

Union Calendar No. 211

105<sup>TH</sup> CONGRESS  
1<sup>ST</sup> Session

**H. R. 2644**

[Report No. 105-365]

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**A BILL**

To provide to beneficiary countries under the Caribbean Basin Economic Recovery Act benefits equivalent to those provided under the North American Free Trade Agreement.

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OCTOBER 31, 1997

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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## IN THE HOUSE OF REPRESENTATIVES

OCTOBER 9, 1997

Mr. ARCHER (for himself and Mr. CRANE) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To provide to beneficiary countries under the Caribbean Basin Economic Recovery Act benefits equivalent to those provided under the North American Free Trade Agreement.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “United States-Carib-  
3 bean Trade Partnership Act”.

4 **SEC. 2. FINDINGS AND POLICY.**

5 (a) FINDINGS.—The Congress makes the following  
6 findings:

7 (1) The Caribbean Basin Economic Recovery  
8 Act represents a permanent commitment by the  
9 United States to encourage the development of  
10 strong democratic governments and revitalized  
11 economies in neighboring countries in the Caribbean  
12 Basin.

13 (2) The economic security of the countries in  
14 the Caribbean Basin is potentially threatened by the  
15 diversion of investment to Mexico as a result of the  
16 North American Free Trade Agreement.

17 (3) Offering NAFTA equivalent benefits to  
18 Caribbean Basin beneficiary countries, pending their  
19 eventual accession to the NAFTA or a free trade  
20 agreement comparable to the NAFTA, will promote  
21 the growth of free enterprise and economic oppor-  
22 tunity in the region, and thereby enhance the na-  
23 tional security interests of the United States.

24 (4) Countries in the Western Hemisphere offer  
25 the greatest opportunities for increased exports of  
26 United States textile and apparel products.

1           (5) Given the greater propensity of countries lo-  
2           cated in the Western Hemisphere to use United  
3           States components and to purchase United States  
4           products compared to other countries, increased  
5           trade and economic activity between the United  
6           States and countries in the Western Hemisphere will  
7           create new jobs in the United States as a result of  
8           expanding export opportunities.

9           (b) POLICY.—It is the policy of the United States—

10           (1) to offer to the products of Caribbean Basin  
11           partnership countries tariffs and quota treatment  
12           equivalent to that accorded to products of NAFTA  
13           countries, and to seek the accession of these partner-  
14           ship countries to the NAFTA or a free trade agree-  
15           ment comparable to the NAFTA at the earliest pos-  
16           sible date, with the goal of achieving full participa-  
17           tion in the NAFTA or in a free trade agreement  
18           comparable to the NAFTA by all partnership coun-  
19           tries by not later than January 1, 2005; and

20           (2) to assure that the domestic textile and ap-  
21           parel industry remains competitive in the global  
22           marketplace by encouraging the formation and ex-  
23           pansion of “partnerships” between the textile and  
24           apparel industry of the United States and the textile

1 and apparel industry of various countries located in  
2 the Western Hemisphere.

3 **SEC. 3. DEFINITIONS.**

4 As used in this Act:

5 (1) PARTNERSHIP COUNTRY.—The term “part-  
6 nership country” means a beneficiary country as de-  
7 fined in section 212(a)(1)(A) of the Caribbean Basin  
8 Economic Recovery Act (19 U.S.C. 2702(a)(1)(A)).

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

13 (3) TRADE REPRESENTATIVE.—The term  
14 “Trade Representative” means the United States  
15 Trade Representative.

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

20 **SEC. 4. TEMPORARY PROVISIONS TO PROVIDE NAFTA PAR-**  
21 **ITY TO PARTNERSHIP COUNTRIES.**

22 (a) TEMPORARY PROVISIONS.—Section 213(b) of the  
23 Caribbean Basin Economic Recovery Act (19 U.S.C.  
24 2703(b)) is amended to read as follows:

25 “(b) IMPORT-SENSITIVE ARTICLES.—

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

4           “(A) textile and apparel articles which  
5 were not eligible articles for purposes of this  
6 title on January 1, 1994, as this title was in ef-  
7 fect on that date;

