



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

DECEMBER 31, 2003

Prepared by the Office of the United States Trade Representative



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The Office of the United States Trade Representative would like to give a special thanks to all of the U.S. Embassies in the Caribbean Basin who contributed to this report.

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EXECUTIVE SUMMARY

- The U.S. trade preferences programs for the Central American and Caribbean region, known collectively as the Caribbean Basin Initiative (CBI), continue to generate important benefits both for the beneficiary countries, as well as for the U.S. economy. Expansion of CBI benefits through enactment of the Caribbean Basin Trade Partnership Act (CBTPA) in 2000 represents an important affirmation of the ongoing U.S. commitment to economic development in the Caribbean Basin, by expanding duty-free access to the U.S. market for CBI goods.
- In conjunction with economic reform and trade liberalization by beneficiary countries, the trade benefits of CBI have helped countries in the region diversify their exports and have contributed to their economic growth. At the inception of the CBI in 1984, traditional and primary products such as coffee, bananas, and mineral fuels accounted for a majority of U.S. imports from the region. In 2002, manufactured products such as apparel and electrical and non-electrical machinery amounted to over half of CBI exports to the United States.
- The total value of CBI exports to the United States in 2002, at \$21.4 billion, was approximately 2.5 times greater than in 1984. The CBI's share of total U.S. imports was 1.8 percent in 2002, approximately the same as its share in each of the three preceding years.
- U.S. exporters have also benefited from the trade expansion fostered by the CBI program. Total U.S. exports to the CBI region, having reached \$20.7 billion in 2002, made the CBI the seventh largest market for U.S. exports, ahead of countries such as China, France, Singapore and Brazil. Following slight drops in 1999 and 2001, U.S. exports to the CBI region expanded slightly in 2002. The region absorbs approximately 3 percent of total U.S. exports.
- The CBTPA provisions are being extensively used by CBI exporters and U.S. importers. The Administration will continue to work with Congress, the private sector, beneficiary countries, and other interested parties to ensure a faithful and effective implementation of this important expansion of trade benefits.
- The eligibility criteria contained in the CBI statutes, including the revised factors outlined in the CBTPA, have continued to provide opportunities to advance important U.S. policy objectives. Upon implementation of CBTPA in mid-2000, the Administration conducted an extensive review of each of the twenty-four CBI beneficiary countries, in connection with the process of considering their eligibility under the CBTPA. Direct engagement with CBI country governments during that review helped bring about improvements, in some cases substantial improvements, related to CBTPA criteria, including the protection of internationally recognized worker rights, protection of intellectual property rights, and participation in the World Trade Organization and the Free Trade Area of the Americas negotiations.

- In general, CBI beneficiary countries continue to advance in their performance under the eligibility criteria established in the CBERA and CBTPA statutes.
- U.S. engagement with the Caribbean Basin through the CBI offers an important opportunity to foster the region's active participation in the Free Trade Area of the Americas negotiations, and to prepare CBI countries to benefit fully from free trade in the Western Hemisphere. As directed by the CBTPA, the Administration is also exploring other ways to deepen trade policy dialogues with countries in the Caribbean Basin, through agreements such as the U.S.-Central America Free Trade Agreement that will promote freer trade with El Salvador, Guatemala, Honduras, Nicaragua, and, in the future, with Costa Rica and the Dominican Republic. The Administration also has notified Congress of its intention to enter into free trade negotiations with Panama.

INTRODUCTION

The programs known collectively as the Caribbean Basin Initiative (CBI) are a vital element in U.S. economic relations with its neighbors in Central America and the Caribbean. Initially launched in 1983 as the Caribbean Basin Economic Recovery Act (CBERA) and substantially expanded in 2000 with the U.S.-Caribbean Basin Trade Partnership Act (CBTPA), the CBI was further expanded in the Trade Act of 2002. The CBI currently provides 24 beneficiary countries with duty-free access to the U.S. market for most goods.

The CBI was initially envisioned as a program to facilitate the economic development and export diversification of the Caribbean Basin economies. During the nearly two decades since its inception, however, it has become clear that the CBI represents important benefits for the United States, as well as beneficiary countries. U.S. exports to the CBI beneficiary countries more than doubled between 1989 and 2002, totaling \$20.7 billion in 2002. Collectively, the CBI countries rank seventh among U.S. market destinations, ahead of such countries as China, France, Singapore, and Brazil.

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

Enactment of the Trade Act of 2002 represented a strong reinforcement of the U.S. commitment to economic engagement with its Caribbean Basin neighbors. In addition to harmonizing apparel eligibility criteria among the Andean Trade Preferences Act, the African Growth and Opportunity Act, and the CBTPA, the Trade Act of 2002 increased caps for knit apparel articles and t-shirts from the Caribbean Basin.

This report, coming more than a year after the passage of the Trade Act of 2002, provides an important opportunity to evaluate the initial impact of this latest expansion of CBI trade preferences. It is clear that the new preference provisions are being actively used by beneficiary countries and U.S. industries. The Administration will continue to work with Congress, the private sector, CBI beneficiary countries, and other interested parties to ensure a faithful and effective implementation of this important expansion of trade benefits.

Chapter 1

DESCRIPTION OF THE CARIBBEAN BASIN INITIATIVE

Key Product Eligibility Provisions

CBERA Preferences

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

In 1990, the CBERA was made permanent and at the same time amended modestly to increase market access to the United States. These amendments expanded certain trade and tax benefits of the original statute, including: a 20 percent tariff reduction on certain leather products; duty-free treatment for products produced in Puerto Rico and further processed and imported from CBI countries; and duty-free treatment from beneficiary countries for products made from 100 percent U.S. components, except for textile and apparel articles, and for petroleum and certain products derived from petroleum.

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

CBTPA Preferences

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

Under the CBTPA, duty- and quota-free treatment is provided for apparel assembled in CBI countries from U.S. fabrics formed from U.S. yarns and cut in the United States. If the U.S. fabrics used in the production of such apparel are cut into parts in the CBTPA countries rather than in the United States, the apparel must also be sewn together with U.S. thread in order to qualify for preferential treatment. Duty- and quota-free treatment is also available for certain

knit apparel made in CBTPA beneficiary countries from fabrics formed in the Caribbean Basin region, provided that the fabric is formed from U.S. yarns. This “regional fabric” benefit for knit apparel is subject to an annual quantitative limit, with a separate limit provided for t-shirts. The limits were subject to annual growth rates of 16 percent through September 30, 2004. (These limits were later amended by the Trade Act of 2002, discussed below.) Duty- and quota-free treatment is also available for certain brassieres, certain textile luggage, apparel made in CBI countries from fabrics determined not to be available in commercial quantities in the United States, and designated “hand-loomed, handmade, or folklore” articles.

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

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

Trade Act of 2002 Preferences

In August 2002, the Trade Act of 2002 (“the Act”) amended the CBERA to grant additional benefits to Caribbean Basin apparel products. Specifically, these changes permitted the use of U.S. and regional knit-to-shape components in eligible apparel articles. The Act also grants preferences to “hybrid articles,” which are articles that contain U.S. and regional components. The Act specified that both fabric and knit-to-shape components may be used in eligible articles. In addition, the Act substantially increased the annual quantitative limit for eligible knit apparel articles and nearly doubled the separate limits for t-shirts. The Trade Act of 2002 also added a requirement, effective September 1, 2002, that for apparel assembled in the region from U.S. knit or woven fabrics, all dyeing, printing and finishing must be done in the United States.

Beneficiary Countries

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

Currently 24 countries receive CBI benefits. The following 20 countries were designated on January 1, 1984: Antigua and Barbuda, Barbados, Belize, British Virgin Islands, Costa Rica, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Haiti, Honduras, Jamaica, Montserrat, Netherlands Antilles, Panama, St. Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, and Trinidad and Tobago. The Bahamas was designated on March 14, 1985. On April 11, 1986, Aruba was designated retroactively to January 1, 1986, upon becoming

independent of the Netherlands Antilles. Guyana was designated effective November 24, 1988, and Nicaragua was designated effective November 13, 1990.

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

On October 2, 2000, the President designated all 24 existing CBERA beneficiary countries as eligible beneficiaries under the CBTPA. In addition to all Presidential eligibility designations based on the criteria described in Chapter 3, the CBTPA requires an additional determination that countries have implemented or are making substantial progress towards implementing certain customs procedures based on those contained in the NAFTA. As of late 2003, the following 14 countries have satisfied this requirement and have been designated as fully eligible to receive the enhanced benefits of the CBTPA: Barbados, Belize, Costa Rica, Dominican Republic, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Nicaragua, Panama, Saint Lucia, and Trinidad and Tobago. Additional CBTPA beneficiary countries may be designated in the future as fully eligible for CBTPA benefits, provided that the customs-related requirements are satisfied.

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

Safeguard Provisions

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

Anti-Transshipment Provisions

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

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

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

Rum

An excise tax of \$13.50 per proof gallon is imposed under section 5001(a)(1) of the Internal Revenue Code (the Code) on distilled spirits, including rum, produced in or imported into the United States. The CBERA requires that excise taxes (less the estimated amount necessary for payment of refunds and drawbacks) on all rum imported into the United States, including rum produced in Puerto Rico, the Virgin Islands and CBERA countries, be transferred (carried over) to the Treasuries of Puerto Rico and the Virgin Islands (section 7562(3) of the Code). For distilled spirits brought into the United States after June 30, 1999 and before January 1, 2004, the rate at which the amount transfers are calculated is \$13.25 per proof gallon (section 7652(f) of the Code).

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

Tax Provisions

U.S. taxpayers can deduct legitimate business expenses incurred attending a business meeting or convention in a qualifying CBERA country without regard to the more stringent requirements usually applied to foreign convention expenses. A qualifying CBERA country must have a tax information exchange agreement with the United States in effect and may not discriminate against conventions held in the United States. The deduction is not available for beneficiary countries if the U.S. Department of Treasury has found that the tax laws of the country in question discriminate against conventions held in the United States.

As of November 2003, the following twelve countries have satisfied all the CBERA legal requirements, which were incorporated into the Internal Revenue Code under section 274(h): Antigua and Barbuda, Barbados, Bermuda, Costa Rica, Dominica, Dominican Republic, Grenada, Guyana, Honduras, Jamaica, Saint Lucia, and Trinidad and Tobago.

Reports

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

ITC Economic Effects Report: Section 215 of the CBERA requires the International Trade Commission (ITC) to report biennially to the Congress with an assessment of the actual and probable future effects of CBERA on the U.S. economy generally, on U.S. consumers, and on U.S. industries. Effective in 2001, the ITC report is also required to address the economic impact of the CBI programs on beneficiary countries. The ITC submitted its 16th report on the impact of the CBERA to the President and Congress in September 2003 (USITC Publication 3636). The Commission concluded that the CBERA continued to have a negligible effect on the U.S. economy during 2001 and 2002. The ITC also found that recent enhancements to the CBERA appear to have had a positive effect on investment and employment in a number of beneficiary countries, with the most pronounced effects in the textile and apparel sector. The report also notes that the beneficiary countries from Central America seem to believe that the outcome of free trade negotiations with the United States will be a greater determinant of the future trading relationships than any unilateral preference program of the United States.

Labor Impact Report: Section 216 of the CBERA required an annual report to Congress by the Secretary of Labor on the impact of the CBI on U.S. labor. That provision has expired.¹ The final report, covering 1997-98, was submitted in February 2000. The report found that the preferential tariff treatment provided to the products of the CBI beneficiaries did not appear to have had an adverse impact on, or to have constituted a significant threat to, U.S. employment.

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

Worst Forms of Child Labor Report: The Trade and Development Act of 2000 requires the Secretary of Labor to prepare a report on GSP beneficiary countries' progress towards implementing their international commitments to eliminate the worst forms of child labor. The most recent report was published in June 2003. The report indicates that the commitment to eliminate the worst forms of child labor continues to gain even greater momentum across the international community, and in 2002 significant efforts were made in CBI beneficiary countries to advance the global campaign against the worst forms of child labor.

For example, since the adoption of the International Labor Organization (ILO) Convention No. 182 on the Worst Forms of Child Labor in June 1999, 147 countries have ratified the convention, including all of the CBERA countries except Haiti, which has signed but not ratified the convention. Also, many of the countries studied in the report showed both ongoing efforts and new efforts in governmental policies and programs to eliminate the worst forms of child labor.

¹ The Federal Reports Elimination and Sunset Act of 1995 (P.L. 104-66 of December 21, 1995) specified that this report was to be phased out four years hence (December 21, 1999).

In CBERA beneficiary countries, a number of projects have been undertaken to combat the problem of the worst forms of child labor, including Time-Bound Programs in Costa Rica, the Dominican Republic and El Salvador. These projects, implemented by the ILO's International Program on the Elimination of Child Labor (ILO-IPEC), aim to eliminate the worst forms of child labor in targeted sectors over a specified period of time. The U.S. Department of Labor and other donors have also funded ILO-IPEC programs in the Caribbean, Central America, the Dominican Republic and Haiti to combat child labor in hazardous sectors such as commercial agriculture, garbage collecting, fireworks manufacturing, as well as to prevent the commercial sexual exploitation of children. To access a full version of the report, please visit the U.S. Department of Labor's website at www.dol.gov.

Meetings of Caribbean Basin Trade Ministers and USTR

The CBTPA directs the President to convene a meeting with the trade ministers of Caribbean Basin countries in order to establish a schedule of regular meetings of the region's trade ministers and the U.S. Trade Representative. As indicated in the CBTPA, the purpose of the meetings is to advance consultations between the United States and CBI countries concerning the possible initiation of advantageous trade agreements with the United States.

All CBI beneficiary countries are participating in negotiations to create a Free Trade Area of the Americas (FTAA). The FTAA, a comprehensive trade agreement involving all 34 democratic countries of the Western Hemisphere, remains the central U.S. trade policy objective for the region. The U.S. Trade Representative has pursued an active and ongoing FTAA-related dialogue with Central American and Caribbean Trade Ministers, with the aim of concluding these negotiations by January 2005. The U. S. Trade Representative held meetings with his counterparts from the Caribbean and Central American countries in advance of the November 2003 FTAA Ministerial Conference in Miami. Meetings at the Vice Ministerial level are held several times each year. In addition, the U.S. Trade Representative held special bilateral meetings with the Caribbean Trade Ministers in September 2002 in Trinidad and Tobago and again in July 2003 in Jamaica to discuss bilateral, regional and multilateral trade negotiations.

In accordance with the CBTPA's directive to explore additional possibilities for free trade with CBI countries, in early 2002 President Bush put forward his vision for a free trade agreement with Central America that would expand economic freedom and opportunity for all peoples, and which would support regional stability, democracy and economic development. The U.S. Trade Representative opened a dialogue with Central American countries on the feasibility, mutual benefits, and possible framework of a regional free trade agreement during 2002. In January 2003, the U.S. Trade Representative began negotiations with Central American countries (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) for the Central American Free Trade Agreement (CAFTA). Negotiations were concluded in December 2003 with El Salvador, Guatemala, Honduras and Nicaragua. Negotiations to finalize Costa Rican participation were concluded in January 2004.

Due to the significant trade and strong political relationship with the Dominican Republic and after consultations with our Central American negotiating partners, the U.S. Trade Representative announced the Administration's intent on August 4, 2003, to begin negotiations in January 2004 to integrate the Dominican Republic into CAFTA.

In addition, on November 18, 2003, the U.S. Trade Representative announced that the Administration would also seek a free trade agreement with the Republic of Panama in 2004. Negotiations are tentatively scheduled to begin in the second quarter of 2004. A decision to move forward with Panama in greater liberalization efforts is based on the historical relationship between our countries and Panama's commitment to strengthening economic ties, resolving current impediments to increased bilateral trade and investment, and enhancing cooperation in the area of regional and multilateral trade negotiations.

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

Other Provisions

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

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

Chapter 2

TRADE UNDER THE CBI PROGRAMS

Table 1: Comparison of U.S. and CBI-Preference Trade, 1998-2002, January-October '02 to '03

YEAR	U.S. EXPORTS ²	U.S. EXPORTS TO WORLD	U.S. EXPORTS TO CBERA	U.S. IMPORTS ³	U.S. IMPORTS FROM WORLD	U.S. IMPORTS FROM CBERA
	Million \$\$\$	Million \$\$\$	Percentage of Total Exports	Million \$\$\$	Million \$\$\$	Percentage of Total Imports
1998	20,083.3	682,137.7	2.94	17,253.5	911,896.1	1.89
1999	19,824.7	695,797.2	2.85	19,610.6	1,024,618.2	1.91
2000	21,454.1	781,917.7	2.75	22,558.7	1,218,022.0	1.85
2001	20,920.5	729,100.3	2.87	20,910.3	1,140,999.4	1.83
2002	20,662.9	693,103.2	3.13	21,377.7	1,161,366.0	1.84
Jan-Oct 2002	17,676.8	578,183.3	3.06	17,657.7	959,383.2	1.84
Jan-Oct 2003	19,578.4	596,115.8	3.28	20,635.7	1,043,785.5	1.98

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

Detailed information on U.S. imports from CBI countries is reflected in Annex 2 of this report.

Total U.S. imports from CBI countries have remained relatively steady since the preparation of the last report on the operation of the CBERA. However, in the first ten months of 2003, imports grew by almost 17% under the CBI-preference programs. At \$21.4 billion in 2002, CBI countries combined constituted the twelfth-largest supplier of U.S. imports—ahead of Singapore and just behind Italy. The CBI countries have continued to supply just under 2 percent of total annual U.S. imports in recent years.

Imports by Country

The Dominican Republic continues to be the leading CBI supplier of imports to the United States, although the country's relative share of total CBI-preference trade has declined in recent years. U.S. imports from the Dominican Republic constituted about 27 percent of all imports under the CBI-preferences, down from a 30 percent share in 2000. Apparel, cigars, jewelry, sugar and electrical components were the major Dominican products exported to the United States. Due to the CBTPA's new apparel trade preferences, in 2002 apparel overtook traditional exports such as sugar and cigars as the Dominican Republic's major export category to the United States.

Honduras for the first time was ranked second among CBI trading partners in 2002 in terms of both overall imports and CBI-preference imports, due to its strength as an apparel supplier. CBI-

² Domestic exports, F.A.S. basis.

³ Imports for consumption, customs value.

preference imports from Honduras totaled \$2.0 billion in 2002 and its share of total imports significantly increased from 9 percent in 2000 to almost 20 percent in 2002. Honduras continues to be one of the leading suppliers of imported apparel to the U.S. market, ranked second (behind Mexico) in total volume of apparel shipments to the United States in 2002. All of the leading Honduran exports to the United States were in the textile and apparel sector in 2002.

Trinidad and Tobago was the third leading source of U.S. imports under CBI in 2002 and remains the heaviest user of CBI provisions in the English-speaking Caribbean. The United States imported \$1.16 billion under CBI-preferences from Trinidad and Tobago during 2002, a sharp increase from the \$328 million registered in 2001. CBI trade from Trinidad and Tobago is dominated by petroleum and methanol, U.S. imports of which have continued to increase in both value and volume since 1998.

Costa Rica slipped two positions since 2000, ranking fourth among CBI trading partners in terms of CBI-preference imports (\$1.2 billion), although Costa Rica did rank third in terms of overall imports. Pineapples, apparel products, cantaloupes and frozen orange juice were the leading categories of CBI-preference imports from Costa Rica in 2002.

El Salvador continues to grow as a user of CBI benefits, ranking fifth with \$1.1 billion in imports to the United States in 2002. El Salvador's share of total CBI imports increased from 2.6 percent in 2000 to 11.4 percent in 2002. All of the leading import items under CBI from El Salvador were apparel items.

Guatemala ranked sixth among U.S. import suppliers from the CBI in 2002, a drop of two places from 2000. Total U.S. imports from Guatemala were \$2.8 billion, with \$1 billion entering under CBI. During 2002, Guatemala continued to demonstrate strong performance in connection with CBTPA apparel benefits, with \$1.8 billion in imports to the United States.

