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Part 1

CARIBBEAN AND CENTRAL AMERICA RELIEF AND ECONOMIC STABILIZATION ACT

MARCH 13, 2000.—Ordered to be printed

Mr. ARCHER, from the Committee on Ways and Means, submitted the following

R E P O R T

together with

ADDITIONAL AND DISSENTING VIEWS

[To accompany H.R. 984]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 984) to provide additional trade benefits to certain beneficiary countries in the Caribbean, to provide assistance to the countries in Central America and the Caribbean affected by Hurricane Mitch and Hurricane Georges, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

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79–006

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "Caribbean and Central America Relief and Economic Stabilization Act".

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

SEC. 2. FINDINGS.

Congress makes the following findings:

(1) In October of 1998, Hurricane Mitch devastated areas of the Caribbean and Central America. The National Hurricane Center has called this storm "the most deadly hurricane in the Atlantic in over 200 years". Hurricane Mitch killed 9,860 people and left approximately 3,000,000 people homeless in the region.

(2) Hurricane Georges hit the Florida Keys, the islands of the Caribbean, and the Gulf coast of the United States in September of 1998, causing more than $1,000,000,000 in damage. The storm killed 250 people.

(3) The total direct economic impact of Hurricane Mitch and Hurricane Georges on Honduras, Nicaragua, the Dominican Republic, El Salvador and Guatemala amounts to $4,200,000,000. Honduras' losses represent more than 50 percent of its gross domestic product and Nicaragua lost a quarter of its gross domestic product.

(4) The United States must continue to play a leading role in responding to the disaster and encourage others to contribute to the recovery effort. For example, Taiwan has contributed $50,800,000 in assistance for the construction of roads and housing, the rehabilitation of agricultural production, and the distribution of supplies. Sweden, Spain, and France have sent engineering teams to the region to assess damage to roads, and Japan and the European Union have pledged millions of dollars in assistance. The United States praises the efforts of these and other nations in assisting with the rehabilitation of the region.

(5) Approximately 356 bridges were destroyed in the region, and 57 percent of the region's roads were impacted. The United States equivalent of this would be the destruction of 3,900,000 miles of highway. These roads must be reconstructed quickly so that farmers can transport their goods to market and much-needed medical supplies can reach rural areas.

(6) Hurricane Mitch devastated the agricultural sector in the affected areas of Central America and the Caribbean, particularly the countries of Honduras and Guatemala. An estimated 70 percent of Honduras' crops were destroyed by Hurricane Mitch, including 90 percent of the country's banana and grain crops. In Guatemala, an estimated 95 percent of the nation's banana crop was damaged, 25-60 percent of the corn, bean, coffee, and sugar crops were destroyed, and 30 percent of the cattle was lost.

(7) Approximately 50 percent of Central America and the Caribbean's workforce is employed in agriculture. The devastation to the agriculture sector by Hurricane Mitch has resulted in a widespread shortage of food which is likely to continue in the long term unless the region's agricultural sector is rehabilitated.

(8) Significant numbers of displaced Central Americans are moving north to the United States in the wake of Hurricane Mitch's devastation. Border Patrol agents in Brownsville, Texas, report that apprehensions of Hondurans alone increased by 61 percent in the last three months of 1998. The massive influx of immigrants places severe pressures upon the ability of the Immigration and

Naturalization Service (INS) to detain and remove non-criminal illegal immigrants. At current funding levels, the INS does not have the resources to detain illegal non-criminal border crossers from Central America. If this situation continues, the INS is concerned that many more people will attempt to illegally cross the border.

(9) Partially in an effort to alleviate these pressures, the Attorney General provided temporary protected status to aliens from Honduras and Nicaragua on December 30, 1998 for a period of 18 months. No such status was provided to immigrants from El Salvador and Guatemala.

(10) Agricultural assistance and training and microcredit assistance will provide much needed aid to the affected areas of Central America and the Caribbean as the areas rebuild their agriculture sectors. The immediate distribution of food aid is important in the short term, but it is essential that the region be able to return to self-sufficiency in food production so the citizens of Central America and the Caribbean will be able to feed themselves once again.

(11) The goal of United States assistance to the region should focus on, in addition to the short-term disaster assistance, long-term solutions for a successful economic recovery of Central America and the Caribbean. Successful economic recovery lies in the region's ability to expand its international trade with important trading partners such as the United States.

(12) Since 1983, the Caribbean Basin Economic Recovery Act has represented a permanent and successful commitment by the United States to encourage the development of strong democratic governments and revitalized economies in neighboring countries in the Caribbean Basin.

(13) Thirty-four democratically elected leaders agreed at the 1994 Summit of the Americas to conclude negotiation of a Free Trade Area of the Americas (referred to in this Act as "FTAA") by the year 2005.

(14) The economic security of the countries in the Caribbean Basin will be enhanced by the completion of the FTAA.

(15) Offering temporary benefits to Caribbean Basin countries on the 30 percent of imports from the region that are not currently duty-free under the Caribbean Basin Economic Recovery Act and other trade programs, will promote the growth of free enterprise and economic opportunity in these neighboring countries and thereby enhance the national security interests of the United States.

(16) Given the greater propensity of countries located in the Western Hemisphere to use United States components and to purchase United States products compared to other countries, increased trade and economic activity between the United States and countries in the Western Hemisphere will create new jobs in the United States as a result of expanding export opportunities.

SEC. 3. DEFINITIONS.

In this Act:

(1) ADMINISTRATOR.—The term "Administrator" means the Administrator of the United States Agency for International Development.

(2) AFFECTED AREAS OF CENTRAL AMERICA AND THE CARIBBEAN.—The term "affected areas of Central America and the Caribbean" means areas in the Central American countries and the Caribbean countries that incurred damage from Hurricane Georges in September of 1998 and Hurricane Mitch in October of 1998.

(3) CARIBBEAN COUNTRIES.—The term "Caribbean countries" means any country listed in section 212(b) of the Caribbean Basin Economic Recovery Act (19 U.S.C. 2702(b)) (other than Central American countries).

(4) CENTRAL AMERICAN COUNTRIES.—The term "Central American countries" means Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.

(5) OPIC.—The term "OPIC" means the Overseas Private Investment Corporation.

TITLE I—UNITED STATES-CARIBBEAN TRADE PARTNERSHIP

Subtitle A—Trade Provisions

SEC. 101. SHORT TITLE.

This title may be cited as the "United States-Caribbean Trade Partnership Act".

SEC. 102. POLICY.

It is the policy of the United States to offer to the products of Caribbean Basin partnership countries tariffs and quota treatment equivalent to that accorded to certain products of countries that are parties to the NAFTA, and to seek the accession of these partnership countries to the NAFTA or a free trade agreement comparable to the NAFTA at the earliest possible date, with the goal of achieving full participation in the NAFTA or in a free trade agreement comparable to the NAFTA by all partnership countries by not later than January 1, 2005.

SEC. 103. DEFINITIONS.

As used in this title:

(1) PARTNERSHIP COUNTRY.—The term "partnership country" means a beneficiary country as defined in section 212(a)(1)(A) of the Caribbean Basin Economic Recovery Act (19 U.S.C. 2702(a)(1)(A)).

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

(3) TRADE REPRESENTATIVE.—The term "Trade Representative" means the United States Trade Representative.

(4) WTO AND WTO MEMBER.—The terms "WTO" and "WTO member" have the meanings given those terms in section 2 of the Uruguay Round Agreements Act (19 U.S.C. 3501).

SEC. 104. TEMPORARY PROVISIONS TO PROVIDE NAFTA PARITY TO PARTNERSHIP COUNTRIES.

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

"(b) IMPORT-SENSITIVE ARTICLES.—

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

"(A) textile and apparel articles which were not eligible articles for purposes of this title on January 1, 1994, as this title was in effect on that date;

"(B) footwear not designated at the time of the effective date of this title as eligible articles for the purpose of the generalized system of preferences under title V of the Trade Act of 1974;

"(C) tuna, prepared or preserved in any manner, in airtight containers;

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

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

"(F) articles to which reduced rates of duty apply under subsection (h).

"(2) TRANSITION PERIOD TREATMENT OF CERTAIN TEXTILE AND APPAREL ARTICLES.—

"(A) EQUIVALENT TARIFF AND QUOTA TREATMENT.—During the transition period—

"(i) the tariff treatment accorded at any time to any textile or apparel article that originates in the territory of a partnership country shall be identical to the tariff treatment that is accorded at such time under section 2 of the Annex to an article described in the same 8-digit subheading of the HTS that is a good of Mexico and is imported into the United States;

"(ii) duty-free treatment under this title shall apply to any textile or apparel article that is imported into the United States from a partnership country and that—

"(I) is assembled in a partnership country, from fabrics wholly formed and cut in the United States from yarns formed in the United States, and is entered—

"(aa) under subheading 9802.00.80 of the HTS; or

"(bb) under chapter 61, 62, or 63 of the HTS if, after such assembly, the article would have qualified for treatment under subheading 9802.00.80 of the HTS, but for the fact the article was subjected to bleaching, garments dyeing, stone-washing, enzyme-washing, acid-washing, perma-pressing, oven-baking, or embroidery;

"(II) is knit-to-shape in a partnership country from yarns wholly formed in the United States;

"(III) is made in a partnership country from fabric knit in a partnership country from yarns wholly formed in the United States;

"(IV) is cut and assembled in a partnership country from fabrics wholly formed in the United States from yarns wholly formed in the United States; or

"(V) is identified under subparagraph (C) as a handloomed, handmade, or folklore article of a partnership country and is certified as such by the competent authority of such country; and

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

"(I) originates in the territory of a partnership country, or

"(II) qualifies for duty-free treatment under subclause (I), (II), (III), (IV), or (V) of clause (ii).

"(B) TRANSITION PERIOD TREATMENT OF OTHER NONORIGINATING TEXTILE AND APPAREL ARTICLES.—

"(i) PREFERENTIAL TARIFF TREATMENT.—Subject to clause (ii), the President may place in effect at any time during the transition period with respect to any textile or apparel article that—

"(I) is a product of a partnership country, but

"(II) does not qualify as a good that originates in the territory of a partnership country or is eligible for benefits under subparagraph (A)(ii),

tariff treatment that is identical to the in-preference-level tariff treatment accorded at such time under Appendix 6.B of the Annex to an article described in the same 8-digit subheading of the HTS that is a product of Mexico and is imported into the United States. For purposes of this clause, the 'in-preference-level tariff treatment' accorded to an article that is a product of Mexico is the rate of duty applied to that article when imported in quantities less than or equal to the quantities specified in Schedule 6.B.1, 6.B.2., or 6.B.3. of the Annex for imports of that article from Mexico into the United States.

"(ii) LIMITATIONS ON ALL ARTICLES.—(I) Tariff treatment under clause (i) may be extended, during any calendar year, to not more than 45,000,000 square meter equivalents of cotton or man-made fiber apparel, to not more than 1,500,000 square meter equivalents of wool apparel, and to not more than 25,000,000 square meter equivalents of goods entered under subheading 9802.00.80 of the HTS.

"(II) Except as provided in subclause (III), the amounts set forth in subclause (I) shall be allocated among the 7 partnership countries with the largest volume of exports to the United States of textile and apparel goods in calendar year 1997, based upon a pro rata share of the volume of textile and apparel goods of each of those 7 countries that entered the United States under subheading 9802.00.80 of the HTS during the first 12 months of the 14-month period ending on the date of the enactment of the United States-Caribbean Trade Partnership Act.

"(III) Five percent of the amounts set forth in subclause (I) shall be allocated among the partnership countries, other than those to which subclause (II) applies, based upon a pro rata share of the exports to the United States of textile and apparel goods of each of those countries during the first 12 months of the 14-month period ending on the date of the enactment of the United States-Caribbean Trade Partnership Act.

"(iii) PRIOR CONSULTATION.—The President may implement the preferential tariff treatment described in clause (i) only after consultation

with representatives of the United States textile and apparel industry and other interested parties regarding—

"(I) the specific articles to which such treatment will be extended,

"(II) the annual quantities of such articles that may be imported at the preferential duty rates described in clause (i), and

"(III) the allocation of such annual quantities among partnership countries.

"(C) HANDLOOMED, HANDMADE, AND FOLKLORE ARTICLES.—For purposes of subparagraph (A)(ii)(V), the Trade Representative shall consult with representatives of a partnership country for the purpose of identifying particular textile and apparel goods that are mutually agreed upon as being handloomed, handmade, or folklore goods of a kind described in section 2.3 (a), (b), or (c) or Appendix 3.1.B.11 of the Annex.

"(D) BILATERAL EMERGENCY ACTIONS.—(i) The President may take—

"(I) bilateral emergency tariff actions of a kind described in section 4 of the Annex with respect to any textile or apparel article imported from a partnership country if the application of tariff treatment under subparagraph (A) to such article results in conditions that would be cause for the taking of such actions under such section 4 with respect to an article described in the same 8-digit subheading of the HTS that is imported from Mexico; or

"(II) bilateral emergency quantitative restriction actions of a kind described in section 5 of the Annex with respect to imports of any textile or apparel article described in subparagraphs (B)(i) (I) and (II) if the importation of such article into the United States results in conditions that would be cause for the taking of such actions under such section 5 with respect to a like article that is a product of Mexico.

"(ii) The requirement in paragraph (5) of section 4 of the Annex (relating to providing compensation) shall not be deemed to apply to a bilateral emergency action taken under this subparagraph.

"(iii) For purposes of applying bilateral emergency action under this subparagraph—

"(I) the term 'transition period' in sections 4 and 5 of the Annex shall be deemed to be the period defined in paragraph (5)(E); and

"(II) any requirements to consult specified in section 4 or 5 of the Annex are deemed to be satisfied if the President requests consultations with the partnership country in question and the country does not agree to consult within the time period specified under such section 4 or 5, whichever is applicable.

"(3) NAFTA TRANSITION PERIOD TREATMENT OF CERTAIN OTHER ARTICLES ORIGINATING IN BENEFICIARY COUNTRIES.—

"(A) EQUIVALENT TARIFF TREATMENT.—

"(i) IN GENERAL.—Subject to clause (ii), the tariff treatment accorded at any time during the transition period to any article referred to in any of subparagraphs (B) through (F) of paragraph (1) that originates in the territory of a partnership country shall be identical to the tariff treatment that is accorded at such time under Annex 302.2 of the NAFTA to an article described in the same 8-digit subheading of the HTS that is a good of Mexico and is imported into the United States.

"(ii) EXCEPTION.—Clause (i) does not apply to any article accorded duty-free treatment under U.S. Note 2(b) to subchapter II of chapter 98 of the HTS.

