

104<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 553

To provide, temporarily, tariff and quota treatment equivalent to that accorded to members of the North American Free Trade Agreement (NAFTA) to Caribbean Basin beneficiary countries.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 18, 1995

Mr. CRANE (for himself, Mr. SHAW, Mr. GIBBONS, and Mr. RANGEL) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To provide, temporarily, tariff and quota treatment equivalent to that accorded to members of the North American Free Trade Agreement (NAFTA) to Caribbean Basin beneficiary countries.

1        *Be it enacted by the Senate and House of Representa-*  
2        *tives of the United States of America in Congress assembled,*

3        **SECTION 1. SHORT TITLE.**

4        This Act may be cited as the “Caribbean Basin Trade  
5        Security Act”.

6        **SEC. 2. FINDINGS AND POLICY.**

7        (a) FINDINGS.—The Congress finds that—

1           (1) the Caribbean Basin Economic Recovery  
2 Act represents a permanent commitment by the  
3 United States to encourage the development of  
4 strong democratic governments and revitalized  
5 economies in neighboring countries in the Caribbean  
6 Basin;

7           (2) the economic security of the countries in the  
8 Caribbean Basin is potentially threatened by the di-  
9 version of investment to Mexico as a result of the  
10 North American Free Trade Agreement;

11           (3) to preserve the United States commitment  
12 to Caribbean Basin beneficiary countries and to help  
13 further their economic development, it is necessary  
14 to offer temporary benefits equivalent to the trade  
15 treatment accorded to products of NAFTA mem-  
16 bers;

17           (4) offering NAFTA equivalent benefits to Car-  
18ibbean Basin beneficiary countries, pending their  
19 eventual accession to the NAFTA, will promote the  
20 growth of free enterprise and economic opportunity  
21 in the region, and thereby enhance the national se-  
22 curity interests of the United States; and

23           (5) increased trade and economic activity be-  
24tween the United States and Caribbean Basin bene-

1        beneficiary countries will create expanding export oppor-  
2        tunities for United States businesses and workers.

3        (b) POLICY.—It is therefore the policy of the United  
4 States to offer to the products of Caribbean Basin bene-  
5 ficiary countries tariff and quota treatment equivalent to  
6 that accorded to products of NAFTA countries, and to  
7 seek the accession of these beneficiary countries to the  
8 NAFTA at the earliest possible date, with the goal of  
9 achieving full participation in the NAFTA by all bene-  
10 ficiary countries by not later than January 1, 2005.

11 **SEC. 3. DEFINITIONS.**

12        As used in this title:

13            (1) BENEFICIARY COUNTRY.—The term “bene-  
14 ficiary country” means a beneficiary country as de-  
15 fined in section 212(a)(1)(A) of the Caribbean Basin  
16 Economic Recovery Act (19 U.S.C. 2702(a)(1)(A)).

17            (2) NAFTA.—The term “NAFTA” means the  
18 North American Free Trade Agreement entered into  
19 between the United States, Mexico, and Canada on  
20 December 17, 1992.

21            (3) TRADE REPRESENTATIVE.—The term  
22 “Trade Representative” means the United States  
23 Trade Representative.

24            (4) WTO AND WTO MEMBER.—The terms  
25 “WTO” and “WTO member” have the meanings

1 given those terms in section 2 of the Uruguay  
2 Round Agreements Act.

3 **TITLE I—RELATIONSHIP OF**  
4 **NAFTA IMPLEMENTATION TO**  
5 **THE OPERATION OF THE CAR-**  
6 **IBBEAN BASIN INITIATIVE**

7 **SEC. 101. TEMPORARY PROVISIONS TO PROVIDE NAFTA**  
8 **PARITY TO BENEFICIARY COUNTRY ECONO-**  
9 **MIES.**

10 (a) TEMPORARY PROVISIONS.—Section 213(b) of the  
11 Caribbean Basin Economic Recovery Act (19 U.S.C.  
12 2703(b)) is amended to read as follows:

13 “(b) IMPORT-SENSITIVE ARTICLES.—

14 “(1) IN GENERAL.—Subject to paragraphs (2)  
15 through (5), the duty-free treatment provided under  
16 this title does not apply to—

17 “(A) textile and apparel articles which are  
18 subject to textile agreements;