8           “(B) footwear not designated at the time  
9 of the effective date of this title as eligible arti-  
10 cles for the purpose of the generalized system  
11 of preferences under title V of the Trade Act of  
12 1974;

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

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

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

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

3           “(2) NAFTA TRANSITION PERIOD TREATMENT  
4           OF CERTAIN TEXTILE AND APPAREL ARTICLES.—

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

7                   “(i) the tariff treatment accorded at  
8                   any time to any textile or apparel article  
9                   that originates in the territory of a part-  
10                  nership country shall be identical to the  
11                  tariff treatment that is accorded at such  
12                  time under section 2 of the Annex to an  
13                  article described in the same 8-digit sub-  
14                  heading of the HTS that is a good of Mex-  
15                  ico and is imported into the United States;

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

21                           “(I) is assembled in a partner-  
22                           ship country, from fabrics wholly  
23                           formed and cut in the United States  
24                           from yarns formed in the United  
25                           States, and is entered—

1                   “(aa) under subheading  
2                   9802.00.80 of the HTS; or

3                   “(bb) under chapter 61, 62,  
4                   or 63 of the HTS if, after such  
5                   assembly, the article would have  
6                   qualified for treatment under  
7                   subheading 9802.00.80 of the  
8                   HTS, but for the fact the article  
9                   was subjected to bleaching, gar-  
10                  ments dyeing, stone-washing, en-  
11                  zyme-washing, acid-washing,  
12                  perma-pressing, oven-baking, or  
13                  embroidery; or

14                  “(II) is knit-to-shape in a part-  
15                  nership country from yarns wholly  
16                  formed in the United States;

17                  “(III) is made in a partnership  
18                  country from fabric knit in a partner-  
19                  ship country from yarns wholly  
20                  formed in the United States;

21                  “(IV) is cut and assembled in a  
22                  partnership country from fabrics  
23                  wholly formed in the United States  
24                  from yarns wholly formed in the Unit-  
25                  ed States; or

1 “(V) is identified under subpara-  
2 graph (C) as a handloomed, hand-  
3 made, or folklore article of such coun-  
4 try and is certified as such by the  
5 competent authority of such country;  
6 and

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

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

13 “(II) qualifies for duty-free treat-  
14 ment under subclause (I), (II), (III),  
15 (IV), or (V) of clause (ii).

16 “(B) NAFTA TRANSITION PERIOD TREAT-  
17 MENT OF OTHER NONORIGINATING TEXTILE  
18 AND APPAREL ARTICLES.—

19 “(i) PREFERENTIAL TARIFF TREAT-  
20 MENT.—Subject to clause (ii), the Presi-  
21 dent may place in effect at any time dur-  
22 ing the transition period with respect to  
23 any textile or apparel article that—

24 “(I) is a product of a partnership  
25 country, but

1                   “(II) does not qualify as a good  
2                   that originates in the territory of a  
3                   partnership country or is eligible for  
4                   benefits under subparagraph (A)(ii),  
5                   tariff treatment that is identical to the in-  
6                   preference-level tariff treatment accorded  
7                   at such time under Appendix 6.B of the  
8                   Annex to an article described in the same  
9                   8-digit subheading of the HTS that is a  
10                  product of Mexico and is imported into the  
11                  United States. For purposes of this clause,  
12                  the ‘in-preference-level tariff treatment’ ac-  
13                  corded to an article that is a product of  
14                  Mexico is the rate of duty applied to that  
15                  article when imported in quantities less  
16                  than or equal to the quantities specified in  
17                  Schedule 6.B.1, 6.B.2., or 6.B.3. of the  
18                  Annex for imports of that article from  
19                  Mexico into the United States.

20                  “(ii) LIMITATIONS ON ALL ARTI-  
21                  CLES.—(I) Tariff treatment under clause  
22                  (i) may be extended, during any calendar  
23                  year, to not more than 45,000,000 square  
24                  meter equivalents of cotton or man-made  
25                  fiber apparel, to not more than 1,500,000

1 square meter equivalents of wool apparel,  
2 and to not more than 25,000,000 square  
3 meter equivalents of goods entered under  
4 subheading 9802.00.80 of the HTS.

