CHTA CARIBBEAN HOTEL & TOURISM ASSOCIATION

April 1, 2025

To: **OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE**
USTR Electronic Portal: https://comments.ustr.gov/s/.

Re: **Docket # USTR-2025-0002.**
Proposed Action in Section 301 Investigation of China's Targeting of the Maritime, Logistics, and Shipbuilding Sectors for Dominance

On behalf of the Caribbean Hotel and Tourism Association and our federation of 32 national hotel and tourism associations throughout the region, and private sector members based in the Caribbean, the United States and globally, we welcome this opportunity to comment on the above-referenced actions being considered by the USTR.

Our submission quantifies the significant contributions which the region's growing tourism industry provides to the United States and Caribbean economies, stimulating two-way trade in goods and services, impacting GDP, creating entrepreneurial and employment opportunities, and generating tax revenue at the local and country levels.

Should the proposed actions being considered be adopted, along with tariffs, without remedies which mitigate their impact, we expect downside consequences for the region and U.S. business interests which rely on a stable and growing tourism industry – both cruise ship and land-based tourism.

Our submission offers remedies which will provide mutual benefit as we look to continue to grow our industry for mutual gain. The remedies are in sync with those being advanced by the CARICOM Private Sector Organization, other groups and companies with a stake in a vibrant and healthy tourism economy.

The CHTA understands and appreciates the concerns expressed by the United States. In the spirit of mutual collaboration and the longstanding mutual benefits realized through trade, tourism and our commitments to free enterprise and democracy, we are hopeful that our recommendations are considered and advanced to our mutual gain.

Respectfully,

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Assessing the Impact of Proposed Port Service Fees and Tariffs on the U.S. and Caribbean's Tourism-Based Economies and Creating New Opportunities to Stimulate Greater Two-Way Trade Between the Region and the United States

- **An Overview of the Mutual Impact and Economic Benefits Between the Caribbean and the United States Through Tourism**
- **A Case for Reconsidering the Implementation of Proposed Changes to the Trade Act of 1974 Section 301 Investigation of China's Targeting of the Maritime, Logistics, and Shipbuilding Sectors for Dominance, 90 Fed. Reg. 10843 and Tariffs Impacting Caribbean Economies and Tourism**
- **Recommendations to Address Tourism-Related Trade and Travel Concerns and Create Opportunities for Mutually Beneficial Growth**

BACKDROP

Tourism is recognized as a key driver of socio-economic progress, helping companies and countries to quickly create jobs and businesses, generate tax revenues, and support infrastructure improvements to the benefit of residents and visitors. It also is a major contributor to trade, as most inputs in the Caribbean are imported, with the overwhelming majority of those inputs being produced in the United States or transshipped to the region through U.S.-based shippers and wholesalers.

The economies of the United States, and Florida in particular, are intricately and inter-dependently related. Tourism represents over 20% of GDP for more than half of the region's jurisdictions, with some countries exceeding 80%. The industry continues to grow and correspondingly so too does its purchase of goods and services from its major supplier, the United States. This is evidenced by the growth in visitors to the region via cruise ships, and visitors staying in hotels, second homes and other accommodations.

Despite the Caribbean's tourism growth, the industry is highly vulnerable to threats impacting travel demand and an already comparatively high cost of doing business. Recent industry research reveals that 34% of tourism-related businesses report experiencing a net loss in 2024.

Many Caribbean governments have refrained from implementing policies which can increase the cost of travel, thus reducing demand and resulting in negative consequences to employment and tax revenue and tourism's viability and growth.

An unintended consequence of a proposal by the United States Government to impose high port service fees on all maritime operators, regardless of nationality, of up to $1.5M for each port call in the U.S. made by a Chinese-built ship and to require that exporters of U.S. goods use U.S.-flagged and U.S.-built vessels for an increasing percentage of their exports would have corresponding negative consequences for U.S. based shippers and suppliers. Combined with the potential imposition of tariffs, this would substantially increase the cost of travel to the Caribbean, reducing demand, and eroding years of progress in trade and travel which has been made to the benefit of both the Caribbean and the United States.

Recognizing the challenges the industry would face with the imposition of high port service fees and tariffs; the Caribbean Hotel and Tourism Association (CHTA) recommends the reconsideration of the imposition of port service fees and tariffs on trade between the United States and the Caribbean.

Further recognizing the opportunities which exist to stimulate even greater growth in travel and trade between the United States and the Caribbean, the CHTA recommends a new paradigm in the economic relationship between the U.S. and the Caribbean which would grow our respective economies and strengthen the stability and security of United States' 'third border'.