19 “(B) footwear not designated at the time  
20 of the effective date of this title as eligible arti-  
21 cles for the purpose of the generalized system  
22 of preferences under title V of the Trade Act of  
23 1974;

24 “(C) tuna, prepared or preserved in any  
25 manner, in airtight containers;

1           “(D) petroleum, or any product derived  
2 from petroleum, provided for in headings 2709  
3 and 2710 of the HTS;

4           “(E) watches and watch parts (including  
5 cases, bracelets and straps), of whatever type  
6 including, but not limited to, mechanical, quartz  
7 digital or quartz analog, if such watches or  
8 watch parts contain any material which is the  
9 product of any country with respect to which  
10 HTS column 2 rates of duty apply; or

11           “(F) articles to which reduced rates of  
12 duty apply under subsection (h).

13           “(2) NAFTA TRANSITION PERIOD TREATMENT  
14 OF CERTAIN TEXTILE AND APPAREL ARTICLES.—

15           “(A) EQUIVALENT TARIFF AND QUOTA  
16 TREATMENT.—During the transition period—

17           “(i) the tariff treatment accorded at  
18 any time to any textile or apparel article  
19 that originates in the territory of a bene-  
20 ficiary country shall be identical to the tar-  
21 iff treatment that is accorded during such  
22 time under section 2 of the Annex to a like  
23 article that originates in the territory of  
24 Mexico and is imported into the United  
25 States;

1           “(ii) duty-free treatment under this  
2 title shall apply to any textile or apparel  
3 article of a beneficiary country that is im-  
4 ported into the United States and that—

5           “(I) meets the same require-  
6 ments (other than assembly in Mex-  
7 ico) as those specified in Appendix 2.4  
8 of the Annex (relating to goods as-  
9 sembled from fabric wholly formed  
10 and cut in the United States) for the  
11 duty free entry of a like article assem-  
12 bled in Mexico, or

13           “(II) is identified under subpara-  
14 graph (C) as a handloomed, hand-  
15 made, or folklore article of such coun-  
16 try and is certified as such by the  
17 competent authority of such country;  
18 and

19           “(iii) no quantitative restriction or  
20 consultation level may be applied to the  
21 importation into the United States of any  
22 textile or apparel article that—

23           “(I) originates in the territory of  
24 a beneficiary country,

1           “(II) meets the same require-  
2           ments (other than assembly in Mex-  
3           ico) as those specified in Appendix  
4           3.1.B.10 of the Annex (relating to  
5           goods assembled from fabric wholly  
6           formed and cut in the United States)  
7           for the exemption of a like article as-  
8           sembled in Mexico from United States  
9           quantitative restrictions and consulta-  
10          tion levels, or

11           “(III) qualifies for duty-free  
12          treatment under clause (ii)(II).

13           “(B) NAFTA TRANSITION PERIOD TREAT-  
14          MENT OF NONORIGINATING TEXTILE AND AP-  
15          PAREL ARTICLES.—

16           “(i) PREFERENTIAL TARIFF TREAT-  
17          MENT.—Subject to clause (ii), the United  
18          States Trade Representative may place in  
19          effect at any time during the transition pe-  
20          riod with respect to any textile or apparel  
21          article that—

22           “(I) is a product of a beneficiary  
23          country, but

1                   “(II) does not qualify as a good  
2                   that originates in the territory of that  
3                   country,

4                   tariff treatment that is identical to the  
5                   preferential tariff treatment that is ac-  
6                   corded during such time under Appendix  
7                   6.B of the Annex to a like article that is  
8                   a product of Mexico and imported into the  
9                   United States.

10                   “(ii) PRIOR CONSULTATION.—The  
11                   United States Trade Representative may  
12                   implement the preferential tariff treatment  
13                   described in clause (i) only after consulta-  
14                   tion with representatives of the United  
15                   States textile and apparel industry and  
16                   other interested parties regarding—

17                   “(I) the specific articles to which  
18                   such treatment will be extended,

19                   “(II) the annual quantity levels  
20                   to be applied under such treatment  
21                   and any adjustment to such levels,

22                   “(III) the allocation of such an-  
23                   nual quantities among the beneficiary  
24                   countries that export the articles con-  
25                   cerned to the United States, and

1                   “(IV) any other applicable provi-  
2                   sion.

