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# Fourth Report to Congress on the Operation of the Caribbean Basin Economic Recovery Act

D E C E M B E R 3 1 , 2 0 0 1

Prepared by the Office of the United States Trade Representative

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

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## EXECUTIVE SUMMARY

- The trade preferences known collectively as the Caribbean Basin Initiative (CBI) continue to generate important benefits for countries in the Caribbean and Central America, as well as for the United States economy. Expansion of CBI benefits through enactment of the Caribbean Basin Trade Partnership Act (CBTPA) in 2000 represented an important affirmation of the United States' ongoing commitment to economic development in the Caribbean Basin, by providing an open U.S. market for CBI goods.
- In conjunction with economic reform and trade liberalization by beneficiary countries, the trade benefits of the Caribbean Basin Economic Recovery Act (CBERA) and the CBTPA have helped countries in the region diversify exports and support income growth. At the inception of the CBI in 1984, traditional and primary products such as coffee, bananas, and mineral fuels accounted for a solid majority of U.S. imports from the region. In 2000, manufactured products such as apparel and electrical and non-electrical machinery amounted to over half of CBI exports to the United States.
- The total value of CBI exports to the United States in 2000, at \$22.2 billion, was 2.5 times greater than in 1984. The CBI's share of total U.S. imports was 1.8 percent in 2000, down slightly from the 1.9 percent share seen in each of the three preceding years.
- U.S. exporters have also benefitted from the general trade expansion fostered by the CBI programs. Total U.S. exports to the CBI region, totaling \$20.7 billion in 2000, made the CBI the 9<sup>th</sup> largest market for U.S. exports, ahead of countries such as France, Singapore, and the Netherlands. Following a slight drop in 1999, U.S. exports to the CBI expanded by 8.9 percent in 2000. The region absorbs approximately 3 percent of global U.S. exports.
- The overall impact of the CBI programs on the region's trade patterns is undergoing a transition. On the one hand, the relative share of CBI exports that benefit from CBERA preferences has continued to decline in recent years, to 11.9 percent in 2000, compared to nearly 19 percent in 1998. On the other hand, early trends indicate that a significant amount of exports of apparel – the region's number one export to the United States, and previously excluded from CBI preferences – will benefit from the newly enhanced duty-free provisions of the CBTPA. In the first 8 months of 2001, imports of \$3.5 billion were entered under the new CBTPA provisions, representing 24.4 percent of total U.S. imports from the CBI region.
- It appears that much of the use of the new CBTPA provisions is accounted for by a shift of eligible, but previously excluded, apparel into the new trade preference categories. The overall volume of U.S. apparel imports from the CBI region declined slightly during the first 8 months of 2001, with the value of imports essentially flat compared to a year earlier.

- While the CBTPA provisions are clearly being extensively used by CBI exporters and U.S. importers, implementation of the CBTPA has been characterized by unforeseen challenges, particularly with respect to the application of certain statutory provisions in the technical rules governing imports under the new preferences. The Administration will continue to work with Congress, the private sector, CBI beneficiary countries, and other interested parties to ensure a faithful and effective implementation of this important expansion of trade benefits.
- The eligibility criteria reflected in the CBI statutes, including the revised factors outlined in the CBTPA, have continued to provide opportunities to advance important U.S. policy objectives. In mid-2000, the Administration conducted an extensive review of each of the 24 CBI beneficiary countries, in connection with the process of considering their designation as beneficiaries under the CBTPA. Direct engagement with CBI country governments during that review helped bring about improvements, in some cases substantial, related to CBTPA criteria, including protection of internationally recognized worker rights, protection of intellectual property, and participation in the World Trade Organization and Free Trade Area of the Americas.
- In general, CBI beneficiary countries continue to advance in their performance under the eligibility criteria established in the CBERA and CBTPA statutes. In mid-2001, the Administration conducted a special review of labor practices in Guatemala. That review was suspended in May 2001, following passage by the Guatemalan Government of important labor law reforms and other positive measures. The U.S. held consultations on labor matters with officials in El Salvador, Honduras, and Nicaragua in July 2001, engaging those governments in a productive exchange on current concerns.
- U.S. engagement with the Caribbean Basin through the CBI offers an important opportunity to foster the region's active participation in the Free Trade Area of the Americas, and to prepare CBI countries to benefit fully from free trade in the Western Hemisphere. As directed by the CBTPA, the Administration is also exploring other ways to deepen trade policy dialogue with countries in the Caribbean Basin.

# **Fourth Report to Congress on the Operation of The Caribbean Basin Economic Recovery Act**

## **INTRODUCTION**

The trade programs known collectively as the Caribbean Basin Initiative (CBI) remain a vital element in the United States' economic relations with its neighbors in Central America and the Caribbean. The CBI is intended to facilitate the economic development and export diversification of the Caribbean Basin economies. Initially launched in 1983 through the Caribbean Basin Economic Recovery Act (CBERA), and substantially expanded in 2000 through the U.S.-Caribbean Basin Trade Partnership Act (CBTPA), the CBI currently provides 24 beneficiary countries with duty-free access to the U.S. market for most goods.

The CBI was initially envisioned as a program to facilitate the economic development and export diversification of the Caribbean Basin economies. During the nearly two decades since its inception, however, it has become clear that the CBI represents important benefits for the United States, as well as beneficiary countries. U.S. exports to the CBI region more than tripled between 1983 and 2000, totaling \$20.7 billion in 2000. Collectively, the CBI countries rank ninth among U.S. market export destinations, ahead of countries such as France, Singapore, and the Netherlands. Consistent U.S. trade surpluses with the region from 1987 to 1998 reverted to deficits of \$335.2 million and \$1.4 billion in 1999 and 2000, respectively.

CBI benefits are conditioned on compliance with a series of legislated eligibility criteria. These eligibility factors, and the performance of CBI beneficiary countries in addressing them, are discussed in detail in Chapter 3. The Administration conducted an extensive review of all 24 CBI beneficiary countries in mid-2000, in connection with implementation of the CBTPA, which reflected a revised set of eligibility criteria as conditions for receiving enhanced trade benefits. This review process provided an important opportunity to engage with CBI trading partners to advance the U.S. policy objectives reflected as eligibility factors.

Enactment of the CBTPA in May 2000 represented a vital reinforcement of the United States' commitment to vigorous economic engagement with its Caribbean Basin neighbors. This report, coming just over one year after the CBTPA was implemented, provides an important opportunity to evaluate the initial impact of this latest expansion of CBI trade preferences. It is clear that the new preference provisions, including the expanded benefits for apparel, are being actively utilized by beneficiary countries and U.S. industries. At the same time, and as reflected in a number of public comments submitted in connection with preparation of this report, it is apparent that implementation of the CBTPA has been characterized by unforeseen challenges, particularly with respect to the application of certain statutory provisions in the technical rules governing imports under the new preferences. The Administration will continue to work with Congress, the private sector, CBI

beneficiary countries, and other interested parties to ensure a faithful and effective implementation of this important expansion of trade benefits.

## Chapter 1

# DESCRIPTION OF THE CARIBBEAN BASIN INITIATIVE

### *Key Product Eligibility Provisions*

#### *CBERA Preferences*

The Caribbean Basin Economic Recovery Act of 1983 (CBERA) allows the U.S. President to grant unilateral duty-free treatment on U.S. imports of certain eligible articles from beneficiary countries. In order to receive benefits, products must: a) be imported directly from a beneficiary country into the U.S. customs territory; b) contain a minimum 35 percent local content of one or more beneficiary countries; and c) be wholly the growth, product or manufacture of a beneficiary country or be substantially transformed into a new or different article.

In 1990, the CBERA was amended to modestly increase market access to the United States, and was made permanent. These amendments expanded certain trade and tax benefits of the CBI, including: a 20 percent tariff reduction on certain leather products, phased in over five years beginning in 1992 but limited to a total reduction of 2.5 percent *ad valorem*; duty-free treatment for products produced in Puerto Rico and further processed and imported from CBI countries; and duty-free treatment of imports from beneficiary countries for products made from 100 percent U.S. components, except for textile and apparel articles, and petroleum and certain products derived from petroleum.

In addition, as part of the ongoing efforts to make the program more effective through administrative enhancements, the list of products eligible for CBERA duty-free treatment was expanded through two proclamations intended to make the CBERA consistent with the Generalized System of Preferences (GSP). Effective September 28, 1991 (Presidential Proclamation Number 6343), 94 tariff categories, affecting 47 million dollars in 1991 imports, were provided new or expanded duty-free treatment. A second expansion became effective on July 17, 1992 (Presidential Proclamation Number 6455). Twenty-eight tariff categories were provided new or expanded status as CBI-eligible goods.

#### *CBTPA Preferences*

In May 2000, the United States enacted a further enhancement of the CBI through the U.S.-Caribbean Basin Trade Partnership Act (CBTPA). The new legislation was implemented on October 2, 2000. The CBTPA recognizes the importance of apparel as a component of CBI exports to the United States, and expands the degree of preferential treatment applied to U.S. imports of apparel made in the

Caribbean Basin region.

Under the CBTPA, unlimited duty- and quota-free treatment is provided for apparel assembled in the CBI from U.S. fabrics formed from U.S. yarns and cut in the United States. If the U.S. fabrics used in the production of such apparel are cut into parts in CBTPA countries rather than the United States, the apparel must also be sewn together with U.S. thread. Duty- and quota-free treatment is also available for certain knit apparel made in CBTPA beneficiary countries from fabrics formed in the Caribbean Basin region, provided that U.S. yarns are used in forming the fabric. This “regional fabric” benefit for knit apparel is subject to an annual quantitative limit, with a separate limit provided for T-shirts. The limits are subject to annual growth rates of 16 percent through September 30, 2004. Duty/quota free treatment is also be available for certain brassieres, certain textile luggage, apparel made in the CBI from fabrics determined to be in “short supply” in the United States, and designated “hand-loomed, handmade, or folklore” articles.

In addition to these apparel preferences, the CBTPA provides tariff treatment equivalent to that extended to Mexican products under the NAFTA for certain items previously excluded from duty-free treatment under the CBI program. These products are: footwear, canned tuna, petroleum products, watches and watch parts, certain handbags, luggage, flat goods, work gloves and leather wearing apparel.

In contrast to the CBERA, which is permanent in duration, the CBTPA benefits are legislated to expire on September 30, 2008, or upon entry into force of the Free Trade Area of the Americas (FTAA), whichever comes first.

### ***Beneficiary Countries***

The CBERA provides for the consideration of the following countries and territories as potentially eligible for CBERA benefits: Anguilla, Antigua and Barbuda, Aruba, The Bahamas, Barbados, Belize, Cayman Islands, Costa Rica, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Montserrat, Netherlands Antilles, Nicaragua, Panama, Saint Kitts-Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, Turks and Caicos Islands, and British Virgin Islands.

Currently 24 countries, territories, and successor political entities receive CBI benefits under the CBERA. The following 20 countries were designated on January 1, 1984: Antigua and Barbuda, Barbados, Belize, British Virgin Islands, Costa Rica, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Haiti, Honduras, Jamaica, Montserrat, Netherlands Antilles, Panama, St. Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, and Trinidad and Tobago. The Bahamas was designated on March 14, 1985. On April 11, 1986, Aruba was designated retroactive to January 1, 1986, upon becoming independent of the Netherlands Antilles. Guyana was designated effective November 24, 1988, and Nicaragua was designated effective November 13, 1990. The following

potentially eligible countries and territories have not requested beneficiary status: Anguilla, Cayman Islands, Suriname, and Turks and Caicos Islands.

On October 2, 2000, the U.S. President designated all 24 existing CBERA beneficiary countries as beneficiary countries under the CBTPA. In addition to Presidential eligibility designations based on the criteria described in Chapter 3, the CBTPA requires an additional determination that countries have implemented or are making substantial progress towards implementing certain customs procedures based on those contained in the NAFTA. As of late 2001, the following 14 countries have satisfied this requirement and have been designated as fully eligible to receive the enhanced benefits of the CBTPA: Barbados, Belize, Costa Rica, Dominican Republic, El Salvador, Jamaica, Guatemala, Guyana, Haiti, Honduras, Nicaragua, Panama, Saint Lucia, and Trinidad and Tobago. Additional CBTPA beneficiary countries may be designated in the future as fully eligible for CBTPA benefits, provided that the customs-related requirements are satisfied.

Chapter 3 discusses the eligibility criteria related to the designation of countries as CBERA and CBTPA beneficiary countries, and provides a summary of current compliance with these criteria on the part of CBI countries. The U.S. President is authorized under the law to limit, suspend, or withdraw CBI benefits if conditions change with regard to performance in connection with the statutory eligibility criteria.

### ***Safeguard Provisions***

The President may suspend duty-free treatment under the CBI programs if temporary import relief is determined to be necessary due to serious injury to domestic producers. The CBI provides special rules governing emergency relief from imports of perishable agricultural products from beneficiary countries.

### ***Anti-Transshipment Provisions***

In extending preferential treatment to certain kinds of apparel manufactured in CBI beneficiary countries, the CBTPA includes provisions intended to guard against the illegal transshipment of non-qualifying apparel through CBI countries. In order to take advantage of this trade benefit, CBTPA beneficiaries are required to implement and follow, or make substantial progress toward implementing and following, certain customs procedures based on those contained in Chapter 5 of the North American Free Trade Agreement. To meet these statutory requirements, countries were requested to provide the U.S. Trade Representative with commitments regarding: use of appropriate certificate of origin documents; cooperation with U.S. Customs in conducting origin verification visits under certain conditions; implementation of legislation and/or regulations to ensure the enforcement of these customs procedures; imposition of appropriate penalties in cases of non-compliance; and regular updates to the U.S. Trade Representative on progress in implementing the customs requirements established under the CBTPA.



The CBTPA also provides that, if a CBI exporter is determined to have engaged in illegal shipment of textile or apparel products, the President shall deny all benefits under the CBTPA to that exporter for two years. In addition, where a beneficiary country has been requested by the United States to take action to prevent transshipment and the country has failed to do so, the President shall reduce the quantities of textile and apparel articles that may be imported into the United States from that country by three times the quantity of articles transshipped.

In a September 2001 report to Congress, the U.S. Trade Representative concluded that the implementation of the CBTPA appears to have resulted in no systemic transshipment activity in the Caribbean Basin region, and that the level and degree of cooperation on anti-circumvention matters on the part of CBTPA beneficiary countries are positive.

### ***Rum***

An excise tax of \$13.50 a proof gallon is imposed under section 5001(a)(1) of the Internal Revenue Code (the Code) on distilled spirits, including rum, produced in or imported into the United States. The CBERA requires that excise taxes (less the estimated amount necessary for payment of refunds and drawbacks) on all rum imported into the United States, including rum produced in Puerto Rico, the Virgin Islands and CBERA countries, be transferred (carried over) to the Treasuries of Puerto Rico and the Virgin Islands (section 7652(e) of the Code). For distilled spirits brought into the United States after June 30, 1999 and before January 1, 2002, the rate at which the amount of the transfers is calculated is \$13.25 per proof gallon (section 7652(f) of the Code). Effective on January 1, 2002, the carryover rate is scheduled to revert to its permanent level of \$10.50 per proof gallon unless the \$13.25 rate is extended as provided in pending legislation.

The CBERA provides that if the amounts transferred to Puerto Rico or the Virgin Islands are reduced below the amount that would have been transferred if the imported rum had been produced in Puerto Rico or the Virgin Islands, the President shall consider compensation measures and may withdraw the duty-free treatment of rum produced in CBI countries. This provision – intended to provide a remedy should the amounts carried over to Puerto Rico and the Virgin Islands fall below such amounts transferred under prior law – has never been invoked.

### ***Tax Provisions***

U.S. taxpayers can deduct legitimate business expenses incurred attending a business meeting or convention in a qualifying CBERA country without regard to the more stringent requirements usually applied to foreign convention expenses. A qualifying CBERA country must have a tax information exchange agreement with the United States in effect and may not discriminate against conventions held in the United States.

As of November 2001, the following eleven countries have satisfied all CBERA legal requirements, which were incorporated into the Internal Revenue Code under section 274(h): Barbados; Bermuda; Costa Rica; Dominica; Dominican Republic; Grenada; Guyana; Honduras; Jamaica; Saint Lucia; and Trinidad and Tobago.

### ***Reports***

In addition to this biennial USTR report on the general operation of the Caribbean Basin Initiative and compliance with eligibility criteria, the CBERA requires the following reports.

*ITC Economic Effects Report:* Section 215 of the CBERA requires the International Trade Commission to report biennially to the Congress with an assessment of the actual and probable future effects of CBERA on the U.S. economy generally, on U.S. consumers, and on U.S. industries. Effective in 2001, this ITC report is also required to address the economic impact of the CBI programs on beneficiary countries. The ITC submitted its 15<sup>th</sup> report on the impact of the CBERA to the President and Congress in September 2001 (USITC Publication 3447). The Commission concluded that the CBERA had a negligible effect on the U.S. economy during 2000. The ITC also found that CBERA appeared to have had a small but positive effect on income growth in beneficiary countries, in connection with trade and other economic reforms undertaken by individual CBI countries. The 2001 report also concluded that the introduction of enhanced apparel preferences under the CBTPA may have a significant future economic effect.

*Labor Impact Report:* Section 216 of the CBERA required an annual report to Congress by the Secretary of Labor on the impact of the CBI on U.S. labor. The requirement has expired. The final report, covering 1997-98, was submitted in February 2000. The report found that the preferential tariff treatment provided to the products of the CBI beneficiaries has not appeared to have had an adverse impact on, or have constituted a significant threat to, U.S. employment

*Anti-Transshipment Cooperation Report:* The CBTPA required the U.S. Customs Service to prepare a study analyzing the extent to which CBTPA beneficiary countries are cooperating with the United States in instances of illegal transshipment of textile and apparel imports. This one-time study, under cover of a report of the U.S. Trade Representative, was submitted to Congress on September 20, 2001.

*Worst Forms of Child Labor Report:* The Trade and Development Act of 2000 requires the Secretary of Labor to prepare a report (i.e., "findings") on GSP beneficiary countries' progress towards implementing their international commitments to eliminate the worst forms of child labor. The Labor Department expects to publish this report, which will cover CBTPA beneficiary countries, in early 2002.

### ***Meetings of Caribbean Basin Trade Ministers and USTR***

The CBTPA directs the President to convene a meeting with the trade ministers of Caribbean Basin countries in order to establish a schedule of regular meetings of the region's trade ministers and USTR. As indicated in the CBTPA, the purpose of the meetings is to advance consultations between the United States and CBI countries concerning the possible initiation of negotiations for CBI countries to accede to NAFTA, or to enter into comprehensive, mutually advantageous trade agreements with the United States.

All CBI beneficiary countries are participating in negotiations to create a Free Trade Area of the Americas (FTAA). The FTAA, a comprehensive trade agreement involving all 34 democratic countries of the Western Hemisphere, remains the top U.S. trade policy objective for the region. USTR has pursued an active and ongoing FTAA-related dialogue with Central American and Caribbean trade ministers, with the aim of concluding these negotiations no later than January 1, 2005. The United States Trade Representative held meetings with his counterparts from CBI countries in advance of the April 2001 FTAA Ministerial Conference in Buenos Aires, Argentina. In addition, meetings at the Vice Ministerial level are held several times each year.

In accordance with the CBTPA's directive to explore additional possibilities for free trade with CBI countries, USTR has opened a dialogue with Central American countries on the feasibility, mutual benefits, and possible framework of a regional free trade agreement. In September 2001, USTR convened a meeting with representatives of the member countries of the Central American Economic Integration System (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua), to explore ways of deepening trade policy engagement. The United States and these Central American countries agreed to pursue a series of technical workshops on trade policy issues. USTR also convened a meeting of the U.S.-Panama Trade and Investment Council in late 2001. If these preliminary discussions prove constructive, the Administration will consult further with Congress about possible free trade initiatives.

