

Privacy Act Statement. The filing of this document is required by the Foreign Agents Registration Act of 1938, as amended, 22 U.S.C. § 611 *et seq.*, for the purposes of registration under the Act and public disclosure. Provision of the information requested is mandatory, and failure to provide this information is subject to the penalty and enforcement provisions established in Section 8 of the Act. Every registration statement, short form registration statement, supplemental statement, exhibit, amendment, copy of informational materials or other document or information filed with the Attorney General under this Act is a public record open to public examination, inspection and copying during the posted business hours of the Registration Unit in Washington, DC. Statements are also available online at the Registration Unit's webpage: <http://www.fara.gov/>. One copy of every such document, other than informational materials, is automatically provided to the Secretary of State pursuant to Section 6(b) of the Act, and copies of any and all documents are routinely made available to other agencies, departments and Congress pursuant to Section 6(c) of the Act. The Attorney General also transmits a semi-annual report to Congress on the Administration of the Act which lists the names of all agents registered under the Act and the foreign principals they represent. This report is available to the public in print and online at: <http://www.fara.gov/>.

Public Reporting Burden. Public reporting burden for this collection of information is estimated to average 1.5 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to Chief, Registration Unit, Counterespionage Section, National Security Division, U.S. Department of Justice, Washington, DC 20530; and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, DC 20503.

1. Name of Registrant	2. Registration No.
The AGA Group, LLC	5600

3. This amendment is filed to accomplish the following indicated purpose or purposes:

- To give a 10-day notice of change in information as required by Section 2(b) of the Act.
- To correct a deficiency in
  - Initial Statement
  - Supplemental Statement for the period ending 09/30/2009
  - Other purpose (*specify*): \_\_\_\_\_
- To give notice of change in an exhibit previously filed.

CRM/ISS/REGISTRATION UNIT  
2010 JUN -3 AM 10:43

4. If this amendment requires the filing of a document or documents, please list -

1. Testimony given to the United States International Trade Commission
2. Supplemental documents for testimony given to the United States International Trade Commission

5. Each item checked above must be explained below in full detail together with, where appropriate, specific reference to and identity of the item in the registration statement to which it pertains. (*If space is insufficient, a full insert page must be used.*)

Pertaining to Item 16 on registration statement: The AGA Group, LLC presented the attached testimony and supplemental documents at the public hearing regarding the Caribbean Basin Economic Recovery Act on behalf of the Government of the Republic of Trinidad and Tobago.

**EXECUTION**

In accordance with 28 U.S.C. § 1746, the undersigned swear(s) or affirm(s) under penalty of perjury that he/she has (they have) read the information set forth in this registration statement and the attached exhibits and that he/she is (they are) familiar with the contents thereof and that such contents are in their entirety true and accurate to the best of his/her (their) knowledge and belief, except that the undersigned make(s) no representation as to the truth or accuracy of the information contained in the attached Short Form Registration Statement(s), if any, insofar as such information is not within his/her (their) personal knowledge.

(Date of signature)

May 20, 2010

(Type or print name under each signature<sup>1</sup>)

[Handwritten Signature]

2010 JUN -3 AM 10:43  
CRM/ISS/REGISTRATION UNIT

<sup>1</sup> This statement shall be signed by the individual agent, if the registrant is an individual, or by a majority of those partners, officers, directors or persons performing similar functions, if the registrant is an organization, except that the organization can, by power of attorney, authorize one or more individuals to execute this statement on its behalf.

**This material is being distributed by the AGA Group representing the Government of Trinidad and Tobago. Additional information is available at the Department of Justice**

**SUPPLEMENTAL TESTIMONY**

Of

Mr. Ian Campbell

The AGA Group, LLC

On behalf of the Government of Trinidad and Tobago

To

The United States International Trade Commission

Marilyn R. Abbott  
Secretary to the Commission

500 E. St., SW, Washington, DC

Public Hearing

Investigation No. 332-227

2010 JUN -3 AM 10:43  
CRM/ISS/REGISTRATION UNIT

**CARIBBEAN BASIN ECONOMIC RECOVERY ACT:**

**Impact on U.S. Industries and Consumers and on Beneficiary Countries**

**THE NEED TO MAKE CBTPA PERMANENT UNDER CBERA/CBI AND/OR  
NEGOTIATE A PARTIAL SCOPE AGREEMENT WITH TRINIDAD AND TOBAGO**

Washington, DC

July 13, 2009

1. Madame Secretary, on behalf of The AGA Group, thank you for allowing me the opportunity to present testimony on Investigation No. 332-227 on June 30, 2009, the Caribbean Basin Economic Recovery Act (CBERA) Impact on U.S. Industries and Consumers and on Beneficiary Countries, to the Commission. I would like to submit to you, as per the request of the Chairman, this post hearing statement as a supplement to the Commissioners' questions after my presentation.
  
