PD-ABM-328
ISN 77329

The CBI and Caribbean Industrialization: An Assessment of the First Five Years and the Outlook under CBI II

Daniel J. Seyler
The Academy for Educational Development
CDIE

LASA XV International Congress
December 2-4, 1989
Miami, Florida

Abstract

The Caribbean Basin Initiative (CBI), the United States' major foreign economic policy toward Latin America and the Caribbean in the 1980s, provided duty-free access to the U.S. market for certain products, expanded bilateral economic assistance, and allowed some limited tax breaks for new U.S. investors in the region. Structurally limited in its design, the duty-free exemptions extended under the CBI have provided only narrow benefits to the region's economies. However, the zealous promotion of the policy and the "selling" of the region as a whole has led to some real successes in terms of economic diversification and export-oriented industrialization, particularly among non-CBI products. Therefore, the economic successes to date of the CBI have originated more in the active implementation of promoting trade and investment in the Caribbean Basin, in the context of policy reform, than from the legislated duty-free treatment of about 3,000 products. Data on Jamaica and the Dominican Republic demonstrate some of these structural changes in industrialization, but most changes thus far remain at the subsectoral level and are yet to have a significant macroeconomic impact.

Table of Contents

Contents **Page**

List of Tables

Appendices

Historical Context

The design of the Caribbean Basin Initiative (CBI) arose in the political context of Central America's return to a history of violence. A successful revolution in Nicaragua, a civil war in El Salvador, and a growing insurgency in Guatemala once again demonstrated the physical nature of change that the isthmus often forges. These events, coupled with the signing of the historic Panama Canal Treaties, symbolized for many, waning U.S. influence in the region. Declining U.S. hegemony also occurred in the Caribbean as a result of Cuba's diplomatic gains in the 1970s, Jamaica's defiantly independent stance, Guyana's enduring non-aligned socialism, a leftist military junta in Suriname, and a marxist-oriented coup in Grenada. Although the histories and contemporary problems of Central America and the Caribbean remained distinct, the CBI sought to deal with these two subregions as one.

Economic trends were also discouraging from both a U.S. and regional perspective. A deep international economic crisis--characterized by huge oil costs, unprecedented interest rates, and declining commodity prices--forced most of the region's economies into their deepest recession since the 1930s. By the early 1980s dramatic political change, economic stagnation, and new rhetoric in Washington rekindled the interest of U.S. policy makers in the region.

Administration's Proposal and Congressional Amendments

On February 24, 1982 before the Organization of American States, President Ronald Reagan unveiled a new initiative for the economic recovery of Central America and the Caribbean. The Reagan plan offered expanded duty-free coverage for Caribbean Basin exports up to twelve years, increased bilateral economic assistance, and tax incentives for new American investment in the region.

The 97th Congress in September 1982 passed the foreign aid portion of the President's plan (Public Law 97-257) but lowered the earmarks of some portions of the proposal, most notably the amount of aid to El Salvador. Even with congressional amendments, the overwhelming share of the $350 million in supplemental assistance under the Caribbean Basin Economic Recovery Act (CBERA), the bill's official name, went toward the most strategic nations in the region, El Salvador, Costa Rica, Jamaica, the Dominican Republic, and Honduras. (see Table 1)

Table 1
Distribution of CBI Supplemental Aid

Country	Aid (US$m)
El Salvador	75
Costa Rica	75
Jamaica	52

Dominican Republic	41
Honduras	38
Eastern Caribbean	24
Regional	15
Guatemala	10
Haiti	10
Belize	10
Total	350 million

Source: Agency for International Development

As a result of domestic protectionist sentiments, the 98th Congress did not pass the trade provisions of the Act (Public Law 98-67) until July 1983. The bill's final version, however, excluded from duty-free coverage: petroleum and petroleum products, sugar, canned tuna, luggage, handbags, flat goods, certain leather goods, rubber and plastic gloves, footwear, textiles and apparel subject to the Multifiber Agreement, and watches or watch parts manufactured in communist countries.[1]

With or without these exclusions, critics of the Initiative claimed it was more a political than a developmental policy because new duty-free provisions could have only very limited economic benefits under the best of circumstances. In fact, because of rather generous import programs that were already in place, such as the General System of Preferences, Most-favored Nation, 806.3/807[2], Sugar Quotas, and the Multifiber Agreement, the CBI extended duty-free coverage to only about 3,000 new products, and the average tariffs were minimal.[3]

---

[1] United States Department of Commerce, 1987 Guidebook. Caribbean Basin Initiative, Washington, DC, 1987.

[2] 806.3 and 807 refer to import codes under the Tariff Schedule of the United States (TSUS). The 806.3 provision covers metal products whereas the 807 and 807a codes are for textiles and garments; both impose tariffs only on the value-added overseas.

[3] See for example: Jonathan Sanford, "Caribbean Basin Initiative", (Issue Brief Number IB82074), Foreign Affairs and National Defense Division, Congressional Research Service, May 27, 1983; The Development Group for Alternative Policies, Inc., "Supporting Central American and Caribbean Development: A Critique of the Caribbean Basin Initiative and an Alternative Regional Assistance Plan", Washington, DC, 1983; Richard E. Feinberg, Richard Newfarmer, and Bernadette Orr, "Caribbean Basin Initiative: Pros and Cons" in The Continuing Crisis. U.S. Policy in Central America and the Caribbean, Mark Falcoff and Robert Royal (Eds.),

Congress never passed the investment tax portion of the bill, which was deemed less justified than the aid and trade provisions. Some tax breaks were extended, however, to business meetings in countries which sign tax exchange agreements with the United States.

Besides setting the stage for increased duty-free imports, the Act also granted the President the authority to designate beneficiary countries through criteria established to address a series of U.S. bilateral concerns. These consisted of seven mandatory criteria for country eligibility: 1) not a communist country, 2) meets specific requirements concerning the expropriation of U.S. property, 3) adequate cooperation regarding narcotics trafficking, 4) recognizes arbitral awards to U.S. citizens, 5) does not provide preferential treatment to the products of developing countries which adversely affects U.S. trade, 6) abstains from the illegal broadcast of U.S. copyrighted material, and 7) has an extradition treaty with the U.S. The legislation also encouraged the President to consider eleven discretionary criteria to qualify potential beneficiaries, such as the use of subsidies, acceptance of the rules of international trade, respect for workers rights, etc.

President Reagan initially announced twenty-one beneficiary nations or territories from the Caribbean, Central America, and the Northern coast of South America, with the exceptions of Cuba, Nicaragua, Guyana, Suriname, Anguilla, Cayman Islands, and the Turks and Caicos Islands. The Bahamas became a beneficiary nation in March 1985, Aruba in January 1986 (its independence date), and Guyana in November 1988. In March 1988 the President suspended Panama's eligibility because of the Noriega government's links to narcotics trafficking.[4]

CBI legislation contained other important provisions. The basic product eligibility rule, a fundamental component of the law, stated that at least 35 percent of the value-added of the imported product had to originate in a beneficiary country to qualify for duty-free treatment. The Act also empowered the President to withdraw duty-free treatment in the case of injury to domestic industries resulting from CBI exports. As a result of complaints from Puerto Rico and the U.S. Virgin Islands that the CBI extended benefits previously reserved for U.S. overseas territories, special measures, such as foreign content in product eligibility up to 70 percent and other more technical exemptions, were extended to the two territories. Likewise, the Act transferred all rum tax proceeds to the treasuries of the two islands.

Washington, DC: Ethics and Public Policy Center, 1987), and various congressional debates (see bibliography).

[4]"Report By the U.S. Department of State on the Caribbean Basin Initiative (CBI)", Office of Regional Economic Policy, Bureau of Inter-American Affairs, Department of State, May 1989.

The CBI Network

To understand the CBI, however, one must go beyond the strict provisions of the original law. In fact the analysis here argues that most of the CBI successes can be attributed to the extremely active implementation of the policy by U.S. government agencies, not the legislated duty-free provisions. As a special policy of the President, the CBI enjoyed senior-level support from most executive branch agencies.[5] Through White House memorandums, the President took more than a perfunctory interest in seeing the policy succeed.[6] The result was not only wide-spread government support and involvement but unusually positive inter-agency coordination. In an interview in April 1986, the U.S. commercial attache in Kingston told the author that the "CBI was the best thing for the U.S. government since World War II to bring government agencies together."[7]

Besides the central role that the State Department played in designing and implementing the Initiative, the U.S. Agency for International Development (AID) administered most economic assistance flows, concentrating its interventions on the private sector. New projects focused on small business development, export and investment promotion, nontraditional exports, and general diversification, particularly in agriculture and manufacturing. Not only did AID help the U.S. Department of Commerce promote trade and investment from networking in the United States, but also created or strengthened the local capacity of the region's public and private sector's to lure foreign investment and foster export development. Increased aid flows, resulting from security concerns and the CBI, also provided several A.I.D. missions considerable leverage in prompting economic policy reforms, discussed below in our assessment.[8]

---

[5]United States General Accounting Office, "Caribbean Basin Initiative: Legislative and Agency Actions Relating to the CBI: Fact Sheet for the Chairman, Subcommittee on Oversight, Committee on Ways and Means, House of Representatives, Washington, DC: GPO, December 1986

[6] Secretary of Agriculture, John Block, on a visit to Jamaica in 1984 stated that "President Reagan wrote to the cabinet calling on members to keep up the momentum behind the CBI and stating that they should continue to help the United States' friends take advantages of the opportunities". (Daily Gleaner, (Kingston), March 19, 1985).