Jamaica's use of CBI-preferences grew after years of steady decline, with U.S. imports under CBI growing from \$89 million in 2000 to \$194 million in 2002. The growth has been based principally upon the CBTPA apparel provisions.

The United States continues to have a small value of bilateral trade with many of the Caribbean economies. While the overall value is small, CBI-preference imports do account for relatively significant proportions of total U.S. imports from these countries. Rum, apparel products and electrical switches were some of the leading categories of CBI-preference imports from the smaller Caribbean economies.

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

Although the CBI was initially envisioned as a program to facilitate the economic development and export diversification of the Caribbean Basin economies, U.S. export growth to the region has been a welcome corollary benefit. The value of total U.S. exports to beneficiary countries declined slightly during the period 2001 and 2002, although the implementation of CBTPA has caused a tremendous growth in the export of textiles to CBI countries including an increase of 78 percent in 2001 and another 34 percent in 2002. Collectively, the CBI region ranks seventh among U.S. export destinations and absorbs approximately 3 percent of total U.S. exports. The Dominican Republic, Costa Rica, Honduras, Guatemala and El Salvador were the principal markets for U.S. products, accounting for 63.3 percent of U.S. exports to the CBI region in 2002. Based on sales in the first ten months, U.S. exports in 2003 are headed to grow by a strong 10 percent, and will approach a new peak of \$23 million. The United States exports to the CBI region a broad range of products. The top categories include equipment and machinery, nuclear machinery, apparel goods, mineral oils, plastics, cereals, cotton, paper and vehicles.

Table 2: U.S. Exports to CBERA Beneficiaries, 1998-2002 and January-October '02 to '03, \$\$ thousands

MARKET	1998	1999	2000	2001	2002	JAN-OCT 2002	JAN-OCT 2003
Antigua & Barbuda	95,815	96,077	138,712	95,987	81,459	66,724	107,023
Aruba	351,154	307,111	289,183	278,657	464,703	354,064	296,266
The Bahamas	815,059	843,641	1,064,652	1,021,678	975,208	790,910	903,976
Barbados	281,143	302,393	305,623	286,381	268,566	214,950	252,986
Belize	119,924	136,110	208,514	172,903	137,335	103,598	178,202
British Virgin Isl	62,746	58,562	64,622	75,038	66,987	55,842	56,250
Costa Rica	2,299,252	2,379,661	2,445,428	2,496,242	3,131,602	2,567,187	2,879,765
Dominica	52,131	38,558	37,343	30,739	45,088	37,289	28,468
Dominican Republic	3,977,368	4,085,640	4,443,418	4,435,715	4,261,556	3,590,157	3,572,158
El Salvador	1,515,043	1,520,208	1,774,865	1,771,118	1,664,893	1,370,720	1,514,255
Grenada	56,451	66,194	79,267	59,797	56,518	41,517	58,294
Guatemala	1,940,938	1,811,531	1,895,309	1,876,832	2,041,860	1,677,845	1,894,119
Guyana	145,487	145,142	158,955	141,099	128,310	104,945	94,598
Haiti	547,842	614,794	576,124	550,317	582,554	457,871	537,843
Honduras	2,322,771	2,369,298	2,574,554	2,436,975	2,564,589	2,101,574	2,361,815
Jamaica	1,303,717	1,294,778	1,377,566	1,407,566	1,419,947	1,148,151	1,225,301
Montserrat	5,156	4,004	10,525	5,958	5,158	4,565	6,303
Netherlands Antilles	742,144	603,301	674,074	817,599	742,121	577,186	595,363
Nicaragua	336,634	373,955	379,123	443,111	437,634	349,268	415,697
Panama	1,752,834	1,741,333	1,608,757	1,333,174	1,407,691	1,091,555	1,518,152
St. Kitts and Nevis	44,780	48,456	57,876	46,200	49,695	41,081	48,930
St. Lucia	92,427	98,107	105,330	88,699	98,059	79,248	104,176
St. Vincent & the Grenadines	274,211	92,069	37,271	39,437	40,536	31,959	37,112
Trinidad and Tobago	982,779	785,471	1,096,884	1,089,586	1,018,002	828,654	891,446
TOTAL	20,117,805	19,816,393	21,403,972	21,000,722	20,690,069	17,676,860	19,578,498

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

Chapter 3

ELIGIBILITY CRITERIA AND ADVANCEMENT OF TRADE POLICY GOALS

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

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

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

CBERA “Mandatory” Criteria

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

Nationalization/Expropriation: The CBERA stipulates that countries that have expropriated or nationalized property of U.S. citizens are ineligible for CBI benefits, unless the President determines that the country is taking steps to resolve the citizen’s claim. Questions about expropriation have arisen in this context, and the United States is currently exploring this issue, as reflected in the country reports that follow.

Arbitral Awards: The President shall not designate any country if the country fails to act in good faith in recognizing as binding or enforcing arbitral awards in favor of U.S. citizens or corporations owned by U.S. citizens. There are no current cases where a beneficiary country has failed to act in good faith in recognizing an arbitral award.

Reverse Preferences: If a country affords preferential treatment to the products of a developed country, other than the United States, which has or is likely to have a significant adverse effect on U.S. commerce, it is ineligible for designation as a CBERA beneficiary. There are no cases where a preference program of a beneficiary country has had a significant adverse effect on U.S. commerce.

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

Extradition: The CBERA requires that a country be a signatory to a treaty, convention, protocol, or other agreement regarding the extradition of United States citizens.

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

CBERA “Discretionary” Factors

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

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

Market Access/WTO Rules: The CBERA authorizes the President to consider the extent to which a country assured the United States that it will provide equitable and reasonable access to the markets and basic commodity resources of the country and the degree to which the country follows the international trade rules of the World Trade Organization. The eligibility criteria of the CBTPA elaborate on these factors, with a focus on implementation of WTO commitments

and participation in negotiations to create a Free Trade Area of the Americas. These factors are examined in the country reports which follow.

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

Contribution to Regional Revitalization: CBERA’s discretionary factors include consideration of the degree to which the trade policies of an individual CBI country contribute to the revitalization of the region as whole. Countries in the Caribbean Basin have continued, for the most part, to implement policies that have advanced regional economic development and growth. With few exceptions, countries have continued to reform their economies and liberalize trade and investment regimes.

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

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

CBTPA Eligibility Requirements

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

- whether the beneficiary country has demonstrated a commitment to undertake its obligations to the WTO on or ahead of schedule and participate in the negotiations toward the completion of the FTAA or another free trade agreement;
- the extent to which the country provides protection of intellectual property rights consistent with or greater than the protection afforded under the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS);
- the extent to which the country provides internationally recognized worker rights, including:
 - the right of association;
 - the right to organize and bargain collectively;
 - a prohibition on the use of any form of forced or compulsory labor;
 - a minimum age for the employment of children; and

- acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health;
- whether the country has implemented its commitments to eliminate the worst forms of child labor;
- the extent to which the country has met U.S. counter-narcotics certification criteria under the Foreign Assistance Act of 1961;⁴
- the extent to which the country has taken steps to become a party to and implement the Inter-American Convention Against Corruption (IACAC);
- the extent to which the country applies transparent, nondiscriminatory and competitive procedures in government procurement and contributes to efforts in international fora to develop and implement rules on transparency in government procurement.

⁴ The Narcotics Certification Process was modified as a result of the Foreign Relations Authorization Act, 2002-2003, signed into law on September 30, 2002. As a result, the President has the option of submitting a consolidated report identifying all major illicit drug producing and drug-transit countries and designating those countries that have failed to comply with specified criteria. The President also retains the option to use the previous system involving an affirmative certification of cooperation, but for FY 2003, the President did not exercise this option.

Country Reports: Compliance with Eligibility Criteria

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

The Bahamas

Population: 330,529

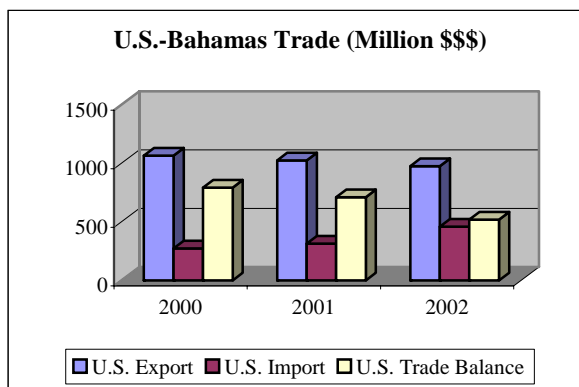
Per Capita GDP: \$13,928

Department of Commerce 2002 Trade Statistics:

U.S. Exports: \$975,208,000

U.S. Imports: \$459,435,750

U.S. Trade Balance: \$517,105,500



Economic Review: The Bahamas is an import- and services-based economy. With few domestic resources and little industry, the Bahamas imports nearly all of its food and manufactured goods, most of which originate in the United States. Approximately 75 percent of the national income of the Bahamian economy is generated by the tourism and financial services sectors.

Due to the demise of export-oriented manufacturing and agricultural production, the trade benefits of the Caribbean Basin Initiative have had relatively little effect on the Bahamian economy. The Bahamas has been designated as a beneficiary country under both CBERA and CBTPA. The Bahamas has provided commitments regarding implementation of the CBTPA's customs-related provisions and is consequently eligible to export products to the United States using the enhanced CBTPA preference provisions.

Commitment to WTO and FTAA: The Bahamas has applied for membership in the WTO and has established a working group for its accession. Officials in the Bahamian government have indicated the country's full commitment to enacting legislation needed to bring local law into conformity with WTO disciplines. The Bahamas has also been active in the FTAA negotiations, in coordination with other countries of the Caribbean Community (CARICOM) and has served since 2001 as Chair of the Services Negotiating Group and was Vice Chair of the Smaller Economies Group from 1999-2001.

Protection of Intellectual Property: The U.S. Government is not aware of any instances of patent infringement in the Bahamas. With regard to copyright protection, piracy of video and music recordings is widespread. Piracy of television signals broadcasting premium

entertainment channels also has been a prominent concern. The Copyright Act of 1998 was intended to provide better protection to copyright holders but has yet to be strictly enforced. Beginning in 2000, the United States raised serious concerns about a provision of Bahamian copyright law permitting compulsory licensing of copyright-protected television satellite signals. Although the Government of the Bahamas committed to repeal this provision, the law has not been amended or repealed. Due to this lack of action, the Bahamas has remained on the Special 301 Priority Watch List.

Provision of Internationally Recognized Worker Rights: The Constitution protects the right of workers to organize and join unions and this right is widely exercised. About one-quarter of the workforce is unionized, including 50 percent of workers in the hotel industry. Labor law prohibits discrimination or reprisals against workers for engaging in union activities and this is generally enforced. Labor laws in the Freeport free trade zone do not differ from those elsewhere in the country.

The Minimum Wage Act, passed in December 2001, established a minimum wage for the private sector of \$3.50 an hour or \$150 a week for the first time. (In 2000 the Government established a minimum wage of \$4.66 per hour for all hourly and temporary workers throughout the public sector.) In view of the high cost of living, these minimum wages do not provide more than a subsistence living for a worker and family. The Act also reduced the regular workweek from 48 hours to 40 hours, provides for one 24-hour rest period, and requires overtime payment (time and a half) for hours beyond the standard.

The Ministry of Labor is responsible for enforcing labor laws and has a team of inspectors who conduct on-site visits to enforce occupational health and safety standards and investigate employee concerns and complaints; however, inspections occur infrequently. The Ministry normally announces inspection visits in advance, and employers generally cooperate with inspectors to implement safety standards.

Bahamian labor law prohibits the employment of children under the age of fourteen in industrial work, and children under sixteen years are not permitted to work at night. There is no minimum work age in any other sector, and some children work part-time in light industry and service jobs. Statistics on the number of working children in the Bahamas are unavailable. Education is compulsory through the age of sixteen.

Commitments to Eliminate the Worst Forms of Child Labor: The Bahamas ratified ILO Convention 182, addressing the worst forms of child labor, on June 14, 2001.

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

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

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

Barbados

Population: 276,607

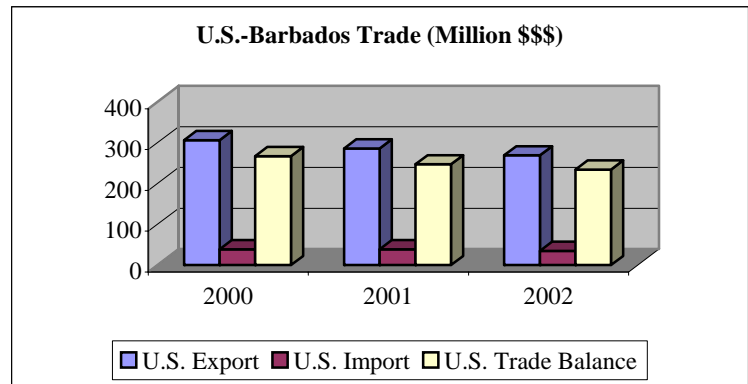
Per Capita GDP: \$8,282

*Department of Commerce 2002
Statistics:*

U.S. Exports: \$268,566,000

U.S. Imports: \$34,380,340

U.S. Trade Balance: \$234,208,470



Economic Review: Barbados enjoys a long-standing democratic tradition, a strong commitment to the rule of law, and an open economy with a marked dependence upon imports, 40 percent of which come from the United States. Like many of the small Caribbean island states, tourism is a major contributor to the country's economy; 75 percent of Barbados' foreign exchange earnings in 2002 were generated from tourism. The economy also benefits from sectors such as international financial services and manufacturing; however, because manufacturing has not been a driving economic force, Barbados has not been a major beneficiary of CBI-preferences. The Barbadian economy contracted by 0.6 percent in 2002, after having registered annual growth of over 3 percent from 1995 to 2000. The economy is projected to grow by between 2 and 3 percent in 2003.

Commitment to WTO and FTAA: Barbados has exhibited generally good performance in connection with its obligations under the WTO although, as with other Caribbean countries, Barbados' tariffs often are bound at high levels. The country is also participating actively in the FTAA process, in coordination with other countries of CARICOM. Barbados hosted a meeting of the Vice Ministerial Trade Negotiations Committee of the FTAA in 2000 and was Vice Chair of Market Access Negotiating Group from 1999-2001. It also provided the first Chair of the Joint Electronic Commerce Committee.

Protection of Intellectual Property: The Government of Barbados adopted a new Copyright Act in 1998, and legislation for integrated circuit topography, protection against unfair competition, and geographical indicators was passed in September 1998. The Trademark and Industrial Designs Acts were recently revised and now meet world standards. Legislation in compliance with TRIPs for patent and plant variety protection is in an advanced state. Article 45 of the Protocol amending the treaty that established CARICOM commits all fifteen members to implement stronger intellectual property protection and enforcement. Domestic laws must be amended prior to accepting international treaties.

Provision of Internationally Recognized Worker Rights: In Barbados, the legal minimum working age of sixteen is widely observed. Labor inspectors are employed to enforce the law. In Barbados, only two categories of workers have a formally regulated minimum wage—household domestics and shop assistants. The standard legal workweek is forty hours in five days, and the law requires overtime payment for hours worked in excess. The Labor Department enforces health and safety standards and follows up to ensure that management corrects problems cited. Trade union monitors identify safety problems for government factory inspectors to ensure the enforcement of safety and health regulations and effective correction by management.

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

Counter-Narcotics Cooperation: The level of cocaine, marijuana, and heroine trafficked through Barbados does not reach the levels required to designate Barbados a major drug producing or drug transit country under the Foreign Assistance Act of 1961, as amended. In the President’s Report to Congress, dated January 31, 2003, Barbados was not designated as having demonstrably failed to adhere to its obligations under international counter-narcotics agreements in the previous twelve months.

Implementation of the Inter-American Convention Against Corruption: Barbados signed the Inter-American Convention Against Corruption in April 2001 but has not ratified it.

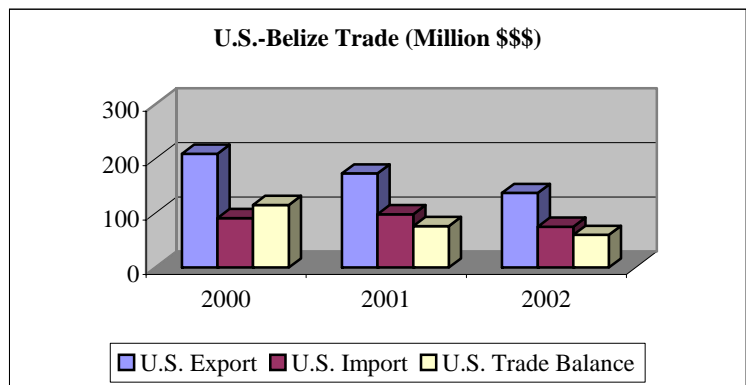
Transparency in Government Procurement: The government, through the Ministry of Finance’s Special Tenders Committee, follows competitive bidding standards for most contracts and acquisitions. Occasionally, a case of no-objection has been presented to the funding institution if sole-sourcing is the only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

Belize

Population: 262,999
Per Capita GDP: \$3,141

*Department of Commerce 2002
Trade Statistics:*

U.S. Exports: \$137,335,000
U.S. Imports: \$75,447,900
U.S. Trade Balance: \$59,548,800



Economic Review: Economic activity this year is expected to continue a downward trend, with a year-end economic growth of 3.5 percent. Many factors contributed to a decline in economic growth in 2003, including primarily (a) the government’s decision to scale down considerably

public expenditure in non-productive sectors such as housing and roads, and (b) regular increases of fuel price in the domestic market in spite of declining world market prices for the commodity.

Belize continues to rely heavily on foreign trade, with the United States as its number one trading partner. In 2002, the U.S. accounted for 54.5 percent of Belize's total exports and provided 60 percent of all Belizean imports.

Commitment to WTO and FTAA: Belize has demonstrated a commitment to undertake its obligations required by the WTO. For instance, Belize, as a member of CARICOM, is currently participating in a WTO/CARICOM technical agreement whose goals are to review existing laws of CARICOM member states and enact new ones so that the participating countries can fulfill their commitments to WTO. In like manner, Belize participates in the FTAA negotiations in close coordination with CARICOM's Regional Negotiating Machinery.

Belize is undertaking trade policy measures to ensure that it participates in the ongoing trade negotiation talks with the WTO and in the FTAA. For instance, following the March 5, 2003, general elections, the Government of Belize, as a demonstration of its commitment to promote trade at all levels, established a ministry responsible strictly for foreign trade. This ministry has subsequently created a National Trade Negotiating Commission, whose primary functions are to negotiate trade agreements and devise policies to cope with the effects of globalization.

Protection of Intellectual Property: Belize has enacted laws that provide for the protection of intellectual property rights consistent with or greater than the protection afforded under the Agreement on Trade-Related Aspects of Intellectual Property Rights. These IPR laws, all enacted in 2000, include the Copyright Act, the Industrial Designs Act, the Patents Act, the Protection of Layout-Designs (Topographies) of Integrated Circuits Act, and the Protection of New Plant Varieties Act. Belize recently enacted the Electronic Transactions Act, and is considering whether to accede to the WIPO Copyright Treaty and WIPO Performances and Phonograms Treaty.

Government-owned entities do not broadcast copyrighted material. However, music and video stores in Belize continue to carry hand-copied tapes, CDs, and DVDs for sale or rent and local television stations and cable companies also continue to pirate American television networks and cable channels with impunity. The U.S. government continues to raise these issues on multiple fronts.

Provision of Internationally Recognized Worker Rights: The Constitution of Belize provides for freedom of assembly and association. The Trade Union and Employee's Organizations (Registration, Recognition and Status) Act of 2000 establishes procedures for the registration and status of trade unions and employers' organizations, promotes and protects the recognition of trade unions, and encourages orderly and effective collective bargaining. .

