THE CARIBBEAN REGION

BRIEFING BOOK FOR MR. MARK EDELMAN

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#0236V

The Caribbean

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TRANSITION PAPER
CARIBBEAN DEVELOPMENT

1. PROGRAM GOALS AND OBJECTIVES

The Caribbean, as defined by A.I.D., includes the smaller islands of the English-speaking Eastern Caribbean (i.e. St. Kitts-Nevis, Antigua-Barbuda, Dominica, Barbados, St. Lucia, St. Vincent and the Grenadines, and Grenada), Jamaica, Haiti, the Dominican Republic, Guyana, Suriname, and Belize (an English-speaking country which is located on the Caribbean coast of Central America). Depending on economic progress, there could be a re-oepening af an A.I.D. program in Guyana. There are no regular A.I.D. program in Barbados and Suriname at the present time.

The countries demonstrate an ample diversity of size, population, state of economic development, language, culture and history. As a result, it is virtually impossible to generalize about them. For example, Haiti is extremely poor, backward, and politically unstable, while most of the islands of the Eastern Caribbean (e.g. Barbados, Antigua) are stable democracies and have income, education and health profiles that are beginning to approximate those of the more advanced developing countries.

As a region, the Caribbean historically has been an area of significant U.S. attention and priority. It is located close to the United States, and thus is considered important to our national security. There are long-standing ties of culture, geography, history, and economics which bind the United States and the nations and people of the Caribbean. The United States has among its citizens many people of Caribbean origin who care deeply about the continued economic and political well-being of their countries of origin. Most of the countries in the region share with the U.S. important values concerning democracy, human rights and free market economies. Accordingly, the United States has strong national interests in promoting sustainable economic, social, and political stability in the Caribbean.

To help meet these basic objectives, the goals of A.I.D. assistance in the Caribbean region are:

-to encourage and help complete the process of economic stabilization;

-to promote and assist sustained private sector-led economic growth;

-to help achieve broad participation of low-income groups in the benefits of growth; and

-to strengthen democratic government and institutions as well as respect for basic human rights.

These goals are closely interrelated.

The A.I.D. strategy for achieving the goals of economic stabilization and growth is to encourage the adoption of more effective economic policies and to provide financial assistance required to help moderate the short-term negative impact of some of these policies, particularly on the poor. The most important outcome of economic stabilization is to provide the countries with the economic policy structure and resources necessary to meet the needs of their people.

A.I.D. program assistance also has been considered an essential element in the promotion and support of the objectives of the Caribbean Basin Initiative (CBI). Projects and policy dialogue agenda have been structured to maximize participation of the various incentives and benefits offered by the CBI.

II. THE NATURE AND AMOUNT OF A.I.D. ASSISTANCE TO THE CARIBBEAN

--A.I.D. assistance to the Caribbean region increased significantly between Fiscal Years 1980 and 1985. In recent years, however, the reduction of the availability of Economic Support Funds (ESF) has substantially reduced U.S. assistance flows to the region.

--Donor coordination in the Caribbean has been particularly effective. A.I.D. has provided strong support to the World Bank in helping it to establish and maintain the Caribbean Group for Cooperation in Economic Development (CGCED). The CGCED was created in December 1977 as a forum to discuss regional development issues and to promote broad-based bilateral and multilateral donor support. Since 1977, the member Caribbean countries have received over $8 billion in donor assistance. Regularly scheduled and other CGCED meetings have served as fora for reviewing country progress and requirements, and have proven to be an excellent device for stimulating greater donor assistance in helping to meet the development needs of the nations of the region. Despite the recent decline in A.I.D. funding to the Caribbean, the U.S. is still the major bilateral donor in the area.

III. OVERALL PROGRESS

In general, there has been good progress in the achievements of A.I.D.'s objectives in the Caribbean.

During the decade, the rule and role of constitutional democracy and democratic institutions has grown stronger. Of particular note has been the excellent progress made by Grenada since the change of government brought about by the U.S. rescue mission of 1983. Since 1983, U.S. assistance to Grenada has been the highest on a per capita basis of any country in the Western Hemisphere. In Haiti, however, although the departure of Jean Claude Duvalier brought hope of democracy and respect for human rights, the subsequent interventions of the Haitian military have resulted in continued instability and violence in what is the poorest country in the Latin American and Caribbean regions. Nevertheless, the withholding or provision of A.I.D. assistance to the Government of Haiti until recently is widely considered to be one of the most significant influencing factors in continued efforts to convince the military to help lead the country to a stable, democratic form of government.

Regarding economic growth, Grenada, Jamaica, Belize, and Dominica have all demonstrated significant progress. Nevertheless, such growth must be considered fragile, as demonstrated by the recent reversals in the Dominican Republic (due to slippage in the implementation of key elements of its economic program) and Jamaica (as a result of the extensive damage done by Hurricane Gilbert).

IV. SIGNIFICANT PROBLEMS

The developmental problems faced by all of the nations of the Caribbean are complex and difficult. In no instance do they lend themselves to short-term, facile solutions.

-The small size of all the countries severely constrains the size of the market available to local producers. Economies of scale frequently must rely upon exports, both within the region and to the world at large.

-The smallness of the countries also generally signifies a rather narrowly defined natural resource base. This limits development possibilities for most of the countries, thus increasingly limiting their vulnerability to international market behavior.

-The economies of the countries of the region tend to be competitive with -- rather than complementary to -- each other, with many tending to depend largely on European/American tourism and tropical agricultural produce.

-The statist-oriented traditions and policies of many of the countries have generated large, expensive public sector bureaucracies and unprofitable parastatal companies and industries. These have resulted in chronic and growing fiscal deficits, large public workforces, and significant operational inefficiencies.

-Development policies in several of the countries (e.g. Grenada, Guyana) have been inward looking, misplacing priorities on self-sufficiency (which is often economically impractical and unsustainable) rather than self-reliance.

-Preferential quota systems for the purchase of Caribbean sugar (the United States) and bananas (the U.K.) are ending. The dependency of many countries (e.g. the Dominican Republic, Jamaica, Belize, Dominica, Barbados) on these deceptively lucrative, but unreliable, markets will continue to result in serious economic dislocations if agricultural diversification policies are not quickly and effectively implemented.

-The high cost of labor in the Eastern Caribbean countries (e.g. Antigua, St. Lucia, Grenada) limits their competitiveness in entering new manufacturing markets. High labor costs also affect the prices of tourism and agricultural products.

-Although (with the exception of Haiti and Guyana) democracy appears to be well established in the Caribbean, there is an underlying fragility. Economic chaos in the Dominican Republic, Hurricane Gilbert in Jamaica, and political immaturity (Grenada) demonstrate that the democratic status quo should not be taken for granted in the region.

From the A.I.D. perspective, the reduction of program and administrative resources in the Caribbean threaten to undermine the continued effectiveness of our programs and policy dialogues. Of particular concern is the almost total withdrawal of ESF resources. Without ESF, progress on structural economic reforms made in countries such as the Dominican Republic and Grenada could be reversed.

The loss of ESF operating expense (OE) local currency trust funds and the overall reduction in U.S. dollar OE availability are already seriously limiting the kinds of programs that A.I.D. is able to undertake.

V. PROGRAM AND POLICY OPTIONS FOR THE FUTURE

In recent months, there has been some discussion concerning the form that U.S. assistance in the Caribbean should take. Legislation proposed by the House of Representatives Committee on Foreign Affairs (Crockett Bill), which we are oppposed to, has A.I.D. assistance in the Caribbean primarily directed to meeting the basic needs of the people of the region. Under this mode of operation, it is understood that assistance to promote economic policy reform and private sector development would be deemphasized. Aid would be channelled mostly through regional and private voluntary organizations, and would emphasize regional integration and self-sufficiency.

Because of the small size of the countries, "self-sufficiency" is not a practical consideration in the Caribbean. The cultivation of certain essential crops, for example wheat, is not possible in the region. The production of other crops or manufactured goods would require permanent, unsustainable subsidies, thus sapping the ability of the governments to provide other essential services to their citizens.

With the exceptions of Haiti and Guyana, the Caribbean is characterized by well-established democratic governments. The people must support the actions and policies of their elected governments. Growth-oriented policies which do not take into account the needs of the people would result, at best, -- through the electoral process -- in changes of government to political groups which had more social oriented goals or, at worst, in destabilizing the democratic form of government.

The current A.I.D. strategy in the Caribbean has economic growth and stabilization as primary goals. However, the strategy also seeks -- through health, education, agricultural, and PL 480 programs -- to mitigate the short term negative impacts of economic adjustments on the poor (e.g. unemployment, declining real income).

Considering the inherent and essential complementarity between growth and basic needs development objectives, an effective A.I.D. strategy must give attention to both concerns. In fact, this balanced objective strategy characterizes the current A.I.D. programs in the Caribbean. Accordingly, policy in the 1990s should continue to emphasize:

- Strengthening and consolidation of the democratic institutions of the region.

- The fostering of equitably distributed economic growth, stimulated though the development of the private sector.

In addition, particular emphasis should be given to assistance designed to increase outward-oriented economic <u>self-reliance</u>. The small economies of the region should (in some cases, continue to) seek to identify and expand upon areas of development advantage. The countries must use their scarce and limited resources to their greatest economic advantage in ways that will generate enough income and employment to make them self-reliant to attain those goods and services they do not produce. Illustrations of countries which have begun to do this are Antigua-Barbuda, which has emphasized tourism, and Dominica, which has made significant advances in developing non-traditional small farmer agriculture.

A.I.D. should work closely with the other involved U.S. Government agencies and the Congress to seek ways of making the <u>CBI</u> a more specifically effective development tool, one which will be better able to attract new investment to the developing nations of the Caribbean. Similarly, the <u>Section 936</u> program must be effectively activated to channel tax incentive generations from Puerto Rico to investments in other countries in the region.

As <u>tourism</u> continues to grow in economic importance to the region, A.I.D. assistance should emphasize <u>linkages</u> with local agricultural production and manufacturing. To do this can serve to expand the markets for farms and small businesses, offering reliable, accessible markets for their products. This expanded local economic base can be made to serve as an improved point of reference for developing enhanced export markets.

Much has been said about the future importance of <u>regional integration</u>, particularly in the English-speaking countries of the Caribbean. There are already a plethora of regional bodies which have been established and are now operating, to varying degrees of efficiency. The Organization of Eastern Caribbean States (OECS) has adopted a common currency (and a Central Bank) and operates on a variety of increasingly significant matters with impressive amount of effectiveness. The Caribbean Development Bank has become more efficient in recent years in the implementation of its donor-financed social and economic development programs. Clearly, there is logic to improving regional economies of scale where it is technically and politically feasible to do so.

<u>VI. MANAGEMENT AND OTHER ISSUES FOR THE 1990s</u>

The economic and political diversity of the region and the complexity of its development problems provide a major challenge to A.I.D. to manage effectively the resources going into the Caribbean. This challenge is compounded by a declining level of U.S. assistance and funding available for operating expenses, a desire for more assistance by the each Caribbean country and the lack of a consensus between the Executive Branch and Congress on an overall strategy for the Caribbean in the 1990s. A.I.D.'s own internal and external pressures to monitor resources more carefully further compound the management issue.

Without some fundamental change in the operating mode of U.S. assistance programs, A.I.D. will not be able to use effectively the available limited resources to achieve its policy goals in the Caribbean. Without a more sustainable commitment to a higher priority for the Caribbean, A.I.D. will not be able to obtain the needed resources to implement its policy.

A number of countries in the Caribbean have undertaken major economic reforms efforts on their own. Additional resources must come into the area to reinforce the commitments made by these governments which are mostly democratic.

The CGCED has provided an effective mechanism to coordinate donor assistance in the area. The U.S. has encouraged others to make up for what it has been unable to provide. U.S. encouragement of the Japanese and their willingness to respond to the financial needs of the countries of the region will begin to have a major impact in the area in the 1990s. The question for the U.S. is how to manage the increased presence of the Japanese both economically and politically without a loss of American influence.

The dialogue among the donors and the Caribbean countries is not so much on the development direction they will choose, but on the resources the countries need to pursue mutual goals. In the future A.I.D. must find a way to unite the Executive Branch and Congress in a strong commitment to support U.S. priorities and programs in the Caribbean.

6/14/89B

FY 1985-1990 A.I.D. ASSISTANCE LEVELS TO THE CARIBBEAN
($MILLIONS)

Country	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
Belize						
DA	8.5	6.8	7.3	7.4	7.6	7.2
ESF	14.0	1.9	5.4	---	---	2.0
P.L.480/I	---	---	---	---	---	---
P.L.480/II	---	---	---	---	---	---
TOTAL	22.5	8.7	12.7	7.4	7.6	9.2
Dom Rep.						
DA	30.5	26.5	19.5	18.7	18.2	16.4
ESF	95.0	40.0	0.2	13.8*	12.1	20.0
P.L.480/I	40.5	13.0	30.0	30.0**	20.0	20.0
P.L.480/II	1.9	1.4	1.6	2.9	3.3	4.4
TOTAL	167.9	80.9	51.3	65.4	53.6	60.8
Guyana						
DA	---	---	---	---	---	---
ESF	---	---	---	---	---***	---
P.L.480/I	---	2.4	5.7	7.0	4.0	4.0
P.L.480/II	---	---	---	---	---	---
TOTAL	---	2.4	5.7	7.0	4.0	4.0
Haiti						
DA	25.7	24.6	38.5	30.5	24.5	28.0
ESF	5.0	21.3	36.0	0.3	---	---
P.L.480/I	15.0	18.0	18.0	---	---	---
P.L.480/II	7.5	7.0	7.0	7.9	15.3	13.4
TOTAL	53.2	70.9	99.5	38.7	39.8	41.4
Jamaica						
DA	34.2	25.5	17.4	19.1	49.8	16.0
ESF	81.0	58.0	24.9	---	25.0	25.0
P.L.480/I	40.0	30.0	30.0	33.6	40.0	30.0
P.L.480/II	0.1	0.4	---	1.3	1.6	---
TOTAL	155.3	113.9	72.3	54.0	116.4	71.0
Car. Reg. ****						
DA	27.8	23.7	29.7	31.7	18.5	18.2
ESF	31.1	25.6	21.1	1.0	10.2	15.0
P.L.480/I	---	---	---	---	---	---
P.L.480/II	---	---	---	---	---	---
TOTAL	58.9	49.3	50.8	32.7	28.7	33.2
TOTAL						
DA	126.7	107.1	112.4	107.4	118.6	85.8
ESF	226.1	146.8	87.6	15.1	47.3	62.0
P.L.480/I	95.5	63.4	83.7	70.6	64.0	54.0
P.L.480/II	9.5	8.8	8.6	12.1	20.2	17.8
GRAND TOTAL	457.8	326.1	292.3	205.2	250.1	219.6

Footnotes: * Obligated on August 25, 1988. Not yet disbursed as of June 14, 1989.

** Includes $10 million in Section 416 assistance.

*** In the latter part of FY 1989, ESF in the amount of $5-8 million is expected to be obligated for Guyana.

**** Caribbean Regional includes Antigua/Barbuda, Barbados, Dominica, Grenada, St. Kitts/Nevis, St. Lucia, and St. Vincent and the Grenadines.

