

Subtitle B--Amendments to the Caribbean Basin Economic Recovery Act and Related Provisions

PART 1--AMENDMENTS TO CARIBBEAN BASIN ECONOMIC RECOVERY ACT

SEC. 211. -- Repeal of Termination Daye on Duty-Free Treatment Under the Act

Section 218 of the Caribbean Basin Economic Recovery Act (19 U.S.C. 2706(b)) is repealed.

SEC. 212. Duty Reduction for Certain Leather-Related Products

(a) IN GENERAL- Section 213 of the Caribbean Basin Economic Recovery Act (19 U.S.C. 2703) is amended by adding at the end thereof the following new subsection:

`(h)(1) Subject to paragraph (2), the President shall proclaim reductions in the rates of duty on handbags, luggage, flat goods, work gloves, and leather wearing apparel that--

`(A) are the product of any beneficiary country; and

`(B) were not designated on August 5, 1983, as eligible articles for purposes of the generalized system of preferences under title V of the Trade Act of 1974.

`(2) The reduction required under paragraph (1) in the rate of duty on any article shall--

`(A) result in a rate that is equal to 80 percent of the rate of duty that applies to the article on December 31, 1991, except that, subject to the limitations in paragraph (3), the reduction may not exceed 2.5 percent ad valorem; and

`(B) be implemented in 5 equal annual stages with the first one-fifth of the aggregate reduction in the rate of duty being applied to entries, or withdrawals from warehouse for consumption, of the article on or after January 1, 1992.

`(3) The reduction required under this subsection with respect to the rate of duty on any article is in addition to any reduction in the rate of duty on that article that may be proclaimed by the President as being required or appropriate to carry out any trade agreement entered into under the Uruguay Round of trade negotiations; except that if the reduction so proclaimed--

`(A) is less than 1.5 percent ad valorem, the aggregate of such proclaimed reduction and the reduction under this subsection may not exceed 3.5 percent ad valorem, or

`(B) is 1.5 percent ad valorem or greater, the aggregate of such proclaimed reduction and the reduction under this subsection may not exceed the proclaimed reduction plus 1 percent ad valorem.'.

(b) CONFORMING AMENDMENTS- Subsection (b) of section 213 is amended--

(1) by striking out `, handbags, luggage, flat goods, work gloves, and leather wearing apparel' in paragraph (2);

(2) by striking `or' at the end of paragraph (4);

(3) by striking out the period at the end of paragraph (5) and inserting `; or'; and

(4) by adding at the end thereof the following new paragraph:

`(6) articles to which reduced rates of duty apply under subsection (h).'

SEC. 213 -- Worker Rights

Section 212 of the Caribbean Basin Economic Recovery Act (19 U.S.C. 2702) is amended--

(1) by striking out `and' after the semicolon at the end of subsection (b)(5);

(2) by striking out the period at the end of subsection (b)(6) and inserting `; and';

(3) by adding at the end of subsection (b) the following new paragraph:

`(7) if such country has not or is not taking steps to afford internationally recognized worker rights (as defined in section 502(a)(4) of the Trade Act of 1974) to workers in the country (including any designated zone in that country).'

(4) by amending the last sentence in subsection (b) by striking out `and (5)' and inserting `(5), and (7)'; and

(5) by amending subsection (c)(8) to read as follows:

`(8) whether or not such country has taken or is taking steps to afford to workers in that country (including any designated zone in that country) internationally recognized worker rights.'

SEC. 214. -- Reports

Section 212 of the Caribbean Basin Economic Recovery Act (19 U.S.C. 2702) is amended by adding at the end thereof the following new subsection:

`(f) On or before October 1, 1993, and the close of each 3-year period thereafter, the President shall submit to the Congress a complete report regarding the operation of this title, including the results of a general review of beneficiary countries based on the considerations described in subsections (b) and (c).'

SEC. 215. -- Treatment of Articles Grown, Produced, or Manufactured in Puerto Rico

(a) IN GENERAL- Section 213(a) of the Caribbean Basin Economic Recovery Act (19 U.S.C. 2703(a)) is amended by adding at the end thereof the following new paragraph:

`(5) The duty-free treatment provided under this chapter shall apply to an article (other than an article listed in subsection (b)) which is the growth, product, or manufacture of the Commonwealth of Puerto Rico if--

`(A) the article is imported directly from the beneficiary country into the customs territory of the United States,

`(B) the article was by any means advanced in value or improved in condition in a beneficiary country, and

`(C) if any materials are added to the article in a beneficiary country, such materials are a product of a beneficiary country or the United States.'.