The Constitution of Belize also prohibits slavery and the Labor Act prohibits the imposition of forced or compulsory labor. The Labor Act of Belize also states that "no person shall impose or permit the imposition of forced or compulsory labor as a (a) means of political coercion or as a punishment for holding or expressing political views or views ideologically opposed to the

established political, social or economic system; (b) method of mobilizing and using labor for purposes of economic developments; (c) means of labor discipline; (d) punishment of having participated in strikes; and (e) means of racial, social, national or religious discrimination.”

The Labor Law of Belize sets the minimum age for employment at 12 years. Children between the ages of 12 and 14 are permitted to participate in light work that is not harmful to life, health or education. The minimum age for employment near hazardous machinery is 17 years. In 2001, the ILO estimated that 1.8 percent of children ages 10 to 14 years in Belize were working.

Minimum wages are prescribed for three categories of workers, namely manual workers, shop assistants, and domestic workers. Regarding work hours, the Labor Act of Belize also states that workers shall not work more than 6 days in any week or for more than 9 hours of actual work in any day. The labor law of Belize also states that it is the duty of the employer to take reasonable care for the safety of his employees in the course of their employment. Specifically, Belize participates in the regional Occupational Safety and Health project funded by the United States Department of Labor. Belize labor law further states that every employer who provides or arranges accommodation for workers to reside at or in the vicinity of a place of employment shall provide and maintain sufficient and hygienic housing accommodations, a sufficient supply of wholesome water, and sufficient and proper sanitary arrangements.

Commitments to Eliminate the Worst Forms of Child Labor: Belize prohibits child labor and has ratified International Labor Organization Conventions 29 (Forced Labor), 105 (Abolition of Forced Labor), and 182 (Abolition of the Worst Forms of Child Labor). These Conventions are embedded in the Trade Unions and Employers’ Organizations Registration, Recognition and Status Act of 2000. Belize has also signed a Memorandum of Understanding with the ILO’s International Program for the Elimination of Child Labor (ILO-IPEC).

Counter-Narcotics Cooperation: The Misuse of Drugs Act of 1990 makes provisions with respect to dangerous or otherwise harmful drugs and further provides for the forfeiture of the proceeds of drug trafficking. In addition, the Government of Belize and the U.S. Government signed a Narcotics Control and Law Enforcement Agreement on September 22, 1999. In 2000, the Government of Belize established an anti-drug unit within the Police Department.

Implementation of the Inter-American Convention Against Corruption: Belize signed the Inter-American Convention Against Corruption at the Organization of American States General Assembly in San Jose, Costa Rica, on June 7, 2001. Prior to this, Belize’s first step to combat corruption in public life came with the enactment of the Prevention of Corruption in Public Life Act in 1994. This act makes provision for the prevention of political corruption and to provide for the public disclosure of the assets, income and liabilities of persons in public life, such as the Governor-General and members of the national assembly. It also seeks to strengthen the code of conduct prescribed in the constitution. In addition, the government hired a parliamentary commissioner on June 25, 1999. The parliamentary commissioner, known as the Ombudsman, has the primary responsibility of investigating complaints of official corruption and wrongdoing.

Transparency in Government Procurement: Standards ensuring transparent, nondiscriminatory and competitive procedures in government procurement are laid out in the Stores and Financial Orders under the Finance and Audit Act of the Laws of Belize. Government ministries, departments and agencies, however, do not always adhere to these standards. For instance, under the Orders, government purchases of over \$50,000 should be submitted for public bidding by both local and foreign companies, but this practice is not typically carried out. On the other hand, bidders for tenders for externally-funded projects must comply with the procurement rules and regulations of the foreign funding organization. The Contractor-General has not been very effective in monitoring the award and implementation of public contracts or sale of public assets. In several cases such contracts have been awarded on a questionable basis and public assets have been sold under dubious circumstances.

Additional Issues

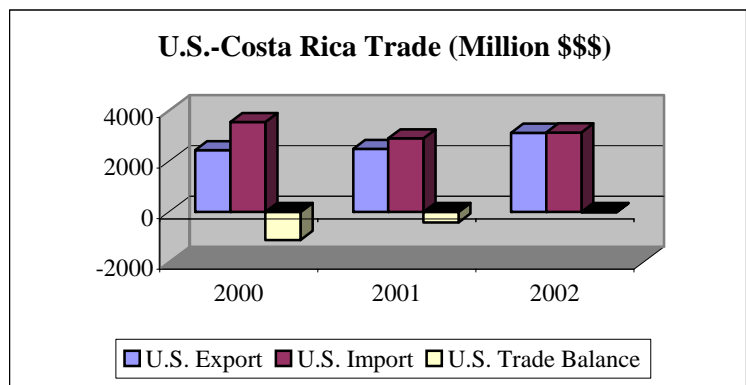
Expropriation: There have been no instances where the government has expropriated or nationalized a foreign company. However, there have been several contentious cases where the government, under its right of eminent domain, appropriated land that belonged to private property owners, including some foreign investors. These appropriations were ostensibly made for public purposes, but several were uncovered as political payoffs. The government has subsequently strengthened the Ministry of Natural Resources and the Environment to prevent abuses and made a good faith effort to settle several outstanding claims. Nevertheless, although Belizean law requires that the government assess and pay appropriate compensation based on fair market value, such compensation can often take time to settle. The Government of Belize allocates a very small amount of its annual budget to pay the large and growing amount of property claims.

Costa Rica

Population: 3,834,934
Per Capita GDP: \$3,912

*Department of Commerce 2002
Trade Statistics:*

U.S. Exports: \$3,131,602,000
U.S. Imports: \$3,146,217,560
U.S. Trade Balance: - \$10,080,700



Economic Review: Costa Rica has continued to pursue a broad economic strategy based on trade liberalization and investment promotion. This strategy has led to diversification of the economy away from traditional dependence on agricultural products, such as bananas and coffee, and towards the exportation of manufactures, such as in the semiconductor production sector.

The Costa Rican economy is making modest but steady gains after a significant slowdown in 2000 and 2001. GDP grew 2.8 percent in 2002 and is expected to grow 5.4 percent in 2003, due in part to a thriving export sector. The United States supplied 50 percent of Costa Rican imports

and absorbed 53 percent of Costa Rican exports in 2002. The tourism sector is a principal earner of foreign currency, and the United States remains the largest foreign investor in Costa Rica.

Commitment to WTO and FTAA: Costa Rica participates actively in the WTO and has taken its obligations under the Uruguay Round seriously. In 2000, Costa Rica ceased granting financial investment subsidies and tax holidays to new exporters. Companies established in duty-free exporting zones are scheduled to begin paying taxes in 2007. Costa Rica has been supportive of multilateral trade liberalization through negotiations in both the WTO and the FTAA. Currently, Costa Rica serves as the Chair of the Working Group on Transparency in Government Procurement Practices. In the FTAA negotiations, Costa Rica is currently the Chair of the Government Procurement Negotiating Group and served as Chair of the Dispute Settlement Negotiating Group from 1999-2001. Additionally, negotiations to finalize Costa Rican participation in CAFTA were concluded in January 2004. CAFTA will further reduce trade barriers, promote economic development, encourage investment and provide greater transparency.

Protection of Intellectual Property: Costa Rica is a party to all major international intellectual property agreements, though video and sound piracy remain common due to inadequate enforcement. Software piracy has been greatly curtailed by vigorous official measures, particularly in the public sector and in large private sector companies. Pharmaceutical companies remain concerned by the continuing practice of the registering of copies of recently released pharmaceuticals.

Provision of Internationally Recognized Worker Rights: The Costa Rican Constitution protects the right to organize. Specific provisions of the 1993 Labor Code reforms provide protection from dismissal for union organizers and members during union formation, including reinstatement for workers unfairly dismissed. Courts order reinstatement as appropriate under Costa Rican law, although employers do not always comply with such orders. Labor courts and case backlogs have been significantly reduced as a result of additional shifts, including night-shift work, the appointment of 37 new labor court judges, and a center for alternative dispute resolution that operates in San Jose. The Costa Rican judicial system can further benefit from efforts to expedite cases, redress procedures, and increase efficiency. Costa Rican labor leaders emphasize that strong remedies for retaliatory dismissals of trade unionists would advance trade unions in the country.

According to the Labor Ministry the rate of unionization is 53 percent in the public sector and 6 percent in the private sector, with an overall rate of 12 percent. Currently, public sector bargaining is governed by a provisional regulation that requires collective agreements to be reviewed by a commission of state officials, making approval contingent—to some extent—on the impact of the agreement on the national budget.

With regard to the issue of public sector collective bargaining, the International Labor Organization Committee of Experts on the Application of Conventions and Recommendations (CEACR) has encouraged Costa Rica to ratify ILO Conventions 151 and 154. In May 2002, the Government of Costa Rica proposed legislation to expand and guarantee the right to bargain collectively in the public sector and in April 2003 the Government proposed the ratification of

ILO Conventions 151 and 154. The Costa Rican Legislative Assembly failed to enact either the legislation or the ILO Conventions.

The ILO conducted a labor law study at the invitation of the Costa Rican government in 2003. The study entitled, “Fundamental Principles and Rights at Work: A Labour Law Study,” documented that Costa Rican law specifies the rights of workers to join unions of their choosing without prior authorization, and workers exercise this right in practice. Unions operate independently of government control. The law prohibits discrimination against union members and imposes sanctions against offending parties. The 2003 labor law study followed the ILO’s finding of a previous review conducted in November 2001, in which the ILO found that unions were independent, enjoyed the right to organize, and expressed their views freely. The ILO has identified gaps and areas for improvement, including the need to reduce the practice of “direct bargaining” (through which employers negotiate with non-unionized workers). The ILO has also emphasized the importance of eliminating excessive restrictions on the right to strike and on the rights of foreign nationals to hold trade union office.

The Government of Costa Rica is engaged in labor cooperation initiatives to increase the capacity of the Labor Ministry and to better protect worker rights. These initiatives include a regional project in Central America funded with a fiscal year 2004 grant of \$6.75 million from the U.S. Department of Labor to increase workers’ and employers’ knowledge of labor laws, strengthen labor inspections systems, and create and bolster alternative dispute resolution mechanisms.

The Costa Rican Constitution prohibits forced or bonded labor, and there have not been any reports that such labor has occurred. Laws specifically prohibit forced and bonded labor by children, and the government enforces this prohibition effectively. The minimum age of legal employment in Costa Rica is 15 years.

The Costa Rican Constitution provides for a minimum wage by occupation that is set by the National Wage Council. The Constitution sets maximum workday hours, overtime remuneration, days of rest, and annual vacation rights. Generally, workers may work a maximum of 8 hours during the day and 6 at night, up to weekly totals of 48 and 36 hours, respectively. Nonagricultural workers receive an overtime premium of 50 percent of regular wages for work in excess of the daily work shift. The law on health and safety in the workplace requires industrial, agricultural, and commercial firms with 10 or more employees to establish a joint management-labor committee on workplace conditions and allows the government to inspect workplaces and to fine employers for violations.

Commitments to Eliminate the Worst Forms of Child Labor: Costa Rica is serious about addressing the issue of the worst forms of child labor, and President Pacheco has been very public in his concern for child welfare. Costa Rica ratified Resolution 138 of the ILO in 1974. In July 2001, the Legislative Assembly ratified Resolution 182 of the ILO related to eliminating the worst forms of child labor, including the sexual exploitation of children. The government has also established a national committee to oversee the efforts to combat child labor and has signed a Memorandum of Understanding with ILO-IPEC.

In August 2003, the Government of Costa Rica and the ILO released a joint, comprehensive report financed by the U.S. Department of Labor entitled "Results of the Survey of Child Labor and Adolescents in Costa Rica." According to the report, of the 1,113,987 children and adolescents between the ages of 5 and 17 in Costa Rica, 127,077 or 11.4 percent are employed or looking for work. (This represents a 14 percent reduction in the number of working children from earlier estimates in a 1998 Costa Rican government study.) The Government of Costa Rica has a number of social programs to reduce the causes of child labor. These programs include providing small loans and economic aid to families with at-risk children and scholarships for poor families to cover the indirect costs of attending school. Child labor remains an issue mainly in the informal sector of the economy, including small-scale agriculture, domestic work, and family-run microenterprises. Child prostitution remains a problem, and more resources would improve enforcement.

Counter-Narcotics Cooperation: Costa Rica is a transshipment point for the smuggling of cocaine and heroin from South America to the United States and Europe. Cost Rican law enforcement officials are fully cooperating with U.S. counter-narcotics efforts. Costa Rica continues to work closely with the United States in implementing the comprehensive Maritime Counter-drug Cooperation Agreement signed with the United States in 2000.

Implementation of the Inter-American Convention Against Corruption: Costa Rica has ratified the IACAC. Domestic law imposes a requirement that senior government officials file personal financial reports while in office. In 2002, the Government of Costa Rica commissioned a study to monitor implementation of the IACAC and to issue recommendations for further actions. The Legislative Assembly is currently reviewing a law that would further strengthen the government's anti-corruption efforts.

Transparency in Government Procurement: While the Government of Costa Rica generally requires all procurement to be done through open bidding, problems and complaints sometimes occur. Costa Rican government procurement practices are complex and cumbersome, resulting from the many layers of government supervision in place to prevent illegal practices. Bid awards are frequently delayed by appeals by the losing parties or the Contraloria General's efforts to regulate government purchases and procedures.

Additional Issues

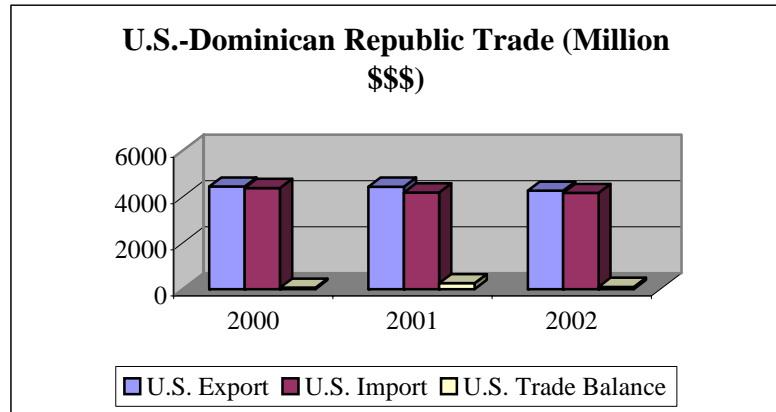
Expropriation: The Government of Costa Rica has expropriated large tracts of rural land for national parks, biological reserves and indigenous reservations during the past 30 years. The Costa Rican Constitution stipulates that no land can be expropriated without prior payment and demonstrable proof of public interest, but disputes frequently arise over title to the property and the amount of compensation. Current and past governments have made efforts to resolve several pending expropriation cases involving U.S. citizens, and there are two cases pending resolution. Arbitral awards by ICSID or by local arbitration in favor of U.S. citizens have been honored.

Dominican Republic

Population: 8,721,594
Per Capita GDP: \$2,062

*Department of Commerce 2002
Trade Statistics:*

U.S. Exports: \$4,261,556,000
U.S. Imports: \$4,166,739,280
U.S. Trade Balance: \$92,931,730



Economic Review: The Dominican Republic is the Caribbean's largest democratic country, and it has a long-standing and close relationship with the United States, its principal trading partner and largest market. The Dominican Republic is also the fifth largest importer of U.S. goods in this hemisphere. On August 4, 2003, the U.S. Trade Representative notified Congress of its intent to negotiate a free trade agreement with the Dominican Republic that would integrate the country with the CAFTA.

In 2002 the economic growth rate of the Dominican Republic was 4.1 percent, the second highest in Latin America. The inflation rate was 10.51 percent, owing largely to increased oil and electricity costs, loose fiscal policy, currency devaluation, and increased government spending. Impacted by a decline in the textile sector, the free trade zones (FTZs) saw a 3.3 percent decline in overall exports and a 3.1 percent decline in hard currency generation, as compared to 2001. Textiles, which make up to 50 percent of total exports from the FTZs, fell 4.4 percent in 2002.

In 2003, the Dominican economy turned negative, with the steep devaluation of the peso and the subsequent collapse of Baninter, one of the country's largest banks. The massive bank fraud scandal resulted in losses of an estimated \$2.2 billion in the spring of 2003, and led the Government of the Dominican Republic to seek a \$600 million International Monetary Fund (IMF) Standby Agreement, which the Dominican Republic negotiated in August 2003. The World Bank (WB) and the Inter-American Development Bank (IADB) are also expected to provide loans of a similar amount to assist with economic recovery.

Tourism has increased in 2003, generating \$210 million dollars through mid 2003 and is expected to increase by 12 percent for the year. Exports have also increased in 2003 by 28 percent, and the FTZs have expanded approximately 5 percent.

Commitment to WTO and FTAA: The Government of the Dominican Republic has taken important steps to integrate the country into the global trading system. On July 1, 2001, the Dominican Republic implemented a new WTO-consistent customs regime, in accordance with the requirements of the WTO Customs Valuation Agreement. The Dominican Republic has fully

implemented most Uruguay Round obligations, although certain aspects of implementation are proceeding slowly.

In addition to pursuing a free trade agreement with the United States, the Dominican Republic has actively participated in FTAA negotiations. The Government of the Dominican Republic is currently the Chair of the Intellectual Property Rights Negotiating Group and Vice Chair of the Market Access Negotiating Group. The Government of the Dominican Republic also hosted a FTAA Vice Ministerial Trade Negotiations Committee meeting in 2002 and was Chair of the Civil Society Committee during 2001-2002.

Finally, the Dominican Republic has also pursued regional trade integration, entering into FTAs with CARICOM and the Central American Common Market countries.

The Government of the Dominican Republic imposed a temporary 10 percent surcharge on certain imports in 2003 in an effort to support its balance of payments. It removed the surcharge as scheduled, but recently announced a 2 percent surcharge as part of a fiscal adjustment to meet IMF targets.

Protection of Intellectual Property: Improving the protection of intellectual property consistent with the WTO TRIPs Agreement remains a significant U.S. trade policy objective in the Dominican Republic. Piracy of software, video and audio recordings, and unauthorized broadcasts of copyrighted materials remain particular concerns, although the government has demonstrated a more vigorous approach to enforcement in recent years.

In March 2003, the Government of the Dominican Republic made regulatory changes to its patent law that brought the law into compliance with TRIPs. Also in 2003, the Office of the U.S. Trade Representative upgraded the Dominican Republic's status under Section 301 from "Priority Watch List" to "Watch List." A recent regulatory decree that weakens enforcement provisions under the 2000 Copyright Law has U.S. copyright industries concerned; the Government of the Dominican Republic has indicated that it will take steps to remedy the adverse impact of the decree on copyright protections through legislation in 2004.

Provision of Internationally Recognized Worker Rights: The Dominican Constitution provides for the freedom to organize labor unions, and all workers, except the military and the police, are free to organize. Organized labor represents an estimated 10 percent of the work force and is divided among four major confederations and a number of independent unions. There are 3,560 registered unions in the country, but an estimated 60 percent are inactive. The 1992 Labor Code provides extensive protection for worker rights and specifies the steps legally required to establish a union, federation, or confederation. The code calls for automatic recognition of a union if the Government has not acted on its application within 30 days. In practice, the Government readily facilitates recognition of labor organizations.

The Government generally respects association rights and places no obstacles to union registration, affiliation, or the ability to engage in legal strikes. However, enforcement of labor laws is sometimes unreliable, inhibiting employees from freely exercising their rights. The Government recognizes the problem and is working to correct shortcomings in enforcement.

Unions are independent of the Government and generally independent of political parties. The law forbidding companies to fire union organizers or members can be enforced selectively, and penalties appear insufficient to deter employers from violating worker rights. Labor unions can and do affiliate freely regionally and internationally.