5 “(II) Except as provided in subclause  
6 (III), the amounts set forth in subclause  
7 (I) shall be allocated among the 7 partner-  
8 ship countries with the largest volume of  
9 exports to the United States of textile and  
10 apparel goods in calendar year 1996, based  
11 upon a pro rata share of the volume of tex-  
12 tile and apparel goods of each of those 7  
13 countries that entered the United States  
14 under subheading 9802.00.80 of the HTS  
15 during the first 12 months of the 14-  
16 month period ending on the date of the en-  
17 actment of the United States-Caribbean  
18 Trade Partnership Act.

19 “(III) Five percent of the amounts set  
20 forth in subclause (I) shall be allocated  
21 among the partnership countries, other  
22 than those to which subclause (II) applies,  
23 based upon a pro rata share of the exports  
24 to the United States of textile and apparel  
25 goods of each of those countries during the

1 first 12 months of the 14-month period  
2 ending on the date of the enactment of the  
3 United States-Caribbean Trade Partner-  
4 ship Act.

5 “(iii) PRIOR CONSULTATION.—The  
6 President may implement the preferential  
7 tariff treatment described in clause (i) only  
8 after consultation with representatives of  
9 the United States textile and apparel in-  
10 dustry and other interested parties regard-  
11 ing—

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

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

18 “(III) the allocation of such an-  
19 nual quantities among beneficiary  
20 countries.

21 “(C) HANDLOOMED, HANDMADE, AND  
22 FOLKLORE ARTICLES.—For purposes of sub-  
23 paragraph (A), the Trade Representative shall  
24 consult with representatives of the partnership  
25 country for the purpose of identifying particular

1 textile and apparel goods that are mutually  
2 agreed upon as being handloomed, handmade,  
3 or folklore goods of a kind described in section  
4 2.3 (a), (b), or (c) or Appendix 3.1.B.11 of the  
5 Annex.

6 “(D) BILATERAL EMERGENCY ACTIONS.—

7 (i) The President may take—

8 “(I) bilateral emergency tariff actions  
9 of a kind described in section 4 of the  
10 Annex with respect to any textile or ap-  
11 parel article imported from a partnership  
12 country if the application of tariff treat-  
13 ment under subparagraph (A) to such arti-  
14 cle results in conditions that would be  
15 cause for the taking of such actions under  
16 such section 4 with respect to an article  
17 described in the same 8-digit subheading  
18 of the HTS that is imported from Mexico;  
19 or

20 “(II) bilateral emergency quantitative  
21 restriction actions of a kind described in  
22 section 5 of the Annex with respect to im-  
23 ports of any textile or apparel article de-  
24 scribed in subparagraphs (B)(i) (I) and  
25 (II) if the importation of such article into

1           the United States results in conditions that  
2           would be cause for the taking of such ac-  
3           tions under such section 5 with respect to  
4           a like article that is a product of Mexico.

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

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

12                 “(I) the term ‘transition period’ in  
13                 sections 4 and 5 of the Annex shall be  
14                 deemed to be the period defined in para-  
15                 graph (5)(E); and

16                 “(II) any requirements to consult  
17                 specified in section 4 or 5 of the Annex are  
18                 deemed to be satisfied if the President re-  
19                 quests consultations with the partnership  
20                 country in question and the country does  
21                 not agree to consult within the time period  
22                 specified under such section 4 or 5, which-  
23                 ever is applicable.

1           “(3) NAFTA TRANSITION PERIOD TREATMENT  
2           OF CERTAIN OTHER ARTICLES ORIGINATING IN BEN-  
3           EFICIARY COUNTRIES.—

4           “(A) EQUIVALENT TARIFF TREATMENT.—

5           “(i) IN GENERAL.—Subject to clause  
6           (ii), the tariff treatment accorded at any  
7           time during the transition period to any  
8           article referred to in any of subparagraphs  
9           (B) through (F) of paragraph (1) that  
10          originates in the territory of a partnership  
11          country shall be identical to the tariff  
12          treatment that is accorded at such time  
13          under Annex 302.2 of the NAFTA to an  
14          article described in the same 8-digit sub-  
15          heading of the HTS that is a good of Mex-  
16          ico and is imported into the United States.