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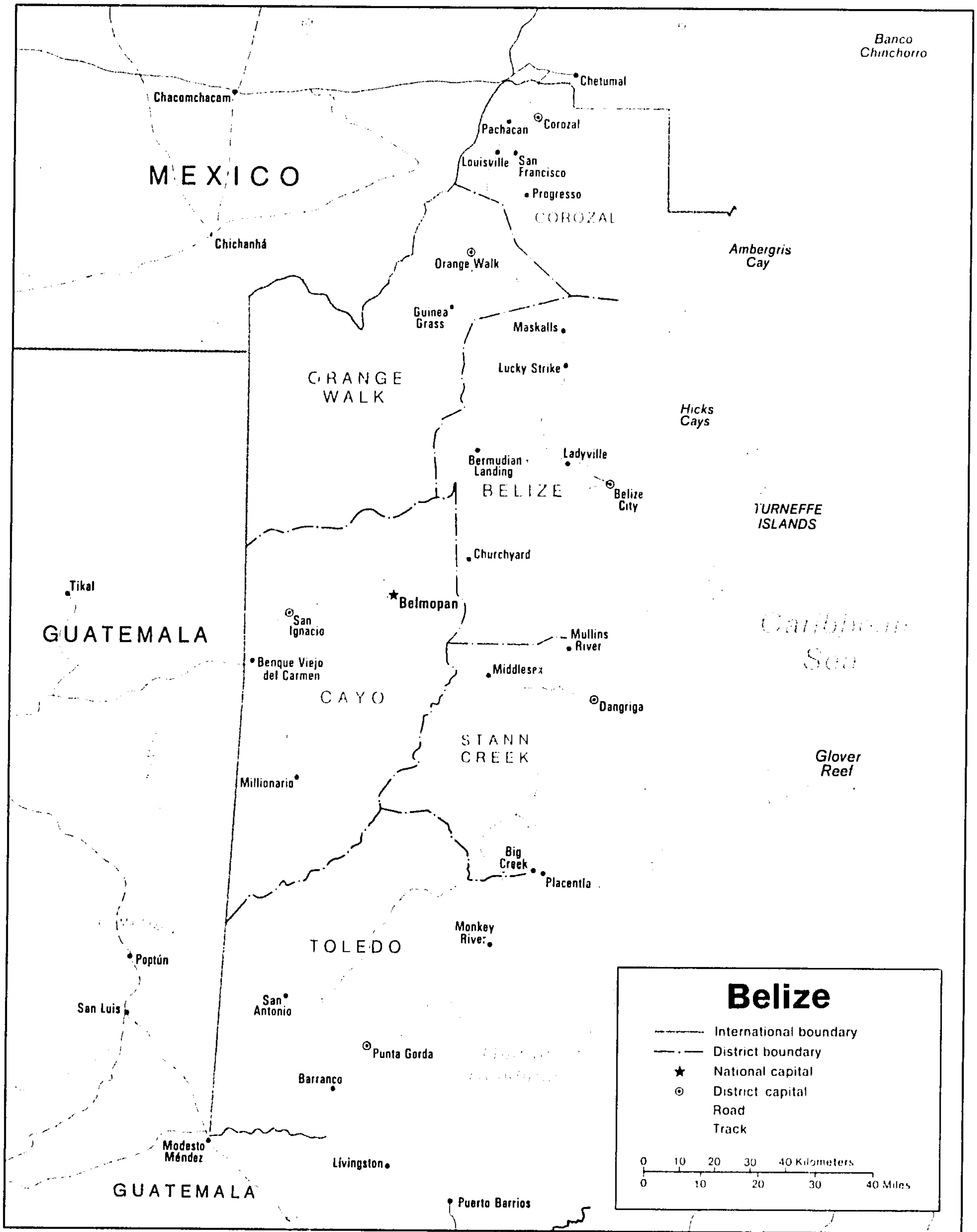

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BELIZE

I. Economic Situation

Belize, with a population of 171,000, who are mostly engaged in agriculture, and a GNP per capita of $1,200, is the smallest economy in Central America. Its 92% literacy rate is indicative of the generally favorable social indicators prevalent there. The country is endowed with abundant natural resources - forestry, fishery, land - and has a very low population density of about seven persons per square kilometer. Its principal economic activities include the production of export-oriented sugar, bananas and citrus, fishing, some light manufacturing - mainly ancillary to primary agricultural industries and garment production - and tourism. The lack of adequate road, port, communications, and electricity facilities has impeded the development of export-oriented production activities. Belize's performance under the Caribbean Basin Initiative has not met expectations; manufactured exports to the United States grew rapidly between 1983 and 1985, but have since declined by a third. In the period 1980 - 1985, GDP grew by only 0.7%, largely as a consequence of the decline of the world price of sugar. However, growth has been substantial in recent years, with growth rates of real GDP estimated at 4% and 4.8% for 1986 and 1987, respectively. This trend is expected to continue and will further stimulate growing investor interest, resulting in substantial export-led growth.

The Government of Belize (GOB) successfully implemented an economic stabilization program with the assistance of $15 million in U.S. Economic Support Funds during the 1985 - 1987 period and an International Monetary Fund standby completed in 1986. The government raised revenues from 23% of GDP in 1983 to almost 31% in 1987, and reduced current expenditures from 25% of GDP in 1983 to 24% in 1987. As a result, public sector savings increased from a negative 2.2% of GDP in 1983 to 6.6% in 1987. Domestic financing of the public sector deficit was reduced from 4.4% of GDP in 1983 to a negative 1.4% in 1987. This improved fiscal performance is largely responsible for the low rate of inflation (2% in 1987) and the elimination of overall balance of payments deficits. The level of gross official foreign exchange reserves at the end of 1987 was equivalent to over three months of imports of goods and services.

The overall balance of payments is projected to register surpluses through 1991. Low debt service payments will amount to about 12% of exports of goods and services on the average, and net public external indebtedness in relation to GDP will average about 49% over the same period. Over the medium term, with the growing diversification of the export structure, the sensitivity of Belize's economy to changes in sugar prices will be significantly reduced.

II. A.I.D. Objectives, Goals, and Development Strategy

A.I.D.'s overall objective is to promote continued friendly relations between the U.S. and Belize and to assure a democratic, independent, economically viable country. A.I.D.'s goal is to assist the Government of Belize in addressing the constraints to growth. This strategy is based upon the recommendations of the National Bipartisan Commission on Central America. U.S. economic assistance targets continued stabilization and productive infrastructure improvements over the near term. Economic growth and diversification will enhance the equitable distribution of economic resources over the longer term and help nurture a democratic, independent, economically stable Belize. This program builds on progress the GOB has made in achieving economic stability and higher GDP growth in recent years.

A.I.D.'s major agricultural projects are assisting the GOB to increase farm production and develop, and promote non-traditional export crops, primarily to assist the GOB in reducing Belize's heavy reliance on sugar as the country's major source of foreign exchange. A.I.D.'s private sector projects are promoting productive investment in export-oriented and tourism-related activities. The Rural Access Road and Bridges project is upgrading access roads and bridges essential to improving agricultural production and activity. A.I.D.'s health, education, and training projects, while promoting equity and broader participation in the development process, are also oriented to support agriculture and private sector activities which lay the basis for Belize's long-term growth.

III. New A.I.D. Projects in FY 1988 and FY 1989

No new Development Assistance or Economic Support Fund projects are currently scheduled for initiation in FY 1988 or FY 1989.

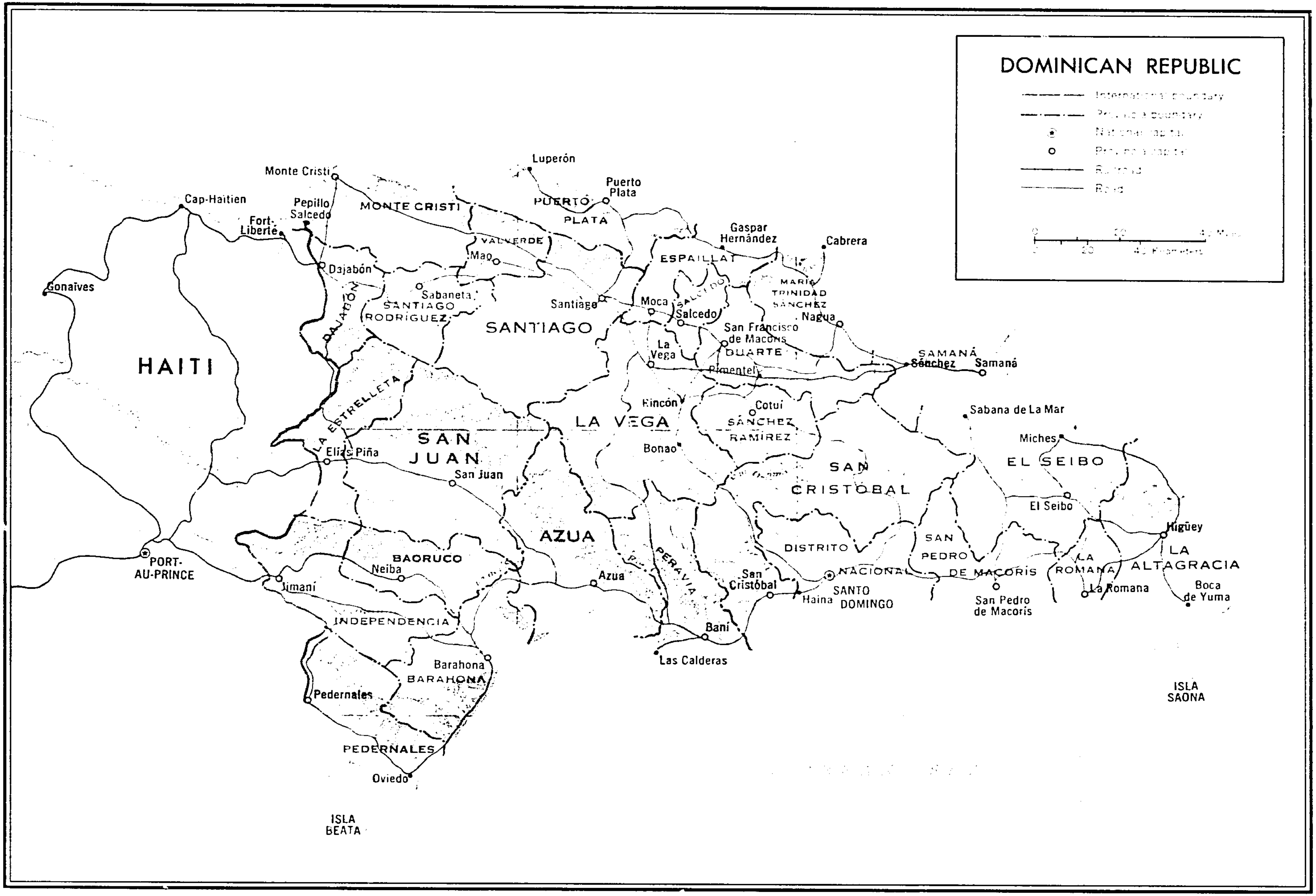
A $4 million Export Investment Credit project originally planned for FY 1988 is now planned for FY 1990. Further examination of the various constraints to the delivery of credit in Belize is required. The aim of the project will be to support agricultural and industrial exports and tourism by identifying various approaches and mechanisms to extend credit to Belizean entrepreneurs which will eventually stimulate investment in these economically viable areas.

BELIZE

Population -171,000, GNP/Pop. - $1,162

	Percent Change					
	1983	1984	1985	1986	Proj. 1987	Proj. 1988
Real GDP	-2.5	5.6	2.5	4.0	4.8	
CPI (% change)	2.6	5.8	-0.6	2.4	2.0	
	Percent of GDP					
P.S. Total Expenditures	35.5	32.9	33.0	33.1	36.2	
Current Expenditures	25.3	23.5	23.5	23.4	23.9	
Capital Expenditures	10.2	9.4	9.5	9.7	12.4	
Savings	-2.2	3.0	4.8	7.4	6.6	
Overall Deficit	-7.8	-3.8	-2.6	0.9	-3.4	
Domestic Financing	4.4	0.7	-0.3	-2.4	-1.4	
BOP Current Account	-7.0	-6.5	-4.3	1.5	-1.5	
Overall Balance	-9.7	-8.7	10.0	10.8	9.0	
Debt/GDP				50.0	48.6	48.3
Real Exchange Rate (1980=100)	115.0		130.0		110.0	

Source: IMF Article IV, October 1987; World Bank Belize Economic Memorandum, April 1988.


DOMINICAN REPUBLIC
HAITI
Cap-Haitien
Gonaïves
Fort-Liberté
Monte Cristi
Pepillo Salcedo
MONTE CRISTI
Luperón
Puerto Plata
PUERTO PLATA
VALVERDE
Mao
Dajabón
DAJABÓN
Sabaneta
SANTIAGO RODRIGUEZ
SANTIAGO
Santiago
ESPAILLAT
Gaspar Hernández
Cabrera
Moca
SALCEDO
Salcedo
MARIA TRINIDAD SANCHEZ
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Las Calderas
San Cristóbal
Haina
DISTRITO NACIONAL
SANTO DOMINGO
SAN PEDRO DE MACORÍS
San Pedro de Macoris
LA ROMANA
La Romana
Higüey
LA ALTAGRACIA
Boca de Yuma
ISLA SAONA

DOMINICAN REPUBLIC

OVERVIEW

A. Economic Overview

The present economy of the Dominican Republic is marked by negative economic growth, 60% inflation, and, in 1988, further depreciation of the peso. These conditions have resulted from uncoordinated economic policies, unbalanced allocation of resources, and unfavorable external factors such as declining markets for the country's traditional exports.

While foreign investment in the country as a whole has been growing, the GODR's credit standing remains poor. Outside the free trade zones, this investment reached US$89 million in 1987, up from US$36 million in 1985. Within free trade zones, 1988 saw US$26 million of foreign investment. At present the GODR is paying interest on its commercial bank loans but only some principal. About US$800 million is owed to commercial banks out of a total debt of about US$4 billion (roughly 75% of GDP). Most of the debt is to bilateral donors as is most of an estimated US$450 million of debt service arrears.

The GODR is currently under 620Q but is current in U.S. military loans and with institutions such as the World Bank. The U.S. Exim Bank has an uncertain relationship with the GODR. For the past 18 months EXIM has provided mostly short and some medium term (less than 3 years) commercial credit to the private sector in the country. OPIC on the other hand, is seeking to increase its operations in the country after a period of inactivity due to exchange rate problems in the mid-1980's.

The Dominican Republic's relative good per capita income figure of $800 belies the considerable extent of poverty in the country.

Poverty in the Dominican Republic extends nationwide, with the highest incidence in the rural sector. According to Central Bank household surveys, in both 1976/77 and 1984 (i.e., about 5 years prior and 3 subsequent to the onset of the protracted economic downturn) nearly 25% of Dominican families did not have income to afford the calories and protein needed to meet the standard minumum nutritional requirements. The plight of the poor in the Dominican Republic has been made worse by a deteriorating economic situation. In the last years of the 1970's, economic growth disappeared and by 1981 social and economic conditions in the country began to deteriorate. During the period 1981-86, real per capita purchasing power fell 12 percent; income declined 10 percent and GNP 6 percent, while inflation reached extraordinary levels, balance of payment registered unprecedent deficits and the burden of external debt increased systematically. In 1987 alone, the Dominican economy lost almost 25 percent of GNP in real terms in comparison with what would have happened had the growth rate for the period 81-86 been maintained and the effects fell inordenately on the poorer income groups. In 1986, open unemployment had increased by 27 percent of the labor force and external debt reached 66 percent of BNP.

B. USAID Approach and Strategy

Our development goal is to assist the Dominican Republic in developing sustained and equitably distributed private sector-led economic growth and social development in a democratic environment. Target beneficiaries of our program are the urban and rural poor. To achieve this goal, USAID/DR is following a strategy that supports specific sectoral elements of the Dominican Republic's recovery from the economic recession of the mid-1980's and promotes continued growth through a private sector-led expansion and diversification of the country's economic base. USAID/DR will also undertake directly selected social interventions to address critical needs of the poorest regions and economic strata of the country.

USAID/DR's three major development objectives are:

1. promote key sectoral policy reforms which encourage private sector growth;

2. promote expanded and diversified private sector investment and employment, and;

3. undertake selected social interventions to address critical needs of the poor.