Collective bargaining is legal but generally takes place only where unions have gained the support of an absolute majority of the workers. Many of the manufacturers in the Free Trade Zones (FTZs) have voluntary “codes of conduct” that include workers’ rights protection clauses. Workers do not always know their rights under these codes

The Dominican Constitution empowers the executive branch to set minimum wage levels, and the Labor Code assigns this task to a tripartite (government, employer and worker) national salary committee. Congress also may enact minimum wage legislation. There are presently 14 minimum wage scales, set by sector and/or geography, and the minimum monthly salary in FTZs is \$135 (2,490 pesos).

The Dominican Labor Code establishes a standard work period of 8 hours per day and 44 hours per week. The code also stipulates that all workers are entitled to 36 hours of uninterrupted rest each week. In practice, a typical workweek is Monday through Friday plus a half day on Saturday, but longer hours are common. The code grants workers a 35 percent differential for work totaling between 44 hours to 68 hours per week and double time for any hours above 68 hours per week. Overtime is mandatory at some firms in the FTZs.

The Labor Code sets the minimum age for employment at 14 years, and places restrictions on the employment of youth between the ages of 14 and 16. In 2001, the Ministry of Labor and the National Statistics Office reported that 17.7 percent of children ages 5 to 17 years in the Dominican Republic were working. Most of these children work in the informal and agricultural sectors. This information was gathered as part of a survey to establish a baseline for the International Program on the Elimination of Child Labor carried out by the ILO.

Commitments to Eliminate the Worst Forms of Child Labor: The Dominican Republic ratified ILO Convention 182 on November 15, 2000, and the Government of the Dominican Republic has taken a strong stance to eliminate the worst forms of child labor. A national committee on child labor has been established, and it collaborates with the ILO, UNICEF, and several non-governmental organizations. The Dominican Republic has signed a Memorandum of Understanding with the ILO’s International Program for the Elimination of Child Labor and is working with the ILO on various programs aimed at phasing out exploitative child labor. This includes the ILO-IPEC Time Bound program on the worst forms of child labor, with an Education Initiative component to improve access to education funded by the U.S. Department of Labor.

Counter-Narcotics Cooperation: The Dominican Republic is classified as a major transshipment country for narcotics moving from South America into Puerto Rico and the United States. The Dominican Republic has been fully certified as cooperating with U.S. counter-narcotics efforts. In May 2002, President Mejia signed maritime counter-drug, migration, search and rescue, and

over-flight agreements, which further bolstered cooperation on counter-narcotics, alien smuggling, and other law enforcement issues.

Implementation of the Inter-American Convention Against Corruption: The Dominican Republic has signed and ratified the IACAC. Although the administration of President Mejia has made some progress in combating corruption, it remains a pervasive problem throughout the administrative, judicial and legislative branches at all levels of government and within law enforcement agencies nationwide. Corruption and the need for reform are openly and widely discussed.

Transparency in Government Procurement: The Government of the Dominican Republic has made some advances in establishing a more open and transparent system of government procurement, but further progress is needed. Contracts for large public works, military equipment, vehicles and other supply contracts are often not subject to competitive bids. The Government of the Dominican Republic has prepared a draft government procurement law, but it has not yet been passed by the Congress.

Additional Issues

Expropriation and Arbitration: Dominican expropriation standards have historically been at variance with international norms. A number of U.S. investors have outstanding disputes with the Government of the Dominican Republic concerning expropriated land. Property claims make up the majority of expropriation cases. Most, but not all, seizures have been for purposes of infrastructure or commercial development. The most recent Dominican governments have expropriated fewer properties than their predecessors and have generally paid compensation in those cases.

A law passed in 1999 authorized the issuance of bonds to settle claims against the Government of the Dominican Republic that arose prior to August 16, 1996, including claims for expropriated property. The Mejia government is working closely with a USAID-sponsored expert to resolve outstanding claims. The Dominican Republic has successfully resolved a number of claims with the payment of bonds over the past year.

Additionally, the Dominican Republic recently became a member of the International Center for the Settlement of Investment Disputes. In August 2002, the Dominican Republic ratified the 1958 UN Convention on Arbitral Awards (the New York Convention), thereby recognizing the right of companies to pursue international arbitration.

The Organization of Eastern Caribbean States

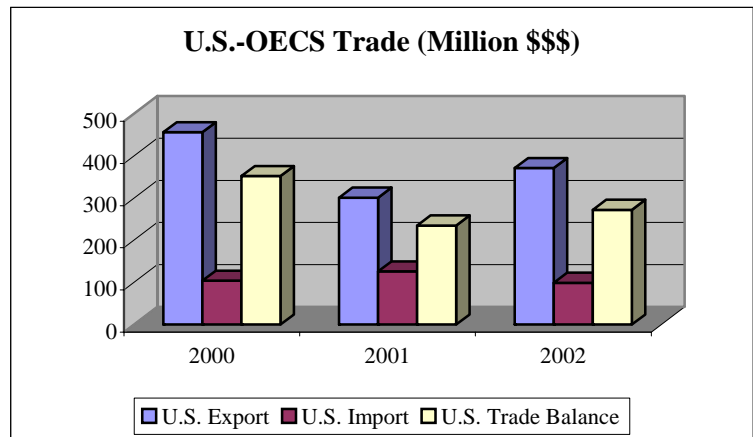
Department of Commerce 2002

Trade Statistics:

U.S. Exports: \$371,000,000

U.S. Imports: \$99,000,000

U.S. Trade Balance: \$272,000



The Organization of Eastern Caribbean States (OECS) comprises Antigua and Barbuda, Dominica, Grenada, St. Kitts & Nevis, St. Lucia, and St. Vincent and the Grenadines. All six of these countries are CBERA and CBTPA beneficiary countries.

Economic Overview: The treasuries across the region are in financial straits. In Antigua and Barbuda, the government is in arrears to several international organizations. In 2001, the external debt was estimated at \$374.7 million, just over 57 percent of GDP. Given the small size of the country and the relatively low personal income levels of its citizens, the level of debt is crushing. Long-term growth prospects depend on the full recovery of the tourism and financial services sectors, continued investment, and the government's ability to exercise fiscal restraint.

The Government of the Commonwealth of Dominica is widely recognized as having the worst financial situation of all the OECS countries. In August 2002, CARICOM Heads of Government held an emergency meeting and created a regional economic stabilization program, specifically designed to assist the Government of Dominica and to prevent total economic collapse. The Government received an immediate loan from the IMF and other international donors and severely restricted capital spending. Nonetheless, the Government did not meet the March 2003 mid-term targets set by the IMF, due in part to a 4.7 percent contraction in the economy in 2002. According to the IMF, the Government of Dominica will continue to run budgetary shortfalls until 2007 and will thus remain heavily reliant on outside assistance.

Grenada, like other OECS countries, has been adversely affected by the global economic slowdown, but it has suffered less than some, due to a relatively diversified economic base, overall political and economic stability, and good infrastructure. The island's most important industries are tourism, agriculture, fisheries, manufacturing, and financial services.

Like the other islands in the Eastern Caribbean, tourism is an important sector and the major exchange earner in St. Kitts and Nevis. Sugar once dominated the economy of St. Kitts and is still the most important crop. The Government has encouraged the development of service industries, such as call centers, but progress remains slow.

The Government of St. Lucia, one of the most effective and stable governments in the Eastern Caribbean, is faced with the challenge of trying to diversify an economy that has relied on bananas for decades. While small gains in the information technology and financial services sectors have occurred, tourism still holds the most potential for St. Lucia. Although St. Lucia suffered an overall economic decline of 5.4 percent in 2001, according to the World Bank, its GDP ranked second, only behind Barbados, in the Eastern Caribbean.

The economy of St. Vincent and the Grenadines is small, weak, and heavily in debt. The country is reliant on bananas, which account for upwards of 60 percent of the work force and 50 percent of merchandise exports. Weather patterns, such as Hurricane Lili in 2002, and market fluctuations leave the country's main crop vulnerable, and the EU implementation of the WTO ruling limiting preferential access to EU markets has had an adverse effect on the economy. Crop substitution has given rise to increased marijuana production and some segments of the population now depend on marijuana production and trafficking.

Commitment to WTO and FTAA: The OECS countries have demonstrated a commitment to undertake obligations under the WTO on schedule. As members of CARICOM, the OECS countries have participated in the negotiations toward the completion of the FTAA. The OECS countries are vocal advocates for special and differential treatment for the small island economies of the Caribbean region.

Protection of Intellectual Property: Egregious violations of intellectual property rights are few and far between in OECS countries. They suffer from a lack of resources, but they are moving toward harmonization of intellectual property legislation, strengthening enforcement, and education of the population on the benefits that accrue from the establishment of an effective intellectual property regime.

Economic realities, such as declining economic growth, make it difficult for OECS countries to focus on intellectual property protection; nonetheless, governments are striving to comply with international obligations and strengthen protection. Of note, domestic interests have pushed for stronger intellectual property protection. In 2002, St. Lucia became the first country in the region to become a party to the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty. Video piracy remains a problem throughout the region.

Provision of Internationally Recognized Worker Rights: In the OECS countries, workers have the right to associate freely and to form labor unions; this right is generally respected. Workers also have the right to organize and bargain collectively, and there is a prohibition on any form of forced or compulsory labor.

In Antigua and Barbuda, the minimum wage was recently increased but is still barely adequate. The law provides that workers are not required to work more than a forty-eight hour, six-day workweek, but in practice the standard workweek is forty hours in five days and provides for annual leave and maternity leave. The minimum working age is sixteen. The government has not yet developed occupational health and safety laws or regulations, but a section of the labor code includes some provisions regarding occupational health and safety.

In Dominica, minimum wages are set for various categories of workers, but these were last revised in 1989. Dominica is a signatory of the ILO Minimum Wage Convention, which specifies that fifteen is the minimum working age. The Employment Safety Act provides occupational health and safety regulations that are consistent with international standards. Inspectors from the Environmental Health Department of the Ministry of Health conduct inspections.

Minimum wages in St. Kitts and Nevis vary by category of worker. The minimum wage provides a barely adequate living for a wage earner and family; many workers supplement wages by keeping small animals such as goats and chickens. The law provides for a forty to forty-four hour workweek. While there are no specific health and safety regulations, the Factories Law provides general health and safety guidance to Labor Ministry inspectors. The Labor Commission settles disputes over health and safety conditions.

Minimum wage regulations in St. Lucia have remained in effect since their institution in 1985. There is no legislated workweek, although the common practice is to work forty hours in five days. Occupational health and safety regulations are relatively well developed; however, there is only one qualified inspector for the entire country.

The Government of St. Vincent and the Grenadines recently updated its minimum wage laws. Minimum wages vary by category of worker. The law prescribes workweek length according to category; for example, industrial employees work forty hours a week, and store clerks work forty-four hours a week. The law stipulates a minimum working age of sixteen. The government also recently added hazardous work legislation to protect workers, particularly in the agriculture sector. The Labor Ministry in Grenada prescribed minimum wages, which took effect in September 2002. The normal workweek is forty hours.

Commitment to Eliminate the Worst Forms of Child Labor: All the OECS countries have ratified ILO Convention 182, and none of them has a documented problem with the worst forms of child labor. On the more agriculturally dependent islands, such as St. Lucia and St. Vincent, children sometimes work on family banana farms, generally outside of school hours. Child labor is slightly more common in rural areas where some older children may work as domestics or in family-owned cottage industries. Since all of the OECS islands except St. Vincent have compulsory schooling until age fifteen or sixteen, there are few children in the labor force.

Counter-Narcotics Cooperation: The level of cocaine, marijuana, and heroine trafficked through the OECS countries does not reach the levels required to designate any one of them a major drug producing or drug transit country under the Foreign Assistance Act of 1961, as amended. In the President's Report to Congress, dated January 31, 2003, none of the OECS countries was designated as having demonstrably failed to adhere to their obligations under international counter-narcotics agreements in the previous twelve months.

Implementation of the Inter-American Convention Against Corruption: Of the seven OECS countries, Grenada has ratified the IACAC, and St. Lucia and St. Vincent and the Grenadines have acceded to the Convention. Antigua and Barbuda, Dominica, and St. Kitts and St. Nevis have not signed, ratified, or acceded to the Convention.

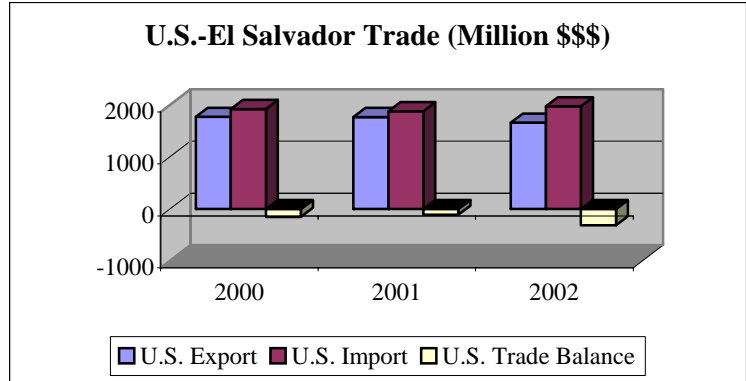
Transparency in Government Procurement: The OECS countries government procurement policies are generally quite open and transparent, and the Administration is not aware of any non-competitive bidding procedures.

El Salvador

Population: 6,353,681
 Per Capita GDP: \$1,752

*Department of Commerce 2002
 Trade Statistics:*

U.S. Exports: \$1,644,893,000
 U.S. Imports: \$1,975,781,500
 U.S. Trade Balance: -\$317,502,040



Economic Review: The Salvadoran economy continues to benefit from a commitment to trade liberalization and investment promotion. This strategy has led to a diversification of the economy away from long-time dependence on agricultural products such as coffee and towards export oriented products such as apparel and non-traditional products. The Government has pursued free market initiatives including the privatization of the banking system, telecommunications, public pensions and electrical distribution. The Government has also enhanced the investment climate through measures such as improved enforcement of intellectual property rights.

The Salvadoran economy is making modest but steady gains after a significant slowdown in 2000 and 2001. However, remittances continue to be crucial to the health of the Salvadoran economy. In 2002, remittances reached \$1.93 billion or 13.6 percent of GDP.

Commitment to WTO and FTAA: El Salvador has demonstrated a strong commitment to its obligations as a member of the World Trade Organization (WTO) and participates in the Free Trade Area of the Americas (FTAA) negotiating process. In the FTAA, El Salvador has been a strong supporter of a comprehensive high quality agreement and hosted a Vice-Ministerial Trade Negotiations Committee meeting in 2003. Furthermore, the Government of El Salvador served as the Vice Chair of the Agricultural Negotiating Group during 1998-1999.

El Salvador is signatory to free trade agreements with multiple countries in the region, including Mexico, Chile, Panama and the Dominican Republic. In addition, the CAFTA negotiations were concluded in December 2003. CAFTA will further reduce trade barriers, promote economic development, encourage investment and provide greater transparency.

Protection of Intellectual Property: El Salvador has continued to make progress in protecting intellectual property rights and has taken steps for further implementation of its TRIPS Agreement commitments. The 1993 Intellectual Property Promotion and Protection Law and the Salvadoran penal code protect intellectual property rights, and criminal enforcement of intellectual property protection laws has improved in recent years. Acting on the basis of

complaints, the Attorney General's office conducts raids against distributors and manufacturers of pirated CDs, cassettes, clothes, and computer software. Acceptable standards for data exclusivity are not yet fully observed. The 2002 Law of Trademarks and Other Distinctive Signs did bring El Salvador into compliance with the WTO TRIPS agreement. The law reinforces established regulations for the acquisition, registration, and protection of trademarks, logos, statements, distinctive advertising signs, and geographical indicators. The law also makes it much more difficult to register a trademark already in use outside El Salvador -- particularly well-known marks -- by requiring the person attempting to register the mark to show that he is authorized to do so. El Salvador adheres to conventions and treaties protecting intellectual property.

Provision of Internationally Recognized Worker Rights: The Salvadoran Constitution prohibits discrimination against unions. It provides that union officials at the time of their election, throughout their term, and for one year following their term, may not be fired, suspended for disciplinary reasons, removed, or demoted except for just legal cause. The Salvadoran Labor Code does not explicitly require reinstatement as a remedy for illegal dismissal, but it requires that employers provide severance payments at the time of separation. In practice, there are allegations of dismissals for union activity, and of employers who generally choose to make severance payments in lieu of offering reinstatement and allowing unions to organize.

In May and December 2003, Human Rights Watch produced several publications reporting on obstacles that prevent workers from exercising their labor rights. The report called on the Government of El Salvador to strengthen its labor laws by requiring reinstatement of workers fired or suspended for trade union activity, banning anti-union hiring discrimination, and streamlining union registration requirements according to ILO recommendations.

The ILO and workers have reported incidents of illegal pressure to discourage organizing, including dismissals of trade unionists and the maintenance of lists to keep workers from being hired after having engaged in union activity. The Government of El Salvador has committed to better protect the rights of workers and to improve labor enforcement efforts. These efforts include a 20 percent (\$1 million) increase to the Labor Ministry budget for 2004, an increase in labor inspectors from 40 in 2002 to the current 62, and reductions in the time it takes to handle complaints. The Salvadoran Labor Ministry also provides technical assistance to workers on how to register unions. In addition, the Government of El Salvador is working with the U. S. Department of Labor to strengthen labor inspections systems, increase workers' and employers' knowledge of labor laws, and develop alternative dispute mechanisms. This is part of a regional initiative funded with a fiscal year 2004 grant of \$6.75 million.

The Government of El Salvador invited the ILO to conduct a labor law study in 2003, entitled, "Fundamental Principles and Rights at Work: A Labour Law Study." The study found that Salvadoran labor law is generally in accord with the core rights and principles identified in the ILO *Declaration on Fundamental Principles and Rights at Work*. The report also notes that El Salvador carried out a revision of its labor code over the last decade with ILO advice and assistance.

Salvador's Constitution prohibits forced or compulsory labor, and this is generally enforced.

Children ages 12 to 14 can be authorized to perform light work, as long as it does not harm their health and development or interfere with their education. The Constitution prohibits the employment of children younger than 14 years old. Minors 14 or older may receive special Labor Ministry permission to work but only where such employment is indispensable to the sustenance of the minor and his family. Child labor is not generally found in the industrial sector but can be found in the agricultural and informal sectors. According to the Multiple Purpose Household Survey conducted in 2001, 11.5 percent of children aged 5 to 17 were working. Legal workers who are under the age of 18 have special additional rules governing conditions of work.

The minimum daily wage varies depending on the sector. The highest minimum wage applies to commercial, industrial, construction, and service employees; the minimum daily wage for general agricultural workers is lower. Those hired for harvests are paid a higher minimum wage than the general agricultural worker, and seasonal agriculture industry workers also have a specified minimum daily wage. The law limits the workday to six hours for youths between 14 and 18 years of age and eight hours for adults, and it mandates premium pay for longer hours. The labor code sets a maximum normal workweek of 36 hours for youths and 44 hours for adults.

Commitments to Eliminate the Worst Forms of Child Labor: While El Salvador does have problems with child labor, the ILO and the U.S. Department of Labor have given favorable reviews to efforts by the Government of El Salvador to address the matter. El Salvador was one of the first three countries in the world to receive U.S. Department of Labor funding – through the ILO – for a Time Bound program to eliminate the worst forms of child labor in selected sectors over a specified period of time. The Government has signed a Memorandum of Understanding with ILO-IPEC, and a national committee of seven government agencies and representatives of labor, employers, and NGOs meet regularly to oversee and implement the Time Bound program and other child labor efforts. This committee has approved a National Plan Against the Worst Forms of Child Labor. El Salvador has ratified ILO Convention No. 182 on banning the worst forms of child labor and Convention No. 105 on abolishing forced labor.

Counter-Narcotics Cooperation: El Salvador is a party to the 1988 UN Drug Convention. Although it is not on the list of major drug producing or transit countries that require U.S. government certification, El Salvador's actions against drugs to meet the goals and objectives of the Convention are detailed in INL's annual International Narcotics Control Strategy Report (INCSR).