The Administration's policy is to continue to pursue with Caribbean Basin partners the shared vision of a hemisphere-wide FTAA, while remaining open to possible accelerated trade liberalization efforts with those countries or groups of countries willing and able to move at a faster pace.

### ***Other Provisions***

Under U.S. antidumping and countervailing duty laws, imports from two or more countries subject to investigation must generally be aggregated, or "cumulated," for the purpose of determining whether the unfair trade practice causes material injury to a U.S. industry. The 1990 amendments to the CBERA created an exception to this general cumulation rule for imports from CBI beneficiary countries. If imports from a CBI country are under investigation in an anti-dumping or countervailing duty case, imports from that country may not be aggregated with imports from non-CBI countries under investigation for purposes of determining whether the imports from the CBI country are causing, or threatening to cause, material injury to a U.S. industry. They may, however, be aggregated with imports from other CBI countries under investigation.

The 1990 amendments also increased (to \$600) the duty-free tourist allowance for U.S. residents returning from CBI countries, and allowed tourists to enter 1 additional liter of CBI-produced alcoholic beverages duty-free.

## Chapter 2

### TRADE UNDER THE CBI PROGRAMS

Table 1  
**U. S. trade with CBERA countries, 1998-2000, January-August 2001**

Year	U.S. Exports <sup>1</sup>	U.S. Exports to the World	U.S. Imports <sup>2</sup>	U.S. Imports from the world	U.S. Trade Balance
	<i>Million \$\$\$</i>	<i>Percent</i>	<i>Million \$\$\$</i>	<i>Percent</i>	<i>Million \$\$\$</i>
1998 .....	19,200.1	3.0	17,124.3	1.9	2,075.8
1999 .....	19,029.6	3.0	19,364.8	1.9	-335.2
2000 .....	20,727.9	2.9	22,161.1	1.8	-1,433.1
Jan.-Aug. 2000 . . . .	13,531.7	2.9	14,441.9	1.8	-910.2
Jan.-Aug. 2001 . . . .	13,671.4	3.0	14,244.4	1.8	-573.0

<sup>1</sup> Domestic exports, f.a.s. basis.

<sup>2</sup> Imports for consumption, customs value.

Source: Compiled from official statistics of the U.S. Department of Commerce.

#### U.S. TRADE WITH THE CARIBBEAN BASIN: U.S. IMPORTS

Detailed information on U.S. imports from CBI countries is reflected in Annex 1 of this report.

Total U.S. imports from the CBI countries have shown continued growth during the two years since the preparation of the last report on the operation of the CBERA. At \$22.2 billion in 2000, CBERA countries combined constituted the twelfth-largest supplier of U.S. imports – ahead of Singapore and just behind Italy. Imports from the region expanded by 14.4 percent in 2000, following 13 percent growth in 1999. The CBI region has continued to supply just under 2 percent of total annual U.S. imports in recent years.

CBI imports entering under the duty-free provisions of the CBERA have declined since 1998 as a proportion of total imports from the region. CBERA imports accounted for 11.9 percent of total U.S. imports from the CBI region in 2000, down from 18.8 percent in 1998 and 13.6 percent in 1999. Partial-year data indicates that the proportion of CBERA imports to total imports began to increase again slightly in 2001. The decline in duty-free imports under CBERA has corresponded with an increase in the proportion of imports from the region which enter the U.S. as “MFN free” goods, reflecting the continual liberalization of U.S. tariffs under Uruguay Round commitments. More than one-quarter of total U.S. imports from the CBI region have entered under “MFN free” tariff lines in recent years.

Imports under the newly-enacted CBTPA preference provisions were quite small as a proportion of total imports from the region in 2000, reflecting that the new provisions were only in effect during the

last quarter of the year, and an implementation “ramp up” by both exporters and importers. For the first 8 months of 2001, however, it was clear that the CBTPA provisions were being used extensively, as imports under the CBTPA provisions accounted for nearly one quarter (24.4 percent) of total U.S. imports from the CBI region. At nearly \$3.5 billion in the January-August 2001 period, CBTPA imports were nearly twice the value of imports under the CBERA preference provisions.

Apparel products continue to dominate U.S. imports from the CBI region, accounting for 43 percent of total imports in 2000. Apparel had been excluded from CBI preferential treatment prior to the October 2000 implementation of the CBTPA. As noted above, imports under the CBTPA provisions accounted for nearly a quarter of total U.S. imports from the region in the first 8 months of 2001, indicating that a substantial amount of qualifying apparel trade is being channeled into the new preference categories.

Other significant imports from the CBI region include cigars, methanol, electrical equipment including semiconductors, fruits, and coffee. A surge in oil and natural gas prices in 1999 and 2000 led to an increase in the share of mineral fuel products from CBERA countries in total U.S. imports from the region, to 14.2 percent in 2000.

### **Imports by Country**

The Dominican Republic continues to be the leading CBI supplier of imports to the United States, although the country’s relative share of total CBERA trade has declined in recent years. U.S. CBERA imports from the Dominican Republic constituted about 30 percent of all imports under the CBERA preferences, down from a 40 percent share in 1998. Cigars, jewelry, and sugar remained the top three Dominican Republic exports using CBERA benefits; electrical equipment emerged in 2000 as a significant new category of CBERA exports. The Dominican Republic appears poised to be a leading beneficiary of the CBTPA’s new apparel trade preferences. The country’s \$970 million in CBTPA shipments during January-August 2001 accounted for 28 percent of total U.S. CBTPA imports.

Costa Rica again ranked second among CBI trading partners in 2000 in terms of both overall imports and CBERA imports (\$601 million). However, CBI trade benefits are becoming a less important factor in Costa Rica’s total trade with the United States. In 1998, nearly 28 percent of U.S. imports from Costa Rica benefitted from CBERA preferences; in 2000, that percentage had dropped to approximately 17 percent. Pineapples, hair dryers, frozen orange juice, and cantaloupes were the leading categories of CBERA imports from Costa Rica in 2000. Costa Rican apparel producers shipped \$258 million in CBTPA-eligible apparel in the first 8 months of 2001, accounting for 13.2 percent of total U.S. imports from the country.

Following a hurricane-induced drop in imports from Honduras in 1999, CBERA imports from that country expanded by 14.6 percent in 2000, to \$206 million. Honduras maintains its place as the third largest U.S. import source among the CBI countries, with total U.S. imports of \$3.1 billion in 2000.

Honduras ranked fifth in 2000 as a user of CBERA benefits. In recent years, Honduras has become one of the leading suppliers of imported apparel to the U.S. market, ranking second (behind Mexico) in total volume of apparel shipments to the U.S. in 2000. Reflecting the importance of this product category in Honduran trade, the country was an active user of new CBTPA apparel trade benefits in 2001, with \$952 million in shipments under the CBTPA preferences in the January-August period. CBTPA apparel accounted for fully 45 percent of total U.S. imports from Honduras during the first eight months of 2001. Cigars, disposable medical apparel, and cantaloupes are other important Honduran products benefitting from CBI provisions.

Guatemala ranked fourth among U.S. import suppliers from the CBI in 2000, both in terms of total U.S. imports (\$2.6 billion) and CBERA imports (\$250 million). During 2001, Guatemala demonstrated strong performance in connection with CBTPA apparel benefits; the country's \$328 million in CBTPA shipments through August accounted for nearly 18 percent of total U.S. imports from Guatemala.

Trinidad and Tobago remains the heaviest user of CBI provisions in the English-speaking Caribbean, with the U.S. importing \$328 million under CBERA from Trinidad and Tobago during 2000, a sharp increase from the \$218 million registered in 1999. CBI trade from Trinidad and Tobago is dominated by methanol, U.S. imports of which have been increasing in both value and volume since 1998. Trinidad and Tobago is the leading supplier of non-apparel products under the CBTPA, mostly in the area of petroleum products. The country is also the leading CBERA supplier of iron and steel bars and rods, although imports of these products have been declining.

While El Salvador remains a relatively modest user of CBERA benefits (\$45 million in 2000), that country was moving strongly into use of CBTPA benefits in 2001, registering CBTPA shipments of \$587 million in the January-August period. These shipments accounted for 47 percent of total U.S. imports from El Salvador during that period.

Jamaica's use of CBERA provisions has continued to decline in recent years, with U.S. imports under CBERA falling from \$102 million in 1998 to \$87 million in 2000. However, Jamaican producers have shown some interest in the enhanced CBTPA provisions, shipping \$69 million to the U.S. under the new program in January-August 2001 (24 percent of total U.S. imports from Jamaica).

The United States continues to have a small volume of bilateral trade with many of the Caribbean economies. However, CBERA imports do account for relatively significant proportions of total U.S. imports from these countries. In 2000, CBERA accounted for 27 percent U.S. imports from Bahamas and Barbados, 62 percent of imports from Grenada, 34 percent from St. Lucia, and 22 percent from St. Vincent and the Grenadines.

## U.S. TRADE WITH THE CARIBBEAN BASIN: U.S. EXPORTS

Although the CBI was initially envisioned as a program to facilitate the economic development and export diversification of the Caribbean Basin economies, U.S. export growth to the region has been a welcome corollary benefit. Following a trend of rapid growth in exports to the region during most of the 1990s, there was a slight drop in exports in 1999 and a slowing of the rate of expansion in 2000, due in part to the lingering economic impact of Hurricane Mitch in 1998. Collectively, the CBI region ranks ninth among U.S. export destinations and absorbs approximately 3 percent of total U.S. exports. The Dominican Republic, Honduras, Costa Rica, and Guatemala together accounted for 53.5 percent of U.S. exports to the CBI region in 2000.

The United States exports to the CBI region a broad range of equipment and machinery, raw materials, consumer goods, and agricultural commodities.

Table 2

### U.S. exports to CBERA beneficiaries 1998-2000 and January-August 2001, \$\$ thousands

Market	1998	1999	2000	Jan.-Aug. 2000	Jan.-Aug. 2001
Dominican Republic . . . . .	3,893,812	3,971,009	4,351,913	2,871,774	2,938,475
Honduras . . . . .	2,276,231	2,327,528	2,544,821	1,686,309	1,648,601
Costa Rica . . . . .	2,190,169	2,281,347	2,368,026	1,547,212	1,613,705
Guatemala . . . . .	1,851,948	1,734,002	1,835,476	1,153,178	1,187,224
El Salvador . . . . .	1,479,781	1,481,787	1,741,095	1,132,172	1,133,898
Panama . . . . .	1,641,385	1,652,311	1,501,429	1,050,122	815,399
Jamaica . . . . .	1,272,885	1,264,294	1,339,061	851,812	923,197
Trinidad and Tobago . . . . .	954,960	755,589	1,072,883	669,173	700,240
The Bahamas . . . . .	774,459	800,621	1,026,584	672,730	611,893
Netherlands Antilles . . . . .	687,304	544,673	614,701	343,027	570,245
Haiti . . . . .	538,627	599,498	562,520	374,100	380,552
Nicaragua . . . . .	323,680	356,364	360,830	273,655	301,513
Barbados . . . . .	256,438	274,462	282,195	184,127	179,333
Aruba . . . . .	334,755	289,371	269,566	175,383	169,312
Belize . . . . .	110,728	130,827	204,320	146,940	113,756
Guyana . . . . .	141,014	133,596	154,090	96,232	94,144
Antigua Barbuda . . . . .	88,913	88,488	130,911	95,124	63,005
St Lucia . . . . .	85,413	90,887	97,864	63,911	57,644
Grenada . . . . .	53,532	63,503	76,443	49,141	41,629
British Virgin Island . . . . .	56,047	54,120	58,837	39,777	47,398
St Kitts and Nevis . . . . .	42,182	46,849	53,295	36,480	32,575
St Vincent and the Grenadines . . . . .	90,785	53,096	35,808	22,237	23,396
Dominica . . . . .	50,068	31,776	35,470	26,092	20,298
Montserrat . . . . .	4,975	3,582	9,807	7,024	3,951
<b>Total . . . . .</b>	<b>19,200,093</b>	<b>19,029,578</b>	<b>20,727,945</b>	<b>13,531,733</b>	<b>13,671,380</b>

Source: Compiled from official statistics of the U.S. Department of Commerce.



## Chapter 3

# ELIGIBILITY CRITERIA AND ADVANCEMENT OF TRADE POLICY GOALS

The trade preferences made available under the Caribbean Basin Initiative represent a unilateral, non-reciprocal grant of benefits to U.S. trading partners in Central America and the Caribbean. In enacting the CBERA and CBTPA, the Congress conditioned the granting of these trade preferences on eligibility criteria that reflect a number of key U.S. policy objectives. This chapter reviews these eligibility criteria, as well as the recent performance of CBI beneficiary countries in meeting those criteria.

The eligibility criteria for the CBI programs fall within three broad categories:

- factors defined in the CBERA as precluding the President from initially designating a country as a CBERA beneficiary;
- additional, discretionary factors which the President is required to take into account in determining whether to designate countries as beneficiaries under the CBERA; and
- further criteria which the President is required to take into account in designating Beneficiary Countries for purposes of receiving the enhanced trade preferences of the Caribbean Basin Trade Partnership Act (CBTPA).

### *CBERA “Exclusionary” Criteria*

*Communist Country:* The President shall not designate any country a CBERA beneficiary country “if such country is a Communist country.” No Communist country requested designation, and none of the current CBI countries are Communist countries.

*Nationalization/Expropriation:* The CBERA stipulates that countries that have expropriated or nationalized property of U.S. citizens are ineligible for CBI benefits, unless the President determines that the country is taking steps to resolve claims of U.S. citizens. The United States is currently pursuing expropriation-related issues with several CBI countries, as reflected in the following country reports.

*Arbitral Awards:* The President shall not designate any country if the country fails to act in good faith in recognizing as binding or enforcing arbitral awards in favor of U.S. citizens or corporations owned by U.S. citizens

*Reverse Preferences:* If a country affords preferential treatment to the products of a developed country, other than the United States, which has or is likely to have a significant adverse effect on U.S. commerce, it is ineligible for designation as a CBERA beneficiary. All current CBI countries are WTO

members or are in the process of acceding to the WTO and have agreed to the most-favored-nation principle.

*Intellectual Property/Broadcast Copyright Violations:* The CBERA excludes from designation countries in which government-owned entities have engaged in the unauthorized broadcast of copyrighted material (such as films and television programs) belonging to United States copyright owners. The President is also authorized to give discretionary weight, in designating CBI beneficiaries, to the extent to which a country provides adequate and effective legal means for foreign nationals to secure, exercise, and enforce intellectual property rights, and the extent to which a country prohibits its nationals from broadcasting U.S. copyrighted materials without permission. At the time the CBERA was enacted in 1983, the problem of copyright violations by broadcasters in CBI countries was a chief preoccupation of the U.S. private sector and government. In the intervening years, particularly with the entry into force of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), U.S. objectives with respect to intellectual property protection have broadened. This is reflected in the new intellectual property-related criteria encompassed in the CBTPA (see below). However, unauthorized broadcasting of U.S.-owned copyrighted material remains an issue that is being addressed with a number of CBTPA beneficiary countries.

*Extradition:* The CBERA requires, as a condition for CBERA eligibility, that a country is a signatory to a treaty, convention, protocol or other agreement regarding the extradition of United States citizens.

*Worker Rights:* The CBERA excludes from designation any country which “has not or is not taking steps to afford internationally recognized worker rights . . . to workers in the country.” The President was also authorized to give discretionary weight, in designating CBI beneficiaries, to the question of whether or not a country has taken or is taking steps to afford workers internationally recognized worker rights. These factors were modified and broadened in the context of country designation criteria under the CBTPA (see below).

#### *CBERA “Discretionary” Factors*

*Desire to Be Designated:* Twenty-eight countries are potentially eligible to receive benefits under the CBERA (and, by extension, under the CBTPA). However, the CBERA requires that the President, in designating beneficiary countries, take into account an expression of a country’s desire to be so designated. Anguilla, Cayman Islands, Suriname, and Turks and Caicos have made no such expression and are not designated as CBI beneficiary countries.

*Economic Conditions:* As part of the initial designation of CBERA beneficiaries, the President is authorized to consider economic conditions and living standards in potential CBI countries. Nearly twenty years since the enactment of CBERA, the United States maintains a strong interest in conditions of economic development in the Caribbean and Central American countries. The country reports contained in this chapter briefly review current conditions in CBI beneficiary countries.

*Market Access/WTO Rules:* The CBERA authorizes the President to consider the extent to which a country assured the United States that it would provide equitable and reasonable access to the markets and basic commodity resources of the country, and the degree to which the country follows the international trade rules of the World Trade Organization. The eligibility criteria of the CBTPA elaborate on these factors, with a focus on implementation of WTO commitments and participation in negotiations to create a Free Trade Area of the Americas. These factors are examined in the country reports which follow.

*Use of Export Subsidies:* CBERA requires consideration of “the degree to which [a beneficiary country] uses export subsidies or imposes export performance requirements or local content requirements which distort international trade.”

*Contribution to Regional Revitalization:* CBERA’s discretionary factors include consideration of the degree to which the trade policies of an individual CBI country contribute to the revitalization of the region as a whole. Countries in the Caribbean Basin have continued, for the most part, to implement policies that have advanced regional economic development and growth. With few exceptions, countries have continued to reform their economies and liberalize trade and investment regimes. As noted in the International Trade Commission’s September 2001 report on the CBERA, the degree to which CBI benefits have worked to the advantage of beneficiary countries is generally correlated to the country’s own progress in undertaking economic reforms.

*Self-Help Measures:* This criterion seeks assurances that countries in the region are taking steps to advance their own economic development. With varying degrees of success, all current CBI countries appear to be pursuing policies intended to improve the economic prospects of their citizens.

*Cooperation in Administration of the CBERA:* CBERA beneficiaries have continued to cooperate in the administration of the CBI preferences when requested by the U.S. government.

### CBTPA Eligibility Criteria

In considering the eligibility of the 24 CBI countries for the enhanced preferences of the Caribbean Basin Trade Partnership Act, the CBTPA requires the President to take into account the existing eligibility criteria of the CBERA, as well as several new or revised criteria elaborated in the CBTPA. These new criteria, which constitute the primary focus of the following country reports, are:

- Whether the beneficiary country has demonstrated a commitment to undertake its obligations under the WTO on or ahead of schedule and participate in negotiations toward the completion of the FTAA or another free trade agreement.
- The extent to which the country provides protection of intellectual property rights consistent with or greater than the protection afforded under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).
- The extent to which the country provides internationally recognized worker rights, including–
  - the right of association;
  - the right to organize and bargain collectively;
  - a prohibition on the use of any form of forced or compulsory labor;
  - a minimum age for the employment of children; and
  - acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health.
- Whether the country has implemented its commitments to eliminate the worst forms of child labor.
- The extent to which the country has met U.S. counter-narcotics certification criteria under the Foreign Assistance Act of 1961.
- The extent to which the country has taken steps to become a party to and implement the Inter-American Convention Against Corruption (IACAC).
- The extent to which the country applies transparent, nondiscriminatory and competitive procedures in government procurement, and contributes to efforts in international fora to develop and implement rules on transparency in government procurement.

## Country Reports: Compliance with Eligibility Criteria

The country reports contained in this section focus particular attention on current performance of CBI countries with respect to the eligibility criteria reflected in the CBTPA, as the most recent expression of U.S. policy objectives linked to the extension of CBI benefits. The pre-existing eligibility conditions of the CBERA are also reflected in the country reports, where relevant. Population statistics are drawn from the 2001 edition of the CIA World Fact Book. Per capita income figures reflect gross national income statistics published in the World Bank's 2002 *World Development Report*.

