

# Caribbean Trade Preference Programs

February 22, 2023

Congressional Research Service

<https://crsreports.congress.gov>

R47432



## Caribbean Trade Preference Programs

For decades, the Caribbean Basin has been the beneficiary of numerous U.S. trade preference programs that provide temporary, nonreciprocal, duty-free U.S. market access to select imports from eligible Caribbean countries as authorized by Congress. The Caribbean-focused programs are collectively known as the Caribbean Basin Initiative (CBI), which was first announced in the early 1980s in an effort to ensure economic and political stability in the Caribbean region. CBI has been a core element of the U.S. foreign economic policy response to economic and political conditions in Caribbean countries. The region's proximity, vulnerability, and instability have been of strategic interest to the United States since the 1980s.

In 1983, Congress created the first regionally targeted U.S. trade preference program in the Caribbean Basin Economic Recovery Act (CBERA), which provides limited duty-free entry of select U.S. imports from eligible Caribbean countries. The Caribbean Basin Trade Partnership Act (CBTPA) of 2000 amended CBERA by expanding the degree of preferential treatment applied to apparel products and extending preferences to other products, including petroleum products. The Haitian Hemispheric Opportunity through Partnership Encouragement (HOPE) Act of 2006 (amended in 2008 and 2010) provides additional preferences to U.S. imports of apparel from Haiti. Congress has repeatedly revised and extended these programs.

Unlike U.S. free trade agreements (FTAs), trade preference programs do not extend preferences to all sectors/tariff lines/products and are nonreciprocal (i.e., beneficiary countries do not provide equivalent trade benefits to the United States). However, the countries must meet certain eligibility criteria to qualify for the programs. Since the trade preference programs have gone into effect, trade between the United States and Caribbean Basin countries has increased, although the growth has not been as robust as some policymakers may have hoped. Program utilization tends to be concentrated among a few beneficiary countries and in certain products, limiting export promotion and deterring product diversification. FTAs such as the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) and other regional U.S. preference programs may have diminished potential benefits. CAFTA-DR replaced temporary, unilateral preferences with partner countries with permanent tariff reductions and trade rules. As the main exporters of apparel in the Caribbean Basin, the partner countries were among the primary beneficiaries of CBI programs.

Congress has generally authorized short-term extensions of Caribbean trade preference programs. Some Members of Congress seek comprehensive reviews of the programs in an effort to harmonize and revise various provisions. Some concerns include complying with eligibility criteria, simplifying rules of origin, and targeting poorer countries such as Haiti to enhance economic development. Based on import data, the most utilized trade preferences appear to be the apparel provisions provided under the CBTPA and the HOPE Act, as amended.

The United States Trade Representative estimated that the effect of CBI on the U.S. economy during the most recent reporting period of 2019-2020 was negligible, and is likely to remain so.

The 118<sup>th</sup> Congress may play an active legislative and oversight role in U.S. trade policy in the Caribbean Basin and Latin America. Policymakers may consider evaluating the effectiveness of Caribbean trade preference programs as a policy tool to provide assistance to beneficiary countries and to shape the economic effects on the United States. Other issues that Congress may consider include (1) whether to expand or extend trade preferences for Haiti after they expire in 2025; (2) how trade preference programs may help stabilize Haiti (if at all); (3) whether the United States should consider pressing for reciprocal trade agreements in the Caribbean region; (4) what type of market access the United States would benefit from in the Caribbean; and (5) how to use U.S. trade policy, including the role of trade preference programs, to enhance supply chain resiliency in the Western Hemisphere.

**R47432**

February 22, 2023

**Liana Wong**

Analyst in International  
Trade and Finance

**M. Angeles Villarreal**

Specialist in International  
Trade and Finance

## Contents

Overview of Caribbean Trade Preferences .....	1
The Caribbean Basin Economic Recovery Act (CBERA) of 1983 .....	2
Caribbean Basin Trade Partnership Act (CBTPA).....	3
Trade Preferences for Haiti.....	5
HOPE I.....	5
HOPE II.....	6
HELP.....	6
Rules of Origin .....	7
CBI Import Trends.....	8
Trade with Haiti .....	11
Impact and Utilization Rates .....	12
Issues for Congress.....	13

## Figures

Figure 1. Caribbean Beneficiary Countries in U.S. Trade Preference Programs .....	2
Figure 2. U.S. Merchandise Imports from CBI Countries: 2010-2022 .....	8
Figure 3. U.S. Imports Under CBI, by Product and Country: 2022 .....	10
Figure 4. U.S. Imports from Haiti: 2000-2022 .....	12

## Tables

Table 1. U.S. Total Merchandise Imports from CBI Countries .....	11
--	----

## Contacts

Author Information.....	13
-------------------------	----

## Overview of Caribbean Trade Preferences

The United States provides unilateral trade preferences to many countries as part of its foreign economic policy. U.S. trade preference programs give market access to eligible goods from beneficiary developing countries by providing duty-free treatment or tariffs below normal rates, without requiring reciprocal trade concessions. The goal is to promote economic growth and development in developing countries by stimulating export promotion and investment. Other goals may be political or aimed at encouraging countries to use U.S. inputs in foreign manufacturing. Congress authorizes trade preference programs in specific laws, and usually extends them for specific periods.