Implementation of the Inter-American Convention Against Corruption: El Salvador is a party to the IACAC, which it ratified in 1998. Consistent with its obligations under the Convention, Salvadoran law criminalizes a broad range of corrupt activities. In 2001, the Salvadoran Attorney General's Office established a specialized anti-corruption and complex crimes unit, which has undertaken the investigation and prosecution of corruption cases. El Salvador also is in the process of establishing an Office of Government Ethics and an ethics code for public officials.

Transparency in Government Procurement: In April 2000, the Government of El Salvador enacted a modern and transparent government procurement and contracting law, which increased the efficiency and transparency in public sector purchases and contracting procedures and helped to eliminate corruption. Information on small government purchases is available from the procurement office in each ministry or autonomous institution or postings on the web pages of each institution. For purchases worth more than \$10,000-20,000, the government publishes a tender in the major newspapers and/or sends written notices to various embassies. Salvadoran law calls for civil engineering and construction projects that are financed by the Government's own funds to give preference to Salvadoran companies. Since most large projects receive aid or loans from international financial institutions, and therefore are open to U.S. companies, this law is not a major trade barrier.

Guatemala

Population: 13,314,079

Per Capita GDP: \$1,558

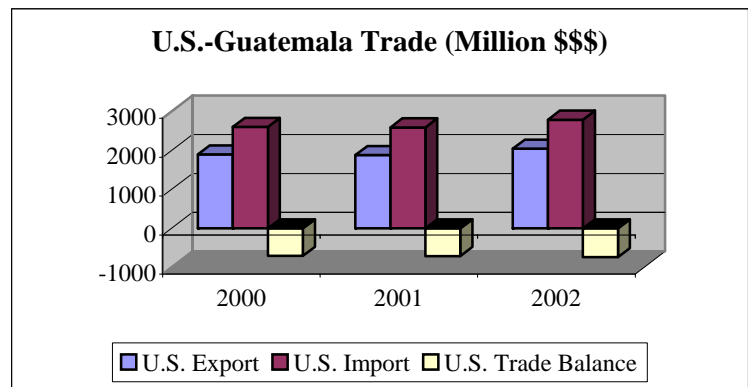
Department of Commerce 2002

Trade Statistics:

U.S. Exports: \$2,041,860,000

U.S. Imports: \$2,784,535,500

U.S. Trade Balance: -\$757,974,920



Economic Review: The Guatemalan economy depends largely on agricultural production, including coffee, sugar, and bananas. In recent years, tourism and apparel assembly have become increasingly important generators of income and foreign exchange. Since the signing of the 1996 Peace Accords that ended a long civil war, Guatemala has adopted and maintained generally liberal, market-oriented economic policies. However, political tensions, corruption and a poor security environment, and frequent changes in government regulatory, tax, and other policies are preventing Guatemala from achieving its economic potential.

The economy grew by 2.2 percent in 2002, a slight decline from 2.3 percent growth in 2001. GDP is projected to grow by 2.4 percent in 2003. If the projection is accurate, this will be the third consecutive year in which the economy has failed to keep pace with population growth. Causes for the stagnation include continued low prices for coffee, high prices for petroleum, slow economic recovery in Guatemala's main trading partners, and the lack of harmony between the Government and the private sector.

Apparel assembly activities have benefited from increased access to the U.S. market as a result of CBI enhancement, but some CBTPA adjustments have not favored Guatemala's textile industry and have hampered the sector's growth. Further, increased energy and labor costs, unfavorable tax policies, slow U.S. demand, and the WTO-mandated lifting of quotas in 2005 have reduced investor confidence in the sector.

Guatemala suffers from one of the most serious income and wealth disparities in the Western Hemisphere. The 1996 Peace Accords commit the government to follow policies that fight the roots of poverty, including increased investment in health and education. The government has struggled to raise adequate revenue to meet these obligations and has failed to enact the fiscal reforms necessary to fulfill the government's commitment to a strengthened, progressive tax structure. It has also failed to provide adequate transparency and to control corruption in the use of public funds.

Guatemala signed a Stand By Agreement with the IMF in April of 2002 and committed to reducing the fiscal deficit and to meet minimum social spending targets. The IMF approved a nine-month extension of the Stand By Agreement in June 2003.

Commitment to WTO and FTAA: The Guatemalan government has generally sought to comply with its WTO obligations, although timeliness has been an issue. Additional progress is needed in areas such as customs valuation and administration, where Guatemala is seeking to enact common legislation with its Central American Common Market partners.

Guatemala is active in the FTAA process and chaired the Negotiating Group on Agriculture during the 2001-2002 and was Chair of the Services Negotiating Group from 1999-2001. As a member of the CACM, Guatemala, together with El Salvador, Nicaragua and Honduras, concluded FTA negotiations with Mexico and the Dominican Republic. In addition, the CAFTA negotiations were concluded in December 2003. CAFTA will further reduce trade barriers, promote economic development, encourage investment and provide greater transparency.

Protection of Intellectual Property: Guatemala enacted TRIPs-consistent intellectual property legislation in September 2000, and it fended off efforts to weaken that legislation in early 2003. The government has sought to address weaknesses in enforcement by appointing a special prosecutor to handle violations of intellectual property rights, and a number of cases have been pursued. Resource constraints and lack of training continue to impede enforcement efforts, however, and piracy of works protected by copyright and infringement of other forms of intellectual property remains a problem.

Provision of Internationally Recognized Worker Rights: The Guatemalan Constitution and Labor Code provide the rights of association and collective bargaining to workers. Labor laws apply equally in export processing zones (EPZs) as in the rest of the country. Revisions to Guatemalan labor law in 2001 may address some labor enforcement challenges in EPZs, such as employer resistance to unionization. However implementation of the new code has been slow due to budget constraints. During 2003 the Ministry of Trade worked closely with the Labor Ministry, threatening the revocation of export licenses of maquilas in EPZs that were not complying with labor laws. This resulted in the first fully implemented collective bargaining agreements between EPZ employers and trade unions since EPZs began operating in Guatemala.

The Government of Guatemala invited the ILO to conduct a labor law study in 2003. The study entitled, "Fundamental Principles and Rights at Work: A Labour Law Study," found that the Guatemalan Government gives effect through its laws to the core rights and principles identified in the ILO *Declaration on Fundamental Principles and Rights at Work*. The study does identify

some ways in which the government could improve labor laws to enhance conformity with core ILO principles, however, it also notes that Guatemala carried out revisions of its Labor Code in 2001 with ILO advice and assistance. These revisions improved protections for workers against employer reprisal for engaging in union activities, facilitated the organization of unions and collective bargaining, and improved the Guatemalan Labor Ministry's capacity for enforcing labor laws.

Violence against workers and their representatives in Guatemala, and lack of prosecution in cases of such violence, have been matters of longstanding U.S. concern. Partly in response to those concerns, in June 2002, the U.S. Trade Representative received petitions for the withdrawal of Guatemala's GSP and CBI trade privileges due to failure to adequately protect labor rights. As of December 2003, the U.S. Government had accepted the petitions for review, but had taken no final decision on those pending petitions. The Government of Guatemala has taken a series of steps to address these concerns, including the creation of an inter-ministerial committee charged with protecting the rights of workers. The Labor Ministry actively participates on this committee. In addition, the Government has created a Special Prosecutor to investigate and prosecute these types of crimes, with increased staff and funding for this new office.

The Government of Guatemala can benefit from strengthening the labor court system. In 2003, the labor courts generally vindicated the majority of workers' claims. However, Guatemalan courts have experienced difficulty disciplining parties that do not fully comply with legally binding court orders.

The Guatemalan Labor Ministry oversees a tripartite committee with labor and management representation, which makes recommendations for increases in the minimum wage. In the event that agreement is not possible, the Government may decree such increases. The minimum wage in Guatemala has been increased by over 70 percent in the last four years. In addition, the Government created a unit in the Labor Ministry to verify compliance with minimum wages and to overcome weaknesses in enforcement. The standard workweek is forty-four hours. There are credible allegations that workers are often compelled to work longer hours without overtime or premium pay, and the Government is working to improve compliance in these matters.

Guatemala is engaged in labor cooperation activities with the U.S. Department of Labor, which include a regional technical assistance program aiming to increase the Labor Ministry's capacity to protect worker rights. The Central America project, which is funded with a fiscal year 2004 grant of \$6.75 million, will focus on increasing workers' and employers' knowledge of Guatemalan labor laws, strengthening labor inspections systems, and developing dispute resolution mechanisms.

The application of occupational health and safety standards in Guatemala can be improved with modernization, as well as with more effective enforcement mechanisms. Notwithstanding antiquated laws dating back to 1957 and scarce resources, the Labor Ministry has made it a priority to train labor inspectors in health and safety standards. Workers have the legal right to remove themselves from dangerous workplace situations, and the law provides them with

protection for their continued employment. Not all workers are fully confident that they may exercise this right without jeopardizing their employment.

Forced and compulsory labor are constitutionally prohibited and generally do not exist.

The Guatemalan Labor Code sets the minimum age for employment at 14 years. In some exceptional cases, the Labor Inspection Agency can provide work permits to children under the age of 14, provided that the work is related to an apprenticeship, is light work of short duration and intensity, is necessary due to conditions of extreme poverty within the child's family, and enables the child to meet compulsory education requirements in some way. Children are prohibited from working at night, overtime, and in places that are unsafe and dangerous.

Commitments to Eliminate the Worst Forms of Child Labor: Guatemala ratified ILO Convention 182 on October 11, 2001. The government is taking steps to implement the Convention in order to address systemic problems in this area. The Labor Ministry administers a National Program for the Prevention and Eradication of Child Labor and Protection of Adolescent Workers and cooperates with programs run by non-governmental organizations to combat child labor. Guatemala has signed a Memorandum of Understanding with the ILO-IPEC and is working with the ILO on various programs aimed at eliminating exploitative child labor.

The ILO reported in December 2002 that the number of child workers in Guatemala totaled 937,530. Between 3,000 and 5,000 children were employed in the illegal cottage-based fireworks industry, despite legal protection against the employment of children in dangerous occupations. Trafficking of children into prostitution is also an ongoing problem. The Government is taking steps to address this problem with the 2001 approval of the National Action Plan Against Commercial Sexual Exploitation of Adolescents.

Guatemalan law prohibits employment of children under the age of 14 and provides compulsory education through the sixth grade; however, only one-half of children actually complete primary school.

Counter-Narcotics Cooperation: Guatemala is considered a major transshipment point for cocaine destined for the United States. In March 2003, the U.S. Government determined that Guatemala had "failed demonstrably during the previous 12 months to adhere to their obligations under counter-narcotics agreements." The Guatemalan government responded to the deteriorating quality of cooperation and anticipated de-certification by disbanding and reforming its corrupt anti-narcotics police. The Government subsequently created special narcotics, money laundering, organized crime and anti-corruption task forces incorporating police, prosecutors, and judges. The Guatemalan Government also ratified a bilateral maritime interdiction treaty. Due to these steps, President Bush on September 15, 2003, announced that Guatemala had taken initial steps to better its counter-narcotics practices and that the Government would be re-certified as cooperating with U.S. counter-narcotics efforts.

The Government has also developed a series of implementing regulations for the control of chemical precursors that bring Guatemala into compliance with UN conventions. The Financial Investigations Unit has made substantial progress in its ability to investigate financial crimes

under comprehensive money laundering legislation enacted at the end of 2001. The U.S. Government continues to work with Guatemala to advance development of comprehensive training programs to improve performance of the country's narcotics enforcement agents.

Implementation of the Inter-American Convention Against Corruption: The Guatemalan Government signed and completed ratification of the IACAC in July 2001. However, there has been little action to implement the convention's requirements and recommendations, such as criminalizing "illicit enrichment." The current administration has been heavily criticized for its alleged involvement in a variety of scandals, including the theft of \$12 million from the Ministry of Government, \$20 million from the Ministry of Infrastructure, Communications and Housing, and at least \$45 million from the Guatemalan Social Security Institute. A deep-seated and pervasive legacy of corruption affects a broad range of Guatemalan institutions. Ongoing government commitment and considerable time will be required to address these challenges effectively.

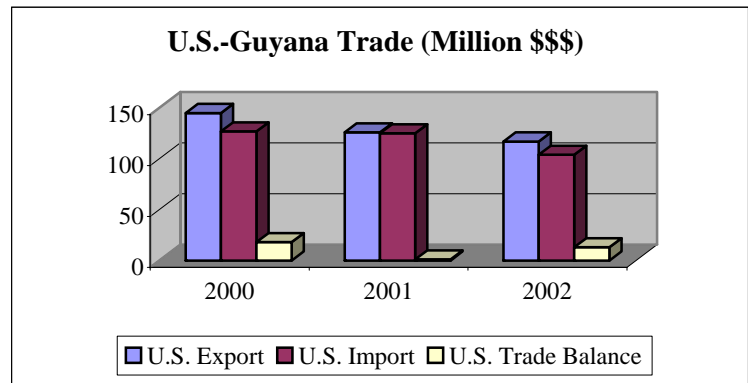
Transparency in Government Procurement: Government procurement is regulated under a 1992 law that establishes procedures for national and local government entities and quasi-state enterprises. Though the legislation is comprehensive in scope, transparency procedures are often avoided in cases where a project is declared to be of "national urgency." In recent years, the Guatemalan government has established large "social funds," which often fall outside the scope of government procurement laws. Allegations of corruption in procurement at all levels of government remain common. In an early 2002 "Consultative Group" meeting with donors and civil society groups, the Government committed to a series of legislative reforms, including reform of government procurement legislation. That commitment remains unfulfilled.

Guyana

Population: 698,209
Per Capita GDP: \$941

*Department of Commerce 2002
Trade Statistics:*

U.S. Exports: \$128,310,000
U.S. Imports: \$104,435,390
U.S. Trade Balance: \$12,732,000



Economic Review: With a per capita gross domestic product of only \$941 in 2002, Guyana is one of the poorest countries in the Western Hemisphere. The economy made dramatic progress after President Hoyte's 1989 economic recovery program (ERP). As a result of the ERP, Guyana's GDP increased 6 percent in 1991 following 15 years of decline. Growth was consistently above 6 percent until 1995 when it dipped to 5.1 percent. The Government reported that the economy grew at a rate of 7.9 percent in 1996, 6.2 percent in 1997, and fell 1.3 percent in 1998. The 1999 growth rate was 3 percent, which declined to 0.5 percent in 2000 and 2001.

From 1986 to 2002, Guyana received its entire wheat supply from the United States on concessional terms under a PL 480 Food for Peace program. PL 480 wheat was eliminated for FY 2003 but will be reinstated for 2004. The Guyanese currency generated by the sale of the flour made from the wheat is used for purposes agreed upon by the U.S. and Guyanese Governments. As with many developing countries, Guyana is heavily indebted. Reduction of the debt burden has been one of the present administration's top priorities. In 1999, through the Paris Club "Lyons terms" and the heavily indebted poor countries initiative (HIPC), Guyana managed to negotiate \$256 million in debt forgiveness.

In qualifying for HIPC assistance, for the first time, Guyana became eligible for a reduction of its multilateral debt. About half of Guyana's debt is owed to the multilateral development banks and 20 percent to its neighbor Trinidad and Tobago, which until 1986 was its principal supplier of petroleum products. Almost all debt to the U.S. Government has been forgiven. In late 1999, net international reserves were at \$123.2 million, down from \$254 million in 1994, but by January 2001 they had rebounded to \$174.1 million.

Guyana's extremely high debt burden to foreign creditors has meant limited availability of foreign exchange and reduced capacity to import necessary raw materials, spare parts, and equipment, thereby further reducing production. The increase in global fuel costs also contributed to the country's decline in production and growing trade deficit. The decline of production has increased unemployment. Although no reliable statistics exist, combined unemployment and underemployment are estimated at about 30 percent.

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

Guyana has taken important steps to liberalize its trade and investment regimes in the last 15 years, enhancing its integration into the global economy, but needs to make further efforts to increase its competitiveness while also seeking to diversify its production and export base.

Protection of Intellectual Property: Guyana continues to lack an adequate legal framework for the protection of intellectual property, and institutional capacity to enforce the provisions of existing laws remains weak. The Government has prepared new copyright legislation, which is awaiting parliamentary consideration. The current laws on copyrights and patents date from colonial times, circa 1956. Unauthorized use of music and video products is widespread, and local television stations regularly transmit copyright-protected material without proper licensing.

Provision of Internationally Recognized Worker Rights: The Constitution guarantees labor rights of association and collective bargaining and about one-third of the workforce belongs to unions. The law requires employers to recognize a union elected by the majority of employees in a workplace. There is a tradition of close links between political parties and labor unions. Forced and compulsory labor are constitutionally prohibited, and there is no evidence that such practices exist.

The Factories Act and Employment of Young Persons and Children Act of 1999 sets the minimum age for employment at 14 years, but children under that age may be employed in enterprises in which members of their family are employed. The law restricts to the age of 18 or higher employment in hazardous areas, such as mining, construction and sanitation services. In 2000, however, UNICEF estimated that 27 percent of children ages 5 to 14 in Guyana were working. Many children work in the informal sector, such as in street trading. Though the government provides free education through secondary school, the lack of resources and a deteriorating infrastructure limit educational opportunities.

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

Commitments to Eliminate the Worst Forms of Child Labor: Guyana ratified ILO Convention 182 on January 15, 2001, and there are laws in place proscribing such forms of child labor. There are no special institutional mechanisms to investigate and address complaints related to allegations of the worst forms of child labor; the local police handle such complaints in the same way that they handle other allegations of criminal activity.

With the exception of teenaged prostitution, there is little evidence to suggest that a significant number of children in Guyana are engaged in the worst forms of child labor, as defined in the ILO Convention. As a result, the Government of Guyana has no comprehensive policy for the elimination of the worst forms of child labor. In the case of teenaged prostitution, UNICEF has criticized the practice in which girls trade sexual favors for money, gifts, or help in employment or higher education, a practice sometimes condoned by their parents yet obscured by cultural norms. There are a number of non-governmental organizations concerned with the issue of teenaged prostitution, but no governmental programs are designed specifically to prevent the engagement of children in the worst forms of child labor or to assist with the removal of children engaged in such labor.

Counter-Narcotics Cooperation: Guyana is a transshipment point for South American cocaine on its way to North America and Europe, although there is no evidence that the cocaine entering the United States from Guyana is sufficient to warrant Guyana being placed on the list of major narcotics producing and transit states subject to certification under Section 490 of the Foreign Assistance Act. Guyana cooperated with U.S. counter-narcotics efforts through implementation of the 1997 Caribbean-U.S. Summit Justice and Security Action Plan, and in 2001 signed a maritime law enforcement agreement (MLEA) with the U.S. In 2003 parliament passed implementing legislation for the MLEA, bringing it into effect.

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

Transparency in Government Procurement: A new procurement law was passed in 2003, providing for transparency in government procurement, thus minimizing the potential for corruption and manipulation related to government contracting.

Haiti

Population: 7,063,722

Per Capita GDP: \$367

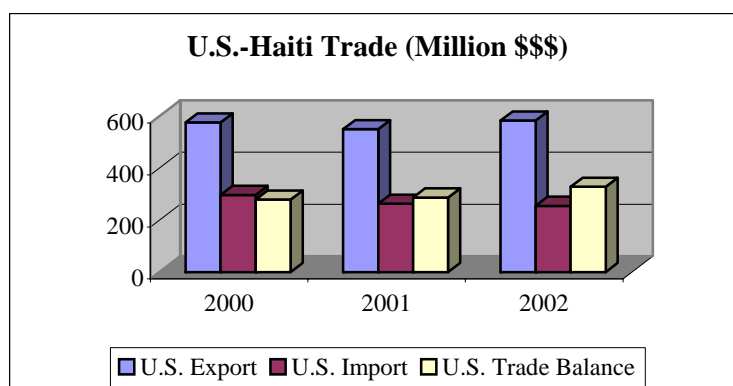
Department of Commerce 2002

Trade Statistics:

U.S. Exports: \$582,554,000

U.S. Imports: \$254,580,900

U.S. Trade Balance: \$327,538,100



Economic Review: The Haitian economy contracted in FY 2002 and 2003, but the IMF is predicting 1 percent growth in FY 2004. The economic policy framework has been partially reformed in cooperation with the IMF and may permit an improvement in per capita GDP and living standards within a few years. The FY 2003 budget meets the IMF's conditions on deficits and economic good governance and has paved the way for the implementation of a 12-month, Staff Monitored Program, which took effect in April 2003. While Haiti failed to adhere to its last Staff Monitored Program, there is reason to believe that the rewards available to the Government of Haiti for staying the course, such as budget support from the Inter American Development Bank and possible resumption of World Bank funding, may prove compelling.