2. **Purpose of this Document** - Madame Secretary, for the purposes of clarification of my testimony on June 30, 2009, this supplemental document is presented to you on behalf of The AGA Group as consultants to the Government of Trinidad and Tobago. We hope that the Commission will take our views into account when it formulates its findings for presentation to the President, the Congress and the U.S. Trade Representative.
  
3. **Trinidad and Tobago's Request** - Madame Secretary, before I engage in responding to the clarification on the questions the Commission raised during the testimony [*the purpose of this document*], I would like to state for clarification purposes the Government of Trinidad and Tobago's proposal for trade with the United States:
  - i. To make Caribbean Basin Trade Partnership Act of 2000 (CBTPA) preferences permanent under CBERA/CBI,
  - ii. Enter into a Partial Scope Agreement with Trinidad and Tobago for the items granted preferential access under CBPTA scheduled to expire on September 30, 2010, [*even if CBPTA is made permanent due to the uncertainty of the WTO waiver*], and
  - iii. To include eligibility for duty free treatment for certain goods [*information technology, electronic and other non-sensitive products*] packaged in Trinidad and Tobago to have duty-free access to the United States.
  
4. Madame Secretary, in regards to your request for clarification, the following list are the questions from the hearing requiring clarification:

- i. Provide more information and the impact on ethanol exports from the region and supporting data
  - ii. Provide background on proposed Trinidad and Tobago Packaging Agreement
  - iii. Define the referenced Partial Scope Agreement – to which Prime Minister Manning (*Trinidad and Tobago*) received unanimous consent from CARICOM Heads for Trinidad and Tobago to enter into “Partial Scope Agreement” with the United States.
  - iv. Provide background information on the U.S. – Singapore Free Trade Agreement – Integrated Source Initiative (*as a reference framework for a proposed CBERA/CBI amendment or Partial Scope Agreement with Trinidad and Tobago pertaining to Packaging*)
  - v. Provide a list of products for consideration to be added to the CBERA/CBI or in a partial scope agreement with Trinidad and Tobago.
5. The government of Trinidad and Tobago and The AGA Group wishes to express gratitude to the U.S. International Trade Commission for the opportunity to clarify the following points:
6. **USITC Question/Request** - Provide more information and the impact on ethanol exports from the region and supporting data.
7. Ethanol consumption has, in the U.S., continued to grow significantly in the past several years, with the establishment of a renewable fuels standard in the Energy Policy Act of 2005 (P.L. 109-58), and the expansion of renewable fuel standards in the Energy Independence and Security Act of 2007 (P.L. 110-140). The standards require that gasoline contain a minimum amount of renewable fuel, including ethanol, therefore, ethanol consumption is expected to stay on a growth path.
8. As it stands, most of the U.S. ethanol market is supplied by domestic refiners producing ethanol from domestic corn. However, imports play a small role in the U.S. market primarily as a direct result of the 54-cent-per-gallon tariff on imported ethanol which offsets an economic incentive of 51 cents per gallon for the use of ethanol in gasoline including a 2.5% ad-valorem tariff.

9. However, CBERA/CBI allows for the import of ethanol to the United States to be duty-free. Ethanol entering the United States under the CBERA/CBI is generally produced elsewhere and reprocessed in CBERA/CBI countries for export to the United States. Duty-free treatment of ethanol under CBERA/CBI has raised concerns, especially since the market for ethanol has the potential for dramatic expansion under P.L. 109-58 and P.L. 110-140.
10. According to CRS Report RS21930 updated March 18, 2008, 2007 ethanol imports from CBERA/CBI beneficiaries amounted to 14.5 million gallons, which is a decrease from 2006 when U.S. imported 22 million gallons of ethanol. The following is an excerpt of the above mentioned report:

Ethanol and the CBI

As Congress noted in the Customs and Trade Act of 1990, the Caribbean Basin Initiative (CBI) was established in 1983 to promote “a stable political and economic climate in the Caribbean region.” As part of the initiative, duty-free status is granted to a large array of products from beneficiary countries, including fuel ethanol under certain conditions. If produced from at least 50% local feed stocks (e.g., ethanol produced from sugarcane grown in the CBI beneficiary countries), ethanol may be imported duty-free.

If the local feedstock content is lower, limitations apply on the quantity of duty-free ethanol. Nevertheless, up to 7% of the U.S. market may be supplied duty-free by CBI ethanol containing no local feedstock. In this case, hydrous (“wet”) ethanol produced in other countries, historically Brazil or European countries, can be shipped to a dehydration plant in a CBI country for reprocessing. After the ethanol is dehydrated, it is imported duty-free into the United States. Currently, imports of dehydrated ethanol under the CBI are far below the 7% cap (approximately 3% in 2006). For 2006, the cap was about 270 million gallons, whereas about 170 million gallons were imported under the CBI in that year.