"(B) RELATIONSHIP TO SUBSECTION (h) DUTY REDUCTIONS.—If at any time during the transition period the rate of duty that would (but for action taken under subparagraph (A)(i) in regard to such period) apply with respect to any article under subsection (h) is a rate of duty that is lower than the rate of duty resulting from such action, then such lower rate of duty shall be applied for the purposes of implementing such action.

"(4) CUSTOMS PROCEDURES.—

"(A) IN GENERAL.—

"(i) REGULATIONS.—Any importer that claims preferential tariff treatment under paragraph (2) or (3) shall comply with customs procedures similar in all material respects to the requirements of Article 502(1) of the NAFTA as implemented pursuant to United States law, in accordance with regulations promulgated by the Secretary of the Treasury.

"(ii) DETERMINATION.—In order to qualify for such preferential tariff treatment and for a Certificate of Origin to be valid with respect to any

article for which such treatment is claimed, there shall be in effect a determination by the President that—

"(I) the partnership country from which the article is exported, and

"(II) each partnership country in which materials used in the production of the article originate or undergo production that contributes to a claim that the article qualifies for such preferential tariff treatment,

has implemented and follows, or is making substantial progress toward implementing and following, procedures and requirements similar in all material respects to the relevant procedures and requirements under chapter 5 of the NAFTA.

"(B) CERTIFICATE OF ORIGIN.—The Certificate of Origin that otherwise would be required pursuant to the provisions of subparagraph (A) shall not be required in the case of an article imported under paragraph (2) or (3) if such Certificate of Origin would not be required under Article 503 of the NAFTA (as implemented pursuant to United States law), if the article were imported from Mexico.

"(C) PENALTIES FOR TRANSSHIPMENTS.—If the President determines, based on sufficient evidence, that an exporter has engaged in willful illegal transshipment or willful customs fraud with respect to textile or apparel articles for which preferential tariff treatment under subparagraph (A) or (B) of paragraph (2) is claimed, then the President shall deny all benefits under this title to such exporter, and any successors of such exporter, for a period of 2 years.

"(D) REPORT BY USTR ON COOPERATION OF OTHER COUNTRIES CONCERNING CIRCUMVENTION.—The United States Commissioner of Customs shall conduct a study analyzing the extent to which each partnership country—

"(i) has cooperated fully with the United States, consistent with its domestic laws and procedures, in instances of circumvention or alleged circumvention of existing quotas on imports of textile and apparel goods, to establish necessary relevant facts in the places of import, export, and, where applicable, transshipment, including investigation of circumvention practices, exchanges of documents, correspondence, reports, and other relevant information, to the extent such information is available;

"(ii) has taken appropriate measures, consistent with its domestic laws and procedures, against exporters and importers involved in instances of false declaration concerning fiber content, quantities, description, classification, or origin of textile and apparel goods; and

"(iii) has penalized the individuals and entities involved in any such circumvention, consistent with its domestic laws and procedures, and has worked closely to seek the cooperation of any third country to prevent such circumvention from taking place in that third country.

The Trade Representative shall submit to the Congress, not later than October 1, 1999, a report on the study conducted under this subparagraph.

"(5) DEFINITIONS.—For purposes of this subsection—

"(A) The term 'the Annex' means Annex 300–B of the NAFTA.

"(B) The term 'NAFTA' means the North American Free Trade Agreement entered into between the United States, Mexico, and Canada on December 17, 1992.

"(C) The term 'partnership country' means a beneficiary country.

"(D) The term 'textile or apparel article' means any article referred to in paragraph (1)(A) that is a good listed in Appendix 1.1 of the Annex.

"(E) The term 'transition period' means, with respect to a partnership country, the period that begins on July 1, 2000, and ends on the earlier of—

"(i) August 1, 2002; or

"(ii) the date on which—

"(I) the United States first applies the NAFTA to the partnership country upon its accession to the NAFTA, or

"(II) there enters into force with respect to the United States and the partnership country a free trade agreement comparable to the NAFTA that makes substantial progress in achieving the negotiating objectives set forth in section 108(b)(5) of the North American Free Trade Agreement Implementation Act (19 U.S.C. 3317(b)(5)).

"(F) An article shall be deemed as originating in the territory of a partnership country if the article meets the rules of origin for a good set forth in chapter 4 of the NAFTA, and, in the case of an article described in Ap-

pendix 6.A of the Annex, the requirements stated in such Appendix 6.A for such article to be treated as if it were an originating good. In applying such chapter 4 or Appendix 6.A with respect to a partnership country for purposes of this subsection—

"(i) no countries other than the United States and partnership countries may be treated as being Parties to the NAFTA,

"(ii) references to trade between the United States and Mexico shall be deemed to refer to trade between the United States and partnership countries, and

"(iii) references to a Party shall be deemed to refer to the United States or a partnership country, and references to the Parties shall be deemed to refer to any combination of partnership countries and the United States.".

(b) DETERMINATION REGARDING RETENTION OF DESIGNATION.—Section 212(e)(1) of the Caribbean Basin Economic Recovery Act (19 U.S.C. 2702(e)) is amended—

(1) by inserting "(A)" after "(1)";

(2) by redesignating subparagraphs (A) and (B) as clauses (i) and (ii), respectively;

(3) by adding at the end the following:

"(B)(i) Based on the President's review and analysis described in subsection (f), the President may determine if the preferential treatment under section 213(b)(2) and (3) should be withdrawn, suspended, or limited with respect to any article of a partnership country. Such determination shall be included in the report required by subsection (f).

"(ii) Withdrawal, suspension, or limitation of the preferential treatment under section 213(b)(2) and (3) with respect to a partnership country shall be taken only after the requirements of subsection (a)(2) and paragraph (2) of this subsection have been met.".

(c) REPORTING REQUIREMENTS.—Section 212(f) of the Caribbean Basin Economic Recovery Act (19 U.S.C. 2702(f)) is amended to read as follows:

"(f) REPORTING REQUIREMENTS.—Not later than 1 year after the date of the enactment of the United States-Caribbean Trade Partnership Act and at the close of each 3-year period thereafter, the President shall submit to the Congress a complete report regarding the operation of this title, including—

"(1) with respect to subsections (b) and (c) of this section, the results of a general review of beneficiary countries based on the considerations described in such subsections;

"(2) with respect to subsection (c)(4), the degree to which a country follows accepted rules of international trade provided for under the WTO Agreement and the multilateral trade agreements (as such terms are defined in paragraphs (9) and (4), respectively, of section 2 of the Uruguay Round Agreements Act);

"(3) with respect to subsection (c)(9), the extent to which beneficiary countries are providing or taking steps to provide protection of intellectual property rights comparable to the protection provided to the United States in bilateral intellectual property rights agreements;

"(4) with respect to subsection (b)(2) and subsection (c)(5), the extent that beneficiary countries are providing or taking steps to provide protection of investment and investors comparable to the protection provided to the United States in bilateral investment treaties;

"(5) with respect to subsection (c)(3), the extent that beneficiary countries are providing the United States and other WTO members (as such term is defined in section 2(10) of the Uruguay Round Agreements Act (19 U.S.C. 3501(10)) with equitable and reasonable market access in the product sectors for which benefits are provided under this title;

"(6) with respect to subsection (c)(11), the extent that beneficiary countries are cooperating with the United States in administering the provisions of section 213(b); and

"(7) with respect to subsection (c)(8), the extent that beneficiary countries are meeting the internationally recognized worker rights criteria under such subsection.

In the first report under this subsection, the President shall include a review of the implementation of section 213(b), and his analysis of whether the benefits under paragraphs (2) and (3) of such section further the objectives of this title.".

(d) CONFORMING AMENDMENT.—Section 213(a)(1) of the Caribbean Basin Economic Recovery Act is amended by inserting "and except as provided in section 213(b) (2) and (3)," after "Tax Reform Act of 1986,".

SEC. 105. EFFECT OF NAFTA ON SUGAR IMPORTS FROM BENEFICIARY COUNTRIES.

The President shall monitor the effects, if any, that the implementation of the NAFTA has on the access of beneficiary countries under the Caribbean Basin Economic Recovery Act to the United States market for sugars, syrups, and molasses. If the President considers that the implementation of the NAFTA is affecting, or will likely affect, in an adverse manner the access of such countries to the United States market, the President shall promptly—

(1) take such actions, after consulting with interested parties and with the appropriate committees of the House of Representatives and the Senate, or

(2) propose to the Congress such legislative actions,

as may be necessary or appropriate to ameliorate such adverse effect.

SEC. 106. DUTY-FREE TREATMENT FOR CERTAIN BEVERAGES MADE WITH CARIBBEAN RUM.

Section 213(a) of the Caribbean Basin Economic Recovery Act (19 U.S.C. 2703(a)) is amended—

(1) in paragraph (5), by striking "chapter" and inserting "title"; and

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

"(6) Notwithstanding paragraph (1), the duty-free treatment provided under this title shall apply to liqueurs and spirituous beverages produced in the territory of Canada from rum if—

"(A) such rum is the growth, product, or manufacture of a beneficiary country or of the Virgin Islands of the United States;

"(B) such rum is imported directly from a beneficiary country or the Virgin Islands of the United States into the territory of Canada, and such liqueurs and spirituous beverages are imported directly from the territory of Canada into the customs territory of the United States;

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

"(D) such rum accounts for at least 90 percent by volume of the alcoholic content of such liqueurs and spiritous beverages.".

SEC. 107. MEETINGS OF TRADE MINISTERS AND USTR.

(a) SCHEDULE OF MEETINGS.—The President shall take the necessary steps to convene a meeting with the trade ministers of the partnership countries in order to establish a schedule of regular meetings, to commence as soon as is practicable, of the trade ministers and the Trade Representative, for the purpose set forth in subsection (b).

(b) PURPOSE.—The purpose of the meetings scheduled under subsection (a) is to reach agreement between the United States and partnership countries on the likely timing and procedures for initiating negotiations for partnership countries to accede to the NAFTA, or to enter into mutually advantageous free trade agreements with the United States that contain provisions comparable to those in the NAFTA and would make substantial progress in achieving the negotiating objectives set forth in section 108(b)(5) of the North American Free Trade Agreement Implementation Act (19 U.S.C. 3317(b)(5)).

SEC. 108. REPORT ON ECONOMIC DEVELOPMENT AND MARKET ORIENTED REFORMS IN THE CARIBBEAN.

(a) IN GENERAL.—The Trade Representative shall make an assessment of the economic development efforts and market oriented reforms in each partnership country and the ability of each such country, on the basis of such efforts and reforms, to undertake the obligations of the NAFTA. The Trade Representative shall, not later than 2 years after the date of the enactment of this Act, submit to the President and to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives a report on that assessment.

(b) ACCESSION TO NAFTA.—

(1) ABILITY OF COUNTRIES TO IMPLEMENT NAFTA.—The Trade Representative shall include in the report under subsection (a) a discussion of possible timetables and procedures pursuant to which partnership countries can complete the economic reforms necessary to enable them to negotiate accession to the NAFTA. The Trade Representative shall also include an assessment of the potential phase-in periods that may be necessary for those partnership countries with less developed economies to implement the obligations of the NAFTA.

(2) FACTORS IN ASSESSING ABILITY TO IMPLEMENT NAFTA.—In assessing the ability of each partnership country to undertake the obligations of the NAFTA, the Trade Representative should consider, among other factors—

(A) whether the country has joined the WTO;

(B) the extent to which the country provides equitable access to the markets of that country;

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

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

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

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

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

(H) the level of tariffs bound by the country under the WTO (if the country is a WTO member);

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

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

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

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

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

the Trade Representative shall provide to the committees referred to in subsection (a) a separate report on the economic impact of the new trade relationship on partnership countries. The report shall include any measures the Trade Representative proposes to minimize the potential for the diversion of investment from partnership countries to the new NAFTA member or free trade agreement partner.

Subtitle B—Revenue Offset

SEC. 111. LIMITATIONS ON WELFARE BENEFIT FUNDS OF 10 OR MORE EMPLOYER PLANS.

(a) BENEFITS TO WHICH EXCEPTION APPLIES.—Section 419A(f)(6)(A) of the Internal Revenue Code of 1986 (relating to exception for 10 or more employer plans) is amended to read as follows:

"(A) IN GENERAL.—This subpart shall not apply to a welfare benefit fund which is part of a 10 or more employer plan if the only benefits provided through the fund are 1 or more of the following:

"(i) Medical benefits.

"(ii) Disability benefits.

"(iii) Group term life insurance benefits which do not provide for any cash surrender value or other money that can be paid, assigned, borrowed, or pledged for collateral for a loan.

The preceding sentence shall not apply to any plan which maintains experience-rating arrangements with respect to individual employers."

(b) LIMITATION ON USE OF AMOUNTS FOR OTHER PURPOSES.—Section 4976(b) of such Code (defining disqualified benefit) is amended by adding at the end the following new paragraph:

"(5) SPECIAL RULE FOR 10 OR MORE EMPLOYER PLANS EXEMPTED FROM PREFUNDING LIMITS.—For purposes of paragraph (1)(C), if—

"(A) subpart D of part I of subchapter D of chapter 1 does not apply by reason of section 419A(f)(6) to contributions to provide 1 or more welfare benefits through a welfare benefit fund under a 10 or more employer plan, and

"(B) any portion of the welfare benefit fund attributable to such contributions is used for a purpose other than that for which the contributions were made, then such portion shall be treated as reverting to the benefit of the employers maintaining the fund."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions paid or accrued after June 8, 1999, in taxable years ending after such date.

Subtitle C—Suspension of Limitation on Cover Over of Tax on Distilled Spirits

SEC. 121. SUSPENSION OF LIMITATION ON COVER OVER OF TAX ON DISTILLED SPIRITS.

(a) IN GENERAL.—Section 7652(f) of the Internal Revenue Code of 1986 (relating to limitation on cover over of tax on distilled spirits) is amended by adding at the end the following new sentence:

"The preceding sentence shall not apply to articles that are tax-determined after June 30, 1999, and before October 1, 1999."

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendment made by this section shall apply to articles that are tax-determined after June 30, 1999.

(2) SPECIAL RULE.—

(A) IN GENERAL.—The treasury of Puerto Rico shall make a Conservation Trust Fund transfer within 30 days after the date of each cover over payment (made to such treasury under section 7652(e) of the Internal Revenue Code of 1986) to which section 7652(f) of such Code does not apply by reason of the last sentence thereof.