### The Bahamas

Population: 297,852

Per Capita Income: N/A

*Department of Commerce 2000*

*Trade Statistics:*

U.S. Exports: \$1,026,584,000

U.S. Imports: \$272,794,000

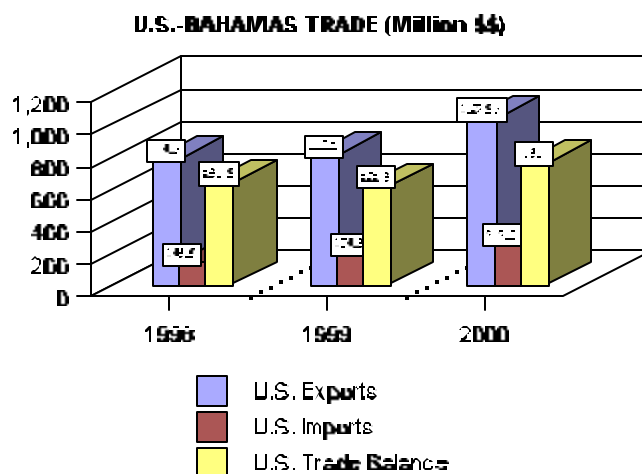
U.S. Trade Balance: \$753,790,000

*Economic Overview:* The Bahamas is an import- and services-based economy.

With few domestic resources and little industry, the Bahamas imports nearly all of its food and manufactured goods, most of which originate in the United States. Approximately 75 percent of the national income of the Bahamian economy is generated by the tourism and financial services sectors. Economic growth was expected to slow to approximately 3.5 percent in 2001, from a 5 percent expansion in 2000. The country's tourism sector faced particular challenges in light of a drop in travel following the September 2001 terrorist attacks.

Due to the dearth of export-oriented manufacturing and agricultural production, the trade benefits of the Caribbean Basin Initiative have had relatively little effect on the Bahamian economy. The Bahamas has been designated as a Beneficiary Country under both the CBERA and CBTPA. However, as of late 2001, the Bahamas had not yet provided commitments regarding implementation of the CBTPA's customs-related provisions, and was consequently not eligible to export products to the United States using the enhanced CBTPA preference provisions.

*Commitment to WTO and FTAA:* The Bahamas is currently the only Western Hemisphere country that is not a World Trade Organization member; it was granted WTO observer status in 2001, and a working party has been formed to consider Bahamian accession to the WTO. Officials of the



Bahamian government have indicated the country's full commitment to enacting legislation needed to bring local law into conformity with WTO disciplines.

The Bahamas has been active in the FTAA negotiations, in coordination with other member countries of the Caribbean Community (CARICOM). An official of the Government of the Bahamas is serving as Chairperson of the FTAA Negotiating Group on Services during the May 2001-October 2002 phase of the negotiations.

*Protection of Intellectual Property:* The U.S. Government is not aware of any instances of patent infringement in the Bahamas. With regard to copyright protection, existing laws are widely ignored, resulting in widespread piracy of video and music cassettes in the local market. Piracy of television signals broadcasting premium entertainment channels also has been a prominent concern. Beginning in 2000, the United States raised serious concerns about a provision in Bahamian copyright law permitting compulsory licensing of copyright-protected television satellite signals. Through an exchange of letters with the United States, the Government of the Bahamas committed to repeal this provision; as of late 2001, the necessary legislation had been prepared and was awaiting final parliamentary action.

*Provision of Internationally Recognized Worker Rights:* The Constitution protects the right of workers to organize and join unions and this right is widely exercised. About one-quarter of the workforce is unionized, including 50% of workers in the important hotel industry. Labor law prohibits discrimination or reprisals against workers for engaging in union activities and this is generally enforced. Labor laws in the Freeport free trade zone do not differ from elsewhere in the country. However, activists allege that the Hong-Kong-based Hutchinson-Whampoa, which owns the harbor, airport, and many hotels, discourages unions with the tacit concurrence of the Port Authority.

The law prohibits the employment of children under age fourteen in industrial work, and children under sixteen years may not work at night. There is no prohibition against the employment of children in other sectors, and some children work in light industry and service jobs. Education is compulsory for children through age sixteen.

The Fair Labor Standards Act provides for the creation of a Wages Council to recommend the setting of a minimum wage, but the Government has never established such a council or a general minimum wage. However, in July 2000, the Government established a minimum wage for all hourly and temporary workers in the public sector. The workweek is limited to 48 hours, with various restrictions and overtime and premium pay in the case of work performed in excess of that standard. The Ministry of Labor is responsible for enforcing safety and health laws, but conducts only a limited number of inspections.

*Commitments to Eliminate the Worst Forms of Child Labor:* The Bahamas ratified ILO Convention 182, addressing the worst forms of child labor, on June 14, 2001. There is no evidence of significant instances of the worst forms of child labor in the Bahamas. Nevertheless, some less severe instances of

child labor do exist. Children can be found selling newspapers and working at grocery stores and gasoline stations, generally after school hours.

*Counter-Narcotics Cooperation:* The Bahamas is a major transit point for South American cocaine en route to the United States. The country has been repeatedly certified as fully cooperating with the United States on narcotics issues.

*Implementation of the Inter-American Convention Against Corruption:* The Bahamas is a party to the Convention. Bribery of government officials is a criminal act, and credible reports of major corruption in the Bahamas are rare, although allegations of improper conduct on the part of government officials surface from time to time.

*Transparency in Government Procurement:* The Bahamian government has a generally fair and open procurement process, although some government contracts are not put out for open bids.

## Barbados

Population: 275,330

Per Capita Income: N/A

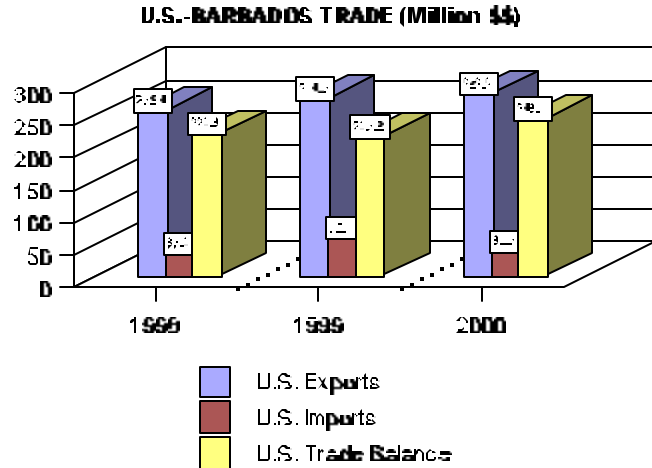
*Department of Commerce 2000*

*Trade Statistics:*

U.S. Exports: \$282,195,000

U.S. Imports: \$38,451,000

U.S. Trade Balance: \$243,744,000



*Economic Overview:* The Barbadian economy has been experiencing real economic growth since the early 1990s, accompanied by moderate inflation, a stable exchange rate, and low unemployment. Growth has been led by improvements in the sugar and tourism sectors. Tourism, which expanded 5.7 percent in 2000, has been a particularly successful economic engine, and an important source of employment and domestic revenue. An expected slump in global tourism in the wake of terrorism attacks in late 2001 may diminish Barbadian performance in this critical sector. In the absence of significant manufacturing activity, Barbados has not been a major user of Caribbean Basin Initiative preferences.

*Commitment to WTO and FTAA* Barbados has exhibited generally good performance in connection with its obligations under the World Trade Organization although, as with other Caribbean countries, Barbados' tariffs often are bound at quite high levels. The country is also participating actively in the FTAA process, in coordination with other countries of the Caribbean Community (CARICOM).

Barbados hosted a meeting of the Vice Ministerial level Trade Negotiations Committee of the FTAA in 2000.

*Protection of Intellectual Property:* The Government of Barbados adopted a new copyright law in August 1998, with additional legislation providing disciplines in the areas of integrated circuits, geographical indications, and protection against unfair competition. The Trademark and Industrial Designs Acts were recently revised in accordance with international standards. Legislation to bring Barbados into full compliance with TRIPS provisions governing patents and plant variety protection was moving through parliament during 2001. While major pirating activity is uncommon, black market copies of computer software, designer clothing, and videotapes are easily accessible.

*Provision of Internationally Recognized Worker Rights:* Both public and private sector workers freely exercise rights of association, and about thirty percent of the workforce is unionized. The law provides for collective bargaining and it is widely practiced. All private and public sector employees are permitted to strike, but essential workers may strike only under certain circumstances and after following prescribed procedures. For several years, in order to address underlying economic problems, labor, management, and government have negotiated basic wages at the national level that are based on productivity criteria.

The minimum age for employment is sixteen years and is broadly observed. Education is compulsory through age sixteen. A minimum wage is established only for household domestics and shop assistants (store clerks). Prevailing wages in all sectors are significantly greater than the minimum wage. Overtime pay is required for work in excess of forty hours per week. The law establishes workplace safety and health standards, and these are generally enforced.

*Commitments to Eliminate the Worst Forms of Child Labor:* Barbados ratified ILO Convention 182, addressing the worst forms of child labor, on October 23, 2000. There is no widespread pattern of child labor in the country. The legal minimum working age of 16 is broadly observed. Local law prohibits forced or bonded labor by children, and the authorities effectively enforce it.

*Counter-Narcotics Cooperation:* Barbados, along with other Eastern Caribbean countries, is considered a transshipment point for narcotics from South America en route to the United States. The level of cocaine, marijuana, and heroin trafficked through Barbados to the U.S. does not warrant it being placed on the list of major narcotics producing and transit countries subject to certification under Section 490 of the Foreign Assistance Act, but the President has notified the U.S. Congress that the entire eastern and southern Caribbean is an area of concern to be kept under observation. Barbados, with other Eastern Caribbean countries, has cooperated with U.S. counter-narcotics efforts through implementation of the 1997 Caribbean-U.S. Summit Justice and Security Action Plan.

*Implementation of the Inter-American Convention Against Corruption:* Barbados signed the IACAC in April 2001. The agreement awaits ratification by the Government of Barbados.



*Transparency in Government Procurement:* The government, through the Ministry of Finance’s Special Tenders Committee, follows international competitive bidding standards for most contracts and acquisitions. Occasionally, a case of no-objection has been presented to the funding institution if sole-sourcing is the only option or unique expertise is required.

## Belize

Population: 256,062

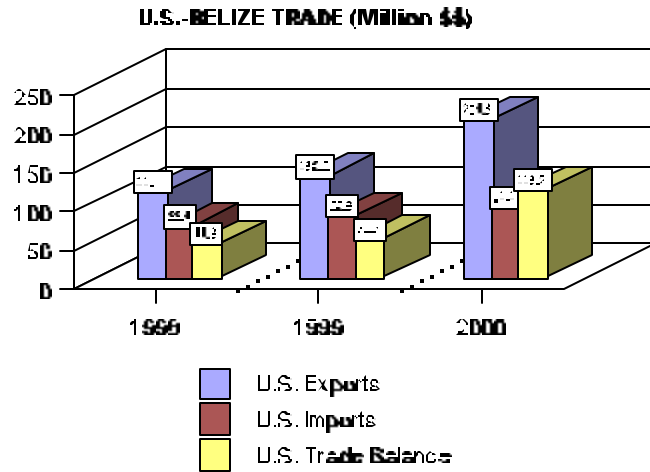
Per Capita Income: N/A

*Department of Commerce 2000 Trade Statistics:*

U.S. Exports: \$204,320,000

U.S. Imports: \$91,073,000

U.S. Trade Balance: \$113,247,000



*Economic Overview:* Belize’s economy remains primarily agricultural (bananas, sugar, and citrus), with the tourism sector also providing an important economic stimulus. Manufacturing activity is limited. This has narrowed the degree of benefits that Belize derives from the CBI programs, although certain agricultural exports do benefit from CBI preferences (e.g., citrus, specialty fruits and vegetables, and farmed shrimp). As of late 2001, the government was pursuing a structural adjustment program under International Monetary Fund oversight. The United States accounts for 43 percent of Belize’s exports and 50 percent of the country’s imports.

*Commitment to WTO and FTAA:* Belize is continuing the process of reflecting WTO rules and disciplines in national law and practice, and has demonstrated a commitment to fulfill these obligations. As a member of the Caribbean Community, Belize participates in the FTAA negotiations in coordination with other members of the Community.

*Protection of Intellectual Property:* During 2000, Belize enacted a series of laws reflecting the provisions of the TRIPS Agreement. Revisions were made to the country’s laws dealing with trademarks, copyrights, industrial designs, patents, layout design for integrated circuits, and protection of new plant varieties. Piracy of intellectual property is not considered to be a significant problem in Belize.

*Provision of Internationally Recognized Worker Rights:* Workers are entitled by law and practice to organize and join unions, and about eleven percent of the workforce is unionized in eleven independent unions. Collective bargaining is widely practiced, and the law prohibits reprisal or discrimination against workers for engaging in union activities. However, union organization is opposed

by many employers, who sometimes dismiss union workers, ostensibly for other reasons. Redress under these circumstances has proven problematic. Though the labor law applies to export processing zones, no labor unions have been organized in that sector.

The employment of children under age twelve is prohibited, and there are various restrictions that apply to the employment of children under age seventeen. Specifically, the law prohibits employment of children between 12 and 14 years of age during school hours; the minimum age for employment near hazardous machinery is seventeen years. Though the law requires schooling for children age 5-15, it is estimated that forty-six percent of children do not complete primary school.

Minimum wages are prescribed for three categories of workers: manual workers, shop assistants, and domestic workers. This requirement is generally enforced, but most salaried workers earn more than the minimum wage. The law regulates working hours, establishing maximums of six days per week, nine hours per day, and forty-five hours per week. There is a patchwork of health and safety regulations for different industries, which are unevenly enforced.

*Commitments to Eliminate the Worst Forms of Child Labor:* Belize ratified ILO Convention 182, addressing the worst forms of child labor, on March 6, 2000. While there have been infrequent reports of trafficking in children for purposes of prostitution, existence of the worst forms of child labor are not considered widespread. Belize is cooperating with the ILO on various programs aimed at phasing out exploitative child labor.

*Counter-Narcotics Cooperation:* Belize was removed from the list of major drug-transit countries in 1999. However, the Government of Belize recognizes the potential for its territory to be used for transshipment, and cooperates with the United States on counter-narcotics matters. Belize and the United States signed a Narcotics Control and Law Enforcement Agreement in September 1999. A special Anti-Drug Unit was created within the Belize Police Department in 2000.

*Implementation of the Inter-American Convention Against Corruption:* Belize signed the IACAC in June 2001. The government has sought to combat public sector corruption since 1994, with the enactment of a law requiring the public disclosure of assets, income and liabilities by certain public officials. The government has also established a special “ombudsman” empowered to investigate complaints of official corruption.

*Transparency in Government Procurement:* Standards for ensuring transparent and non-discriminatory procurement procedures are established under the Finance and Audit Act. Government purchases of over \$50,000 must be submitted for public bids by both local and foreign companies. The government has established an Office of the Contractor-General, charged with monitoring the awarding and implementation of public contracts. This office is tasked with reviewing public contracting to guard against fraud, mismanagement, and waste.

## Costa Rica

Population: 3,773,057

Per Capita Income: \$3,960

*Department of Commerce 2000*

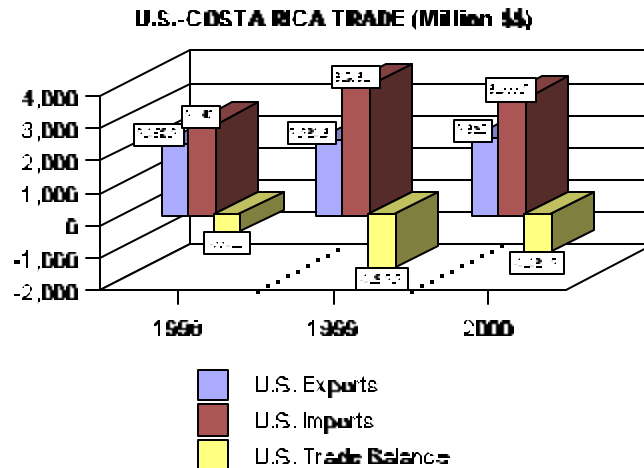
*Trade Statistics:*

U.S. Exports: \$2,268,026,000

U.S. Imports: \$3,555,153,000

U.S. Trade Balance:

(\$1,287,127,000)



*Economic Overview:* Costa Rica has continued to pursue a broad economic strategy based on trade liberalization and investment promotion. This strategy has led to a diversification of the economy away from a long-time dependence on the export of bananas, coffee, and other agricultural products. Tourism and export-based manufacturing, including particularly in the semiconductor production sector, have assumed particular prominence.

The government's efforts to privatize remaining state-dominated sectors of the economy have stalled. This situation has complicated the government's fiscal situation and a problem of significant internally financed public sector debt.

Following several years of exceptionally strong, export-led economic growth, Costa Rica experienced a significant slowdown in 2000 and 2001. Exports of advanced technology, textile, and agricultural products have declined sharply. Tourism, the fastest growing sector of the economy, was expected to face a slump in the wake of the terrorist attacks of September 2001. The economy, which had expanded by 8.3 percent in 1999, slowed to 1.7 percent growth in 2000 and an anticipated 0.5 percent rate in 2001.

*Commitment to WTO and FTAA:* Costa Rica is an active member of the World Trade Organization, and has taken seriously its commitments under the various Uruguay Round Agreements. Costa Rican laws concerning intellectual property have been revised in light of the provisions of the TRIPS Agreement in some but not all areas, and the government has also been preparing legal changes concerning financial incentives for exporters in order to comply with elements of the Subsidies Agreement. Costa Rica has been supportive of an expansion of multilateral trade liberalization through a new round of negotiations in the WTO.

A May 2001 review of Costa Rica by the WTO's Trade Policy Review Body found that the country's trade policies had sought to promote and consolidate Costa Rica's integration into the world economy. The review noted that access for imported goods in the Costa Rican market had improved between 1995 and 2000, with average MFN tariffs falling from 12 percent to 7 percent, and with an increasingly

limited use of non-tariff measures. The review highlighted that Costa Rica had signed the Information Technology Agreement and the financial services protocol to the General Agreement on Trade in Services, although noting that Costa Rica's commitments under the GATS were relatively limited.

Costa Rica is an active participant in the FTAA process, and is serving as chair of the Negotiating Group on Government Procurement during the May 2001-October 2002 phase of negotiations. In addition to the FTAA, Costa Rica has pursued an aggressive agenda of free trade negotiations, concluding agreements with Chile, Mexico, Panama, the Dominican Republic, and Canada.

*Protection of Intellectual Property:* Despite some progress in updating national legislation to comply with the TRIPS Agreement, Costa Rica's overall performance in protecting intellectual property rights has been disappointing. The United States has expressed concerns about issues in the patent, trademark and copyright laws, as well as weak enforcement efforts, and about certain legal changes that reduced criminal penalties for violations of intellectual property rights. During 2001, some Costa Rican government agencies began to demonstrate serious efforts to improve intellectual property enforcement, and there has been some recent progress in the enforcement against software piracy. In addition, legislation has been introduced to address certain legal deficiencies in the criminal code. As of late 2001, Costa Rica remained on the Priority Watch List under the annual "Special 301" review of protection of intellectual property rights by U.S. trading partners.