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

21          “(B) RELATIONSHIP TO SUBSECTION (h)  
22          DUTY REDUCTIONS.—If at any time during the  
23          transition period the rate of duty that would  
24          (but for action taken under subparagraph (A)(i)  
25          in regard to such period) apply with respect to

1 any article under subsection (h) is a rate of  
2 duty that is lower than the rate of duty result-  
3 ing from such action, then such lower rate of  
4 duty shall be applied for the purposes of imple-  
5 menting such action.

6 “(4) CUSTOMS PROCEDURES.—

7 “(A) IN GENERAL.—

8 “(i) REGULATIONS.—Any importer  
9 that claims preferential tariff treatment  
10 under paragraph (2) or (3) shall comply  
11 with customs procedures similar in all ma-  
12 terial respects to the requirements of Arti-  
13 cle 502(1) of the NAFTA as implemented  
14 pursuant to United States law, in accord-  
15 ance with regulations promulgated by the  
16 Secretary of the Treasury.

17 “(ii) DETERMINATION.—In order to  
18 qualify for such preferential tariff treat-  
19 ment and for a Certificate of Origin to be  
20 valid with respect to any article for which  
21 such treatment is claimed, there shall be in  
22 effect a determination by the President  
23 that—

1                   “(I) the partnership country  
2                   from which the article is exported,  
3                   and

4                   “(II) each partnership country in  
5                   which materials used in the produc-  
6                   tion of the article originate or undergo  
7                   production that contributes to a claim  
8                   that the article qualifies for such pref-  
9                   erential tariff treatment,  
10                  has implemented and follows, or is making  
11                  substantial progress toward implementing  
12                  and following, procedures and require-  
13                  ments similar in all material respects to  
14                  the relevant procedures and requirements  
15                  under chapter 5 of the NAFTA.

16                  “(B) CERTIFICATE OF ORIGIN.—The Cer-  
17                  tificate of Origin that otherwise would be re-  
18                  quired pursuant to the provisions of subpara-  
19                  graph (A) shall not be required in the case of  
20                  an article imported under paragraph (2) or (3)  
21                  if such Certificate of Origin would not be re-  
22                  quired under Article 503 of the NAFTA (as im-  
23                  plemented pursuant to United States law), if  
24                  the article were imported from Mexico.

1           “(C) PENALTIES FOR TRANSSHIPMENTS.—  
2           If the President determines, based on sufficient  
3           evidence, that an exporter has engaged in will-  
4           ful illegal transshipment or willful customs  
5           fraud with respect to textile or apparel articles  
6           for which preferential tariff treatment under  
7           subparagraph (A) or (B) of paragraph (2) is  
8           claimed, then the President shall deny all bene-  
9           fits under this title to such exporter, and any  
10          successors of such exporter, for a period of 2  
11          years.

12          “(D) STUDY BY USTR ON COOPERATION  
13          OF OTHER COUNTRIES CONCERNING CIR-  
14          CUMVENTION.—The United States Commis-  
15          sioner of Customs shall conduct a study analyz-  
16          ing the extent to which each partnership coun-  
17          try—

18                 “(i) has cooperated fully with the  
19                 United States, consistent with its domestic  
20                 laws and procedures, in instances of cir-  
21                 cumvention or alleged circumvention of ex-  
22                 isting quotas on imports of textile and ap-  
23                 parel goods, to establish necessary relevant  
24                 facts in the places of import, export, and,  
25                 where applicable, transshipment, including

1 investigation of circumvention practices,  
2 exchanges of documents, correspondence,  
3 reports, and other relevant information, to  
4 the extent such information is available;

5 “(ii) has taken appropriate measures,  
6 consistent with its domestic laws and pro-  
7 cedures, against exporters and importers  
8 involved in instances of false declaration  
9 concerning fiber content, quantities, de-  
10 scription, classification, or origin of textile  
11 and apparel goods; and

12 “(iii) has penalized the individuals  
13 and entities involved in any such cir-  
14 cumvention, consistent with its domestic  
15 laws and procedures, and has worked  
16 closely to seek the cooperation of any third  
17 country to prevent such circumvention  
18 from taking place in that third country.