The Caribbean Basin has been the beneficiary of numerous U.S. preferential trade programs, known collectively as the Caribbean Basin Initiative (CBI). The first such program was the 1983 Caribbean Basin Economic Recovery Act (CBERA) (see **Figure 1**).<sup>1</sup> CBI aims to facilitate economic development and serves as an important element in U.S. economic relations with the region.<sup>2</sup> Several Caribbean countries are also beneficiaries of the larger and older Generalized System of Preferences (GSP).<sup>3</sup>

CBI trade preferences are granted under the following authorities:

- CBERA, enacted in 1983, allows the President to grant unilateral duty-free treatment for imports of eligible articles from CBI beneficiary countries.<sup>4</sup> A 1990 amendment to CBERA expanded the program and made it permanent.
- The Caribbean Basin Trade Partnership Act (CBTPA) of 2000 amended the CBERA and enhanced existing CBERA preferences by expanding preferential treatment to certain U.S. imports of apparel made in the region.<sup>5</sup> Congress has renewed CBERA several times, most recently in October 2020, extending it until September 30, 2030.<sup>6</sup>
- Beginning in 2006, the United States enacted various amendments to CBERA to provide Haiti with additional preferential benefits by (1) allowing the use of yarns and fabrics from countries other than the United States, (2) introducing a quota program, and (3) expanding the number of eligible apparel products from Haiti. The programs for Haiti are set to expire in September 2025.<sup>7</sup>

<sup>1</sup> In general, the term “CBERA” refers to CBERA as amended by the Caribbean Basin Trade Partnership Act of 2000 and 2020 (CBTPA, P.L. 98-67); the Haitian Hemispheric Opportunity through Partnership Encouragement Acts of 2006 (HOPE I, Title V of P.L. 109-432) and 2008 (HOPE II, Title XV of P.L. 110-234); the Haitian Economic Lift Program (HELP) Act of 2010; and other legislation.

<sup>2</sup> On a biennial basis, the United States Trade Representative (USTR), by statute, is required to submit a report to Congress providing a general review of Caribbean Basin Initiative beneficiary countries and their performance under the CBI eligibility criteria. It is to provide an evaluation of the effects of the expansions of CBI trade preferences. For more information, see United States Trade Representative, *Fourteenth Report to Congress on the Operation of the Caribbean Basin Economic Recovery Act*, December 31, 2021.

<sup>3</sup> Congress created GSP in 1974 and has periodically extended the program. Authorization for the program lapsed on December 31, 2020 and is currently pending reauthorization. For more, see CRS Report RL33663, *Generalized System of Preferences (GSP): Overview and Issues for Congress*, by Liana Wong.

<sup>4</sup> Caribbean Basin Economic Recovery Act of 1983, P.L. 98-67.

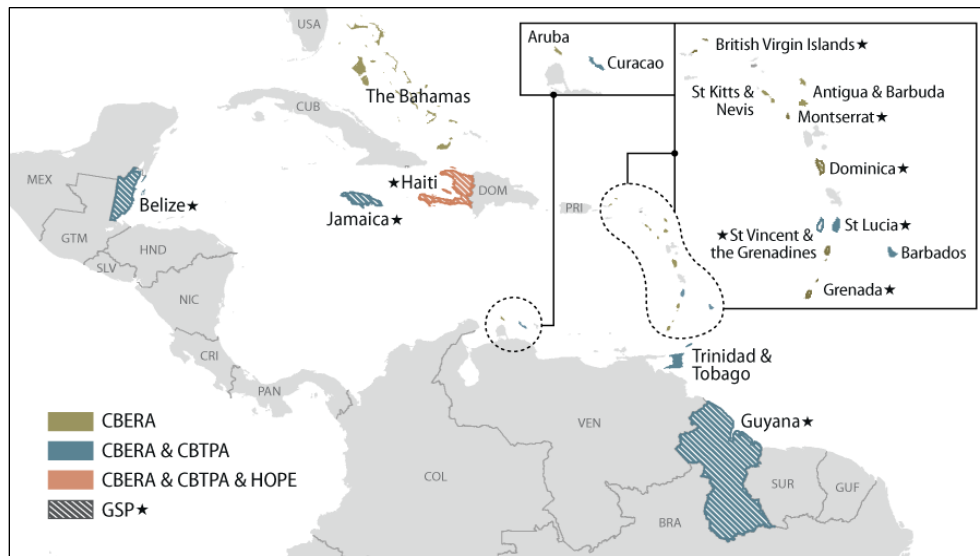
<sup>5</sup> Title II of the Trade and Development Act of 2000, P.L. 106-200.

<sup>6</sup> Extension of the Caribbean Basin Economic Recovery Act, P.L. 116-164.

<sup>7</sup> Trade preferences for Haiti include the Haitian HOPE Act of 2006 (HOPE I), P.L. 109-432; HOPE II of 2008, P.L.

According to the U.S. Trade Representative (USTR), the CBI, after more than 30 years, has established a framework for engagement with Caribbean countries in a number of trade policy areas with “meaningful outcomes.”<sup>8</sup> An economic study by the U.S. International Trade Commission suggests that the effect of Caribbean trade preference programs, while negligible on the U.S. economy, has been positive for a number of Caribbean Basin countries.<sup>9</sup> Haiti has been the greatest beneficiary, largely because of more flexible rules of origin for apparel.

**Figure 1. Caribbean Beneficiary Countries in U.S. Trade Preference Programs**



**Source:** CRS and “General Notes,” *Harmonized Tariff Schedule of the United States 2023 Basic Edition*.

**Note:** CBERA=Caribbean Basin Economic Recovery Act, CBTPA=Caribbean Basin Trade Partnership Act, HOPE=Haitian Hemispheric Opportunity through Partnership Encouragement Act, GSP=Generalized System of Preferences.

Beneficiary countries: Antigua and Barbuda, Aruba, Bahamas, Barbados\*, Belize\*, British Virgin Islands, Curacao\*, Dominica, Grenada, Guyana\*, Haiti\*, Jamaica\*, Montserrat, St. Kitts and Nevis, St. Lucia\*, St. Vincent and the Grenadines, Trinidad and Tobago\*. (\*Countries in CBERA and CBTPA).