*Provision of Internationally Recognized Worker Rights:* Costa Rican law protects rights of association and collective bargaining, but some labor organizations in both Costa Rica and the United States have periodically raised concerns that the Costa Rican government imposes practical barriers to the right of workers to form or join unions. Unions are widespread in the public sector but collective bargaining is restricted. In the private sector, there are few unions, and union sources allege that employers use "solidarity associations," direct negotiations with employer-selected "permanent workers' committees," and reprisals against workers and union officers, to defeat union organization efforts. The ILO has found that there is merit to some of these allegations. There are no legal restrictions on the right of private sector workers to strike, but few workers in this sector are union members. Labor laws and regulations are applicable in the country's export processing zones. The Constitution prohibits forced, bonded or compulsory labor, and there are no known instances of such practices.

The law prohibits the employment of children under age fifteen, except in certain restricted circumstances, and the government provides free education through six years of primary school and three of secondary school. The National Wage Council establishes minimum wages for the different sectors. The minimum wage is enforced effectively in urban areas, but less so in rural settings. The standard workday is eight hours and the standard workweek is forty-eight hours. Overtime and premium pay must be paid for work in excess of these maximums. Enforcement of workplace safety and health laws and regulations has been uneven, though there have been improvements recently due to the hiring of additional inspectors.

The AFL-CIO filed a GSP country practices review petition against Costa Rica in 2001, raising primarily issues of freedom of association and collective bargaining. In September 2001, an ILO technical assistance mission traveled to the country to address a range of labor law issues in both the public and private sectors.

*Commitments to Eliminate the Worst Forms of Child Labor:* Costa Rica ratified ILO Convention 182 on September 10, 2001. Costa Rica's Constitution and its Labor Code provide special occupational protection for minors and establish a minimum working age of 15 years. Regulations governing age of work are generally enforced in the formal sector, but some children work in the informal economy, and some parts of the formal economy, in violation of legal age requirements. Costa Rica has signed a Memorandum of Understanding with the ILO International Program for the Elimination of Child Labor (IPEC) and is working with the ILO on various programs aimed at phasing out exploitative child labor. The government's prohibition on forced and bonded child labor is enforced effectively.

*Counter-Narcotics Cooperation:* Costa Rica is a transshipment point for the smuggling of cocaine and heroin from South America to the United States and Europe. Costa Rican law enforcement agencies are fully cooperating with U.S. counter-narcotics efforts. Costa Rica was the first Central American country to sign a comprehensive Maritime Counterdrug Cooperation Agreement with the U.S. In 2000, the Costa Rican legislature enacted a law establishing a professional coast guard service.

*Implementation of the Inter-American Convention Against Corruption:* Costa Rica has ratified the IACAC. Domestic law imposes a requirement that senior government officials file personal financial reports while in office; the government is considering extending this requirement to a broader range of officials.

*Transparency in Government Procurement:* While the government generally requires all procurement to be done through open bidding, problems and complaints sometimes occur. The telecommunications monopoly's attempts to procure new cellular telephone lines under medium-term lease have been repeatedly rejected by an oversight agency, and the transparency of the process has been questioned in the local press.

#### Additional Issues

*Expropriations/Arbitral Awards:* The government of Costa Rica expropriated large tracts of rural land for national parks, biological reserves and indigenous reservations during the past 30 years. The Costa Rican Constitution stipulates that no land can be expropriated without prior payment and demonstrable proof of public interest, but disputes frequently arose over title to the property and the amount of compensation. Current and past governments have made efforts to resolve several pending expropriation cases involving U.S. citizens, but the process has been slow and there have been few

successful resolutions. In cases where arbitral awards have been made in favor of U.S. citizens, these have been honored.

*Preferential Trade Treatment for Developed Countries:* Costa Rica has entered into free trade agreements with Canada, Mexico, the Dominican Republic, and Chile. The agreement with Canada was awaiting ratification as of late 2001. Costa Rica also has bilateral investment treaties with a number of countries, including Canada, Great Britain, the Netherlands, and Germany. These agreements offer varying customs tax exemptions which may provide these countries with modest advantages in the Costa Rican market.

### Dominican Republic

Population: 8,581,477

Per Capita Income: \$2,100

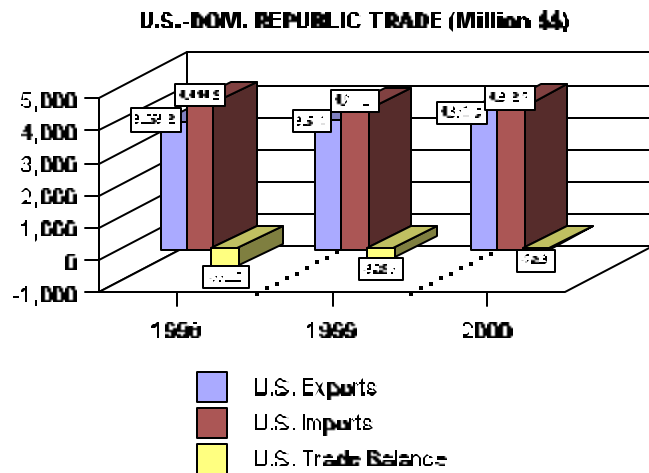
*Department of Commerce 2000*

*Trade Statistics:*

U.S. Exports: \$4,351,913,000

U.S. Imports: \$4,378,235,000

U.S. Trade Balance: (\$26,322,000)



*Economic Overview:* In late 2001, the Dominican Republic was experiencing the continuation of an economic slowdown that began in 2000. The Dominican Central Bank reported 8.0 percent economic growth for 1999, and 7.8 percent in 2000. Due in part to a slowing U.S. economy, Dominican economic growth shrank sharply to zero percent in the first half of 2001, with a prediction of 3 percent growth for the entire year. Financial sector problems that developed in the early 1990s have not completely faded, and interest rates remain high.

The Dominican Republic has long been the leading user of CBI benefits. Most participants in the Dominican apparel sector recognize that the enhanced CBTPA benefits have created new opportunities for growth, and new investments have been made in that sector. However, the initial impact of the CBTPA was considered disappointing by some in the Dominican private sector, due in part to shrinking demand from U.S. customers and a perception of greater cost competition from some Central American producers.

*Commitment to WTO and FTAA:* In recent years, the Dominican Government has taken important steps to integrate the country into the global trading system, including through progress in implementing obligations reflected in the Uruguay Round Agreements. Progress in implementing WTO obligations is

incomplete, however, particularly in the area of intellectual property protection (see below). In 1999, the government issued a decree eliminating all non-WTO consistent technical barriers to trade. Legislation to make the effect of this decree permanent is still pending Congressional approval, however. On July 1, 2001, the Dominican Republic implemented a new WTO-consistent customs regime, in accordance with requirements of the WTO Customs Valuation Agreement. Legislation enabling the Dominican Republic to comply with the WTO Financial Services Agreement was vetoed in 2000 and awaits revision by the country's Senate. The provisions of this draft law have been largely implemented through presidential decree.

The Dominican Republic has actively pursued regional trade integration, entering into free trade agreements with the Caribbean Community and the Central American Common Market countries. The country also participates actively in FTAA negotiations. Dominican government representatives served as Chair of the FTAA Committee of Government Representatives on the Participation of Civil Society and Vice Chair of the Negotiating Group on Intellectual Property during the May 2001-October 2002 phase of negotiations. The Dominican Republic also volunteered to host a meeting of the FTAA's Vice Ministerial-level Trade Negotiations Committee in 2002.

*Protection of Intellectual Property:* Improving the protection of intellectual property consistent with the WTO TRIPS Agreement remains a significant U.S. trade policy objective in the Dominican Republic. Piracy of software, video and audio recordings, and unauthorized broadcasts of copyrighted material remain particular concerns, although the government has demonstrated a more vigorous approach to enforcement in recent years. A new copyright law enacted in 2000 is considered to be consistent with the provisions of the TRIPS Agreement. The United States continues to stress the importance of effective implementation and enforcement of this new law.

A new patent law, also enacted in 2000, falls short of TRIPS requirements in several key respects. Several categories of inventions are excluded from patentability, and the law authorizes granting of compulsory licenses in other than the limited circumstances permitted under TRIPS. The United States and the Dominican Republic have engaged in consultations on these issues.

*Provision of Internationally Recognized Worker Rights:* Labor law in the Dominican Republic protects workers' rights of association and most workers freely exercise this right. About 10% of the workforce is organized into 190 unions and four national confederations. The Ministry of Labor has made concerted efforts in recent years to improve the enforcement of the country's labor code, although observance of legal requirements by many companies, including in the extensive free trade zone sector, continues to fall short. While workers in free trade zones are entitled to the same rights as workers elsewhere in the country, there are allegations that employers frequently fire zone workers who attempt to organize into unions.

Collective bargaining agreements exist in only a few companies, and the ILO considers that the legal requirements to engage in collective bargaining are excessive and impede the exercise of this right.

Though the law prohibits the employment of children under age fourteen, many children work, primarily in the informal economy, due to the high poverty rate.

The Constitution empowers the executive branch to set minimum wage levels, and the Labor Code assigns this task to a national salary committee. Congress also may enact minimum wage legislation. A minimum wage rate is established for free trade zones and different rates are set for businesses outside the zones depending on the size of the company and the nature of the business. The standard workday is eight hours and the standard workweek forty-four hours. Work in excess of these maximums is subject to overtime and premium pay. However, the standard workweek is often exceeded. The Social Security Institute establishes workplace health and safety standards, and the Ministry of Labor implements them. Enforcement of these standards is weak overall, however. Working conditions are considered to be especially poor in the sugar cane sector. Employment in this sector has declined significantly since privatization in 1999 and the Dominican Human Rights Committee has reported that workers are required to work longer hours at less pay and with fewer benefits.

*Commitments to Eliminate the Worst Forms of Child Labor:* The Dominican Republic ratified ILO Convention 182 on November 15, 2000, and the government has taken a strong stance against abusive and exploitative child labor. A National Committee on Child Labor has been established, and collaborates with the ILO, UNICEF, and several non-government organizations. The Dominican Republic has signed a Memorandum of Understanding with the ILO International Program for the Elimination of Child Labor (IPEC) and is working with the ILO on various programs aimed at phasing out exploitative child labor.

In part because of the traditional use of children as agricultural workers alongside their parents, the government in 1997 prohibited individuals entering the Dominican Republic as agricultural laborers (mainly from Haiti) from bringing either their spouses or their children. Since then, employers have been required to repatriate employee families found in violation of the law or face prosecution. Non-government organizations continue to report, however, that there continues to be Haitian child labor in the sugar cane sector.

*Counter-Narcotics Cooperation:* The Dominican Republic is classified as a major transshipment country for narcotics moving from South America into Puerto Rico and the territorial United States. The Dominican Republic has been certified as cooperating with U.S. counter-narcotics efforts.

*Implementation of the Inter-American Convention Against Corruption:* The Dominican Republic has signed and ratified the IACAC. Although the administration of President Hipolito Mejia has made some progress in combating corruption, much remains to be done. Corruption remains widespread in Dominican government and society.

*Transparency in Government Procurement:* The Mejia administration has made some advances in establishing a more open and transparent system of government procurement, but further progress is



needed. The awarding of a concession to develop the Pueblo Viejo gold mine was handled well, but contracts for large public works, military equipment, vehicles and other supply contracts are often not subject to competitive bids. The United States has encountered resistance from the Dominican Republic in efforts to negotiate, in the WTO, an agreement on transparency in government procurement practices. Primarily for this reason, since 1999 the Dominican Republic has been denied a waiver of “Buy America” provisions, which has been granted to certain CBI countries, allowing them to be treated as “eligible” producers for purposes of U.S. government procurement.

### Additional Issues

*Expropriation:* The Dominican government has not nationalized or expropriated property of U.S. citizens in several years, although its failure to make full payment under exclusive power purchase agreements with several U.S.-owned independent power producers have raised concerns. Efforts to resolve long-outstanding expropriation cases involving U.S. citizens have made little progress, with only three of more than a dozen cases achieving even a partial resolution in 2000-2001. With U.S. Government assistance, the Dominican government is now examining all of its internal debt, including several cases of expropriation, with the aim of resolving these issues through the issuance of government bonds.

### ***Eastern Caribbean States***

The Organization of Eastern Caribbean States (OECS) is comprised of Antigua and Barbuda, Dominica, Grenada, St. Kitts & Nevis, St. Lucia, and St. Vincent and the Grenadines. All six of these countries are CBERA and CBTPA Beneficiary Countries. However, as of late 2001, St. Lucia was the only OECS member country to have satisfied the customs-related requirements of the CBTPA, and was thus the only OECS country to be fully eligible to export under the enhanced preference provisions of that Act.

*Economic Overview:* The OECS countries are gradually reducing reliance on agricultural production, including through the expansion of the tourism and offshore services sectors. Nonetheless, these small economies remain vulnerable to external shocks, and their competitiveness is constrained by a lack of economies of scale and related high costs. A process of economic integration among these economies is ongoing, and is considered critical to the long-term stability of the OECS economies.

*Commitment to WTO and FTAA:* The OECS countries were the subject of a review by the WTO’s Trade Policy Review Body in June 2001. The review noted that many of the new rules of the WTO have yet to be fully incorporated into the domestic statutes of all the OECS members, due to thinly stretched human resources in the implementation of trade policies. For the same reason, most OECS countries have also lagged in meeting their obligations to notify their laws and regulations to the WTO. The review observed that a more active participation of these countries in the WTO would be to the benefit of all, not least to the OECS-WTO Members themselves, whose national interests are best

protected within the context of a strong multilateral trading system. The review suggested that the efforts of the OECS states to achieve a fuller degree of integration into the multilateral trading system would benefit from international assistance in areas including customs valuation; import licensing; contingency measures; subsidies; technical barriers to trade; sanitary and phytosanitary measures; TRIPS; agriculture; and services.

As members of CARICOM, the OECS countries are participating in the FTAA negotiations.

*Protection of Intellectual Property:* Some OECS member countries have taken steps to update national laws to reflect the requirements of the TRIPS Agreement. St. Lucia, for example, has enacted new legislation regarding copyrights, geographical indications, and layout designs, and is preparing revisions to patent, trademark, and plant variety protection statutes. In general, however, the region continues to face challenges in updating intellectual property laws. With the exception of a general problem of video piracy, the U.S. Government is not aware that infringement of intellectual property rights is a major problem in the Eastern Caribbean region.

*Provision of Internationally Recognized Worker Rights/Commitments to Eliminate the Worst Forms of Child Labor:* Internationally-recognized worker rights generally receive good legal protection in the OECS countries. Most of the countries of the region have a relatively high rate of union membership, particularly in the public sector, and collective bargaining and the right to strike are widely recognized and practiced. ILO Convention 182, regarding the worst forms of child labor, has been ratified by St. Kitts and Nevis (on October 12, 2000), Dominica (January 4, 2001), and Saint Lucia (December 6, 2000). Other OECS countries have endorsed the convention and are in the process of ratifying it.

*Counter-Narcotics Cooperation:* The Eastern Caribbean countries are transshipment points for narcotics from South America en route to the United States, and some of these countries also produce marijuana. The level of cocaine, marijuana, and heroin trafficked through individual countries to the U.S. does not reach the level needed to designate any one of them a major drug transit country under the Foreign Assistance Act of 1961, but the President has notified the U.S. Congress that the entire eastern and southern Caribbean is an area of concern to be kept under observation. Most of the OECS countries devote significant resources and effort to maritime drug interdiction operations, and have cooperated with U.S. counter-narcotics efforts through implementation of the 1997 Caribbean-U.S. Summit Justice and Security Action Plan. .

*Implementation of the Inter-American Convention Against Corruption:* St. Vincent and the Grenadines acceded to the IACAC in June 2001. None of the other OECS countries are signatories to the Convention.

*Transparency in Government Procurement:* The Administration is not aware of significant problems related to government procurement in the OECS countries.



## El Salvador

Population: 6,237,662

Per Capita Income: \$1,990

*Department of Commerce 2000*

*Trade Statistics:*

U.S. Exports: \$1,741,095,000

U.S. Imports: \$1,925,054,000

U.S. Trade Balance: (\$183,959,000)

*Economic Overview:* With a dollarized economy and the lowest rates of inflation and interest in the region, El Salvador has the foundations for solid economic growth. Nonetheless, economic performance has been disappointing in recent years, and the earthquakes of January/February 2001 imposed further obstacles to growth, as

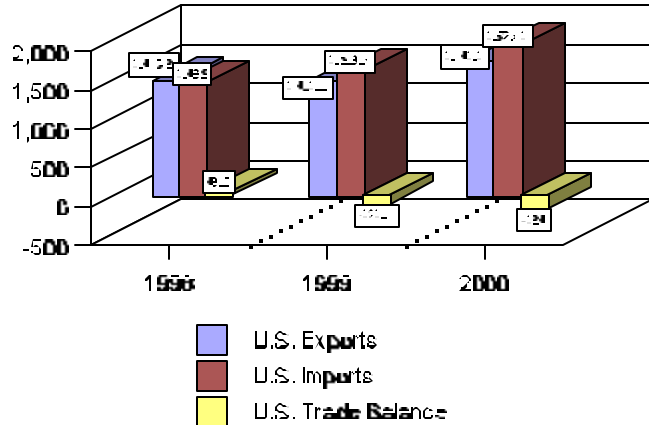
has a decline in global market prices for coffee, a key Salvadoran export. Growth in 2001 was projected to be relatively constant with the 2 percent expansion achieved in 2000, well below the 6.1 percent annual average achieved during the post-war boom of 1992-95.

Since the early 1990's, the government has made considerable progress in privatizing the economy and implementing a wide array of market-oriented economic reforms. El Salvador is now considered among the most open economies in the region, with few sectors under government control. Few trade barriers are maintained, and most U.S. goods face tariffs of between zero and 15 percent. The promotion of foreign investment and the development of free trade zones have been major components of El Salvador's economic strategy. Export companies operating in these zones are significant users of Caribbean Basin Initiative trade benefits. A Bilateral Investment Treaty between El Salvador and the United States has been ratified by the U.S. Senate.

*Commitment to WTO and FTAA:* Through a process of economic and trade policy liberalization in recent years, El Salvador has demonstrated a strong commitment to the obligations embodied in the World Trade Organization agreements. The country is likewise actively engaged in the FTAA negotiations, often coordinating positions with other Central American countries. El Salvador is a strong supporter of regional economic integration and participates actively in the Central American Common Market (which also includes Costa Rica, Guatemala, Honduras, and Nicaragua). Together with Guatemala and Honduras, El Salvador concluded free trade agreement negotiations with Mexico in 2000.

*Protection of Intellectual Property:* El Salvador has made progress in protecting intellectual property, including through implementation of commitments under the TRIPS Agreement and a bilateral Intellectual Property Agreement with the United States. However, additional amendments to civil and

U.S.-EL SALVADOR TRADE (Million \$)



criminal enforcement laws are required in order to bring El Salvador fully into compliance with TRIPS. In addition, the requirements of the WIPO digital environment treaties have yet to be embodied in Salvadoran copyright law. In recent years, the Salvadoran authorities have shown a more vigorous commitment to investigating and prosecuting instances of copyright violations, although piracy levels remain high, particularly with respect to computer software.

*Provision of Internationally Recognized Worker Rights:* El Salvador's labor code provides legal protection for internationally recognized worker rights, including rights of association and collective bargaining. However, unions assert that employers frequently undertake reprisals against union leaders and workers for engaging in union activities, and that legal requirements for union recognition are excessive and impede union organization. The ILO has found some support for both of these allegations. In July 2001, a U.S. Government delegation engaged in constructive consultations with Salvadoran officials, particularly on issues related to freedom of association.

Labor-management relations are highly politicized and confrontational, and reflect lingering dynamics from years of civil war. Privatization of state enterprises has been a major source of friction, and union organizations allege that such privatizations often provide a pretext for dismembering established unions in the privatized entities.

