

CARIBBEAN BASIN INITIATIVE (CBI)

The Caribbean Basin Initiative, Known locally by the abbreviated initials in English (CBI), is a program of the U.S. Government destined to promote the economic development of the region, by providing tariff exemptions on custom duties for most of the products which come from the region.

The agreement which originally went into effect in January of 1984, with a planned duration of 12 years, was later modified through the CBI II so that as of August, 1990, the agreements will be permanent.

It is helpful to keep in mind that the preferential tariff granted under the CBI are not reciprocal, or in other words, the beneficiary countries are not required to grant equivalent reductions of their own import duties.

Today, there are a total of 27 countries undergoing development who are designated beneficiaries.

The preferential system of the CBI applies, in general terms, to all products of the region. Nonetheless, certain categories of products are excluded from the duty free entry condition. These products are:

- Clothing and textiles
- Canned Tuna Fish
- Footwear
- Certain leather, rubber and plastic gloves
- Luggage, handbags and leather accessories
- Watches and watch parts if any of the components come from a communist country.

Ethanol, sugar, beef and veal may be eligible for duty free entry, however, under special conditions.

With respect to custom duties, all imported goods which qualify under the CBI will be exempted from all customs duties.

In order to qualify for duty free entry, an article must be cultivated, produced or manufactured in one of the beneficiary countries of the CBI. It is required that, at least 35% of the costs or value of the article should come from direct processing costs in one or more of the countries which merits the commercial benefits of the CBI, this is the Added National Value.

The materials which come from the United States of North America may constitute up to 15 percentage points of the 35, leaving 20 % of the value which must be added by one of the CBI countries. Materials from Puerto Rico and the United States Virgin Islands may be integrally considered as part of the 35%.

To determine The National Added Value (VAN) of products which contain imported raw materials, the cost of the prime materials is added to the base of the sum of the operation and processing costs.

If the article contains or is manufactured with materials which come from countries outside of the CBI, the final products must be considered "new and different" from

the foreign materials utilized in the making. This is usually what is referred to as "sufficient transformation".

Simple operations done "in passing" in which goods from foreign countries receive minimal processing or packaging prior to re-exportation to the United States of America, are not considered as apt for duty exemptions.

The customs service of the United States of America will accept items as eligible for duty free benefits only if the articles are accompanied by a CBI Certificate of Origin, Form A. This Form is required in order to verify the country of origin of the merchandise.

The Certificate of Origin may be obtained at the Dominican Center for the Promotion of Exports (CEDOPEX).

The exporter should complete and duly sign Form "A", The Certificate of Origin. Once the form has been completed, it should be taken to CEDOPEX accompanied by the bill of lading, corresponding to the products being exported under the protection of the GSP.

The Center will sign and affix the appropriate seal in box #11.

CEDOPEX and the National Free Zones Council, serves the Dominican exporter by making information available on the regulations, conditions and necessary requirements for utilizing and benefitting from the preferential system.