

The Virgin Islands Consortium

Duty-Free Caribbean Trade Faces Pressure From Tariffs and Falling CBI Use, U.S. Report Says

The report finds declining use of duty-free Caribbean trade benefits, sector-specific export drops, and new tariff pressures are reshaping regional exports, with implications for tourism, energy, apparel, and U.S. territories including the Virgin Islands.

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The United States has released its Sixteenth Report to Congress on the Operation of the Caribbean Basin Economic Recovery Act (CBERA), detailing how trade preferences for Caribbean Basin countries continue to play a role in regional economic development even as utilization rates decline and new tariff policies reshape trade flows.

The report, issued by the Office of the United States Trade Representative (USTR) in December 2025, evaluates the performance of the Caribbean Basin Initiative (CBI) during the 2023–2025 review period, examining trade volumes, eligibility compliance, utilization gaps, and the impact of recent U.S. trade policy changes

Launched in 1983, the CBI provides duty-free access to the U.S. market for most goods from 17 Caribbean countries and territories. Over time, the program has expanded through legislation including the Caribbean Basin Trade Partnership Act (CBTPA), the HOPE and HELP Acts for Haiti, and the Trade Preferences Extension Act. The program is designed to encourage export diversification, economic growth, and stability across the Caribbean Basin.

According to the report, CBI beneficiary countries supplied \$11.6 billion in U.S. imports in 2024, ranking 36th among U.S. import suppliers. While total imports rebounded from a dip in 2023, the share of U.S. imports from CBI countries remained at 0.4 percent, reflecting a long-term decline from earlier decades when the program covered a broader group of trading partners.

The report notes a continued decline in the use of CBI tariff preferences, with imports entering under CBERA falling from \$2.8 billion in 2022 to \$1.8 billion in 2024. Reduced imports of textiles from Haiti, methanol from Trinidad and Tobago, and petroleum products from Guyana were cited as key contributors. Despite the decline, petroleum products, methanol, and apparel still accounted for nearly 85 percent of imports entering under CBI preferences in 2024.

Trinidad and Tobago remained the largest source of U.S. imports under CBI preferences, driven primarily by petroleum products and methanol. Haiti continued to dominate textile and apparel exports, although its exports declined sharply amid political instability, security concerns, and the expiration of the HOPE and HELP programs in September 2025. The report indicates Haiti's garment workforce has fallen by approximately 65 percent since 2021.

On the export side, the United States shipped \$17.6 billion in goods to CBI countries in 2024, a 6.8 percent increase from the previous year. The region ranked 20th among U.S. export destinations, with The Bahamas, Trinidad and Tobago, Jamaica, Guyana, and Haiti accounting for more than 70 percent of U.S. exports to the Caribbean Basin.

The report highlights uneven utilization of trade preferences, noting that while countries such as The Bahamas, Grenada, and Haiti claimed CBI benefits on more than 90 percent of eligible imports, others—including Antigua and Barbuda, the British Virgin Islands, Montserrat, and Saint Vincent and the Grenadines—claimed none in 2024.

A major development outlined in the report is the impact of new U.S. tariff policies implemented in 2025. Under emergency powers invoked by President Donald Trump, reciprocal tariffs were imposed on imports from CBI beneficiaries, generally set at 10 percent, with higher rates applied to Guyana and Trinidad and Tobago based on trade imbalances. While tariffs on Guyana were later reduced, officials cautioned that the measures could affect trade flows moving forward.

Beyond trade volumes, the report provides detailed country-by-country assessments of compliance with eligibility criteria, including labor rights, intellectual property protection, anti-corruption measures, transparency in government procurement, and counternarcotics cooperation. While most beneficiaries continue to meet eligibility requirements, the report documents persistent challenges, including enforcement gaps, labor inspector shortages, corruption concerns, and vulnerability to money laundering and illicit trafficking.

The report also emphasizes the continued importance of the federal rum excise tax cover-over program, which returns U.S. excise taxes collected on imported rum to the treasuries of Puerto Rico and the U.S. Virgin Islands. The provision remains a central component of both territories' fiscal frameworks and export competitiveness.

Public comments included in the report reflect both support for the CBI and concern about its future effectiveness. Industry groups and regional organizations urged modernization of the program, greater certainty around tariffs, and stronger alignment with digital trade and supply chain realities.

USTR officials concluded that while the CBI continues to offer meaningful benefits, declining utilization, shifting global trade dynamics, and new tariff policies are reshaping how Caribbean countries engage with the U.S. market. The report emphasizes that future effectiveness will depend on both policy stability in Washington and continued reforms within beneficiary countries.