[7]Interview with John Bodson, Kingston, Jamaica, April 7, 1986.

[8]Daniel J. Seyler, "The Politics of Development: The Case of Jamaica and the Caribbean Basin Initiative", the American University, mimeo., September 1986; Craig VanGrasstek, "The Caribbean Basin Initiative: Update", Policy Focus, 1985, no. 3

The Department of Commerce, through its newly-formed Caribbean Basin Information Center and its regional offices, provided information packages, "CBI start-up kits", investment climate statements, economic trends, special product advice, investment missions, an active match program, and a monthly networking newsletter.[9]

The Department of Agriculture similarly promoted the CBI through frequent agribusiness marketing workshops, technical assistance missions, and by supplying important regulatory information on U.S. import standards.

The Office of the U.S. Trade Representative (USTR) oversaw bilateral investment and textile agreements. Beginning in 1987, the USTR hired an ombudsman to direct the CBI Operations Committee, an inter-agency task force dedicated to the policy's success.[10]

The Overseas Private Investment Corporation (OPIC), a relatively obscure government agency, also took on a large role within the investment portion of the policy. The number of OPIC investment missions to the Caribbean Basin expanded rapidly in the early 1980s as did the share of its insurance portfolio dedicated to the region. In at least one case, political concerns forced OPIC to break its own rules concerning maximum insurance coverage. One OPIC official remarked that "the President says we want to help the Caribbean and Jamaica, so we can bend the rules."

The Peace Corps, like other agencies, intensified dramatically its presence in the region. The number of Peace Corps Volunteers (PCVs) tripled in some countries, and by the late 1980s there were nearly 1,000 PCVs in the Caribbean Basin alone. Recruitment of volunteers also moved toward a greater emphasis on business skills, especially accounting. In many countries PCVs shifted from working with schools or agricultural cooperatives to providing technical assistance to small businesses in support of policy reform and the new export-oriented industrialization.

Other executive agencies played more minor roles. The Department of Transportation, the Export-Import Bank, and the Customs Service of the Department of Treasury all reinforced the work of other agencies through transportation studies, trade financing, import regulation assistance, etc. In addition, the International Trade Commission and the Department of Labor issued in-depth annual reports on the progress of the Initiative and its

---

[9]For one of the best chronicles of the general CBI network and Commerce's efforts in particular, see back issues of the CBI Business Bulletin.

[10]"CBI Ombudsman Announced", CBI Business Bulletin, v. 4, n. 2, March 1987, p. 1

impact on the U.S. economy.[11] Finally, public and private monies helped create a strong private business network to further the aims of the CBI.[12]

The U.S. government also generated some limited external support for the Initiative. Mexico, Venezuela, Colombia, and the EEC supported the CBI in minor ways, mainly through the extension of on-going programs. Japan augmented its aid to the region, as did Canada, which on February 17, 1986, offered its own import preference program for the region dubbed "Caribcan."[13] Multilaterals such as the Inter-American Development Bank, World Bank, and the International Monetary Fund (IMF) also cooperated with the Initiative through various programs, particularly policy reform coordinated with AID.

Widespread support for the CBI within and outside the U.S. government greatly improved the implementation of the policy, but such intensive involvement also swelled popular expectations for the Initiative. Some of the expectations that were created clearly had intentional, political roots. On the U.S. side, the Reagan administration fostered excessive hype around the policy to defend the CBI against Congress and others who were critical of the strategic focus of the Initiative and its limited economic potential. Frequent administration rhetoric, such as, "the CBI marks the first time that the United States has granted preferential economic treatment to an entire geographical region," was fundamentally involved in raising expectations in the U.S. and

---

[11]United States Department of Labor, Trade and Employment Effects of the Caribbean Basin Economic Recovery Act, (Third Annual Report to Congress), Washington, DC, September 1987; United States International Trade Commission, Annual Report on the Impact of the Caribbean Basin Economic Recovery Act on U.S. Industries and Consumers, (Third Report- 1987, Washington, DC, September 1988).

[12]American Chamber of Commerce of Mexico in Cooperation with the U.S. and Foreign Commercial Service, Business Opportunities Under the Caribbean Basin Initiative 1987, Mexico City, 1986; "Caribbean Basin Business Promotion Council Holds Inaugural Meeting", CBI Business Bulletin, v. 5, n. 1, May 1988, p. 1; International Trade Administration, United States Department of Commerce in Cooperation with the United States Agency for International Development, The Caribbean Basin Initiative (CBI). 1988 Guidebook for Caribbean Basin Exporters, Washington, DC, n.d.; Caribbean Action, (monthly); Caribbean/Central American Action, 1988 Caribbean and Central American Databook, Washington, DC: C/CAA, 1987.

[13]USDC, 1987 Guidebook. Caribbean Basin Initiative; Government of Canada, Minister of External Affairs, (Comuniqué), "Caribcan", February 17, 1986

overseas.[14] Leaders of the beneficiary nations, facing steep economic recession, also created unnecessary hype with the policy to pursue their own political ends.[15]

Early Expansion of the Scope of the CBI

Visiting the island of Grenada on February 20, 1986, President Reagan announced increased access for the region's garments and apparel as a way of broadening the impact of the CBI. The program, referred to both as 807-A or "Super 807" provided guaranteed access levels (GALs) for CBI countries through import quota negotiations based on previous exports and expected growth. Reagan's GAL proposal was the direct result of vociferous regional discontent with the benefits of the Initiative and regional fears of mounting U.S. protectionism. Leaders of the English-speaking Caribbean had expressed their dissatisfaction through a detailed letter to the U.S. chief executive in late 1985. Regional leaders generally welcomed the small improvement made through the 807A announcement because of the extraordinary growth in textiles since the inauguration of the CBI.[16]

Later that year, as part of the U.S. Tax Reform of 1986, CBI countries benefitted from a revision of Section 936 of the Federal Tax Code. Section 936 exempts American businesses from federal income tax for investment in Puerto Rico but requires contributions to a local development fund. Revisions of Section 936 in 1986 allowed CBI countries to benefit from this development fund through a "Twin Plant" scheme which encouraged U.S. investors to operate

---

[14]Speech by former Deputy Secretary of State, Kenneth W. Dam, (United States Department of State, "The Caribbean Basin Initiative and Central America", Current Policy No. 529, November 29, 1983, p. 4).

[15]Anthony Abrahams, former Minister of Tourism in Jamaica in 1982, went as far at to call the CBI "the most significant breakthrough in modern times by a developed country", (Daily Gleaner, June 7, 1982).

[16]White House, Office of the Press Secretary, "Fact Sheets on the Initiative in President Reagan's Speech at Queens Park, St. George's, Grenada", February 20, 1986; Congressional Reference Division, "Caribbean Basin Initiative", (IP0190C), Congressional Research Service, n.d.; Sixth Meeting of the Conference of Caricom Heads of Government, "Review of the Caribbean Basin Initiative", (Agenda Item 11), July 1-4, 1985, Barbados; Steve Hellinger, "Failings of the CBI: Reflections from the Caribbean", Washington, DC, The Development Group for Alternative Policies, Inc., 1986; Atherton Martin with Steve Hellinger and Daniel Soloman, "Prospects and Reality: The CBI Revisited", Washington, DC, The Development Group for Alternative Policies, Inc., November 1985

complementary factories in Puerto Rico and other beneficiary nations. This framework enabled countries to tap funds created under Section 936 of the Federal Income Tax code if the recipient country had signed a Tax Information Exchange Agreement with the United States.[17]

An Assessment of the First Five Years

Appraisals of the CBI since its inception have been almost as political as the original debate over the Initiative itself. U.S. officials announced early on that the CBI would have both a short-term and long-term effect, for many of the same political reasons discussed previously. The overwhelmingly poor performance of exports in the first few years of the Initiative forced many officials to tone down their rhetoric, noting that the plan's goals were by nature long-term. Likewise, U.S. authorities often blamed regional governments for not making the appropriate policy reforms for the CBI to succeed. For example, at the 1985 Miami Conference, then Vice-President Bush exhorted that the "CBI countries need to do more than they are now doing" in terms of economic reform. Many U.S. businessmen and their promotional networks echoed the administration's views. The opinions of U.S. officials changed again by 1989 as export performance improved and as CBI II legislation was under serious consideration by Congress.[18] Many academics, by contrast, remained critical of the Initiative because of the plan's political roots, their distrust of the "Puerto Rican development" model, and the CBI's inherent and empirical limitations. Certain members of the development community, particularly the Overseas Development Council and the Development GAP Inc., generally shared the perspective of the academic critics.

This assessment of the CBI follows the analysis throughout this paper that the legislated measure of the Initiative has brought few economic benefits and that most of the positive diversification and expansion trends can be credited to the promotion of the CBI via the CBI network. The use of economic assistance, the promotion of foreign investment, and trade data, all examined below, demonstrate this pattern whereby the zealous implementation of the policy has far surpassed its deficiencies in design.

