

Ministry of Finance

Trade Brief

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CARIBBEAN BASIN INITIATIVE

What is the Caribbean Basin Initiative?

The Caribbean Basin Initiative (CBI) describes several pieces of legislation enacted by the Congress of the United States. The laws provide 24 countries and territories in the Caribbean and Central America with preferential access to the United States market.

The CBI comprises four pieces of legislation:

- (1) Caribbean Basin Economic Recovery Act (CBERA) of 1993;
- (2) Caribbean Basin Trade Partnership Act (CBTPA) of 2000;
- (3) Trade and Development Act of 2002; and
- (4) The Haitian Hemispheric Opportunity through Partnership Encouragement Act (HOPE) of 2006.

A brief description of the separate pieces of legislation are described below:

The **Caribbean Basin Economic Recovery Act (CBERA)** was created to promote modernization in the Caribbean from traditional agriculture to more diverse manufactured products. The Act requires countries to meet seven qualifying criteria which includes reports on labour and intellectual property

The Bahamas benefits from the tax provisions which allows U.S. taxpayers to deduct expenses incurred while attending a business meeting or convention in their tax reports. This provision is available to countries that have concluded tax

information exchange agreements with the United States.

The **Caribbean Basin Trade Partnership Act (CBTPA)** gives duty-free and quota-free access to the US for apparel assembled in the Caribbean using US yarns. The fabric must also be cut in the US. If the fabric is cut in the CBI country, the thread must be US thread in order to qualify for the preferential treatment. The duty-free and quota-free access to the US is also extended to brasseries, textile luggage and apparel made from fabrics not available in commercial quantities.

The CBTPA also gives products from the beneficiary countries the same tariff rate extended to Mexico under NAFTA for footwear, canned tuna, petroleum products, certain watches and watch parts, luggage, work gloves, certain handbags and leather wear.

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



All countries eligible under the CBERA were also eligible to receive benefits under CBTPA. However, to receive the benefits of the CBTPA, countries must also meet certain customs related procedures.

Trade Preferences Act

The Trade Act increased the ceiling on knit apparel articles and t-shirts from the Caribbean.

HOPE Act

The Haitian Hemispheric Opportunity through Partnership Encouragement Act, also known as the HOPE Act provides more flexible rules of origin to apparel imports from Haiti. Specifically, it allows apparel and wire harnesses from Haiti to enter the US without duty if 50 percent of the value of inputs and/or processing costs are from US, FTA partner or regional countries that also benefit from preference programmes. The programme will be operational for a period of five years. The HOPE Act also allows Haiti to export apparel to the US for a three year period without duty made from fabric produced anywhere in the world.

What is the status of the CBI?

The benefits of the CBI are scheduled to expire in September 2008. There was a public hearing in January 2008 which was attended by the Bahamian Ambassador to the United States and other CARICOM ambassadors. On February 8, 2008, the Chairman of the House and Ways Committee, Charles Rangel announced a bill would be introduced that would extend 'certain benefits' of the CBI until September 2010. This bill is known as the "Rangel Bill."

How important is the CBI?

The CBI is important both to the countries of the Caribbean Basin and to the United States. In 2006, CBI countries accounted for 1.4% of imports to the US. The CBI countries together are the 10th largest market for US exports.

What are the prospects after 2010?

The United States and CARICOM have both indicated that they are interested in a Free Trade Agreement (FTA). It is likely that if the Rangel bill is passed, the CBI will be replaced by a FTA.

The United States has signed several FTA with former CBI beneficiary countries. The most notable was the Dominican Republic– Central America Free Trade Agreement (CAFTA) in 2005.

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