Labor protection laws and regulations apply equally to workers in export processing zones, though union organizing efforts in these areas have had limited success. Most businesses in the zones are subject to a growing number of private codes of conduct, which also include some workers' rights protection.

Employment of children under age fourteen is prohibited, but due to the high poverty rate, many children work, primarily in agriculture and the informal sector. Education is compulsory through the ninth grade (age 14) and free through high school. A recent survey found that seventeen percent of urban children, and twenty-nine percent of rural children, age 7-17, were not attending school.

The minimum wage is set by executive decree based on the recommendations of a tripartite committee representing labor, management, and the government. The minimum wage is generally enforced in the formal sector, though there are complaints that employers in the export processing zones sometimes fail to pay legally mandated wages and benefits. The maximum normal workweek is forty-four hours with premium pay mandated for work in excess of that time. There are a number of laws and regulations on workplace health and safety, but many are outdated and enforcement is weak.

*Commitments to Eliminate the Worst Forms of Child Labor:* While El Salvador's laws and regulations generally provide for enforcement against child labor in its worst forms, monitoring activity in the informal sector – where most child labor is found – remains weak. Some government programs do exist to remove children from commercial sexually exploitative employment.

In May 2000, the Labor Ministry launched a new effort to eliminate the worst forms of child labor, in accordance with the country's commitments under ILO Convention 182, which was ratified on October 12, 2000. To that end, the government has formed an interagency steering committee that includes worker, employer and NGO representatives. The committee is developing a national strategy and project proposals for eliminating the worst forms of child labor. El Salvador has signed a Memorandum of Understanding with the ILO International Program for the Elimination of Child Labor (IPEC) and is working with the ILO on various programs aimed at phasing out exploitative child labor.

*Counter-Narcotics Cooperation:* El Salvador is a transit country for narcotics. The country is a party to the 1988 UN drug convention, and has cooperated extensively with the United States on counter-narcotics matters. In 2000, the government established the Grupo Cuscatlan, an interagency body incorporating elements of the civilian police and the military, which participated in three joint eradication/interdiction/training exercises with the United States. The Government also approved a U.S. request to establish a Forward Operating Location (FOL) at El Salvador's main airport.

*Implementation of the Inter-American Convention Against Corruption:* El Salvador's Legislative Assembly ratified the IACAC in August 1998. The government has introduced a number of anti-corruption initiatives, including establishment of a special unit in the Attorney General's office, an office of government ethics, and an internal affairs unit within the National Civilian Police. There have been a number of anti-corruption training seminars for judges, prosecutors, and police investigators. At a July 2001 conference hosted by the Organization of American States, the government committed itself to focusing on five areas of reform: civil participation in the prevention of corruption; penal code reform to avoid conflicts of interest; access to information similar to the Freedom of Information Act; government reporting and accountability; and the implementation of whistle-blower legislation.

*Transparency in Government Procurement:* A new government procurement law enacted in 2000 standardizes and customizes all Government of El Salvador procurement procedures and policies. The law encompasses all government branches, grants equal treatment to local and foreign suppliers, and has significantly enhanced transparency in the procurement process. The law created a high level unit within the Ministry of Finance to oversee design and supervision of all government purchasing policies and procedures.

## Guatemala

Population: 12,974,361

Per Capita Income: \$1,690

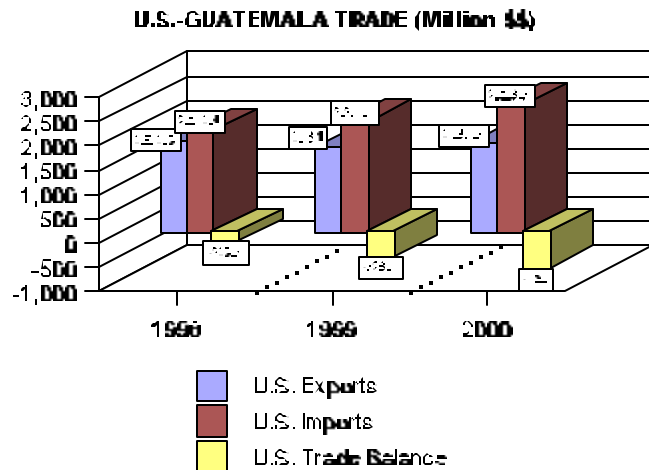
*Department of Commerce 2000*

*Trade Statistics:*

U.S. Exports: \$1,835,476,000

U.S. Imports: \$2,603,452,000

U.S. Trade Balance: (\$767,976,000)



*Economic Overview:* The Guatemalan economy depends largely on agricultural production, including coffee, sugar and bananas. In recent years, tourism and apparel assembly have become increasingly important as generators of income and foreign exchange.

Since the signing of the 1996 Peace Accords that ended a long civil war, Guatemala has adopted and maintained generally liberal, market-oriented economic policies. However, political tensions, a deteriorating security environment, and frequent changes in regulatory and other policies are preventing Guatemala from achieving its economic potential.

The economy grew by 3.3 percent in 2000, but was expected to slow considerably in 2001 due in part to the slowing of U.S. economic growth and the effect of depressed global coffee prices and high petroleum costs. Despite the implementation of the enhanced CBTPA benefits for apparel, some apparel assembly plants closed in 2001, citing the U.S. economic slowdown, increased energy and labor costs, and unfavorable tax policies.

Guatemala suffers from one of the most serious income and wealth disparities in the Western Hemisphere. The 1996 Peace Accords commit the government to follow policies that fight the roots of poverty, including increased investment in health and education. The government has struggled to raise adequate revenues to meet these Peace Accord obligations.

*Commitment to WTO and FTAA:* Guatemalan government institutions have been challenged to implement the requirements of the Uruguay Round Agreements within specified time frames, but there is evidence of a commitment to fulfill these obligations. Having missed the initial deadline for implementation of TRIPS requirements, Guatemala belatedly enacted patent and copyright legislation consistent with the obligations of that agreement. In other areas, such as customs valuation, additional progress is needed.

Guatemala is active in the FTAA process, chairing the Negotiating Group on Agriculture during the May 2001-October 2002 phase of negotiations. Guatemala is a member of the Central American

Common Market, and together with El Salvador and Honduras, concluded free trade agreement negotiations with Mexico in 2000. In 2001, Guatemala was negotiating trade agreements with Panama and Canada, in conjunction with other members of the Central American Common Market.

*Protection of Intellectual Property:* Guatemala enacted TRIPS-consistent intellectual property legislation in September 2000. Since that time, the government has sought to address weaknesses in enforcement by appointing a special prosecutor to handle violations of intellectual property, and a number of cases have been pursued. Resource constraints and lack of training continue to impede enforcement efforts, however, and piracy of works protected by copyright and infringement of other forms of intellectual property remain a problem. The Government of Guatemala continues to be a major user of unlicensed software, for example.

*Provision of Internationally Recognized Worker Rights:* Violence against workers and their representatives in Guatemala, and legal impunity in cases of such violence, have been matters of long-standing U.S. concern. In designating Guatemala as a CBTPA Beneficiary Country in October 2000, the United States announced that a special review of Guatemala's trade preferences under the CBI and GSP programs would be conducted in 2001. That review, conducted in the spring of 2001, generated an extensive and productive engagement between the U.S. and Guatemala on outstanding concerns.

During the course of the review, the Guatemalan Government enacted important reforms to the country's labor laws, providing enhanced protection for workers against employer reprisal for engaging in union activities, facilitating the organization of unions and conduct of collective bargaining, and providing stronger enforcement capabilities to the Ministry of Labor. During the review, the Guatemalan Government also engaged directly with a special mission of the International Labor Organization (ILO). The review's focus on the trial of those accused of mounting an October 1999 vigilante attack against members of a banana workers union led to a mixed conclusion. While the judicial process resulted in convictions – an unusual outcome in such cases – penalties imposed on those convicted were considered very light. The Government subsequently announced it would appeal the sentences. The U.S. Government's review was suspended in May 2001 with positive note of the actions taken by Guatemalan officials. The U.S. also indicated that it would continue to monitor closely labor practices in Guatemala, including implementation of the legal reforms.

The Constitution and labor code provide rights of association and collective bargaining to workers. Though labor laws apply equally in export processing zones as in the rest of the country, union organizing efforts in the zones have been strongly resisted by employers. When combined with the inadequacy of labor laws and their enforcement, these efforts have effectively excluded union organization from the zones. Effective implementation of recent revisions to Guatemalan labor law may address some of these challenges. Forced and compulsory labor are constitutionally prohibited and generally do not exist in practice.



The law prohibits the employment of children under age fourteen. Though the law provides for compulsory education through the sixth grade, only about one-half of children actually complete primary school.

The Ministry of Labor oversees a tripartite committee with labor and management representation, which makes recommendations for increases in the minimum wage. In the event that agreement is not possible, the Government may decree such increases. Enforcement of minimum wages is weak, especially in the agricultural sector.

The standard workweek is forty-four hours, but there are credible allegations that workers are often compelled to work longer hours, often without overtime or premium pay. Occupational health and safety standards are inadequate and weakly enforced due to a lack of resources. Many of the provisions of the applicable law – which dates back to 1957 – are archaic, making implementation problematic. However, the Labor Ministry provides training courses for labor inspectors in health and safety standards, and has given such training a higher priority despite scarce resources. Workers have the legal right to remove themselves from dangerous workplace situations, and the law provides them with protection for their continued employment. However, few workers are willing to jeopardize their jobs by complaining about unsafe working conditions.

*Commitments to Eliminate the Worst Forms of Child Labor:* Guatemala ratified ILO Convention 182 on October 11, 2001. The government is taking steps to implement its commitments under the Convention, in order to address systemic problems in this area. The Labor Ministry administers a “National Program for the Prevention and Eradication of Child Labor and Protection of Adolescent Workers” and cooperates with programs run by non-government organizations to combat child labor. Guatemala has signed a Memorandum of Understanding with the ILO Program for the Elimination of Child Labor (IPEC) and is working with the ILO on various programs aimed at phasing out exploitative child labor. In December 2000, the UN Mission in Guatemala (MINUGUA) found that 34 percent of children between the ages of 7 and 14 work, generally in the informal and agricultural sectors or in family enterprises. Between 3,000 and 5,000 children were employed in the illegal cottage-based fireworks industry, despite legal protections against employment of children in dangerous occupations. Trafficking of children into prostitution is also an ongoing problem, and one the government is taking steps to address.

*Counter-Narcotics Cooperation:* While still considered a major transshipment point for cocaine destined for the United States, Guatemala has supported U.S. counter-narcotics initiatives over the years. The government has increased the size of its anti-narcotics police force and has created special narcotics prosecutors and judges. It also passed a set of narco-trafficking laws that make dealing with narcotics cases much easier. The Guatemalan Congress enacted comprehensive money-laundering legislation effective November 15, 2001. Despite a record of broad cooperation, certain problems remain, including high turnover among narcotics police, corruption, and limited resources. The U.S.

Government continues to work with Guatemala to advance development of comprehensive training programs to improve performance of the country's narcotics enforcement agents.

*Implementation of the Inter-American Convention Against Corruption:* The Guatemalan Congress approved the IACAC in May 2001, and President Portillo deposited the instrument of ratification with the Organization of American States in July 2001. There remains a deep-seated and pervasive legacy of corruption affecting a broad range of Guatemalan institutions. Ongoing government commitment and considerable time will be required to address these challenges effectively.

*Transparency in Government Procurement:* Government procurement is regulated under a 1992 law which establishes procedures to be followed by national and local government entities and quasi-state enterprises. Though the legislation is comprehensive in scope, bidding and other transparent procedures are often avoided in cases where a project is declared to be of "national urgency." In recent years, the Guatemalan Government has established large "social funds" which often fall outside the scope of government procurement laws. Allegations of corruption in procurement are not uncommon.

## Guyana

Population: 697,181

Per Capita Income: N/A

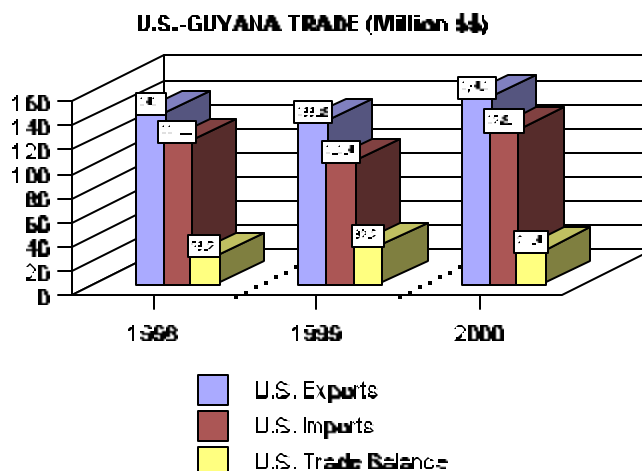
*Department of Commerce 2000*

*Trade Statistics:*

U.S. Exports: \$154,090,000

U.S. Imports: \$126,700,000

U.S. Trade Balance: \$27,390,000



*Economic Overview:* Guyana's economic policies have taken place within the context of an economic recovery plan under IMF

auspices. Under this plan, the government has pursued a conservative fiscal policy. Debt relief has been a major preoccupation of government policy; Guyana's participation in the Paris Club and Highly Indebted Poor Countries (HIPC) initiatives has brought down Guyana's debt, although debt payments remain high as a percentage of gross domestic product. The economy contracted by 0.8 percent in 2000, and a comparable level of performance was expected in 2001.

*Commitment to WTO and FTAA:* Guyana has demonstrated a general commitment to undertaking its obligations under the WTO agreements, although the country lags behind in the process of updating domestic laws and trade policies to reflect those obligations. Guyana participates in the FTAA negotiations, in coordination with other members of the Caribbean Community (CARICOM).

*Protection of Intellectual Property:* Guyana continues to lack an adequate legal framework for the protection of intellectual property, and institutional capacity to enforce the provisions of existing laws remains weak. The government has prepared new copyright legislation, which was awaiting parliamentary consideration in late 2001. A new patent law was also being developed in 2001. Unauthorized use of music and video products is widespread, and local television stations regularly transmit copyright-protected material without proper licensing.

*Provision of Internationally Recognized Worker Rights:* The Constitution guarantees labor rights of association and collective bargaining and about 34% of the workforce belongs to unions. A new law that requires employers to recognize a union elected by the majority of employees in a workplace has not yet been effectively implemented. There is a tradition of close links between political parties and labor unions.

Forced and compulsory labor are constitutionally prohibited, and there is no evidence that such practices exist. New child labor legislation was enacted in 1999, establishing a minimum age of 15 for basic employment. The law restricts to the age of 18 or higher employment in hazardous areas, such as mining, construction and sanitation services. Many children work in the informal sector, such as in street trading. Though the government provides free education through secondary school, the lack of resources and a deteriorating infrastructure limit educational opportunities.

The Labor Act and the Wages Councils Act allow the Labor Minister to set minimum wages for various categories of private employers. However, there is no legislated national private sector minimum wage. The minimum wage in the public sector was increased during 1999 as a result of an arbitration ruling. Enforcement is weak and many workers in the private sector are paid less than what is required legally. The maximum workday is eight hours, and the maximum workweek is forty-four hours, with overtime and premium pay mandated for work in excess of those maximums. The Factories Act establishes safety and health standards, which are enforced by the Ministry of Labor. Enforcement is weak, however, due to inadequate resources.

*Commitments to Eliminate the Worst Forms of Child Labor:* Guyana ratified ILO Convention 182 on January 15, 2001. Child labor laws do not apply to employment in small-scale or family holdings producing for local consumption.

*Counter-Narcotics Cooperation:* Guyana is a transshipment point for South American cocaine on its way to North America and Europe, although there is no evidence that the cocaine entering the U.S. from Guyana is sufficient to warrant Guyana being placed on the list of major narcotics producing and transit states subject to certification under Section 490 of the Foreign Assistance Act. Guyana cooperated with U.S. counter-narcotics efforts through implementation of the 1997 Caribbean-U.S. Summit Justice and Security Action Plan, and in 2001 signed a maritime counter-narcotics law enforcement agreement with the U.S.

*Implementation of the Inter-American Convention Against Corruption:* Guyana has ratified the IACAC, and bribery is established as a criminal offense under Guyanese law. The government has periodically prosecuted government officials for corruption, with mixed success.

*Transparency in Government Procurement:* Current procedures for government procurement lack basic transparency protections, resulting in an environment with a high potential for corruption and manipulation related to government contracting.

## Haiti

Population: 6,964,549

Per Capita Income: \$510

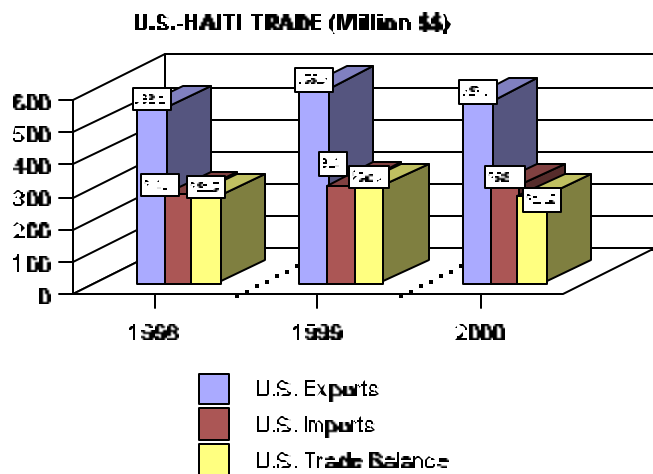
*Department of Commerce 2000*

*Trade Statistics:*

U.S. Exports: \$562,520,000

U.S. Imports: \$296,713,000

U.S. Trade Balance: \$265,807,000



*Economic Overview:* Haiti's progress in fulfilling the eligibility criteria of the CBI programs has been deliberate but slow. Weak institutions, lack of resources, and a series of political crises have diminished the

government's capacity to adjust trade regulations, enforce existing laws, or otherwise take effective action in the areas covered by the CBI eligibility factors. The CBI is promoting Haiti's only current significant engine for economic production, the assembly sector, and participants in this sector have displayed a heightened awareness of CBI eligibility criteria, including those regarding labor practices.

Economically, Haiti remains the poorest and least developed country in the Western Hemisphere. The United Nations has consistently ranked it as one of the worst in terms of health education, and other measures of human development. Economic growth (1.2 percent in 2000, falling to a projected 1 percent in 2001) has not kept pace with population growth. Inflation and unemployment (roughly 65 percent) remain high. Seventy-five percent of the population lives below the poverty line; literacy stands at about 50 percent. An irregular parliamentary election in May 2000 has resulted in the suspension of hundreds of millions of dollars in bilateral and multilateral economic assistance.

*Commitment to WTO and FTAA:* Haiti has a generally open trade regime, but successive political crises have prevented the national legislature from bringing Haiti into technical compliance with many WTO obligations. The Haitian Parliament has not ratified legislation that would make the country a full

member of the Caribbean Community (CARICOM). While Haiti is represented among the 34 countries participating in the FTAA process, the level of ongoing participation in the work of the various negotiating groups has been minimal.

*Protection of Intellectual Property:* Haiti's major laws governing intellectual property protection date from the early- to mid-20th century and have not been updated to reflect the provisions of the TRIPS Agreement. Limited manufacturing capacity means that piracy activity is limited, although illegal broadcasts of copyrighted motion pictures occur occasionally on Haitian television, in spite of laws prohibiting such broadcasts. Weak judicial institutions result in poor enforcement and erode the protection offered by current statutes.