The first objective reflects a shift in emphasis from our historic macroeconomic approach to a sectoral policy dialogue. While the present GODR administration has recently implemented or announced several positive stabilization measures, they tend to be uncoordinated, ad hoc and imcomplete. The GODR continues to be extremely reluctant to sign an agreement with the IMF which is a prerequisite to rescheduling of Paris Club and commercial debt. The Balaguer administration is fearful of a strong political reaction to an IMF Stand-by Agreement that could lead to riots similar to those that resulted in more than 100 deaths in 1984.

The second objective increased private sector investment in agroindustry and free zone development, along with a rapid diversification of the agricultural sector into non-traditional crops with export potential can maximize employment and income opportunities for Dominican workers. Successful accomplishment of these objectives will enable Dominican citizens to procure directly social services and other improvements in their standard of living that they cannot now afford. An MSI study recently conformed that lower income groups benefit from the growth in employment in the productive sectors. The study concludes that standards of living in the areas of housing, education and health are immediately improved with increments in disposable income resulting from employment generation efforts.

The third objective is restated to reflect the Mission's concerns regarding unfavorable trends in several important social indicators. It also reflects a recognition that these social problems will continue to exist for some time, particularly for the more economically and geographically isolated elements of Dominican society. USAID's new PVO Co-financing project, PVO Child Survival project and Private Sector-based Primary Education projects are examples of how we foresee addressing the immediate critical needs of the poor.

DOMINICAN REPUBLIC - ECONOMY AT A GLANCE

Population: 7 million. The DR's economy, with a GDP of $5.6 billion, is the largest in Caribbean, except for Cuba.

CBI member with most success of any country in attracting CBI related investment, especially apparel assembly. Free zone employment soaring; agribusiness successful.

Main exports (1987-$ millions): Sugar-$165; Coffee-$63; Gold-$112; Nickel-$115; Cocoa-$75. Nickel prices high at present. Rosario mine, major gold producer, will encounter environmentally sensitive sulfide ores in the mid-90's.

Tourism booming; tourism foreign exchange receipts approaching $600 million, although perhaps as much as 60% imported inputs.

GODR has a mixed record on economic policy issues.

-- GDP growth strong (est. 8.1% in 1987). Public sector spending on capital project fueling deficits and inflation. Some effort in recent months to contain public sector deficit.

-- Exchange rate regimes, free and floating, varied in 1987-88. The current managed rate was set in 8/88. The peso lost about 1/3 of its value from early 1987 to mid-1988.

-- GODR has been unwilling to accept IMF conditionality for a Standby Agreement, which must precede a Paris Club rescheduling. Uncertain whether GODR will meet agreed conditionality for $13.8 million FY87 ESF from U.S. Payments to U.S. for past aid have been maintained, but GODR in arrears to U.S. for other credits and to other official bilateral lenders.

-- Electrical blackouts common; need improved generation, transmission, and administration. World Bank loan intended to help but going slowly. Meanwhile, electricity shortfall causing productivity losses and wasteful expenditures on generators -- and petroleum to run them. Other parastatals also a drain.

-- A preferential exchange rate exists for petroleum imports plus GODR subsidizes domestic price further. Rise in petroleum prices is politically sensitive, but needed for management of fiscal and current account deficits, efficient resource allocation, and unification of the exchange rate.

-- GODR has improved investment climate, especially via free trade zones, revamped taxes.

-- Price controls are causing some consumer product shortages.

Because of U.S. sugar quotas, DR foreign exchange earnings from sugar exports to the U.S. for 1981-89 went from $258 to an estimated $87 million.

Inflation hurts middle class, spurring emigration. Extensive emigration at all social levels. Substantial remittances buoy foreign exchange receipts.

Revised 2/3/89

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DOMINICAN REPUBLIC: SELECTED ECONOMIC DATA 1978-88

[illegible]/88

	1978	1979	1980	1981	1982	1983	1984	1985	1986	Proj. 1987	Proj. 1988
POPULATION											
Thousands	5170.0	5300.0	5440.0	5580.0	5740.0	5960.0	6100.0	6300.0	6510.0	6695.8	6890.1
Growth Rate	2.8%	2.5%	2.6%	2.6%	2.9%	3.8%	2.3%	3.3%	3.3%	2.9%	2.9%
NATIONAL ACCOUNTS											
GDP, curr. prices (mill. pesos)	4734.4	5498.8	6630.7	7266.9	7981.3	8574.8	10705.6	14502.3	16096.6	19945.7	22882.4
GDP, 1980 prices (mill. pesos	5981.3	6252.1	6630.7	6900.1	7015.7	7292.2	7319.4	7155.1	7228.0	7401.5	7771.5
Real GDP Growth Rate (%)	2.1	4.5	6.1	4.1	1.7	3.9	0.4	-2.2	1.0	2.4 *	5.0 *
Real Per Capita GDP	1156.9	1179.6	1218.9	1236.6	1222.2	1223.5	1199.9	1135.7	1110.3	1104.9	1127.4
Real Per Capita GDP Growth Rate (%)	-0.6%	2.0%	3.3%	1.5%	-1.2%	0.1%	-1.9%	-5.3%	-2.2%	-0.5%	2.0%
Gross Domestic Investment/GDP (%)	21.1	19.0	24.9	23.4	20.3	20.6	18.6	19.6	N.A.	N.A.	N.A.
Public	N.A.	N.A.	5.2	4.5	3.9	3.3	3.5	4.4	3.5	N.A.	N.A.
Private	N.A.	N.A.	19.7	18.8	16.4	17.4	15.2	15.2	N.A.	N.A.	N.A.
Gross National Savings/GDP (%)	14.3	13.1	14.8	17.8	14.0	14.9	15.1	16.3	N.A.	N.A.	N.A.
Public	N.A.	N.A.	1.5	0.5	-1.3	0.4	2.4	2.2	2.5	2.7	1.9
Private	N.A.	N.A.	13.3	17.3	15.3	14.5	12.7	14.0	N.A.	N.A.	N.A.
Foreign Savings/GDP (%)	6.8	5.9	10.1	5.6	6.3	5.8	3.5	3.3	2.4	N.A.	N.A.
PRICES											
GDP Price Deflator	79.2	88.0	100.0	105.3	113.8	117.6	146.3	202.7	222.7	256.0	294.5
Annual Change (%	35.5%	11.1%	13.7%	5.3%	8.0%	3.4%	24.4%	38.6%	9.9%	14.9%	15.0%
Consumer Prices	78.5	85.7	100.0	107.5	115.8	121.3	154.0	211.8	226.7	260.7	299.8
Annual Change (%)	3.6	9.2	16.7	7.5	7.7	4.7	27.0	37.5	7.0	15.0	15.0 *
[illegible]ANCE OF PAYMENTS											
[illegible]rent Account	-311.9	-331.3	-669.8	-405.9	-442.6	-421.1	-259.7	-237.7	-199.0	-125.2	-94.0
Trade Balance	-186.9	-269.9	-557.8	-263.7	-489.6	-497.0	-399.0	-547.4	-544.7	-610.0	-626.0
Exports fob	675.5	868.6	961.9	1188.0	767.7	785.2	868.1	738.5	721.5	760.0	781.0
Imports fob	-862.4	-1137.5	-1519.7	-1451.7	-1257.3	-1282.2	-1257.1	-1285.9	-1266.2	-1370.0	-1407.0
Services (net	-274.9	-265.2	-299.6	-335.2	-153.0	-139.1	-135.7	-46.6	84.7	172.8	233.0
Private Transfers	146.3	177.0	183.1	176.3	190.0	195.0	205.0	242.0	242.0	242.0	259.0
Official Transfers	3.5	26.8	4.7	16.7	15.0	20.0	60.0	114.3	29.0	70.0	40.0
Capital Account	201.0	208.8	531.5	303.8	134.6	59.2	128.6	185.7	66.8	-120.7	23.0
Official Capital (net	157.4	195.4	365.5	174.1	226.4	71.5	18.8	-107.0	-180.8	-260.7	-21.0
Direct Investment	39.6	-13.4	62.7	79.7	-1.4	48.2	68.5	36.6	40.0	40.0	44.0
Other Private (including errors and omissions)	4.0	26.8	103.3	50.0	-90.4	-61.5	41.3	256.1	207.6	100.0	N.A.
Other	15.5	35.0	31.0	-7.5	-2.7	-2.8	-7.4	-32.0	-30.0	-7.0	N.A.
Overall Balance	-95.1	-87.5	-107.3	-109.6	-310.7	-365.7	-138.5	-84.0	-152.2	-252.9	-71.0
EXTERNAL DEBT											
Outstanding, Dec. 31	1406.4	1421.6	1928.8	2221.9	2788.0	3164.0	3403.0	3638.0	3674.0	3754.0	3593.0
Outstanding/GDP (%)	25.5	25.9	29.0	30.7	40.5	46.1	63.6	77.8	69.4	61.4	61.2
Debt Service ratio	20.3	20.9	22.0	24.3	33.0	27.4	35.2	26.6	31.7	23.0	22.2
Public Sector Operations (%GDP)											
Total Revenue	14.0	14.0	14.7	13.9	11.0	12.5	12.1	16.2	14.7	15.5	14.9
Current Expenditures	9.5	13.2	13.0	13.2	11.8	11.6	9.4	12.2	11.8	8.3	7.2
[illegible]apital Expenditures	9.4	6.5	7.7	6.5	3.9	5.0	2.6	3.1	3.5	5.2	6.1
Central Bank Losses	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	2.6	0.5	2.3	0.8	0.5
Overall Deficit (commitments)	-4.9	-5.1	-6.0	-6.2	-7.0	-5.0	-6.5	-2.7	-5.0	-0.7 *	-1.4
Arrears	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	-1.9	0.5	-1.4	--
Foreign Financing	3.7	2.8	4.5	1.5	2.2	0.9	3.1	7.4	1.1	1.3	1.4
Domestic Financing	1.2	2.3	1.5	4.7	4.8	3.3	3.4	-2.8	3.4	0.8	--

Public Sector Operations											
Total Revenue	660.5	769.1	976.6	1009.2	879.6	1074.1	1292.9	2351.6	2370.9	2994.2	3419.8
Current Expenditures	447.7	723.4	865.3	957.7	940.9	995.1	1007.7	1910.9	1946.9	1576.1	1641.4
Capital Expenditures	443.0	359.6	513.4	470.7	309.9	431.5	277.9	456.5	619.5	977.[illegible]	1799.2
Central Bank Losses	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	282.7	69.7	365.3	146.7	112.0
Overall Deficit (commitments)	-229.8	-281.8	-397.0	-448.4	-557.8	-432.7	-697.0	-353.3	-799.9	-131.3	-319.0
Arrears	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	-269.4	73.2	-268.7	--
Foreign Financing	174.4	155.7	297.0	105.6	174.4	77.8	331.9	1066.6	172.2	250.[illegible]	[illegible]
Domestic Financing	55.4	126.1	100.0	342.8	383.4	282.8	365.1	-403.9	554.5	150.[illegible]	--

Sources: IMF RED, April 1987; IMF Article 4, August 1987.

* USAID reports real GDP growth of 8% in 1987 and projects 2% growth in 1988. Inflation is projected at over 30% for 1988. The public sector deficit in 1987 is estimated to be 4.5%

Guyana

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Mercator Projection
Scale 1:4,000,000
Boundary representation is
not necessarily authoritative

Railroad
Road
Airport

GUYANA

I. Economic Situation

With an estimated population at around 800,000 and GNP per capita of $500, Guyana is heavily dependent on the export of bauxite, sugar, and rice. Independent since 1966, Guyana nationalized the bauxite and sugar industries in the early 1970s. The rice industry is privately owned but marketing is largely dominated by the state. Guyana's severe economic difficulties, which reached the crisis state in the late 1970s, were the result of adverse external developments and inappropriate policies.

In 1982 and 1983, real GDP declined about 20%. Even though the government has taken a number of measures to redress the economic situation, the economy has stagnated, with real GDP growth averaging about 1% per year since. Agricultural output (14% of GDP) rose somewhat during 1984-1987 to slightly above the 1981 level, with rice production increases offsetting sugar's decline. Mining output (8% of GDP), which is primarily bauxite, declined by over 30% between 1982 and 1986, but increased in 1987. Manufacturing production (11% of GDP), which declined over 20% between 1982 and 1984, has since stagnated. The growing underground parallel economy has offset somewhat the economic declines and stagnation as measured by official data.

The overall deficit of the public sector widened from about 41% of recorded GDP in 1982 to 60% in 1985 before declining to 50% of GDP in 1986. The failure to contain the expansion of current expenditures and state enterprise deficits were responsible for the growing deficits up through 1985. Significant reductions in current expenditures and a shift to public enterprise surpluses caused the public sector deficit to decline to 36% of reported GDP in 1987.

Domestic credit expansion associated with the fiscal imbalance led to inflation, over-valuation of the exchange rate, and large balance of payment deficits which reached 97% of exports in 1985. While improved fiscal performance in 1986 and 1987 and a 56% devaluation in 1987 improved export performance and reduced imports, the overall balance of payments remained in deep deficit (equivalent to 69% of exports). The continuing massive balance of payments deficits have been financed by large increases in the external debt and arrears, which totalled $1.7 billion and $1.0 billion, respectively, in 1987.

The IMF and the World Bank have been working with the Government of Guyana (GOG) on a proposed structural adjustment program which they hope to put in place by early 1989, although a number of major hurdles lie ahead. The program would involve closing a three-year financing gap of $1.6 billion. Paris and London Club rescheduling could cover $1.1 billion and $320 million could be provided by "normal" donor assistance. The balance of $180 million includes roughly $130 million of bridge financing needed to eliminate arrears to the Fund and the Bank. The GOG will also need to agree to major up-front policy reforms, including a further exchange rate devaluation and some price liberalization measures. The Fund and the Bank also want GOG commitment to restrict wage increases and reduce state monopolies.

II. A.I.D. Guyana Program

There is no A.I.D. program in Guyana. The A.I.D. Mission in Georgetown was closed June 30, 1985.

Guyana's economic problems caused a depletion of foreign exchange reserves and a build-up of external debt arrearages. As a result, the GOG has not made an A.I.D. loan repayment from March 1982 to date, thus triggering the application of sanctions contained in Section 620 (q) of the Foreign Assistance Act (FAA), and subsequently the Brooke/Alexander Amendment, prohibiting new A.I.D. obligations. Guyana now owes some $19.3 million (principal and interest as of March 31, 1988) in arrearages to A.I.D.

III. Current A.I.D. Guyana PL 480 Program

In recognition of the evolving and increasingly sound foreign and economic policies of the GOG under President Hoyte, the U.S. Embassy in Georgetown signed a $3 million, FY 1986, PL 480, Title I, wheat agreement with Guyana on August 7, 1986. The statutory prohibitions do not apply to PL 480 programs. The agreement's self-help measures are a modest set of steps being taken initially within the context of a multi-year planning framework leading to deregulation and reduction of controls and subsidies in food marketing and distribution. A $4.4 million, FY 1987, Title I, wheat agreement was signed on May 2, 1987 (amended August 18, 1987 to include $1 million in vegetable oil), and a $4 million FY 1988, Title I, wheat agreement was signed on November 25, 1987. Negotiations are underway for a supplemental for $3 million from the PL 480 reserves.

GUYANA: ECONOMY AT A GLANCE

Economy Until Recently

-- Despite agricultural and mineral resources (sugar, rice, bauxite, gold), GDP declined steadily from mid-70's through 1983. Since then, GDP flat. Problems: declining world market for bauxite and sugar and mismanagement -- inefficient parastatals and a public sector that accounts for 70% of GDP.

-- Emigration drains trained people. Social indicators (nutrition, infant mortality) affected.