## The Caribbean Basin Economic Recovery Act (CBERA) of 1983

Congress created the first regionally targeted U.S. trade preference program with the 1983 CBERA, which provides limited duty-free entry of select U.S. imports from beneficiary Caribbean countries. CBERA has been a core element of the U.S. foreign economic policy response to economic and political conditions in Caribbean countries. The region’s proximity, vulnerability, and instability have been of strategic interest to the United States since at least the 1980s. Although CBERA was the first important new preference program at the time, its effects were limited because of the exclusion of key products considered “import sensitive” (i.e.,

110-246, Subtitle D, Part I; and the HELP Act of 2010, P.L. 111-171.

<sup>8</sup> United States Trade Representative, *Fourteenth Report to Congress on the Operation of the Caribbean Basin Economic Recovery Act*, December 31, 2021.

<sup>9</sup> See, for example, United States International Trade Commission, *Caribbean Basin Economic Recovery Act: Impact on U.S. Industries and Consumers and on Beneficiary Countries*, 25<sup>th</sup> report, corrected June 2022, September 2021.

domestic industries that are sensitive to import competition) in the United States, especially apparel items.

Provided a good is wholly the “growth, product, or manufacture” of, and imported directly from a beneficiary country, it may enter the United States duty free or at a reduced rate of duty under CBERA. Exceptions include articles defined by Congress as import sensitive, including petroleum products, footwear, handbags, luggage, flat goods, work gloves, leather wearing apparel, canned tuna, and watches and watch parts. CBERA rules of origins require that 35% of an article’s value of labor and parts must originate in a beneficiary country, although up to 15% of the 35% could be of U.S. origin.<sup>10</sup>

A number of special provisions apply. All imports under CBERA are subject to safeguard measures (resumption of tariffs) if the imports are shown to increase in quantities that hurt U.S. producers.<sup>11</sup> Additionally, CBERA accords special treatment to some import-sensitive goods. For example, it gives duty-free entry to ethanol imports, if produced under certain conditions, and sugar imports, if produced under a tariff rate quota (TRQ).

Designated beneficiary countries are required meet specific eligibility criteria. The President may deny or suspend preferential benefits if the country (1) is a Communist country; (2) has seized U.S. property without compensation; (3) fails to recognize or enforce awards arbitrated in favor of U.S. citizens; (4) affords preferential treatment to goods from other countries to the detriment of U.S. commerce; (5) broadcasts U.S. copyrighted material without permission; (6) has not signed an extradition agreement with the United States; or (7) is not taking steps to afford internationally recognized worker rights.<sup>12</sup> The President also considers other factors, such as level of economic development, market access, and protection of intellectual property rights.

## Caribbean Basin Trade Partnership Act (CBTPA)

On May 18, 2000, the CBTPA was signed into law (P.L. 106-200), amending CBERA by expanding benefits for Caribbean countries until September 30, 2008, or until a beneficiary country entered into an FTA with the United States. Congress extended these benefits, unchanged, for two years in the Food, Conservation, and Energy Act of 2008 (P.L. 110-246), and again through September 30, 2020, in the Haiti Economic Lift Program (HELP) Act of 2010 (P.L. 111-171). On October 2020, Congress extended CBTPA through September 30, 2030 (P.L. 116-164).

CBTPA significantly enhanced existing preferences under CBERA and expanded the degree of preferential treatment applied to U.S. imports of apparel made in the Caribbean Basin region.<sup>13</sup> It provides duty- and quota-free treatment for apparel made in CBI countries as long as those products meet rules of origin requirements (see “Rules of Origin” below). Certain knit apparel

<sup>10</sup> P.L. 98-213, §213.

<sup>11</sup> So-called “safeguard” actions are designed to provide temporary relief—for example, through additional tariffs or quotas—to facilitate “positive adjustment” of a domestic industry to import competition. For more information, see CRS In Focus IF10786, *Safeguards: Section 201 of the Trade Act of 1974*, by Liana Wong.

<sup>12</sup> 19 U.S.C. §2702. The President is required to notify Congress of his intention to designate a country of CBERA eligibility. Similarly, the President is also required to notify Congress of his determination to terminate such designation at least 60 days before doing so. For national security reasons, the President may waive some of these conditions.

<sup>13</sup> See United States Trade Representative, *Fourteenth Report to Congress on the Operation of the Caribbean Basin Economic Recovery Act*, December 31, 2021, pp. 11-12; and U.S. Department of Homeland Security, *What Every Member of the Trade Community Should Know About: The U.S.-Caribbean Basin Trade Partnership Act, An Informed Compliance Publication*, Revised July 2007.

made in beneficiary countries from fabrics formed from U.S. yarns in the Caribbean Basin also qualify for trade preferences, subject to yearly limits. In addition to the apparel preferences, CBTPA provides tariff treatment equivalent to the North American Free Trade Agreement (NAFTA) for certain items previously excluded from duty-free treatment (see textbox below). CBTPA also amended CBERA to provide trade preferences to certain liqueurs and spirits produced in Canada from rums that are the growth, product, or manufacture of a beneficiary country or the U.S. Virgin Islands.<sup>14</sup>