*Provision of Internationally Recognized Worker Rights:* The Constitution and the labor code provide the right of free association to both public and private sector workers, and nine union confederations represent about 5% of Haiti's 2.8 million workforce. Persistent high unemployment and anti-union sentiments among factory owners, and some workers, has limited successful organizing activities by unions. Though the law prohibits reprisals against workers who engage in union activities, unions report that such reprisals frequently occur and the law is poorly enforced. Collective bargaining is virtually non-existent and employers usually set wages unilaterally. Workers in export processing zones enjoy the same rights as workers elsewhere in the country, though their working conditions are usually better than outside the zones. There is some evidence that the few Haitian companies using CBI benefits are more sensitive to labor standards, due in part to an awareness of the eligibility criteria related to the CBI preferences.

The minimum employment age is fifteen (twelve for domestic employment), and minors are prohibited from working in dangerous conditions and working at night in industrial enterprises. Fierce adult competition for the few available jobs in the industrial sector ensures that child labor is not a factor in the formal economy, but many children work in the rural and informal sectors. Some young children are forced to work as unpaid domestic servants. Though the law provides for free and compulsory primary education, about 40% of children never attend school due to extreme poverty, and are further dissuaded by nominal education fees.

A national minimum wage has been set, but does not apply to domestic work, where many women and children are employed, or in the agricultural sector, where the majority of the population engages in subsistence agriculture. The standard workday is eight hours, and the standard workweek is forty-eight hours. Safety and health standards are generally enforced in the formal industrial sector, but are considered problematic elsewhere, particularly in construction.

*Commitments to Eliminate the Worst Forms of Child Labor:* Haiti has not ratified ILO Convention 182. The country has signed a Memorandum of Understanding with the ILO International Program for the Elimination of Child Labor (IPEC) and is working with the ILO on various programs aimed at phasing out exploitative child labor. The legal minimum age for employment is 15 and the law prohibits

minors from working in dangerous conditions and at night in industrial enterprises. However, child labor does exist in the informal sector and in agricultural production. The most widespread exploitation of children occurs through the common and widely accepted practice of wealthier families using poor provincial children as unpaid domestic servants. There is growing awareness in Haiti of the cruelty of this practice, but lack of government enforcement efforts and resources mean that it is likely to persist for some time.

*Counter-Narcotics Cooperation:* Haiti’s weak law enforcement institutions have not permitted the kind of efforts necessary to meet stiff requirements for counter-narcotics certification. The country received a national interest waiver to the certification requirements in March 2001.

*Implementation of the Inter-American Convention Against Corruption:* Haiti’s parliament has ratified the IACAC, but notification has yet to be published in the public record. In April 2001, the parliament passed legislation to strengthen anti-money laundering measures. Corruption remains widespread in most aspects of Haitian economic and political life.

*Transparency in Government Procurement:* Government procurement is limited due to a lack of funding. For small and Haitian-funded contracts, procurement is generally biased towards insiders and local firms. For large and externally-funded procurements, sealed bidding procedures generally apply and the process is often more transparent because of requirements imposed by providers of funds.

## Honduras

Population: 6,406,052

Per Capita Income: \$850

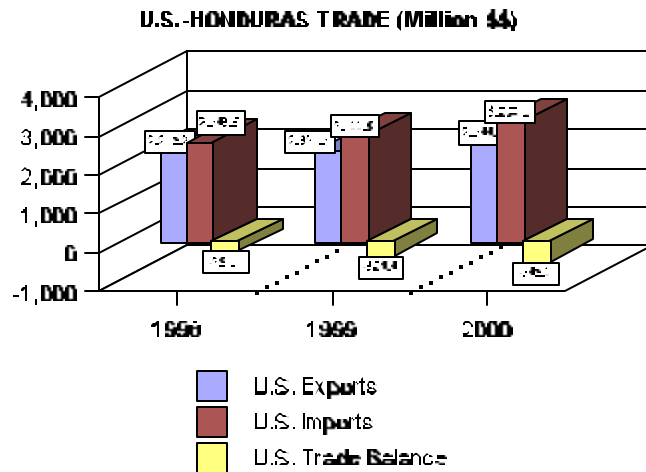
*Department of Commerce 2000*

*Trade Statistics:*

U.S. Exports: \$2,544,821,000

U.S. Imports: \$3,090,922,000

U.S. Trade Balance: (\$546,101,000)



*Economic Overview:* Honduras continues

to recover from the devastation of

Hurricane Mitch in October 1998. In

2000, Honduran economic performance

returned to pre-Mitch levels, with GDP growth of 4.7 percent. Estimates for 2001 indicate economic

growth of between 3.5 and 4 percent. Low world coffee prices have battered Honduras’ second

biggest merchandise export and important generator of foreign exchange in 2001.

Since the enactment of the CBI, Honduras' apparel assembly industry has received significant amounts of U.S. investment, and the country has emerged as one of the top global suppliers of apparel to the U.S. import market. However, the slowing of U.S. economic growth through most of 2001 has also affected Honduras' export assembly sector, particularly in terms of apparel exports. The apparel industry suffered several factory closures and eight thousand lost jobs in 2001, after ten years of sustained growth.

*Commitment to WTO and FTAA:* Honduras has made progress on implementing its obligations under the Uruguay Round Agreements, including in the area of intellectual property protection. However, Honduras has frequently adopted positions sharply at odds with key U.S. objectives in the World Trade Organization.

Honduras participates in the FTAA process, often coordinating its positions with those of other Central American countries. Honduras has also pursued other regional trade agreements, including a free trade agreement with Mexico which took effect in June 2001. A trade agreement with the Dominican Republic is awaiting approval from the Honduran National Congress, and negotiations with Chile were approaching conclusion in late 2001. Along with other Central American countries, Honduras is pursuing a possible free trade agreement with Canada.

*Protection of Intellectual Property:* Honduras has complied for the most part with the requirements of the TRIPS Agreement, with needed amendments to patent and copyright laws enacted in 1999. Adoption of two additional TRIPS-complying measures, governing integrated circuit designs and plant variety protection, was still pending as of late 2001. In addition, the Congress was considering ratification of WIPO treaties governing copyrights and performances and phonograms. Past problems with broadcast piracy have been largely corrected, and the government continues to monitor television stations for indications of piracy. In addition, the government has cooperated with U.S. copyright industry contacts to promote training of judges and public prosecutors in the implementation of Honduras' intellectual property laws. The United States and Honduras have completed most of the necessary work on a bilateral intellectual property agreement, and both governments continue working to conclude the agreement by early 2002.

*Provision of Internationally Recognized Worker Rights:* Honduran labor law protects rights of association and collective bargaining, though enforcement has been uneven, and there are widespread reports of dismissal and other reprisals against workers for engaging in union activities. There are also credible reports of blacklisting of union activists by employers, particularly in export processing zones. Collective bargaining is usually practiced in enterprises where a union is organized.

A 1995 agreement between the Ministry of Labor and USTR sought better enforcement of labor laws, and there have been some improvements, particularly in inspections. However, the Government has not fully implemented the commitments it undertook in the 1995 agreement with respect to revising labor laws and their enforcement, particularly in the export processing zones, and unions argue that the

laws and their enforcement remain inadequate. Though labor laws apply equally in export processing zones as elsewhere in the country, union organizing efforts in the zones have had only limited success. Honduras' *maquiladora* (assembly plant) trade association has sponsored several meetings between its members and major labor organizations, culminating in the signing of a code of conduct for the association's members.

The law prohibits forced or compulsory labor, and also prohibits the employment of children under age sixteen, except in cases where their labor is indispensable to the family's well-being and does not interfere with school. Children 14 years and younger are prohibited from working even with the permission of parents. However, the law is not effectively enforced and it is estimated that 350,000 children are illegally employed, primarily in family farms, small-scale businesses and commerce, construction, and as street vendors. Though the government provides free compulsory education through age 10, it is estimated that about 175,000 children per year fail to receive schooling of any kind. The Government has also instituted a variety of social programs to prevent illegal child labor, including U.S. funded programs with the ILO's International Program for the Elimination of Child Labor (IPEC).

Different minimum wages apply to different sectors, but the Ministry of Labor lacks the resources to enforce them effectively. The maximum workday is eight hours and the maximum workweek is forty-eight hours, with premium pay mandated for worker in excess of the maximums. Many employers ignore these requirements, however, and enforcement is weak. The Ministry of Labor is responsible for enforcing workplace health and safety standards, but lacks the resources to do this effectively.

A U.S. Government delegation consulted with Honduran officials regarding labor practices during a July 2001 visit to the country. The Honduran Government participated constructively in these meetings.

*Commitments to Eliminate the Worst Forms of Child Labor:* Honduras ratified ILO Convention 182 on October 25, 2001. The government has put in place laws and regulations to combat the worst forms of child labor, and, through a special commission, is working towards a comprehensive policy for the elimination of such forms of child labor. The Ministry of Labor has established formal institutional mechanisms to investigate and address complaints relating to allegations of the worst forms of child labor. However, the Ministry is under-staffed and under-funded, and is not able to respond quickly and effectively to all complaints. The government has also initiated a variety of social programs to prevent illegal child labor. Honduras has signed a Memorandum of Understanding with the ILO's International Program for the Eradication of Child Labor (IPEC) and is working with the ILO on various programs aimed at phasing out exploitative child labor.

*Counter-Narcotics Cooperation:* Honduras is a transshipment point for narcotics moving from South America to the United States. A bilateral counter-narcotics maritime agreement was signed in March 2000 and entered into force in early 2001. The agreement provides for joint U.S.-Honduran counter-



narcotics patrols, overflights and information sharing. Honduras has fully met the counter-narcotics cooperation criteria established in the Foreign Assistance Act.

*Implementation of the Inter-American Convention Against Corruption:* Honduras signed and ratified the IACAC in May 1998. Despite its signatory status, Honduras’ current juridical and political framework lacks important elements to effectively curb corruption. U.S. development assistance programs in Honduras fund several anti-corruption projects.

*Transparency in Government Procurement:* In September 2001, Honduras enacted a new state contracting code. The new law applies to all public bids, concessions and government-contracted consulting services. The law also creates a publication that will make information about all government procurement available to the public. The United States has encountered resistance from Honduras in efforts to negotiate, in the WTO, an agreement on transparency in government procurement practices. Primarily for this reason, since 1999 Honduras has been denied a waiver of “Buy America” provisions, granted to certain CBI countries, allowing them to be treated as “eligible” producers for purposes of U.S. government procurement.

Additional Issues

*Expropriation:* Over 150 property and investment disputes involving U.S. citizens have been registered with the U.S. Embassy in Honduras. Most of the claims involve the Honduran National Agrarian Institute and land invasion by squatters. There are also numerous other investment disputes involving U.S. investors, the majority of which have arisen from inadequate titling procedures and involve disputes between U.S. citizens and private Honduran citizens. On July 12, 2001, a Bilateral Investment Treaty between the United States and Honduras entered into force. The treaty provides for equal protection under local law for U.S. investors and permits expropriation only in accordance with international legal standards.

**Jamaica**

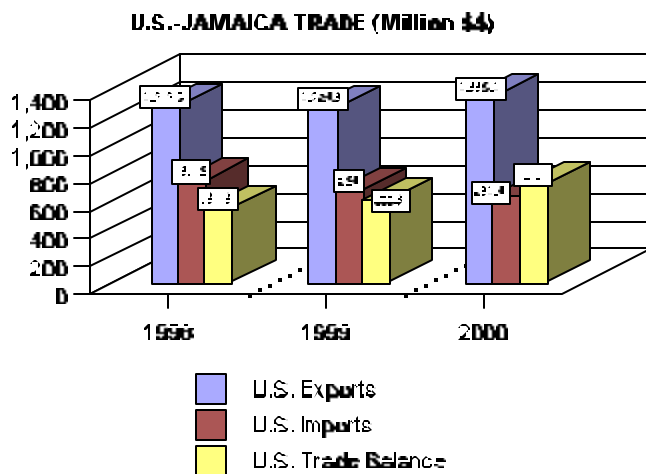
Population: 2,665,636  
 Per Capita Income: \$2,440

*Department of Commerce 2000*

*Trade Statistics:*

U.S. Exports: \$1,339,061,000  
 U.S. Imports: \$631,452,000  
 U.S. Trade Balance: \$707,609,000

*Economic Overview:* Jamaica is the largest English-speaking country in the Caribbean.



It has a small but diversified economy and relatively significant natural resources. Jamaica continues to recover from a serious financial crisis in 1997. Following four years of economic contraction, the economy began a modest recovery in 2000, boosted by growth in construction and the financial, tourism, and transportation services sectors. Growth remains below one percent, however. Debt service continues to pose major challenges for the government.

Jamaica has benefited modestly from CBI benefits. The country's once-substantial garment assembly sector has declined considerably since the mid 1990's, however. Jamaica actively sought the enhanced benefits of the CBTPA, and hopes to achieve some recovery in the apparel sector as a result of those preferences. In recent years, the process of CARICOM integration has led to an expansion in Jamaica's trade with its Caribbean neighbors, particularly Trinidad and Tobago.

*Commitment to WTO and FTAA:* Jamaica is in the process of implementing its Uruguay Round obligations. The country's commitments under the Customs Valuation Agreement were implemented in 2001. Certain requirements of the TRIPS Agreement have not yet been reflected in Jamaican law, but the government has prepared legislation to address these deficiencies. Jamaica participated actively and constructively in preparations for the 2001 WTO Ministerial Conference.

Jamaica is a strong proponent of Caribbean economic integration through the Caribbean Community (CARICOM) and participates actively in the FTAA process in coordination with other CARICOM members. Jamaica has been particularly outspoken in calling for provisions to address the circumstances of the smaller economies of the Western Hemisphere. Jamaica and CARICOM have also taken a particular interest in the FTAA services negotiations, in light of the important economic contribution of services in the region's economies.

*Protection of Intellectual Property:* The Jamaican Government has taken considerable steps to provide effective enforcement of the country's existing intellectual property laws. Jamaican courts have ruled in favor of foreign (including U.S.) rights-holders in cases brought against Jamaican companies and individuals. The key current shortcoming in Jamaica's intellectual property regime is the fact that the patent law has not been amended to conform to the requirements of the TRIPS Agreement and of its bilateral Intellectual Property Agreement with the United States. As of late 2001, draft amendments to the patent law were awaiting action by the parliament. Trademark and copyright statutes are generally considered to meet TRIPS standards.

*Provision of Internationally Recognized Worker Rights:* Internationally recognized worker rights are afforded generally good legal protection and Jamaica has an active union movement that represents about fifteen percent of the workforce. Collective bargaining is practiced, though a union seeking representation rights must demonstrate support by at least 50% of workers in the workplace. Jamaican law neither authorizes nor prohibits the right to strike, and strikes do occur. Striking workers can interrupt work without legal liability, but cannot always be assured of keeping their jobs. Domestic labor laws apply equally to export processing zones, though no unions have been organized in that

sector. Unions attribute this to strong employer resistance and the establishment of employer controlled “workers’ councils which conduct limited worker representation.

The law prohibits the employment of children under age twelve, except when employed by a parent or guardian in domestic, agricultural, or horticultural work. Children between ages 6-11 must attend elementary school. Many children work at home instead, due to poverty and to avoid payment of school fees, and it is estimated that 4.6% of children below sixteen years of age work to support their families.

The Government sets a minimum wage. Most workers are paid more than the legal minimum, except in the tourism industry. Workers who work more than eight hours a day or forty hours per week are entitled to overtime compensation. Safety and health standards are considered adequate, but enforcement is often lacking.

*Commitments to Eliminate the Worst Forms of Child Labor:* Child labor in its worst forms is not believed to represent a significant problem in Jamaica. There are no reports of forced or compulsory labor for either adults or children. The Government of Jamaica has not yet ratified ILO Convention 182, regarding elimination of the worst forms of child labor. However, Jamaica has signed a Memorandum of Understanding with the ILO International Program for the Elimination of Child Labor (IPEC) and is working with the ILO on various programs aimed at phasing out exploitative child labor.

*Counter-Narcotics Cooperation:* Jamaica is a major transit point for South American cocaine as well as the largest Caribbean producer and exporter of marijuana. Jamaica is included in the U.S. government’s list of major illicit drug producing or drug-transit countries. In March 2001, President Bush certified that Jamaica had cooperated fully with the United States to achieve the objectives of the 1988 UN Drug Convention.

*Implementation of the Inter-American Convention Against Corruption:* Jamaica completed ratification of the IACAC in March 2001.

*Transparency in Government Procurement:* Jamaica’s tendering and contracting processes can be tedious and bureaucratic. There are not, however, credible indications of widespread bribery or corruption in the government procurement process.

## Nicaragua

Population: 4,918,393

Per Capita Income: \$420

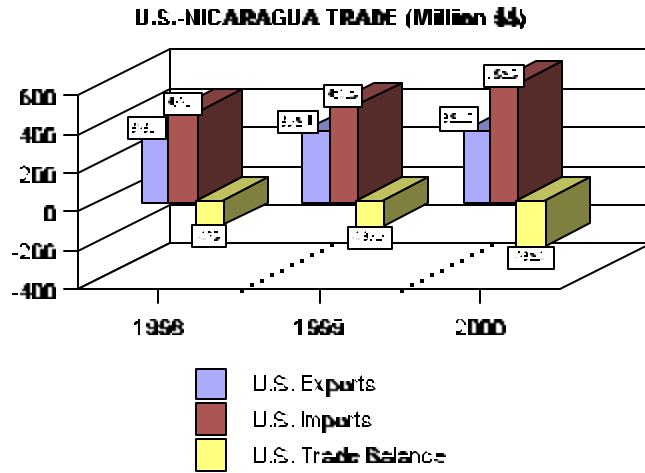
*Department of Commerce 2000*

*Trade Statistics:*

U.S. Exports: \$360,830,000

U.S. Imports: \$596,931,000

U.S. Trade Balance: (\$236,101,000)



*Economic Overview:* In the past decade, Nicaragua has made considerable progress in moving from a centralized to a market-oriented economy. The country has liberalized its foreign trade regime, fostered the growth of a Free Trade Zone (which doubled production capacity and employment in the 1999-2001 period), brought inflation under control, and eliminated foreign exchange controls. Following strong growth of 7.4 percent in 1999, the economy slowed to 4.3 percent expansion in 2000, with the expectation of a further decline in 2001, to less than 3 percent growth.

Despite recent progress, the economy remains challenged by a variety of structural problems, including ongoing recovery from a devastating hurricane in 1998 and a heavy load of external debt. Nicaragua continues to seek forgiveness of debt under the aegis of the Heavily Indebted Poor Countries (HIPC) initiative.

Nicaragua remains heavily reliant on agriculture. Agriculture, construction and the export production of the country's free trade zones have led Nicaragua's recent economic growth. The manufacturing base remains limited, and the country is dependent on imports for most manufactured, processed, and consumer items.

*Commitment to WTO and FTAA:* Nicaragua is making generally good progress in implementing its obligations under the WTO. The WTO's Trade Policy Review Body examined Nicaraguan trade policy in October 1999. The review acknowledged Nicaragua's autonomous efforts at tariff reduction and other elements of trade liberalization, concluding that the country had become a more open and secure market for trading partners as a result of these measures. Nevertheless, Nicaragua is behind schedule in fulfilling some of its obligations under the Uruguay Round Agreements. Notably, Nicaragua has not yet implemented the WTO Customs Valuation Agreement (CVA), failing to comply with a September 2000 deadline. Implementing regulations to adapt Nicaraguan practice to CVA disciplines were pending in late 2001, with no firm date for compliance.