-- Imports are severely compressed. Growth requires foreign exchange for raw materials, spare parts, repair of infrastructure, espesially in energy, transport.

Economic Policies: The Reform Program

-- IMF approved an innovative "Fund-monitored" program, which opened the way for a Paris Club rescheduling in May 1989 and bilateral aid. If targets are met, arrears to the IMF and other multilateral institutions are expected to be cleared at the end of 1989, releasing new flows from those institutions.

-- Currency devalued 70% on April 1, 1989. GOG and IFIs developed a co-ordinated economic recovery agenda, which is being supported by Hoyte Government. Program includes wage restraint, liberalized importing, elimination of subsidies, more productivity in sugar, rice and bauxite. Initial surge in inflation occurring.

-- GOG has improved tax laws, mining laws, removed most price controls, allowed foreign investors in all sectors, signed agreements with foreign firms on gold mining, oil exploration, and bauxite.

-- Government still dominates economy. Some divestment planned. Encouragement is needed for domestic investors in addition to welcome now given to foreign invesument.

Economic Prospects

-- The Paris Club rescheduling, substantial donor contributions, and Government economic policy reforms should allow vital imports and enable positive real GDP growth in 1989.

-- Severe imbalances can be solved only in medium to long term.

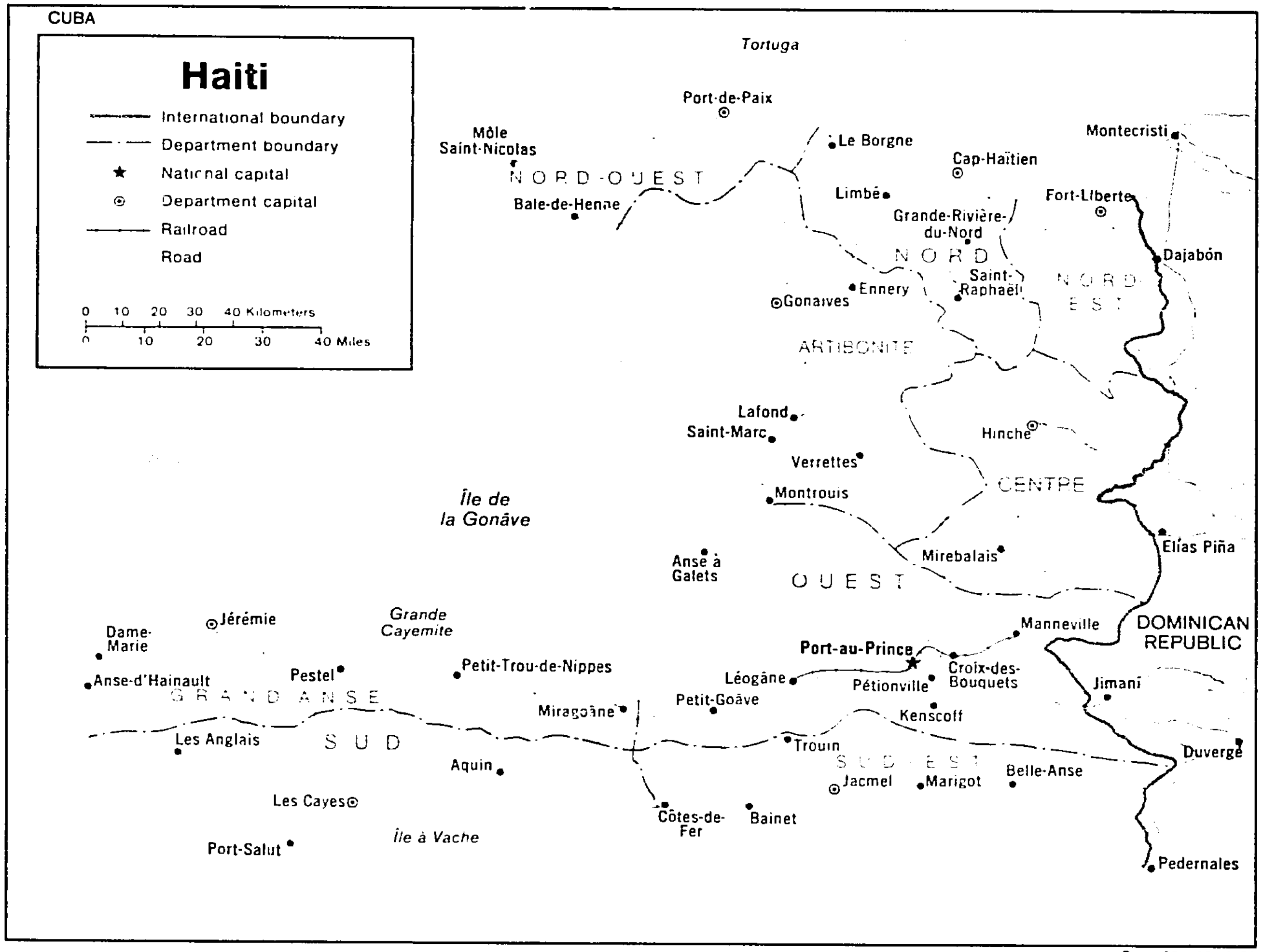
-- Tighter controls on parastatals and their jobholders risk restiveness among governing party's own supporters.

GUYANA

Population - 775,900; GNP/Pop. - $500

	1982	1983	1984	1985	1986	1987
	Percent Change					
Real GDP (% change)	-10.4	-9.3	2.1	1.0	0.4	1.0
Export Volume	-19.8	-8.1	7.2	5.8	-9.1	4.5
Import Volume	-33.3	-10.6	-12.8	21.4	2.8	-3.5
	Percent of GDP					
CPI (% change)	19.3	11.2	28.1	7.7	6.6	50.0
Central Government						
Total Expenditures	68.1	75.8	84.4	94.5	92.7	81.4
Current Expenditures	53.1	64.1	72.3	81.2	81.8	67.9
Capital Expenditures	15.0	11.7	12.1	13.3	10.9	13.5
Current Deficit	-15.9	-27.0	-33.7	-41.6	-40.0	-35.9
Overall Deficit	-30.8	-38.5	-42.7	-53.1	-49.6	-47.1
Public Sector Overall Deficit	-41.2	-50.6	-48.3	-60.4	-50.3	-37.8
	Percent of Exports					
BOP Current Account	-65.8	-84.8	-53.6	-73.3	-75.2	-57.7
Overall Balance	-54.1	-80.6	-66.5	-96.6	-74.1	-68.6
	Millions of US $					
External Public Debt	956.7	1078.8	1202.3	1424.9	1586.2	1741.8
Arrears	160.9	317.0	500.5	711.2	871.9	1026.0
Real Effective Exchange Rate (1980=100)	132.8	151.2	148.2	150.8	140.6	69.4

Source: IMF Article IV, Consultation, November 1987.



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HAITI

I. Current Economic Situation

The environment for development in Haiti is very difficult. Governments in Haiti historically have been oppressive, oblivious to the needs of the people, and incompetent. Under the 29-year Duvalier family dictatorship, Haitians were subjected to new extremes of exploitation and terror. Since the ouster of the Duvaliers in 1986, Haiti has had four governments, including two coups d'etat in 1988. Haiti's status as "poorest country in the Western Hemisphere" remains intact.

Since General Avril assumed the presidency on September 17, 1988, important steps have been taken in the areas of human rights, democratic transition, and narcotics cooperation. The September 17 coup could be a positive development for the country if the Avril government follows through in these areas and sustains itself in office.

The current macroeconomic outlook is not promising. After nearly three years of political turmoil and civic unrest, Haiti's economy is vulnerable to both external and internal shocks which could push the economy into further and more rapid decline. Yet all is not bleak. Private sector performance (which was the fastest growing in the Caribbean in the 1970s) has more than held its own in the 1980s despite a succession of shocks.

U.S. assistance to Haiti has varied considerably over the years depending on our ability to work with the GOH. It was suspended during most of "Papa Doc" Duvalier's reign, then reestablished in 1973 during the "Baby Doc" period, though emphasis was shifted in 1980 to working primarily through PVO/NGO channels. Following the ouster of "Baby Doc" in February 1986 and the new regime's commitment to democratic elections and economic reforms, U.S. aid reached a peak of $102 million in FY 1987 (double the 1985 level). The pendulum swung again after the violently aborted elections of November 1987, as U.S. aid to the GOH was suspended. Project assistance through NGO channels is currently at a level well below that provided during the last full year of the Duvalier regime.

II. A.I.D. Development Goals and Strategy

The USAID program is keyed to four "core" areas: (1) Child Survival/Population, (2) Agriculture/Natural Resources, (3) Private Sector, and (4) Education. Within the "core" program, A.I.D. is attempting to lower the infant mortality rate, raise the contraceptive prevalence rate, raise the productivity and income of Haiti's peasant farmers (about 70% of the population), increase employment through private sector growth, and raise the low quality and standards of primary education. The core program is concentrated in areas where the U.S. has demonstrated expertise, where there is unquestionable need, where other donors are not actively involved, and where it is clear from past success that A.I.D. can show positive results. Even if direct assistance to the GOH were resumed, A.I.D. would want to continue emphasis on the core program.

The program also includes food aid in the form of P.L. 480 Title II, which closely supports our efforts in the child survival and education areas. Haiti's food gap is severe.

The "core" program, however, is part of an over-riding U.S. objective to help move Haiti toward democratization. Opporunities to support democratization are being pursued through the incremental renewal of assistance to the Government of Haiti and through selected initiatives A.I.D. may fund to provide technical assistance for democratic institution-building in Haiti.

Based on a recent assessment report, to help facilitate Haiti's transition to democracy, the Mission is considering opportunities to support local organizations that can carry out programs in civic education, legal services, human rights, and training in improved journalism. In addition, A.I.D. will support elections directly with local currency generated prior to the 1987 aid suspension, and, if possible, with new ESF money. Monetized P.L. 480 assistance to the government is proposed for emergency support in order to stabilize the current government, as a transition to an elected civilian government.

III. A.I.D. Financial Data (U.S. $millions)

	FY 1988 Actual	FY 1989 Budget	FY 1990 Proposed
Development Assistance	20.8	24.5	28.0
Economic Support Fund	--	--	--
P.L. 480 Title II	8.7	14.1	13.4
P.L. 480 Title III	--	--	--
Section 416	--	--	--
Total New Obligations	29.5	38.6	41.4
Deob/Reob (from Haiti)	10.1	--	--
Total Obligations	39.6	38.6 /1	41.4

/1 All A.I.D. assistance to Haiti is now channeled through NGOs.

IV. Issues

A. Renewed Aid to the Government

There is substantial support from Congress to renew aid to the GOH immediately, but some opposition continues to exist, notably in the Senate Appropriations Committee. Current legislation contains an aid prohibition, with certain exceptions. FY 90 legislation is likely to revise, but continue, the general prohibition.

B. Emergency Monetized P.L. 480 to the GOH

Following the Senate's passage of an amendment (still pending in conference) permitting up to $12 million in P.L. 480 to the Government of Haiti (GOH), top priority has been given to getting DCC approval of the proposed program. This requires action to address budget, commodity, and local management issues, as the FY 1989 budget cycle draws rapidly to a close.

C. A.I.D. to the Provisional Electoral Council (CEP)

Assuming the CEP issues an election schedule soon, there will be substantial pressure on the U.S. to commit ESF funds to Haiti for support for elections operating costs. This may come at a time when no ESF budget is available, and/or when the U.S. legislation still prohibits su h aid to the GOH, unless the President were to sign a Section 614 waiver on national security grounds.

D. IBRD and IMF Lending to Haiti

Currently held up because of Haiti's $11 million arrears to the IMF, Bank, and Fund, lending to Haiti may be possible if a "shadow" program (i.e., IMF-monitored) can be agreed upon.

#0237V

HAITI AT A GLANCE

onomy Until Now

At present, Government revenues very low, public sector borrowing up as capital flight and speculation against the currency (the gourde) put a premium on dollars of 25-6%.

Real GDP growth well under 1 percent since 1980 (1988 real growth = 0.3 percent). Population growth at 1.8 percent means incomes and living standards are eroding.

Contraband since 1986 has created jobs and moderated food and clothing prices, but undercut rice farmers who are high cost producers.

Deteriorating finances 1980-85 cut international reserves and increased external debt to one-third of GDP.

An economic recovery program, sponsored by IMF and IBRD with extensive U.S. and other donor support, began in 1986, succeeded initially, then slowed because of government's political preoccupations, and finally ended when donors withdrew aid because of 11/87 electoral violence. (Aid through private voluntary organizations (PVOs) continues.)

onomic Policies

Government seeking to control large contraband imports and enforce customs regulations to increase revenues. Some fear a threat to their livelihood, which depends on these imports.

Tax administration needs improvement. Parastatals a drain.

Land tenure is complex and uncertain, creating animosities and a disincentive to improve land, combat erosion, etc.

ospects

Haiti, with its low labor costs, has benefitted from substantial CBI and Section 807 exports to the U.S., but new investment likely only if political stability and confidence.

GOH is moving to meet donors' demands re human rights, elections, narcotics interdiction in order to qualify for badly needed Government-to-Government aid.

On hold for now, while Government reviews its labor laws and practices, is a petition requesting that GSP benefits be denied Haiti because of alleged unfair labor practices (The activites specified pre-date Avril Government.)

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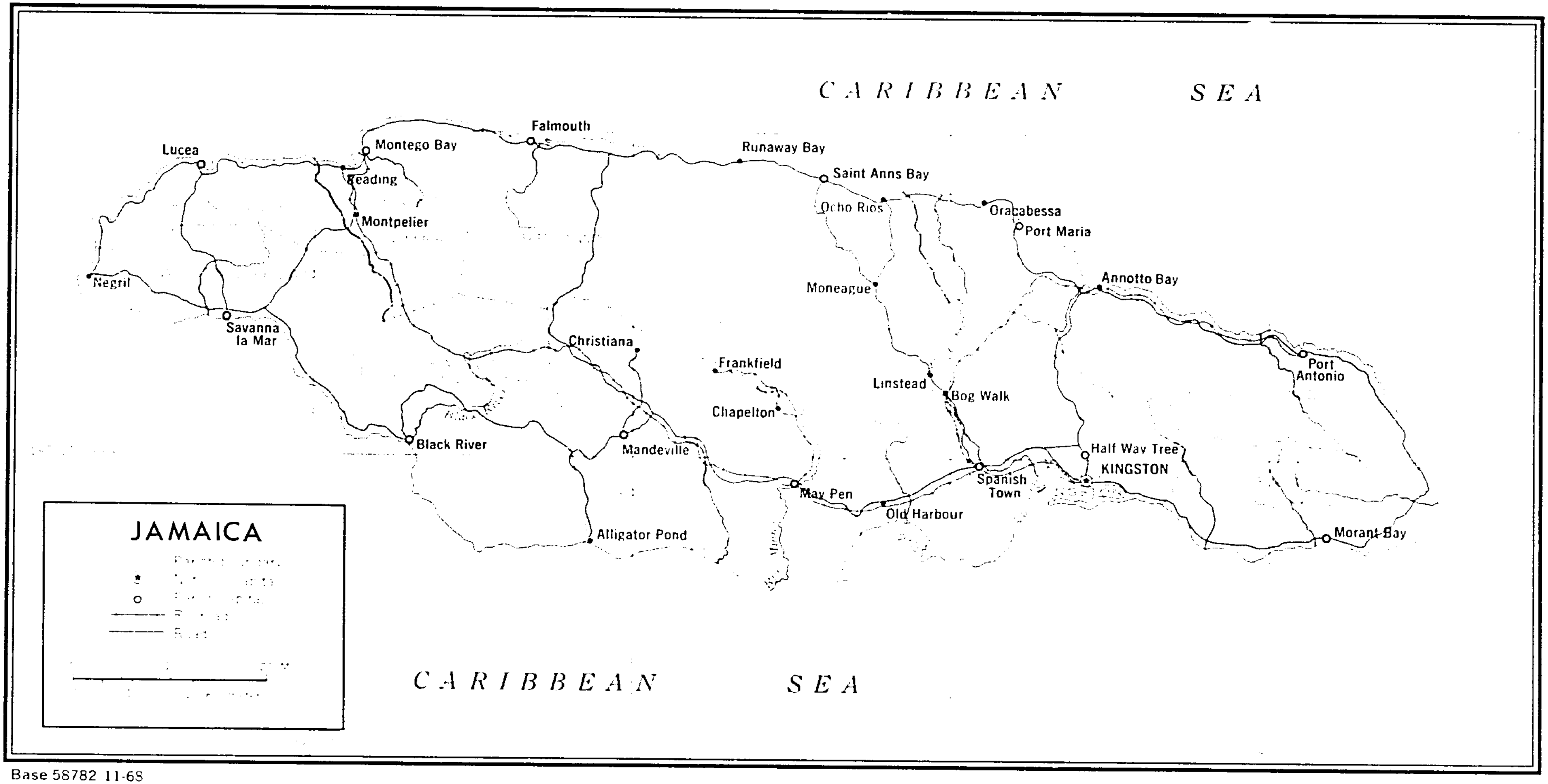
HAITI: SELECTED ECONOMIC DATA, 1978-87
[illegible]/88