Haiti's trade deficit remains very large but is offset to some extent by a robust stream of remittances. Slowly, a consensus appears to have formed within the Government of Haiti to pursue rational economic policies in cooperation with international financial institutions and promote trade and investment with bilateral partners. For example, there is a strong Haitian public and private partnership with Dominican Republic investors, in particular in the garment assembly industry, formed to make optimal use of export quotas and supply chain diversification.

Commitment to WTO and FTAA: Haiti has a relatively open trade regime and has committed to undertake and fulfill its obligations under the WTO on or ahead of schedule. Due to resource constraints, the Government of Haiti has only participated on a limited basis in the negotiations.

Protection of Intellectual Property: Haiti's major laws governing intellectual property protection date from the early- to mid-20th century and have not been updated to reflect the provisions of the TRIPs Agreement. Limited manufacturing capacity, lack of disposable income, and paucity

of tourist traffic mean that commercial piracy is limited. Weak judicial institutions result in poor enforcement and erode the protection offered by current statutes.

Provision of Internationally Recognized Worker Rights: The Constitution and the Labor Code provide the right of free association to both public and private sector workers. The economy's informal nature makes estimations of workforce participation and unionization difficult. Persistent high unemployment and anti-union sentiments among factory owners and some workers have limited successful organizing activities. The ILO has an office in Port-au-Prince whose principal activity is to promote better cooperation between large-scale industrial employers and labor organizations. Much progress has been made; however, collective bargaining remains virtually non-existent. Employers usually set wages unilaterally, though wages in the formal sector are usually higher than the legal minimum wage. Labor unions are closely watched by the government and are effectively prohibited from participating in political activities. The Labor Code prohibits forced or bonded labor for adults and minors. Though Haitian law provides a framework for internationally recognized worker rights, such rights are often violated or circumscribed, particularly in the informal or underground economy.

Workers in export processing zones enjoy the same rights as workers elsewhere in the country, and their working conditions are usually better than those in the economy at large. Because Haitian companies using CBI benefits are aware of the eligibility criteria, there is some evidence that these beneficiary companies are more sensitive to labor standards.

The minimum employment age is 15, and minors are prohibited from working in dangerous conditions and working at night in industrial enterprises. Legislation passed in 2003 removed exceptions in the labor law that had previously allowed children to work as domestic servants beginning at age 12. Fierce adult competition for the few available jobs in the industrial sector ensures that child labor is not a factor in the formal economy, but there are reports of compulsory and child labor in the rural and informal sectors. In 2001, the ILO estimated that 22.3 percent of children ages 10 to 14 years in Haiti were working. However, in conjunction with the Embassy, international organizations, and non-governmental organizations, the Government of Haiti is making a serious effort to stamp out these practices. The Government of Haiti Action Plan against Trafficking in Persons calls for the minimum employment age to be raised, among other measures.

Commitments to Eliminate the Worst Forms of Child Labor: The Government of Haiti is in the process of implementing a broad program to eliminate the worst forms of child labor. Haiti has signed but not ratified ILO Convention 182, though ratification is part of the Anti-Trafficking in Persons Action Plan. The country has signed a Memorandum of Understanding with the ILO International Program for the Elimination of Child Labor and is working with the ILO on various programs aimed at phasing out exploitative child labor.

Haiti was categorized as a Tier III country for insufficient efforts to combat trafficking in persons under the Trafficking Victims Protection Act of 2000, largely due to traditional practices of permitting young children to work as domestics. Subsequently, the Government of Haiti has been exemplary in its efforts to work with the Embassy, international organizations, and non-governmental organizations to combat these practices. Among these efforts have been the May

2003 passage of a comprehensive new law prohibiting servitude and forced or compulsory labor or forced service; the creation of a government agency specifically aimed at enforcing child labor laws; and a broad program including public relations efforts to discourage child labor. Based on these efforts, Haiti was granted a waiver of sanctions normally implicit in a Tier III trafficking in persons categorization.

Counter-Narcotics Cooperation: Haiti failed to meet U.S. counter-narcotics cooperation standards in December 2003. Haiti received a national interest waiver with respect to the counter-narcotics requirements.

Implementation of the Inter-American Convention Against Corruption: Haiti became a party to the IACAC when its ratification was published in July 2002. The Government of Haiti has undertaken several important anti-corruption measures recently, the most important of which were required under its most recent program with the IMF. Haiti's draft FY 2004 government budget has drastically cut back the number, size, and role of discretionary accounts. International financial institutions such as the IMF and the IADB will have access to and audit rights over most large-scale Government of Haiti spending. Corruption remains endemic in state-owned enterprises and among Government of Haiti officials, such as police and customs officers who deal directly with the public. The Government of Haiti is working with the IMF and the U.S. Government to institute a Financial Intelligence Unit to combat money laundering.

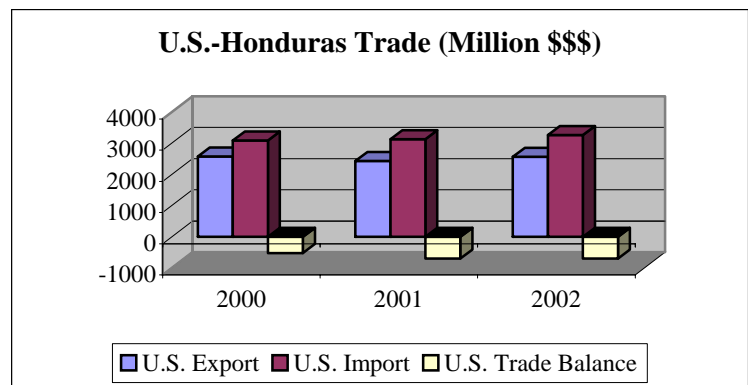
Transparency in Government Procurement: Procurement has been severely limited by a lack of resources; however, the procurement and investment which has taken place has been characterized by procedures that are inadequately transparent and competitive and may be discriminatory with regard to political ties. This situation is expected to improve as international financial institutions resume funding procurement programs and participate directly in the procurement process.

Honduras

Population: 6,560,608
Per Capita GDP: \$711

*Department of Commerce 2002
Trade Statistics:*

U.S. Exports: \$2,564,589,000
U.S. Imports: \$3,261,983,427
U.S. Trade Balance: -\$699,448,780



Economic Review: The Honduran economy suffered a major setback from the destruction caused by Hurricane Mitch in 1998. The economy did not return to pre-Mitch levels until the end of 2000, and certain agricultural sectors, including the banana crop, have yet to regain lost ground. Low world coffee prices have dramatically reduced revenues from this other key agricultural export commodity. In addition, the slowdown in the global economy, especially in the United States, has also had a depressing effect on exports and economic growth in Honduras.

Despite sluggish U.S. economic performance, the Honduran textiles and apparel sector is growing. Currently ranked as the second largest textile exporter to the United States, the *maquila* sector (garment assembly) has been greatly assisted by the implementation of the CBI. The benefits provided through the CBTPA have been crucial to the development of this industry, and industry officials have high hopes for future growth to be generated by new provisions in the CAFTA. In 2002, the *maquila* industry employed over 100,000 employees with exports from the industry totaling \$2.44 billion.

Commitment to WTO and FTAA: The Government of Honduras is in compliance with its commitments under the WTO and has completed nearly all of its tariff obligations under the Uruguay Round. Honduras remains an active participant in establishing free trade in the Western Hemisphere by supporting the FTAA. In addition, the CAFTA negotiations were concluded in December 2003. CAFTA will further reduce trade barriers, promote economic development, encourage investment and provide greater transparency.

Protection of Intellectual Property: Honduras is largely in compliance with the TRIPs Agreement; constitutional amendments, passed in 1999, updated copyright law and addressed patent and copyright compliance issues. Adoption of two additional TRIPs-complying measures, governing the protection of integrated circuit designs and plant variety safeguards, remains before a committee in the Honduran National Congress. The Government of Honduras advanced its compliance with the WIPO standards when it became a party to two internet treaties in 2002. The National Congress ratified the WIPO Copyright Treaty (WCT) and the WIPO Performance and Phonogram Treaty (WPPT) in 2002.

Since placement on the “Watch List” category of the U.S. Government’s annual Special 301 Review in 1998 for failure to control broadcast television piracy, the Government of Honduras has taken an active role to monitor television stations in order to prevent further violations. Due to progress by the Government of Honduras in the area of protection of intellectual property rights, Honduras was removed from Special 301 “Watch List” in 2003.

Provision of Internationally Recognized Worker Rights: Honduran labor law protects the rights of association and collective bargaining. Collective bargaining is usually practiced in enterprises where a union is organized. Notwithstanding, some union officials allege inadequate labor law enforcement, particularly as it relates to forming unions, bargaining collectively, and the reinstatement of workers illegally dismissed for union activity. There are also allegations of lists to keep workers from being hired in export processing zones after having engaged in union activity. The Honduran Government has made efforts to improve labor law enforcement, including the issuance of a legal notice in August 2003 clarifying the obligation of employers to grant access to labor inspectors, and fining employers who do not do so.

Access by Honduran Labor Ministry inspectors to inspect factories has also improved as a result of cooperative efforts between the Government of Honduras and the Honduran Apparel Manufacturers Association, as well as other bipartite and tripartite commissions.

The Government of Honduras invited the International Labor Organization (ILO) to conduct a labor law study in 2003, entitled, “Fundamental Principles and Rights at Work: A Labour Law Study.” The study found that Honduran Government gives effect through its laws to the core rights and principles identified in the ILO *Declaration on Fundamental Principles and Rights at Work*. The study does identify some ways in which the government could improve labor laws to enhance conformity with core ILO principles. Those observations helped identify particular areas where the government could increase its technical capacity to better protect worker rights through labor cooperation programs. The ILO Committee of Experts on the Application of Conventions and Recommendations has also noted that various provisions in the labor law restrict freedom of association and the right to strike.

Honduran labor law prescribes a maximum eight-hour workday and forty-four hour workweek. There is a requirement for at least one twenty-four hour rest period every week. The Honduran Labor Code provides for a paid vacation of 10 workdays after one year and of 20 workdays after four years. The Honduran Constitution and Labor Code prohibit the employment of persons under the age of 16. Children 14 and 15 years of age may work with written permission of parents and the Ministry of Labor. All persons under the age of 18 are prohibited from night work, dangerous work, and full-time work. The Honduran Constitution and Labor Code also prohibit forced or bonded labor.

The 1996 Children’s Code prohibits a person of 14 years of age or less from working, even with parental permission, and establishes prison sentences of three to five years for individuals who allow children to work illegally. An employer who legally hires a 14 or 15 year old must certify that the young person has finished or is finishing compulsory schooling. The Ministry of Labor grants a number of work permits to 14 and 15 year olds each year. The investigative capacity of Honduran labor enforcement agencies is very limited, and it is difficult to detect document fraud prevalent among minors seeking work. It is also difficult for labor inspectors to fully correct violations that occur frequently in rural areas, agriculture, subsistence farming, and in small companies.

The Government of Honduras has been working with the ILO International Program on the Elimination of Child Labor (IPEC) to address, prevent and eliminate child labor, including the worst forms. There are numerous projects, some of which are regional, that address the issue in the commercial agriculture sector, melon plantations, the coffee sector, and that focus on the prevention and progressive elimination of child labor in agriculture. In addition, Honduras participates in an ILO regional project to prevent and eliminate the commercial sexual exploitation of children in Central America. These programs are supported with funding from the U.S. Department of Labor.

Honduras is also working with the U.S. Department of Labor to strengthen labor inspections systems, increase workers’ and employers’ knowledge of labor laws, and bolster alternative dispute resolution mechanisms. This is part of a regional labor cooperation initiative in Central America funded with a fiscal year 2004 grant of \$6.75 million. As part of the efforts to facilitate labor law administration, the Honduran Supreme Court also convened a labor panel to examine and expedite backlogs of labor cases.

Commitments to Eliminate the Worst Forms of Child Labor: Honduras ratified ILO Convention 182 on October 25, 2001. The Government has put in place laws and regulations to combat the worst forms of child labor and has made great strides, particularly in the textile-manufacturing sector. However, despite a political commitment of support for the eradication of child labor, an estimated 360,000 children work illegally. In 2002, the Multiple-Purpose Household Survey reported that 15.4 percent of children ages 5 to 17 years in Honduras were working. Identified instances of child labor in Honduras include prostitution, fireworks industry workers, child drivers on lobster boats, garbage dump pickers, and agricultural workers. The Government has created a special commission that is working towards a more comprehensive policy for the elimination of the worst forms of child labor and signed a Memorandum of Understanding with the ILO-IPEC.

Counter-Narcotics Cooperation: Honduras remains a transshipment point for narcotics moving from South America to the United States. A bilateral counter-narcotics maritime agreement was signed in March 2000 and entered into force in early 2001. The agreement provides for joint U.S.-Honduran counter-narcotics patrols, overflights, and information sharing. Despite technical support from the U.S. government, the arrest, prosecution, and incarceration of major narco-trafficking offenders remains problematic. Corruption in law enforcement, judicial, and military entities plagues counter-narcotics efforts; however, a new money-laundering law passed in March 2002 has provided further assistance to U.S. and Honduran law enforcement. In the first seven months of 2003, Honduran counter-narcotics authorities seized more cocaine than they had seized in the previous four years combined.

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

Transparency in Government Procurement: In 2001, Honduras enacted a new state contracting code. Under the law, foreign firms are entitled to national treatment for public bids, concessions, and government-contracted consulting services. As part of the new code, government procurement proceedings are to be made public through a regularly published report. In practice, however, U.S. companies have complained of instances of mismanaged and opaque bidding processes. Despite these shortcomings, the Government of Honduras has initiated a system in which the United Nations Development Program oversees the bidding process for government procurement in a limited number of contracts. This attempt to increase transparency coincides with preparations to initiate privatization of several government-owned entities.

Additional Issues

Expropriation: Over 160 property and investment disputes involving U.S. citizens have been registered with the U.S. Embassy in Honduras. The majority of cases involve land disputes that fall under the jurisdiction of the Honduran National Agrarian Institute. There are also numerous other investment disputes involving U.S. investors, the majority of which have arisen from inadequate titling procedures and involve disputes between U.S. citizens and Honduran citizens. On July 12, 2001, a Bilateral Investment Treaty between the United States and Honduras entered

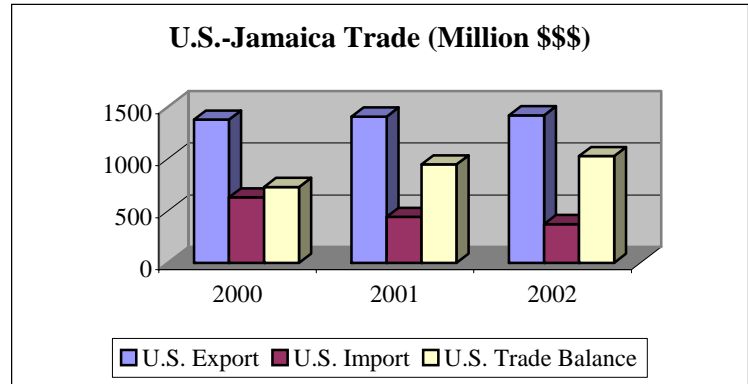
into force. The treaty provides for equal protection for U.S. investors under local law and permits expropriation only in cases that agree with international legal standards. In October 2002, the National Congress approved a one-time expanded arbitration law which permits pending cases to file for arbitration.

Jamaica

Population: 2,680,029
Per Capita GDP: \$1,785

*Department of Commerce 2002
Trade Statistics:*

U.S. Exports: \$1,419,947,000
U.S. Imports: \$372,940,380
U.S. Trade Balance: \$1,028,344,600



Economic Review: Following four years of decline in GDP from 1996 to 1999, the economy recorded its third consecutive year of growth in 2002. Real GDP grew by an estimated 1.0 percent following the 1.7 percent increase in 2001. The growth in 2002 was largely due to expanded output in mining, construction, transport, storage and communications, and financial services. The country also recorded its sixth successive year of single-digit inflation, marking the longest single-digit inflation run since the 1960s. However, fiscal and external accounts continued to be the most challenging areas of macroeconomic management.

Jamaica has a small but diversified economy. In recent years, Jamaica has profited only modestly from CBI benefits, as the country's once-buoyant garment industry has been in serious decline due to a lack of competitiveness.

Commitment to WTO and FTAA: Jamaica is in the process of implementing its WTO obligations, but the Government of Jamaica does not plan to implement any of its obligations ahead of schedule. The country's commitments under the Customs Valuation Agreement were implemented in 2001.

Jamaica is a strong proponent of Caribbean integration through CARICOM and participates actively in the FTAA process in coordination with other CARICOM members. Jamaica has been particularly outspoken in calling for provisions to address the circumstances of the smaller economies of the Western Hemisphere. Jamaica also consistently argues for increased trade capacity building.

Protection of Intellectual Property: Jamaica and the United States have an intellectual property rights agreement and a Bilateral Investment Treaty (BIT), which provide assurances to protect intellectual property rights. However, Jamaica is a Special 301 "Watch List" country largely because the current patent law does not meet TRIPs standards. To remedy the situation, in June 2003, a draft of the new Patents and Design Law was completed and referred to the Attorney

General's department for review and comment before being sent to the Cabinet for consideration. As of December 2003, the legislation had not been passed.

Jamaica's Copyright Act of 1993 complies with the TRIPs Agreement and adheres to the principles of the Bern Convention. The Act covers a wide range of works, including books, music, broadcasts, computer programs, and databases. Parliament amended the Act in 1999 to provide copyright protection for compilations of works such as databases and made it an offense for an individual or business entity to manufacture or trade in decoders of encrypted transmissions. The amended Copyright Act also gave persons having rights in encrypted transmission or in broadcasting or cable program services a right of action against persons who infringe their rights. The Jamaican government began a serious crackdown against reportedly widespread computer-software piracy and unauthorized broadcast piracy by local cable television distributors in 2002.

Provision of Internationally Recognized Worker Rights: Internationally recognized worker rights are afforded generally good legal protection, and Jamaica has an active union movement that represents about 15 percent of the workforce. Both of Jamaica's major political parties emerged from organized labor movements, and worker rights are defined and protected under the Labor Relations and Industrial Disputes Act. However, Jamaica's poor economic performance has led to a decline in union membership. An independent industrial disputes tribunal hears collective bargaining cases, which are denied if no single union represents at least 40 percent of the workers, or when the union seeking recognition does not obtain 50 percent of the votes of the total number of workers.

Jamaican labor law neither authorizes nor prohibits strikes, which do occur. Striking workers may interrupt work without criminal liability but are not assured of keeping their jobs. Workers in ten broad categories of "essential services" are prohibited from striking. Domestic labor laws apply equally to export processing zones, though no unions have been organized in that sector. Unions attribute this to strong employer resistance and the establishment of employer controlled "worker's councils," which conduct limited worker representation.

The Jamaican Constitution does not specifically prohibit forced or bonded labor by either adults or children, but there are no reported incidents.

The Juvenile Act prohibits employment of children under the age of 12, except by parents or guardians in domestic, agricultural, or horticultural work. The law also prohibits industrial employment of children under the age of 15. Recent statistics on the number of working children under the ages of 15 in Jamaica are unavailable.