(B) CONSERVATION TRUST FUND TRANSFER.—

(i) IN GENERAL.—For purposes of this paragraph, the term "Conservation Trust Fund transfer" means a transfer to the Puerto Rico Conservation Trust Fund of an amount equal to 50 cents per proof gallon of the taxes imposed under section 5001 or section 7652 of such Code on distilled spirits that are covered over to the treasury of Puerto Rico under section 7652(e) of such Code.

(ii) TREATMENT OF TRANSFER.—Each Conservation Trust Fund transfer shall be treated as principal for an endowment, the income from which to be available for use by the Puerto Rico Conservation Trust Fund for the purposes for which the Trust Fund was established.

(ii) RESULT OF NONTRANSFER.—

(I) IN GENERAL.—Upon notification by the Secretary of the Interior that a Conservation Trust Fund transfer has not been made by the treasury of Puerto Rico as required by subparagraph (A), the Secretary of the Treasury shall, except as provided in subclause (II), deduct and withhold from the next cover over payment to be made to the treasury of Puerto Rico under section 7652(e) of such Code an amount equal to the appropriate Conservation Trust Fund transfer and interest thereon at the underpayment rate established under section 6621 of such Code as of the due date of such transfer. The Secretary of the Treasury shall transfer such amount deducted and withheld, and the interest thereon, directly to the Puerto Rico Conservation Trust Fund.

(II) GOOD CAUSE EXCEPTION.—If the Secretary of the Interior finds, after consultation with the Governor of Puerto Rico, that the failure by the treasury of Puerto Rico to make a required transfer was for good cause, and notifies the Secretary of the Treasury of the finding of such good cause before the due date of the next cover over payment following the notification of nontransfer, then the Secretary of the Treasury shall not deduct the amount of such nontransfer from any cover over payment.

(C) PUERTO RICO CONSERVATION TRUST FUND.—For purposes of this paragraph, the term "Puerto Rico Conservation Trust Fund" means the fund established pursuant to a Memorandum of Understanding between the United States Department of the Interior and the Commonwealth of Puerto Rico, dated December 24, 1968.

TITLE II—FOREIGN ASSISTANCE FOR CENTRAL AMERICA AND THE CARIBBEAN

Subtitle A—Microcredit and Agricultural Assistance

SEC. 201. DECLARATION OF POLICY.

It is the policy of the United States, consistent with title XII of chapter 2 of part I of the Foreign Assistance Act of 1961 (22 U.S.C. 2220a), to support the governments of Central American countries and Caribbean countries, United States and nongovernmental organizations, universities, businesses, and international organizations, to help ensure the availability of basic nutrition and economic opportunities for individuals in the affected areas of Central America and the Caribbean, through sustainable agriculture and rural development.

SEC. 202. MICROENTERPRISE ASSISTANCE.

(a) BILATERAL ASSISTANCE.—In providing disaster assistance in the aftermath of Hurricane Georges and Hurricane Mitch, the Administrator of the United States Agency for International Development shall, to the extent practicable, use credit and microcredit assistance to rehabilitate agriculture production in the affected areas of Central America and the Caribbean. In providing such assistance, the Administrator should use the applied research and technical assistance capabilities of United States land-grant universities.

(b) MULTILATERAL ASSISTANCE.—The Administrator shall continue to work with other countries, international organizations (including multilateral development institutions), and entities assisting microenterprises and shall develop a comprehensive and coordinated strategy for providing microenterprise assistance for Central America and the Caribbean.

SEC. 203. SUPPORT FOR PRODUCER-OWNED COOPERATIVE MARKETING ASSOCIATIONS.

(a) PURPOSES.—The purposes of this section are—

(1) to support producer-owned cooperative purchasing and marketing associations in Central America and the Caribbean;

(2) to strengthen the capacity of farmers in Central America and the Caribbean to participate in national and international private markets and to promote rural development in the region;

(3) to encourage the efforts of farmers in Central America and the Caribbean to increase their productivity and income through improved access to farm supplies, seasonal credit, technical expertise; and

(4) to support small businesses in Central America and the Caribbean as such businesses grow beyond microenterprises.

(b) SUPPORT FOR PRODUCER-OWNED COOPERATIVE MARKETING ASSOCIATIONS.—

(1) ACTIVITIES.—The Administrator of the United States Agency for International Development is authorized to utilize relevant foreign assistance programs and initiatives for the Central America and the Caribbean region to support private producer-owned cooperative marketing associations in the region, including rural business associations that are owned and controlled by farmer shareholders.

(2) OTHER ACTIVITIES.—In addition to carrying out paragraph (1), the Administrator is encouraged—

(A) to cooperate with governments of foreign countries, including governments of political subdivisions of such countries, their agricultural research universities, and particularly with United States nongovernmental organizations and United States land-grant universities, that have demonstrated expertise in the development and promotion of successful private producer-owned cooperative marketing associations; and

(B) to facilitate partnerships between United States and Central America and the Caribbean cooperatives and private businesses to enhance the capacity and technical and marketing expertise of business associations in the Central America and the Caribbean region.

SEC. 204. AGRICULTURAL RESEARCH AND EXTENSION ACTIVITIES.

(a) DEVELOPMENT OF PLAN.—The Administrator of the United States Agency for International Development, in consultation with the Secretary of Agriculture and appropriate other officials in the Department of Agriculture, especially the head of the Cooperative State, Research, Education and Extension Service (CSREES), shall

develop a comprehensive plan to coordinate and build on the research and extension activities of United States land-grant universities, international agricultural research centers, and national agricultural research and extension centers in Central America and the Caribbean.

(b) ADDITIONAL REQUIREMENTS.—The plan described in subsection (a) shall seek to ensure that—

(1) research and extension activities respond to the needs of the agriculture sectors devastated by Hurricane Georges and Hurricane Mitch while developing the potential and skills of researchers, extension agents, farmers, and agribusiness persons in the region; and

(2) sustainable agricultural methods of farming will be considered together with new technologies in rehabilitating agricultural production in the region.

SEC. 205. NONEMERGENCY FOOD ASSISTANCE PROGRAMS.

(a) IN GENERAL.—In providing nonemergency assistance under title II of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1721 et seq.), the Administrator of the United States Agency for International Development shall ensure that—

(1) in planning, decisionmaking, and providing assistance, the Administrator takes into consideration local input and participation directly and through United States and indigenous private and voluntary organizations;

(2) each of the nonemergency activities described in paragraphs (2) through (6) of section 201 of such Act (7 U.S.C. 1721), including programs that provide assistance to people of any age group who are otherwise unable to meet their basic food needs (including feeding programs for the disabled, orphaned, elderly, sick and dying), are carried out; and

(3) greater flexibility is provided for program and evaluation plans so that such assistance may be developed to meet local needs, as provided for in section 202(f) of such Act (7 U.S.C. 1722(f)).

(b) OTHER REQUIREMENTS.—In providing assistance under the Agriculture Trade Development and Assistance Act of 1954, the Secretary of Agriculture and the Administrator shall ensure that commodities are provided in a manner that is consistent with subsections (a) and (b) of section 403 of such Act (7 U.S.C. 1733(a) and (b)).

Subtitle B—Overseas Private Investment Corporation

SEC. 211. PRIVATE SECTOR DEVELOPMENT ACTIVITIES OF OPIC.

(a) PURPOSE.—The purpose of this section is to commend OPIC for its recent initiative to provide financing and insurance to an investment facility in partnership with Citibank and to encourage OPIC to continue to work with United States businesses and other United States entities to invest in the affected areas of Central America and the Caribbean, particularly in ways that will help promote sustainable development.

(b) SENSE OF CONGRESS.—It is the sense of the Congress that OPIC should, in accordance with its mandate to foster private investment and enhance the ability of private enterprise to make its full contribution to the development process, exercise the authorities it has to further increase efforts to promote and support United States sponsored private investment in the affected areas of Central America and the Caribbean, including—

(1) issuing loans, guaranties, and insurance, to support infrastructure, agriculture, small business, tourism, and other projects as appropriate; and

(2) undertaking a special initiative that includes—

(A) sending a needs assessment team to the affected areas of Central America and the Caribbean to determine ways in which OPIC can best support the essential investment required to restore infrastructure and other critical services in those affected areas;

(B) engaging in an exhaustive outreach program to involve United States companies in the recovery process and exploring potential new projects which will assist those affected areas;

(C) consulting and coordinating with host country governments to promote private investment in priority sectors; and

(D) utilizing existing equity funds to support developmental private sector projects.

(c) TECHNICAL AMENDMENTS.—Section 234 of the Foreign Assistance Act of 1961 (22 U.S.C. 2194) is amended—

(1) by redesignating subsection (c) (the second place it appears) as paragraph (5);

(2) by amending the heading of paragraph (5), as redesignated by paragraph (1) of this subsection, to read as follows:

"(5) CREATION OF FUND FOR ACQUISITION OF EQUITY.—"; and

(3) by indenting paragraph (5), as redesignated by paragraph (1) of this subsection, one full measure.

Subtitle C—Economic Support Fund Assistance

SEC. 221. ECONOMIC SUPPORT FUND ASSISTANCE.

(a) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to the President for fiscal year 1999 $611,000,000 to carry out chapter 4 of part II of the Foreign Assistance Act of 1961 (22 U.S.C. 2346 et seq.) for reconstruction and disaster mitigation assistance for affected areas of Central America and the Caribbean.

(b) USE OF AMOUNTS.—Of the amount appropriated under subsection (a), the President shall reserve the following amounts for the following purposes:

(1) AGRICULTURE AND RURAL RECONSTRUCTION.—$283,000,000 for the construction and repair of rural roads, the provision of micro-enterprise loans, the provision of tools, seed, and fertilizer, and for assistance for rural farmers to adopt sustainable production techniques.

(2) DISEASE CONTROL, SURVEILLANCE, AND PREVENTION.—$136,000,000 for the reconstruction and rehabilitation of health posts and clinics, the provision of water and sanitation services, and disease control, surveillance, and prevention.

(3) EDUCATION AND HOUSING.—$55,000,000 for construction, repair, and re-equipment of educational facilities, including the provision of school supplies, and the re-equipment of new housing units.

(4) ENVIRONMENTAL MANAGEMENT AND DISASTER MITIGATION.—$64,000,000 for environmental management and disaster mitigation, including land use planning and resources management.

(5) ANTI-CORRUPTION ACTIVITIES.—$22,000,000 for the efficient management of local reconstruction assistance, including anti-corruption training for municipal governments, nongovernmental organizations, and law enforcement.

(6) ASSISTANCE FOR THE DOMINICAN REPUBLIC AND OTHER CARIBBEAN COUNTRIES AFFECTED BY HURRICANE GEORGES.—$42,000,000 for reconstruction assistance related to health, economic revitalization, and housing for the Dominican Republic and other Caribbean countries affected by Hurricane Georges.

(c) ADMINISTRATIVE EXPENSES.—Of the amount authorized to be appropriated under subsection (a), the President shall reserve $6,000,000 for the operating expenses of the United States Agency for International Development incurred in connection with assistance provided under this Act.

SEC. 222. REIMBURSEMENT OF INTERNATIONAL DISASTER ACCOUNT.

There is authorized to be appropriated to the President for fiscal year 1999 $25,000,000 to reimburse the international disaster assistance account for expenses incurred with respect to international disaster assistance provided for affected areas of Central America and the Caribbean under chapter 9 of part I of the Foreign Assistance Act of 1961 (22 U.S.C. 2292 et seq.) for recovery from Hurricane Georges and Hurricane Mitch.

SEC. 223. RULE OF CONSTRUCTION; AVAILABILITY OF AMOUNTS.

(a) RULE OF CONSTRUCTION.—Amounts authorized to be appropriated under this subtitle are in addition to amounts otherwise available for the purposes described in the section of this subtitle involved.

(b) AVAILABILITY OF AMOUNTS.—Amounts authorized to be appropriated under this subtitle are authorized to remain available until expended.

TITLE III—DEPARTMENT OF DEFENSE

SEC. 301. REPLACEMENT OF FUNDS USED FOR DISASTER RELIEF AND RECONSTRUCTION.

In addition to amounts authorized to be appropriated under any other law for the Department of Defense for fiscal year 1999, funds are hereby authorized to be ap-

propriated for the use of the Armed Forces and other activities and agencies of the Department of Defense for expenses, not otherwise provided for, for operation and maintenance, in amounts as follows:

(1) For replenishment of Department of Defense accounts used in providing disaster relief and reconstruction to affected areas of Central America and the Caribbean, $135,200,000, of which—

(A) $75,000,000 may be used for replenishment of operation and maintenance and military personal accounts;

(B) $37,500,000 may be used for replenishment of the Overseas Humanitarian Disaster and Civic Aid account (including demining initiatives); and

(C) $20,000,000 may be used for replenishment of the Commanders in Chief (CINC) Initiative Fund.

(2) For the New Horizons Program, $56,000,000 for expanded National Guard and Reserve exercises in Central American countries and the Dominican Republic.

TITLE IV—IMMIGRATION AND NATURALIZATION SERVICE

SEC. 401. DETENTION FACILITIES.

There is authorized to be appropriated to the President $80,000,000 to be used for Enforcement and Border Affairs within the Immigration and Naturalization Service (INS) to support increased detention requirements for Central American criminal aliens held in detention by the Immigration and Naturalization Service and to address an expected influx of illegal immigrants from Central America.

TITLE V—DEBT RESCHEDULING AND REDUCTION FOR HONDURAS AND NICARAGUA; FUNDING FOR THE CENTRAL AMERICAN EMERGENCY TRUST FUND OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Subtitle A—Debt Rescheduling and Reduction for Honduras and Nicaragua

SEC. 501. RESCHEDULING OF INTEREST PAYMENTS OWED BY HONDURAS AND NICARAGUA.

The President is authorized to reschedule the repayment of interest owed to the United States (or any agency of the United States) in fiscal years 1999 and 2000 by the Governments of Honduras and Nicaragua on debt owed by such Governments to the United States that is outstanding as of October 1, 1998.

SEC. 502. REDUCTION OF DEBT OWED BY HONDURAS.

(a) AUTHORITY.—

(1) IN GENERAL.—The President shall reduce the amount owed to the United States (or any agency of the United States) by the Government of Honduras that is outstanding as of October 1, 1998, as a result of concessional loans made to Honduras by the United States under part I or chapter 4 of part II of the Foreign Assistance Act of 1961, or predecessor foreign economic assistance legislation.

(2) APPROPRIATIONS REQUIREMENT.—The authority provided by this section may be exercised only in such amounts or to such extent as is provided in advance by appropriations Acts.

(3) CERTAIN PROHIBITIONS INAPPLICABLE.—(A) A reduction of debt pursuant to this section shall not be considered assistance for purposes of any provision of law limiting assistance to a country.