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
POPULATION										
Thousands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Growth Rate (%)	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
NATIONAL ACCOUNTS										
GDP, curr. prices (mill. Gourdes)	[illegible]	5597.0	6939.0	7557.0	7425.0	8148.0	9082.0	10147.0	[illegible]	[illegible]
GDP, 1976 prices (mill. Gourdes)	4626.0	4966.0	5287.0	5235.0	5015.0	5056.0	5071.0	5081.0	5013.0	[illegible]
Real GDP Growth Rate	4.8	7.3	6.4	-0.9	-4.1	0.8	0.3	0.2	[illegible]	[illegible]
Real Per Capita GDP (1976 Gourdes)	900.6	949.7	992.0	965.6	909.2	899.9	886.6	872.6	862.6	851.8
Real Per Capita GDP Growth Rate (%)	2.9	5.4	4.5	-2.7	-5.8	-1.0	-1.5	-1.6	[illegible]	[illegible]
Gross Domestic Investment/GDP (%)	16.8	18.7	18.1	18.2	16.6	16.7	15.9	14.2	10.9	12.5
Private	6.2	10.1	9.9	6.5	6.8	5.9	4.7	6.0	5.1	5.7
Public	10.6	8.6	8.2	11.7	9.8	10.4	11.2	8.2	5.7	6.7
Gross National Savings/GDP (%)	6.5	7.6	4.5	-0.7	5.3	4.4	5.7	5.1	4.3	4.1
Private	3.6	5.8	4.3	0.1	4.6	3.2	5.1	4.0	3.8	4.4
Public	2.9	1.8	0.2	-0.8	0.6	1.2	0.6	1.1	0.5	-0.3
Foreign Savings/GDP (%)	10.3	11.1	13.6	18.9	11.3	11.9	10.2	9.2	6.6	8.4
PRICES										
GDP Price Deflator (1976=100)	108.1	112.7	131.3	144.4	148.0	161.2	179.1	197.7	219.4	218.6
Annual Change (%)	-4.4	4.3	16.5	9.9	2.5	8.9	11.1	10.4	[illegible]	-0.4
Consumer Prices (1976 = 100) (a)	104.3	114.4	135.[illegible]	146.1	158.1	171.4	185.1	200.7	217.1	208.6
Annual Change (%)	-1.4	9.7	18.0	8.2	8.2	8.4	8.0	8.4	8.2	-3.9
BALANCE OF PAYMENTS ($ mill.)										
Current Account Balance	-75.4	-66.7	-62.[illegible]	-108.6	-49.0	-82.4	-60.[illegible]	-40.4	11.3	[illegible]
Trade Balance	-87.2	-143.4	-133.7	-215.1	-127.6	-139.6	-122.6	-116.7	-82.2	-117.8
Exports, f.o.b.	154.6	138.6	212.3	158.2	193.3	195.0	229.5	217.2	[illegible]	197.8
Manufactures	N.A.	N.A.	N.A.	79.6	93.9	100.4	124.7	126.9	130.1	123.5
Coffee	N.A.	N.A.	N.A.	33.1	35.9	52.5	54.0	49.0	57.3	34.4
Imports, c.i.f.	241.8	282.0	346.0	373.3	318.9	334.6	352.1	333.9	298.4	315.0
Services, net	-16.1	-3.1	-6.5	-24.4	-44.3	-54.6	-61.5	-62.3	-66.2	-71.1
Tourism	30.4	47.6	50.6	40.8	39.5	33.3	28.0	25.1	19.6	15.0
Private Transfers	28.7	32.0	31.3	64.8	49.7	42.5	45.0	48.3	52.0	56.3
Public Transfers	39.2	47.8	46.0	66.1	69.2	69.3	78.2	87.3	106.7	[illegible]
Capital Account Balance	45.7	80.7	51.1	52.2	27.3	64.7	40.4	25.2	15.5	40.8
Official Capital	48.0	38.3	33.7	103.7	30.3	74.1	57.8	17.0	24.9	43.7
Monetary Capital	N.A.	N.A.	N.A.	-1.3	-8.1	-5.6	-8.2	13.6	-7.1	-8.4
Private Capital, errors and omissions	-2.3	42.4	17.4	-50.2	5.1	-3.5	-9.2	-1.4	0.7	5.5
Overall Balance	10.3	14.0	-11.8	-56.4	-21.7	-17.7	-20.5	-14.2	26.8	31.3
EXTERNAL DEBT										
External Public Debt ($ mill.)	195.2	253.8	306.2	416.8	493.6	586.7	673.7	697.4	715.4	[illegible]
Debt/GDP (%)	19.5	22.7	22.1	27.6	33.2	36.0	37.1	34.2	31.9	33.8
Debt Service/Exports+NFS (%)	7.2	7.1	6.4	8.3	10.4	11.1	11.1	14.7	15.3	21.4
PUBLIC SECTOR OPERATIONS (%GDP)										
Total Revenue	12.3	11.3	10.9	10.0	12.1	12.7	12.9	13.8	[illegible]	[illegible]
Current Expenditures	9.4	9.5	10.6	10.9	11.2	11.5	12.3	12.8	[illegible]	[illegible]
Capital Expenditures	11.4	8.6	8.2	11.7	10.1	10.4	11.2	8.2	5.7	6.7
Overall Deficit	-8.5	-6.8	-8.3	-12.6	-9.2	-9.2	-10.6	-7.2	[illegible]	-7.0
Grants	3.9	2.8	2.7	3.1	3.8	3.4	3.4	3.6	4.2	4.4
Deficit After Grants	-4.9	-4.0	-5.6	-9.5	-5.3	-5.8	-7.1	-3.6	-1.1	-2.6
External Financing	4.0	3.0	2.5	6.2	2.1	4.6	3.5	1.5	1.4	2.1

PUBLIC SECTOR OPERATIONS (mill. pounds)

Total Revenue	615.7	[illegible]	753.2	756.8	895.4	1035.6	1171.2	1382.5	1325.2	[illegible]
Current Expenditures	466.6	531.6	736.4	825.6	829.3	939.9	1114.7	1281.5	1271.4	[illegible]
Capital Expenditures	569.9	480.2	572.0	882.9	747.9	849.1	1014.9	823.6	647.5	[illegible]
Overall Deficit	-440.6	-392.2	-574.2	-951.7	-681.9	-753.4	-956.4	-722.5	-593.8	-768.9
Grants	196.0	159.5	185.5	236.5	285.0	280.5	310.0	359.5	[illegible]	[illegible]
Deficit After Grants	-244.6	-232.7	-388.7	-715.2	-396.9	-472.9	-648.4	-363.0	-119.8	-282.9
External Financing	201.8	167.0	175.5	469.0	156.0	376.2	313.9	146.7	156.5	[illegible]
Domestic Financing	42.8	60.2	213.2	246.2	240.9	96.7	334.6	216.3	-36.7	51.5



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JAMAICA

I. Current Economic Situation

Following a long stagnation period, Jamaica's economy entered into a significant expansion phase in 1986. Its GDP grew by 5% in 1987 and by an estimated 4% in 1988; it is expected to continue growing at this pace during the next few years.

Recent growth has been led by an expansion of tourism and nontraditional agricultural and manufactured exports and improvements in the alumina/bauxite market. As a major beneficiary of the CBI, Jamaican manufactured exports to the U.S., including assembled textiles, electrical components and data processing, grew at an average annual rate of 82% over 1983-87.

The turn around in Jamaica's economic performance has been due in a significant way to the government's success in implementing critical policy reforms in the areas of economic stabilization (net international resources, fiscal deficit, foreign debt, etc), taxes, privatization, pricing, private investment, and trade liberalization.

The GOJ has successfully implemented a continuation of its stabilization program with the assistance of 1987 and 1988 IMF standby and Compensatory Financing Facility arrangements. Central Government revenues have been raised, while current expenditures have remained significantly below earlier levels. The overall public sector deficit was reduced to under 4% of GDP in 1987, facilitating a reduction of domestic financing of the deficit from 8.5% of GDP in 1986 to 3.9% in 1987. However, even this level of domestic deficit financing limits the total credit available for the private sector.

Jamaica has one of the highest levels of external debts per capita in the world. It is estimated now at $4.2 billion for a population of 2.4 million or $1,800 per capita. GOJ projections of future payments and borrowings show that this debt level will remain essentially stable over the next few years .

Debt service, even after rescheduling, requires about 43% of earnings from exports of goods and services, showing a decline from the peak level of nearly 50% four years ago. The impact on growth will be especially onerous over the next few years as official net lending becomes increasingly negative.

Jamaica's economic recovery efforts were affected by hurricane Gilbert which struck the island in September 1988. Recovery from the hurricane has proceeded generally well and the near term economic prospects appear to be good: bauxite/alumina prices are strong and productive capacity has increased; tourism is showing a steady recovery and other major foreign exchange earners have begun to recover.

II. The A.I.D. Development Program, Goals and Strategy

The A.I.D. assistance program in Jamaica covers a range of projects in economic stabilization and productive and social sectors, such as agriculture, urban development, promotion of private enterprise, education, health and democratic initiatives.

The main thrust of the A.I.D. strategy is to promote economic stabilization and support those Jamaican activities and institutions that have the potential to contribute most to increasing the productivity of all its economic resources. In the area of economic stabilization, A.I.D.'s policy dialogue with the GOJ, supported by a $25 million Economic Support Funds (ESF) program in FY 1987, and $24.2 million in 1989, in addition to the yearly PL 480 Title program level of $30-$35 million, has contributed to the policy reforms leading to the economic recovery.

Policy dialogue associated with the A.I.D. support, in particular, has strengthened GOJ resolve to institute a general consumption tax, broaden capital market instruments, continue major privatizations, and complete two major debt-equity swaps. A.I.D. has supported such other key reforms as income and corporate tax reform, reduction of the fiscal deficit and maintenance of a realistic exchange rate. Host government-owned local currency generated from A.I.D.'s balance-of-payments assistance finances GOJ development activities and provides resources for private sector intermediate financial institutions through Public Law 480 (P.L. 480) Title I Section 108.

In the productive and social sectors, A.I.D.'s strategy first focuses on increasing agricultural production and strengthening the private sector. In agriculture, it focusses on increasing exports and employment and raising incomes of poor, principally hillside farmers, while preserving fragile lands.

In the health and education sectors, A.I.D. has focused almost exclusively on programs to assist the most disadvantaged elements of society through primary education, skills training and basic health services programs. A.I.D's Housing Guaranty programs support improved access to land and infrastructure, and promote increased private sector participation in financing and construction. Housing Guaranty resources also are employed to upgrade water and sewerage facilities in low-income areas.

To strengthen democratic institutions, A.I.D. has focused on the improvement of the human and physical resources of the court system. To bolster awareness of the political and economic dangers posed by illegal drug trafficking, A.I.D. supports narcotic education activities.

The thrust of both the GOJ and A.I.D. toward a program of economic progress and social equity was temporarily derailed when, in September 1988, Hurricane Gilbert struck, cutting telephone and electricity lines, destroying roofs, and damaging agricultural areas and tourist resorts. Damage cost estimates ran $1 - $1.5 billion.

The U.S. Government responded, first with $2.8 million in Disaster Assistance, and then with the FY 1988 Emergency Rehabilitation Program and the FY 1989 Hurricane Reconstruction project. These provided a total of $55 million in grant financing for the restoration of essential power, water and sewerage services, roofing materials, critical medical supplies, seeds and planting materials, and helped support relief efforts of non-governmental organizations.

III. Program Levels (in millions of US$)

Obligations by U.S. Fiscal Year

Source	FY 1988	FY 1989	(Request) FY 1990
DA	17.4	49.8	16.0
ESF	0.0	25.0	25.0
PL-480/I	35.0	40.0	30.0
PL-480/II/416	2.0	4.0	--
TOTAL	54.4	118.8	71.0

IV. Other Donors

The principal multilaterial donors in Jamaica are the World Bank and the IDB which provided $20 million each in net flows in 1988. The IBRD is now preparing the proposal for a structural adjustment loan in the agricultural sector for a total of about $70 million, which is expected to be cofinanced by various donors as follows: IBRD-$25 million, the Japanese Governmnet-$25 million, the Dutch Government-$10 million, and the West German Government-$10 million.

Jamaica successfully completed an IMF Standby Agreement in May 1988 and negotiated another one for $114 million. Despite the Agreements, the IMF program resulted in net outflows of over $44 million in 1988. The current IMF agreement has a balance of $68.3 million. The GOJ can draw down this amount in four tranches, starting in August 1989, upon completion of the IMF review of Jamaica's complicance with performance targets and conditionality and the establishment of performance targets for the remainder of 1989 and for 1990. These tranches are expected to be as follows: $27.4 in August 1989, $13.7 in November 1989 and the balance of $27.2 in two tranches each in February and May 1990.

The principal bilateral donors, in addition to the USG, are the Canadian and UK governments, which in 1988 provided around $5 million each in net inflows to Jamaica. A.I.D. is now exploring co-financing activities with the Government of Japan on tourism infrastructure. This project of approximately $60 million is the Bureau's first priority for co-finanncing with the Japanese.

<u>Issues</u>:

1. <u>Prospects for working with the newly elected Michael Manley government.</u>

Mr. Manley was elected Prime Minister on February 9, 1989 and assumed office on February 13, representing his party, the Peoples National Party (PNP). Traditionally the PNP political orientation has been left of center and under previous governments relations with the U.S. have been strained. What are the prospects of maintaining a satisfactory program with this government?

The prospects seem excellent:

-- Mr. Manley has pledged to maintain good relations with the U.S. and everything he has done and said to date has been positive.

-- All reported statements by Manley indicate his support for private enterprise, sound economic policies and cordial relations with the U.S.

-- He has stated that even when he restores diplomatic relations with Cuba - which he will not push as a priority move - the Cubans will not be permitted to attain a position of major influence in Jamaica.

-- He has promised to continue narcotics interdiction programs and will work with the opposition to keep a full court press on the traffickers.

-- He has appointed moderates to all Cabinet posts announced to date.

-- He has indicated his desire to bring a trade/investment team to Washington ASAP to coordinate policies with the U.S.

2. <u>The U.S.G. Response to the Hurricane Gilbert Disaster.</u>

We have provided and/or committed a total of $154 million in assistance: $2.8 million in emergency relief; $52 million in rehabilitation; and $99.2 million in reconstruction. Assistance has been rapidly expended, and a recent audit report of our assistance is favorable.

