

General Council
3, 4 and 8 November 1999

Original: English

UNITED STATES - FORMER TRUST TERRITORIES OF THE PACIFIC ISLANDS

Report of the Government of the United States under the Decision of 14 October 1996¹

The following communication, dated 21 October 1999, has been received from the Permanent Mission of the United States.

1. Introduction

On 14 October 1996, the United States was granted a renewal of the waiver (WT/L/183) from its obligations under paragraph 1 of Article I of the GATT 1994 to the extent necessary to permit the United States Government to provide preferential treatment for eligible imports into the United States from the Marshall, Caroline and Mariana Islands (other than Guam), formerly part of the Trust Territories of Pacific Islands (TTPI). This waiver was extended until 31 December 2006.

Under the terms of this waiver, the United States is required to submit to the General Council an annual report on the implementation of the trade-related provisions of the programme with a view to facilitating the annual review provided for in paragraph 4 of Article IX of the WTO Agreement. This report covers calendar year 1999. Trade data has been provided for calendar year 1998, the most recent year for which full-year data is available.

2. Preferential Treatment for the Former Trust Territories of the Pacific Islands

With the entry-into-force in 1986 of the Covenant establishing the Commonwealth of the Northern Mariana Islands, and the Compacts of Free Association with the United States for the Republic of the Marshall Islands, the Federated States of Micronesia, and in 1994 of the Compact of Free Association with the United States for the Republic of Palau, the Trusteeship of the Pacific Islands, established on 2 April 1947, was terminated. US law provides for the continuation of the preferential trade treatment granted these islands under the Trusteeship. These preferences are similar to historical preferences the United States provides the US Virgin Islands, Guam and American Samoa, which were US possessions on 1 July 1939 and which are included in Annex D to Article I of the GATT 1994. The primary purpose of this preference system has been to promote the expansion of trade and the economic development of the beneficiaries in a manner consistent with the objectives of the GATT and with the trade, financial and development needs of the beneficiary countries.

Under General Note 3(a)(iv) of the Harmonized Tariff Schedules of the United States, duty-free treatment is accorded to all products of the former TTPI, with some exceptions. Watches

¹ WT/L/183.

and watch movements, and certain fishery products are subject to quantity limitations, and buttons, certain textile, apparel, footwear and luggage products are subject to duty in some or all of former TTPI. Duty-free treatment is only accorded to the in-quota quantity of agricultural products subject to a tariff-rate quota.

3. Performance

A very small volume of production and trade involved in this programme. Taken together, US imports from the Republic of the Marshall Islands, the Republic of Palau, the Federated States of Micronesia and the Commonwealth of the Northern Mariana Islands total about \$1 billion or about one tenth of 1 per cent of US imports: about 20 per cent is eligible for tariff preferences. However, the US is an important market for these islands, as the destination of nearly 50 per cent of total exports.

The Commonwealth of the Mariana Islands, with a far larger economy than its three island neighbours, is far and away the largest exporter, responsible for more than 95 per cent of total exports to the United States from the former Trust Territories. The Republic of Palau was the second largest exporter in 1997, followed by the Federated States of Micronesia and the Republic of the Marshall Islands.

The annex to this document provides summary information on US imports from the former Trust Territories of the Pacific Islands from 1993-1998.

TABLE 1

US Imports from the Former Trust Territory of the Pacific

(Values in millions of dollars)

	US Imports					
<i>Source</i>	1993	1994	1995	1996	1997	1998
Total U.S. Imports	581	663	744	795	871	1,013
Republic of the Marshall Islands	11	8	13	4	7	6
Federated States of Micronesia	14	13	13	11	12	13
Republic of Palau	1	3	6	9	13	14
Commonwealth of the Northern Mariana Islands	308	332	428	556	799	980