---

[17]USDC, 1987 Guidebook. Caribbean Basin Initiative; Richard A. Gordon and John Venuti, "Exchange of Information Under Tax Treaties -- An Update" in Tax Management International Journal, v. 15, August 8, 1986, pp. 292-298

[18]The best evidence of this is James W. Fox, Agency for International Development, Latin American Bureau, " Is the Caribbean Basin Initiative Working", mimeo., (draft), March 7,1989. By contrast, the annual reports of the International Trade Commission and the Department of Labor have been more consistent.

Economic Assistance

A principal aim of the CBI was to increase economic assistance to help foster sustained economic growth and export expansion through the private sector. CBI beneficiary nations sought increased aid to better manage the deep recession of the early 1980s and the difficult economic adjustment period of the mid-1980s. As mentioned above, the CBI immediately provided US$350 million in assistance to the region as a supplement to annual allocations.

Strategic interests in the region, as well as concern over the success of the Initiative, caused total U.S. bilateral assistance to Central America and the Caribbean to increase dramatically from US$300 million in 1981 to over US$1 billion by 1989, with a peak earmark of nearly US$1.5 billion in 1985. (See Appendix 1). Strategic concerns, however, generally surpassed developmental ones as El Salvador collected nearly a third of all assistance throughout this period.[19] Likewise, other strategic countries received aid in excess of their absorptive capacities while smaller islands clamored for additional support. At the country level, A.I.D. also dramatically changed its assistance portfolio greatly favoring balance-of-payments support in the form of Economic Support Funds (ESFs) over the more traditional programs of Development Assistance and Food for Peace. The overall result of these policies was that from 1984 to 1988 U.S. aid to the region exceeded the benefits from CBI tariff exemptions, (see Table 3 and Appendix 1).

New funding also brought new ideas on how best to spend it. After more than two decades of intense strengthening of the public sector in Latin America, A.I.D. in the 1980s turned away from its Alliance for Progress roots and increasingly focused on the hemisphere's private sector, particularly on a macroeconomic level. This rather drastic shift occurred both in the context of changing economic and political ideology in the U.S. as well as the growing empirical evidence and success of other rapidly growing, export-oriented developing countries.[20]

The essentially geopolitical nature of U.S. contributions

---

[19]For an analysis of the negative effects of security concerns over developmental ones, see the U.S. General Accounting Office's "Central America: Impact of U.S. Assistance in the 1980s", July 1989.

[20]Although many were quick to declare A.I.D.'s previous interventions with the public sector a failure, they played a crucial role in setting up a basic administrative infrastructure. Furthermore, a strong public sector enabled many Latin American countries to begin to harness a private sector that rarely took a developmental stance. Nonetheless, by the late 1970s many of these same countries had bred fattened bureaucracies that instead of leading development were often bankrupting the advancement process.

notwithstanding, increased foreign assistance gave the United States significant leverage in encouraging policy reform toward such goals as realigning exchange rates, promoting increased and diversified exports, emphasizing light manufacturing, liberalizing import controls, privatizing state-owned enterprises, balancing fiscal accounts, promoting small business development, and upgrading infrastructure.[21] As such, A.I.D. focused interventions on creating or strengthening public and private sector agencies dedicated to promoting foreign investment and exports.
Although a recent study demonstrated that A.I.D.-supported countries have outperformed non-A.I.D. countries in the region in the context of the CBI, the general success of these reforms remained inconclusive by the close of the decade.[22] Nonetheless, several countries had undertaken the painful transition of reopening and diversifying their economies.[23] In the cases of Jamaica and the Dominican Republic, examined below, assistance in the form of policy reform and the CBI accelerated the creation of light industries but is yet to have had significant impact at the macroeconomic level.

Foreign Investment

The push of increased foreign investment, although not part of the final CBI legislation, remained an integral part of the overall goals of the Initiative. In fact the "marketing" of the

---

[21]The administration used unprecedented amounts of ESFs in its bilateral assistance portfolio to the region to provide balance-of-payments support to strategic countries, which was the main source of policy reform leverage. ESFs are another example of the zealous and often political course that the implementation of policies related to the CBI took. For critics of this, see Tom Barry, Beth Wood, and Deb Preusch, The Other Side of Paradise. Foreign Control in the Caribbean, (New York: Grove Press, 1984); Tom Barry and Deb Preusch, The Central America Fact Book, (New York: Grove Press, 1986); Colin Danby, "Aiding Central America. An Alternative for Equitable and Sustainable Development" (Washington: Policy Alternatives for the Caribbean and Central America (PACCA), 1989); and the United States General Accounting Office, "Central America. Impact of U.S. Assistance in the 1980s", (GAO/NSIAD-89-170), (Washington: GPO, July 1989).

[22]Fox, 1989. Furthermore, these changes in policy often were achieved with great expense to poorest of the population.

[23] See, for example: "Report By the U.S. Department of State on the Caribbean Basin Initiative (CBI)", Office of Regional Economic Policy, Bureau of Inter-American Affairs, Department of State, May 1989. World Bank, The Caribbean. Export Preferences and Performance, Washington, DC: World Bank, 1988.

Caribbean Basin as a preferred location for foreign investment became one of the chief goals of the CBI network. Although U.S. government agencies achieved only limited success in establishing CBI-related investment, as the data in Table 2 indicates, vigorous promotion of the region did lead to substantial new investments in light manufacturing, non-traditional agriculture, and tourism. Whereas the incentives that are part of the Initiative did not generate much of this new investment, the active promotion of the policy and the region can be credited with the overwhelming share of this investment.

The political need to display the early success of the Initiative triggered some misinformation on investment trends. In the Spring of 1985, the U.S. Department of Commerce hastily recorded new investment in what one Commerce official conceded was "not very serious -- an informal survey that was very unscientific."[24] More importantly, the U.S. General Accounting Office (GAO) severely criticized the survey's methodology, stating that "Commerce's 1985 list is not a reliable indicator of business investments made as a result of the CBI" and that Commerce did not have addresses for 96 percent of the firms in the survey.[25]

In 1988 the Department of Commerce measured investment trends again but in a very comprehensive manner in response to GAO criticism. The new survey recouped the agency's image and demonstrated overall positive trends in new investment. CBI-related investment, however, was discouraging. The 1988 survey revealed significant overall investment appeared in the region during the 1984-1988 period despite the lack of tax credits for U.S. companies proposed in Reagan's original CBI plan. The study identified 642 companies (of the 800 companies that received survey forms), representing US$1.6 billion in new investment (excluding Panama) and 116,000 new jobs. A major caveat, however, was that only 150 of these firms (23 percent) exported CBI eligible products, thus generating only 15 percent of the new jobs. The benefits of new investment were also highly concentrated, with 67 percent of all new investment in five countries. Another qualification of the study was that it did not examine net investment flows, which were undoubtedly negative in some years among certain countries because important multinationals departed with the fall of primary commodity prices.

---

[24]Phone conservation with the CBI Center official, Mark Weaver, July 24, 1986.

[25]United States General Accounting Office, "Caribbean Basin Initiative. Need for More Reliable Data on Business Activity Resulting from the Initiative", (GAO/NSIAD-86-201BR), Washington, DC: GPO, August 1986, pp. 2-4.

Table 2
New Investment in the Caribbean Basin, 1984-1988

COUNTRY	TOTAL	EXPANSION	CBI	AGRI	INELIG	TEXT	TOUR	OTHER
ANTIGUA/BAR.	17	7	1	2	0	3	11	0
ARUBA	14	6	0	0	0	0	14	0
BAHAMAS	9	5	3	3	0	1	2	0
BARBADOS	14	5	6	2	0	1	2	3
BELIZE	34	4	10	20	0	3	1	0
B.V.I.	4	0	0	0	0	0	4	0
COSTA RICA	81	17	21	29	5	25	1	0
DOMINICA	7	4	1	4	0	2	0	0
DOM. REP.	134	16	19	35	11	46	21	2
EL SALVADOR	33	6	8	15	1	9	0	0
GRENADA	12	3	3	0	0	5	4	0
GUATEMALA	62	9	15	12	0	33	0	2
HAITI	21	3	7	0	1	13	0	0
HONDURAS	51	12	19	16	0	13	2	1
JAMAICA	100	26	16	31	2	17	13	21
MONTSERRAT	1	1	0	0	0	0	0	0
NETH ANTIL.	1	0	0	1	0	0	0	0
ST. KITTS/N.	13	2	7	0	0	5	0	1
ST. LUCIA	25	9	7	0	0	9	8	1
ST. VINCENT	4	3	2	0	0	2	0	0
TRINIDAD/T.	5	3	5	0	0	0	0	0
TOTALS	642	141	150	170	20	188	83	31

Source: United States Department of Commerce, Caribbean Basin Investment Survey, November 1988.

As we examine in the cases of Jamaica and the Dominican Republic below, the use of only gross new investment explains why few major macroeconomic benefits have been reaped from the Initiative yet. Though the CBI and other new foreign investment helped the balance of payments position of several countries and provided badly needed jobs in manufacturing and tourism, but foreign exchange remained scarce, debt very acute, and unemployment continued to hover at dangerously high levels in most countries.[26]

[26] United States Department of Commerce, International Trade Administration, Caribbean Basin Investment Survey, Washington, DC: USDC, November 1988; "CBI Business Activity List", CBI Business Bulletin, v. 2, no. 6, June 1985. Fox, 1989.