The following data substantiates the mutual value and potential of a strong travel and trade partnership between the Caribbean and the United States.

KEY U.S. AND CARIBBEAN TRAVEL AND TRADE ECONOMIC INDICATORS

Tourism's Contribution to Caribbean Economies and U.S. Impact

- Tourism Contributed an Estimated $91.2BN to the Region's Economies in 2024 (Source: World Travel and Tourism Council)
- Tourism Generated an Estimated 2.9M jobs in the Caribbean in 2024 (Source: WTTC)
- The Caribbean Welcomed 16.9M stayover visitors in hotels or other accommodations from the United States in 2024 representing half (34.1M) of the stayover visitors to the region (Source: Caribbean Tourism Organization)
- Visitors via Cruise Ships, most originating from the United States, accounted for 33.5M visitors to the Caribbean in 2024.
- The WTTC Projects Caribbean Tourism's Annual Growth Contribution to GDP to range Between 5.5% and 6.7%. Their 2022 ten-year forecast assumes no major risk factors affecting demand (i.e. higher operating and travel costs, global economic crisis, natural disasters)
- Tourism-Related employment in the region is forecasted to grow between 916,000 and 1.3M new jobs by 2032 (Source: WTTC)

Caribbean Tourism's Contribution to the U.S. Economy

- The United States is the largest supplier of food products to the Caribbean (USDA)
- Food & beverages represent tourism's highest input costs with an estimated 70–80% coming via maritime shipping from the U.S.
- Each stayover visitor (staying in hotel or guest accommodations) to the Caribbean contributes an estimated $944 (directly and indirectly) toward incremental US imports, approximating $6.2 billion in US exports to CARICOM countries in 2023 (Source: CARICOM Private Sector Organization)
- Each cruise visitor to the Caribbean is estimated to contribute $23 (directly and indirectly) in incremental US imports, therefore approximately USD 0.3 billion in the US' exports to CARICOM in 2023 were directly and indirectly attributable to cruise visitors. (Source: CPSO)
- Most cruise visitors to the Caribbean originate in the US, where U.S. based cruise ships are provisioned through U.S. based suppliers and shippers contributing significantly to US businesses, employment and local, state and federal tax revenue
- Using the Caribbean SIDS group (which includes CARICOM and Associated States + DR and others), the total value of exports from the U.S. to the Caribbean in 2023 was USD 37.5 Billion. (Source: CPSO)

Key Factors Affecting the Caribbean and U.S. Tourism Industry's Viability and Growth Potential

- Proposed Port Service Fees and the imposition of tariffs can have a devastating impact on the tourism-dependent economies of the Caribbean and Florida
- Tourism Economics, an Oxford Economics forecasting company, revised its forecast for growth in international travel to the United States in March, 2025, from 9 percent growth to a 5 percent decline in 2025
- The Caribbean is already one of the highest cost travel destinations in the world. Layering additional input costs through higher costs for imports will negatively impact tourism-dependent revenue and employment in the US and the Caribbean
- Higher operating costs fueled by five years of inflation are impacting profitability with 34% of Caribbean tourism-related businesses reporting operating at a net loss in 2024. Higher costs will contribute to business failures and lower imports to the region (CHTA 2024 Industry Performance and Outlook Research)
- Caribbean residents and the U.S.-based Caribbean diaspora are major contributors to the respective economies and higher costs will contribute to a diminished two-way travel
- Public-Private sector collaboration has underpinned Caribbean tourism's success, providing a blueprint for the future locally, regionally and with the United States and international partners. This was best recently exhibited through the local and regional partnerships between health, government and tourism officials resulting in the region rebounding from the pandemic faster than any other region in the world to the benefit of industry, governments and our major travel and trade partners.
- Fifty-Percent of Caribbean-based hotels and tourism-related businesses reported intentions to increase capital expenditures in 2025 with most purchases coming via the United States (Source: CHTA 2025 Tourism Outlook Research)

RECOMMENDATIONS FOR STRENGTHENING TRAVEL AND TRADE BETWEEN THE U.S. AND THE CARIBBEAN

The United States is a major economic and security beneficiary of a strong Caribbean tourism-driven economy. Correspondingly, a weakened Caribbean economy fueled by higher trade costs strengthens opportunities for trade with alternative markets. Trade between the Caribbean and countries other than the United States continues to grow and would escalate if the cost of trade with and via the United States increases with port service fees and tariffs.

CHTA recommends the following strategies aimed at strengthening travel and trade ties between the Caribbean and the United States.

