CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 9, 1997

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United States-Caribbean Basin Trade Enhancement Act

As ordered reported by the Senate Committee on Finance on October 8, 1997

SUMMARY

The Congressional Budget Office has reviewed the United States-Caribbean Basin Trade Enhancement Act, as ordered reported on October 8, 1997, by the Senate Committee on Finance. This bill offers temporary NAFTA-parity benefits to Caribbean Basin countries in order to enhance trade between the United States and this region. The bill would also extend a customs user fee established by the Consolidated Omnibus Reconciliation Act of 1985 (COBRA). CBO estimates that the bill would decrease receipts by $80 million in fiscal year 1998 and by $362 million over the 1998-2002 period, and would reduce outlays by $86 million and by $371 million over those years. Because enacting the bill would affect direct spending and receipts, pay-as-you-go procedures would apply.

The bill contains no new private-sector or intergovernmental mandates as defined in the Unfunded Mandates Reform Act of 1995 (UMRA), and would not impose any costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the bill is shown in the following table.

By Fiscal Year, in Millions of Dollars						
	1998	1999	2000	2001	2002	1998-2002
OUTLAYS						
Extension of COBRA Customs User Fee	-86	-154	-131	0	0	-371
RECEIPTS						
CBI NAFTA Parity	-80	-118	-132	33	0	-362

BASIS OF ESTIMATE

Revenues

Under current law, the United States offers duty-free treatment to products of 24 countries in the Caribbean region through the Caribbean Basin Initiative (CBI)--a preferential trade program that extends duty-free treatment to a wide range of products imported from beneficiary countries. The CBI excludes the following products from such treatment: textile and apparel articles, luggage and handbags, certain leather goods, footwear, tuna, petroleum, and watches and watch parts.

This bill would provide tariff and quota treatment equivalent to that accorded to products under the North American Free Trade Agreement (NAFTA) to the excluded products of CBI beneficiaries. NAFTA parity would begin January 1, 1998, and would terminate on December 31, 2000. The bill would encourage the United States Trade Representative to seek the accession of these beneficiary countries to NAFTA or a comparable free trade agreement at the earliest possible date, with the goal of achieving full participation by all beneficiary countries by no later than January 1, 2005.

The estimate of revenue loss is based on 1996 trade data. Tariff reductions follow the staged rate reductions that are stipulated in NAFTA, under which the President proclaims a rate of duty that is equal to the lesser of the current duty at the time of importation or the rate of duty that applies to a like article of Mexico under NAFTA. Further reductions may be proclaimed if the President determines that the performance of the country is satisfactory under specific criteria. CBO's estimate assumes a three-year phase in for these NAFTA-parity reductions. This bill would also extend immediate duty-free and quota-free treatment to apparel articles assembled in an eligible CBI beneficiary country from U.S. fabric, articles subjected to certain types of washing and finishing, articles cut and assembled in CBI countries from U.S. fabric sewn with Caribbean thread, and hand loomed, handmade, and folklore articles originating in CBI beneficiary countries. Textile and apparel tariff reductions account for about 97 percent of the revenue loss; petroleum and footwear tariff reductions account for the remainder of the decrease.

Outlays

Section 13031 of the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) established a schedule of flat fees for processing conveyances and passengers entering the United States. This bill would direct the Customs Service to collect a passenger processing fee of $5 from persons arriving by commercial vessel or aircraft from Mexico, Canada, and certain other areas. This fee would be collected through March 31, 2000. CBO estimates that this provision would result in additional offsetting receipts of about $86 million in fiscal year 1998 and $371 million over the 1998-2002 period.

The Reciprocal Trade Agreements Act of 1977, as ordered reported by the Senate Committee on Finance on October 1, 1997, would extend the same fee through August 31, 1998.

PAY-AS-YOU-GO CONSIDERATIONS

Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The projected changes in direct spending through 2007 are shown in the following table. For purposes of enforcing pay-as-you-go procedures, however, only the effects in the budget year and the succeeding four years are counted.

By Fiscal Year, in Millions of Dollars											
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	1998-2007
Changes in Outlays	-86	-154	-131	0	0	0	0	0	0	0	-371
Changes in Receipts	-80	-118	-132	-33	0	0	0	0	0	0	-362

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The bill contains no new private-sector or intergovernmental mandates as defined in UMRA and would not impose any costs on state, tribal, or local governments.

ESTIMATE PREPARED BY:

Revenues: Alyssa Trzeszkowski
Federal Costs: Mark Grabowicz

ESTIMATE APPROVED BY:

Rosemary Marcuss
Assistant Director for Tax Analysis

Paul N. Van de Water
Assistant Director for Budget Analysis