Since the region's economies still are transforming from an emphasis on import substitution manufacturing and primary products to one based on export-oriented light manufacturing, non-traditional agriculture, and tourism, new investment is replacing declines in other subsector and in general is yet to improve the region's macroeconomic data.

CBI Trade

The centerpiece of the Initiative, however, was neither aid nor investment, but one-way duty-free trade with the United States. An assessment of CBI trade data demonstrated both negative and positive trends. A major conclusion of the data presented here is that trade incentives legislated under the CBI provided limited export growth and remain the main structural obstacle of the program. However, the immensely successful implementation and selling of the Initiative through a "CBI Network" is undoubtedly responsible for most new investment and a large portion of non-traditional export growth, most of which falls outside the duty-free provisions of the CBI.

On the negative side, total Caribbean Basin exports generally declined throughout the 1980s because of dwindling prices for the region's traditional exports of primary products, such as petroleum, sugar, and bauxite. For example, from 1984 to 1988 the Caribbean Basin exports to the United States fell by $2.6 billion dollars, (see Appendix 2). Over this same time period, however, both developing and industrial countries, outperformed CBI countries in exports, despite the CBI. In fact the regional exports lagged behind other developing countries exports in every category except manufacturing. As a result of these trends, the regions' market share in the U.S. declined from 6.5 percent in 1980 to 3.5 percent in 1983 to 1.4 percent by 1988, clearly not the goal of the policy.

Relative to other U.S. policies in the region, CBI trade was also discouraging. Exports directly benefitting under the CBI, (see Table 3), equalled less than economic assistance in every year of the program. In this respect the Initiative has not lived up to the long established goal of "trade not aid." The 75 percent cutbacks in the U.S. sugar quota from 1981-1987 also demonstrated the limited benefits of the policy, as these reductions during some years offset the value-added in total CBI generated export growth.[27]

---

[27]Fox, 1989.

Table 3

U.S. Imports from CBI Countries by Import Category, 1984-1988

Category	1984	1985	1986	1987	1988
	(US$ Millions)				
Total Imports	8,649	6,687	6,065	6,039	6,061
Dutiable Value	4,567	2,962	1,917	2,111	1,976
Duty-free Value	4,082	3,725	4,148	3,928	4,085
MFN(1)	2,170	2,070	2,340	2,056	1,927
CBI	576	493	671	768	791
GSP(2)	592	533	476	301	353
806.3/807	588	547	612	756	906
807-A	-	-	-	58	161
Standard 807	586	546	612	698	745
Other Duty-free	155	81	49	47	107

Category	1984	1985	1986	1987	1988
	(Percentage)				
Total Imports	100	100	100	100	100
Dutiable Value	53	44	32	35	33
Duty-free Value	47	56	68	65	67
MFN	25	31	39	34	32
CBI	7	7	11	13	13
GSP	7	8	8	5	6
806.3/807	7	8	10	13	15
807-A	-	-	-	1	3
Standard 807	7	8	10	12	12
Other Duty-free	2	1	1	1	2

(1) - Most Favored Nation, (2) - General Systems of Preferences.

Source: United States International Trade Commission and United States Department of Commerce.

As with investment, only a small percentage of the growth in non-traditional exports, resulted from duty-free entry extended through the CBI to approximately 3,000 products. Furthermore, the great majority of products that entered the U.S. market duty-free under the CBI comprised only about ten items, (For a listing of all leading import categories, see Appendix 3). As such, U.S. imports of CBI goods in 1987 represented about 0.2 percent of total U.S. imports. As with investment, only a handful of countries generated the overwhelming share of CBI exports. In 1988, five countries, the Dominican Republic, Costa Rica, Haiti, Guatemala, and Honduras accounted for over 75 percent of that year's CBI exports. By contrast, Grenada's share of total CBI exports was a meager 0.01 percent, (see Appendix 4).

Another concern from a regional perspective was, that despite import exemptions to the U.S. market, it was the United States that began to run a trade surplus with the region as early as 1987, which is shown in Table 4 below. Part of the reason for this trend was that as the Caribbean and Central America became increasingly committed to production sharing, assembly-type export operations, an increasing percentage of the imported inputs originated from the U.S. market. Although this makes the CBI more popular on Capitol Hill and with certain executive branch agencies, it is an inauspicious sign for the Basin's economies, which continue to face huge balance-of payments shortfalls and external debt.[28]

Table 4
Balance of U.S. Trade With CBI Countries, 1984-1988
(US$ Millions)

Year	U.S. Exports	% of Total	U.S. Imports	% of Total	U.S. Balance of Trade
1984	5,953	2.8%	8,649	2.7%	- 2,696
1985	5,743	2.8%	6,687	1.9%	- 944
1986	6,064	2.8%	6,064	1.6%	0
1987	6,668	2.7%	6,039	1.5%	629
1988	7,422	2.4%	6,061	1.4%	1,360

Source: U.S. International Trade Commission and U.S. Department of Commerce.

Another statistical trend that reduced the success of CBI

[28]For further analysis, see: World Bank, 1988; L. Randolph Mye, "Caribbean and Central American Export Performance 1980 to 1987", Department of Commerce, Washington, DC: USDC, September 1988; Fox, 1989; Eva Paus, "A Critical Look at the Nontraditional Export Demand: The Caribbean Basin Initiative" in Struggle Against Dependence. Nontraditional Export Growth in Central America and the Caribbean, (Boulder: Westview, 1988); George P. Montalván, Ed., Promoting Investment and Exports in the Caribbean Basin. Papers and Proceedings, General Secretariat, Washington, DC: Organization of American States, 1989.

trade was the refocusing of trade from local markets (the Caribbean Community and the Central American Common Market) and other third markets to the United States. Through this process, regional exports to the United States increased although this did not necessarily reflect a net increase in total exports by that country.[29] In fact, since the inception of the CBI, the share of exports destined to the United States has exceeded by 50 percent or more for many CBI countries. This was another reason for the limited economic benefits of the Initiative. Notwithstanding, most countries favored exporting to the U.S. than to local or regional markets because of the hard currency it provided to their foreign-exchange starved economies. This, however, strained regional economic relations and for some countries created extraordinary trade dependence on the United States.

Perhaps the best evidence of the limited effects of CBI trade incentives and the real success of the promotion of region can be found on the data in Appendix 5, which lists the export growth of products not covered under the CBI. Virtually all of these goods enjoyed growth rates equal or superior to most CBI-covered products. This was best exemplified by the growth in textile and apparel, which expanded by 193 percent from 1984 to 1988 in spite its original exclusion from the Initiative. Most exports of textiles and apparel are covered under 807 provisions, and referring back to Table 3, one can see how that policy-based import has outperformed the CBI. This data best demonstrated that its was not duty-free exemptions per se that increased non-traditional exports but rather the promotion of the region for investment and trade in general.

Despite several negative trends, substantial export growth occurred in non-traditional categories. For example, although the Basin's total exports lagged behind other regions, growth in manufacturing and other non-traditional exports far surpassed those regions. In fact some CBI countries outperformed even the newly industrialized countries in Asia.

The composition of trade changed markedly in the favor of non-traditional exports, textiles, and apparel, thereby representing the best empirical evidence that industrial diversification was underway. In 1983 the region's exports desegregated as 78 percent traditional, 17 percent non-traditional, and 4 percent textiles and apparel; by 1988 traditional exports represented only 37 percent of total exports compared with 44 percent for non-traditionals, and 19 percent for textiles and apparel. This was particularly true of imports covered under the 807 provisions which more than doubled from 1984 to 1988. Other goods and services that enjoyed healthy

---

[29]For example, Jamaica's exports to the United States increased by 38 percent in 1984 over 1983 (mainly due to politically motivated bauxite purchases by the U.S. General Services Administration) but at the same time the island's exports to CARICOM declined by 37 percent. (Planning Institute of Jamaica, Economic and Social Survey of Jamaica 1984, 1985, p. 3.9.

growth were cut flowers, winter vegetables, tropical fruits, electronic parts, certain pharmaceuticals, and various information services, (see Appendix 3).[30] These trends signified that, while the CBI stimulated limited CBI-covered export growth, its emphasis on non-traditional exports improved and helped to restructure the region's total external trade.

A major caveat, however, was that the region's economies were forced to adjust to poor commodity prices for primary products, with or without the CBI, because of external price fluctuations. Therefore, it is difficult to determine to what degree the CBI stimulated non-traditional export growth and what percent of that same growth was just a normal adjustment to external price movements. Based on the weaker export performance of non-CBI countries shown in Appendix 2, it can be assumed that the CBI and the CBI network accelerated the diversification process and improved the policy framework for such adjustments to succeed. This was especially true among A.I.D.-supported countries where policy reform efforts were more concerted.

Outlook Under CBI II

After a series of regional and Washington-based meetings on the Initiative, lawmakers submitted a bill as early as August 1987 to enhance the original Act. By mid-1989 these measures took the form of the Caribbean Basin Economic Recovery Expansion Act of 1989 (H.R. 1233), the fate of which was still unclear as of September 1989.