1. **<u>Adjustments to Section 301 Maritime Remedies to Protect U.S.-Caribbean Trade</u>**

<u>Issue</u>: The USTR's proposed service fees on Chinese-built vessels and mandates for U.S.-flagged ships — intended to counter China — will severely impact American and Caribbean carriers, inflate shipping costs, and detrimentally impact U.S. suppliers, producers, manufacturers and service providers.

<u>Key Risks</u>:

- Higher Food & Beverage Costs for Hotels, Tourism-Related Businesses — 70–80% of Food & Beverage imports come via maritime shipping from the U.S.
    - U.S. Based Cruise Lines and Provision Providers would be impacted; raising costs, lowering travel demand, and having negative consequence to employment and generated tax revenue
- Hotel Capex and construction materials, furnishings, appliances, retail, and guest amenities will all face price hikes, raising costs to the traveler and reducing traveler demand with negative employment and tax revenue
- U.S. shipping retreat from the region will open the door to alternative markets, undermining America's trade with the Caribbean.

<u>CHTA Position</u>:
We support the position being advanced by the CARICOM Private Sector Organization (CPSO) and calls by U.S.-based shippers operating in the Caribbean for exemptions. Should the USTR opt to proceed with the proposed service fee remedies, we recommend that consideration be given to the following:

- An exemption for CARICOM and Caribbean States applicable to 'Short Sea' Shipping, (defined as, within 2,750 Nautical Miles of the Continental United States). The exemption could be tied to the region maintaining a trade surplus with the United States and adherence to the current bilateral trade agreement – the Caribbean Basin Economic Recovery Act (CBERA).
    - Caribbean States within the proposed exemption would include: Anguilla, Antigua and Barbuda, Aruba, The Bahamas, Barbados, Belize, Bermuda, Bonaire, the BVI, Guyana, Cayman Islands, Curacao, Dominica, Dominican Republic, Grenada, Guadeloupe, Haiti, Jamaica, Saint Maarten, St. Barthelemy, St. Kitts & Nevis, St. Lucia, St. Martin, St. Vincent &

the Grenadines, Suriname, Trinidad & Tobago, Turks & Caicos. Puerto Rico and the U.S. Virgin Islands would be included as U.S. territories.

- Upon satisfying the exemption criteria, we recommend that:
    - Existing vessels be 'grand-fathered' into the 'regulations' – ensuring that smaller vessels currently operating between the US and the small States of the Caribbean (many of which are China-built), critical to supporting the 'short-sea' shipping requirements of US-CARICOM/Caribbean trade, are not subject to USTR Section 301 Service Fees on China-build vessels.
    - Exemption will be granted for the relatively small Caribbean transshipment hubs - recognizing the strategic role of our small Caribbean ports in global supply chains and ensuring that US-Caribbean trade remains uninterrupted.
  - Vessel Operators operating between CBERA States and 2,750 Nautical Miles of the Continental United States be exempt from the payment of service fees on China - built vessels, provided that such vessel operations existed before December 31, 2024.
  - Vessel Operators operating between CBERA States and 2,750 Nautical Miles of the Continental United States shall be exempt from the payment of service fees on China - built vessels, provided that such vessels have been on order before March 31st, 2025.

2. Imposition of Tariffs and Higher Tariffs

Issue: Higher tariffs and reciprocal tariffs will result in higher costs for business inputs and travelers.

Key Risks:

- Increased Travel Costs - Higher tariffs amongst major global trade partners will have a negative impact on all countries, raising the costs of goods and services.
- Reduced Disposable Income for Travelers - While producing and purchasing companies will seek to absorb some of these increases, most of the added expense will be embedded into the price. This will be passed on to the consumer and will result in reduced travel demand.
- Declining Profit Margins and Business Closures

CHTA Position:
CHTA recommends exemptions to the imposition of tariffs as it pertains to the Caribbean.

3. A Proposed U.S.–Caribbean Tourism and Economic Resilience Partnership

Issue: U.S. support for tourism is currently absent from broader trade, development, and security initiatives despite its role as the Caribbean's top employer and stabilizer.

CHTA Position:
CHTA encourages CARICOM and the United States to establish a structured Tourism & Economic Resilience Partnership or similar mechanism, aimed at:

- Addressing the matters identified in the abovementioned recommendations.
- Supporting supply chain stability and growth while stabilizing and reducing operating costs to Caribbean tourism, further stimulating benefits to the U.S. economy.

- Accelerating trade and investments towards mutual gain between the United States and Caribbean.

The CHTA understands and appreciates the concerns expressed by the United States. In the spirit of mutual collaboration and the longstanding mutual benefits realized through trade, tourism and our commitments to free enterprise and democracy, we are hopeful that our recommendations are considered and advanced to our mutual gain.

March 31, 2025

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