11. Ethanol is important to the United States and has provided opportunities to develop an environmentally friendly industry in the Caribbean thus contributing to fuel efficiency and less fossil fuel pollution. Current data would suggest that the existing benefits under CBERA/CBI pertaining to ethanol assist the United States in meeting its energy objectives and in no way impacts negatively on local ethanol production.

**12. USITC Question - Provide Background on proposed Packaging Agreement**

Trinidad and Tobago would like to incorporate packaging provisions similar to that which is contained in the U.S. - Singapore Free Trade Agreement (U.S.-SFTA) in either the CBERA/CBI or a Partial Scope Agreement.

13. The U.S.-SFTA contains the Integrated Sourcing Initiative which allows non-origin products from other FTA countries to enter the United States duty free if transshipped through Singapore. We are proposing that either an amendment to CBERA/CBI or through a Partial Scope Agreement (*to which CARICOM agreed*) between Trinidad and Tobago and the United States include provisions for non-origin products from countries with FTAs with the United States and or of CBERA/CBI origin packaged with materials (*polyethylene / polypropylene*) produced in the exporting country (*Trinidad and Tobago*) receive duty-free access to the United States.

14. Madame Secretary, as you already know, the CBERA/CBI is a broad program aimed at promoting the diversification of beneficiary Latin America and Caribbean economies and expanding their exports. It was amended by CBTPA on August 30, 1990 to incorporate additional benefits and provisions in order to support continued growth and diversification of Caribbean Basin economies by making permanent, the CBERA.

15. The 1990 amendment also relaxed the criteria for duty-free treatment for articles assembled in CBERA/CBI countries from components produced in the U.S. Nevertheless, although the CBERA/CBI has no expiry date, its international legality requires a World Trade Organization (*WTO*) waiver, since the arrangement discriminates against other WTO developing country member states. The CBERA/CBI waiver expired on December 31, 2005 but the U.S. continued to unilaterally grant CBERA/CBI preferences. Efforts by the United States to renew the waiver were persistently blocked by some of the WTO Members, notably Paraguay. However, on May 26, 2009, the WTO General Council approved the renewal of the CBERA/CBI waiver up to December 31, 2014. Paraguay had stated that it withdrew its objection to the CBERA/CBI waiver in view of a start of a new dialogue with the Obama

Administration. The significance of the waiver renewal is that the program now has legal certainty, which is important for investors and traders.

16. For all other products to qualify for duty-free treatment, a product must be: (1) imported directly from a CBERA/CBI country into U.S. customs territory, (2) meet 35 percent value-added requirements and (3) conform to substantial transformation requirements. Thus, information technology, electronic and other non-sensitive products packaged in Trinidad and Tobago with packaging materials derived from local petroleum products would not be eligible for duty-free entry under CBERA/CBI unless they meet the 35 percent [15% US and 20% local] value added criteria. The government of Trinidad and Tobago is proposing an amendment to CBERA/CBI and or through a Partial Scope Agreement that the 35 percent value added criteria be adjusted downward to 20 percent [10% US and 10% local] value added for information technology, electronic and other non-sensitive products packaged in Trinidad and Tobago with packaging materials derived from local petroleum products.
17. **USITC Question** - Define the referenced Partial Scope Agreement – to which Prime Minister Manning (*Trinidad and Tobago*) received unanimous consent from CARICOM Heads for Trinidad and Tobago to enter into “Partial Scope Agreement” with the United States.
18. In view of the fact that CARICOM has been unable to agree on a trade position for negotiations with the United States, CARICOM Heads [*in June 2009*] re-affirmed support for Trinidad and Tobago to pursue a Partial Scope Agreement with the United States in relation to specific products of strategic interest to Trinidad and Tobago, subject to the provisions of the Revised Treaty of Chaguaramas.
19. The following is an excerpt from the Revised Treaty of Chaguaramas - Article 80 of the Revised Treaty of Chaguaramas on “coordination of External Trade Policy” permits Member States to negotiate trade agreements with the third parties Article 80 (3) states that bilateral agreements to be negotiated by Member States in pursuance of their strategic interests shall:
  - i. Be without prejudice to their obligations under the Treaty; and

- ii. Prior to their conclusion, be subject to certification by the CARICOM Secretariat that the agreements do not prejudice or place at a disadvantage the position of other CARICOM states vis-à-vis the treaty.
  
20. There is sufficient data and precedence to support a Partial Scope Agreement with Trinidad and Tobago as well as to make CBTPA preferences permanent under CBERA/CBI.
  
21. An Amendment to CBERA/CBI was the Caribbean Basin Trade Partnership Act (CBTPA) which was initiated in 2000 to give CBERA/CBI beneficiary countries treatment similar to that enjoyed by Mexico under the North America Free Trade Area (NAFTA). Products eligible under the CBTPA mainly fall under the areas of apparel, liqueurs, and articles considered as 'import sensitive' (*Section 221 of the Legislation*) such as certain footwear, prepared or preserved tuna, petroleum and petroleum products (Harmonized Tariff Schedule 2709 and 2710), certain watches and watch parts, and certain handbags, luggage, flat goods, work gloves, and leather wearing apparel. These products had been excluded from CBERA/CBI duty-free treatment<sup>1</sup>. The CBTPA will expire on **September 30, 2010**, at which point a range of Trinidad and Tobago's products currently exported under the arrangement will be subjected to higher tariffs.
  