(b) Effective Dates-

(1) The amendment made by subsection (a) shall apply with respect to articles entered, or withdrawn from warehouse for consumption, on or after October 1, 1990.

(2) Notwithstanding section 514 of the Tariff Act of 1930 or any other provision of law, upon proper request filed with the appropriate customs officer after September 30, 1990, and before April 1, 1991, any entry, or withdrawal from warehouse--

(A) which was made after August 5, 1983, and before October 1, 1990, and with respect to which liquidation has not occurred before October 1, 1990, and

(B) with respect to which there would have been no duty, or a lesser duty, if the amendment made by subsection (a) applied,

shall be liquidated as though such amendment applied to such entry or withdrawal.

SEC. 216 -- Application of Act in Eastern Caribbean Area

It is the sense of the Congress that there should be undertaken special efforts in order to improve the ability of the Organization of Eastern Caribbean States countries and Belize to benefit from the Caribbean Basin Economic Recovery Act.

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PART 2--AMENDMENTS TO THE HARMONIZED TARIFF SCHEDULE AND OTHER PROVISIONS AFFECTING CBI BENEFICIARY COUNTRIES

SEC. 221 -- Increase in Duty-Free Tourist Allowances

(a) DUTY-FREE ALLOWANCE FOR RETURNING RESIDENTS- Subchapter IV of chapter 98 of the Harmonized Tariff Schedule of the United States is amended--

(1) by inserting the following new note at the end of the notes to such subchapter:

`4. As used in subheadings 9804.00.70 and 9804.00.72, the term `beneficiary country' means a country listed in general note 3(c)(v)(A).';

(2) by striking out `subheading 9804.00.65 or 9804.00.70' and all that follows thereafter in the superior article description to subheadings 9804.00.65 and 9804.00.70 and inserting `subheadings 9804.00.65, 9804.00.70, and 9804.00.72 within 30 days preceding his arrival, and claims exemption under only one of such items on his arrival.';

(3) by striking out `\$800' in subheading 9804.00.70 and inserting `\$1,200';

(4) by inserting `or up to \$600 of which have been acquired in one or more beneficiary countries' before the

parenthetical matter in subheading 9804.00.70; and

(5) by inserting after subheading 9804.00.70 the following new subheading with the article description for the new subheading having the same degree of indentation as subheading 9804.00.70:

` 9804.00.72 if such person arrives directly from a beneficiary country, not more than \$400 of which shall have been acquired elsewhere than in beneficiary countries (but this item does not permit the entry of articles not accompanying a person which were acquired elsewhere than in beneficiary countries) Free .'

(b) EFFECTIVE DATE- The amendments made by subsection (a) apply with respect to residents of the United States who depart from the United States on or after the 15th day after the date of the enactment of this Act.

SEC. 222. Duty Free Treatment for Articles Assembled in Beneficiary Countries From Components Produced in the United States

(a) IN GENERAL- U.S. Note 2 of subchapter II of chapter 98 of the Harmonized Tariff Schedule of the United States is amended--

(1) by striking out `2. Any' and inserting `2. (a) Except as provided in paragraph (b), any'; and

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

`(b) No article (except a textile article, apparel article, or petroleum, or any product derived from petroleum, provided for in heading 2709 or 2710) may be treated as a foreign article, or as subject to duty, if--

`(i) the article is--

`(A) assembled or processed in whole of fabricated components that are a product of the United States, or

`(B) processed in whole of ingredients (other than water) that are a product of the United States,

in a beneficiary country; and

`(ii) neither the fabricated components, materials or ingredients, after exportation from the United States, nor the article itself, before importation into the United States, enters the commerce of any foreign country other than a beneficiary country.

As used in this paragraph, the term `beneficiary country' means a country listed in general note 3(c)(v)(A).'

(b) EFFECTIVE DATE- The amendments made by subsection (a) applies with respect to goods assembled or processed abroad that are entered on or after October 1, 1990.

SEC. 223. Rules of Origin for Products of Beneficiary Countries

(a) ITC INVESTIGATION-

(1) The United States International Trade Commission shall immediately undertake, pursuant to section

332(g) of the Tariff Act of 1930, an investigation for the purpose of assessing whether revised rules of origin for products of countries designated as beneficiary countries under the Caribbean Basin Economic Recovery Act are appropriate. If the Commission makes an affirmative assessment, it shall develop recommended revised rules of origin.

(2) The Commission shall submit a report on the results of the investigation under paragraph (1), together with the text of recommended rules, if any, to the President and the Congress no later than 9 months after the date of the enactment of this Act.