Stating that "the existing program has not fully achieved the positive results that were intended," the House's Expansion Act seeks to improve the business climate and long-term effectiveness of the CBI. Dubbed "CBI II," the Act's main feature consists of an indefinite time extension of duty-free entry of CBI covered products (previously scheduled to expire on September 30, 1995). Additional components include more liberal importation of garments and fabrics at reduced or exempted duties, guaranteed market access for textiles and footwear via bilateral agreements, potential

---

[30] For a fascinating account of the innovative directions of information services in the Dominican Republic, the Investment Promotion Council's Investing in Information Industries in the Dominican Republic, Santo Domingo, 1988. The D.R. is doing much more than the data entry performed extensively in Jamaica and Barbados. At free zones specializing in information services in the D.R., Dominicans not only enter data, but answer 800 calls for Spanish-speaking U.S. customers, provide translation services, and offer software development and technical computer support via satellite for U.S. companies. Although free zones generally offer little in technology transfer, the increased velocity of information flows brought on by computer and telecommunications breakthroughs offers bright possibilities for the highly literate populations of the Caribbean.

increases for beneficiary countries of their Sugar Quota and a guaranteed minimum of 371,449 metric tons annually, greater duty-free allowances for U.S. tourists visiting the region, more flexible criteria for ethanol imports, expanded post-secondary scholarships for study in the United States, more intensive promotion of tourist development, and a pilot pre-inspection customs facilities to expedite exports. CBI II also gives special attention to the Eastern Caribbean and Belize to enable them to reap greater benefits from the program. The bill also contains new rules of origin for determining the content of duty-free imports, internationally-recognized worker's rights criteria for beneficiary countries, and a requirement that the President report to Congress every three years on the progress of the Initiative.[31]

As of August 1989, the Bush Administration was generally in favor of the thrust and specifics of CBI II with the exception of the sugar quota provisions. It appeared, however, that special interests within Congress, the same that had slimmed down the original act, preserved many of the previous exemptions from duty-free treatment in CBI II.[32] The major challenges that CBI II faces in the Fall of 1989 concern textiles, Senatorial disinterest, and possible a Presidential veto because of the sugar lobby. However, if the legislation was inserted into the Reconciliation Bill it could be passed in tact as early as October 15, the deadline for that Bill's passage. Otherwise, it remained unlikely that the CBI II would be acted on until 1990 because of the heavy congressional agenda.

CBI II, like CBI I, has clear structural limitations that should continue to play a limited economic role but should serve as a vehicle to keep the momentum of interest in the region. Greater access for textiles and apparel are sure to have the greatest effect if they are preserved. Revised sugar import levels could also help cushion the difficult economic transformations in

---

[31]See comments in the following reports: Vladimir N. Pregelj, "CBI II: Expanding the Caribbean Basin Economic Recovery Act", CRS Issue Brief, Economics Division, Congressional Research Service, (IB89096), Update June 7, 1989; Committee on Ways and Means, House of Representatives, 101th Congress, 1st Session, Caribbean Basin Economic Recovery Expansion Act of 1989, Report 101-136, Washington, DC: GPO, July 12, 1989; "CBI-II Legislation Reintroduced", CBI Business Bulletin, v. vi, no. 3, March/April 1989; "Fresh Effort in Washington to Revive Faltering CBI", Caribbean Insight, (London), v. 9, n. 11, November 1986, p. 1; Report on the Committee Delegation Mission to the Caribbean Basin and Recommendations to Improve the Effectiveness of the Caribbean Basin Initiative, 100th Congress, 1st Session, United States Congress, Committee on Ways and Means, Subcommittee on Oversight, Washington, DC: GPO, 1987

[32]CBI Business Bulletin, v. 6, no. 7, August 1989, p. 3. and Caribbean Action, August 1989.

many economies. Nevertheless, the most profound effect that CBI II could have would to consolidate and institutionalize the CBI as a development program, thereby creating a longer time-horizon for its approach and its participants.

The CBI and Caribbean Industrialization

A major goal of the CBI has been to stimulate non-traditional exports through private sector development. This process implies a restructuring of the region's economy, a phenomenon that is clearly taking place. The fundamental diversification of the economies is toward light industrialization with an export orientation. This new industrialization process in the Caribbean is replacing one based on import substitution and the processing of primary products. Rather than enter into the larger debate over the costs and benefits of this new industrialization, the focus here is to describe and quantify some of the changes underway.

To do this, we examine the cases of Jamaica and the Dominican Republic, two of the showcases of the program. Although the models of the Initiative, neither Jamaica nor the Dominican Republic has rapidly industrialized with the advent of the CBI. For example, manufacturing as a percent of GDP and the labor force has remained essentially constant for both countries. However, at the subsectoral level major conversions have taken place, from sugar refining and manufacturing for the local market toward assembly-type, export manufacturing and non-traditional agriculture. As this structural change becomes more complete, the effects of non-traditional export revenues is expected to increase. These reforms, not only the result of trade provisions, the promotion of the Caribbean, which has also boosted sectors unrelated to the CBI, most notably tourism.

Jamaica

Jamaica has been a test country for the CBI since the policy's inception. Edward Seaga, former Prime Minister of Jamaica, played an intimate role in the planning of the CBI. Seaga, the first foreign dignitary to visit the Reagan White House, engaged Reagan in a dialogue concerning a "Marshall Plan for the Caribbean," a request that was received approximately one year after their first meeting. In his speech launching the Initiative, President Reagan specifically mentioned Jamaica, professing that "Jamaica is making freedom work." A.I.D.'s Country Development Strategy Statement the following January declared that "ample opportunities exist for the Jamaican economy to become a private sector led growth example to the region."[33] At the twenty-fifth independence ceremonies in Jamaica that August, the time of the passage of the CBI in the U.S. Congress, Seaga proclaimed the CBI to be a "bold new plan" and

---

[33] USAID/Kingston, Country Development Strategy Statement - Jamaica FY 1985, January 1983, p. 48.

boasted:

> the central role played by Jamaica in the formulation of the original concept of the CBI and in working closely with the government of the United States in contributing to its final form, is abundant evidence that a small country can help to shape the major policies of powerful countries in constructive ways.[34]

Reagan returned Seaga's visit and made himself the first chief executive to officially visit Jamaica in 1983. Meanwhile, he tapped David Rockefeller to promote foreign investment on the island by establishing the U.S.-Jamaica Business Committee filled with blue-chip American corporations. Jamaica, a signatory of an Tax Exchange Information Agreement with the United States, also became the first CBI country to be eligible for business convention tax deductions. In 1984 the President instructed the General Services Administration to make politically motivated sales of Jamaican bauxite for the U.S. strategic stockpile, causing one of the greatest boosts to date to the island's export performance since the CBI. Throughout this whole process, the Seaga government faithfully pursued policy reform measures sanctioned by a tripartite team of the IMF, the World Bank, and USAID.[35]

Beyond these high-profile politics, the CBI has also played an economic role in Jamaica, but not as much as many had anticipated. As with the Initiative at large, the CBI benefitted Jamaica mostly in the form of increased promotion, economic assistance, and policy reform. In 1984, the first year of the CBI, Jamaica displayed one of the quickest growth rates in exports and in the first (and faulty) Commerce Department survey of 1985 led all other nations in new investment. Since then, however, Jamaica's performance has lagged behind some other CBI countries in both investment exports, particularly the Dominican Republic. (See Table 2).

The effects on Jamaican industrialization from the CBI and related programs have been substantial at the subsectoral level but have yet to be intense enough to serve as an engine of growth at the macroeconomic level. At the sectoral level of manufacturing, the CBI's greatest impact is in job creation, a chronic need. Employment in Jamaican manufacturing, according to the Statistical Institute of Jamaica, expanded rapidly from 95,000 in 1984 to over 139,000 by 1988, or 46 percent in four years. Despite these gains in employment, the manufacturing sector's contribution of Gross

---

[34] Daily Gleaner, August 6, 1983.

[35] A whole host of other special arrangements also existed; see, Daniel J. Seyler, "The Politics of Development: The Case of Jamaica and the Caribbean Basin Initiative", (September 1986) and "Jamaica's CBI Trade: An Economic and Political Assessment", (November 1986), the American University.

Domestic Product (GDP) remained at 16 percent over this same period. This occurred because of subsectoral transformation of Jamaican industry from import-substitution to export oriented firms, especially textiles and apparel. As such, the sector experienced substantial local disinvestment while at the same time unprecedented job creation took place.[36] Likewise, the new labor-intensive manufacturing jobs contribute less value-added than traditional industry. This is also why Jamaica's CBI export performance, ranking only sixth in 1988, was much higher if one considers total non-traditional exports, particularly 807 exports, where new investment has been concentrated in Jamaica.

The CBI and the promotion of the initiative also contributed to non-traditional agricultural exports and tourism development. Although only with limited results, the CBI and policy reform dialogue with the Jamaican government caused increased investment and export of non-traditional agricultural goods, such as winter vegetables, ethnic crops, and other fresh produce and processed goods not previously exported. Promotion of Jamaica, through the CBI and other means, also helped contribute to the dramatic growth in tourist arrivals on the island. From 1981 to 1988, tourist arrivals more than doubled from 551,000 to over 1 million, one of the most important indirect benefits of the promotion of the Caribbean in the 1980s.