(1) <u>Relief</u>. In the immediate aftermath of the storm, OFDA provided emergency feeding, supplies and services.

(2) <u>Rehabilitation</u>. Our $5 million program signed on September 28 - barely 2 weeks after the hurricane - was the first major donor response to rebuilding needs.

-- Electric power was restored on an emergency basis throughout the island (with UK and Canadian assistance as well as U.S.) by the end of December.

-- Water system repairs are well under way.

-- Shelter commodities are being distributed according to need, and several hundred prefab kits began to arrive in January.

-- Health system and agricultural supplies have been arriving for distribution since late 1988.

-- Some $2.5 million in grants are being made to PVO's and small businesses.

-- Other assistance includes $15 million in Housing Guarantee and $10 million in additional Title I.

(3) Reconstruction. An agreement for $30 million for reconstruction activities was signed February 15 with the new Manley government. These funds will be used over the next 12 to 18 months.

-- Projected uses are for normalization of electric power, water and telecommunications systems; rehabilitation of housing, schools and courthouses; credit to small business and farmers; and aid to poor hurricane victims through PVO's.

3. The Government of Jamaica/Rollins Jamaica Ltd. Case.

Rollins Jamaica Ltd is owned by John W. Rollins, a U.S. citizen and wealthy businessman from California. Mr. Rollins has alleged that the GOJ has expropriated certain lands and other real estate (buildings) which Rollins Jamaica LTD owns. Mr. Rollins has elicited the support of both the House and Senate to pressure the GOJ to settle with Rollins. Because of this case, all obligations must be notified.

-- Although A.I.D. is not the appropriate agency to deal with issues on the Rollins case, the implementation of our program in Jamaica has been affected. Congress placed "holds" on Congressional notifications and therefore on obligation of funds for projects in Jamaica for most of FY 1988. Currently, "holds" on FY 1989 notifications have been recently lifted because of significant progress in the resolution of the case.

-- We are hopeful that this 13-year dispute, will be resolved soon, but given its difficult history it could still remain unsettled.

4. GOJ cooperation with the USG on Narcotics Matters

Because of its traditions of ganja (cannabis) cultivation and consumption and its location as a convenient way station on the "cocaine run", Jamaica is one of the countries requiring a certification of cooperation under Section 536 of the Omnibus Drug Bill. The Bill requires State/A.I.D. to withhold fifty percent of Economic and

Military Assistance from major drug producing and transit nations, pending Presidential certification of cooperation on narcotics control. Certification is linked to submission of Annual Narcotics Report to Congress, on or about March 1 of every year.

Jamaica has a good track record of cooperation with the United States in narcotics erodication and interdictions. Congress has accepted the FY 1987, 1988 and 1989 certifications of Jamaica.

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JAMAICA: ECONOMY AT A GLANCE

- Situation prior to Hurricane Gilbert (9/88): Real 1987 GDP growth at 5.1, highest in over a decade and was growing at a similar rate in 1988. Central government 87/88 budget showed first surplus in 22 years. Difficult debt burden (over $4 billion external debt) made recovery fragile and left little margin for relaxation of efforts.

- Situation now: Hurricane Gilbert damaged capital stock and caused current production and income losses.

  -- Impact on CY88 GDP limited because hurricane struck in September. Lost domestic product in 1988 likely to be held to one or two percent.

  -- Especially affected are agriculture and tourism. Net tourism earnings in JFY88/89 likely 24% below year earlier, but services account will show net gain because of re-insurance inflows of some $440 million.

  -- Current account deficit for JFY88/89 expected to deteriorate from 4.5% to 7.4% of GDP. Previously some improvement had been expected. No problem in financing imports this year. Substantial net capital inflows (particularly generous foreign aid after hurricane) are expected to yield an increase in reserves.

  -- Long term prospect remains precarious, to be seen after unusual flows end.

  Jamaica successfully completed an IMF Standby in May 1988 and negotiated another for $114 million. Important that disaster recovery needs do not undermine policy reforms that led to pre-hurricane growth. Debt service after rescheduling still about 42% of exports of goods and services (including tourism and insurance receipts).

- Jamaica Commodity Trading Corporation (JCTC) has monopoly of some critical imports.

- Privatization of telecommunications, bank and cement company completed; hotels are offered for sale.

- Investors waiting to see post-election political climate.

- Jamaica has made good use of CBI and the Section 807 program for apparel made from U.S-made and cut fabric to boost exports to the United States. Section 807 exports 1983-87 went from US $17 to US $187 million.

- GOJ, exporters, and air and sea carriers are concerned about impoundments and fines imposed because of drugs discovered on board. Delays at port under new GOJ policy of detailed searching of outgoing cargo.

- World prices for bauxite/alumina have been high. Foreign exchange earnings and government revenues are benefitting.

ECONOMIC DATA SHEET -- JAMAICA   Revised: 2/2/89   (SEECPRES)

	1984	1985	1986*	1987	1988E
ECONOMIC INDICATORS:					
1. Population (millions)	2.3	2.3	2.3	2.3	2.4
1b. Official Unemployment (%)	26	25	24	21	NA
1c. GDP ($ billions)	2.3	2.0	2.5	2.8	3.3
1d. GDP Per Capita ($)	1000	870	1087	1217	1392
1e. Investment/GDP Ratio (%)	23	25	17.5	22	25
1f. Real GDP (% change)	-0.9	-4.5	2.0	5.0	3.5
1g. Real GDP Per Cap.(%change)	-5.2	-4.5	-2.2	+NA	NA
1h. Consumer Prices (%change)	31	23	11	7	9.5
2. FISCAL INDICATORS (as % of GDP):					
2a. Public Sector Expend.**	43	34	34	NA	NA
2b. Public Sector Bal.**	-15.1	-13.8	-5.6	-5.4	-8.7
3. BALANCE OF PAYMENTS ($ millions):					
3a. Exports to U.S. (goods)	334	189	209	261	301
3b. Imports from U.S. " "	542	482	488	588	647
3c. Total Exports ** " "	673	539	622	774	770
3d. Total Imports ** " "	1221	1034	1030	1284	1872
3e. Merchandise Trade Bal.**	-548	-494	-408	-510	-1102
3f. Tourism (net) **	389	397	503	540	411
3g. Current Account Balance**	-247	-248	-73	-133	-252
EXTERNAL DEBT:					
4a. Gross External Debt($ mil)	3262	3499	3520	3541	4300
4b. Gross Ext Debt per cap.($)	1418	1521	1530	1539	1870
4c. Debt Service Paid ($ mil.)	279	309	306	336	767
4d. Gross Debt as % of GDP	141.8	174.9	140.8	142.0	122
5. U.S. BILATERAL AID, by U.S. FY ($ millions):					
5a. Economic Assistance	108	155	121	78	76.8
5b. Military Assistance	4.2	7.6	8.0	3.3	.3

E = Estimate/Projection.
* = Currency devalued. (US$ 1 = J$ 5.50)
** By JFY:1988 includes through 3/31/89; 1987 through 3/31/88, etc.

;ICA: SELECTED ECONOMIC DATA 1978-88
'88

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
POPULATION											
Thousands	1991.8	2013.7	2035.9	2062.3	2097.4	2135.8	2163.7	2197.9	2222	2247	2269.5
Growth Rate	1.1%	1.1%	1.1%	1.3%	1.7%	1.8%	1.3%	1.6%	1.1%	1.1%	1.1
NATIONAL ACCOUNTS											
GDP curr. prices	3763.7	4271.4	4738.2	5350.0	6143.0	7577.0	9856.0	12014.0	14439.0	16220.0	
GDP 1974 prices	N.A.	1941.2	1837.5	1879.0	1907.0	1940.0	1914.0	1837.0	1892.0	1986.6	
Real GDP Growth Rate (%)	N.A.	N.A.	-5.3%	1.9%	1.5%	1.7%	-1.4%	-4.0%	3.0%	5.0%	
Real Per Capita GDP	N.A.	964.0	902.6	911.1	909.2	908.3	884.6	835.8	851.5	884.3	
Real Per Capital GDP Growth Rate (%)	N.A.	N.A.	-6.4%	0.9%	-0.2%	-0.1%	-2.6%	-5.5%	1.9%	3.9%	
Gross Domestic Investment/GDP (%)	15.3	19.1	15.6	20.7	20.9	22.2	23.7	27.2	20.3	19.5	
Public	8.3	6.3	6.1	6.9	7.5	4.9	3.2	2.7	4.3	N.A.	
Private	7.0	12.8	9.4	14.6	13.4	17.3	20.5	24.5	15.9	N.A.	
Other Fixed	5.1	11.3	8.4	11.5	12.4	15.6	17.9	19.5	14.4	N.A.	
Inventory change	1.9	1.5	1.0	3.1	1.0	1.7	2.6	5.0	1.5	N.A.	
Gross National Savings/GDP (%)	13.2	14.4	9.8	9.7	8.7	11.9	10.6	12.4	16.9	13.8	
Government	-4.4	-1.5	-2.7	-1.8	-0.1	-7.1	-3.2	-3.7	-0.6	3.7	
Private	8.4	6.6	3.4	1.9	-0.3	10.1	4.6	6.8	7.9	N.A.	
Depreciation	9.2	9.2	8.9	9.2	9.2	8.9	9.2	9.3	9.6	N.A.	
.gn Savings/GDP (%)	2.1	4.7	5.7	11.1	12.2	10.4	13.0	14.8	3.4	5.7	
[illegible]											
GDP Price Deflator (1974=100)	189.5	220.0	257.9	284.7	322.1	390.6	514.9	654.0	763.2	816.5	
Annual Change (%)	26.1%	16.1%	17.2%	10.4%	13.1%	21.2%	31.8%	27.0%	16.7%	7.0%	
Consumer Prices (1975=100)	176.4	227.2	291.3	326.1	347.4	386.7	494.3	621.3	692.1	740.6	
Annual Change (%)	34.9%	28.8%	28.2%	11.9%	6.5%	11.3%	27.8%	25.7%	11.4%	7.0%	
BALANCE OF PAYMENTS											
Current Account	-89.2	-142.6	-166.2	-437.5	-460.6	-282.4	-246.7	-248.1	-88.3	-164.0	-106.0
Trade Balance	-64.5	-179.5	-196.8	-599.2	-657.5	-528.9	-548.1	-494.8	-422.0	-578.1	-584.0
Exports fob	792.1	814.7	962.7	888.9	734.1	721.8	673.3	539.3	609.7	725.5	791.0
Bauxite/alumina	582.3	581.7	735.7	668.8	472.7	477.2	381.6	283.8	297.1	356.9	393.0
Imports cif	-856.6	-994.0	-1159.5	1488.1	1391.6	1250.7	1221.4	1034.1	1031.7	1303.6	1374.0
Tourism (net)	136.4	184.5	226.9	301.3	317.3	360.9	389.2	396.8	503.0	570.9	627.0
Interest payments (net)	-178.6	-202.6	-251.7	-219.3	-250.3	-252.0	-279.0	-308.7	-305.0	-312.9	-299.0
Other Services (net)	-8.2	-25.2	-37.4	-44.6	-20.5	-14.9	44.2	3.6	-12.6	-15.1	-22.0
Transfers (net)	25.7	80.0	90.8	124.3	150.4	152.5	147.0	155.0	148.3	171.3	171.0
Of which: Official Grants	--	--	--	--	--	--	37.4	38.4	25.8	43.8	45.0
Capital Account	-59.2	-11.4	93.0	481.4	241.1	-165.8	743.9	324.5	143.7	347.2	128.0
Direct Investment	--	--	--	--	--	--	--	20.0	2.0	80.3	40.0
Official (net)	57.4	12.1	196.6	427.1	314.4	65.4	558.8	195.4	-9.1	166.9	18.0
Private Capital (net), including errors and omissions	116.6	-23.5	-103.6	54.3	-73.3	-231.2	185.1	109.1	150.8	100.0	70.0
ll Balance	-148.4	-144.0	-63.2	43.0	-220.0	-448.2	497.2	76.4	55.4	183.2	22.0

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
EXTERNAL DEBT											
Outstanding	1248.0	1489.0	1734.0	2212.0	2690.0	2920.0	3207.0	3431.0	3423.0	3403.3	
Outstanding/GDP (%)	57.1	68.9	82.2	71.1	73.3	91.1	136.2	160.7	126.9	115.4	
Debt Service ratio	15.7	16.7	14.9	25.9	30.4	25.4	27.4	49.5	48.0	45.6	
FISCAL ACCOUNTS/GDP (%)											
Central Gov't Revenue	27.6	26.5	25.2	28.2	26.9	23.7	27.3	26.2	30.2	33.7	
Grants	--	--	--	--	--	--	0.3	1.0	0.9	1.5	
Central Gov't Current Exp.	30.3	30.6	32.7	32.1	30.3	31.6	28.6	27.1	26.0	25.7	
Central Gov't Cap. Exp.	11.5	8.3	10.0	12.0	10.7	6.7	4.5	4.9	6.4	7.7	
Central Gov't Deficit After Grants	-14.2	-12.4	-17.5	-15.9	-14.1	-15.8	-6.3	-5.5	-1.4	1.5	
Oth. Pub. Sector Deficit	2.4	2.7	2.8	0.0	-1.6	-3.8	-8.7	-8.3	-4.2	-4.9	
Public Sector Deficit	-11.7	-9.7	-14.7	-15.9	-15.7	-19.6	-15.1	-13.8	-5.6	-3.4	
Foreign Financing	6.7	2.4	4.1	12.8	15.5	14.2	9.0	6.7	-2.9	-0.5	
Doeestic Financing	5.0	7.3	10.7	3.1	0.2	5.4	6.1	7.1	8.5	3.9	
FISCAL ACCOUNTS											
Central Gov't Revenue	1037.4	1133.0	1191.7	1509.1	1649.5	1794.7	2686.0	3150.7	4386.1	5475.5	
.s	--	--	--	--	--	--	25.0	123.7	130.0	246.3	
al Gov't Current Exp.	1139.1	1307.8	1550.3	1715.3	1861.4	2394.0	2817.9	3253.0	3755.0	4173.3	
al Gov't Cap. Exp.	431.5	356.4	471.8	642.9	656.6	508.1	447.2	590.8	922.0	1246.0	
al Gov't Deficit After Grants	-533.2	-531.2	-830.4	-849.1	-868.5	-1196.3	-624.3	-659.6	-203.5	251.2	
Oth. Pub. Sector Deficit	91.7	116.6	132.6	-2.2	-98.1	-288.8	-660.9	-993.9	-606.3	-800.8	
Public Sector Deficit	-441.5	-414.6	-697.8	-851.3	-966.6	-1485.1	-1485.2	-1653.5	-809.8	-549.6	
Foreign Financing	253.2	101.5	192.6	684.2	951.3	1078.1	886.1	800.6	-415.6	-86.7	
Doeestic Financing	188.3	313.1	505.2	167.1	15.3	407.0	599.1	852.9	1225.4	636.3	

Sources: IMF RED February 1987; IMF Article IV January 1988.
Data for Calendar Years 1978-80 and Fiscal Years beginning in April 1981-1988
All fiscal data is for fiscal years

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SURINAME

I. Economic Situation

Prior to 1980 Suriname, a Georgia-sized country with a population of about 400,000., had a GDP per capita of $2.510. However, since the February 1980 coup which brought the military to power, the country has suffered through a substantial economic deterioration. Real GDP per capita declined by over 30%, the government deficit climbed from 4% to over 28%, foreign exchange holdings were depleted, and foreign arrearages increased to $78 million. Among the factors contributing to this economic crisis are weakness in the world market for bauxite and alumina, the suspension of Dutch foreign assistance in 1982, domestic insurgency, and inappropriate domestic economic policies.