(b) LEGISLATIVE RECOMMENDATIONS- If the President considers that the implementation of revised rules of origin for products of beneficiary countries would be appropriate, the President shall transmit to the Congress suggested legislation containing such rules of origin. In formulating such suggested legislation, the President shall--

(1) take into account the report and recommended rules submitted under subsection (a); and

(2) obtain the advice of--

(A) the appropriate advisory committees established under section 135 of the Trade Act of 1974,

(B) the governments of the beneficiary countries,

(C) the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate, and

(D) other interested parties.

SEC. 224 -- Cumulation Involving Beneficiary Country Products Under the Countervailing and Antidumping Duty Laws

(a) MATERIAL INJURY- Section 771(7)(C)(iv) of the Tariff Act of 1930 (19 U.S.C. 1677(7)(C)(iv)) is amended to read as follows:

`(iv) CUMULATION-

`(I) IN GENERAL - For purposes of clauses (i) and (ii) and subject to subclause (II), the Commission shall cumulatively assess the volume and effect of imports from two or more countries of like products subject to investigation if such imports compete with each other and with like products of the domestic industry in the United States market.

`(II) CBI EXCEPTION- Solely for purposes of determining material injury, or the threat thereof, by reason of imports which are products of a country designated as a beneficiary country under the Caribbean Basin Economic Recovery Act (19 U.S.C. 2701 et seq.), the volume and effect of imports from such country may only be cumulatively assessed with imports of like products from one or more other countries designated as beneficiary countries.'

(b) THREAT OF MATERIAL INJURY- Section 771(7)(F)(iv) of the Tariff Act of 1930 (19 U.S.C. 1677(7)(F)(iv)) is amended by striking out `(C)(v),' and inserting `(C)(iv)(II) and (v),'.

(c) EFFECTIVE DATE- The amendments made by subsections (a) and (b) apply with respect to

investigations (including investigations regarding products of Canadian origin) initiated under section 702 or 732 of the Tariff Act of 1930 on or after the date of the enactment of this Act.

SEC. 225 -- Ethyl Alcohol

Section 7(b) of the Steel Trade Liberalization Program Implementation Act (19 U.S.C. 2703 note) is amended by striking out `calendar years 1990 and 1991.' and inserting `calendar years after 1989.'

SEC. 226 -- Conforming Amendment

Section 503(b) of the Trade Act of 1974 (19 U.S.C. 2463(b)) is amended to read as follows:

`(b)(1) The duty-free treatment provided under section 501 shall apply to any eligible article which is the growth, product, or manufacture of a beneficiary developing country if--

`(A) that article is imported directly from a beneficiary developing country into the customs territory of the United States; and

`(B) the sum of (i) the cost or value of the materials produced in the beneficiary developing country or any 2 or more countries which are members of the same association of countries which is treated as one country under section 502(a)(3), plus (ii) the direct costs of processing operations performed in such beneficiary developing country or such member countries is not less than 35 percent of the appraised value of such article at the time of its entry into the customs territory of the United States.

`(2) The Secretary of the Treasury, after consulting with the United States Trade Representative, shall prescribe such regulations as may be necessary to carry out this subsection, including, but not limited to, regulations providing that, in order to be eligible for duty-free treatment under this title, an article must be wholly the growth, product, or manufacture of a beneficiary developing country, or must be a new or different article of commerce which has been grown, produced, or manufactured in the beneficiary developing country; but no article or material of a beneficiary developing country shall be eligible for such treatment by virtue of having merely undergone--

`(A) simple combining or packaging operations, or

`(B) mere dilution with water or mere dilution with another substance that does not materially alter the characteristics of the article.'

SEC. 227 -- Requirement for Investment of Section 936 Funds in Caribbean Basin Countries

(a) GENERAL RULE - Paragraph (4) of section 936(d) of the Internal Revenue Code of 1986 (relating to investment in Caribbean Basin countries) is amended by adding at the end thereof the following new subparagraph:

`(D) Requirement for investment in caribbean basin countries-

`(i) IN GENERAL- For each calendar year, the government of Puerto Rico shall take such steps as may be necessary to ensure that at least \$100,000,000 of qualified Caribbean Basin country investments are made during such calendar year.

`(ii) QUALIFIED CARIBBEAN BASIN COUNTRY INVESTMENT - For purposes of clause (i), the term

`qualified Caribbean Basin country investment' means any investment if--

`(I) the income from such investment is treated as qualified possession source investment income by reason of subparagraph (A), and

`(II) such investment is not (directly or indirectly) a refinancing of a prior investment (whether or not such prior investment was a qualified Caribbean Basin country investment).'

(b) EFFECTIVE DATE- The amendment made by subsection (a) shall apply to calendar years after 1989.

