basis

The program does not involve the binding of margins of preference. The program will not impede the scheduled reduction of tariffs agreed to during the Tokyo Round of the MTN, nor will it prevent the negotiation of further tariff reductions. The provisions of duty free treatment under the CBI will not affect benefits to developing nations provided under the U.S. GSP program.

III. The CBI is Designed to Respond Positively to the Development, Financial and Trade Needs of the Nations of the Caribbean Basin

The duty-free treatment provisions of the CBI are an integral part of the overall program which is designed to respond to the serious economic difficulties facing the Caribbean nations. The program augments the benefits provided to the region under the Generalized System of Preferences as well as the efforts of other nations to promote trade and economic growth of the region.

V. Conclusion

The United States requests that the Contracting Parties give its application for a waiver expeditious consideration. The United States is prepared to enter into consultations and to cooperate fully in providing additional information about the CBI and discussing the specific terms of the waiver.

ANNEX

COUNTRIES OF THE CARIBBEAN BASIN

Anguilla
Antigua and Barbuda
The Bahamas
Barbados
Belize
Costa Rica
Trinidad and Tobago
Dominica
Dominican Republic
Jamaica
Nicaragua
Panama
Saint Lucia
Saint Vincent and the
Grenadines

Suriname
Cayman Islands
Montserrat
El Salvador
Grenada
Guatemala
Guyana
Haiti
Netherlands Antilles
Saint Christopher Nevis
Turks and Caicos Islands
British Virgin Islands
Honduras