The Government sets the minimum wage in consultation with the National Minimum Wage Advisory Commission. Most employers pay workers more than the legal minimum. Employers must, and widely do, compensate workers at overtime rates for work over forty hours per week or eight hours per day. The Ministry of Labour's Industrial Safety Division sets and enforces industrial health and safety standards. Industrial accident rates, particularly in the bauxite and alumina industry, remain low.

Commitments to Eliminate the Worst Forms of Child Labor: On October 13, 2003, Jamaica ratified ILO Convention 182. The Child Care and Protection Act, which will overhaul laws regarding child labor and child abuse in order to bring them in line with the Convention, has not been approved, but Jamaican officials hope to pass it in early 2004. Jamaica has signed a Memorandum of Understanding with ILO-IPEC, and has established a National Steering Committee for the Protection of Children in conjunction with ILO-IPEC, which is mapping out a “master strategy” to deal with child labor. The Ministries of Health and Labor, UNICEF, and local non-governmental organizations collaborate on the issue. The Child Care Protection Act would give labor inspectors authority and responsibility to conduct child labor inspections and would allow trade union and employers’ unions to take steps to address child labor. The Ministry of Health’s new Child Development Agency, which combines the responsibilities of the Adoption Board, the Children’s Services Division, and the Child Support Unit, began work in April 2003. The new agency has responsibility for child labor issues and protection of children.

Counter-Narcotics Cooperation: Jamaica is a major transit point for South American cocaine, as well as the largest Caribbean producer and exporter of marijuana. Jamaica is included in the U.S. Government’s list of major illicit drug-producing and drug-transit countries. In March 2002 and 2003, President Bush certified that Jamaica had cooperated fully with the United States to achieve the objectives of the 1988 UN Drug Convention. Jamaica continues to cooperate with the United States on our shared counter-narcotics and law enforcement goals.

Implementation of the Inter-American Convention Against Corruption: Jamaica is a signatory to the OECD Anti-bribery Convention and completed ratification of the IACAC in March 2001. The Corruption Prevention Act was approved by Parliament in December 2000 and became operational in 2003. Under the Corruption Prevention Act, public servants can be imprisoned for up to ten years and fined as much as \$10 million (JD) if convicted of engaging in acts of bribery. In addition, Jamaican individuals and companies are also criminally liable if they bribe foreign public officials; they can be prosecuted and face the same penalties as public servants.

Transparency in Government Procurement: Government procurement is generally done through open tenders, direct advertising, or by invitation to registered suppliers. U.S. firms are eligible to bid. The range of manufactured goods produced locally is relatively small, so there are few instances of foreign goods competing with domestic manufactures.

Nicaragua

Population: 5,023,818

Per Capita GDP: \$466

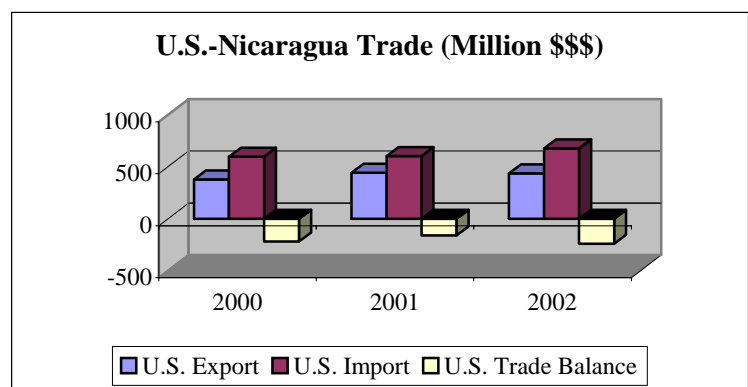
Department of Commerce 2002

Trade Statistics:

U.S. Exports: \$437,634,000

U.S. Imports: \$677,447,490

U.S. Trade Balance: -\$241,531,850



Economic Review: Nicaragua is the second poorest country in the Western Hemisphere, with per capita income below \$500. Heavily based on agriculture and suffering from the decline in world coffee prices, the Nicaraguan economy has stagnated in recent years. GDP growth in 2002 declined to 1 percent and is expected to be only slightly higher in 2003. Government spending, remittances, and foreign aid are responsible for much of the country's economic activity. The United States is Nicaragua's largest export market and source of imports.

Nicaragua reached agreement with the IMF in 2002 on a three-year policy program. The agreement has included unpopular spending cuts and tax increases but has triggered new loans and grants that will finance the government's continuing, though reduced, budget deficits. Due to the Government of Nicaragua's fulfillment of its IMF agreement, the country did qualify in late 2003 for forgiveness of over \$3 billion of its \$6 billion foreign debt under the Highly Indebted Poor Countries Initiative (HIPC), including some \$100 million owed to the United States. HIPC relief will not address the \$1.7 billion in domestic debt, interest payments on which comprise over 10 percent of the budget.

The government of Enrique Bolanos is an active supporter of the CAFTA and has continued a policy of expanding trade-liberalizing arrangements with Nicaragua's Central American neighbors, Mexico, Panama, and other Latin American and Caribbean countries. In March 2003, Nicaragua lifted a 35 percent "Patriotic tariff" against Honduran products, which had been imposed in the aftermath of a maritime border dispute. Tariffs remain high on corn, rice, and chicken parts among other items.

Commitment to WTO and FTAA: Nicaragua is making good progress in meeting its WTO obligations. In 2002, the country completed a broad package of tariff reductions launched in 1997. In September 2002, after a two-year delay, Nicaragua met its Uruguay Round commitment by adopting the WTO customs valuation method. Though Nicaragua is not a party to the WTO Agreement on Government Procurement, a January 2000 law provides for non-discrimination among suppliers.

Nicaragua participates actively in negotiations to establish the FTAA. Currently, Nicaragua is Vice Chair of the Investment Negotiating Group and the Consultative Group on Smaller Economies. The Government of Nicaragua also hosted a Vice-Ministerial Trade Negotiations Committee meeting in September 2001 and was Chair of the Services Negotiating Group from 1998-1999. In addition, the CAFTA negotiations were concluded in December 2003. CAFTA will further reduce trade barriers, promote economic development, encourage investment and provide greater transparency.

Protection of Intellectual Property: With the passage of the new Trademark Law in April 2001, Nicaragua completed legislation of a package of six modern intellectual property laws covering copyrights, patents, trademarks, semiconductor layout design, encryption program-carrying satellite signals, trade secrets and industrial designs. These laws establish criminal and civil penalties for infractions and provide a level of protection for intellectual property that exceeds Nicaragua's commitments under the WTO TRIPS Agreement. In early 2002, Nicaragua acceded to the WIPO Copyright Treaty and the WIPO Performance and Phonograms Treaty; commitments under both took effect in March 2003.

Enforcement of intellectual property is weak, though improving. With U.S. assistance, the Government increased training for inspectors in 2002 and took steps to crack down on producers of knock-off versions of popular pharmaceuticals. There continue to be considerable sales of pirated sound recordings and videos. Theft of broadcast and satellite signals has largely ended, and formerly illicit cable operators have negotiated agreements with programmers.

Provision of Internationally Recognized Worker Rights: The Nicaraguan Constitution and the 1996 Labor Code establish the right of workers to organize unions. Under the Civil Service and Administrative Career Acts of 1990, all public and private sector workers—except those in the military and police—may form and join unions of their own choosing. Fifteen percent of the work force in the formal sector is unionized. The Nicaraguan Labor Code provides protected status to union leaders, requiring that companies obtain permission from the Ministry of Labor to fire union board members after having shown just cause. The Nicaraguan Labor Code allows employers to fire any employee without cause if they are given twice the normal severance pay. The International Labor Organization and labor unions consider this an impediment to the exercise of freedom of association and collective bargaining.

In 2003, the Government of Nicaragua invited the ILO to conduct a labor law study entitled, “Fundamental Principles and Rights at Work: A Labour Law Study.” The study found that the Nicaraguan Government gives effect through its laws to the core rights and principles identified in the ILO *Declaration on Fundamental Principles and Rights at Work*. In most cases, the protections afforded are constitutionally based, and are reinforced by the labor code and regulations. Nicaragua has carried out major revisions of its labor code over the last decade with ILO advice and assistance. The ILO study also identified some ways in which Nicaragua could change its laws to enhance conformity with ILO conventions. The Government of Nicaragua is now considering, in consultation with trade unions, various legislative and regulatory options to address the gaps identified by the ILO.

The Nicaraguan Constitution and Labor Code also provide for the right to bargain collectively and recognize the right to strike. The government generally seeks to resolve labor conflicts in the public sector through informal negotiation rather than through formal administrative or judicial processes. Organizing a legal strike is a lengthy process requiring approval from the Labor Ministry. As a result, illegal strikes are frequent and workers who participate in them are at risk of losing their jobs. The Labor Code limits the participation of union federations and confederations in sympathy strikes.

The Nicaraguan Constitution prohibits forced or bonded labor. There is little evidence of child labor in the formal sector of the economy, such as the maquilas and factories, although children can be found working in family enterprises and farms in the informal economic sector. The Ministry of Labor has also reported that some children living in extreme poverty are forced to beg by their parents and that some were “rented” by their parents to organizers of child beggars.

The Government of Nicaragua has been working with the ILO International Program on the Elimination of Child Labor to address, prevent, and eliminate child labor—including the worst forms—such as commercial exploitation. This issue, as well as child labor in the agriculture and

coffee sectors are the focus of numerous technical assistance projects funded by the U.S. Department of Labor.

The Nicaraguan Labor Code prohibits child labor under the age of 14 and requires parental permission to work for children between 14 and 16; a new law raises the penalty for businesses that violate this provision. The workday for these children is limited to six hours, and night work is prohibited. As in most countries challenged with widespread poverty and lack of resources for enforcement, child labor rules are not fully complied with in the agricultural sector and the informal economy. In 2000, a Ministry of Labor Survey on Child Labor estimated that 17.7 percent of children between the ages of 5 to 17 years in Nicaragua had worked at one time in their lives.

Government, business, and labor representatives renegotiate minimum wages every six months. These are set at different levels for different sectors of the economy. Most formal-sector workers earn well above the statutory minimum rates. Nicaragua's Constitution and Labor Code mandate a 48-hour workweek; overtime must be paid to those who work more than this.

Resources for enforcement are inadequate, although the Labor Code seeks to bring Nicaragua into compliance with international standards of workplace hygiene and safety.

The Nicaraguan Ministry of Labor is plagued by resource constraints. In spite of this, the Ministry has begun implementing an "Action Plan for the Institutional Strengthening of the Ministry," in order to improve the protection and enforcement of labor standards. In addition, the Government of Nicaragua is currently working with the U.S. Department of Labor to strengthen the enforcement capacity of the Labor Ministry. This is part of a regional technical assistance program funded with a fiscal year 2004 grant of \$6.75 million that will focus on increasing workers' and employers' knowledge of labor laws, strengthening labor inspections systems, and developing dispute resolution mechanisms.

Commitments to Eliminate the Worst Forms of Child Labor: Nicaragua ratified ILO Convention 182 on Eradication of the Worst Forms of Child Labor in November 2000. Nicaraguan law prohibits children under 18 from work that endangers their health and safety, including work in mines, garbage dumps, and night entertainment, or any other employment that adversely affects normal childhood development or interferes with schooling. The penal code prohibits anyone from prompting or engaging in child prostitution or pornography. The Ministry of Labor has an office that responds to complaints of illegal employment of children and that conducts inspections. The government has been active in eliminating child labor in the formal sector but lacks the resources to address the problem significantly in the informal sector.

Nicaragua has signed a Memorandum of Understanding with ILO-IPEC and has been working with the ILO-IPEC on several projects funded by the U.S. Department of Labor to eliminate child labor. The government has been conducting a national child labor survey in conjunction with IPEC and in 2000 published a national strategy to address child labor. The strategy includes reforms to the Labor Code that would eliminate exceptions for child workers under the age of 14, clarify the list of hazardous jobs, and establish programs to return working children to school.

Counter-Narcotics Cooperation: Nicaragua is not currently listed as a “major narcotics trafficking state” and has not been subject to certification under Section 490 of the Foreign Assistance Act of 1961. Nicaragua is not a major drug-producing country but is an important transit area for drugs moving from South America to U.S. and European markets. In 2001, Nicaragua signed a maritime counternarcotics agreement with the United States. On the basis of this agreement, Nicaraguan narcotics arrests and seizures increased significantly in 2002.

Implementation of the Inter-American Convention Against Corruption: Nicaragua ratified the IACAC in May 1999. A February 2003 follow-up report by the OAS noted that Nicaragua was making significant progress in prosecuting cases of corruption of the previous administration and investigating allegations against the current government.

Transparency in Government Procurement: Nicaragua passed a law on government procurement in January 2000, amended in June 2000, that applies transparent, non-discriminatory, and competitive procedures in government purchasing. Procurement for the Ministry of Defense and National Police that could affect national security is exempted from these requirements. Most government procurement contracts must be announced in the country’s main newspapers and posted on the Internet. Foreign bidders on government contracts are guaranteed national treatment but must be represented locally and must register with the Ministry of Finance. Some U.S. companies have complained about inadequate notice for bid tenders.

Additional Issues

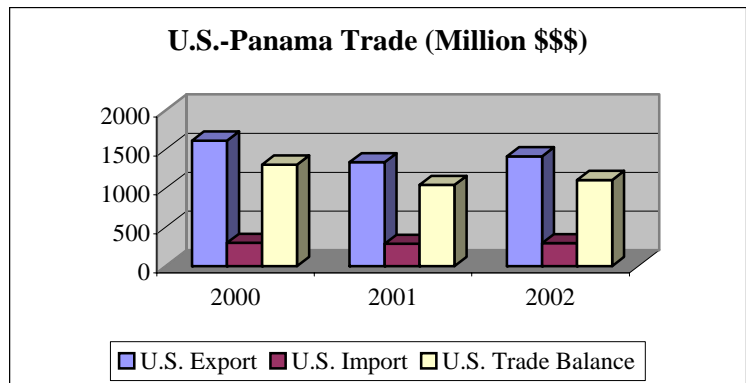
Expropriation: Thousands of individuals and companies, including many U.S. citizens, have filed claims for compensation for property confiscations that took place during the 1980s under the Sandinista government. Since 1995, the Nicaraguan government has made continuing progress in settling these claims through compensation and return of properties. As of July 2003, the Nicaraguan government had settled nearly 4000 U.S. citizen claims. Over 800 Embassy-registered U.S. claims remain outstanding. There have been no uncompensated expropriations of foreign investments in Nicaragua under the current government or under past administrations since 1990.

Panama

Population: 2,882,329
Per Capita GDP: \$3,279

*Department of Commerce 2002
Trade Statistics:*

U.S. Exports: \$1,407,691,000
U.S. Imports: \$295,439,000
U.S. Trade Balance: \$1,105,400,990



Economic Review: Panama's economy is services-based and heavily weighted towards maritime transportation, banking, commerce, and financial services. To a lesser degree, tourism has taken a more prominent role as Panama's relatively young cruise industry gains stature internationally. Trade and financial ties with the United States are close. Since the mid-1990s, Panama has attracted major investments in the energy, telecommunications, and transportation sectors, although such investment dropped off dramatically in 2002 due largely to the winding up of privatization projects.

Despite previous investment, Panama's economy grew an anemic 0.8 percent in 2002, with the government projecting a 2.0 to 2.5 percent growth for 2003. The economic slowdown has made it difficult for the 2002 fiscal responsibility law, which limits government deficit spending to not more than 2 percent of GDP, although it has complied to date.

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

Panama has been an outspoken advocate of the FTAA process and has played a key role by hosting the Administrative Secretariat of the FTAA and serving as the site for the negotiations during the March 2001 – February 2003 period. Panama also was Vice-Chair of the FTAA Committee of Government Representatives on the Participation of Civil Society from 2001-2002 and currently serves as the Chair of the Negotiating Group on Investment.

In 2002, Panama completed its first FTA—an accord with El Salvador—and completed an agreement with Taiwan in the autumn of 2003. Panama is also actively pursuing free trade negotiations with four other Central American countries and is scheduled to revive stalled talks with Mexico as soon as practicable. Also, in November 2003, the U.S. Trade Representative announced that the Administration would seek a free trade agreement with the Republic of Panama in 2004. Negotiations are tentatively scheduled to begin in the second half of 2004.

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

Provision of Internationally Recognized Worker Rights: The law protects the right of private sector workers to organize and join unions, though unions must be registered by the government. About 13 percent of the workforce is organized. Most civil servants may join unions and bargain with their respective agencies. Workers employed by the Panama Canal Authority may join unions and bargain collectively but are prohibited from striking.

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

The employment of children under age 14 is prohibited by law. Children under age fifteen may work only if they have completed primary school. In 2003, the National Child Labor Survey results estimated that 57,524 children ages 5 to 17 years in Panama were working (7 percent of this age group). It is estimated that 11 percent of children between the ages of 10 and 17 work. This is particularly problematic in the agricultural sector among indigenous populations. Education is compulsory through the equivalent of the ninth grade, but enforcement and compliance are uneven.

The Labor Code establishes minimum wages by regions and industries. Most urban workers employed in the formal sector are paid the legal minimum or more. It also establishes a standard workweek of forty-eight hours and provides for at least one 24-hour rest period weekly. The Ministry of Labor enforces workplace health and safety laws, though the emphasis is more on safety rather than long-term health. The Labor Code also prohibits forced or bonded labor by adults and children.

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

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

Implementation of the Inter-American Convention Against Corruption: Panama is a party to the IACAC, but has not yet fully implemented or enforced several of the convention's provisions. Allegations of official corruption have been featured in local media, often prompting libel

actions against reporters and publishers, which have a chilling effect on media and reporting. Legal processes are in place to allow investigation of citizen complaints about alleged corruption, but few investigations have resulted in criminal charges. Documented delays in judicial resolution of high profile cases reinforce the belief that while individuals who engage in acts of petty corruption are often punished, high-ranking public officials act with impunity and have little interest in allowing public scrutiny of government expenditures.

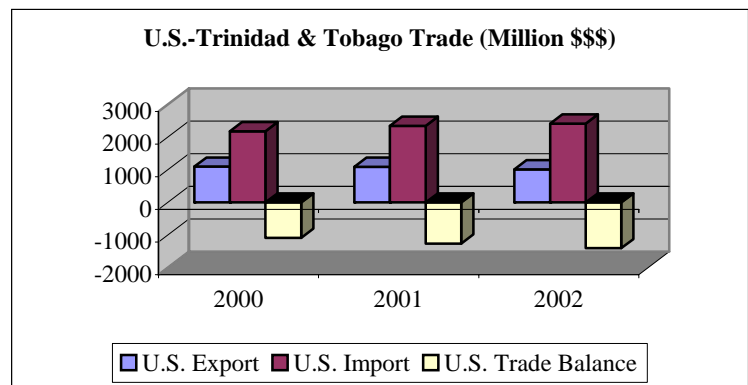
Transparency in Government Procurement: Procurement practices of government ministries and institutions vary widely. Lack of transparency, excessive delays, and bureaucratic machinations have caused problems for the United States and other bidders on important contracts in the past. Panama submitted an initial offer to accede to the WTO Government Procurement Agreement in 1997 and made a revised offer in early 1999. Accession negotiations had not been concluded as of the end of 2003.

Trinidad and Tobago

Population: 1,163,724
Per Capita GDP: \$5,123

*Department of Commerce 2002
Trade Statistics:*

U.S. Exports: \$1,018,002,000
U.S. Imports: \$2,418,657,450
U.S. Trade Balance: -\$1,419,254,940



Economic Review: Trinidad and Tobago experienced a real growth rate of 3.2 percent in 2002. The Central Bank projects a growth rate of between 3.5 percent and 4.0 percent for 2003. This makes the ninth straight year of real growth. The government of Prime Minister Patrick Manning, elected in October 2002, has continued the sound macroeconomic policies of the previous regime, and is trying to further improve the investment climate. Long-term growth looks promising, as Trinidad and Tobago continues to develop its hydrocarbon, petrochemical and metals sectors, with significant increases in exports, and continues its diversification efforts in services, tourism, manufacturing and agriculture. One of the main themes of the Manning Government is social reform, and this was highlighted in the 2003 Budget as “Vision 2020: People, Our Priority.”