Nicaragua participates actively in FTAA negotiations. The country holds the post of Vice Chair of the FTAA's Consultative Group on Smaller Economies during the May 2001-October 2002 cycle of FTAA work. The Government of Nicaragua hosted the ninth meeting of the FTAA Vice Ministerial-level Trade Negotiations Committee, held in Managua in September 2001.

*Protection of Intellectual Property:* Nicaragua has made progress in recent years in the legal protection of intellectual property, but does not yet have a fully effective enforcement regime in place. Nicaragua signed a bilateral intellectual property rights agreement with the United States in January 1998; when fully implemented, this agreement will afford protection surpassing that provided under the WTO TRIPS agreement. Since 1999, the government has updated legislation protecting copyrights, plant varieties, integrated circuit design, telecommunication signals, trademarks and patents. Government institutions have only begun to enforce these laws, but at least one successful raid on vendors of pirated goods was conducted in mid-2001.

*Provision of Internationally Recognized Worker Rights:* The Constitution provides for the right of workers to organize into unions and this right was affirmed in the 1996 labor code. All private and public sector workers, except the military and police, may join unions. The right to strike is protected, but procedures are long and cumbersome. This results in illegal strikes, which leave workers and union leaders vulnerable to dismissal or other reprisals. The law provides special protection for union leaders, but any worker may be dismissed by a company for any reason by paying double the statutorily mandated severance payments. Many employers avail themselves of this measure to defeat unionization efforts.

The Constitution provides for collective bargaining, and it is widely practiced. Though the labor law applies equally in Nicaragua's free trade zone, union organizing efforts have encountered strong employer opposition in that sector. There have been several widely publicized cases of reprisals by employers against workers who attempt to organize, and employers have reportedly benefited from the conduct of illegal strikes, which enables them to fire the strikers. In response to longstanding complaints by union representatives, in 1997 the Labor Ministry opened an office in the Managua Free Trade Zone to ensure that the labor code is enforced.

Children age 14-16 can work only with their parents' permission, and restrictions on work hours apply. However, due to widespread poverty and weak enforcement, these prohibitions and restrictions are applied effectively only in the formal sector of the economy. Education is compulsory through the sixth grade, but this is not enforced and the government dedicates insufficient funding for primary education.

The minimum wage is set through tripartite (business, government, and labor) negotiations, and must be approved by the Legislative Assembly. Most urban workers in the formal sector earn wages well above the minimum. The minimum wage does not apply, however, to the informal and agricultural sectors, where the majority of people work for incomes below the poverty line. The maximum workday is eight

hours and the maximum workweek is forty-eight hours. Though the labor code sets safety and health standards, the Government lacks the resources for their adequate enforcement.

A U.S. Government delegation consulted with Nicaraguan officials regarding labor practices during a July 2001 visit to the country. The Nicaraguan Government participated constructively in these meetings.

*Commitments to Eliminate the Worst Forms of Child Labor:* Nicaragua ratified ILO Convention 182 on November 6, 2000. Although Nicaragua has comprehensive legislation prohibiting child labor, structural and economic challenges have prevented its eradication. The government has made notable progress in combating child labor in the formal economy, but progress has been much more limited with respect to the extensive informal sector.

Nicaragua has signed a Memorandum of Understanding with the ILO International Program for the Elimination of Child Labor (IPEC) and is working with the ILO on various programs aimed at phasing out exploitative child labor. The government has established a National Commission to Abolish Child Labor and Protect Minors at Work, co-chaired by the Nicaraguan First Lady and the Minister of Labor. Local non-government organizations and private representatives participate in the Commission's mandate to implement a national plan for reducing the incidence of child labor in Nicaragua. In 1999, the Ministry of Labor established a child labor inspection unit to monitor health and occupational safety in the agricultural sector.

*Counter-Narcotics Cooperation:* Nicaragua is not currently listed as a "major narcotics trafficking state" and is not subject to certification under Section 490 of the Foreign Assistance Act of 1961. The Nicaraguan National Police are generally effective in their efforts to combat transshipment of drugs through Nicaraguan territory, but limited resources impose constraints.

*Implementation of the Inter-American Convention Against Corruption:* Nicaragua ratified the Convention in May 1999.

*Transparency in Government Procurement:* A new law on government procurement took effect in January 2000. The current legal framework applies transparent, nondiscriminatory and competitive procedures in government purchasing.

### Additional Issues

*Expropriation/Arbitral Awards:* The fallout from Sandinista-era property confiscations continues to affect thousands of individuals, including many American citizens, whose homes, farms, bank accounts and other assets were seized in the 1980s. Nicaragua has made continuing progress in resolving outstanding claims. Over 900 American citizen claimants have formally requested U.S. Embassy assistance in the past decade, covering more than 2,500 separate claims. Between January 1995 and

October 2001, a total of 1,693 of these claims were resolved. There are no known instances in which the Government of Nicaragua has failed to recognize an arbitral award on behalf of a U.S. citizen.

## Panama

Population: 2,845,647

Per Capita Income: \$3,260

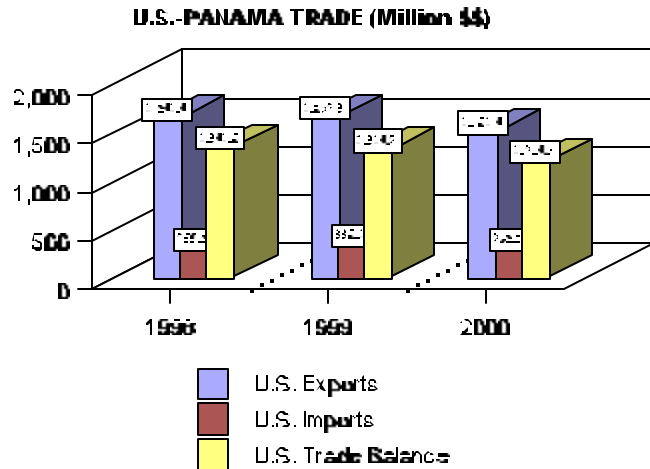
*Department of Commerce 2000*

*Trade Statistics:*

U.S. Exports: \$1,501,429,000

U.S. Imports: \$296,917,000

U.S. Trade Balance: \$1,204,512,000



*Economic Overview:* Panama's economy is services-based, heavily weighted towards

maritime transportation, banking, commerce and (to a lesser degree) tourism. Trade and financial ties with the United States are close. Since the mid-1990's, Panama has attracted major investments in the multi-modal transportation, telecommunications, and energy sectors.

Despite this recent investment, Panama's economy was performing weakly in 2001, with projected growth for the year falling below 2 percent. The economic slowdown has affected tax revenues, complicating the government's balanced budget goal, and has also brought about higher unemployment.

*Commitment to WTO and FTAA:* Panama completed its accession to the WTO in 1997. As part of the accession process, Panama's government instituted a number of significant trade policy reforms, including reduced tariffs and non-tariff barriers, elimination of production subsidies, greater disciplines in the area of competition policy, and strengthened protection of intellectual property. Some of this progress has, however, been reversed since late 1999. Tariffs have been increased and non-tariff barriers erected with respect to agricultural and food products. Problems in the area of sanitary and phytosanitary measures have been of particular concern to U.S. exporters. Despite these sectoral concerns, however, Panama is generally more open to imports of goods and services than was the case prior to its WTO accession, with tariffs among the lowest in the region.

Panama has been an outspoken advocate of the FTAA process, and has played a key role in the process by hosting the administrative secretariat of the FTAA and serving as the site for the negotiations during the March 2001-February 2003 period. The country serves as Vice Chair of the FTAA Committee of Government Representatives on the Participation of Civil Society during the May 2002 to October 2002 phase of the negotiations. Panama is also actively pursuing free trade negotiations with the five countries of Central American and is trying to revive stalled talks with Mexico

*Protection of Intellectual Property:* Intellectual property protection in Panama has improved greatly since the mid-1990s, when the country passed several strong new laws and began enforcing them vigorously. By virtue of acceding to the WTO as a developed country, Panama was obliged to have TRIPS-compliant legislation in force immediately upon its accession in 1997. Industry representatives and legal experts are in broad agreement that Panama has made progress in setting intellectual property protection standards above the minimum afforded under TRIPS.

*Provision of Internationally Recognized Worker Rights:* The law protects the right of private sector workers to organize and join unions, though unions must be registered by the government. About ten percent of the workforce is organized. Most civil servants may join unions and bargain with their respective agencies. Workers employed by the Panama Canal Authority may join unions and bargain collectively, but are prohibited from striking.

Collective bargaining is protected by law for private sector workers and is widely practiced. In the public sector, only a small proportion of civil servants may bargain collectively and strike. The minimum wage law does not apply in export processing zones, and the government has issued a number of decrees that have precluded effective union organization in the zones, including by restricting strikes and permitting negotiations with workers who are not represented by a union. Unions assert that this latter practice results in negotiations with employee groups that are dominated by employers.

The employment of children under age fourteen is prohibited by law. Children under age fifteen may work only if they have completed primary school. It is estimated that 11 percent of children between the ages of 10-17 work. This is particularly problematic in the agricultural sector among indigenous populations. Education is compulsory through the equivalent of the ninth grade, but enforcement and compliance are uneven.

The labor code establishes minimum wages by regions and industries. Most urban workers employed in the formal sector are paid the legal minimum or more. However, thirty-nine percent of the population work in the informal sector and earn well below the minimum wage. This is particularly true in the rural economy. The Labor Code establishes a standard workweek of 48 hours and provides for at least one 24-hour rest period weekly. The Ministry of Labor enforces workplace health and safety laws, though the emphasis is more on safety rather than long-term health.

*Commitments to Eliminate the Worst Forms of Child Labor:* On October 31, 2000, Panama ratified ILO Convention 182, addressing the worst forms of child labor. Panama has signed a Memorandum of Understanding with the ILO International Program for the Elimination of Child Labor (IPEC) and is working with the ILO on various programs aimed at phasing out exploitative child labor. Panama has developed a strong legal framework to combat the worst forms of child labor, including a prohibition on employment of minors under the age of 18 in hazardous labor. However, some concerns exist with respect to involvement of children in rural coffee and sugar plantations and in the informal



sector of the urban economy. Institutional mechanisms to investigate child labor and provide prevention services are being strengthened.

*Counter-Narcotics Cooperation:* The United States and Panama have a long and productive relationship in the counter-narcotics area. Panama has received unconditional certification as cooperating with the United States on counter-narcotics efforts.

*Implementation of the Inter-American Convention Against Corruption:* Panama is a party to the IACAC, but has not yet fully implemented or enforced certain of the Convention's provisions. Allegations of official corruption have been featured in local media, often prompting libel actions against reporters and publishers. Legal processes are in place to allow investigation of citizen complaints about alleged corruption, but no investigations have resulted in criminal charges.

*Transparency in Government Procurement:* Procurement practices of government ministries and institutions vary widely. Lack of transparency, excessive delays and bureaucracy have caused problems for the United States and other bidders on important contracts in the past. Panama submitted an initial offer to accede to the WTO Government Procurement Agreement in 1997, and made a revised offer in early 1999. Accession negotiations had not been concluded as of late 2001. The United States has pressed Panama to include the Panama Canal Authority in the list of entities that would be covered by GPA disciplines. Due to these concerns, Panama has been denied a waiver of "Buy America" provisions which has been granted to certain CBI countries, allowing them to be treated as "eligible" producers for the purposes of U.S. government procurement.

## Trinidad & Tobago

Population: 1,169,682

Per Capita Income: N/A

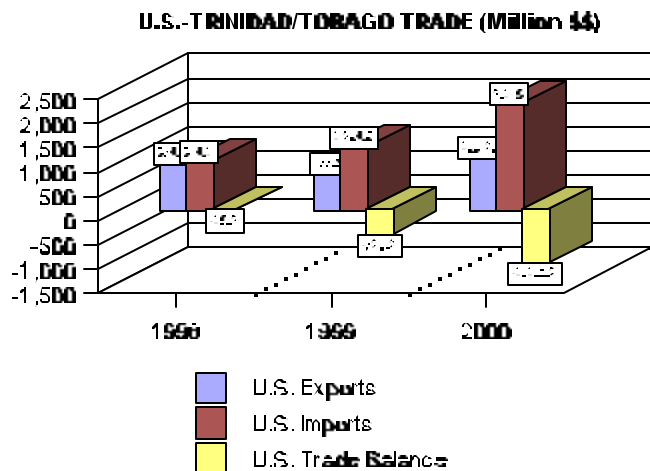
*Department of Commerce 2000*

*Trade Statistics:*

U.S. Exports: \$1,072,883,000

U.S. Imports: \$2,179,039,000

U.S. Trade Balance: (\$1,106,156,000)



*Economic Overview:* Since 1992, the Government of Trinidad and Tobago has successfully transformed a state-controlled economy into a market-driven one. These reforms, combined with tight monetary policy and high prices for the country's petroleum-based exports, have resulted in average economic growth of 3.8 percent since 1995, with a four percent growth rate in 2000. With a relatively strong manufacturing sector, Trinidad and Tobago trades extensively with its Caribbean neighbors. The United States remains the country's biggest trading partner and source of investment. The IMF has identified Trinidad and Tobago as the second least restrictive country in the Caribbean region, in terms of market access for goods and services.

*Commitment to WTO and FTAA:* The Government of Trinidad and Tobago has a good record of honoring its WTO commitments, and is striving to implement WTO-related policy reforms ahead of schedule. The country was the subject of a WTO Trade Policy Review in late 1998. The review found that few non-price border restrictions to trade remain, and the amendment of domestic legislation to incorporate Trinidad and Tobago's commitments under the different WTO agreements was virtually complete. The review noted that, since adopting the Uruguay Round Agreements in 1995, Trinidad and Tobago had implemented new copyright and patent legislation and revised its anti-dumping law in order to comply fully with WTO requirements. Under the GATS, Trinidad and Tobago made specific commitments on tourism, business (including professional), educational, health-related, recreational, research and development, recreational, cultural and sporting, transport and financial services. The WTO review also noted that Trinidad and Tobago maintains higher than average tariffs for some agricultural products.

Trinidad and Tobago participates in the FTAA negotiations in coordination with other members states of the Caribbean Community (CARICOM).

*Protection of Intellectual Property:* Trinidad and Tobago is a signatory to a bilateral intellectual property agreement with the United States. This agreement, along with the government's commitments under the WTO TRIPS Agreement, necessitated changes in most domestic intellectual property

legislation. The government's awareness of the need for intellectual property protection has improved, and laws generally reflect the government's commitments under the TRIPS Agreement and other international accords. However, enforcement remains lax. Pirating of software programs occurs frequently, particularly among smaller businesses, and unlicensed broadcasting of cable television programming is also a problem.

*Provision of Internationally Recognized Worker Rights:* The labor law protects workers' rights of association and collective bargaining and this protection is generally enforced in practice. About 25-30 percent of the labor force is organized in nineteen active unions. Collective bargaining is supported by law and is widely practiced. Labor laws apply equally in export processing zones as elsewhere in the country.

The law does not explicitly prohibit forced or compulsory labor, but there have been no reports of these practices. The minimum employment age is twelve years and there are various restrictions on the employment of children between ages twelve and eighteen. Education is compulsory through primary school. Though there is no organized exploitation of children, children are often observed working as beggars or street vendors.

The Government sets a minimum wage that is effectively enforced. Most workers earn in excess of the minimum wage. The standard workweek is forty hours with overtime and premium mandated pay for work in excess of that time. The law provides for safety standards and inspections in certain industries.

*Commitments to Eliminate the Worst Forms of Child Labor:* Trinidad and Tobago has not ratified ILO Convention 182. Children are often seen begging or working as street vendors, although the worst forms of child labor are not believed to be widespread and there is no organized exploitation of children. Enforcement of child labor laws by the Ministry of Social Development and Family Services is considered lax.

*Counter-Narcotics Cooperation:* Trinidad and Tobago is a strong counter-narcotics ally of the United States, and has met the requirements of Section 490 of the Foreign Assistance Act.

*Implementation of the Inter-American Convention Against Corruption:* Trinidad and Tobago ratified the Convention in 1998. Further measures are included in an anti-corruption bill which was pending in parliament in late 2001.

*Transparency in Government Procurement:* Government procurement practices are generally open and fair; however, both local and foreign investors have called for greater transparency in the procurement process. Allegations of unfair procurement have been made in connection with purchasing by the Ministry of Health.

## Chapter 4

### SUMMARY OF PUBLIC COMMENTS

Thirty organizations and individuals responded to the Trade Policy Staff Committee's solicitation of public comments in connection with preparation of this report. The notice and solicitation of public comments was published in the *Federal Register* of August 10, 2001. The full texts of these submissions are available for review at the Reading Room of the Office of the United States Trade Representative.

The **American Apparel & Footwear Association** (AAFA) called attention to operational confusion during the first year of implementation of the CBTPA, and urged the Administration to issue final implementing regulations for the CBTPA, in order to resolve certain uncertainties regarding application of the enhanced apparel benefits. The association noted that CBTPA preferences for apparel do not appear to have stimulated significant new trade flows during the first year of the program. AAFA did note that implementation of the CBTPA appears to have resulted in a significant shift of trade out of traditional "807 and 807A" programs and into the new duty-free/quota-free preference categories. As a result of this shift, AAFA commented that its members are realizing meaningful duty savings as a result of implementation of the CBTPA, citing a decline of \$100 million in duties paid on imports of apparel, headwear, and footwear during the first half of 2001, compared to the same period in 2000. AAFA commented that the impact of the CBTPA's expansion of trade benefits for certain footwear cannot yet be fully gauged. With respect to the CBTPA's labor practices criteria, AAFA commented that several major apparel producing countries in the CBI region have endorsed the factory certification program and production principles of the Worldwide Responsible Apparel Production (WRAP) program, noting that the eight CBI countries that have endorsed these principles constituted 99.2 percent of all apparel imports from CBI countries during the first half of 2001.

The **American Federation of Labor and Congress of Industrial Organizations** (AFL-CIO) and the **Union of Needletrade, Industrial and Textile Employees** (UNITE!) submitted a joint comment. This submission provides comments concerning the performance of Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua in connection with the worker rights criteria of the CBTPA. AFL-CIO and UNITE! maintain that "there is no evidence that CBTPA eligibility has reduced" labor violations in certain CBI beneficiary countries. Among the issues cited in the detailed AFL-CIO and UNITE! submission are the following: practical and procedural restrictions on freedom of association in Costa Rica; poor compliance with labor law requirements in the Dominican Republic's export processing zones; anti-union discrimination and limitations on collective bargaining in El Salvador; intimidation of union organizers and ongoing problems of violence and impunity in Guatemala; use of plant closings to discourage union organization in Honduras; and violations of labor code requirements in Nicaraguan free trade zones.

The **Embassy of the Dominican Republic** urged attention to outstanding uncertainties related to implementation of the CBTPA. The Embassy argued that the implementing rules should allow preferential imports for garments made from parts cut in both the U.S. and a CBI country. The Dominican Republic also requests that garments assembled from components knit-to-shape in the U.S. be eligible for CBTPA preferences, and that the ability to dye and finish fabrics in the CBI region be maintained. The Embassy also urges prompt issuance of special rules governing imports of brassieres, and that certificate of origin and other documentation requirements be simplified.

The **International Intellectual Property Alliance** (IIPA) provided detailed comments regarding the protection of intellectual property in Bahamas, Costa Rica, Dominican Republic, El Salvador, and Guatemala. This submission included the following specific references: weakness in enforcement of copyright laws in Costa Rica; acknowledgment of improvements in the Dominican Republic's copyright law, but continuing concerns regarding enforcement; ongoing concerns regarding software piracy in El Salvador; reduction in criminal penalties for copyright violations in Guatemala; and concerns regarding unlicensed rebroadcast of cable television signals in Bahamas.