The challenge for Jamaica and other regional governments is whether the new export-oriented industrialization can thoroughly replace jobs in previous import-substitution subsectors. So far, Jamaica has been deeply involved in that process and is now posed to discover whether the East Asian strategy of export-oriented industrialization can provide sufficient jobs, output, and foreign exchange to serve as engine of growth at the macroeconomic level.

Dominican Republic

In contrast to Jamaica, the Dominican Republic became a showcase for the CBI more because of its activist Industrial Free Zone (IFZ) policy than for its policy reform or economic ideology. Although IFZ development strategies have been criticized by many Latin American countries, the ambitious IFZ development plan of the Dominican Republic enjoys the support of the major political parties on the island. The Dominican Republic, the principal Caribbean exporter of manufacturing before the CBI, also enjoys a larger manufacturing base.

As early as 1955 the Dominican government established the legal framework for IFZs, but not until 1969 did the first Free Zone begin operating and not until the 1980s did their presence begin to flourish. While the CBI and continuous attention to the region clearly did not establish the IFZ strategy, it was

---

[36] On disinvestment, see "Why Jamaica's Economy May Run Aground", Business Week, October 18, 1982 and on the explosive employment generation, see Fox, 1989.

not until the mid to late-1980s that IFZ construction and exports began to skyrocket. From 1985 to 1989 the number of free zones more than doubled from 6 to 15, employment jumped from 36,000 to nearly 100,000, the number of companies increased from 146 to in excess of 220, and factory space expanded from 1.9 million square feet to well over 4 million. Growth was expected to proceed as six more IFZs were under construction and three more had been approved, bringing the expected total by the mid-1990s to twenty-four.

Manufacturing in 1988 contributed approximately 17 percent of GDP, employed 8 percent of the labor force, and generated over one-third of all exports. But like Jamaica, the structural changes occurring in the manufacturing sector, which includes sugar refining, prevented growth in manufacturing's share of GDP and the labor force from 1984 to 1988. However, manufacturing's share of exports represented a significant increase rose from 1980 levels of 11 percent. Likewise the islands' free zones, which were expected to employ as many as 180,000 workers by 1991, compared with only 16,000 workers in 1980, probably represented the most dramatic increase in assembly labor in the world during the decade.

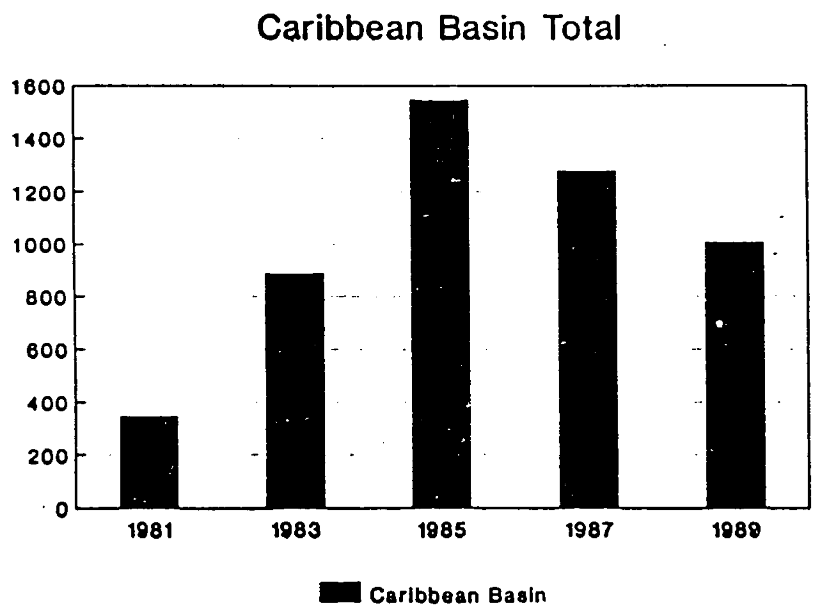
The Dominican government has also extended Free Zone status to certain agricultural regions but without the success of industry. Growth in non-traditional agriculture continues to be discouraging. Tourism, by contrast, has accompanied the rapid growth in assembly manufacturing. A beneficiary of regional promotion, tourism has surged during the decade by the more than tripling of hotel room capacity. This indicates, as found throughout our analysis, that the high-profile of the CBI policy has had clear spin-off effects.

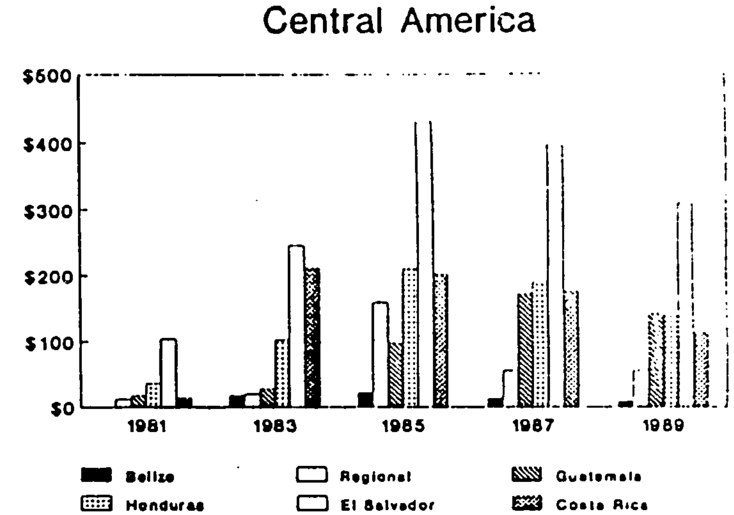
As with Jamaica, it remained unclear by 1989 whether the Dominican Republic's new industrial strategy would supplant the old one as well as provide the basis for sustained growth in the future. Unlike its neighbor, the Dominican Republic had achieved rapid diversification without political favors but also had failed to make many of the policy reforms addressing the distortions introduced under its previous import-substitution strategy. Santo Domingo's authorities also faced a more entrenched dependency on primary products, sugar, thus the transformation that is necessary is much larger than Jamaica's. Nevertheless, as of 1989, the Dominican Republic had made more of an investment in export-oriented industrialization than any other regional government, and if the East Asian model is to prevail in the Caribbean Basin, the Dominican Republic will be the case.

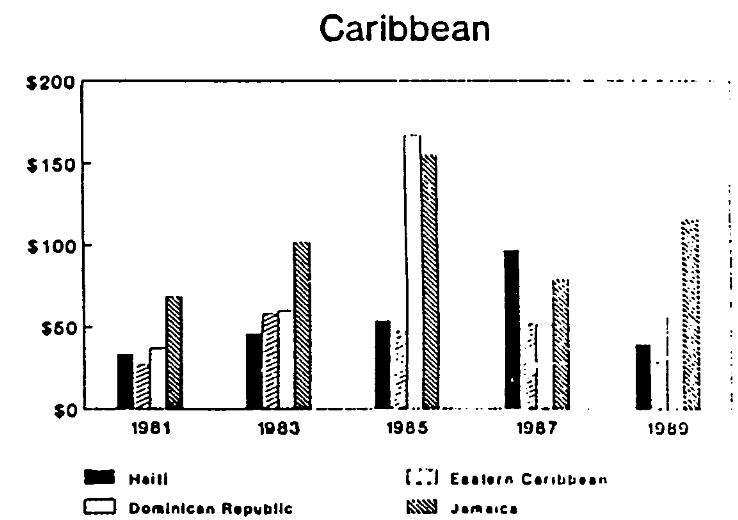
Conclusion

Most analysts agreed by 1989 that the benefits that the CBI had provided beneficiary nations were quite limited. Nonetheless, the Initiative's trade legislation combined with greater foreign assistance, policy reform, a growing government and business network, and a heightened profile for foreign investment all worked to noticeably diversify the region's economies. Likewise, CBI trade statistics improved somewhat in the late 1980s, and observers expected continued growth in trade and investment into the 1990s. As shown in the cases of Jamaica and the Dominican Republic, continuing movement toward export-oriented industrialization was necessary if that model was going to serve as the engine of growth in the Caribbean Basin. The CBI and related programs is yet to remove the structural obstacles to development in the region, but the broadening of the productive and export base has improved long-term prospects for economic growth.

U.S. Economic Assistance







(U.S. $ millions, by fiscal year)
Includes ESF, DA, and
PL-480 titles I, II, and III.