(B) The authority of this section may be exercised notwithstanding section 620(r) of the Foreign Assistance Act of 1961 or section 321 of the International Development and Food Assistance Act of 1975.

(b) IMPLEMENTATION OF DEBT REDUCTION.—

(1) IN GENERAL.—The debt reduction pursuant to subsection (a) shall be accomplished by the exchange of a new obligation for obligations outstanding as of the date specified in subsection (a)(1).

(2) EXCHANGE OF OBLIGATIONS.—The President shall notify the agency primarily responsible for administering part I of the Foreign Assistance Act of 1961 of the agreement with Honduras to exchange a new obligation for outstanding obligations pursuant to this subsection. At the direction of the President, the old obligations shall be canceled and a new debt obligation for the country shall be established, and such agency shall make an adjustment in its accounts to reflect the debt reduction.

(c) CURRENCY OF PAYMENT.—The principal amount of each new obligation issued pursuant to subsection (b) shall be repaid in United States dollars.

(d) DEPOSIT OF PAYMENTS.—Principal repayments of new obligations shall be deposited in the United States Government account established for principal repayments of the obligations for which those obligations were exchanged.

(e) RATE OF INTEREST.—New obligations issued by a beneficiary country pursuant to subsection (b) shall bear interest at concessional rates.

(f) AUTHORIZATION OF APPROPRIATIONS.—

(1) IN GENERAL.—There is authorized to be appropriated for fiscal year 2000 $16,000,000 to carry out this section.

(2) AVAILABILITY.—Amounts authorized to be appropriated under paragraph (1) are authorized to remain available until expended.

Subtitle B—Authorization of Funding for the Central American Emergency Trust Fund of the International Bank for Reconstruction and Development

SEC. 511. AUTHORIZATION OF FUNDING.

The Bretton Woods Agreements Act (22 U.S.C. 286–286nn) is amended by adding at the end the following:

"SEC. 62. SUPPLEMENTAL FUNDING FOR THE CENTRAL AMERICAN EMERGENCY TRUST FUND OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT.

"(a) CONTRIBUTION AUTHORITY.—

"(1) IN GENERAL.—The United States Governor of the Bank may, on behalf of the United States, contribute $25,000,000 to the Central American Emergency Trust Fund of the Bank.

"(2) SUBJECT TO APPROPRIATIONS.—The authority provided by paragraph (1) shall be effective only to such extent or in such amounts as are provided in advance in appropriations Acts.

"(b) LIMITATIONS ON AUTHORIZATION OF APPROPRIATIONS.—

"(1) IN GENERAL.—For the contribution provided for in subsection (a), there are authorized to be appropriated not more than $25,000,000 for fiscal year 1999, for payment by the President of the United States.

"(2) RULE OF CONSTRUCTION.—The authority provided by paragraph (1) is in addition to any appropriations authority otherwise provided by law.

"(c) AVAILABILITY.—Amounts appropriated under subsection (b) are authorized to remain available until expended.".

I. INTRODUCTION

A. PURPOSE AND SUMMARY

H.R. 984, the "Caribbean and Central America Relief and Economic Stabilization Act," responds to the needs of the Caribbean and Central American nations affected by the devastation caused by Hurricanes Georges and Mitch, which hit the region in September and October of 1998, respectively.

Currently, about 70 percent of imports from countries in the Caribbean Basin region enter duty-free under the Caribbean Basin Economic Recovery and Security Act (CBERA) and other preferential trade programs. However, a number of products, mainly

textiles and apparel, are excluded from CBI duty-free treatment. H.R. 984 amends the CBERA to provide tariff and quota treatment on imports of excluded articles that is similar to the tariff and quota treatment that is accorded like articles from Mexico under the North American Free Trade Agreement (NAFTA).

The bill preserves authority in current law for the President to withdraw, suspend, or limit benefits if countries fail to meet designation criteria. In addition, H.R. 984 also authorizes such actions with respect to new parity benefits, based on a review of designation criteria as further interpreted by the bill.

The purpose of H.R. 984 is to provide a mechanism to promote long-term economic recovery in Central American and the Caribbean by enhancing the region's opportunities to expand trade with the United States. Based on the success of the CBI program, the Committee expects that the bill also will also promote the growth of U.S. exports, help decrease pressures for illegal immigration, and improve regional cooperation in efforts to fight drug trafficking.

B. Background and Need for Legislation

In February 1982, President Reagan announced that he would seek legislation to establish the Caribbean Basin Initiative (CBI), a program to further the economic development and political stability of Caribbean countries. The CBI was a package of economic assistance, trade benefits, and other incentives. The Caribbean Basin Economic Recovery Act (CBERA) was enacted in 1983, with an effective date of January 1, 1984. Under the CBI, the President is authorized to grant, to countries in the Caribbean and Central America, duty-free access to the U.S. market under certain conditions. CBI trade benefits were made permanent in 1990. Products which are excluded from duty-free treatment under CBI include: textile and apparel articles, canned tuna, petroleum and petroleum products, footwear, handbags, luggage, flat goods, work gloves, leather-wearing apparel, and certain watches.

In 1993, total U.S. imports from CBI beneficiaries under the CBERA amounted to $10.1 billion. During the early years the CBERA was in effect, the United States ran a significant trade deficit with the region. In the fourth year of the program, the trade balance shifted in favor of the United States and has remained in surplus since that time. U.S. exports to CBI beneficiary countries amounted to $19.2 billion in 1998, and the U.S. surplus amounted to about $2 billion in that year, making the region one of the few in the world with which the United States has enjoyed a sustained favorable balance of trade.

In October of 1998, Hurricane Mitch devastated areas of the Caribbean and Central America. The National Hurricane Center called this storm "the most deadly hurricane in the Atlantic in over 200 years." Hurricane Mitch killed 9,860 people and left approximately 3 million people homeless in the region. Hurricane Georges hit the Florida Keys, the islands of the Caribbean, and the Gulf Coast of the United States in September 1998, causing more than $1 billion in damage. The storm killed 250 people.

The total direct economic impact of Hurricane Mitch and Hurricane Georges on Honduras, Nicaragua, the Dominican Republic, El

Salvador, and Guatemala amounts to $4.2 billion. Honduras' losses represent more than 50 percent of its gross domestic product, and Nicaragua lost a quarter of its gross domestic product. Approximately 356 bridges were destroyed in the region, and 57 percent of the region's roads were impacted. The United States equivalent of this would be the destruction of 3.9 million miles of highway.

Significant numbers of displaced Central Americans are moving north to the United States in the wake of Hurricane Mitch's devastation. Border Patrol agents in Brownsville, Texas, report that apprehensions of Hondurans alone increased by 61 percent in the last three months of 1998. The massive influx of immigrants places severe pressures upon the ability of the Immigration and Naturalization Service (INS) to detain and remove non-criminal illegal immigrants. If this situation continues, the INS is concerned that many more people will attempt to illegally cross the border.

Since 1983, the Caribbean Basin Economic Recovery Act has represented a permanent and successful commitment by the United States to encourage the development of strong democratic governments and revitalized economies in neighboring countries in the Caribbean Basin. Offering temporary benefits to Caribbean Basin countries on the 30 percent of imports from the region that are not currently duty-free under the CBERA and other trade programs will promote the growth of free enterprise and economic opportunity in these neighboring countries and thereby enhance the national security interests of the United States.

The Subcommittee believes that the goal of U.S. assistance to the region should focus on, in addition to the short-term disaster assistance, long-term solutions for a successful economic recovery of Central America and the Caribbean. Successful economic recovery lies in the region's ability to expand its international trade with important trading partners such as the United States.

C. Legislative History

H.R. 553, The Caribbean Basin Trade Security Act, was introduced on January 18, 1995, by Messrs. Crane, Gibbons, Rangel, and Shaw.

On February 10, 1995, the Subcommittee on Trade held a public hearing on H.R. 553. On March 29, 1995, the Subcommittee on Trade considered H.R. 553 and ordered the bill favorably reported to the full Committee on Ways and Means by a recorded vote of 11–3, with an amendment in the nature of a substitute. The Administration testified in support of the bill, as amended.

On June 23, 1997, the Committee on Ways and Means approved the "United States-Caribbean Basin Trade Partnership Act" as Section 9, Subtitle H of H.R. 2014, the Taxpayer Relief Act of 1997. These provisions as passed by the House were not included in the final Conference agreement.

On October 8, 1997, H.R. 2644, the "United States-Caribbean Basin Trade Partnership Act," was introduced by Chairman Archer, containing provisions identical to those included in Subtitle H of H.R. 2014. On October 9, 1997, the Committee on Ways and Means ordered H.R. 2644 favorably reported by voice vote. On November 4, 1997, H.R. 2644 failed to pass the House under suspension of the rules by a vote of 182–234.

H.R. 984, the Caribbean and Central America Relief and Economic Stabilization Act, was introduced on March 4, 1999, by Messrs. Crane, Kolbe, Rangel, Matsui, and Jefferson. On March 23, 1999, the Trade Subcommittee held a public hearing on H.R. 984. On May 18, 1999, the Trade Subcommittee considered H.R. 984 and ordered the bill favorably reported by voice vote to the full Committee on Ways and Means. Then, on June 10, 1999, the Ways and Means Committee considered the bill and ordered it favorably reported by voice vote to the Committee of the Whole House on the State of the Union.

II. EXPLANATION OF THE BILL

A. SHORT TITLE

The short title of the bill is the "Caribbean and Central America Relief and Economic Stabilization Act."

B. FINDINGS AND POLICY

Present law

The Caribbean Basin Initiative (CBI) program was established by the Caribbean Basin Economic Recovery Act (CBERA), which was enacted on August 5, 1983. This legislation authorized the President to grant duty-free treatment to imports of eligible articles from designated Caribbean countries. The basic purpose of the CBI program, as originally proposed by President Ronald Reagan, was to respond to an economic crisis in the Caribbean by encouraging industrial development primarily through preferential access to the U.S. market. The goal was to promote political and social stability in a strategically important region. CBI trade benefits were made permanent in 1990.

Explanation of provision

Section 2 contains the findings of Congress that:

(1) In October of 1998, Hurricane Mitch devastated areas of the Caribbean and Central America. The National Hurricane Center called this storm "the most deadly hurricane in the Atlantic in over 200 years." Hurricane Mitch killed 9,860 people and left approximately 3,000,000 people homeless in the region.

(2) Hurricane Georges hit the Florida Keys, the islands of the Caribbean, and the Gulf Coast of the United States in September 1998, causing more than $1,000,000,000 in damage. The storm killed 250 people.

(3) The total direct economic impact of Hurricane Mitch and Hurricane Georges on Honduras, Nicaragua, the Dominican Republic, El Salvador, and Guatemala amounts to $4,200,000,000. Honduras' losses represent more than 50 percent of its gross domestic product, and Nicaragua lost a quarter of its gross domestic product.

(4) The United States must continue to play a leading role in responding to the disaster and encourage others to contribute to the recovery effort. For example, Taiwan has contributed $50,800,000 in assistance for the construction of roads and housing, the rehabilitation of agricultural production, and the distribution of supplies. Sweden, Spain, and France have sent engineering teams to

the region to assess damage to roads, and Japan and the European Union have pledged millions of dollars in assistance. The United States praises the efforts of these and other nations in assisting with the rehabilitation of the region.

(5) Approximately 356 bridges were destroyed in the region, and 57 percent of the region's roads were impacted. The United States equivalent of this would be the destruction of 3,900,000 miles of highway. These roads must be reconstructed quickly so that farmers can transport their goods to market and much-needed medical supplies can reach rural areas.

(6) Hurricane Mitch devastated the agricultural sector in the affected areas of Central America and the Caribbean, particularly the countries of Honduras and Guatemala. An estimated 70 percent of Honduras' crops were destroyed by Hurricane Mitch, including 90 percent of the country's banana and grain crops. In Guatemala, an estimated 95 percent of the nation's banana crop was damaged, 25–60 percent of the corn, bean, coffee, and sugar crops were destroyed, and 30 percent of the cattle was lost.

(7) Approximately 50 percent of Central America and the Caribbean's workforce is employed in agriculture. The devastation to the agriculture sector by Hurricane Mitch has resulted in a widespread shortage of food which is likely to continue in the long term unless the region's agricultural sector is rehabilitated.

(8) Significant numbers of displaced Central Americans are moving north to the United States in the wake of Hurricane Mitch's devastation. Border Patrol agents in Brownsville, Texas, report that apprehensions of Hondurans alone increased by 61 percent in the last three months of 1998. The massive influx of immigrants places severe pressures upon the ability of the Immigration and Naturalization Service (INS) to detain and remove non-criminal illegal immigrants. At current funding levels, the INS does not have the resources to detain illegal non-criminal border crossers from Central America. If this situation continues, the INS is concerned that many more people will attempt to illegally cross the border.

(9) Partially in an effort to alleviate these pressures, the Attorney General provided temporary protected status to aliens from Honduras and Nicaragua on December 30, 1998, for a period of 18 months. No such status was provided to immigrants from El Salvador and Guatemala.

(10) Agricultural assistance and training and microcredit assistance will provide much needed aid to the affected areas of Central America and the Caribbean as the areas rebuild their agriculture sectors. The immediate distribution of food aid is important in the short term, but it is essential that the region be able to return to self-sufficiency in food production so the citizens of Central America and the Caribbean will be able to feed themselves once again.

(11) The goal of United States assistance to the region should focus on, in addition to the short-term disaster assistance, long-term solutions for a successful economic recovery of Central America and the Caribbean. Successful economic recovery lies in the region's ability to expand its international trade with important trading partners such as the United States.

(12) Since 1983, the Caribbean Basin Economic Recovery Act has represented a permanent and successful commitment by the United

States to encourage the development of strong democratic governments and revitalized economies in neighboring countries in the Caribbean Basin.

(13) Thirty-four democratically elected leaders agreed at the 1994 Summit of the Americas to conclude negotiation of a Free Trade Area of the Americas (referred to in this Act as "FTAA") by the year 2005.

(14) The economic security of the countries in the Caribbean Basin will be enhanced by the completion of the FTAA.

(15) Offering temporary benefits to Caribbean Basin countries on the 30 percent of imports from the region that are not currently duty-free under the Caribbean Basin Economic Recovery Act and other trade programs will promote the growth of free enterprise and economic opportunity in these neighboring countries and thereby enhance the national security interests of the United States.

(16) Given the greater propensity of countries located in the Western Hemisphere to use United States components and to purchase United States products compared to other countries, increased trade and economic activity between the United States and countries in the Western Hemisphere will create new jobs in the United States as a result of expanding export opportunities.