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Subtitle C--Scholarship Assistance and Tourism Promotion

SEC.-231 -- Cooperative Public and Private Sector Program for Providing Scholarships to Students from the Caribbean and Central America

(a) STATEMENT OF PURPOSE- It is the purpose of this section to encourage the establishment of partnerships between State governments, universities, community colleges, and businesses to support scholarships for talented socially and economically disadvantaged students from eligible countries in the Caribbean and Central America to study in the United States in order to--

(1) improve the diversity and quality of educational opportunities for such students;

(2) assist the development efforts of eligible countries by providing training and educational assistance to persons who can help address the social and economic needs of these countries;

(3) expand opportunities for cross-cultural studies and exchanges and improve the exchange of understanding and principles of democracy;

(4) promote positive and productive relationships between the United States and its neighbor countries in the Caribbean and Central American regions;

(5) give added visibility and focus to the `scholarship diplomacy' efforts of the United States Government by leveraging the monies available for this purpose through the development of partnerships among Federal, State, and local governments and the business and academic communities; and

(6) promote community involvement with the scholarship program as a tool for broadening and strengthening the `American experience' for foreign students.

(b) ESTABLISHMENT OF SCHOLARSHIP PROGRAM- The Administrator of the Agency for International Development shall establish and administer a program of scholarship assistance, in cooperation with State governments, universities, community colleges, and businesses, to provide scholarships to enable socially and economically disadvantaged students from eligible countries in the Caribbean and Central America to study in the United States.

(c) GRANTS TO STATES- In carrying out this section, the Administrator may make grants to States to provide scholarship assistance for undergraduate degree programs and for training programs of one year or longer in study areas related to the critical development needs of the students' respective countries.

(d) **AGREEMENT WITH STATES**- The Administrator and each participating State shall agree on a program regarding the educational opportunities available within the State, the selection and assignment of scholarship recipients, and related issues. To the maximum extent practicable, each State shall be given flexibility in designing its program.

(e) **FEDERAL SHARE**- The Federal share for each year for which a State receives payments under this section shall be not less than 50 percent.

(f) **NON-FEDERAL SHARE** - The non-Federal share of payments under this section may be in cash, including the waiver of tuition or the offering of in-State tuition or housing waivers or subsidies, or in-kind fairly evaluated, including the provision of books or supplies.

(g) **FORGIVENESS OF SCHOLARSHIP ASSISTANCE**- The obligation of any recipient to reimburse any entity for any or all scholarship assistance provided under this section shall be forgiven upon the recipient's prompt return to his or her country of domicile for a period which is at least one year longer than the period spent studying in the United States with scholarship assistance.

(h) **PRIVATE SECTOR PARTICIPATION**- To the maximum extent practicable, each participating State shall enlist the assistance of the private sector to enable the State to meet the non-Federal share of payments under this section. Wherever appropriate, each participating State shall encourage the private sector to offer internships or other opportunities consistent with the purposes of this section to students receiving scholarships under this section.

(i) **FUNDING**- Any funds used in carrying out this section shall be derived from funds allocated for Latin American and Caribbean regional programs under chapter 4 of part II of the Foreign Assistance Act of 1961 (22 U.S.C. 2346 and following; relating to the economic support fund).

(j) **DEFINITIONS**- As used in this section--

(1) The term `eligible country' means any country--

(A) which is receiving assistance under chapter 1 of part I of the Foreign Assistance Act of 1961 (22 U.S.C. 2151 and following; relating to development assistance) or chapter 4 of part II of that Act (22 U.S.C. 2346 and following; relating to the economic support fund); and

(B) which is designated by the President as a beneficiary country pursuant to the Caribbean Basin Economic Recovery Act.

(2) The term `State' means each of the several States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, the Virgin Islands, the Trust Territory of the Pacific Islands, and the Commonwealth of the Northern Mariana Islands.

SEC. 232 -- Promotion of Tourism

(a) **CONGRESSIONAL FINDING**- The Congress finds 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.

(b) FEDERAL AGENCY PRIORITY- It is the sense of the 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 and, to that end, the appropriate agencies of the United States Government should assign a high priority to projects that promote the tourism industry in the Caribbean Basin.

(c) STUDY- The Secretary of Commerce shall complete the study begun in 1986 regarding tourism development strategies for the Caribbean Basin region. The study shall include--

(1) information on the mutual benefits received by the United States and the Caribbean Basin economies as a result of tourist activity in the area; and

(2) proposals for developing increased linkages between the tourism industry and local industries in the region such as the agrobusiness.