Source: U.S. Department of State

Appendix 2

U.S. imports for consumption from countries designated under the CBERA, by major group, 1984-88

(In thousands of dollars, customs value)

Area or Country	1984	1985	1986	1987	1988
Central America:					
Belize	42,843	46,951	50,181	42,906	52,049
Costa Rica	468,633	489,294	646,508	670,953	777,797
El Salvador	381,391	395,658	371,761	272,881	282,584
Guatemala	446,267	399,617	614,708	487,308	436,979
Honduras	393,769	370,219	430,906	483,096	439,504
Panama[1]	311,627	393,605	352,206	342,7[illegible]0	256,046
Total	2,044,530	2,095,344	2,466,270	2,299,843	2,244,959
Eastern Caribbean:					
Antigua	7,898	24,695	11,849	8,621	6,893
Barbados	252,598	202,194	108,991	59,110	51,413
British Virgin Islands	1,335	11,902	5,904	11,162	684
Dominica	86	14,161	15,185	10,307	8,530
Grenada	766	1,309	2,987	3,632	7,349
Guyana	([2])	([2])	([2])	([2])	50,432
Montserrat	989	3,620	3,472	2,413	2,393
St. Kitts and Nevis[3]	23,135	16,258	22,278	23,793	20,822
St. Lucia	7,397	13,796	12,269	17,866	26,044
St. Vincent and Grenadines	2,958	9,643	7,836	8,493	13,950
Total	297,161	297,578	190,771	145,397	188,510
Central Caribbean:					
Dominican Republic	994,427	965,847	1,058,927	1,144,211	1,425,371
Haiti	377,413	386,697	368,369	353,660	382,466
Jamaica	396,949	267,016	297,891	393,912	440,934
Total	1,768,790	1,619,560	1,725,186	1,931,783	2,248,771
Oil-refining countries:					
Aruba	([4])	([4])	1,797	2,452	647
Bahamas	1,154,282	626,084	440,985	377,881	268,328
Netherlands Antilles[4]	2,024,367	793,162	453,333	478,836	408,100
Trinidad and Tobago	1,360,106	1,255,498	786,405	802,838	701,738
Total	4,538,754	2,674,744	1,682,519	1,662,006	1,378,813
Grand Total	8,649,235	6,687,226	6,064,745	6,039,030	6,061,054

1 Panama was a designated beneficiary until Apr. 9, 1988.
2 Not applicable. Guyana was not designated as a beneficiary until Nov. 24, 1988.
3 Through 1985, data for St. Kitts and Nevis included Anguilla, a nondesignated country. For 1986-88, data for Anguilla have been excluded.
4 Aruba's designation as a CBERA beneficiary became effective on Jan. 1, 1986. For statistical purposes, Aruba had been treated as part of the Netherlands Antilles until, in the second half of 1986, separate data became available.

Note.-Because of rounding, figures may not add to totals shown.
Source: Compiled from official statistics of the U.S. Department of Commerce.

(International Trade Commission)

Appendix 3

Leading U.S. imports for consumption from countries designated under the CBERA, 1984-88

(In thousands of dollars, customs value)

TSUS Item		1984	1985	1986	1987	1988
475.10	Crude petroleum,25 degs A.P.I or more	1,631,003	1,224,247	699,187	653,366	472,510
146.40	Bananas, fresh	368,033	423,483	398,819	467,723	467,990
475.05	Crude petroleum, under 25 degs A.P.I.	1,948,851	812,497	470,060	519,860	430,839
160.10	Coffee, crude, roasted or ground	590,672	641,111	1,000,981	601,147	385,972
114.45	Shellfish other than clams, crabs	195,997	206,799	251,683	253,520	249,772
155.20	Sugars, sirups, and molasses	426,763	262,994	205,591	113,834	150,348
381.62	Men's cotton suits and slacks	([1])	18,946([1])	87,623	128,407	147,217
475.25	Motor fuel	320,194	215,494	185,607	175,633	134,685
106.10	Beef and veal, fresh, chilled	90,053	105,926	128,488	124,979	133,748
685.90	Electrical switches	94,026	66,194	67,666	89,729	114,793
800.00	U.S. goods returned	114,816	106,330	95,844	85,217	108,960
376.24	Lace or net body-support garments	66,259	82,305	69,073	80,746	106,728
601.06	Bauxite	149,864	51,176	77,900	106,692	101,008
605.20	Gold or silver bullion/ore	182,931	128,752	116,193	117,515	98,819
384.47	Women's cotton shirts, not knit	([1])	5,299([1])	37,261	64,800	96,800
381.95	Men's man-made fiber disposable apparel ..	([1])	16,670([1])	64,774	79,469	94,253
156.10	Cocoa beans	80,569	55,239	65,858	68,734	70,108
384.91	Women's other apparel, not knit	([1])	16,412([1])	58,285	56,210	67,563
412.22	Analgesics, antipyretics	54,837	78,105	138,069	98,346	66,707
381.56	Men's cotton shirts, other	([1])	10,687([1])	39,511	52,853	66,360
381.41	Men's cotton knit shirts, other	([1])	2,967([1])	17,517	47,248	63,968
791.27	Leather, other than patent leather	41,332	39,771	35,098	55,682	63,096
606.20	Ferronickel	36,444	40,292	21,433	32,390	59,938
480.65	Nitrogenous fertilizers	126,661	71,448	38,746	36,591	55,926
381.05	Men's cotton jacket, not knit	([1])	1,966([1])	11,441	16,451	51,039
417.12	Aluminum hydroxide and oxide	127,921	66,171	26,055	17,464	49,556
384.29	Women's cotton knit shirts, other	([1])	1,067([1])	5,806	31,440	44,780
384.46	Women's cotton blouses, not knit	([1])	10,064([1])	47,459	48,395	43,458
427.97	Methyl alcohol, not as fuel or for producing synthetic natural gas.	5,241	19,145	10,208	15,892	41,188
376.28	Body-supporting garments	29,052	37,716	31,735	33,157	39,518
	Total of items shown	6,681,519	4,829,272	4,503,971	4,273,491	4,077,647
	Total all commodities.....................	8,649,235	6,687,226	6,064,745	6,039,030	6,061,054

[1] The TSUS numbers for apparel were revised in September 1985. Comparable data for 1984 are not available. Data for 1985 are for September-December only.

Note.-Figures may not add to totals given due to rounding.
Source: Compiled from official statistics of the U.S. Department of Commerce.

(International Trade Commission)

Appendix 4

U.S. imports for consumption under CBERA provisions, by designated country, 1985-88

(In thousands of dollars)

Rank	Country	1985	1986	1987	1988
1	Dominican Republic	171,566	189,708	178,938	242,549
2	Costa Rica	72,184	112,710	129,577	141,076
3	Haiti	46,460	60,463	77,906	83,309
4	Guatemala	42,440	54,143	57,621	77,256
5	Honduras	44,620	53,765	53,150	56,181
6	Jamaica	40,365	51,017	58,293	42,022
7	Trinidad and Tobago	15,791	26,485	26,044	41,938
8	El Salvador	19,217	12,712	22,135	22,177
9	Barbados	11,372	10,223	20,223	19,125
10	Belize	8,412	19,200	11,579	18,845
11	Bahamas	3,089	53,087	95,488	10,692
12	St. Vincent and Grenadines	200	2,089	4,583	9,990
13	Panama[1]	6,619	13,775	18,539	9,717
14	St. Kitts and Nevis[2]	5,503	6,192	9,592	9,417
15	St. Lucia	1,556	2,183	2,568	3,007
16	Netherlands Antilles[3]	2,828	1,874	1,199	2,603
17	Dominica	320	494	626	358
18	Antigua	349	533	333	255
19	Guyana[4]	([5])	([5])	([5])	131
20	Montserrat	98	3	0	118
21	Grenada	13	39	31	118
22	British Virgin Islands	21	18	28	56
23	Aruba[3]	([5])	0	14	0
	Grand Total	493,024	670,711	768,467	790,941

[1] Panama lost its beneficiary status effective Apr. 8, 1988.
[2] In 1985, data for St. Kitts and Nevis included Anguilla, a nondesignated beneficiary country. For 1986 through 1988, data for Anguilla have been excluded.
[3] Aruba's designation as a CBERA beneficiary became effective on Jan. 1, 1986. For statistical purposes, Aruba had been treated as part of the Netherlands Antilles until separate data became available in July-December 1986.
[4] Guyana was not designated as a beneficiary until Nov. 24, 1988.
[5] Not applicable.

Note.-Figures may not add to the totals given due to rounding.
Source: Compiled from official statistics of the U.S. Department of Commerce.

(International Trade Commission)

Appendix 5

U.S. imports for consumption from CBERA countries of goods not eligible for duty-free treatment under CBERA, 1984-88

(In thousands of dollars, customs value)

Product category[1]	1984	1985	1986	1987	1988	Percentage change 1984 to 1988
Petroleum and petroleum products	4,215,100	2,369,889	1,375,742	1,376,797	1,058,621	(74.9)
Textiles and apparel	511,656	658,349	818,038	1,148,941	1,498,644	192.9
Certain handbags, luggage, and flatgoods.	16,721	12,206	13,059	20,100	20,255	21.1
Footwear	10,005	8,739	10,618	13,013	15,657	56.5
Work gloves	4,332	6,231	7,346	7,640	7,429	23,115.6
Certain leather apparel	2,257	1,458	1,832	2,348	3,386	50.0
Tuna	4	0	0	117	14	250.0
Total	4,760,075	3,056,872	2,226,635	2,568,956	2,604,006	(45.2)

[1] Petroleum and petroleum products are TSUS items 475.05, 475.10, and 475.25-475.65. Textile and apparel products constitute most of schedule 3 plus TSUS items 702.06, 702.08-702.14, 702.20, 702.54-702.80, 702.85- 702.95, 703.05-703.16, 703.65, 703.72-703.75, 703.95-704.15, 704.20-704.32, 704.34-704.50, 704.55-704.70, 704.75-704.80, 704.85-704.90, 704.95, 705.3530, 705.3560, 705.40-705.78, 705.83, 705.8505-705.8515, 705.8610-705.8630, 705.90, 727.82, 727.86, 735.20, 737.17, 737.21, 737.51, 748.45-748.50, 748.55, 772.30- 772.35, 791.45-791.48, 791.70, 791.74, 791.80. Handbags, luggage, and flatgoods are TSUS items 706.05- 706.16, 706.21-706.34, 706.36-706.39, 706.41, 706.43, 706.55, 706.62. Footwear is TSUS items 700.05- 700.27, 700.29-700.53, 700.56-700.83, 700.95. Work gloves for 1984-86 are TSUS items 705.3510, 705.3550, 705.8560, 705.8600, and for 1987-88 TSUS items 705.3510, 705.3550, 705.8550, 705.8640. Certain leather apparel is TSUS item 791.76 and tuna is TSUS items 112.30, 112.34, 112.90.