Section 102 states that it is, therefore, the policy of the United States to: (1) offer Caribbean Basin partnership countries tariff and quota treatment equivalent to that accorded to products of NAFTA countries, and to seek the accession of these partnership countries to NAFTA or a free trade agreement comparable to NAFTA at the earliest possible date, with the goal of achieving full NAFTA participation by all Caribbean countries by January 1, 2005; and (2) assure that the domestic textile and apparel industry remain competitive in the global marketplace by encouraging the formation and expansion of "partnerships" between the textile and apparel industry of the United States and the textile and apparel industry of various countries located in the Western Hemisphere.

Reason for change

This section outlines the Committee's view that the U.S. response to the devastation caused by Hurricanes Mitch and Georges should include, in addition to short-term disaster assistance, a long-term mechanism to promote economic recovery in Central America and the Caribbean. Based on the successful record of the Caribbean Basin Initiative, the Committee believes that economic recovery will be achieved most effectively by enhancing the region's opportunities to expand its international trade with important trading partners such as the United States. The success of the CBI program indicates that increasing international trade with the CBI region will also promote the growth of United States exports, decrease illegal immigration, and improve regional cooperation in efforts to fight drug trafficking. Finally, the Committee intends that this bill foster increased opportunities for U.S. companies in the textile and apparel sector to expand coproduction arrangements with countries in the CBI region, thereby sustaining and preserving manufacturing operations in the United States that would otherwise be relocated to the Far East.

C. Definitions

Explanation of provision

Section 3 defines several terms used in the bill.

D. Temporary Provisions To Provide NAFTA Parity to Partnership Countries

Present law

Under the CBERA, imports from CBI beneficiary countries, except for certain products that are statutorily excluded, are granted duty-free treatment, subject to specific eligibility requirements. Statutorily excluded articles are ineligible for duty-free treatment under the CBI. These excluded products are: textile and apparel articles that are subject to textile agreements, canned tuna, petroleum and petroleum products, footwear, handbags, luggage, flat goods, work gloves, and leather-wearing apparel. Also excluded are certain watches and watch products.

Under NAFTA, imports of these products from Mexico (excluded from CBI and listed above) receive either declining tariff or duty-free and quota-free treatment.

Explanation of provision

Section 104 of the bill amends section 213(b) of the CBERA to provide tariff and quota treatment on imports from CBI beneficiary countries of excluded articles that is identical to tariff and quota treatment accorded like articles imported from Mexico under NAFTA during a temporary period ending on the date that either NAFTA accession or a reciprocal free trade agreement enters into force with the partnership country, or on the fifth anniversary of the temporary treatment, whichever is earlier.

Reason for change

The Committee believes that expanding the benefits of the Caribbean Basin Initiative on a temporary basis, by offering tariff and quota treatment similar to NAFTA, will promote economic recovery in the region, while encouraging the countries to make necessary economic reforms.

1. RULES OF ORIGIN

Present law

Chapter Four of NAFTA establishes rules of origin for identifying goods that are to be treated as "originating in the territories of NAFTA parties" and are therefore eligible for preferential treatment accorded to originating goods under NAFTA, including reduced duties and duty-free and quota-free treatment.

Explanation of provision

Section 104 of the bill provides that NAFTA tariff and quota treatment would apply to CBI articles which meet NAFTA rules of origin (treating the United States and CBI beneficiary countries as "parties" under the agreement for this purpose). Customs procedures applicable to exporters under NAFTA also must be met for partnership countries to qualify for parity treatment. Imports of ar-

ticles currently excluded under CBI, which do not meet the conditions of NAFTA parity, would continue to be excluded from the CBI program.

Reason for change

This section establishes "NAFTA Parity" for imports from partnership countries and ensures that Customs procedures required of Mexico under NAFTA would also be required of partnership countries receiving benefits under the bill.

2. EFFECTIVE DATE AND TERMINATION OF TEMPORARY TREATMENT

Present law

CBI trade benefits were made permanent in 1990.

Explanation of provision

Under section 104 a temporary transitional period would begin upon date of enactment and end on the date that either NAFTA accession or a reciprocal free trade agreement enters into force with the partnership country, or on the fifth anniversary of the temporary treatment, whichever is earlier.

Reason for change

As discussed above, the Subcommittee believes that offering temporary NAFTA benefits to CBI countries is in the national economic and security interest of the United States.

3. DESIGNATION CRITERIA

Present law

In determining whether to designate any country as a CBI beneficiary country, the President must take into account 7 mandatory and 11 discretionary criteria, which are listed in section 212 of the CBERA:

(1) whether the country is a Communist country;

(2) whether the country has nationalized, expropriated, or otherwise seized ownership or control of U.S. property (including intellectual property), unless he determines that prompt, adequate, and effective compensation has been or is being made, or good faith negotiations to provide such compensation are in progress, or the country is otherwise taking steps to discharge its international obligations, or a dispute over compensation has been submitted to arbitration;

(3) whether the country fails to act in good faith in recognizing as binding or in enforcing arbitral awards in favor of U.S. citizens;

(4) whether the country affords "reverse" preferences to developed countries and whether such treatment has or is likely to have a significant adverse effect on U.S. commerce;

(5) whether a government-owned entity in the country engages in the broadcast of copyrighted material belonging to U.S. copyright owners without their express consent or the country fails to work toward the provision of adequate and effective intellectual property rights;

(6) whether the country is a signatory to an agreement regarding the extradition of U.S. citizens;

(7) whether the country has or is taking steps to afford internationally recognized worker rights to workers in the country;

(8) an expression by the country of its desire to be designated;

(9) the economic conditions in the country, its living standards, and any other appropriate economic factors;

(10) the extent to which the country has assured the United States it will provide equitable and reasonable access to its markets and basic commodity resources;

(11) the degree to which the country follows accepted rules of international trade under the World Trade Organization;

(12) the degree to which the country uses export subsidies or imposes export performance or local content requirements which distort international trade;

(13) the degree to which the trade policies of the country are contributing to the revitalization of the region;

(14) the degree to which the country is undertaking self-help measures to protect its own economic development;

(15) the extent to which the country provides under its law adequate and effective means for foreign nationals to secure, exercise, and enforce exclusive intellectual property rights;

(16) the extent to which the country prohibits its nationals from engaging in the broadcast of copyrighted material belonging to U.S. copyright owners without their express consent; and

(17) the extent to which the country is prepared to cooperate with the United States in the administration of the Act.

Under the CBERA, the President is prohibited from designating a country a beneficiary country if any of criteria (1)–(7) apply to that country, subject to waiver if the President determines that country designation will be in the U.S. national economic or security interest. The waiver does not apply to (4) and (6). Criteria (8)–(18) are discretionary. Under the CBERA, criteria (7) is included as both mandatory and discretionary.

Explanation of provision

The bill makes no change in country designation criteria established in the CBERA.

4. GENERAL REVIEW OF COUNTRIES

Present law

Section 212(f) of the CBERA requires the President, every three years, to submit to the Congress a complete report regarding the operation of the CBI program, including the results of a general review of beneficiary countries.

Explanation of provision

Section 104 of the bill amends section 212(f) of the CBERA to provide that the next review take place one year after the effective date of H.R. 984 and subsequent reviews occur at three year intervals thereafter. The bill requires the President to conduct and re-

port to Congress on triennial reviews of the benefits accorded under H.R. 984. The review will be based on the 18 eligibility criteria listed in section 212 of the CBERA, as further interpreted by the bill. These criteria include intellectual property protection, investment protection, market access, worker rights, cooperation in administering the program, and the degree to which the country follows accepted rules of international trade provided for under the World Trade Organization. The President may determine, based on the review, whether to withdraw, suspend, or limit new parity benefits. Existing authority in the CBERA would continue to withdraw, suspend, or limit current benefits at any time based on present criteria.

Reason for change

The Caribbean Basin Initiative is a conditional trade program because, under Section 212 of the CBERA, the President must take into account seven mandatory and eleven discretionary criteria when determining whether to designate a country as a beneficiary country.

The Committee is aware that questions periodically arise regarding beneficiary countries' adherence to the eligibility criteria. As part of the implementation of this legislation, the Committee expects the President to offer adequate opportunities for interested parties to present information concerning CBERA beneficiaries' adherence to the eligibility criteria.

The Committee intends that the triennial review of countries based on eligibility criteria in current law, as further interpreted by the bill, will reinforce the conditional nature of benefits accorded under the Caribbean and Central America Relief and Economic Stabilization Act.

5. SAFEGUARDS

Present law

The import relief procedures and authorities under section 201–204 of the Trade Act of 1974 apply to imports from CBI beneficiary countries, as they do to imports from other countries. If CBI imports cause serious injury, or threat of such injury, to the domestic industry producing a like or directly competitive article, section 213(e) of the CBERA authorizes the President to suspend CBI duty-free treatment and proclaim a rate of duty or other relief measures.

Under NAFTA, the United States may invoke a special safeguard provision at any time during the tariff phase-out period if a NAFTA-origin textile or apparel good is being imported in such increased quantities and under such conditions as to cause "serious damage, or actual threat thereof," to a domestic industry producing a like or directly competitive good. The President is authorized to either suspend further duty reductions or increase the rate of duty to the normal-trade-relation rate for up to three years. The NAFTA also provides for a "quantitative restriction" safeguard, which the United States or Mexico may invoke against "non-originating" textile or apparel goods, using the standard of "serious damage, or actual threat thereof."

Explanation of provision

Normal safeguard authorities under CBERA would apply to imports of all products except textiles and apparel. The NAFTA equivalent safeguard authorities would apply to imports of textile and apparel products from CBI countries, except that, under the bill, the President would not be obligated to provide equivalent trade liberalizing compensation to the exporting country.

Reason for change

The Committee believes that the NAFTA equivalent safeguard authority is appropriate in order to ensure that the domestic textile and apparel industry is not damaged by increased imports from the Caribbean Basin region.

6. TERMINATION OR WITHDRAWAL OF BENEFITS

Present law

The President may withdraw or suspend designation of any beneficiary country or withdraw, suspend, or limit the application of duty-free treatment to any article from any country if he determines that, as a result of changed circumstances, the country is not meeting criteria set forth in the statute for beneficiary country designation. The President must publish at least 30-days advance notice of the proposed action. The U.S. Trade Representative shall accept written public comments and hold a public hearing on the proposed action.

Explanation of the provision

All country designation criteria apply as under the CBERA. The President may withdraw, suspend, or limit the application of duty-free or preferential quota treatment to any article if he determines the country or the product, based on changed circumstances, should be barred from eligibility. The bill makes no change in the President's authority to withdraw, suspend, or limit current benefits under the CBERA at any time.

Reason for change

The Committee believes it is appropriate to retain broad authority for the President to withdraw, suspend, or limit benefits under the CBERA and to provide similar authority for the President with respect to the new trade benefits under H.R. 984.

7. TREATMENT OF TEXTILE AND APPAREL IMPORTS FROM CARIBBEAN COUNTRIES AND MEXICO

a. GAL Program and "807" tariff treatment

Present law

The "Special Access Program for Textiles," established by regulation in February 1986, provides flexible Guaranteed Access Levels (GALs) to the United States market for textile or apparel and "made up" textile product categories (not fabric, yarn, or other textile products) assembled in CBI countries from fabrics wholly formed and cut in the United States, under bilateral agreements negotiated at the request of each Caribbean government. GALs

(also know as "807A") are separate limits from (and usually significantly higher than) standard quota levels, and are generally increased upon request of the exporting country.

Imports under item 9802.00.80 of the U.S. Harmonized Tariff Schedule (previously item 807) which are assembled abroad from U.S.-fabricated components, including apparel assembled in Caribbean countries from fabric cut in the United States, are assessed duty only on the value-added abroad. Under NAFTA, Mexico receives duty-free and quota-free treatment on articles assembled from U.S.-formed and cut fabric.

Explanation of provision

Section 104 of the bill eliminates import restraint levels and duties on textile and apparel articles: (1) assembled from fabrics wholly formed and cut in the United States from yarns formed in the United States; (2) cut and sewn in a partnership country from fabrics wholly formed in the United States, from yarns wholly formed in the United States; (3) knit-to-shape in partnership country from yarns wholly formed in the United States; or (4) made in a partnership country from fabric knit in a partnership country from yarn wholly formed in the United States. Hand-made, handloomed and folklore articles of the region also qualify for duty-free and quota-free treatment.

Reason for change

The Committee believes that offering trade benefits to CBI countries in the textile and apparel area would be a valuable mechanism to promote long-term economic recovery by enhancing the region's opportunities to expand trade with the United States. At the same time, the Committee believes these provisions would promote growth of U.S. exports and the use of U.S. fabric and yarn.

b. Originating textile and apparel goods

Present law

Certain textile and apparel articles from major supplying CBI countries are subject to import quotas under bilateral agreements negotiated on a product-category basis under authority of Section 204 of the Agricultural Act of 1956 and in accordance with the Uruguay Round Agreement on Textiles and Clothing. Articles under quota may be assembled from U.S. and/or foreign components.

Explanation of provision

Under section 104 imports of textile and apparel articles from CBI partnership countries that meet NAFTA rules of origin would receive tariff treatment equivalent to such goods originating in Mexico and would enter quota-free. There would be no change in the treatment of non-originating textile products currently subject to import quotas under bilateral and multilateral textile agreements.

Reason for change

This provision furthers the general purposes of the bill described above.

c. Trade Preference Levels (TPLs)

Present law

Appendix 6(B) of NAFTA provides a limited exception to NAFTA rules of origin for textile and apparel goods. The exception takes the form of Tariff Preference Levels (TPLs), under which specific quantities of goods from each NAFTA country that do not meet NAFTA "yarn-forward" rules of origin will nonetheless be accorded NAFTA preferential tariff rates. Imports of such goods that exceed these quantities will be subject to NTR duty rates. Under NAFTA, TPLs are available for three broad categories of products: (1) cotton or man-made apparel; (2) wool apparel; and, (3) goods entered under subheading 9802.00.80 of the HTS.

Explanation of provision

Section 104(2)(B)(i) authorizes USTR to establish TPLs for Caribbean textile and apparel products which are similar to those established for Mexican textile and apparel products in NAFTA. After consulting with the domestic industry and other interested parties, USTR is authorized to establish TPLs in the following categories at specified levels: not more than 45,000,000 square meter equivalents of cotton or man-made fiber apparel; not more than 1,500,000 square meter equivalents of wool apparel; and, not more than 25,000,000 square meter equivalents of goods entered under subheading 9802.00.80 of the HTS.

The bill requires that these amounts be allocated among the seven partnership countries which have the largest volume of textile and apparel exports to the United States, based on a pro rata share of the volume of their textile and apparel exports.