22. In terms of preferential market access, the CBTPA is the most important preferential arrangement for Trinidad and Tobago exports. In 2007, exports that benefitted from duty-free entry under CBTPA were valued at **TT\$10.52 billion**. This proportion translates into **22.5%** of the country's domestic exports to the United States.
  
23. These exports were predominantly energy related and, in 2007, were concentrated over merely four (4) tariff lines, namely:
  - i. Other crude petroleum (18.7% of domestic exports to the U.S),
  - ii. Gas oil (2.9% of domestic exports to the U.S),
  - iii. Jet fuel Kerosene (0.6% of domestic exports to the U.S), and
  - iv. Motor Spirit Gasoline (0.4% of domestic exports to the U.S)

---

<sup>1</sup> This information is credited to "A Guide to the CBI", US Department of Commerce. November, 2000

24. Moreover, most CBERA/CBI and CBTPA beneficiaries in Central America, and the Dominican Republic, have moved on to negotiate the CAFTA-DR (Central America-Dominican Republic Free Trade Agreement) with the U.S. to secure predictable and more favorable trade deals with the U.S. Panama and the United States signed a free trade agreement on June 28, 2007 (pending approval in U.S. Congress). On August 2, 2005, President Bush signed implementing legislation for the CAFTA-DR. The CAFTA-DR entered into force for El Salvador on March 1, 2006; for Honduras on April 1, 2006; for Nicaragua on April 1, 2006; for Guatemala on July 1, 2006; for the Dominican Republic on March 1, 2007; and for Costa Rica on January 1, 2009. When the CAFTA-DR entered into force for each of these countries, it ceased to be designated as a CBERA/CBI and CBTPA beneficiary country<sup>2</sup>.
25. The U.S. Trade Agenda for 2009 has prioritized the need to “Uphold its commitment to be a strong partner to developing countries, especially the poorest developing countries”<sup>3</sup>. The Report also recognizes that trade preference programs help entrepreneurs in developing countries compete effectively in the world trading system. In light of the importance of trade preferences for developing countries, the Obama Administration has indicated that it will work with the Congress and public stakeholders on their renewal and reform.
26. Entering into a Partial Scope Agreement with Trinidad and Tobago would lock-in existing preferences under CBERA/CBI and CBTPA, allow for a modification of rules of origin from 35 percent to 20 percent for products [*information technology, electronic and other non-sensitive products*] packaged in Trinidad and Tobago using plastics derived from the energy downstream sub-sectors.
27. To assure prosperity in the region and stable economies, efforts to promote a single market in CARICOM must be successful. Small islands particularly those in the Eastern Caribbean cannot envisage, at least for the moment, entering into an FTA agreement with the U.S. If Trinidad and Tobago was to enter a full FTA without the participation of CARICOM

---

<sup>2</sup> Seventh Report to Congress on the Operation of CBI (December, 2007)

<sup>3</sup> 2009 Trade Policy Agenda Report

countries, particularly the smaller countries, it would doom the single market with serious implications for the viability of these economies. Thus, at least for the moment, the best option would be to enter in a partial scope agreement. Providing duty free treatment for products packaged in the region from materials derived from T&T energy production and providing permanent Access to CBERA/CBI and CBTPA products would not be detrimental to efforts to create a CARICOM single market.

28. It is consistent with US policy to negotiate with countries the size of Trinidad and Tobago. The U.S. has a number of FTAs with countries that are comparable to Trinidad and Tobago in economic size, e.g. Panama and Morocco. President Obama has also stated the need to uphold the United State’s commitment to be a strong partner to developing countries and to use trade as a tool to contribute to boosting growth in developing countries and lift their income levels<sup>4</sup>.

29. There are seven Central American countries namely, Panama, Dominican Republic, El Salvador, Honduras, Nicaragua, Guatemala and Costa Rica that have progressed to negotiated trade agreements with the U.S. CBERA/CBI has become a CARICOM club with the tiny islands of Aruba, Netherlands Antilles and British Virgin Islands as the only remaining non-CARICOM beneficiaries.