### CBTPA and NAFTA/USMCA Parity

Prior to NAFTA's entry into force in January 1994, products from CBI countries had a significant advantage over those from Mexico in U.S. preferential duty treatment. NAFTA essentially eliminated the advantage that the beneficiaries of CBERA and related provisions of CBI had benefitted from relative to Mexico since 1984, and gave Mexico an increasingly significant competitive edge over CBERA countries, particularly in the apparel industry. To mitigate the adverse effect of the trade advantages Mexico was gaining, Congress began considering legislation to authorize trade preferences for CBI countries. In 2000, Congress passed the Caribbean Trade Partnership Act (CBTPA; P.L. 106-200) to enhance and broaden preferences for CBI countries. CBTPA provides the same treatment as under the United States-Mexico-Canada Agreement (USMCA) to certain U.S. imports from Caribbean countries that were previously excluded from duty-free treatment. These products include footwear, canned tuna, petroleum products, certain watches and watch parts, certain handbags, luggage, flat goods, work gloves and leather wearing apparel. In total, almost 270 non-textile tariff items are eligible for duty-free treatment. CBTPA also expanded the degree of preferential treatment applied to U.S. imports of apparel from CBI countries. CBTPA non-textile products must meet NAFTA/USMCA rules of origin and must be supported by a CBTPA Certificate of Origin. Rules of origin for textile and apparel articles state that limited amounts of knit apparel using U.S. yarns also are eligible for duty-free and quota-free treatment (except socks), including certain brassieres; hand-loomed, handmade, and folklore articles; textile luggage; and articles made from materials not available or not available in commercial quantities in the United States. Apparel articles are eligible for preferential treatment if they are cut or assembled in one or more CBTPA country from fabrics formed and cut in the United States or with yarns formed in the United States. Up to 15% of import value may be U.S. origin inputs (cost or value of materials) and attributed to the 35% regional value content.

**Sources:** United States Trade Representative, *Fourteenth Report to Congress on the Operation of the Caribbean Basin Economic Recovery Act*, December 31, 2021; and U.S. Customs and Border Protection page on Caribbean Basin Trade Partnership Act (CBTPA), at <https://www.cbp.gov/trade/priority-issues/trade-agreements/special-trade-legislation/caribbean-basin-initiative/cbtpa>; and 19 CFR 10.221–10.237.

When NAFTA<sup>15</sup> entered into force on January 1, 1994, U.S. imports from the CBI region faced increasing competition from Mexican products, igniting a debate over parity issues related to treatment of U.S. imports under competing trade agreements and arrangements. Bilateral trade in textiles and apparel between the United States and Mexico increased significantly after NAFTA, adversely affecting producers in the Caribbean region. Mexico's new trade advantages, larger economy, and production capacity threatened income and production in the CBI countries. Caribbean beneficiaries began to lobby for U.S. trade preferences equal to those of Mexico, known at the time as the CBI/NAFTA parity issue. Beginning with the 103<sup>rd</sup> Congress, Congress considered legislation to temporarily provide Caribbean beneficiary countries tariff and quota treatment equivalent to that accorded to Mexico under NAFTA.<sup>16</sup>

<sup>14</sup> Ibid.

<sup>15</sup> Under NAFTA, Mexico's exports to the United States received duty-free treatment or reduced tariffs over a phase-in period of up to 19 years. USMCA maintains these market-opening measures. U.S. imports of Mexican textile and apparel products are subject to detailed rules of origin. For more information, see CRS In Focus IF10047, *North American Free Trade Agreement (NAFTA)*, and CRS In Focus IF10997, *U.S.-Mexico-Canada (USMCA) Trade Agreement*.

<sup>16</sup> Vladimir N. Pregelj, "Caribbean Basin Interim Trade Program: CBI/NAFTA Parity," Issue Brief IB95050, April 6,



## Trade Preferences for Haiti

In December 2006, Congress passed the Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2006 (HOPE I; P.L. 107-210) to make Haiti eligible for further trade benefits. HOPE included special trade rules that give preferential access to U.S. imports of Haitian apparel. The purpose of this preferential treatment was to promote investment in Haiti's apparel industry as one element of a broader economic growth and development plan.<sup>17</sup> Early assessments of HOPE I, however, showed that this preferential treatment was not as effective as expected.<sup>18</sup> In 2008, Congress responded by amending HOPE I to extend and enhance preferences for Haiti under the HOPE II Act of 2008 (P.L. 110-246).<sup>19</sup> In 2010, the earthquake in Haiti caused considerable damage to the apparel sector. Congress responded to the apparel industry's needs by amending the HOPE Act with the Haiti Economic Lift Program (HELP) Act of 2010 (P.L. 111-171).<sup>20</sup>

### HOPE I

HOPE I, enacted in 2006, allowed for the duty-free treatment of select apparel imports from Haiti made with less expensive, third-country inputs (e.g., nonregional yarns, fabrics, and components) provided that these imports met rules of origin and eligibility criteria. Under CBTPA, apparel imports from Haiti qualify for preferential duty treatment only if they are made from yarns and/or fabric from the United States, Haiti, and/or other CBI beneficiary countries, including Puerto Rico and the U.S. Virgin Islands.<sup>21</sup> Eligibility requirements for HOPE I included government efforts in establishing a market economy, strengthening the rule of law, eliminating barriers to U.S. trade and investment, establishing policies to reduce poverty and combat corruption, and protecting internationally recognized worker rights. HOPE I also established a value-added quota program. Other provisions included the following:<sup>22</sup>

- Direct shipment requirements for all eligible exports from Haiti.
- Cap on total qualified apparel imports equal to 1%-2% of total U.S. apparel imports.
- Short-supply rule allowing duty-free treatment of goods made from fabrics in "short supply," as defined in all other U.S. trade agreements.<sup>23</sup>
- Quotas for apparel articles in which up to 60% of the value added had to come from the United States or a country party to a U.S. FTA or trade preference program. An additional quota or trade preference level (TPL) of 70 million

2006. Available to congressional offices upon request.

<sup>17</sup> P.L. 109-432.

<sup>18</sup> For information, on early assessments of HOPE I, see CRS Report RL34687, *The Haitian Economy and the HOPE Act*, by J. F. Hornbeck.

<sup>19</sup> P.L. 110-246, Subtitle D, Part I.

<sup>20</sup> The HELP Act also extended CBTPA through September 30, 2030.

<sup>21</sup> U.S. Department of Commerce, *Haiti Country Commercial Guide*, August 3, 2019, <https://www.export.gov/apex/article2?id=Haiti-Trade-Agreements>.