**Law Offices of Melanie S. Marks, Esq.** submitted concerns regarding a number of trade-related issues in the Dominican Republic. The comment focused on concerns regarding an allegedly discriminatory tax on distilled spirits enacted in late 2000, and with respect to the Dominican Republic's dealer protection law.

**Steel, Hector, & Davis International** (SHDI) provided a submission citing trade policy-related concerns with respect to Costa Rica, Guatemala, Honduras, El Salvador, and Haiti. In particular, SHDI discussed concerns regarding laws providing protection for local distributors of foreign suppliers ("dealer protection laws") in each of the countries covered in the firm's submission. SHDI argued that these laws raise questions with regard to compliance with the CBTPA eligibility criteria concerning implementation of WTO commitments, protection of intellectual property rights, and implementation of anti-corruption commitments.

The **National Retail Federation** (NRF) expressed its disappointment with the results of the CBTPA during its first year, concluding that "the CBTPA has been a failure so far in promoting economic growth and development in the region . . . ." NRF attributes "unresolved implementation and technical issues" as inhibiting importers, retailers and consumers from achieving the full benefits of the CBTPA. In particular, the Federation notes its concerns with respect to the interpretation of the CBTPA in the context of customs implementing rules, argues that certificate of origin documentation requirements are excessive, and maintains that the legislated quantity limits for preferential treatment of apparel made from regional fabric are too small.

The **Hosiery Association** (THA) devotes its written submission largely to the general exclusion, under the current customs rules for the CBTPA, of apparel assembled in the CBI region from components that are knit-to-shape in the United States. THA argues that this interpretation is contrary to

Congressional intent. The association also notes its regret that the CBTPA included a provision excluding socks from the Act's allowance for preferential imports of certain knit apparel from CBI countries. THA also argues that the paperwork requirements associated with CBTPA trade are excessive.

The **United States Association of Importers of Textiles and Apparel** (USA-ITA) cites the “complex provisions” of the CBTPA and notes that “many essential questions” regarding implementation of the Act remain unanswered. USA-ITA comments that these uncertainties are causing U.S. apparel importers to hesitate in shifting supply sources from Asia to the CBI region. The association argues that documentation requirements associated with CBTPA imports have proven burdensome and complicated.

The following twenty-one companies based in the Dominican Republic submitted letters noting that the importance of the CBTPA in fostering economic development in the Dominican Republic, and urging that the Dominican Republic continue to receive preferential treatment under the CBTPA: *Empire Atlantic Corporation; Danco Manufacturing; Four Seasons Manufacturing, S.A.; Empresas T&M, S.A.; X-Cell Fashions Corp., S.A.; International Textile MFG Co., S.A.; Southern Investments International, S.A.; Tomidas Corporation; DevonAire; MidSouth International; Safari, Inc.; Elotex Company, S.A.; La Romana Manufacturing Co.; Cen-Tex Holdings, Inc.; Korinna Manufacturing, S.A.; Reed Manufacturing Co., Inc.; Estrella Luminosa, S.A.; Servi-Fast International Corp.; Corporacion Manufacturera DR, S.A.; Fince Contract International, Inc.; and Quick Response Marketing, LLC.*

**Annex 1. -- US Imports from CBERA Countries, Total and Under Selected Import Programs,  
1998-2000, January-August 2001**

**\$ Thousands**

Country	Import Program	1998	1998 % of total	1999	1999 % of total	2000	2000 % of total	2000YTD	2000YTD % of total	2001YTD	2001YTD % of total
Antigua Barbuda	CBERA	\$214	11.1%	\$22	1.2%	\$4	0.2%	\$4	0.4%	\$152	5.1%
	GSP	\$0	0.0%	\$4	0.2%	\$4	0.2%	\$3	0.3%	\$40	1.3%
	MFN free	\$1,316	68.1%	\$1,299	70.7%	\$1,511	66.1%	\$602	52.8%	\$1,512	50.7%
	Total	\$1,933	100.0%	\$1,839	100.0%	\$2,286	100.0%	\$1,140	100.0%	\$2,983	100.0%
Aruba	CBERA	\$1,779	0.4%	\$19	0.0%	\$128	0.0%	\$119	0.0%	\$22	0.0%
	GSP	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
	MFN free	\$42,318	10.5%	\$100,100	19.1%	\$211,848	17.3%	\$110,908	17.2%	\$110,539	16.0%
	Total	\$402,410	100.0%	\$524,954	100.0%	\$1,222,018	100.0%	\$646,046	100.0%	\$690,545	100.0%
Barbados	CBERA	\$20,392	58.1%	\$24,632	42.0%	\$10,441	27.2%	\$6,821	27.8%	\$7,953	31.4%
	GSP	\$2,050	5.8%	\$1,278	2.2%	\$1,488	3.9%	\$1,093	4.5%	\$1,278	5.0%
	MFN free	\$6,285	17.9%	\$5,945	10.1%	\$19,453	50.6%	\$11,795	48.1%	\$12,731	50.2%
	Total	\$35,098	100.0%	\$58,688	100.0%	\$38,451	100.0%	\$24,509	100.0%	\$25,356	100.0%
Belize	CBERA	\$19,706	29.7%	\$23,057	28.7%	\$32,360	35.5%	\$26,622	43.2%	\$33,979	42.5%
	CBTPA	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$6,667	8.3%
	GSP	\$649	1.0%	\$148	0.2%	\$201	0.2%	\$116	0.2%	\$818	1.0%
	MFN free	\$25,348	38.2%	\$39,261	48.9%	\$40,090	44.0%	\$21,964	35.6%	\$23,423	29.3%
	Total	\$66,402	100.0%	\$80,340	100.0%	\$91,073	100.0%	\$61,638	100.0%	\$79,861	100.0%
British Virgin Is	CBERA	\$333	4.5%	\$364	1.6%	\$31	0.1%	\$14	0.1%	\$21	0.3%
	GSP	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
	MFN free	\$4,155	55.5%	\$17,381	75.0%	\$28,207	91.2%	\$22,873	91.9%	\$5,754	75.5%
	Total	\$7,481	100.0%	\$23,189	100.0%	\$30,943	100.0%	\$24,881	100.0%	\$7,626	100.0%
Costa Rica	CBERA	\$756,579	27.6%	\$683,013	17.3%	\$601,441	16.9%	\$402,793	16.3%	\$401,769	20.6%
	CBTPA	\$0	0.0%	\$0	0.0%	\$15,633	0.4%	\$0	0.0%	\$258,467	13.2%
	GSP	\$53,267	1.9%	\$24,877	0.6%	\$55,317	1.6%	\$31,673	1.3%	\$45,982	2.4%
	MFN free	\$1,010,618	36.9%	\$2,332,391	59.0%	\$1,990,490	56.0%	\$1,436,197	58.1%	\$935,836	47.9%
	Total	\$2,741,991	100.0%	\$3,953,546	100.0%	\$3,555,153	100.0%	\$2,470,359	100.0%	\$1,952,190	100.0%
Dominica	CBERA	\$1,858	29.1%	\$9,497	41.3%	\$196	2.8%	\$172	3.6%	\$52	1.4%
	GSP	\$99	1.5%	\$94	0.4%	\$39	0.6%	\$27	0.6%	\$0	0.0%
	MFN free	\$1,864	29.2%	\$8,275	36.0%	\$2,987	43.1%	\$1,793	37.2%	\$2,438	67.5%
	Total	\$6,391	100.0%	\$22,986	100.0%	\$6,938	100.0%	\$4,816	100.0%	\$3,612	100.0%

Country	Import Program	1998	1998 % of total	1999	1999 % of total	2000	2000 % of total	2000YTD	2000YTD % of total	2001YTD	2001YTD % of total
Dominican Rep	CBERA	\$1,294,533	29.1%	\$820,270	19.2%	\$805,251	18.4%	\$482,010	16.9%	\$510,413	18.3%
	CBTPA	\$0	0.0%	\$0	0.0%	\$47,044	1.1%	\$0	0.0%	\$970,285	34.9%
	GSP	\$44,429	1.0%	\$31,191	0.7%	\$48,660	1.1%	\$30,872	1.1%	\$29,404	1.1%
	MFN free	\$375,123	8.4%	\$533,915	12.5%	\$558,595	12.8%	\$376,350	13.2%	\$370,119	13.3%
	Total	\$4,444,617	100.0%	\$4,277,548	100.0%	\$4,378,235	100.0%	\$2,859,128	100.0%	\$2,782,982	100.0%
El Salvador	CBERA	\$50,206	3.5%	\$59,051	3.7%	\$45,636	2.4%	\$28,651	2.2%	\$38,586	3.1%
	CBTPA	\$0	0.0%	\$0	0.0%	\$25,929	1.3%	\$0	0.0%	\$587,240	47.3%
	GSP	\$20,227	1.4%	\$6,141	0.4%	\$20,799	1.1%	\$18,526	1.4%	\$9,321	0.8%
	MFN free	\$0	0.0%	\$145,016	9.0%	\$217,284	11.3%	\$172,295	13.4%	\$82,158	6.6%
	Total	\$1,436,028	100.0%	\$1,603,465	100.0%	\$1,925,054	100.0%	\$1,290,333	100.0%	\$1,240,868	100.0%
Grenada	CBERA	\$8,242	68.3%	\$11,486	57.9%	\$16,702	61.7%	\$12,090	65.8%	\$7,175	50.2%
	GSP	\$47	0.4%	\$0	0.0%	\$52	0.2%	\$52	0.3%	\$35	0.2%
	MFN free	\$2,772	23.0%	\$6,429	32.4%	\$7,366	27.2%	\$4,290	23.4%	\$5,541	38.7%
	Total	\$12,076	100.0%	\$19,822	100.0%	\$27,072	100.0%	\$18,371	100.0%	\$14,304	100.0%
Guatemala	CBERA	\$268,869	13.0%	\$285,349	12.6%	\$249,899	9.6%	\$162,659	9.2%	\$165,871	9.0%
	CBTPA	\$0	0.0%	\$0	0.0%	\$14,731	0.6%	\$0	0.0%	\$327,993	17.9%
	GSP	\$41,152	2.0%	\$14,017	0.6%	\$30,571	1.2%	\$19,881	1.1%	\$25,894	1.4%
	MFN free	\$541,689	26.2%	\$599,892	26.6%	\$653,188	25.1%	\$483,445	27.2%	\$393,235	21.4%
	Total	\$2,071,441	100.0%	\$2,257,701	100.0%	\$2,603,452	100.0%	\$1,775,307	100.0%	\$1,833,424	100.0%
Guyana	CBERA	\$24,617	20.9%	\$14,706	14.5%	\$16,400	12.9%	\$4,190	5.1%	\$8,118	9.6%
	CBTPA	\$0	0.0%	\$0	0.0%	\$744	0.6%	\$0	0.0%	\$4,514	5.3%
	GSP	\$2,753	2.3%	\$2,254	2.2%	\$5,815	4.6%	\$4,005	4.9%	\$303	0.4%
	MFN free	\$77,098	65.4%	\$71,644	70.7%	\$88,009	69.5%	\$62,752	76.2%	\$68,407	81.0%
	Total	\$117,854	100.0%	\$101,395	100.0%	\$126,700	100.0%	\$82,322	100.0%	\$84,414	100.0%
Haiti	CBERA	\$28,167	10.4%	\$21,914	7.3%	\$20,541	6.9%	\$16,201	8.2%	\$10,878	6.0%
	CBTPA	\$0	0.0%	\$0	0.0%	\$4,619	1.6%	\$0	0.0%	\$93,061	51.0%
	GSP	\$1,370	0.5%	\$777	0.3%	\$2,573	0.9%	\$1,927	1.0%	\$1,957	1.1%
	MFN free	\$16,110	5.9%	\$17,324	5.8%	\$14,137	4.8%	\$9,267	4.7%	\$8,277	4.5%
	Total	\$271,669	100.0%	\$301,008	100.0%	\$296,713	100.0%	\$197,070	100.0%	\$182,447	100.0%
Honduras	CBERA	\$236,073	9.3%	\$180,152	6.6%	\$206,534	6.7%	\$142,433	7.0%	\$147,894	7.0%
	CBTPA	\$0	0.0%	\$0	0.0%	\$45,616	1.5%	\$0	0.0%	\$952,061	45.1%
	GSP	\$19,396	0.8%	\$7,199	0.3%	\$26,586	0.9%	\$13,839	0.7%	\$26,082	1.2%
	MFN free	\$398,299	15.7%	\$309,048	11.4%	\$424,460	13.7%	\$266,255	13.1%	\$288,976	13.7%
	Total	\$2,543,882	100.0%	\$2,711,908	100.0%	\$3,090,922	100.0%	\$2,029,419	100.0%	\$2,109,867	100.0%



Country	Import Program	1998	1998 % of total	1999	1999 % of total	2000	2000 % of total	2000YTD	2000YTD % of total	2001YTD	2001YTD % of total
Jamaica	CBERA	\$102,178	13.9%	\$89,593	13.5%	\$87,049	13.8%	\$57,765	13.0%	\$46,869	16.4%
	CBTPA	\$0	0.0%	\$0	0.0%	\$2,409	0.4%	\$0	0.0%	\$69,655	24.4%
	GSP	\$2,433	0.3%	\$2,748	0.4%	\$4,165	0.7%	\$2,415	0.5%	\$3,864	1.4%
	MFN free	\$202,560	27.5%	\$221,693	33.4%	\$266,791	42.3%	\$192,073	43.2%	\$106,498	37.2%
	Total	\$735,613	100.0%	\$664,000	100.0%	\$631,452	100.0%	\$444,907	100.0%	\$285,949	100.0%
Montserrat	CBERA	\$0	0.0%	\$6	1.8%	\$0	0.0%	\$0	0.0%	\$0	0.0%
	GSP	\$58	35.2%	\$0	0.0%	\$3	1.9%	\$3	3.4%	\$0	0.0%
	MFN free	\$51	31.1%	\$169	51.4%	\$99	59.4%	\$33	35.4%	\$208	86.6%
	Total	\$164	100.0%	\$329	100.0%	\$167	100.0%	\$93	100.0%	\$240	100.0%
Netherlands Antilles	CBERA	\$2,775	0.9%	\$1,612	0.4%	\$3,624	0.5%	\$1,976	0.4%	\$4,145	1.3%
	GSP	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
	MFN free	\$94,206	31.4%	\$103,311	26.9%	\$209,822	29.1%	\$130,410	29.2%	\$81,860	24.8%
	Total	\$299,931	100.0%	\$383,655	100.0%	\$720,950	100.0%	\$446,006	100.0%	\$329,502	100.0%
Nicaragua	CBERA	\$72,694	16.1%	\$50,556	10.3%	\$57,281	9.6%	\$35,867	8.8%	\$42,144	10.0%
	CBTPA	\$0	0.0%	\$0	0.0%	\$274	0.0%	\$0	0.0%	\$52,042	12.3%
	MFN free	\$144,621	31.9%	\$0	0.0%	\$197,888	33.2%	\$147,942	36.3%	\$105,068	24.9%
	Total	\$452,702	100.0%	\$491,906	100.0%	\$596,931	100.0%	\$407,125	100.0%	\$421,932	100.0%
Panama	CBERA	\$77,453	25.9%	\$45,962	13.6%	\$42,632	14.4%	\$27,267	14.0%	\$21,830	11.2%
	CBTPA	\$0	0.0%	\$0	0.0%	\$6	0.0%	\$0	0.0%	\$18	0.0%
	GSP	\$4,893	1.6%	\$2,575	0.8%	\$1,817	0.6%	\$1,460	0.8%	\$2,679	1.4%
	MFN free	\$194,181	64.8%	\$254,432	75.2%	\$206,539	69.6%	\$145,370	74.8%	\$147,888	75.5%
	Total	\$299,552	100.0%	\$338,126	100.0%	\$296,917	100.0%	\$194,342	100.0%	\$195,777	100.0%
St Kitts and Nevis	CBERA	\$25,428	79.8%	\$25,617	78.1%	\$27,613	75.0%	\$17,731	74.6%	\$18,683	72.5%
	GSP	\$381	1.2%	\$456	1.4%	\$1,090	3.0%	\$762	3.2%	\$379	1.5%
	MFN free	\$2,345	7.4%	\$2,627	8.0%	\$3,846	10.4%	\$2,681	11.3%	\$4,103	15.9%
	Total	\$31,868	100.0%	\$32,803	100.0%	\$36,808	100.0%	\$23,760	100.0%	\$25,782	100.0%
St Lucia	CBERA	\$7,802	34.9%	\$9,249	32.8%	\$7,471	33.6%	\$4,913	33.6%	\$4,962	29.0%
	GSP	\$87	0.4%	\$536	1.9%	\$509	2.3%	\$347	2.4%	\$225	1.3%
	MFN free	\$1,178	5.3%	\$7,262	25.8%	\$5,568	25.1%	\$3,731	25.5%	\$7,342	43.0%
	Total	\$22,381	100.0%	\$28,187	100.0%	\$22,208	100.0%	\$14,612	100.0%	\$17,085	100.0%

Country	Import Program	1998	1998 % of total	1999	1999 % of total	2000	2000 % of total	2000YTD	2000YTD % of total	2001YTD	2001YTD % of total
St Vincent & the Grenadines	CBERA	\$3,532	74.0%	\$7,195	87.4%	\$1,947	22.1%	\$1,488	19.3%	\$1,297	15.9%
	GSP	\$0	0.0%	\$1	0.0%	\$93	1.1%	\$24	0.3%	\$3	0.0%
	MFN free	\$918	19.2%	\$708	8.6%	\$6,138	69.7%	\$5,943	77.1%	\$5,904	72.2%
	Total	\$4,773	100.0%	\$8,233	100.0%	\$8,800	100.0%	\$7,706	100.0%	\$8,178	100.0%
The Bahamas	CBERA	\$34,914	24.3%	\$56,018	28.8%	\$74,451	27.3%	\$45,457	30.8%	\$49,048	26.7%
	MFN free	\$98,939	68.8%	\$101,447	52.2%	\$129,122	47.3%	\$78,011	52.8%	\$72,778	39.6%
	Total	\$143,905	100.0%	\$194,337	100.0%	\$272,794	100.0%	\$147,824	100.0%	\$183,648	100.0%
Trinidad and Tobago	CBERA	\$186,219	19.1%	\$217,857	17.0%	\$327,917	15.0%	\$175,391	13.8%	\$296,507	16.8%
	CBTPA	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$147,604	8.4%
	GSP	\$2,116	0.2%	\$609	0.0%	\$2,286	0.1%	\$1,252	0.1%	\$1,769	0.1%
	MFN free	\$500,331	51.4%	\$641,097	49.9%	\$1,088,474	50.0%	\$613,556	48.3%	\$913,375	51.7%
	Total	\$974,118	100.0%	\$1,284,798	100.0%	\$2,179,039	100.0%	\$1,270,185	100.0%	\$1,765,795	100.0%
TOTAL	CBERA	\$3,224,564	18.8%	\$2,637,200	13.6%	\$2,635,549	11.9%	\$1,652,635	11.4%	\$1,818,366	12.8%
	CBTPA	\$0	0.0%	\$0	0.0%	\$157,004	0.7%	\$0	0.0%	\$3,469,607	24.4%
	GSP	\$195,407	1.1%	\$94,903	0.5%	\$202,065	0.9%	\$128,276	0.9%	\$150,031	1.1%
	MFN free	\$3,742,325	21.9%	\$5,520,666	28.5%	\$6,371,912	28.8%	\$4,300,536	29.8%	\$3,753,970	26.4%
	Total	17,124,281	100.0%	19,364,762	100.0%	22,161,075	100.0%	14,441,902	100.0%	14,244,367	100.0%