**Table 1** shows the list of countries with which the United States has bilateral agreements.

**Table 1: United States Free Trade Agreement Partners**

	<b>Trade Agreement</b>	<b>Date Signed</b>	<b>CBI Members</b>	<b>Non CBI Members</b>
1	US-Panama FTA <i>(entry into force pending)</i>	June 28, 2007	Panama	-
2	US-Colombia FTA <i>(entry into force pending)</i>	November 22, 2006		Colombia
3	CAFTA-DR	August 200 <u>4</u>	Costa Rica	
			El Salvador	
			Guatemala	
			Honduras	
			Nicaragua	
			The Dominican Republic	

<sup>4</sup> 2009 Trade Policy Agenda Report

	<b>Trade Agreement</b>	<b>Date Signed</b>	<b>CBI Members</b>	<b>Non CBI Members</b>
4	US-Chile	Entered into force on January 1, 2004		Chile
5	Peru	April 12, 2006		Peru
6	NAFTA	January 1, 1994 (entry into force)		Mexico
				Canada
7	Australia	January 1, 2005 (entry into force)		Australia
8	Bahrain	August 2006 (entry into force)		Bahrain
9	Israel	1985		Israel
10	Jordan	December 17, 2001 (entry into force)		Jordan
11	Korea (pending Congressional approval)	June 30, 2007		Korea
12	Morocco	January 1, 2006(entry into force)		Morocco
13	Oman	January 1, 2009(entry into force)		Oman
14	Singapore	January 1, 2004(entry into force)		Singapore

Source: Office of the U.S. Trade Representative

30. Overall, the United States has FTAs in force with seventeen (17) countries. FTAs with Colombia, Panama and Korea await Congressional approval. An agreement, even a partial agreement, with Trinidad and Tobago is a good foreign policy decision that is in line with U.S. foreign policy agenda of supporting stable democratic countries to avoid fail states in the Hemisphere, such as what occurred with Haiti in 2004.

31. Trinidad and Tobago's geopolitical importance to the region cannot be ignored. CARICOM is Trinidad and Tobago's largest trading partner. Trinidad and Tobago's continued economic relationship with CARICOM curbs illegal immigration to the United States in search of

better opportunities. And its stable democratic political system provides a role model for its members.

32. Energy Security: Trinidad and Tobago is the major supplier of LNG for the United States and one of the largest exporters in the world. In 2007, Trinidad and Tobago exported TT\$19 billion of natural gas to the United States, about 55.7% of total U.S. LNG imports and about 2% of total U.S. natural gas supply<sup>5</sup>.
33. Hemispheric Security: Since crime and poverty are intricately linked, trade can be a tool for improving economic development and reducing crime in the Western Hemisphere.
34. Foreign Policy Interests: Continued favorable trading relationships with Caribbean countries would serve U.S. foreign policy interests and would be a good opportunity for the U.S. to show understanding and commitment to its smaller neighbors by negotiating an agreement that places their economic development as a priority.
35. **USITC Question/Request** - Provide Background Information on The U.S. – Singapore Free Trade Agreement Integrated Source Initiative.
36. The U.S. Singapore Free Trade Agreement (P.L. 108-78) went into effect on January 1, 2004 and contains an Integrated Sourcing Initiative (ISI), in particular, the ISI reduces importers' paperwork burden and cuts processing costs [*not tariffs*] for certain products, industry and or industries in the United States and Singapore. These products are already eligible for duty-free entry in the United States. For a limited number of information technology products and medical devices listed in Annex 3B of the U.S. – Singapore FTA that already face zero tariffs in the United States and Singapore, the ISI eliminates the requirement that these products meet specific “rules of origin” when shipped between the United States and Singapore.
37. For ISI products, this customs procedure is streamlined and the burden on the importer is reduced. If the ISI product is shipped between the United States and Singapore, an importer

---

<sup>5</sup> The bulk of U.S. LNG consumption is from domestic sources

does not need to prove that the ISI products meet detailed “rules of origin” tests, complete certification paperwork or pay the merchandise processing fee.

38. A product on the ISI list is an originating good under the U.S. - Singapore FTA only if it is shipped from one FTA country to the other. If an ISI product is shipped from a non-FTA party to Singapore and then to the United States, it meets the criteria for treatment as an originating good under the FTA. If, however, an ISI product is shipped from a non-FTA party to Singapore but is not shipped to the United States, it does not meet the criteria for treatment as an originating good under the FTA.
39. An ISI material, component, or other input does not achieve originating status under the U.S. Singapore FTA simply by being imported into Singapore or the United States, shipment from one FTA country to the other is still required to obtain originating status. If an ISI product is shipped from a non-FTA party, to Singapore and is used as an input for the manufacture of a final product in Singapore, such input does not meet the criteria for treatment as originating for purposes of regional value content (RVC).
40. The only way that an ISI material, component, product, or other input could affect a RVC calculation is if an ISI product is shipped from a non-FTA party to Singapore and then to the United States (*and is held there without undergoing any processing that would affect its treatment under the rules of origin*) and then is shipped back to Singapore, where the ISI product is used as input for the manufacture of a non-ISI good.
41. **USITC Question** – Provide List of products for consideration to be added to the CBI or in a partial scope agreement with Trinidad and Tobago.
42. The products listed below already receive preferences either under CBERA/CBI, CBTPA or MFN. However, for reasons cited in this document [*uncertainty of CBERA/CBI and CBTPA*], Trinidad and Tobago would like to have these products, in addition to packaging of information technology, electronics and other non-sensitive products as referenced before, be included in a partial scope agreement:
  - i. Polyethylene and related products

- ii. Polypropylene and a range of plastic products derived from it
- iii. Urea resins
- iv. Melamine
- v. Melamine resins
- vi. Aluminum
- vii. Iron and steel
- viii. Ammonia
- ix. Methanol and
- x. Liquefied Natural Gas (LNG)

43. An examination of market access conditions of these products reveals that all of them are either duty-free under the CBERA/CBI or duty-free under MFN<sup>6</sup>. For instance, LNG, iron and steel and most related products are already duty-free under MFN. The rest of the products in the list are duty-free under CBERA/CBI.