3                   “(iii) ADJUSTMENT OF CERTAIN BI-  
4                   LATERAL TEXTILE AGREEMENTS.—The  
5                   United States Trade Representative shall  
6                   undertake negotiations for purposes of  
7                   seeking appropriate reductions in the  
8                   quantities of textile and apparel articles  
9                   that are permitted to be imported into the  
10                  United States under bilateral agreements  
11                  with beneficiary countries in order to re-  
12                  flect the quantities of textile and apparel  
13                  articles of each respective country that are  
14                  exempt from quota treatment by reason of  
15                  paragraph (2)(A)(iii).

16                  “(C) HANDLOOMED, HANDMADE, AND  
17                  FOLKLORE ARTICLES.—For purposes of sub-  
18                  paragraph (A), the United States Trade Rep-  
19                  resentative shall consult with representatives of  
20                  the beneficiary country for the purpose of iden-  
21                  tifying particular textile and apparel goods that  
22                  are mutually agreed upon as being handloomed,  
23                  handmade, or folklore goods of a kind described  
24                  in section 2.3 (a), (b), or (c) or Appendix  
25                  3.1.B.11 of the Annex.

1 “(D) BILATERAL EMERGENCY ACTIONS.—

2 The President may take—

3 “(i) bilateral emergency tariff actions  
4 of a kind described in section 4 of the  
5 Annex with respect to any textile or ap-  
6 parel article imported from a beneficiary  
7 country if the application of tariff treat-  
8 ment under subparagraph (A) to such arti-  
9 cle results in conditions that would be  
10 cause for the taking of such actions under  
11 such section 4 with respect to a like article  
12 that is a product of Mexico; or

13 “(ii) bilateral emergency quantitative  
14 restriction actions of a kind described in  
15 section 5 of the Annex with respect to im-  
16 ports of any textile or apparel article de-  
17 scribed in subparagraph (B)(i) (I) and (II)  
18 if the importation of such article into the  
19 United States results in conditions that  
20 would be cause for the taking of such ac-  
21 tions under such section 5 with respect to  
22 a like article that is a product of Mexico.

23 “(3) NAFTA TRANSITION PERIOD TREATMENT  
24 OF CERTAIN OTHER ARTICLES ORIGINATING IN BEN-  
25 EFICIARY COUNTRIES.—

1 “(A) EQUIVALENT TARIFF TREATMENT.—

2 “(i) IN GENERAL.—Subject to clause  
3 (ii), the tariff treatment accorded at any  
4 time during the transition period to any  
5 article referred to in any of subparagraphs  
6 (B) through (F) of paragraph (1) that  
7 originates in the territory of a beneficiary  
8 country shall be identical to the tariff  
9 treatment that is accorded during such  
10 time under Annex 302.2 of the NAFTA to  
11 a like article that originates in the terri-  
12 tory of Mexico and is imported into the  
13 United States. Such articles shall be sub-  
14 ject to the provisions for emergency action  
15 under chapter 8 of part two of the NAFTA  
16 to the same extent as if such articles were  
17 imported from Mexico.

18 “(ii) EXCEPTION.—Clause (i) does not  
19 apply to any article accorded duty-free  
20 treatment under U.S. Note 2(b) to sub-  
21 chapter II of chapter 98 of the HTS.

22 “(B) RELATIONSHIP TO SUBSECTION (h)  
23 DUTY REDUCTIONS.—If at any time during the  
24 transition period the rate of duty that would  
25 (but for action taken under subparagraph (A)(i)

1 in regard to such period) apply with respect to  
2 any article under subsection (h) is a rate of  
3 duty that is lower than the rate of duty result-  
4 ing from such action, then such lower rate of  
5 duty shall be applied for the purposes of imple-  
6 menting such action.

7 “(4) CUSTOMS PROCEDURES.—The provisions  
8 of chapter 5 of part two of the NAFTA regarding  
9 customs procedures apply to importations under  
10 paragraphs (2) and (3) of articles from beneficiary  
11 countries.

12 “(5) DEFINITIONS.—For purposes of this sub-  
13 section—

14 “(A) The term ‘the Annex’ means Annex  
15 300-B of the NAFTA.

16 “(B) The term ‘NAFTA’ means the North  
17 American Free Trade Agreement entered into  
18 between the United States, Mexico, and Canada  
19 on December 17, 1992.