Reason for change

This provision furthers the general purposes of the bill described above.

d. Customs procedures and penalties for transshipment

Present law

Under the NAFTA, Parties to the Agreement must observe Customs procedures and documentation requirements which are established in Chapter 5 of NAFTA. Requirements regarding Certificates of Origin for imports receiving preferential tariffs are detailed in Article 502.1 of NAFTA.

Explanation of provision

The bill directs the Secretary of the Treasury to prescribe regulations that require, as a condition of entry, that any importer of record claiming preferential tariff treatment for textile and apparel products under the bill must comply with requirements similar in all material respects to the requirements regarding Certificates of Origin contained in Article 502.1 of NAFTA, for a similar importa-

tion from Mexico. In addition, if an exporter is determined under the laws of the United States to have engaged in illegal transshipment of textile or apparel products from a partnership country, then the President shall deny all benefits under the bill to such exporter, and to any successors of such exporter, for a period of 2 years.

Finally, the bill requires the Commissioner of Customs to conduct a study analyzing the extent to which each partnership country has: (1) cooperated with the United States in instances of circumvention or alleged circumvention of existing quotas on imports of textile and apparel products; and (2) has taken appropriate measures consistent with its laws and domestic procedures to prevent transshipment and circumvention from taking place.

Reasons for change

The Committee believes these hard-hitting transshipment provisions will address concerns raised by the textile and apparel industry that increasing trade with the Caribbean Basin region could result in illegal transshipments of textile and apparel products through the region.

E. Effect of NAFTA on Sugar Imports From Beneficiary Countries

Present law

Under the tariff-rate quota system for sugar, which was proclaimed by the President on December 23, 1994, the Secretary of Agriculture establishes the quota quantity that can be entered at the lower tier import duty-rates. USTR allocates quantities to CBI countries that receive duty-free treatment. Imports above the in-quota amount from CBI countries are subject to tariffs at the higher over-quota rates.

The quantity of sugar which may be imported duty-free from Mexico is governed by Section A of Annex 703.2 of NAFTA. Under NAFTA, access grows over time to unlimited duty-free access for exports of sugar from Mexico beginning in the year 2009.

Explanation of provision

Section 105 requires the President to monitor the effects, if any, of NAFTA on access to the U.S. sugar market by CBI beneficiary countries. If the President considers that implementation of NAFTA is affecting or likely will affect market access adversely, the President shall: (1) take action by Executive authority after consulting with interested parties and appropriate committees; or (2) propose legislation necessary or appropriate to ameliorate such effects.

Reasons for change

Section 105 responds to concerns raised by CBI beneficiary governments that additional access to the U.S. sugar market for Mexico under NAFTA could potentially result in a decrease in access for exports of sugar from the Carribean and thereby reduce employment in the region.

F. Duty-Free Treatment For Certain Beverages Made With Caribbean Rum

Present law

Rum and beverages made with rum are eligible for duty-free entry into the United States both under the CBI program and NAFTA, provided they meet the CBI or NAFTA rules of origin and other requirements. When Caribbean rum is processed in Canada into a rum beverage and the beverage is exported from Canada into the United States, it is not eligible for duty-free treatment under either the CBI or NAFTA. Specifically, the beverage is ineligible for duty-free treatment under CBI because it is not shipped directly from a beneficiary country to the United States as the CBI rules require. The beverage does not qualify for NAFTA duty-free treatment because the processing in Canada is not sufficient to qualify it as a NAFTA "originating good."

Explanation of provision

Section 106 amends the CBERA to accord duty-free treatment to certain beverages imported from Canada if: (1) the rum is the growth, product, or manufacture of a beneficiary country or the U.S. Virgin Islands; (2) the rum is imported directly into Canada, and the beverages made from it are imported directly from Canada into the United States; and (3) the rum accounts for at least 90 percent by volume of the alcoholic content of the beverages.

Reason for change

This provision would ensure that certain rum beverages that originate in the CBI, but which are processed in Canada, are not denied duty-free treatment under the CBERA.

G. Meeting of Caribbean Trade Ministers and USTR

Present law

No provision.

Explanation of provision

Section 107 directs the President to convene a meeting with the trade ministers of CBI partnership countries in order to establish a schedule of regular meetings, to commence as soon as practicable, of the trade ministers and USTR. The purpose of the meetings shall be to further consultations between the United States and partnership countries concerning the likely timing and procedures for initiating negotiations for partnership countries to: (1) accede to NAFTA; or (2) enter into comprehensive, mutually advantageous trade agreements with the United States that contain comparable provisions to NAFTA, and would make substantial progress in achieving the negotiation objectives listed in Section 108(b)(5) of Public Law 103–182. (These are general trade negotiating objectives for future free trade agreements which were included in NAFTA implementing bill.)

Reason for change

This provision is intended to encourage the United States Trade Representative to expand efforts to increase trade with countries in the Caribbean Basin region.

H. REPORT ON ECONOMIC DEVELOPMENT AND MARKET ORIENTED REFORMS IN THE CARIBBEAN

Present law

Under the CBERA, the President must submit a complete report to the Congress every 3 years on the operation of the program, including the results of a general review of beneficiary countries.

Explanation of provision

Section 108 requires USTR to make an assessment of the economic development efforts and market oriented reforms in each partnership country, as well as the ability of each such country, on the basis of such efforts and reforms, to undertake the obligations of NAFTA. Not later than July 1, 1998, USTR shall submit a report on this assessment to the President, the Committee on Finance, and the Committee on Ways and Means.

USTR shall include in this report a discussion of possible timetables and procedures pursuant to which partnership countries can complete the economic reforms necessary to enable them to negotiate accession to NAFTA. USTR shall also include an assessment of the potential phase-in periods for implementing NAFTA obligations that may be necessary to successfully integrate the lesser developed economies of the Caribbean into NAFTA.

Section 108 lists factors USTR should consider in assessing the ability of Caribbean countries to accede to NAFTA.

Reason for change

The report required in this section will provide important information regarding the progress that partnership countries are making with respect to making the economic reforms necessary to accede to NAFTA or to enter into a free trade agreement containing obligations similar to those contained in NAFTA.

I. PARITY REVIEW IN EVENT NEW COUNTRY ACCEDES TO NAFTA

Present law

No provision.

Explanation of provision

If a new country or group of countries accedes to NAFTA, or the U.S. negotiates a comparable free trade agreement with another country, Section 108(c) requires the USTR to report on the impact of the new trade relationship on beneficiary countries. The report shall include any measures the USTR proposes to minimize the potential for the diversion of investment from beneficiary countries to the new NAFTA member or free trade agreement partner.

Reason for change

The report required in this section will provide important information regarding the progress that partnership countries are making with respect to implementing the economic reforms necessary to accede to NAFTA or to enter into a free trade agreement containing obligations similar to those contained in NAFTA.

III. VOTE OF THE COMMITTEE

In compliance with clause 3(b) of rule XIII of the Rules of the House of Representatives, the following statement is made concerning the vote of the Committee on Ways and Means in its consideration of the bill, H.R. 984.

Motion to report the bill

The bill H.R. 984 was ordered favorably reported, by voice vote on June, 10 1999, with a quorum present.

IV. BUDGET EFFECTS OF THE BILL

A. Committee Estimate of Budgetary Effects

In compliance with clause 3(d)(2) of rule XIII of the Rules of the House of Representatives, the Committee agrees with cost estimates furnished by the Congressional Budget Office (CBO) on H.R. 984, set forth below.

B. Budget Authority and Tax Expenditures

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee states that H.R. 984 does not include any new budget authority and reduces tax expenditures by an amount equal to the revenue raised by the provision clarifying the deduction for deferred severance pay.

C. Cost Estimate Prepared by the Congressional Budget Office

In compliance with clause 3(c)(3) of rule XIII of the Rules of the House of Representatives reguiring a cost estimate prepared by the congressional Budget Office (CBO), in the following report prepared by CBO is provided.

U.S. Congress,
Congressional Budget Office,
Washington, DC, January 6, 2000.

Hon. Bill Archer,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC.

Dear Mr. Chairman: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 984, the Caribbean and Central America Relief and Economic Stabilization Act.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Hester Grippando (for revenues) and John Righter (for spending).

Sincerely,

Dan L. Crippen, *Director.*

Enclosure.

H.R. 984—Caribbean and Central American Relief and Economic Stabilization Act

Summary: H.R. 984 would provide tariff and quota treatment similar to that accorded to products under the North American Free Trade Agreement (NAFTA) to products of countries that are beneficiaries under the Caribbean Basin Economic Recovery Act. In addition, the legislation would amend the Internal Revenue Code to limit pre-funding of certain employee benefits. The bill would also increase by $0.25 the share of the exercise tax on rum that is distributed to Puerto Rico and the Virgin Islands. The higher share would apply only to assessments made between July 1, 1999, and September 30, 1999, but because of a provision in Public Law 106–170, the government would not pay the higher share to the two territories until 2001.

CBO and the Joint Committee on Taxation (JCT) estimate that enacting H.R. 984 would increase governmental receipts by $34 million over the 2000–2004 period. In addition, CBO estimates that direct spending would increase by $1.5 million in fiscal year 2001. Because the bill would affect receipts and direct spending, pay-as-you-go procedures would apply. CBO estimates that implementing the bill's provisions would not significantly affect spending subject to appropriation.

The bill contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). H.R. 984 contains one private-sector mandate that would limit the pre-funding of certain employee benefits. JCT estimates that the cost of the mandate would exceed the threshold for private-sector mandates established in UMRA ($100 million in 1996, adjusted annually for inflation) in each of fiscal years 2000 through 2004.

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 984 is shown in the following table.

	By fiscal year, in millions of dollars—									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
CHANGES IN REVENUES										
Estimated Revenues:										
Carribean Basin Initiative	−76	−311	−271	0	0	0	0	0	0	0
Limitation of pre-funding of certain benefits	115	141	147	149	140	129	118	105	90	74
Total Revenues	39	−170	−124	149	140	129	118	105	90	74
CHANGES IN DIRECT SPENDING										
Spending Under Current Law [1]:										
Estimated Budget Authority	275	389	272	255	255	255	255	255	255	255
Estimated Outlays	275	389	272	255	255	255	255	255	255	255
Proposed Changes:										
Estimated Budget Authority	0	2	0	0	0	0	0	0	0	0
Estimated Outlays	0	2	0	0	0	0	0	0	0	0
Spending Under H.R. 984:										
Estimated Budget Authority	275	391	272	255	255	255	255	255	255	255
Estimated Outlays	275	391	272	255	255	255	255	255	255	255

[1] a. The amounts shown are estimated payments to Puerto Rico and the Virgin Islands for their share of excise taxes collected on rum produced in or brought into the United States.

NOTE.—Implementing the bill would also increase spending subject to appropriation, but CBO estimates that such costs would not be significant.

Basis of estimates: CBO's estimate of H.R. 984 assumes an effective date of July 1, 2000.

Revenues

The bill would offer immediate duty-free and quota-free treatment to certain articles of apparel assembled in a beneficiary country. Products covered under this provision include articles assembled from fabric formed in the United States from yarn made in the United States (including fabrics that have undergone certain additional processing in a beneficiary country), articles cut in a beneficiary country from fabric formed of U.S. yarn and assembled with U.S. thread, and handmade or folklore articles from beneficiary countries. Based on collections data for 1998, CBO estimates that about $6 billion in goods would enter the United States under this provision in fiscal year 2001. (Under current law, most of the products covered by this provision enter under a special subheading in the Harmonized Tariff Schedule that allows for duties to be paid only on the value added to the product in the beneficiary country.) CBO estimates that this provision would reduce receipts by $62 million in fiscal year 2000 and by $545 million over the 2000–2002 period.

H.R. 984 would also offer special duty-treatment, equivalent to the staged tariff reductions in NAFTA, to other textile and apparel articles. This treatment would be granted to goods that are considered to have originated in beneficiary counties. Based on information from trade experts and collections data for 1998, CBO estimates that the total value of imports of textile and apparel articles that originate in beneficiary countries in fiscal year 2001 will be approximately $155 million. H.R. 984 also would authorize the President to grant "in-preference level tariff treatment" identical to that of NAFTA to other apparel products from beneficiary countries that would not otherwise be eligible for benefits under the bill. Special treatment of these products would be limited to no more than 71.5 million square meters of apparel in any given calendar year. CBO estimates that these provisions that would grant NAFTA parity treatment to certain textile and apparel articles would reduce receipts by $11 million in fiscal year 2000 and by $98 million over the 2000–2002 period.

In addition, H.R. 984 would grant NAFTA parity to other articles imported into the U.S. from beneficiary countries, including luggage and handbags, certain leather goods, footwear, tuna, petroleum, watches, and watch parts. Based on recent collections data, CBO estimates that this provision would reduce receipts by 42 million in fiscal year 2000 and by $15 million over fiscal years 2000–2002.

The bill would also limit the tax deductions that certain employers may take for contributions to welfare benefit funds. The limits would apply to participant in plans that provide supplemental unemployment compensation, severance pay, and life insurance (other than group-term life) benefits and involve 10-or-more employer plans. The estimated budgetary impact of this provision—an increase in revenues totaling $692 million from 2000 through 2004—was provided by JCT.

Direct spending

Under current law, a tax of $13.50 per proof gallon is assessed on distilled spirits produced in or brought into the United States. Under Public Law 106–170, the treasuries of Puerto Rico and the Virgin Islands will receive $13.25 of the tax assessed on rum manufactured in either territory between July 1, 1999, and December 31, 2001. (Beginning January 1, 2002, the amount of the federal excise tax the government shares with the territories falls to $10.50.) In addition, the territories receive payments, at a similar rate, on all rum imported into the United States from any foreign country. Those payments to Puerto Rico and the Virgin Islands are recorded as outlays in the budget.

Under H.R. 984, the governments of Puerto Rico and the Virgin Islands would receive the full $13.50 per proof gallon for assessments made between July 1, 1999, and September 30, 1999. Based on assessments collected during the three-month period, CBO estimates that retroactively increasing the territories' share of the excise tax would increase direct spending by $1.5 million in fiscal year 2001. The additional payments to the two territories would not occur until 2001 because Public Law 106–170 limits the amount of additional payments (from a rate that is higher than $10.50 per proof gallon) the government can transfer in 2000. As a result, CBO estimates that the $1.5 million in additional payments from enacting H.R. 984 would be differed until fiscal year 2001.

Titles II though V would authorize programs to help countries in Central America and the Caribbean recover from the destruction caused by Hurricanes Georges and Mitch. Enacting the title would have no budgetary impact because the authorized programs were funded in the 1999 Emergency Supplemental Appropriations Act, Public Law 106–31.