44. Trinidad and Tobago is proposing to protect the preferences granted under CBERA/CBI in light of the uncertainty of future waivers to have these products included in a Partial Scope Agreement.

45. The U.S. is the most important trading partner for Trinidad and Tobago, accounting for 56% of domestic exports and 25% of imports.

46. Trinidad and Tobago's exports to the United States are predominantly in energy-related products

47. The U.S. is also the largest destination for Trinidad and Tobago's manufacturing exports, accounting for 19.2% of domestic manufacturing exports

---

<sup>6</sup> The applicable duty rates were established by examining the Harmonized Tariff Schedule of the US, 2009, Rev.1

48. The biggest proportion of Trinidad and Tobago's exports to the U.S.A is subjected to duty-free entry under MFN. In 2007, the proportion of Trinidad and Tobago's exports that benefited from duty-free MFN market access represented 72.6% of domestic exports.
49. The CBTPA is the most important preferential arrangement for existing exports and accounted for 22.5% of domestic exports in 2007.
50. Thus, the expiry of the CBTPA on September 30, 2010 will adversely affect a significant proportion of Trinidad and Tobago's exports to the U.S.A, since over 20% of the country's products will face higher tariffs.
51. Exports under CBERA/CBI represented 4.9% of domestic exports in 2007, and 9.2% on average during the period 2004 to 2007.
52. CBERA/CBI and duty-free MFN cover about 78% of Trinidad and Tobago's exports to the U.S., mainly non-energy products.
53. It is important for Trinidad and Tobago to secure predictable and favorable market access for products that will be affected. The expiry of the CBTPA in 2010 is particularly a matter of concern for Trinidad and Tobago considering that 22.5%, or over a fifth of domestic exports to the U.S. will be affected, according to 2007 data.
54. Moreover, in light of the difficulties encountered in securing CBERA/CBI waivers, the international legality of the arrangement is under question, which brings a degree of uncertainty on the future of the trading arrangement.
55. A sound trade relationship with Trinidad and Tobago is sound U.S. foreign policy

2010 JUN -3 AM 10:45  
COMM/ISS/REGISTRATION UNIT

This material is being distributed by the AGA Group representing the Government of Trinidad and Tobago. Additional information is available at the Department of Justice

**United States International Trade Commission**  
**Public Hearing on**

CARIBBEAN BASIN ECONOMIC RECOVERY ACT:  
Impact on U.S. Industries and Consumers and on Beneficiary Countries

**THE NEED TO DEEPEN THE CARIBBEAN BASIN ECONOMIC  
RECOVERY ACT AND/OR NEGOTIATE A PARTIAL SCOPE  
AGREEMENT**

Washington, DC  
June 30, 2009

Presented by  
Mr. Ian Campbell  
Government Affairs  
The AGA Group, LLC

2010 JUN -3 AM 10:44  
CRM/ISS/REGISTRATION UNIT

## **INTRODUCTION**

My name is Ian Campbell. I am here today representing my company, The AGA Group. The AGA Group is a limited liability registered international organization located in the District of Columbia. Its mission is to promote and facilitate commerce primarily (but not limited) between the United States, Africa, Caribbean and Latin America region. We provide business advisory services and representation to two primary markets: (1) United States and international firms and governments with interests in petrochemical, telecom and other trade activities in the Caribbean, Africa and Latin America; and (2) corporate and government clients in those respective countries seeking to advance political and commercial interests in the United States. I am accompanied by our trade adviser, Mr. Stephen Lande who was one of the original authors of the CBI program.

The firm is the registered foreign agent on behalf of Trinidad and Tobago. My testimony will describe some of the thinking in the Caribbean region, CARICOM and Trinidad and Tobago. I would like to thank the Commission, the Chairman and the Secretary for allowing me to testify today. It is my intention to emphasize the importance of deepening current CBI provisions to better reflect the comparative advantages of the region. We hope that the Commission will take our views into accounts when it formulates its findings for presentation to the President, the Congress and the U.S. Trade Representative.

## **U.S. - CARIBBEAN TRADE RELATIONS**

According to the U.S. Department of Commerce, the objective of the Caribbean Basin Initiative (CBI) is to promote economic development through private sector initiatives with a major goal to expand foreign and domestic investment in nontraditional sectors, thereby diversifying CBI country economies and expanding their exports, International Trade Administration.