Trinidad and Tobago has largely succeeded in maintaining an overall balance of payments surplus for the past nine years. However, this fell to \$49 million in 2002 or 0.5 percent of GDP, compared with a surplus of \$471 million, 5.2 percent of GDP in 2001. In 2003 the surplus is expected to decrease to 4.2 percent.

In 2002, Trinidad and Tobago recorded a trade surplus of \$193 million, which was expected to rise to \$669 million in 2003. Primary U.S. exports to Trinidad and Tobago include machinery, transportation, equipment, drilling/oilfield, and telecommunication and manufactured goods,

while chief imports from Trinidad are petroleum and petrochemical products. In 2002, Trinidad and Tobago imported 34 percent of its goods from the United States.

The debt is projected to decrease from 4.4 percent to 4.2 percent in 2003. International reserves continue to grow, reaching \$1.9 billion in 2002 and are expected to grow to \$2.4 billion in 2003. Continued growth in the service sector is expected to reduce unemployment from 11 percent to 10.4 percent.

Commitment to WTO and FTAA: Trinidad and Tobago is a member of CARICOM and has been a WTO Member since March 1995. Trinidad and Tobago signed a Bilateral Investment Treaty with the United States in September of 1994 which came into force on December 26, 1996. In addition, Trinidad and Tobago is active in the FTAA negotiations. The Government of Trinidad and Tobago is currently Chair of the Smaller Economies Group and Vice Chair of Competition Policy Negotiating Group. Trinidad and Tobago also hosted a Vice-Ministerial Trade Negotiations Committee meeting in 2003 and is scheduled to host another in 2004.

Protection of Intellectual Property: Property rights are protected under the constitution and common-law practice. Secured interests in property are recognized and enforced. Trinidad and Tobago concluded negotiations with the United States on an IPR agreement in September 1994. Trinidad's new IPR legislation is WTO consistent and considered to be TRIPS-plus. Although the legislation is among the most advanced in the hemisphere, the Government of Trinidad and Tobago recognizes that the priority is now enforcement. The most visible examples of copyright infringement are pirated copies of music and videocassettes. Several cases of trademark infringement have been brought before the registrar's office.

Provision of Internationally Recognized Worker Rights: Labor relations are governed by the Industrial Relations Act (IRA), which provides for recourse to an industrial court for resolution of disputes that cannot be resolved at the collective bargaining table or through conciliation efforts by the Ministry of Labor. Approximately 15-25 percent of Trinidad and Tobago's workforce is unionized. The IRA provides mandatory recognition of trade unions when a union satisfies the Registration Recognition and Certification Board that it represents more than 50 percent of the workers in a specified bargaining unit.

Wages and salaries vary considerably between industries. The national minimum hour wage is TT\$ 8.00 (approximately US\$1.27). The Maternity Protection Act of 1998 provides for maternity benefits. The law does not specifically prohibit forced or bonded labor, but there have been no reports that it was practiced. An Occupational Safety and Health Bill is expected to be introduced in Parliament in the near future. Unemployment is officially estimated at 11.0 percent. The labor market offers a high proportion of skilled and experienced workers, and the educational level of the population is among the highest in the developing world.

The minimum legal age for workers is 12 years. Children from 12 to 14 years of age may work only in family businesses. Children under the age of 18 legally may work only during daylight hours, with the exception of 16- to 18-year-olds, who may work at night in sugar factories. The Ministry of Labor and Small and Micro-Enterprises was responsible for enforcing child labor

provisions, but enforcement was lax because there were no established mechanisms for receiving, investigating, and addressing child labor complaints.

Commitments to Eliminate the Worst Forms of Child Labor: Trinidad and Tobago has ratified ILO Convention 182 as of April 23, 2003, but has not yet amended existing legislation to conform to the Convention. The minimum legal age for workers is 12 years. Children from 12 to 14 years of age may work only in family businesses. Children under the age of 18 may legally work only during daylight hours, with the exception of 16 to 18 year-olds, who may work at night in sugar factories. The Ministry of Labor is responsible for enforcing child labor provisions, but enforcement is lax because there is no established mechanism for receiving, investigating, and addressing child labor complaints. There is no organized exploitation of child labor, but in 2000, UNICEF estimated that 4.1 percent of children ages 5 to 14 years were engaged in work. Approximately 52 percent of working children in this age group were estimated to perform domestic work for less than 4 hours per day; less than 1 percent spent more than 4 hours per day on such tasks. An ILO study reported that children worked in several areas, including scavenging, agriculture, domestic work, street vending, and commercial sexual activity.

Counter-Narcotics Cooperation: Trinidad and Tobago is a transit country for narcotics transported from South America to the United States and Europe. Evidence is insufficient, however, to establish that the quantity of drugs transiting Trinidad and Tobago has a significant effect on the United States. The Government of Trinidad and Tobago continues to cooperate with the U.S. on counter-narcotics issues. Government law enforcement agencies remained very cooperative with their U.S. counterparts. In 2002, Trinidad and Tobago took steps to improve its counter narcotics-operations, although progress was limited due to the political stalemate in parliament that resulted from the December 2001 election.

Trinidad and Tobago continues to provide significant resources in support of ongoing counter narcotics law enforcement efforts. Trinidad and Tobago is party to the 1988 UN Drug Convention, the 1961 UN Single Convention on Narcotic Drugs, the 1972 Protocol amending the Single Convention, and the 1971 UN Convention on Psychotropic Substances. Mutual legal assistance and extradition treaties with the U.S. entered into force in November 1999. A bilateral U.S.-Trinidad and Tobago maritime agreement is in force. Trinidad and Tobago signed the UN Convention against Transnational Organized Crime, the Protocol to Prevent, Suppress and Punish Trafficking in Persons, and the Protocol against the Smuggling of Migrants in 2001. Trinidad and Tobago is also a member of the Inter-American Drug Abuse Commission of the Organization of American States (OAS/CICAD).

Implementation of the Inter-American Convention Against Corruption: Trinidad and Tobago is a signatory country of the IACAC as of April 15, 1998.

Transparency in Government Procurement: Government procurement practices are largely open and fair. The Government, and government-owned companies, generally adhere to an open bidding process for procurement of products and services. U.S. firms often win these bids. The Government is not a signatory to the WTO Government Procurement Code.

Chapter 4

SUMMARY OF PUBLIC COMMENTS

Four organizations responded to the Trade Policy Staff Committee's solicitation of public comments in connection with preparation of this report. The notice and solicitation of public comments was published in the *Federal Register* of August 18, 2003. The full texts of these submissions are available for review at the Reading Room of the Office of the United States Trade Representative.

The **American Apparel & Footwear Association (AAFA)** provided a review of the apparel provisions under CBTPA. AAFA wrote that U.S. apparel companies are using the CBTPA to import apparel from designated countries. AAFA noted that during 2002, CBTPA apparel imports averaged 68 percent of total imports from the region but that companies have looked to CBTPA "primarily to achieve duty savings on existing trade and not to redirect sourcing currently placed elsewhere." AAFA also pointed out that although apparel imports are expanding, the U.S. market share of those imports has declined as imports from other parts of the world have grown faster over 2002. The Association points out that CBTPA has replaced prior CBI rules and has virtually eliminated use of the old Special Access Program. AAFA noted that implementation of CBTPA has led to an almost complete shift from "807" programs to the duty-free/quota free preference categories under CBTPA. However, AAFA commented that duty savings have leveled off, which suggested that the "competitive advantage offered by CBTPA trade preferences may now only offer marginal benefits." The Association also points out that companies are continuing to report problems with origin requirements and documentary procedures in light of the fact that final regulations had not yet been promulgated.

The **American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)** submitted comments concerning the performance of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Dominican Republic and Haiti. The AFL-CIO maintain that "there is no evidence that CBTPA eligibility has reduced" violations of labor rights. Among the concerns cited in the AFL-CIO submission are the following: procedural and practical restrictions to freedom of association and the right to organize and bargain collectively; inadequate labor laws and enforcement mechanisms to protect fundamental workers' rights especially in the export zones in El Salvador; ongoing problems of violence in Guatemala; use of threatened plant closings to discourage union organization and failure to modernize labor law protections in Honduras; and lengthy and onerous requirements for declaring a legal strike.

The **International Intellectual Property Alliance (IIPA)** provided detailed comments regarding the protection of intellectual property in Bahamas, Costa Rica, Dominican Republic, and Guatemala. This submission included the following specific references: need for continued monitoring in the Bahamas of the adoption of an amendment to the copyright law and the need for continued consultations with the royalty tribunal regarding more equitable remuneration; weakness in the enforcement of copyright laws in Costa Rica; acknowledgement of improvements in the Dominican Republic but continuing concerns regarding enforcement; and concerns in Guatemala about high piracy levels and inadequate enforcement. Overall, the IIPA believes that in Central America and Caribbean, the key problem is "the failure of many of these

countries to adequately enforce their existing copyright laws.” IIPA strongly suggests that the criminal and civil justice systems in the region must work in a more “transparent and expeditious manner and apply deterrent penalties and remedies” to address the problem and begin to stem the estimated \$50 million in trade losses suffered by U.S. copyright holders due to piracy in the region.

Levi Strauss & Co. (LS&CO.) provided a submission offering strong support to the continued availability of trade preferences for all CBI eligible countries and stating they have “long supported providing exporting countries with full access to the U.S. market in textiles and apparel.” LS&CO. did express concern that the ongoing FTAA and CAFTA negotiations may undermine CBI benefits and therefore asked that CBI be given “safe harbor” in the CAFTA and FTAA talks. LS&CO. also noted its strong support for worker rights and labor provisions in U.S. trade policy to ensure internationally recognized worker rights.

Appendix 1: List of Frequently Used Acronyms

ATPA	Andean Trade Preferences Act
BIT	Bilateral Investment Treaty
CACM	Central American Common Market
CAFTA	U.S.-Central America Free Trade Agreement
CARICOM	Caribbean Common Market
CBERA	Caribbean Basin Economic Recover Act
CBI	Caribbean Basin Initiative
CBTPA	Caribbean Basin Trade Preferences Act
FTAA	Free Trade Area of the Americas
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GSP	Generalized System of Preferences
IACAC	Inter-American Convention Against Corruption
ILO	International Labor Organization
ILO-IPEC	International Labor Organization Program on the Elimination of Child Labor
IPR	Intellectual Property Rights
MFN	Most Favored Nation
NAFTA	North American Free Trade Agreement
NGO	Non-governmental Organization
OECS	Organization of Eastern Caribbean States
TRIPs	Trade Related Intellectual Property Rights
USTR	United States Trade Representative
WTO	World Trade Organization

Annex 2: United States Imports from CBERA Countries

Total and Under Selected Import Programs, 2000-2002, January-June 2003, \$ Thousands

<i>Country</i>	Import Program	2000	2000 % of total	2001	2001 % of total	2002	2002 % of total	2002 YTD
Antigua Barbuda	CBERA	4	0.2%	152	4.1%	43	1.2%	21
	GSP	4	0.2%	65	1.7%	29	0.8%	20
	MFN free	1,511	66.1%	2,627	70.2%	2,629	74.5%	1,632
	Total	2,286	100.0%	3,741	100.0%	3,527	100.0%	2,057
Aruba	CBERA	128	0.0%	22	0.0%	23	0.0%	0
	GSP	0	0.0%	0	0.0%	0	0.0%	0
	MFN free	211,848	17.3%	149,355	18.2%	102,789	14.5%	62,833
	Total	1,222,018	100.0%	822,556	100.0%	710,618	100.0%	358,853
Barbados	CBERA	10,441	27.2%	12,000	30.4%	12,357	35.9%	5,268
	GSP	1,488	3.9%	1,545	3.9%	815	2.4%	307
	MFN free	19,453	50.6%	17,902	45.3%	16,151	47.0%	6,880
	Total	38,451	100.0%	39,526	100.0%	34,380	100.0%	13,573
Belize	CBERA	32,360	35.5%	48,519	49.3%	42,834	56.8%	26,644
	GSP	201	0.2%	962	1.0%	1,039	1.4%	161
	MFN free	40,090	44.0%	33,477	34.0%	28,924	38.3%	6,058
	Total	91,073	100.0%	98,459	100.0%	75,448	100.0%	33,933
British Virgin Islands	CBERA	31	0.1%	21	0.2%	66	0.2%	0
	GSP	0	0.0%	0	0.0%	0	0.0%	0
	MFN free	28,207	91.2%	9,507	80.2%	23,366	88.1%	16,107
	Total	30,943	100.0%	11,858	100.0%	26,529	100.0%	17,487
Costa Rica	CBERA	617,074	17.4%	1,011,276	34.7%	1,154,499	36.7%	486,212
	GSP	55,317	1.6%	55,305	1.9%	13,230	0.4%	3,190
	MFN free	1,990,490	56.0%	1,421,009	49.0%	1,645,499	52.3%	588,868
	Total	3,555,153	100.0%	2,912,106	100.0%	3,146,218	100.0%	1,206,469
Dominica	CBERA	196	2.8%	80	1.5%	374	7.0%	28
	GSP	39	0.6%	0	0.0%	197	3.7%	9
	MFN free	2,987	43.0%	3,224	61.5%	2,744	51.4%	1,740
	Total	6,938	100.0%	5,245	100.0%	5,335	100.0%	2,553
Dominican Republic	CBERA	852,295	19.5%	2,363,255	56.4%	2,679,273	64.3%	1,007,493
	GSP	48,660	1.1%	33,674	0.8%	16,395	0.4%	1,409
	MFN free	558,595	12.7%	541,743	12.9%	663,625	15.9%	230,175
	Total	4,378,235	100.0%	4,187,143	100.0%	4,166,739	100.0%	1,552,886
El Salvador	CBERA	71,565	3.7%	1,008,274	53.6%	1,144,089	57.9%	450,422
	GSP	20,799	1.1%	12,153	0.6%	12,150	0.6%	1,740
	MFN free	217,284	11.3%	122,077	6.5%	156,819	7.9%	38,732
	Total	1,925,054	100.0%	1,881,921	100.0%	1,975,782	100.0%	736,291
Grenada	CBERA	16,702	61.7%	7,265	33.3%	37	0.5%	0

	GSP	52	0.2%	38	0.2%	0	0.0%	0
	MFN free	7,366	27.2%	11,825	54.2%	6,926	89.6%	1,669
	Total	27,072	100.0%	21,807	100.0%	7,730	100.0%	1,870
Guatemala	CBERA	264,630	10.2%	744,156	28.7%	1,044,159	37.5%	450,180
	GSP	30,571	1.2%	31,267	1.2%	20,420	0.7%	5,659
	MFN free	653,188	25.1%	565,293	21.8%	568,353	20.4%	222,727
	Total	2,603,452	100.0%	2,589,243	100.0%	2,784,536	100.0%	1,133,890
Guyana	CBERA	17,144	13.5%	23,769	19.0%	21,828	20.9%	8,839
	GSP	5,815	4.6%	429	0.3%	452	0.4%	136
	MFN free	88,009		96,287		77,956		35,267
	Total	126,700	100.0%	125,165	100.0%	104,435	100.0%	45,986
Haiti	CBERA	25,160	8.5%	158,698	60.3%	176,509	69.3%	69,335
	GSP	2,573	0.9%	2,242	0.9%	1,130	0.4%	58
	MFN free	14,137	69.5%	13,115	5.0%	15,051	5.9%	5,873
	Total	296,713	100.0%	263,103	100.0%	254,581	100.0%	98,212
Honduras	CBERA	252,150	8.2%	1,670,845	53.4%	1,989,774	61.0%	731,188
	GSP	26,586	0.9%	29,898	1.0%	20,182	0.6%	6,203
	MFN free	424,460	13.7%	457,306	14.6%	502,320	15.4%	188,830
	Total	3,090,922	100.0%	3,131,004	100.0%	3,261,983	100.0%	1,225,998
Jamaica	CBERA	89,458	14.2%	195,206	44.2%	194,035	52.0%	80,975
	GSP	4,165	0.7%	4,664	1.1%	1,031	0.3%	75
	MFN free	266,791	42.2%	159,704	36.1%	154,294	41.4%	62,476
	Total	631,452	100.0%	441,997	100.0%	372,940	100.0%	155,043
Montserrat	CBERA	0	0.0%	0	0.0%	0	0.0%	0
	GSP	3	1.8%	0	0.0%	0	0.0%	0
	MFN free	99	59.3%	239	81.8%	247	57.4%	2
	Total	167	100.0%	292	100.0%	430	100.0%	36
Netherlands Antilles	CBERA	3,624	0.5%	6,043	1.2%	3,089	0.8%	1,752
	GSP	0	0.0%	0	0.0%	0	0.0%	0
	MFN free	209,822	29.1%	119,819	24.1%	73,506	18.9%	28,387
	Total	720,950	100.0%	498,144	100.0%	388,387	100.0%	148,669
Nicaragua	CBERA	57,555	9.6%	147,875	24.5%	212,827	31.4%	88,992
	GSP	--	--	--	--	--	--	--
	MFN free	197,888	33.1%	152,176	25.2%	151,706	22.4%	60,507
	Total	596,931	100.0%	602,956	100.0%	677,447	100.0%	273,452
Panama	CBERA	42,638	14.4%	42,254	14.8%	41,551	14.1%	15,542
	GSP	1,817	0.6%	3,498	1.2%	2,473	0.8%	744
	MFN free	206,539	69.6%	204,573	71.7%	216,945	73.4%	90,890
	Total	296,917	100.0%	285,437	100.0%	295,439	100.0%	118,799
St. Kitts and Nevis	CBERA	27,613	75.0%	29,490	71.8%	27,305	56.1%	11,564
	GSP	1,090	3.0%	430	1.0%	350	0.7%	148
	MFN free	3,846	10.4%	7,250	17.6%	17,472	35.9%	6,901
	Total	36,808	100.0%	41,096	100.0%	48,629	100.0%	20,095
St. Lucia	CBERA	7,471	33.6%	7,225	23.5%	7,980	41.7%	3,662

	GSP	509	2.3%	310	1.0%	314	1.6%	121	
	MFN free	5,568	25.1%	14,971	48.7%	5,608	29.3%	2,638	
	Total	22,208	100.0%	30,730	100.0%	19,148	100.0%	8,543	1
St. Vincent and the Grenadines	CBERA	1,947	22.1%	2,223	9.9%	5,514	33.5%	377	
	GSP	93	1.1%	6	0.0%	0	0.0%	0	
	MFN free	6,138		18,945		10,576		6,782	
	Total	8,800	100.0%	22,510	100.0%	16,475	100.0%	7,270	1
The Bahamas	CBERA	74,451	27.3%	75,811	24.3%	70,881	15.4%	27,641	
	GSP								
	MFN free	129,122		118,166		158,892		53,449	
	Total	272,794	100.0%	311,887	100.0%	459,436	100.0%	138,328	1
Trinidad and Tobago	CBERA	327,917	15.0%	744,698	31.7%	1,167,358	48.3%	371,532	
	GSP	2,286	0.1%	2,370	0.1%	2,866	0.1%	844	
	MFN free	1,088,474		1,138,754		1,079,164		342,255	
	Total	2,179,039	100.0%	2,350,942	100.0%	2,418,657	100.0%	787,605	1
TOTAL	CBERA	2,792,554	12.6%	8,299,157	40.1%	9,996,405	47.0%	3,837,667	
	GSP	202,065	0.9%	178,855	0.9%	93,074	0.4%	20,825	
	MFN free	6,371,911		5,379,344		5,681,661		2,061,689	
	Total	22,161,075	100.0%	20,678,868	100.0%	21,254,828	100.0%	8,087,900	1