<sup>22</sup> United States Trade Representative, *Fourteenth Report to Congress on the Operation of the Caribbean Basin Economic Recovery Act*, December 31, 2021.

<sup>23</sup> "Short supply" refers to fabrics or yarns that are not available in commercial quantities in the United States. For more information, see U.S. International Trade Administration, Office of Textiles and Apparel, "Frequently Asked Questions about the Commercial Availability Process for U.S. Free Trade Agreements with Australia, Bahrain, Canada and Mexico (USMCA), Chile, Korea, Morocco, Oman, and Singapore," available at <https://www.trade.gov>.



square meter equivalents (SMEs) annually for duty-free treatment of woven apparel that did not have to meet the value-added rule (allowing all inputs for these articles to be sourced from anywhere in the world).

- Duty-free treatment of motor vehicle wire harnesses imported from Haiti containing at least 50% value of materials produced in Haiti, the United States, FTA partner countries, or regional preference program beneficiary countries.

## HOPE II

HOPE II, enacted in 2008, maintained and expanded HOPE I. It provided for duty-free access for up to 70 million square-meter equivalents of knit apparel, with some exclusions, annually. It also provided for additional allowances to obtain duty-free treatment or manufacture of qualifying fabric shipped to Haiti for production of apparel. It extended the preferences for 10 years and expanded coverage of duty-free treatment to more apparel products, particularly knit articles, and simplified the rules of origin, making them easier to use. Other provisions included

- allowance of direct shipment of final goods from either Haiti or the Dominican Republic;
- clarification of quantitative limitation rules (caps);
- labor eligibility requirements, including the establishment of an independent Labor Ombudsperson's office, mandatory participation of producers in the Technical Assistance Improvement and Compliance Needs Assessment and Remediation (TAICNAR) Program, and development of a system to ensure participation in the TAICNAR Program;<sup>24</sup>
- requirement that the President (1) identify producers who have failed to comply with core labor standards and related labor laws of Haiti and (2) seek to help such producers comply with core labor standards; and
- requirement that Haiti make continual progress toward establishing the protection of internationally recognized worker rights.<sup>25</sup>

Under the HOPE II Act, the President must identify producers on a biennial basis who have failed to comply with core labor standards and related labor laws of Haiti. The president delegated the Secretary of Labor, in consultation with USTR, the authority to identify producers that are not in compliance and provide remediation assistance to them.<sup>26</sup>

## HELP

HELP, passed in 2010, provided duty-free treatment for additional textile and apparel products from Haiti. These preferences are scheduled to expire on September 30, 2025. HELP made a number of additional major changes CBTPA. Specifically, HELP

<sup>24</sup> The Technical Assistance Improvement and Compliance Needs Assessment and Remediation (TAICNAR) program includes requirements to: assess compliance by Haitian manufacturers with core labor standards and Haitian labor laws, issue public reports on compliance with such worker rights, assist producers with addressing deficiencies in worker rights compliance; provide training for workers and management to promote such compliance; and provide assistance to Haiti's government to improve capacity to inspect facilities, enforce national labor laws, and resolve disputes.

<sup>25</sup> See Office of the United States Trade Representative, *Thirteenth Report to Congress on the Operation of the Caribbean Basin Economic Recovery Act*, December 31, 2019, pp. 13-14.

<sup>26</sup> Ibid.

- softened the value-added rule by allowing the value-added threshold to remain at 50% through 2015, the 55% threshold through 2017, and the 60% threshold through 2018, which allowed Haitian producers time to move up the value-added chain;
- increased the woven apparel TPL rule by allowing the cap to grow to 200 million SMEs, with certain restrictions;
- increased the knit apparel TPL rule to 200 million SMEs, subject to the same restrictions for woven apparel;
- expanded the list of products eligible for duty-free treatment under special assembly rules; and
- required U.S. Customs and Border Protection (CBP) to verify that apparel articles imported into the United States are not transshipped illegally and to develop a plan to evaluate and improve Haiti's customs capabilities.

## Rules of Origin

To qualify for duty-free treatment, eligible products under CBI must meet certain rules of origin (ROO) requirements. In addition, most products must meet a regional value content (RVC) threshold, which requires that a minimum percentage of the product be produced in the beneficiary developing country.<sup>27</sup> Most CBI-eligible products must meet a 35% RVC requirement. The programs allow for cumulation, which means the value of a product produced in one or more beneficiaries may be combined in the RVC calculation. Furthermore, up to 15% of the required 35% may consist of U.S.-origin inputs. Any products claiming preferential treatment under the programs must be shipped directly from the beneficiary countries.

While the 35% RVC requirement applies to most eligible products, eligible textiles and apparel products under CBTPA and HOPE have specific ROO requirements. Generally, textile and apparel products qualify for duty-free treatment if they were “substantially transformed” in the beneficiary country, resulting in a change in tariff classification under the Harmonized Tariff Schedule of the United States (HTSUS). This is known as the “tariff-shift” method.

**CBTPA.** Preferential duty treatment extended to certain textile and apparel articles under CBTPA must meet ROO for the same products under USMCA. In general, textiles and apparel ROO under USMCA, and CBTPA by extension, have a yarn-forward rule: the yarn and subsequent production processes must originate from a USMCA or beneficiary country. Under CBTPA, eligible products may receive duty-free and quota-free treatment provided they are assembled from fabrics made and cut from U.S. yarns. The program provides exceptions to apparel articles assembled from fabrics or yarn that are not available in commercial quantities.<sup>28</sup> The President may also, at the request of interested parties and upon receiving advice from relevant advisory committees and the U.S. International Trade Commission, extend preferential treatment to fabrics and yarn that are not available in commercial quantities in the United States or CBTPA countries.