The value of bauxite and alumina exports, which generate 70% of total export earnings, fell by 43% between 1980 and 1986 as the world market weakened and Suriname's market share declined. The suspension of $90 million per year of Dutch aid in 1982, which amounted to 9% of GDP, further reduced available foreign exchange. The economic situation deteriorated rapidly in 1986 and 1987 because of increased shortages of raw materials and spare parts for local industry, and domestic insurgency which disrupted the economy, especially bauxite production.

The government attempted to protect consumption levels rather than take needed adjustment measures. Current government expenditures increased sharply, from 30% of GDP in 1980 to almost 54% in 1986. The government deficit increased from 4% to 28% of GDP.

The large fiscal deficits, financed almost entirely by the Central Bank, led to the depletion of international reserves and the accumulation of arrears. Increasing restrictions on external transactions and price controls coupled with expansionary demand policies have resulted in inflation and a growing parallel economy. Inflation in 1987 was 30% and accelerating, reflecting a growing scarcity of goods and an increasing share of imports that are purchased through the parallel exchange market. The parallel rate reached six to seven times the official rate of 1.78 Guilders per dollar in 1987.

IMF and World Bank missions have advised the Government of Suriname (GOS) of the need for major policy reforms, including exchange rate devaluation, and fiscal and monetary austerity. While the GOS has acknowledged the need for corrective action, it has thus far not taken needed reforms. The government has only endorsed minimal remedies, such as increased use of the parallel market for imports and gradual reduction of the fiscal deficit. It remains skeptical of the value of taking the tough structural adjustment measures required to return the economy to a viable growth path.

The Dutch have announced the resumption of economic assistance to Suriname, but will seek to channel a major portion of this through the Fund and the Bank and condition it upon major macroeconomic reforms. However, the Government of Suriname is unlikely to agree.

II. Suriname - A.I.D.

A.I.D. support to Suriname under the FY 1982 ESF Limited Scope Grant Project Agreement was designed to finance technical advisors and in-country and U.S. training programs. The project would have been administered by A.I.D. staff in Washington and U.S. Embassy personnel in Suriname. On September 30, 1982 the then Government of Suriname Foreign Minister, Harvey H. Naarendrop, and the U.S. Ambassador, Robert W. Duemling, signed the grant agreement for $500,000. The project was never implemented, however, because of GOS human rights viiolations. Since that time A.I.D. funds have been held in abeyance pending significant GOS progress in human rights and democratization.

As a result of Suriname's November 1987 election, a democratically elected President was installed on January 25, 1988. Given the significance of this return to a democratic government in Suriname, A.I.D. has agreed to release the funds and is assisting the GOS in assessing specific needs for which the grant funds will be used and how they will be administered. Initial discussions had included the possibilities of a study aimed at privatizing parastatals, training for the National Planning Bureau staff, and legislative drafting assistance. Recent reports, however, indicate that Suriname is shifting away from scrutiny of parastatals. Dialogue with Suriname on this issue is continuing.

SURINAME SELECTED ECONOMIC DATA, 1981-86

	1981	1982	1983	1984	1985	1986
POPULATION						
Thousands	358.5	367.5	377.8	388.7	398.7	400.0
Growth Rate (%)	2.5	2.5	2.8	2.9	2.5	0.3
NATIONAL ACCOUNTS						
GDP, curr. prices (mill. S guilders)	N.A.	1849.0	1788.0	1745.0	1741.0	1751.0
GDP, 1980 prices (mill. S guilders)	N.A.	1336.0	1281.0	1257.0	1228.0	1204.0
Real GDP Growth Rate	1.9	-5.8	-4.7	-2.4	-4.2	-4.9
Real Per Capita GDP US$ (US$=SF 1.78876)	N.A.	2800.0	2710.0	2530.0	2580.0	2340.0
Real Per Capita GNP Growth Rate (%)	5.9	-8.4	-9.0	-3.8	-7.6	-5.1
Gross Domestic Investment/GDP (%)	30.9	27.4	15.4	11.7	7.9	6.2
Private	20.9	17.2	9.1	7.4	4.9	4.3
Central Government	10.0	10.2	6.3	4.3	3.0	1.9
Gross National Savings/GDP (%)	17.1	12.2	-0.3	3.1	3.6	3.1
Private	N.A.	16.8	12.2	16.6	21.7	28.2
Public Sector	N.A.	-4.6	-12.5	-13.5	-18.1	-25.1
Foreign Savings/GDP (%)	13.8	15.2	15.7	8.6	4.3	3.1
PRICES						
Consumer Prices % Change (Period Average)	8.8	7.2	4.3	3.7	10.9	18.9
Consumer Prices % Change (End of Period)	7.3	6.5	3.9	4.5	15.8	30.0
BALANCE OF PAYMENTS ($ mill.)						
Current Account Balance	-26.0	-57.0	-172.0	-89.0	-49.0	-30.0
Trade Balance	-94.0	-88.0	-97.0	-12.0	1.0	24.0
Exports, fob	493.0	451.0	382.0	373.0	336.0	344.0
Bauxite and derivatives	N.A.	329.8	275.4	285.0	242.4	240.0
Rice	N.A.	39.4	37.0	31.8	43.3	35.7
Shrimp and fish	N.A.	42.8	37.3	37.6	32.2	39.3
Imports, mostly fob	-587.0	-538.0	-479.0	-385.0	-335.0	-320.0
Services and private transfers	-29.0	-66.0	-79.0	-82.0	-54.0	-58.0
Official Transfers	95.0	97.0	4.0	5.0	4.0	4.0
Capital Account Balance	42.0	25.0	57.0	8.0	30.0	14.0
Medium- and long-term						
Official	-3.0	-1.0	10.0	2.0	12.0	20.0
Private (includes direct investment)	45.0	23.0	10.0	28.0	-8.0	-8.0
Short-term and errors and omissions	—	4.0	36.0	-22.0	26.0	2.0
Overall Balance	18.0	-31.0	-116.0	-81.0	-19.0	-17.0
NET INTERNATIONAL RESERVES ($ mill.)	—	176.5	78.1	-7.7	-25.4	-38.9
Of which: arrears	—	—	—	46.9	64.2	77.8
TOTAL EXTERNAL DEBT ($ mill.)	—	—	29.9	80.0	111.9	147.4
CENTRAL GOVERNMENT OPERATIONS (%GDP)						
Total Revenue	26.4	30.5	26.9	28.7	27.5	28.5
Current Expenditures	29.5	35.1	39.4	42.2	45.6	53.6
Capital Expenditures	10.3	10.2	6.3	5.1	3.7	3.3
Current Account Deficit	-3.1	-4.6	-12.5	-13.5	-18.1	-25.1
Grants	9.4	9.4	0.2	0.3	0.3	0.3
Overall Deficit After Grants	-3.9	-5.4	-18.6	-18.3	-21.5	-28.1

CARIBBEAN REGIONAL

Economic Situation

The six English-speaking countries of the Organization of Eastern Caribbean States (OECS) receiving the majority of Caribbean Regional funds (Antigua/Barbuda, Dominica, Grenada, St. Kitts/Nevis, St. Lucia, and St. Vincent/Grenadines) are vigorous democracies with multiparty political systems and governments brought to power through free and open elections. The United States has a strong commitment to these close neighbors. The small islands are widely scattered across 80,000 square miles of tropical sea. The total population of the six major A.I.D. assistance recipients is approximately 560,000, with a high of 142,000 in St. Lucia, and a low of 44,000 in St. Kitts/Nevis.

Independence during the mid-1960's to 1983 left the islands with a highly developed welfare system. As a result, the benefits of economic growth are widely shared through a series of mechanisms. For example, governments have traditionally acted as employers of last resort. Also, protected markets for agricultural products stimulated broad-based small farmer activity, including very high proportions of female employment. While direct or indirect participation in the fruits of economic growth is wide, this situation is threatened in several islands by high unemployment rates among a large, young population. The median age of most island populations is under 20. Unless they can develop appropriate marketable skills, it will become more difficult for women and youth to participate in the economic process.

Given the handicaps associated with being tiny open economies, the OECS countries have performed remarkably well in the past decade. Ten-year individual country growth rates ranged from 3.5% to 6.5%, with most exceeding 4%. While the rest of Latin America and the Caribbean experienced aggregate real GDP growth of 0.8% per year during the 1980-85 period, the corresponding figure for the OECS was 4.2%.

Growth has been export-led. Real growth of OECS exports of goods and nonfactor services between 1980 and 1987 was 5%, or 1.2 times the average GDP growth rate. In all islands the rate of growth of real exports nearly equalled, or exceeded, that of GDP. The exception was St. Kitts/Nevis, reflecting the impact of declining sugar exports. The two leading sectors have been tourism and agriculture. Growth has been relatively good in all of the OECS. Dominica, whose economy grew slowest of all, managed 3.5% per year since 1977, despite two hurricanes in 1979/80. Antigua experienced the most rapid growth (6.5%).

Per capita GDP in the OECS increased by more than 3.5% annually from 1980 to 1987, varying from a low of 2.3% in St. Lucia to a high of 4.6% in Antigua. Per capita income ranges from a high of $2,500 in Antigua to a low of $910 in St. Vincent.

The OECS, with the exceptions of Grenada and Antigua, have made impressive strides in managing their public finances over the past three to four years. Of the five IDA-eligible OECS countries, St. Kitts, St. Lucia, and St. Vincent received clean bills of fiscal health. Of the remaining two, Dominica has had a Structural Adjustment Facility arrangement with the IMF (supported by A.I.D. funding) for the past two years, and has turned a fiscal deficit into surplus. Grenada, too, has carried out extensive fiscal reforms, but uneven (and to some extent imprudent) implementation has resulted in financing gaps, supported in part by A.I.D.

Government revenues, close to half of which are derived from international trade, range from 28%-40% of GDP. Inflation averaged 7.5% since 1977, but was under 4% in the mid-1980s. External debt levels (except for Antigua and, to a lesser extent, Grenada) are not particularly worrisome so long as the banana and tourism markets remain strong and the U.S. dollar weak. Debt service is less than 20% of exports in all countries except Antigua, which depends on tourism rather than exports for repayment.

Major development problems include: fragile environmental ecosystems; poorly maintained physical infrastructure; dependence on a few traditional crops enjoying protected markets; scarcity of entrepreneurial experience; inefficient public bureaucracies; an allededly risk averse commercial banking sector; domestic savings rates inadequate to fund needed investment; lack of human resource development and management training; land use management that does not take full account of ecological and social concerns; in some countries, rapid population growth feeding high dependency ratios.

The A.I.D. Program

	FY 1988	FY 1989	FY 1990
		($ 000)	
Development Assistance	31,691	18,500	18,250
Economic Support Fund	1,043	10,200	15,000
Total	32,734	28,700	33,250

Because of the small size of the Eastern Caribbean countries, operating cost limitations mandate that the programs be administered from a regional mission located in Barbados, where convenient air access to all countries is available. The mission, Regional Development Office for the Caribbean (RDO/C) is quite different from the A.I.D. regional offices in Africa, supporting bilateral missions with needed technical expertise. The RDO/C develops and manages both bilateral and regional projects, coordinating with governments from each recipient country and with a minimum of three separate U.S. embassies.

The RDO/C reviewed and weighed the relative importance of the various constraints to economic development in the Eastern Caribbean and identified five key problem areas for its strategy focus during the 1990-94 period: removing constraints to economic growth; reducing agricultural sector deficiencies; reducing obstacles to private sector development; increasing access to basic and professional education; and strengthening democratic traditions and institutions.

The 1990 program will support private enterprise, particularly in non-traditional agriculture and small business, and will continue to work toward acceptance of self-generating financing schemes to maintain services and ensure the sustainability of development investments. With the impending elimination of trade barriers among European Economic Community members in 1992, expanding upon A.I.D.'s successes in economic diversification, including agricultural diversification, becomes increasingly urgent.

A.I.D. will continue financing for health, population, and acquired immune deficiency syndrome (AIDS) assistance. We will also continue to finance small-scale, community-level programs which have been popular among the people of the Eastern Caribbean and their governments.

The program will support continuing commitments in investment promotion and export development to expand light manufacturing, tourism, and agricultural diversification. A.I.D. will also provide assistance aimed at improving government management. These activities will assist the region to take fuller advantage of the trade and tax provisions of the Caribbean Basin Initiative. To strengthen democratic institutions, A.I.D. will continue financing for upgrading law libraries, judicial education, increased public access to modern laws, and the revision and updating of laws directed at commerce, trade, and investment.

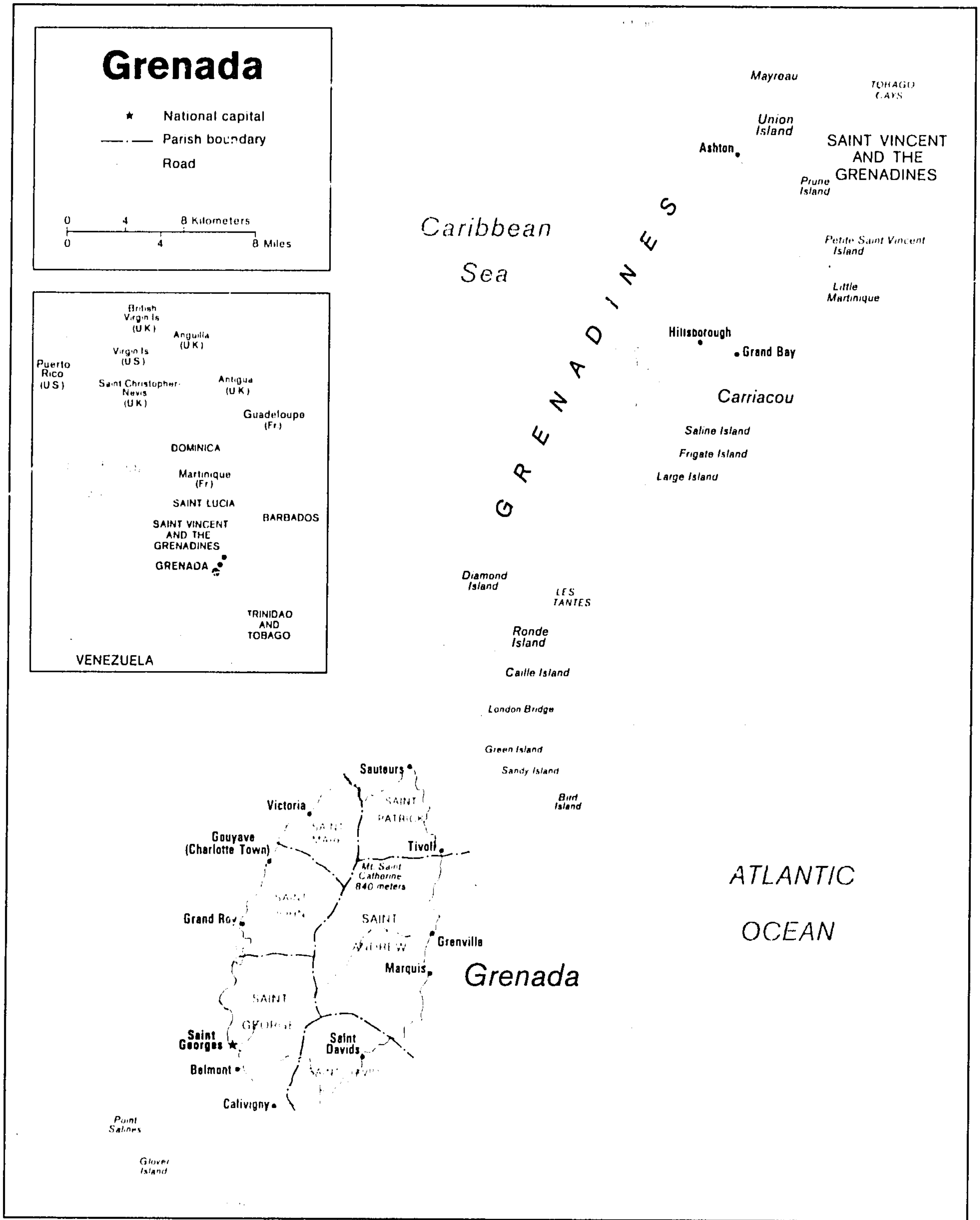
Perhaps the most important contribution A.I.D. is making to sustain and enhance momentum of the private sector, the agricultural sector, and social services is the development and maintenance of the human capital base through education and training.