Spending subject to appropriation

The bill would require the Administration to determine whether Caribbean Basin countries are eligible to benefit from the bill's preferential trade provisions and to monitor their compliance with certain requirements. The Administration already performs similar responsibilities under the Caribbean Basin Economic Recovery Act. Based on information from the Office of the United States Trade Representative and other affected agencies, CBO estimates that implementing these provisions would not significantly increase those agencies' costs.

The legislation would also amend several existing reporting requirements of the Office of the United States Trade Representative and the International Trade Commission. The amendments would primarily change when and how often the reports are due. CBO estimates that those changes would cost less than $200,000 annually.

Pay-as-you-go considerations: The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go are shown in the following table. For the proposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By fiscal year, in millions of dollars—									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Changes in receipts	39	−170	−124	149	140	129	118	105	90	74
Changes in outlays	0	2	0	0	0	0	0	0	0	0

Estimted impact on state, local, and tribal governments: The bill contains no intergovernmental mandates as defined in UMRA. The bill would provide an additional $1.5 million to the governments of Puerto Rico and the Virgin Islands by increasing the portion of revenues those governments receive from excise taxes.

Estimated impact on the private sector: The legislation contains one private-sector mandate that would limit pre-funding of certain employee benefits. JCT estimates that the cost of the mandate would exceed the threshold for private-sector mandates established in UMRA ($100 million in 1996, adjusted annually for inflation) in each of fiscal years 2000 through 2004.

Estimate prepared by: Federal Revenues: Hester Grippando; Federal Spending: John Righter; Impact on State, Local, and Tribal Governments: Leo H. Rex.

Estimate approved by: Robert A. Sunshine, Assistant Director for Budget Analysis. Thomas G. Woodward, Assistant Director for Tax Analysis.

V. OTHER MATTERS TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

A. Subcommittee Oversight Findings and Recommendations

In compliance with clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Subcommittee concludes that the actions taken in this legislation are appropriate given its oversight of international trade and tax matters.

B. Summary of Findings and Recommendations of the Committee on Government Reform and Oversight

In compliance with clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee states that no oversight findings or recommendations have been submitted to the Committee by the Subcommittee on Government Reform and Oversight with respect to the provisions in H.R. 984.

C. Constitutional Authority Statement

With respect to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, relating to Constitutional Authority, the Committee states that the Committee's action in reporting the bill is derived from Article 1 of the Constitution, Section 8 ("The Congress shall have power to lay and collect taxes, duties, imposts and excises, to pay the debts and to provide for * * * the general Welfare of the United States * * *).

D. Information Relating to Unfunded Mandates

This information is provided in accordance with section 423 of the Unfunded Mandates Act of 1995 (P.L. 104–4).

The Committee has determined that the provision of the bill relating to the repeal of the 14-day rule on rental of vacation property will impose a Federal mandate on the private sector in the amount shown in the CBO estimate, above. This revenue is needed to offset the budget cost of the Trade Adjustment Assistance provision. This provision of the bill will not impose a Federal intergovernmental mandate on State, local, or tribal governments.

E. APPLICABILITY OF HOUSE RULE XXI5(c)

Rule XXI5(b) of the Rules of the House of Representatives provides, in part, that "No bill or joint resolution, amendment, or conference report carrying a Federal income tax rate increase shall be considered as passed or agreed to unless so determined by a vote of not less than three-fifths of the Members." The Committee has carefully reviewed the provisions of the bill, and states that the provisions of the bill do not involve any Federal income tax rate increase within the meaning of the rule.

VI. CHANGES IN EXISTING LAWS MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

CARIBBEAN BASIN ECONOMIC RECOVERY ACT

* * * * * * *

TITLE II—CARIBBEAN BASIN INITIATIVE

* * * * * * *

SEC. 212. BENEFICIARY COUNTRY.

(a) * * *

* * * * * * *

(e)(1)*(A)* The President may, after the requirements of subsection (a)(2) and paragraph (2) have been met—

[(A)**]** *(i)* withdraw or suspend the designation of any country as a beneficiary country, or

[(B)**]** *(ii)* withdraw, suspend, or limit the application of duty-free treatment under this subtitle to any article of any country,

if, after such designation, the President determines that as a result of changed circumstances such country would be barred from designation as a beneficiary country under subsection (b).

(B)(i) Based on the President's review and analysis described in subsection (f), the President may determine if the preferential treatment under section 213(b)(2) and (3) should be withdrawn, suspended, or limited with respect to any article of a partnership country. Such determination shall be included in the report required by subsection (f).

(ii) Withdrawal, suspension, or limitation of the preferential treatment under section 213(b)(2) and (3) with respect to a partnership country shall be taken only after the requirements of

subsection (a)(2) and paragraph (2) of this subsection have been met.

* * * * * * *

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

(f) REPORTING REQUIREMENTS.—Not later than 1 year after the date of the enactment of the United States-Caribbean Trade Partnership Act and at the close of each 3-year period thereafter, the President shall submit to the Congress a complete report regarding the operation of this title, including—

(1) with respect to subsections (b) and (c) of this section, the results of a general review of beneficiary countries based on the considerations described in such subsections;

(2) with respect to subsection (c)(4), the degree to which a country follows accepted rules of international trade provided for under the WTO Agreement and the multilateral trade agreements (as such terms are defined in paragraphs (9) and (4), respectively, of section 2 of the Uruguay Round Agreements Act);

(3) with respect to subsection (c)(9), the extent to which beneficiary countries are providing or taking steps to provide protection of intellectual property rights comparable to the protection provided to the United States in bilateral intellectual property rights agreements;

(4) with respect to subsection (b)(2) and subsection (c)(5), the extent that beneficiary countries are providing or taking steps to provide protection of investment and investors comparable to the protection provided to the United States in bilateral investment treaties;

(5) with respect to subsection (c)(3), the extent that beneficiary countries are providing the United States and other WTO members (as such term is defined in section 2(10) of the Uruguay Round Agreements Act (19 U.S.C. 3501(10)) with equitable and reasonable market access in the product sectors for which benefits are provided under this title;

(6) with respect to subsection (c)(11), the extent that beneficiary countries are cooperating with the United States in administering the provisions of section 213(b); and

(7) with respect to subsection (c)(8), the extent that beneficiary countries are meeting the internationally recognized worker rights criteria under such subsection.

In the first report under this subsection, the President shall include a review of the implementation of section 213(b), and his analysis of whether the benefits under paragraphs (2) and (3) of such section further the objectives of this title.

SEC. 213. ELIGIBLE ARTICLES.

(a)(1) Unless otherwise excluded from eligibility by this title, and subject to section 423 of the Tax Reform Act of 1986, *and except as provided in section 213(b)(2) and (3),* the duty-free treatment provided under this title shall apply to any article which is the growth, product, or manufacture of a beneficiary country if—

(A) * * *

* * * * * * *

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

(A) * * *

* * * * * * *

(6) Notwithstanding paragraph (1), the duty-free treatment provided under this title shall apply to liqueurs and spirituous beverages produced in the territory of Canada from rum if—

(A) such rum is the growth, product, or manufacture of a beneficiary country or of the Virgin Islands of the United States;

(B) such rum is imported directly from a beneficiary country or the Virgin Islands of the United States into the territory of Canada, and such liqueurs and spirituous beverages are imported directly from the territory of Canada into the customs territory of the United States;

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

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

[(b) The duty-free treatment provided under this chapter shall not apply to—

[(1) textile and apparel articles which are subject to textile agreements;

[(2) footwear not designated at the time of the effective date of this chapter as eligible articles for the purpose of the generalized system of preferences under title V of the Trade Act of 1974;

[(3) tuna, prepared or preserved in any manner, in airtight containers;

[(4) petroleum, or any product derived from petroleum, provided for in headings 2709 and 2710 of the Harmonized Tariff Schedule of the United States;

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

[(6) articles to which reduced rates of duty apply under subsection (h) of this section.]

(b) IMPORT-SENSITIVE ARTICLES.—

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

(A) textile and apparel articles which were not eligible articles for purposes of this title on January 1, 1994, as this title was in effect on that date;

(B) footwear not designated at the time of the effective date of this title as eligible articles for the purpose of the generalized system of preferences under title V of the Trade Act of 1974;

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

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

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

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

(2) TRANSITION PERIOD TREATMENT OF CERTAIN TEXTILE AND APPAREL ARTICLES.—

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

(i) the tariff treatment accorded at any time to any textile or apparel article that originates in the territory of a partnership country shall be identical to the tariff treatment that is accorded at such time under section 2 of the Annex to an article described in the same 8-digit subheading of the HTS that is a good of Mexico and is imported into the United States;

(ii) duty-free treatment under this title shall apply to any textile or apparel article that is imported into the United States from a partnership country and that—

(I) is assembled in a partnership country, from fabrics wholly formed and cut in the United States from yarns formed in the United States, and is entered—

(aa) under subheading 9802.00.80 of the HTS; or

(bb) under chapter 61, 62, or 63 of the HTS if, after such assembly, the article would have qualified for treatment under subheading 9802.00.80 of the HTS, but for the fact the article was subjected to bleaching, garments dyeing, stone-washing, enzyme-washing, acid-washing, perma-pressing, oven-baking, or embroidery;

(II) is knit-to-shape in a partnership country from yarns wholly formed in the United States;

(III) is made in a partnership country from fabric knit in a partnership country from yarns wholly formed in the United States;

(IV) is cut and assembled in a partnership country from fabrics wholly formed in the United States from yarns wholly formed in the United States; or

(V) is identified under subparagraph (C) as a handloomed, handmade, or folklore article of a partnership country and is certified as such by the competent authority of such country; and

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

(I) originates in the territory of a partnership country, or

(II) qualifies for duty-free treatment under subclause (I), (II), (III), (IV), or (V) of clause (ii).

(B) TRANSITION PERIOD TREATMENT OF OTHER NONORIGINATING TEXTILE AND APPAREL ARTICLES.—

(i) PREFERENTIAL TARIFF TREATMENT.—Subject to clause (ii), the President may place in effect at any time during the transition period with respect to any textile or apparel article that—

(I) is a product of a partnership country, but

(II) does not qualify as a good that originates in the territory of a partnership country or is eligible for benefits under subparagraph (A)(ii),

tariff treatment that is identical to the in-preference-level tariff treatment accorded at such time under Appendix 6.B of the Annex to an article described in the same 8-digit subheading of the HTS that is a product of Mexico and is imported into the United States. For purposes of this clause, the 'in-preference-level tariff treatment' accorded to an article that is a product of Mexico is the rate of duty applied to that article when imported in quantities less than or equal to the quantities specified in Schedule 6.B.1, 6.B.2., or 6.B.3. of the Annex for imports of that article from Mexico into the United States.

(ii) LIMITATIONS ON ALL ARTICLES.—(I) Tariff treatment under clause (i) may be extended, during any calendar year, to not more than 45,000,000 square meter equivalents of cotton or man-made fiber apparel, to not more than 1,500,000 square meter equivalents of wool apparel, and to not more than 25,000,000 square meter equivalents of goods entered under subheading 9802.00.80 of the HTS.

(II) Except as provided in subclause (III), the amounts set forth in subclause (I) shall be allocated among the 7 partnership countries with the largest volume of exports to the United States of textile and apparel goods in calendar year 1997, based upon a pro rata share of the volume of textile and apparel goods of each of those 7 countries that entered the United States under subheading 9802.00.80 of the HTS during the first 12 months of the 14-month period ending on the date of the enactment of the United States-Caribbean Trade Partnership Act.

(III) Five percent of the amounts set forth in subclause (I) shall be allocated among the partnership countries, other than those to which subclause (II) applies, based upon a pro rata share of the exports to the United States of textile and apparel goods of each of those countries during the first 12 months of the 14-

month period ending on the date of the enactment of the United States-Caribbean Trade Partnership Act.

(iii) PRIOR CONSULTATION.—The President may implement the preferential tariff treatment described in clause (i) only after consultation with representatives of the United States textile and apparel industry and other interested parties regarding—

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

(II) the annual quantities of such articles that may be imported at the preferential duty rates described in clause (i), and

(III) the allocation of such annual quantities among partnership countries.

(C) HANDLOOMED, HANDMADE, AND FOLKLORE ARTICLES.—For purposes of subparagraph (A)(ii)(V), the Trade Representative shall consult with representatives of a partnership country for the purpose of identifying particular textile and apparel goods that are mutually agreed upon as being handloomed, handmade, or folklore goods of a kind described in section 2.3 (a), (b), or (c) or Appendix 3.1.B.11 of the Annex.

(D) BILATERAL EMERGENCY ACTIONS.—(i) The President may take—

(I) bilateral emergency tariff actions of a kind described in section 4 of the Annex with respect to any textile or apparel article imported from a partnership country if the application of tariff treatment under subparagraph (A) to such article results in conditions that would be cause for the taking of such actions under such section 4 with respect to an article described in the same 8-digit subheading of the HTS that is imported from Mexico; or

(II) bilateral emergency quantitative restriction actions of a kind described in section 5 of the Annex with respect to imports of any textile or apparel article described in subparagraphs (B)(i) (I) and (II) if the importation of such article into the United States results in conditions that would be cause for the taking of such actions under such section 5 with respect to a like article that is a product of Mexico.

(ii) The requirement in paragraph (5) of section 4 of the Annex (relating to providing compensation) shall not be deemed to apply to a bilateral emergency action taken under this subparagraph.

(iii) For purposes of applying bilateral emergency action under this subparagraph—

(I) the term "transition period" in sections 4 and 5 of the Annex shall be deemed to be the period defined in paragraph (5)(E); and

(II) any requirements to consult specified in section 4 or 5 of the Annex are deemed to be satisfied if the President requests consultations with the partnership country in question and the country does not agree to

consult within the time period specified under such section 4 or 5, whichever is applicable.

(3) NAFTA TRANSITION PERIOD TREATMENT OF CERTAIN OTHER ARTICLES ORIGINATING IN BENEFICIARY COUNTRIES.—

(A) EQUIVALENT TARIFF TREATMENT.—

(i) IN GENERAL.—Subject to clause (ii), the tariff treatment accorded at any time during the transition period to any article referred to in any of subparagraphs (B) through (F) of paragraph (1) that originates in the territory of a partnership country shall be identical to the tariff treatment that is accorded at such time under Annex 302.2 of the NAFTA to an article described in the same 8-digit subheading of the HTS that is a good of Mexico and is imported into the United States.