The Caribbean Basin Economic Recovery Act ("CBERA") was enacted on August 5, 1983 and authorized the granting of certain U.S. unilateral preferential trade and tax benefits for Caribbean Basin countries and territories. The Caribbean Basin Economic Recovery Expansion Act of 1990 ("CBI II") was enacted under the Customs and Trade Act of 1990. CBI II amended CBERA by making CBERA trade benefits permanent through the repeal of its 12-year termination date (initially set for September 30, 1995) and implementing certain improvements to its trade and tax benefits. CBI III was enacted under the Caribbean Basin Trade Partnership Act of 2000 (CBPTA) and expanded the program further. Its main provision was to include CBI apparel assembled from regional fabrics as well as from US fabrics. Products added under CBI II and III however were not permanent and their designation is currently due to expire September 30, 2010.

In extending a number of preference programs and preference provisions until 2010, Senator Max Baucus, chairman of the Finance Committee observed that the programs must be examined to see if they reflect the current world situation. An objective should be to review them to assure

that they promote economic development. We would hope that the findings of the USITC will contribute to this review.

The CBERA provides the Caribbean Basin countries with duty-free access to the United States market for most exported products and special tax provisions for the tourist sector. For CBI countries to receive the benefits, products generally must: be imported directly from a CBI beneficiary country into the U.S. customs territory; be wholly the growth, product or manufacture of a CBI beneficiary country or be substantially transformed into a new or different article in the CBI beneficiary country; contain a minimum of 35 percent local content of one or more CBI beneficiary countries of which (15 percent of the minimum content may be from the U.S.).

#### **US - TRINIDAD AND TOBAGO AND US - CARICOM TRADE ISSUES**

Over the last five years, economic reform in Trinidad and Tobago has been spurred by unprecedented inflows to the energy sector. Trinidad and Tobago is now one of the world's top producers of Liquefied Natural Gas (LNG), in addition to being the world's largest exporter of methanol and ammonia and an emerging world leader in the export of steel. This coupled with the prudent management of the economy has seen Trinidad and Tobago recording positive growth rates for the past fourteen years. The Republic can now claim the honor of having one of the highest GDP per capita in the Caribbean and Latin America, a single digit unemployment rate and foreign exchange reserves amounting to approximately US\$8 billion representing one year of import, exceeding the international benchmark of three months.

The public sector debt has been reduced from 58 percent of GDP in fiscal year 2002 to 28 percent of GDP in fiscal year 2008. The country's external debt service ratio stands at 7 percent and its economic performance has been rewarded with investment grade status by both Standard and Poor's and Moody's credit rating agencies. Nevertheless, Trinidad and Tobago continues to hold the view, along with its CARICOM partners, that trade regimes which take "size" and "development" into account must form the basis for participation in the international trade arena. This is because, despite its economic progress, stable democracy and developmental goals, Trinidad and Tobago is still a small and vulnerable economy very much susceptible to exogenous shocks in the external economic environment.

#### **DEEPENING TRADE RELATIONS: US/TRINIDAD AND TOBAGO AND US/CARICOM**

Special duty-free allowance should be made available for the shipment of certain products not currently satisfying origin rules for entry under the CBI which are packaged in the Caribbean from materials produced by the petrochemical industry. Trinidad and Tobago is seeking to

accomplish this either by modifying the current origin rules under CBI or as a provision under a Partial Scope Agreement.

Current origin rules allow duty-free entry to products produced with materials or components originating in the region. It also allows duty-free entry to products assembled from third country components and other inputs. Due to the small size and resource base of the region, there are few such products originating there. The high cost of labor in the Caribbean makes other locations more attractive for assembly.

Trinidad and Tobago is seeking duty-free treatment for third country products packaged in the Caribbean from packaging materials produced by the Caribbean petrochemical industry. These materials can include polypropylene and polyethylene. These products may not meet current origin rule requirements and thus the country is seeking a modification of current origin rules.

A possible template for this proposal is provisions in the U.S. Singapore FTA. The agreement contains the **Integrated Sourcing Initiative (ISI)** which allows non-origin products to enter the United States duty free if transshipped through Singapore. Specifically Article 3.2(1) of the US-SFTA provides that specific goods may be considered originating goods for purposes of the Agreement when shipped between the U.S. and Singapore, regardless of whether they satisfy the applicable rule of origin. The specific list of ISI eligible goods include information technology and medical products and can be found in General Note 25(m) of the Agreement. We are suggesting that the CARICOM provisions include information technology, electronic and other less sensitive products. Such a list can be developed taking into account sensitivities in the US and potential for using Caribbean origin packaging materials.