Issues

--Competing objectives. The State Department wishes to see more bilateral projects, as do the governments of the islands. At the same time, the Eastern Caribbean governments, and Congress, advocate regional economic integration and the strengthening of regional institutions. In formulating our regional strategy and programs, A.I.D. attempts to balance these needs.

--Grenada. Grenada continues to be a special interest to the United States. Considering its population of 97,000, Grenada will continue to receive significant amounts of U.S. economic assistance. However, with current and future U.S. budget constraints, A.I.D. has been encouraging the Government of Grenada to undertake modest reforms which would allow it to access additional donor assistance and thereby reduce its dependence upon the United States. With elections anticipated by early 1990, the GOG is hesitant to undertake reforms. Nevertheless, A.I.D. continues the policy dialogue.

--Staffing. For approximately one year, the LAC Bureau has been attempting to close the small RDO/C branch office in Grenada and withdraw its one U.S. A.I.D. representative. State/ARA has resisted this change citing possible political repercussions and reduced efficiency in managing the U.S. assistance program in Grenada. After an extensive review of A.I.D. and State positions, in early May, Ambassador Woods determined A.I.D. would close its branch office. However, the U.S. Charge did not concur. The issue is to be settled by the Secretary of State. The decision package has been in AID/ES since June 7.



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GRENADA (Caribbean Regional)

Economic Situation

Grenada, with a population of 97,000 and a per capita GNP of $1,270, had a growth rate of 6% in 1987. Early estimates suggest that real growth could reach 5% in 1988. Highest growth rates have been in construction, manufacturing, transport and communications. Tourism, stagnant in 1987, now shows signs of growth, largely due to more favorable exchange rates for European currencies. Sizable A.I.D. investments in infrastructure and budgetary support, coupled with policy reform, have helped make economic growth possible.

Agriculture accounts for 20% of GDP. Major agricultural exports include spices, bananas, and cocoa. Agricultural production declined in 1985 and 1986 as a result of a variety of problems including unfavorable weather, marketing difficulties and low producer prices. With the recent rise in the export prices of nutmeg, mace, and bananas, the repeal of export duties on traditional export crops, and donor-supported programs to rehabilitate and diversify production, the sector's prospects have improved. Manufacturing, which accounts for 5% of GDP, declined in 1983 and 1984 as a result of the Caribbean Community (CARICOM) protective barriers and domestic labor disputes. Recent manufacturing growth oriented toward export markets has been stimulated by tax concessions, preferential access to the U.S. market (including the Caribbean Basin Initiative), construction of factory space, and A.I.D. programs promoting investments and exports. Tourism, which accounts for 7% of GDP, has grown rapidly as a result of the new, A.I.D.-financed airport and increases in the number of first-class hotel rooms. Over the past year, a number of airlines have begun new or expanded service to Grenada. American Airlines expects to begin service in 1990. Construction, which represents 8.5% of GDP, has benefitted significantly from airport, hotel, and road rehabilitation projects and over $110 million in U.S. assistance provided since 1983.

The fiscal situation remains an area of concern, particularly as current public sector expenditures remain high (33% of GDP), public sector savings low (1% of GDP), and the deficit remains high (20% before grants and 7% after grants). Until late in 1988, the Government had been reluctant to implement fully its planned civil service retrenchment plan. However, significant progress has occurred over the last few months with the GOG meeting conditionality which will allow A.I.D. to disburse $3.8 million ESF (FY 1987 funds) by June 30, 1989. Wage expenditures, as a percentage of revenues, have been reduced and public savings have increased to over 2% of GDP.

The A.I.D. Program

	FY 1988*	FY 1989* ($ 000)	FY 1990*
Development Assistance	8,830	3,502	3,549
Economic Support Fund	222	1,304	5,268
Total	9,052	4,806	8,818
Disbursement of FY 87 ESF:		3,800	
		8,606	

A.I.D.'s development objective in Grenada is to maintain strong growth rates in the agricultural and manufacturing sectors, and to realize the full growth potential of tourism. The Government's slow progress in solving fiscal problems is a major impediment resulting in an uncertain business climate for domestic and foreign investors alike. With significantly fewer A.I.D. resources available to address this problem, our strategy is to emphasize technical assistance and policy dialogue to encourage the Government to take the structural adjustment steps required to access budgetary support available from other donors.

Issues

--Structural Reform. Grenada continues to be a special interest to the United States. Considering its population of 97,000, Grenada will continue to receive significant amounts of U.S. economic assistance. However, with current and future U.S. budget constraints, A.I.D. has been encouraging the Government of Grenada to undertake modest reforms which would allow it to access additional donor assistance and thereby reduce its dependence upon the United States. With elections anticipated by early 1990, the GOG is hesitant to undertake reforms. Nevertheless, A.I.D. continues the policy dialogue.

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* Included in the Caribbean Regional budget.

GRENADA

Population - 97,000, GNP/Pop. - $1240

	1982	1983	1984	1985	1986	Proj. 1987	Proj. 1988
Percent Change							
Real GDP (% change)	5.0	1.9	5.2	4.3	4.9	4.1 *	3.5
Agriculture	-10.2	3.1	12.4	-6.4	-0.9	7.8	4.4
Manufacturing	11.2	-2.5	-15.5	19.4	0.9	12.3	12.4
Tourism	-7.8	1.1	23.2	24.8	10.3	10.0	10.0
CPI (% change)	7.8	6.1	5.7	2.6	0.7	3.0	3.0
Percent of GDP							
P.S. Total Expenditures	74.9	68.5	56.4	59.0	55.6	53.8	
Current Expenditures	29.8	31.2	31.0	32.6	32.8	32.8	
Capital Expenditures	45.1	37.3	25.4	26.4	22.9	21.0	
Savings	2.1	3.6	3.4	2.7	-1.0	1.3	
Overall Deficit (before Grants	-43.0	-33.7	-21.9	-23.6	-23.8	-19.7	
Overall Deficit	-23.3	-20.1	2.9	1.0	-3.2	-7.0	
BOP Current Account (before Grants)	-37.5	-30.7	-20.3	-23.9	-27.8	-23.2	-19.0
Current Balance	-19.7	-20.0	3.3	-0.3	-7.7	-11.4	-9.6
Overall Balance	-4.0	-1.2	7.7	6.3	-0.6	-1.0	-0.7
Debt/GDP	36.1	49.8	45.7	42.8	43.0	44.7	
Real Eff. Exchange Rate (1980=100)	125.6	134.5	143.2	148.5	120.0		

*USAID reports 6.1% GDP growth in 1987.

Source: IMF Article IV, May 1987

QUESTION: Is CBI working?

Answer: While serious economic problems continue to affect the region the CBI has worked and contributed to the economic development of the region. The impact of the CBI to date exceeds any reasonable expectation, and, given continued progress, the CBI can dramatically improve the economic growth potential for Basin countries that undertake necessary complementary actions.

- However, all CBI countries have not shared equally in this development, and in fact, the early expectations of the CBI countries may have exceeded what was reasonable to expect. CBI was not intended as a panacea to all the economic problems of the region.

- The combination of the CBI and the appropriate policy and institutional actions by CBI governments has been is a fundamental factor in the progress to date.

- A 1988 GAO report on the CBI program indicated that significant progress has been made, stating that the CBI has fostered trade and investment opportunities, and established a basis for improved economic performance.

- The Caribbean Basin Economy Recovery Act of 1983 (CBERA) is only one critical element of USG's broad foreign assistance strategy in the region that encompasses AID's development assistance, economic security assistance and other related trade provisions.

Examples of how CBI is working

- Nontraditional exports are booming. Nontraditional exports from CBI countries to the United States grew at an annual rate of 17% during the period of 1983-88, rising from $1.3 billion to $2.9 billion. As a share of total exports to the United States, nontraditional products rose from 46% in 1983 to 70% in 1988. Manufactured exports from AID assisted CBI countries grew at an annual rate of 22%.

- CBI Country economic policies heavily influenced export growth. Virtually all CBI countries have developed additional nontraditional exports, but some countries have made dramatic strides, and show promise of sustained economic growth based on the opportunity provided by it. Costa Rica, Jamaica, the Dominican Republic, and Guatemala since 1985 have achieved annual growth rates of 25% or more in nontraditional exports -- growth rates reminiscent of the "Asian Tigers" during the early stages of their export development. These growth rates appear closely related to greater efforts by these countries to establish policy and institutional frameworks conducive to rapid export growth.

- Jamaica is the best example. Manufactured exports, largely apparel assembled from U.S. materials under liberalized quota regulations, have grown from less than $20 million in 1983 to an estimated $280 million in 1988. This has dramatically raised manufacturing employment -- by 75% since 1981, including 21,000 jobs, or 19% growth, in 1987 alone. The country's unemployment rate has fallen to the lowest level in fifteen years.

- Other countries, notably Costa Rica, Guatemala and the Dominican Republic, are showing growth rates for manufactured exports above 15% per year -- or faster than that of the Asian NICs during the past two decades. Because of the low base from which they are starting, the rapid growth will require several more years in most countries bo become institutionalized and to have a major impact. In Costa Rica, where non-traditional products already ~~exceed~~ coffee as the largest export sector, this is already occurring.

- Export Production has sharply diversified. While the domestic value added from these new exports is lower than that for traditional products (coffee, bananas, sugar, beef and bauxite) because much of the new activity has occurred in assembly of imported components, value added has also risen sharply, from 33% of total exports to the U.S. in 1983 to 46% in 1987 (and to 51% for the first five months of 1988). Thus, a substantial diversification of export production has taken place in four years.

- U.S. sugar policy has offset nontraditional growth. While the rapid growth of nontraditional exports has been important in this restructuring, the continued poor conditions for traditional products has also been important. In part, these trace to world prices for these products. In the case of sugar, however, declining U.S. quotas have been the principal factor. In domestic value added terms, the CBI countries lost from reduced sugar exports to the U.S. during 1983-87 an amount approximately equal to the gain from nontraditional products.

- The CBI has not been a one-way street. Although nontraditional exports to the United States have risen sharply, the U.S. trade balance with the region has moved from deficit to surplus. This appears to be the result of the region's need for import growth to support export expansion and of closer links with the U.S. economy.

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A.I.D. TOURISM-RELATED PROJECTS IN CBI REGION

In the Dominican Republic, a fund of $15 million equivalent in local currency has been set up for financing tourism projects. This fund was capitalized with local currencies generated from A.I.D.'s balance of payments program and is managed by OPIC together with the Dominican office of a U.S. bank.

USAID/Dominican Republic also has a tourism training project with the Catholic University.

In Haiti, an ongoing project with the World Wildlife Fund to develop the Les Arcadins Marine Park will promote the rational use of this unique marine resource and conserve the fragile coral reef, while supporting tourism and local fisheries on a sustainable basis.

In the Eastern Caribbean Region, A.I.D.'s Regional Development Office (RDO/C) in Barbados has recognized tourism as an important contribution to GNP, foreign exchange earnings and employment for many of the islands of this region. RDO/C has been supporting the tourism sector in a number of ways:

Infrastructure activities, particularly in Grenada, Antigua and St. Kitts, have addressed constraints to the tourism sector.

A private bank created by A.I.D., the Caribbean Financial Services Corporation serving the Caribbean islands, has made at least nine loans in the tourism sector totaling more than $2.5 million; approximately sixty percent of its portfolio is in this sector.

The Caribbean Association of Industry and Commerce receives a grant from A.I.D. to carry out studies, develop strategies and analyze key government policies that affect business development -- including tourism -- in the region.

The St. Lucia Trust will be supported to promote the sustainable utilization of natural resources in national parks and protected areas for socio-economic development, especially tourism and environmental education.

The LAC Bureau recently provided technical support to RDO/C to prepare a comprehensive assessment of environmental and conservation issues in the Eastern Caribbean. The study recommended that strong measures should be taken to conserve and protect the forest and marine resources so vital to most island economies.

A Caribbean regional tourism marketing study for the North American market will be prepared under a contract funded by RDO/C. The objective of the project will be to win the backing of the Caribbean public and private sectors as well as relevant U.S. entities for such a campaign. The focus of the campaign will be on increasing tourism during the low season, thereby ameliorating problems of cash flow, inventory control and employment of staff now caused by wild fluctuations in numbers of visitors between the high and low seasons. In addition, the study will offer recommendations for making the campaign fully self-financing.

<u>In Jamaica</u>, A.I.D.'s office has supported tourism development in a number of ways:

-Technical assistance to the Jamaica Hotel and Tourist Association;
-Water supply projects;
-Assistance to craft vendors in highly-traveled tourism areas;
-Tourism data collection; and
-Training for tourism personnel.
-The Mission in Jamaica is proposing to finance a Protected Areas Resource Conservation (PARC) Project for threatened terrestrial and marine resources. The project is designed to respond to the serious danger resource degradation poses to natural habitats which in turn impact socio-economic development in the country's urban centers and adversely affect tourism.

<u>In Belize</u>, an ongoing project with the World Wildlife Fund is aimed at establishing and managing the Hol Chan Marine Park. The project includes the implementation of a management plan for the Park that will preserve its incredible natural diversity, and allow well-managed tourism and fishing in the Belize Barrier Reef. This reef is the most extensive and complex coral reef system in the Atlantic and is exceeded in size only by Australia's Great Barrier Reef.

In Costa Rica, park guards will be trained in five national parks to increase their understanding of the wide range of characteristics found in each locale and to interpret those features for visitors.

Also in Costa Rica, the National Park Service and the Caribbean Conservation Corporation will be supported to train park guards as tourist guides in the Tortuguero Park, enabling them to disseminate sound ecological information on the lowland forests, estuaries and sea turtle nesting beaches found there.

In Costa Rica, Belize, Dominica, Ecuador and Mexico, a continuing project with the World Wildlife Fund is assessing the economic and environmental impacts of nature-related tourism in those countries. The study emphasizes the importance of environmental sustainability as an essential component in the growth of this type of tourism, and it promotes policies that integrate tourism with wildlands protection and rural development.

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THE CARIBBEAN GROUP FOR COOPERATION IN ECONOMIC DEVELOPMENT (CGCED)

The Caribbean Group for Cooperation in Economic Development (CGCED) is a mechanism to coordinate and strengthen external assistance to the Caribbean countries to meet their immediate financial needs and to improve their long term development prospects. Plenary meetings of all donor and recipient countries take place every 18 months at World Bank Headquarters in Washington, D.C. The next plenary meeting is scheduled for April 23 - 27, 1990. In addition, during the interim period there are meetings of the Steering Committee, the Ad-Hoc Advisory Committee, and a Donors' Meeting in Paris immediately prior to the plenary meeting.

Created in December 1977 under the sponsorship of the World Bank (IBRD), in association with the Inter-American Development Bank (IDB), the Caribbean Development Bank (CDB), and the International Monetary Fund (IMF), the Group has been successful in increasing the flow of both development assistance and short term, rapidly-disbursing, balance of payments support to the region. The recipient member countries of the Caribbean Group, with a total population of about 17.5 million, have received over $8 billion in external capital flows since establishment of the CGCED in 1977. This has included conventional project financing, foreign exchange for essential imports, and through use of local currency generated by the financing of these imports, the financing of the local costs of development projects and programs. The United States has been a strong supporter of the CGCED since its inception.

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