19 The Trade Representative shall submit to the  
20 Congress, not later than October 1, 1998, a re-  
21 port on the study conducted under this sub-  
22 paragraph.

23 “(5) DEFINITIONS.—For purposes of this sub-  
24 section—

1           “(A) The term ‘the Annex’ means Annex  
2 300–B of the NAFTA.

3           “(B) The term ‘NAFTA’ means the North  
4 American Free Trade Agreement entered into  
5 between the United States, Mexico, and Canada  
6 on December 17, 1992.

7           “(C) The term ‘partnership country’  
8 means a beneficiary country.

9           “(D) The term ‘textile or apparel article’  
10 means any article referred to in paragraph  
11 (1)(A) that is a good listed in Appendix 1.1 of  
12 the Annex.

13           “(E) The term ‘transition period’ means,  
14 with respect to a partnership country, the pe-  
15 riod that begins on May 15, 1998, and ends on  
16 the earlier of—

17                   “(i) July 15, 1999; or

18                   “(ii) the date on which—

19                           “(I) the United States first ap-  
20 plies the NAFTA to the partnership  
21 country upon its accession to the  
22 NAFTA, or

23                           “(II) there enters into force with  
24 respect to the United States and the  
25 partnership country a free trade

1 agreement comparable to the NAFTA  
2 that makes substantial progress in  
3 achieving the negotiating objectives  
4 set forth in section 108(b)(5) of the  
5 North American Free Trade Agree-  
6 ment Implementation Act (19 U.S.C.  
7 3317(b)(5)).

8 “(F) An article shall be deemed as origi-  
9 nating in the territory of a partnership country  
10 if the article meets the rules of origin for a  
11 good set forth in chapter 4 of the NAFTA, and,  
12 in the case of an article described in Appendix  
13 6.A of the Annex, the requirements stated in  
14 such Appendix 6.A for such article to be treated  
15 as if it were an originating good. In applying  
16 such chapter 4 or Appendix 6.A with respect to  
17 a partnership country for purposes of this sub-  
18 section—

19 “(i) no countries other than the Unit-  
20 ed States and partnership countries may  
21 be treated as being Parties to the NAFTA,

22 “(ii) references to trade between the  
23 United States and Mexico shall be deemed  
24 to refer to trade between the United States  
25 and partnership countries, and

1                   “(iii) references to a Party shall be  
2                   deemed to refer to the United States or a  
3                   partnership country, and references to the  
4                   Parties shall be deemed to refer to any  
5                   combination of partnership countries or  
6                   the United States.”.

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

10                   (1) by inserting “(A)” after “(1)”;

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

13                   (3) by adding at the end the following:

14                   “(B)(i) Based on the President’s review and  
15                   analysis described in subsection (f), the President  
16                   may determine if the preferential treatment under  
17                   section 213(b) (2) and (3) should be withdrawn, sus-  
18                   pended, or limited with respect to any article of a  
19                   partnership country. Such determination shall be in-  
20                   cluded in the report required by subsection (f).

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

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

3 (c) REPORTING REQUIREMENTS.—Section 212(f) of  
4 the Caribbean Basin Economic Recovery Act (19 U.S.C.  
5 2702(f)) is amended to read as follows:

6 “(f) REPORTING REQUIREMENTS.—Not later than 1  
7 year after the date of the enactment of the United States-  
8 Caribbean Trade Partnership Act and at the close of each  
9 3-year period thereafter, the President shall submit to the  
10 Congress a complete report regarding the operation of this  
11 title, including—

12 “(1) with respect to subsections (b) and (c) of  
13 this section, the results of a general review of bene-  
14 ficiary countries based on the considerations de-  
15 scribed in such subsections;

16 “(2) with respect to subsection (c)(4), the de-  
17 gree to which a country follows accepted rules of  
18 international trade provided for under the General  
19 Agreement on Tariffs and Trade and the World  
20 Trade Organization;

21 “(3) with respect to subsection (c)(9), the ex-  
22 tent to which beneficiary countries are providing or  
23 taking steps to provide protection of intellectual  
24 property rights comparable to the protection pro-