In order for ISI eligible goods to receive preferential tariff treatment under US-SFTA, the good must be shipped from countries other than non-Free Trade Agreement (FTA) country (countries other than Singapore and the United States) to the territory of Singapore, and then shipped directly to the United States for importation. ISI eligible goods that meet the criterion of being shipped from the territory of Singapore to the U.S. will not be required to satisfy the specific rules of origin; however, they will be treated upon importation as originating goods.

Singapore must be the country of export for ISI eligible goods to receive benefits under US-SFTA; however, the country of origin of the good may be any country.

Although many of the products already are duty-free, the ISI could still provide a template for the provision. The provision applicable to the Caribbean could require that to be eligible such products must be certified to be of non-local origin but packaged with materials produced in the Caribbean hydro carbon industry.

This provision could be included in a Partial Scope Agreement. Trinidad and Tobago has been able to secure the agreement of CARICOM countries to enter into a Partial Scope Agreement with the U.S. on energy products. The idea behind this is to ensure guaranteed market access for the output of its energy sector, including as packaging materials for third country products packages in the Caribbean. These materials include such plastics as polyethylene and polypropylene. What Trinidad and Tobago sees is the development in the Eastern Caribbean of labor intensive industries based on the availability in Trinidad and Tobago of these raw materials. These products can find a ready market in the United States. A key provision of this Partial Scope Agreement could be duty-free treatment for select products packaged in the region from such materials derived from the energy industry.

In addition, we are suggesting a reduction of the local content requirements in the CBERA from 35% to 20%; for Caribbean countries--shortages in production materials and components make it difficult to satisfy the 35 percent value-added origin requirement. It would be a marginal improvement if the local content was reduced to 20 percent. Such a change would provide incentives for the assembly of high priced components in the Caribbean.

When US materials are incorporated into a product produced in the CBI, the actual value added required can be as low as 20 percent. Consideration should be given to reducing this figure to 10 percent when at least 25 percent of the value-added is of United States origin. This would be beneficial to both the United States and the Caribbean since this would promote assembly in the latter of high valued components produced in the former.

#### **ATTENTION TO TRADE REMEDIES**

Reinforcement of CBI provisions excluding imports from the region from being grouped with non-regional imports for purposes of material injury findings under the antidumping provisions, for example, the case of steel, wire rods from Trinidad and Tobago. The only significant steel product exported from Trinidad and Tobago to the United States is steel wire rod. Until now, steel has been exempted from antidumping duties which have been applied against imports from most other wire rod suppliers. The CBI provided that in the determination of material injury in antidumping cases, CBI imports would not be cumulated or grouped with imports from other sources. Import relief under the anti-dumping provision would only be applied if imports from CBI itself were causing the material injury.

The Court has issued a ruling changing this practice and remanded the case back to the USITC. This could result in antidumping duties being assessed against the major energy intensive manufactured product exported from Trinidad and Tobago to the United States, an export that does not cause or threaten material injury to US producers. The importation of steel into the US

from Trinidad and Tobago is now threatened by a decision by the United States Court of Appeals ((Mittal Steel Point Lisas Limited (formerly known as Caribbean Ispat Limited) v. U.S. et al., No. 2007-1552 decided 09/18/08) which reversed the existing practice of many years and seemed contrary to the intent of Congress in the CBI legislation.

### **MAINTAINING CURRENT ETHANOL REGIME**

Ethanol exports from the CBI (non-petroleum-based, fuel-grade ethyl alcohol) have received duty-free import eligibility into the U.S. as per the original 1983 CBERA-CBI law and has been left in since, as per 19 U.S.C 2701-2706, and section 423 of the Tax Reform Act of 1986, as amended (19 U.S.C. 2703).

CBI governments and ethanol producers have worked for years with various Congresses in a bipartisan manner to maintain and support the duty free ethanol preference provisions in CBI (c. 1990 and permanent in US law) and ensuring that Congress understands the important and complementary role played by CBI ethanol in US renewable energy initiatives. This has been further underscored by the US governments as per the new US renewable fuel energy policy established by President Bush in January 2006, and the new energy and climate change initiatives proposed by President Obama.

These CBI duty exclusions have provided opportunities to develop an environmentally friendly industry in the Caribbean which contributes to fuel efficiency and less fossil fuel pollution in the United States. Angustura, a successful exporter of ethanol into the U.S. has exported under the current tax and duty regimes. We recommend that this CBI ethanol duty-free regime should be maintained and not changed."

### **CONCLUSIONS**

The importance of the U.S. market to Trinidad and Tobago requires a maturing trade relationship. The benefits under these agreements have been severely eroded as a result of progressive U.S. market liberalization. Given the importance of Trinidad and Tobago to energy security as well as the plans of Trinidad and Tobago to expand the industrial base of the country, any expansion of the trade relationship should include energy. Current duty-free access must not be disrupted. The relationship would be enhanced if opportunities were provided for duty-free exports to the United States of non-import sensitive third country goods packaged in the region form indigenous materials primarily produced in the energy industry.

2010 JUN -3 11 19 AM  
CRM/ISS/REGISTRATION