**HOPE and HELP.** The HOPE Act expanded the list of textiles and apparel products eligible for duty-free treatment provided they meet the program's ROO requirements. HOPE II expanded coverage to certain knit articles. The HELP Act of 2010 expanded the quantitative limitations on

<sup>27</sup> CRS Report RL34524, *International Trade: Rules of Origin*, by Vivian C. Jones and Liana Wong.

<sup>28</sup> 19 U.S.C. §2703(b)(2)(A)(v).

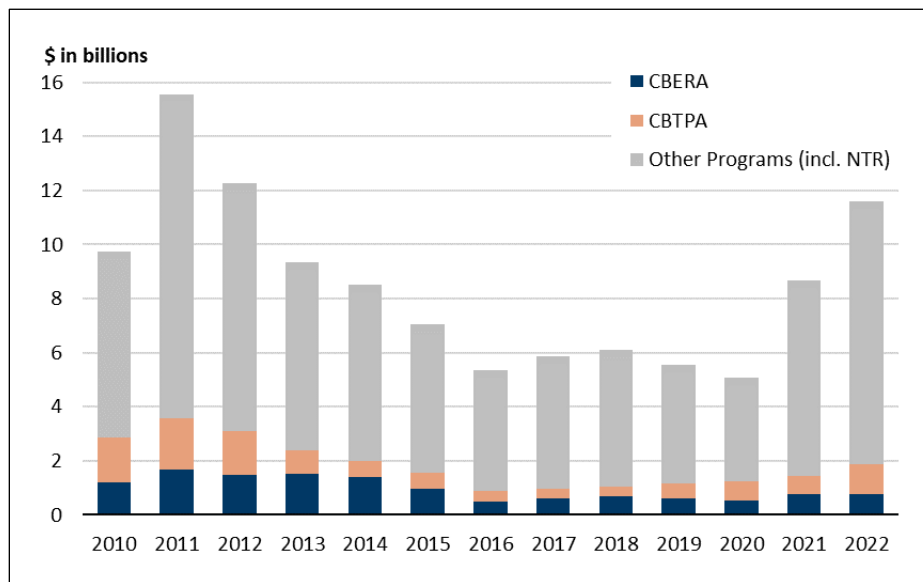
certain duty-free U.S. imports and made the earned import allowance less restrictive.<sup>29</sup> Certain woven and knit apparel products may use inputs from third countries (i.e., inputs not originating from Haiti or the United States) and still qualify for duty-free treatment. Some apparel products are required to meet a 60% value content requirement to be eligible for duty treatment.<sup>30</sup>

## CBI Import Trends

U.S. merchandise imports from CBI countries decreased from a peak of \$15.5 billion in 2011 to \$5.3 billion in 2016 (**Figure 2**). Much of this drop was due to a decline in the prices of crude petroleum oil imports from Trinidad and Tobago.<sup>31</sup> In 2022, merchandise imports from CBI countries totaled \$11.6 billion, a small share of total U.S. imports from Latin America and the Caribbean, which totaled \$603.1 billion in 2022. Imports claiming preferential benefits under a CBI program make up a small share of total U.S. merchandise imports from the region.

**Figure 2. U.S. Merchandise Imports from CBI Countries: 2010-2022**

billions of nominal U.S. dollars



**Source:** Compiled by CRS using data from U.S. International Trade Commission (USITC) DataWeb.

**Note:** NTR=Normal Trade Relations.

The top three import categories entering under U.S. CBI preference programs in 2022 were mineral fuels and oils (\$884.1 million, or 47% of total CBI imports), organic chemicals (\$438.3 million, or 23% of total), and knitted apparel (\$237.5 million, or 13% of total), as shown in **Figure 3**. Other import categories included plastics and edible preparations, including vegetables,

<sup>29</sup> The Haiti Earned Import Allowance Program (EIAP) provides duty-free entry for certain apparel from Haiti into the United States. For every two or three square-meter equivalents (SME) of qualifying fabric, one SME may enter the United States duty-free using third-party yarn and fabric. For more information, see U.S. International Trade Administration, Office of Textiles and Apparel, *Haiti Earned Import Allowance Program*, <https://www.trade.gov/haiti-earned-import-allowance-program>.

<sup>30</sup> 19 U.S.C. §2703a(b)(1).

<sup>31</sup> Oil prices have fluctuated significantly since 2010. Trinidad and Tobago is the largest oil and natural gas producer in the Caribbean. Its economy is highly dependent on the hydrocarbon sector. See “Trinidad and Tobago Country/Territory Report, Quarterly Outlook,” *S&P Global*, October 3, 2022.

fruits, and nuts. Between 2000, when CBTPA first came into effect, and 2022, U.S. imports of apparel under CBI increased over 2000%, from \$10.5 million to \$237.6 million.<sup>32</sup>

Trinidad and Tobago is the leading supplier of U.S. imports from Caribbean preference programs, accounting for 47% (\$884.8 million) of these imports in 2022, mainly due to energy-related imports such as crude petroleum and methanol. Methanol imports from Trinidad and Tobago, however, are declining, in part due to increasing U.S. domestic production capacity.<sup>33</sup> Guyana ranked second, accounting for 25% (\$476.0 million) of these imports, followed by Haiti, Jamaica, and Bahamas (see