1 vided to the United States in bilateral intellectual  
2 property rights agreements;

3 “(4) with respect to subsection (b)(2) and sub-  
4 section (c)(5), the extent that beneficiary countries  
5 are providing or taking steps to provide protection of  
6 investment and investors comparable to the protec-  
7 tion provided to the United States in bilateral in-  
8 vestment treaties;

9 “(5) with respect to subsection (c)(3), the ex-  
10 tent that beneficiary countries are providing the  
11 United States and other WTO members (as such  
12 term is defined in section 2(10) of the Uruguay  
13 Round Agreements Act (19 U.S.C. 3501(10)) with  
14 equitable and reasonable market access in the prod-  
15 uct sectors for which benefits are provided under  
16 this title;

17 “(6) with respect to subsection (c)(11), the ex-  
18 tent that beneficiary countries are cooperating with  
19 the United States in administering the provisions of  
20 section 213(b); and

21 “(7) with respect to subsection (c)(8), the ex-  
22 tent that beneficiary countries are meeting the inter-  
23 nationally recognized worker rights criteria under  
24 such subsection.

1 In the first report under this subsection, the President  
2 shall include a review of the implementation of section  
3 213(b), and his analysis of whether the benefits under  
4 paragraphs (2) and (3) of such section further the objec-  
5 tives of this title and whether such benefits should be con-  
6 tinued.”.

7 (d) CONFORMING AMENDMENT.—Section 213(a)(1)  
8 of the Caribbean Basin Economic Recovery Act is amend-  
9 ed by inserting “and except as provided in section 213(b)  
10 (2) and (3),” after “Tax Reform Act of 1986,”.

11 **SEC. 5. EFFECT OF NAFTA ON SUGAR IMPORTS FROM BEN-**  
12 **EFICIARY COUNTRIES.**

13 The President shall monitor the effects, if any, that  
14 the implementation of the NAFTA has on the access of  
15 beneficiary countries under the Caribbean Basin Economic  
16 Recovery Act to the United States market for sugars, syr-  
17 ups, and molasses. If the President considers that the  
18 implementation of the NAFTA is affecting, or will like-  
19 ly affect, in an adverse manner the access of such  
20 countries to the United States market, the President shall  
21 promptly—

22 (1) take such actions, after consulting with in-  
23 terested parties and with the appropriate committees  
24 of the House of Representatives and the Senate, or

1           (2) propose to the Congress such legislative ac-  
2           tions,  
3 as may be necessary or appropriate to ameliorate such ad-  
4 verse effect.

5 **SEC. 6. DUTY-FREE TREATMENT FOR CERTAIN BEVERAGES**  
6                                   **MADE WITH CARIBBEAN RUM.**

7           Section 213(a) of the Caribbean Basin Economic Re-  
8 covery Act (19 U.S.C. 2703(a)) is amended—

9           (1) in paragraph (5), by striking “chapter” and  
10          inserting “title”; and

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

13          “(6) Notwithstanding paragraph (1), the duty-free  
14 treatment provided under this title shall apply to liqueurs  
15 and spirituous beverages produced in the territory of Can-  
16 ada from rum if—

17               “(A) such rum is the growth, product, or manu-  
18               facture of a beneficiary country or of the Virgin Is-  
19               lands of the United States;

20               “(B) such rum is imported directly from a ben-  
21               eficiary country or the Virgin Islands of the United  
22               States into the territory of Canada, and such li-  
23               queurs and spirituous beverages are imported di-  
24               rectly from the territory of Canada into the customs  
25               territory of the United States;

1           “(C) when imported into the customs territory  
2           of the United States, such liqueurs and spirituous  
3           beverages are classified in subheading 2208.90 or  
4           2208.40 of the HTS; and

5           “(D) such rum accounts for at least 90 percent  
6           by volume of the alcoholic content of such liqueurs  
7           and spirituous beverages.”.