Note.-Figures may not add to totals given due to rounding.
Source: Compiled from official statistics of the U.S. Department of Commerce.

(International Trade Commission)

Selective Bibliography

Barry, Tom; Wood, Beth; Preusch, Deb. The Other Side of Paradise. Foreign Control in the Caribbean. New York: Grove Press, 1984.

Barry, Tom and Preusch, Deb. The Central America Fact Book. New York: Grove Press, 1986.

Caribbean/Central American Action. 1988 Caribbean and Central American Databook. Washington: C/CAA, 1987.

Danby, Colin. "Aiding Central America. An Alternative for Equitable and Sustainable Development." (Washington: Policy Alternatives for the Caribbean and Central America (PACCA), 1989.

The Development Group for Alternative Policies, Inc. "Supporting Central American and Caribbean Development: A Critique of the Caribbean Basin Initiative and an Alternative Regional Assistance Plan." Washington: 1983.

----------. (Atherton Martin with Steve Hellinger and Daniel Soloman). "Prospects and Reality: The CBI Revisited." Washington, DC, The Development Group for Alternative Policies, Inc., November 1985.

----------. (Steve Hellinger). "Failings of the CBI: Reflections from the Caribbean." Washington, DC, The Development Group for Alternative Policies, Inc., 1986.

Feinberg, Richard E.; Newfarmer, Richard; and Orr, Bernadette. "Caribbean Basin Initiative: Pros and Cons" in The Continuing Crisis. U.S. Policy in Central America and the Caribbean, Mark Falcoff and Robert Royal (Eds.), Washington: Ethics and Public Policy Center, 1987).

---------. "The Battle Over the CBI: The Debate in Washington." Caribbean Review. vol. 12, Spring 1983.

Government of Canada, Minister of External Affairs. (Comuniqué), "Caribcan." February 17, 1986.

Heliodoro, Gonzalez. "The Caribbean Basin Initiative: Toward a Permanent Dole." Inter-American Economic Affairs, vol. 36, Summer 1982.

Organization of American States, George P. Montalván (Ed.). Promoting Investment and Exports in the Caribbean Basin. Washington: General Secretariat, 1989.

Paus, Eva. "A Critical Look at Non-traditional Export Demand: The Caribbean Basin Initiative" in Struggle Against Dependence. Nontraditional Export Growth in Central America and the Caribbean, Eva Paus (Ed.), Boulder: Westview, 1989.

Seyler, Daniel J. "The Politics of Development: The Case of Jamaica and the Caribbean Basin Initiative." the American University, mimeo., September 1986.

Tucker, Stuart H. "Trade Unshackled: Assessing the Value of the Caribbean Basin Initiative" in Central American Recovery and Development. Task Force to the International Commission for Central American Recovery and Development. William Ascher and Ann Hubbard (Eds.), Durham, NC: Duke University Press, 1989.

VanGrasstek, Craig. "The Caribbean Basin Initiative: Update." Policy Focus, (Overseas Development Council), 1985, no. 3.

World Bank. The Caribbean. Export Preferences and Performance. Washington: World Bank, 1988.

United States Government - Executive Branch

U.S. Department of Commerce. Caribbean Basin Investment Survey. Washington: USDC, November 1988.

----------. 1989 Guidebook. Caribbean Basin Initiative. Washington: USDC, 1988, (Annual).

----------. Office of Mexico and the Caribbean Basin, (L. Randolph Mye), Caribbean and Central American Export Performance 1980 to 1987. Washington: USDC, September 1988.

----------. "CBI Business Activity List." CBI Business Bulletin, v. 2, no. 6, June 1985.

----------. CBI Business Bulletin, (monthly).

----------. Caribbean Basin Starter Kit: A Guide for Caribbean Basin Firms. Washington: USDC, 1984.

U.S. Department of Labor. Trade and Employment Effects of the Caribbean Basin Economic Recovery Act. (Fourth Annual Report to Congress), Washington, DC, September 1988, (Annual). U.S. Department of State, Office of Regional Economic Policy, Bureau ofInter-American Affairs. "Report By the U.S. Department of State on the Caribbean Basin Initiative (CBI)." May 1989, (Annual).

----------. Agency for International Development, Latin American Bureau, (James W. Fox), "Is the Caribbean Basin Initiative Working." mimeo. (draft), March 7, 1989.

U.S. International Trade Commission. Annual Report on the Impact of the Caribbean Basin Economic Recovery Act on U.S. Industries and Consumers. (Third Report - 1987). Washington: September 1988, (Annual).

White House, Office of the Press Secretary. "Fact Sheets on the Initiative in President Reagan's Speech at Queens Park, St. George's, Grenada." February 20, 1986.

Congressional Documents

U.S. Congress. Senate. Committee on Foreign Relations. Hearings Before the Committee on Foreign Relations March 25 and 31, 1982, Caribbean Basin Initiative. 97th Congress, 2nd Session, 1982.

U.S. Congress. House. Committee on Foreign Affairs. Hearings and Markup Before the Committee on Foreign Affairs and the Subcommittees on International Economic Policy and Trade and on Inter-American Affairs. The Caribbean Basin Initiative. 97th Congress, 2nd Session, 1982.

U.S. Congress. House. Subcommittee on Trade. Hearings Before the Subcommittee. The Caribbean Basin Initiative. 97th Congress, 2nd Session, 1982.

U.S. Congress. House. Committee on Foreign Affairs. Eastern Caribbean: Report of a Staff Study Mission to the Dominican Republic, Antigua, Dominica, Barbados, and St. Vincent. 97th Congress, 2nd Session, 1982.

U.S. Congress, Senate. Committee on Finance. Hearings Before the Committee. Caribbean Basin Initiative. 97th Congress, 2nd Session, 1982.

U.S. Congress, Senate. Committee on Finance. Hearings Before the Committee. Caribbean Basin Initiative 1983. 98th Congress, 1st Session, 1983.

U.S. Congress. Senate. Committee on Energy and Natural Resources. Hearings Before the Committee on the Administrations Proposed Trade and Tax Measures Affecting the Caribbean Basin. 97th Congress, 2nd Session, 1983.

U.S. Congress. House. Committee on Foreign Affairs. Hearings Before the Subcommittee on International Economic Policy and Trade and on Western Hemisphere Affairs of the Committee on Foreign Affairs. The Caribbean Basin Initiative and U.S. Minority Participation. 99th Congress, 1st Session, 1985.

U.S. Congress. House. Committee on Ways and Means, Subcommittee on Oversight. Review of the Impact and Effectiveness of the Caribbean Basin Initiative. 99th Congress, 2nd Session, (Serial 99-70), February 25 and 27, 1986.

U.S. Congress. House. Committee on Ways and Means, Subcommittee on Oversight. Report on the Committee Delegation Mission to the Caribbean Basin and Recommendations to Improve the Effectiveness of the Caribbean Basin Initiative. 100th Congress, 1st Session, 1987.

U.S. Congress. House. Committee on Ways and Means. Caribbean Basin Economic Recovery Expansion Act of 1989. Report 101-36, 101th Congress, 1st Session, July 12, 1989.

U.S. General Accounting Office. "Caribbean Basin Initiative. Need for More Reliable Data on Business Activity Resulting from the Initiative." (GAO/NSIAD-86-201BR), Washington: GPO, August 1986.

----------. "Caribbean Basin Initiative: Legislative and Agency Actions Relating to the CBI: Fact Sheet for the Chairman, Subcommittee on Oversight, Committee on Ways and Means, House of Representatives." Washington: GPO, December 1986.

----------. "Caribbean Basin Initiative. Impact on Selected Countries." (GAO/NSIAD-88-177), July 1988.

---------. "Central America. Impact of U.S. Assistance in the 1980s." (GAO/NSIAD-89-170), (Washington: GPO, July 1989).

U.S. Library of Congress, Foreign Affairs and National Defense Division, Congressional Research Service, (Sanford, Jonathan). "Caribbean Basin Initiative." (Issue Brief Number IB82074), May 27, 1983.

----------. Economics Division, (Vladimir N. Pregelj), "CBI II: Expanding the Caribbean Basin Economic Recovery Act." CRS Issue Brief, (IB89096), Update June 7, 1989.