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

(B) RELATIONSHIP TO SUBSECTION (h) DUTY REDUCTIONS.—If at any time during the transition period the rate of duty that would (but for action taken under subparagraph (A)(i) in regard to such period) apply with respect to any article under subsection (h) is a rate of duty that is lower than the rate of duty resulting from such action, then such lower rate of duty shall be applied for the purposes of implementing such action.

(4) CUSTOMS PROCEDURES.—

(A) IN GENERAL.—

(i) REGULATIONS.—Any importer that claims preferential tariff treatment under paragraph (2) or (3) shall comply with customs procedures similar in all material respects to the requirements of Article 502(1) of the NAFTA as implemented pursuant to United States law, in accordance with regulations promulgated by the Secretary of the Treasury.

(ii) DETERMINATION.—In order to qualify for such preferential tariff treatment and for a Certificate of Origin to be valid with respect to any article for which such treatment is claimed, there shall be in effect a determination by the President that—

(I) the partnership country from which the article is exported, and

(II) each partnership country in which materials used in the production of the article originate or undergo production that contributes to a claim that the article qualifies for such preferential tariff treatment,

has implemented and follows, or is making substantial progress toward implementing and following, procedures and requirements similar in all material respects to the relevant procedures and requirements under chapter 5 of the NAFTA.

(B) CERTIFICATE OF ORIGIN.—The Certificate of Origin that otherwise would be required pursuant to the provisions

of subparagraph (A) shall not be required in the case of an article imported under paragraph (2) or (3) if such Certificate of Origin would not be required under Article 503 of the NAFTA (as implemented pursuant to United States law), if the article were imported from Mexico.

(C) PENALTIES FOR TRANSSHIPMENTS.—If the President determines, based on sufficient evidence, that an exporter has engaged in willful illegal transshipment or willful customs fraud with respect to textile or apparel articles for which preferential tariff treatment under subparagraph (A) or (B) of paragraph (2) is claimed, then the President shall deny all benefits under this title to such exporter, and any successors of such exporter, for a period of 2 years.

(D) REPORT BY USTR ON COOPERATION OF OTHER COUNTRIES CONCERNING CIRCUMVENTION.—The United States Commissioner of Customs shall conduct a study analyzing the extent to which each partnership country—

(i) has cooperated fully with the United States, consistent with its domestic laws and procedures, in instances of circumvention or alleged circumvention of existing quotas on imports of textile and apparel goods, to establish necessary relevant facts in the places of import, export, and, where applicable, transshipment, including investigation of circumvention practices, exchanges of documents, correspondence, reports, and other relevant information, to the extent such information is available;

(ii) has taken appropriate measures, consistent with its domestic laws and procedures, against exporters and importers involved in instances of false declaration concerning fiber content, quantities, description, classification, or origin of textile and apparel goods; and

(iii) has penalized the individuals and entities involved in any such circumvention, consistent with its domestic laws and procedures, and has worked closely to seek the cooperation of any third country to prevent such circumvention from taking place in that third country.

The Trade Representative shall submit to the Congress, not later than October 1, 1999, a report on the study conducted under this subparagraph.

(5) DEFINITIONS.—For purposes of this subsection—

(A) The term "the Annex" means Annex 300–B of the NAFTA.

(B) The term "NAFTA" means the North American Free Trade Agreement entered into between the United States, Mexico, and Canada on December 17, 1992.

(C) The term "partnership country" means a beneficiary country.

(D) The term "textile or apparel article" means any article referred to in paragraph (1)(A) that is a good listed in Appendix 1.1 of the Annex.

(E) The term "transition period" means, with respect to a partnership country, the period that begins on July 1, 2000, and ends on the earlier of—

(i) August 1, 2002; or

(ii) the date on which—

(I) the United States first applies the NAFTA to the partnership country upon its accession to the NAFTA, or

(II) there enters into force with respect to the United States and the partnership country a free trade agreement comparable to the NAFTA that makes substantial progress in achieving the negotiating objectives set forth in section 108(b)(5) of the North American Free Trade Agreement Implementation Act (19 U.S.C. 3317(b)(5)).

(F) An article shall be deemed as originating in the territory of a partnership country if the article meets the rules of origin for a good set forth in chapter 4 of the NAFTA, and, in the case of an article described in Appendix 6.A of the Annex, the requirements stated in such Appendix 6.A for such article to be treated as if it were an originating good. In applying such chapter 4 or Appendix 6.A with respect to a partnership country for purposes of this subsection—

(i) no countries other than the United States and partnership countries may be treated as being Parties to the NAFTA,

(ii) references to trade between the United States and Mexico shall be deemed to refer to trade between the United States and partnership countries, and

(iii) references to a Party shall be deemed to refer to the United States or a partnership country, and references to the Parties shall be deemed to refer to any combination of partnership countries and the United States.

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INTERNAL REVENUE CODE OF 1986

Subtitle A—Income Taxes

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CHAPTER 1—NORMAL TAXES AND SURTAXES

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Subchapter D—Deferred Compensation, Etc.

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PART I—PENSION, PROFIT-SHARING, STOCK BONUS PLANS, ETC.

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Subpart D—treatment of Welfare Benefit Funds

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SEC. 419A. QUALIFIED ASSET ACCOUNT; LIMITATION ON ADDITIONS TO ACCOUNT.

(a) * * *

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(f) DEFINITIONS AND OTHER SPECIAL RULES.—For purposes of this section—

(1) * * *

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(6) EXCEPTION FOR 10-OR-MORE EMPLOYER PLANS.—

[(A) IN GENERAL.—This subpart shall not apply in the case of any welfare benefit fund which is part of a 10 or more employer plan. The preceding sentence shall not apply to any plan which maintains experience-rating arrangements with respect to individual employers.]

(A) IN GENERAL.—This subpart shall not apply to a welfare benefit fund which is part of a 10 or more employer plan if the only benefits provided through the fund are 1 or more of the following:

(i) Medical benefits.

(ii) Disability benefits.

(iii) Group term life insurance benefits which do not provide for any cash surrender value or other money that can be paid, assigned, borrowed, or pledged for collateral for a loan.

The preceding sentence shall not apply to any plan which maintains experience-rating arrangements with respect to individual employers.

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Subtitle D—Miscellaneous Excise Taxes

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CHAPTER 43—QUALIFIED PENSION, ETC., PLANS

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SEC. 4976. TAXES WITH RESPECT TO FUNDED WELFARE BENEFIT PLANS.

(a) * * *

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(b) DISQUALIFIED BENEFIT.—For purposes of subsection (a)—

(1) * * *

* * * * * * *

(5) SPECIAL RULE FOR 10 OR MORE EMPLOYER PLANS EXEMPTED FROM PREFUNDING LIMITS.—For purposes of paragraph (1)(C), if—

(A) subpart D of part I of subchapter D of chapter 1 does not apply by reason of section 419A(f)(6) to contributions to provide 1 or more welfare benefits through a welfare benefit fund under a 10 or more employer plan, and

(B) any portion of the welfare benefit fund attributable to such contributions is used for a purpose other than that for which the contributions were made,

then such portion shall be treated as reverting to the benefit of the employers maintaining the fund.

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Subtitle D—Procedure and Administration

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CHAPTER 78—DISCOVERY OF LIABILITY AND ENFORCEMENT OF TITLE

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Subchapter D—Possessions

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SEC. 7652. SHIPMENTS TO THE UNITED STATES

(a) * * *

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(f) LIMITATION ON COVER OVER OF TAX ON DISTILLED SPIRITS.—For purposes of this section, with respect to taxes imposed under section 5001 or this section on distilled spirits, the amount covered into the treasuries of Puerto Rico and the Virgin Islands shall not exceed the lesser of the rate of—

(1) $10.50 ($11.30 in the case of distilled spirits brought into the United States during the 5-year period beginning on October 1, 1993), or

(2) the tax imposed under section 5001(a)(1), on each proof gallon.

The preceding sentence shall not apply to articles that are tax-determined after June 30, 1999, and before October 1, 1999.

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SECTION 234 OF THE FOREIGN ASSISTANCE ACT OF 1961

SEC. 234. INVESTMENT INSURANCE AND OTHER PROGRAMS.—The Corporation is hereby authorized to do the following:

(a) * * *

* * * * * * *

(g) PILOT EQUITY FINANCE PROGRAM.—

(1) * * *

* * * * * * *

[(c) CREATION OF FUND FOR ACQUISITION OF EQUITY.—] *(5) CREATION OF FUND FOR ACQUISITION OF EQUITY.*—The Corporation is authorized to establish a revolving fund to be available solely for the purposes specified in this subsection and to make transfers to the fund of a total of $10,000,000 (less amounts transferred to the fund before the date of the enactment of the Jobs Through Exports Act of 1992) from its noncredit account revolving fund. The Corporation shall transfer to the fund in each fiscal year all amounts received by the Corporation during the preceding fiscal year as income on securities acquired under this subsection, and from the proceeds on the disposition of such securities. Purchases of, investments in, and other acquisitions of equity from the fund are authorized for any fiscal year only to the extent or in such amounts as are provided in advance in appropriations Acts or are transferred to the Corporation pursuant to section 632(a) of this Act.

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SECTION 62 OF THE BRETTON WOODS AGREEMENTS ACT

SEC. 62. SUPPLEMENTAL FUNDING FOR THE CENTRAL AMERICAN EMERGENCY TRUST FUND OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT.

(a) CONTRIBUTION AUTHORITY.—

(1) IN GENERAL.—The United States Governor of the Bank may, on behalf of the United States, contribute $25,000,000 to the Central American Emergency Trust Fund of the Bank.

(2) SUBJECT TO APPROPRIATIONS.—The authority provided by paragraph (1) shall be effective only to such extent or in such amounts as are provided in advance in appropriations Acts.

(b) LIMITATIONS ON AUTHORIZATION OF APPROPRIATIONS.—

(1) IN GENERAL.—For the contribution provided for in subsection (a), there are authorized to be appropriated not more than $25,000,000 for fiscal year 1999, for payment by the President of the United States.

(2) RULE OF CONSTRUCTION.—The authority provided by paragraph (1) is in addition to any appropriations authority otherwise provided by law.

(c) AVAILABILITY.—Amounts appropriated under subsection (b) are authorized to remain available until expended.

VII. DISSENTING VIEWS ON H.R. 984

We support enhancing the Caribbean Basin Initiative and believe it can and should be done in a way that helps the U.S. economy as well as the economies of our CBI partners. H.R. 984 does not do that. It is lacking in two important respects: First, the duty preferences it would give to non-U.S. fabric are too open-ended. Second, the bill's treatment of compliance with worker rights standards as a condition for receipt of enhanced benefits is too cursory.

The sectors that will be affected the most by CBI enhancement legislation are the textile and apparel sectors. CBI enhancement legislation should be a mechanism for developing complementary aspects of these sectors in the U.S. and CBI economies, as well as taking into account the increased competition of CBI nations with the American textile and apparel industries resulting from CBI enhancement.

The development of apparel manufacturing in the CBI region could help the U.S. economy by providing a significant source of demand for U.S. fabric and yarn. Such demand would be lost in the event of a wholesale movement of the textile and apparel industries to Asia. Unfortunately, provisions of H.R. 984 would impede the development of complementary aspects of the U.S. and CBI economies. Under section 104(a) of the bill, the United States would provide duty preferences to apparel and textile articles made from non-U.S., non-CBI region fabric. This treatment would cause unnecessary hardship to U.S. textile, apparel and yarn manufacturers. Fabric from outside the United States and outside the Caribbean and Central America simply has no place in a CBI enhancement bill.

Further, the absence in H.R. 984 of any limitation on duty-free benefits for textiles and apparel made from fabric knit in the CBI region is another source of unnecessary harm to businesses and workers in the U.S. textile and apparel industries. In fact, providing duty-free treatment to unlimited quantities of textile and apparel made from CBI knit fabric goes beyond the tariff preferences in effect under NAFTA for textiles and apparel made in Mexico or Canada from fabric knit in those countries. The NAFTA tariffs on textiles and apparel made from Mexican or Canadian fabric are scheduled to be eliminated over time; H.R. 984 would immediately remove all tariffs on textiles and apparel made from CBI knit fabric. Rather than effecting an integration between U.S. textile manufacturing and Caribbean and Central American apparel manufacturing, the bill would force the closure of U.S. textile companies. A more balanced approach is needed—one that accords some preferential treatment to textiles and apparel made from CBI fabric to the extent that there is knitting capacity already in place in the region, but that is not open-ended.

Our second major concern about H.R. 984 has to do with labor market issues. Labor market conditions in the Caribbean and Central America have an impact on competition between goods from those regions and U.S. goods. These conditions are part of the structure and terms of trade. Any CBI enhancement legislation will grant certain benefits to the CBI countries, thus stimulating greater competition with the United States. The issue is not whether wage and other compensation should be comparable, because there clearly are and will continue to be differences between the United States and the CBI and Central American countries. The question is whether the latter countries have or will take steps to adopt core labor rights and standards to allow their workers' standard of living to be set and to rise under a free labor market.

The only mention of labor markets in H.R. 984 is in its requirement that the President report every three years on "the extent that beneficiary countries are meeting internationally recognized worker rights criteria." The bill does nothing to assure application or enforcement of internationally recognized standards.

CBI benefits should not be conferred without any regard to whether a country is making real progress towards compliance with internationally recognized worker rights standards. Current law, under the Generalized System of Preferences (GSP), contains a mechanism for reviewing compliance with core worker rights standards, but that mechanism has not worked in the CBI region. Currently, countries' protection of intellectual property rights as a condition for receipt of CBI benefits is scrutinized more closely than countries' compliance with core worker rights standards. The level of scrutiny applied to the latter condition should be at least as great as the level of scrutiny applied to the former.

We support an enhancement of the Caribbean Basin Initiative, but not an unbalanced enhancement that fails to tackle the foregoing fabric and labor market issues. Accordingly, we oppose passage of H.R. 984 in its current form.

SANDER M. LEVIN.
XAVIER BECERRA.
BEN CARDIN.
KAREN L. THURMAN.
MICHAEL R. MCNULTY.
PETE STARK.

VIII. ADDITIONAL VIEW

In the main, I agree with the concerns expressed in the Dissenting Views on H.R. 984. However, as I stated at the mark up on June 10, 1999: while I recognize that the legislation as passed by the committee is imperfect, the time has come to move a Caribbean Basin Initiative enhancement bill forward. This is especially true in light of the devastation wrought by Hurricane Mitch, as it has become all the more important to reconcile our differences and pass legislation which can help the region rebuild. For that reason I am compelled to support the bill as reported out of Committee, in hope that what comes before us for final vote will take into account the concerns raised in the Dissenting Views.

XAVIER BECERRA.

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