8   **SEC. 7. MEETINGS OF TRADE MINISTERS AND USTR.**

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

16          (b) PURPOSE.—The purpose of the meetings sched-  
17          uled under subsection (a) is to reach agreement between  
18          the United States and partnership countries on the likely  
19          timing and procedures for initiating negotiations for part-  
20          nership to accede to the NAFTA, or to enter into mutually  
21          advantageous free trade agreements with the United  
22          States that contain provisions comparable to those in the  
23          NAFTA and would make substantial progress in achieving  
24          the negotiating objectives set forth in section 108(b)(5)

1 of the North American Free Trade Agreement Implemen-  
2 tation Act (19 U.S.C. 3317(b)(5)).

3 **SEC. 8. REPORT ON ECONOMIC DEVELOPMENT AND MAR-**  
4 **KET ORIENTED REFORMS IN THE CARIB-**  
5 **BEAN.**

6       (a) IN GENERAL.—The Trade Representative shall  
7 make an assessment of the economic development efforts  
8 and market oriented reforms in each partnership country  
9 and the ability of each such country, on the basis of such  
10 efforts and reforms, to undertake the obligations of the  
11 NAFTA. The Trade Representative shall, not later than  
12 July 1, 1998, submit to the President and to the Commit-  
13 tee on Finance of the Senate and the Committee on Ways  
14 and Means of the House of Representatives a report on  
15 that assessment.

16       (b) ACCESSION TO NAFTA.—

17           (1) ABILITY OF COUNTRIES TO IMPLEMENT  
18 NAFTA.—The Trade Representative shall include in  
19 the report under subsection (a) a discussion of pos-  
20 sible timetables and procedures pursuant to which  
21 partnership countries can complete the economic re-  
22 forms necessary to enable them to negotiate acces-  
23 sion to the NAFTA. The Trade Representative shall  
24 also include an assessment of the potential phase-in  
25 periods that may be necessary for those partnership

1 countries with less developed economies to imple-  
2 ment the obligations of the NAFTA.

3 (2) FACTORS IN ASSESSING ABILITY TO IMPLE-  
4 MENT NAFTA.—In assessing the ability of each part-  
5 nership country to undertake the obligations of the  
6 NAFTA, the Trade Representative should consider,  
7 among other factors—

8 (A) whether the country has joined the  
9 WTO;

10 (B) the extent to which the country pro-  
11 vides equitable access to the markets of that  
12 country;

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

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

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

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

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

1           (H) the level of tariffs bound by the coun-  
2           try under the WTO (if the country is a WTO  
3           member);

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

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

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

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

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

16          the Trade Representative shall provide to the committees  
17          referred to in subsection (a) a separate report on the  
18          economic impact of the new trade relationship on partner-  
19          ship countries. The report shall include any measures the  
20          Trade Representative proposes to minimize the po-  
21          tential for the diversion of investment from partnership  
22          countries to the new NAFTA member or free trade agree-  
23          ment partner.

1 **SEC. 9. OVERRULING OF SCHMIDT BAKING COMPANY CASE**  
2 **WITH RESPECT TO SEVERANCE PAY.**

3 (a) **IN GENERAL.**—The Internal Revenue Code of  
4 1986 shall be applied with respect to severance pay with-  
5 out regard to the result reached in the case of Schmidt  
6 Baking Company, Inc. v. Commissioner of Internal Reve-  
7 nue, 107 T.C. 271 (1996).

8 (b) **REGULATIONS.**—The Secretary of the Treasury  
9 or the Secretary's delegate shall prescribe regulations to  
10 reflect subsection (a).

11 (c) **EFFECTIVE DATE.**—

12 (1) **IN GENERAL.**—Subsections (a) and (b) shall  
13 apply to taxable years ending after October 8, 1997.

14 (2) **CHANGE IN METHOD OF ACCOUNTING.**—In  
15 the case of any taxpayer required by this section to  
16 change its method of accounting for its first taxable  
17 year ending after October 8, 1997—

18 (A) such change shall be treated as initi-  
19 ated by the taxpayer,

20 (B) such change shall be treated as made  
21 with the consent of the Secretary of the Treas-  
22 ury, and

23 (C) the net amount of the adjustments re-  
24 quired to be taken into account by the taxpayer  
25 under section 481 of the Internal Revenue Code

1 of 1986 shall be taken into account in such first  
2 taxable year.