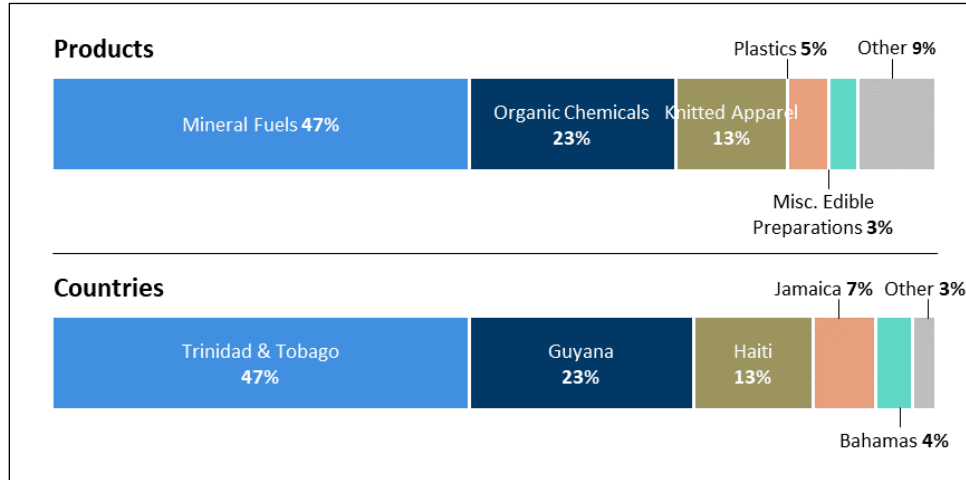
---

<sup>32</sup> Apparel products include knitted or crocheted as well as not knitted or crocheted products categorized under chapters 61 and 62 of the Harmonized Tariff Schedule of the United States.

<sup>33</sup> USITC report, p. 18.

**Table 1).** Although total U.S. imports from CBI countries have increased steadily, the share of imports receiving preferential duty treatment under CBI programs is relatively small (16% in 2022).

**Figure 3. U.S. Imports Under CBI, by Product and Country: 2022**



**Source:** CRS using data from the U.S. International Trade Commission DataWeb.

**Notes:** Products are at the Harmonized Tariff Schedule (HTS) two-digit level.

**Table 1. U.S. Total Merchandise Imports from CBI Countries**

millions of nominal U.S. dollars

Country	2014	2015	2016	2017	2018	2019	2020	2021	2022
Trinidad and Tobago	1,234	830	379	488	552	696	579	754	884
Guyana	12	35	2	1	1	4	265	188	476
Haiti	405	433	318	295	296	261	194	282	253
Jamaica	72	82	75	73	84	93	109	122	134
Bahamas	158	88	68	80	66	61	57	71	79
Belize	61	37	17	12	15	21	15	16	21
Curacao	5	0	0	0	0	0	0	0	16
St. Kitts and Nevis	18	10	7	5	5	4	3	5	7
Grenada	0	2	2	2	3	3	2	3	4
Barbados	5	17	2	4	7	6	8	1	1
St. Lucia	1	1	1	0	0	0	1	1	1
Aruba	0	0	0	0	0	0	0	0	0
St. Vincent and the Grenadines	0	0	0	0	0	0	0	0	0
Dominica	0	0	0	0	0	0	0	0	0
Netherlands Antilles	0	0	0	0	0	0	0	0	0
Montserrat	0	0	0	0	0	0	0	0	0
Antigua Barbuda	0	0	0	0	0	0	0	0	0
British Virgin Islands	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>1,973</b>	<b>1,536</b>	<b>871</b>	<b>960</b>	<b>1,030</b>	<b>1,149</b>	<b>1,234</b>	<b>1,443</b>	<b>1,876</b>

**Source:** Compiled by CRS using data from the U.S. International Trade Commission DataWeb.**Notes:** Trade data presented in this table show total U.S. imports from CBI countries, including imports from *all* import programs. The value zero in this table signifies a value equal to zero or that rounds to zero (less than \$500,000).

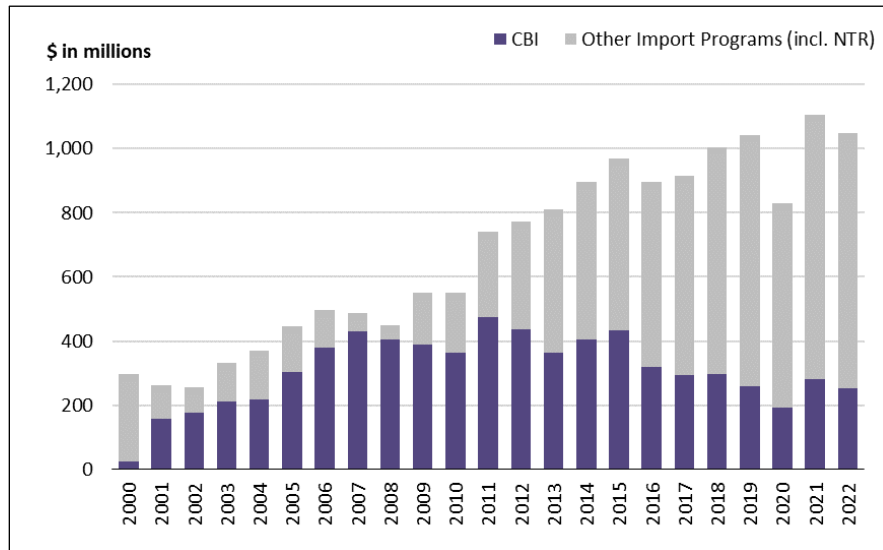
## Trade with Haiti

Haiti has been the greatest beneficiary of CBI trade preferences in the apparel industry due to the benefits it receives from more flexible rules of origin for apparel than other beneficiaries. The apparel sector is Haiti's largest manufacturing sector and the largest source of manufacturing jobs. CBERA trade preferences, as enhanced by CBTPA, HOPE, and HELP, have been important in promoting Haiti's apparel industry and apparel exports to the United States.<sup>34</sup> U.S. total merchandise imports from Haiti increased from \$296.7 million in 2000 to \$1.0 billion in 2022 (253%). Imports entering under Caribbean preference programs increased from \$25 million in 2000 to \$253.3 million in 2022, an increase of over 900% (see **Figure 4**). Those imports accounted for about 31.9% of total U.S. merchandise imports from Haiti. Over 90% of U.S. imports from Haiti in 2022 consisted of apparel items or clothing: knitted or crocheted apparel imports totaled \$807.0 million, while other apparel items or clothing totaled \$155.0 million.