SEC. 233 -- Pilot Preclearance Program

(a) ESTABLISHMENT OF PROGRAM- Subject to subsection (b), the Commissioner of Customs shall carry out, during fiscal years 1991 and 1992, preclearance operations at a facility of the United States Customs Service in a country within the Caribbean Basin which the Commissioner of Customs considers appropriate for testing the extent to which the availability of preclearance operations can assist in the development of tourism.

(b) RESTRICTIONS REGARDING PROGRAM-

(1) The Commissioner of Customs may not consider a country within the Caribbean Basin to be appropriate for the testing referred to in subsection (a) if preclearance operations are currently carried out by the United States Customs Service in that country.

(2) Preclearance operations may not be commenced in the country selected for testing under subsection (a) unless the Commissioner of Customs and the Commissioner of Immigration and Naturalization jointly certify that--

(A) there exists a bilateral agreement between the United States Government and the government of such country which protects the interests of the United States and affords diplomatic protection to United States employees working at the preclearance location;

(B) the facilities at the preclearance location conform to Federal Inspection Services standards and are suitable for the duties to be performed therein;

(C) there is adequate security around the structure used for the reception of international arrivals;

(D) the government of such country grants the United States Customs Service and the United States Immigration and Naturalization Service appropriate search, seizure, and arrest authority; and

(E) United States employees and their families will not be subject to fear of reprisal, acts of terrorism, and threats of intimidation.

(3) In determining the country in which to establish the operation described in paragraph (1), the Commissioner of Customs and the Commissioner of Immigration and Naturalization shall first determine the viability of establishing such operations in either Aruba or Jamaica. If the Commissioners determine,

after full consultation with the governments of such countries, that it is not viable to establish pre-clearance operations in either Aruba or Jamaica, they shall so report to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives, including an explanation of how this determination was reached. Such report shall be submitted to those Committees within six months after the date of the enactment of this Act. Following the submission of such a report, the Commissioners shall take all necessary steps, consistent with the requirements of this section, to establish such operations in another country.

(c) REPORT- As soon as practicable after September 30, 1992, the Commissioner of Customs shall submit to the Congress a report regarding the preclearance operations program carried out under subsection (a). The report shall include--

(1) a summary of the preclearance operations, including the number of individuals processed, any administrative problems encountered, and cost of the operations;

(2) an evaluation of the extent to which the preclearance operations contributed to--

(A) the stimulation of the tourism industry of the country concerned, and

(B) expedited customs processing at United States ports of entry;

(3) the opinion of the Commissioner of Customs regarding the efficacy of extending preclearance operations to other countries within the Caribbean Basin that are developing tourism industries, and if the opinion is affirmative, the identity of those countries to which such operations should be extended and the estimated costs and results of such extensions; and

(4) such other matters that the Commissioner of Customs considers relevant.

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Subtitle D--Miscellaneous Provisions

SEC. 241 -- Trade Benefits for Nicaragua

Notwithstanding any other provision of law, the President is authorized to designate Nicaragua as a beneficiary developing country for the purposes of title V of the Trade Act of 1974, as amended, and as a beneficiary country under the Caribbean Basin Economic Recovery Act, and any such designation may remain effective for the duration of the calendar year 1990.

SEC. 242 -- Agricultural Infrastructure Support

It is the sense of Congress that in order to facilitate trade with, and the economic development of, the countries designated as beneficiary countries under the Caribbean Basin Economic Recovery Act, the Secretary of Agriculture should, in consultation with the Agribusiness Promotion Council, coordinate with the Agency for International Development the development of programs to encourage improvements in the transportation and cargo handling infrastructure in these countries for the purpose of improving agricultural trade between these countries and the United States. Such programs should focus on improving distribution of agricultural commodities and products in these countries, and the phytosanitary institutions, quarantine capabilities, and pesticide regulations of these countries regarding agricultural commodities and products.

SEC. 243 -- Extension of Trade Benefits to the Andean Region

(a) FINDINGS- The Congress finds that:

(1) United States anti-narcotics policy places a high priority on assisting the nations of the Andean region of South America, the source of 100 percent of the world's supply of cocaine.

(2) The President and Congress have recognized that United States trade and economic policies play an important role in the overall United States anti-drug strategy in the Andes.

(3) The extension of special trade preferences for articles from the Andean region would help revitalize the national economies of the Andes and further United States anti-narcotics policy in the region.

(b) SENSE OF CONGRESS- The Congress urges the President to--

(1) review the merits of extending the benefits provided under the Caribbean Basin Economic Recovery Act to the Andean region; and

(2) continue to explore additional mechanisms to expand trade opportunities for the Andean region, and report to Congress in a regular and timely fashion on the result of this review.

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