20 “(C) The term ‘textile or apparel article’  
21 means any article referred to in paragraph  
22 (1)(A) that is a good listed in Appendix 1.1 of  
23 the Annex.

24 “(D) The term ‘transition period’ means,  
25 with respect to a beneficiary country, the period

1 that begins on the date of the enactment of the  
2 Caribbean Basin Trade Security Act and ends  
3 on the earlier of—

4 “(i) the date that is the 6th anniver-  
5 sary of such date of enactment; or

6 “(ii) the date on which—

7 “(I) the beneficiary country ac-  
8 cedes to the NAFTA, or

9 “(II) there enters into force with  
10 respect to the United States a free  
11 trade agreement comparable to the  
12 NAFTA that makes substantial  
13 progress in achieving the negotiating  
14 objectives set forth in section  
15 108(b)(5) of the North American Free  
16 Trade Agreement Implementation  
17 Act.

18 “(E) An article shall be treated as having  
19 originated in the territory of a beneficiary coun-  
20 try if the article meets the rules of origin for  
21 a good set forth in chapter 4 of part two of the  
22 NAFTA or in Appendix 6.A of the Annex. In  
23 applying such chapter 4 or Appendix 6.A with  
24 respect to a beneficiary country for purposes of  
25 this subsection, no countries other than the

1 United States and beneficiary countries may be  
2 treated as being Parties to the NAFTA.”.

3 (b) CONFORMING AMENDMENTS.—The Caribbean  
4 Basin Economic Recovery Act is further amended—

5 (1) by amending section 212(e)(1)(B) to read  
6 as follows:

7 “(B) withdraw, suspend, or limit the appli-  
8 cation of the duty-free treatment under this  
9 subtitle, and the tariff and preferential tariff  
10 treatment under section 213(b)(2) and (3), to  
11 any article of any country,”; and

12 (2) by inserting “and except as provided in sec-  
13 tion 213(b)(2) and (3),” after “Tax Reform Act of  
14 1986,” in section 213(a)(1).

15 **SEC. 102. EFFECT OF NAFTA ON SUGAR IMPORTS FROM**  
16 **BENEFICIARY COUNTRIES.**

17 The President shall monitor the effects, if any, that  
18 the implementation of the NAFTA has on the access of  
19 beneficiary countries under the Caribbean Basin Economic  
20 Recovery Act to the United States market for sugars, syr-  
21 ups, and molasses. If the President considers that the im-  
22 plementation of the NAFTA is affecting, or will likely af-  
23 fect, in an adverse manner the access of such countries  
24 to the United States market, the President shall prompt-  
25 ly—

1           (1) take such actions, after consulting with in-  
2           terested parties and with the appropriate committees  
3           of the House of Representatives and the Senate, or

4           (2) propose to the Congress such legislative ac-  
5           tions,

6 as may be necessary or appropriate to ameliorate such ad-  
7 verse effect.

8 **SEC. 103. DUTY-FREE TREATMENT FOR CERTAIN BEV-**  
9 **ERAGES MADE WITH CARIBBEAN RUM.**

10          Section 213(a) of the Caribbean Basin Economic Re-  
11          covery Act (19 U.S.C. 2703(a)) is amended—

12                 (1) in paragraph (5), by striking “chapter” and  
13                 inserting “title”; and

14                 (2) by adding at the end the following new  
15                 paragraph:

16                 “(6) Notwithstanding paragraph (1), the duty-free  
17                 treatment provided under this title shall apply to liqueurs  
18                 and spirituous beverages produced in the territory of Can-  
19                 ada from rum if—

20                         “(A) such rum is the growth, product, or manu-  
21                         facture of a beneficiary country or of the Virgin Is-  
22                         lands of the United States;

23                         “(B) such rum is imported directly from a ben-  
24                         eficiary country or the Virgin Islands of the United  
25                         States into the territory of Canada, and such li-

1 queurs and spirituous beverages are imported di-  
2 rectly from the territory of Canada into the customs  
3 territory of the United States;

4 “(C) when imported into the customs territory  
5 of the United States, such liqueurs and spirituous  
6 beverages are classified in subheading 2208.90 or  
7 2208.40 of the HTS; and

8 “(D) such rum accounts for at least 90 percent  
9 by volume of the alcoholic content of such liqueurs  
10 and spiritous beverages.”.