<sup>34</sup> United States International Trade Commission, *Caribbean Basin Economic Recovery Act: Impact on U.S. Industries and Consumers and on Beneficiary Countries*, 25<sup>th</sup> report, 2019-20, corrected June 2022, September 2021, p. 19.

**Figure 4. U.S. Imports from Haiti: 2000-2022**

millions of nominal U.S. dollars



**Source:** Compiled by CRS using data from U.S. International Trade Commission DataWeb.

## Impact and Utilization Rates

Caribbean trade preference programs contained provisions to minimize the impact on U.S. producers. For example, the purpose of the selected tariff lines for duty-free access and the rules of origin is to mitigate the impact of the preferences on domestic producers. Some U.S. apparel producers may benefit from preferences if their supply chain includes imports of products from the Caribbean covered under these preference programs, which would lower their overall costs relative to other global producers. These cost factors could help U.S. producers retain U.S. market share in the United States and abroad.

CBERA requires the USTR to submit periodic reports to Congress describing the results of the general review of beneficiary countries and their performance under the eligibility criteria. The 14<sup>th</sup> report is the most recent report and encompasses the period of 2019-2020.<sup>35</sup> The report states that, in combination with economic reform and other actions taken by beneficiary countries to liberalize their trade regimes, the trade benefits of Caribbean trade preferences have helped beneficiaries diversify their exports and have contributed to economic growth in the region. The report estimated that the effect of CBI on the U.S. economy was negligible during the reporting period of 2019-2020, and is likely to remain so.<sup>36</sup>

CBI countries' overall utilization of the program's preferential benefits have been low, according to the USTR. Two reasons for this limited use of preferences are (1) increasing import competition from other countries, which makes Caribbean exports less competitive in the United States, and (2) exporters' general lack of awareness of the program.<sup>37</sup> Moreover, exporters may

<sup>35</sup> Office of the United States Trade Representative, *Fourteenth Report to Congress on the Operation of the Caribbean Basin Economic Recovery Act*, December 31, 2021.

<sup>36</sup> *Ibid.*, p. vii.

<sup>37</sup> United States Trade Representative, *Fourteenth Report to Congress on the Operation of the Caribbean Basin Economic Recovery Act*, December 31, 2021, p. 26.



forego participation in the preference program due to the costs of compliance. Utilization varies across countries and products. In 2021, Antigua Barbuda, the British Virgin Islands, and Montserrat did not claim CBI preferences for roughly \$1.6 million worth of eligible products exported to the United States, including petroleum oil, lithium-ion batteries, bicycles, and various parts for mechanical and electrical machineries or appliances.<sup>38</sup> On the other hand, over 90% of imports from Grenada and St. Lucia claimed preferential benefits, primarily in agricultural products from Grenada and prepared food products from St. Lucia.

## Issues for Congress

Congress plays an active role in policy regarding the Caribbean, in both legislation and oversight. The 118<sup>th</sup> Congress may consider the effectiveness of Caribbean trade preference programs in providing assistance to beneficiary countries, as well as the economic effects on the United States. Other major issues that Congress may consider include whether to expand or extend trade preferences for Haiti after they expire in 2025 or whether the United States should consider pressing for reciprocal trade agreements in the Caribbean region.

Both Congress and the executive branch have aimed to strengthen ties with the Caribbean region. In March 2021, for example, the Biden Administration announced the Small and Less Populous Island Economies (SALPIE) Initiative, an economic framework aiming to strengthen U.S. collaboration with island countries and territories in various regions, including with Caribbean countries.<sup>39</sup> Strengthening U.S.-Caribbean relations may offset China's growing economic influence in the region. Another potential benefit some policymakers cite is that increasing trade in select products with Caribbean and other Western Hemisphere countries could enhance supply chain resiliency by providing regional sources of products that are key to supply chains.<sup>40</sup> Such products could include inputs in the semiconductor or clean energy supply chains.<sup>41</sup> Congress could consider whether to promote using the CBI as a platform to strengthen trade relations with the region through encouraging utilization of preferential benefits. Congress may consider how CBI and existing U.S. FTAs with other Western Hemisphere countries could work together to increase investment and encourage the development of regional supply chains.

## Author Information

Liana Wong  
Analyst in International Trade and Finance

M. Angeles Villarreal  
Specialist in International Trade and Finance

<sup>38</sup> CRS analysis of import data from U.S. International Trade Commission DataWeb.

<sup>39</sup> White House, "Fact Sheet: Small and Less Populous Island Economies (SALPIE) Initiative," press release, March 22, 2022, <https://www.whitehouse.gov/briefing-room/statements-releases/2021/03/22/fact-sheet-small-and-less-populous-island-economies-salpie-initiative/>.

<sup>40</sup> U.S. Congress, House Committee on Foreign Affairs, Subcommittee on Western Hemisphere, Civilian Security, Migration and International Economic Policy, *The Biden Administration's Efforts to Deepen U.S. Engagement in the Caribbean*, 117<sup>th</sup> Cong., 1<sup>st</sup> sess., July 23, 2021 (Washington: GPO, 2022), pp. 3-4.

<sup>41</sup> For example, key deliverables from the January 2023 North American Leaders' Summit include the coordination of semiconductor chains in North America and cooperation on advancing clean energy development, including through incentives for electric vehicles. For more information, see CRS Insight IN12084, *2023 North American Leaders' Summit: Issues for the 118th Congress*, by M. Angeles Villarreal and Clare Ribando Seelke.

---

## **Disclaimer**

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.