## 11 **TITLE II—RELATED PROVISIONS**

### 12 **SEC. 201. MEETINGS OF TRADE MINISTERS AND USTR.**

13 (a) SCHEDULE OF MEETINGS.—The President shall  
14 take the necessary steps to convene a meeting with the  
15 trade ministers of the beneficiary countries in order to es-  
16 tablish a schedule of regular meetings, to commence as  
17 soon as is practicable, of the trade ministers and the  
18 Trade Representative, for the purpose set forth in sub-  
19 section (b).

20 (b) PURPOSE.—The purpose of the meetings sched-  
21 uled under subsection (a) is to reach agreement between  
22 the United States and beneficiary countries on the likely  
23 timing and procedures for initiating negotiations for bene-  
24 ficiary countries to accede to the NAFTA, or to enter into  
25 mutually advantageous free trade agreements with the

1 United States that contain provisions comparable to those  
2 in the NAFTA and would make substantial progress in  
3 achieving the negotiating objectives set forth in section  
4 108(b)(5) of the North American Free Trade Agreement  
5 Implementation Act (19 U.S.C. 3317(b)(5)).

6 **SEC. 202. REPORT ON ECONOMIC DEVELOPMENT AND MAR-**  
7 **KET ORIENTED REFORMS IN THE CARIB-**  
8 **BEAN.**

9       (a) IN GENERAL.—The Trade Representative shall  
10 make an assessment of the economic development efforts  
11 and market oriented reforms in each beneficiary country  
12 and the ability of each such country, on the basis of such  
13 efforts and reforms, to undertake the obligations of the  
14 NAFTA. The Trade Representative shall, not later than  
15 July 1, 1996, submit to the President and to the Commit-  
16 tee on Finance of the Senate and the Committee on Ways  
17 and Means of the House of Representatives a report on  
18 that assessment.

19       (b) ACCESSION TO NAFTA.—

20           (1) ABILITY OF COUNTRIES TO IMPLEMENT  
21 NAFTA.—The Trade Representative shall include in  
22 the report under subsection (a) a discussion of pos-  
23 sible timetables and procedures pursuant to which  
24 beneficiary countries can complete the economic re-  
25 forms necessary to enable them to negotiate acces-

1 sion to the NAFTA. The Trade Representative shall  
2 also include an assessment of the potential phase-in  
3 periods that may be necessary for those beneficiary  
4 countries with less developed economies to imple-  
5 ment the obligations of the NAFTA.

6 (2) FACTORS IN ASSESSING ABILITY TO IMPLE-  
7 MENT NAFTA.—In assessing the ability of each bene-  
8 ficiary country to undertake the obligations of the  
9 NAFTA, the Trade Representative should consider,  
10 among other factors—

11 (A) whether the country has joined the  
12 WTO;

13 (B) the extent to which the country pro-  
14 vides equitable access to the markets of that  
15 country;

16 (C) the degree to which the country uses  
17 export subsidies or imposes export performance  
18 requirements or local content requirements;

19 (D) macroeconomic reforms in the country  
20 such as the abolition of price controls on traded  
21 goods and fiscal discipline;

22 (E) progress the country has made in the  
23 protection of intellectual property rights;

24 (F) progress the country has made in the  
25 elimination of barriers to trade in services;

1 (G) whether the country provides national  
2 treatment to foreign direct investment;

3 (H) the level of tariffs bound by the coun-  
4 try under the WTO (if the country is a WTO  
5 member);

6 (I) the extent to which the country has  
7 taken other trade liberalization measures; and

8 (J) the extent which the country works to  
9 accommodate market access objectives of the  
10 United States.

11 (c) PARITY REVIEW IN THE EVENT A NEW COUNTRY  
12 ACCEDES TO NAFTA.—If—

13 (1) a country or group of countries accedes to  
14 the NAFTA, or

15 (2) the United States negotiates a comparable  
16 free trade agreement with another country or group  
17 of countries,

18 the Trade Representative shall provide to the committees  
19 referred to in subsection (a) a separate report on the eco-  
20 nomic impact of the new trade relationship on beneficiary  
21 countries. The report shall include any measures the  
22 Trade Representative proposes to minimize the potential  
23 for the diversion of investment from beneficiary countries

1 to the new NAFTA member or free trade agreement  
2 partner.

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HR 553 IH—2