The Caribbean Basin Initiative: A Band-Aid for a Broken Leg?

An Honors Thesis (ID 499)

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ELIGIBLE BENEFICIARY COUNTRIES

Anguilla
Antigua and Barbuda
Bahamas
Barbados
Belize
British Honduras
British Virgin Islands
Cayman Islands
Costa Rica
Dominica
Dominican Republic
El Salvador
Grenada
Guatemala
Guyana
Haiti
Jamaica
Montserrat
Netherlands Antilles
Nicaragua
Panama
St. Christopher–Nevis
St. Lucia
St. Vincent and the Grenadines
Suriname
Trinidad and Tobago
Turks and Caicos Islands
Introduction

It is the purpose of this paper to explore the problems of the Caribbean Basin, the conditions which created these problems, the potential effects of said problems on the United States, and the effectiveness of U. S. and other efforts to solve these problems. Specifically, the effectiveness of America's Caribbean Basin Economic Recovery Act (CBI) will be analyzed, with special emphasis being placed on its effects on the island of Jamaica.

Jamaica is really the main focus, the keystone of the CBI. If the program is successful in Jamaica, not only will the U. S. have a strong ally in the Basin, but also the hopes for the other 26 eligible beneficiary countries of the CBI will increase dramatically.

History and Development of the Caribbean Basin

The two most important factors in the history and development of the Caribbean Basin are imperialism and slavery.

The region was ruled by Spain for over a century after it was discovered by Columbus; a fact which is still reflected in the Spanish-speaking countries of the Caribbean such as Cuba and Puerto Rico.

The seventeenth century saw the inflow of Dutch, French and British settlers to the Caribbean. They settled uninhabited islands and claimed them for their European homelands or, in some cases, such as that of Jamaica, the Spanish were conquered and the island overrun by its new
imperial claimants. The eighteenth century was a period of struggle for control, and many of the smaller islands changed ownership frequently.

The region was, from the start, characterized by instability, with countries being "regularly swapped between the powers as the currency of victory or defeat. Indeed, for over half a century, from approximately 1760 to 1815, the Caribbean was one of the main areas of the world in which intra-European conflicts and power struggles were pursued. Moreover, by the end of the nineteenth century, the emerging power of the United States was beginning also to bear upon the region and in 1898, at the end of the Spanish-American War, when it acquired effective control of Cuba and Puerto Rico, it joined the ranks of those imperial powers which had a stake in the Caribbean."

The effect of these "power struggles" upon the islands of the Caribbean was that they never developed a regional sense of identity. They never learned to work together because "each territory was administered in accordance with the practice of its particular imperial master. Across the Caribbean, different legal and governmental systems were established in different languages within different cultures. Lines of communication were directed towards the metropolitan capital, rather than other parts of the Caribbean region. Generally speaking, as well, the European powers made little effort to bring about a greater sense of unity amongst their possessions in the area... As a result, all the territories of the region have tended to
develop strongly parochial and insular political cultures."²

While the European powers were fighting for control of the region, three main groups were, consciously or not, jockeying for position within the societal structure of each country's colonies. These three groups were the settler colonists, exploitation colonists, and slaves.

Settler colonies "represented the deliberate intention to recreate miniatures of the metropolis, with a definite symbiotic relationship. The colonists went out to occupy, settle, reproduce themselves, and produce whatever the land yielded in abundance. The colony became their patria chica, the region to which they owed allegiance and with which they forged an identity. On the other hand, the overriding preoccupation of the exploitation, or non-settler, colonies was the organization of labor and the construction of a community geared to the maximum production of tropical staples, both for the imperial and the international market. The European component viewed residence as temporary and the entire society as a transient political and economic extension of the metropolis, with little or no feeling of identity or community of interest."³

But, whether there to build a life for themselves or to line their pockets, both groups of white settlers were far outnumbered by the hundreds of thousands of black slaves imported from Africa to work the plantations. Slaves were the backbone of the Caribbean economy because they provided the considerable labor necessary to produce the main crop of the Caribbean, sugar.
The interaction of the three groups mentioned created a great deal of social tension. "This social tension resulted from the nature of the slave society, for, with the exception of Cuba and Puerto Rico, it presented the spectacle of a small minority of whites dominating a large mass of black and mixed persons. Race, ethnicity, and color were facts of everyday life, the indelible badges of status and condition... In the 1830's, less than 4 percent of the Jamaican population was white... Yet dependence on the metropolis... made the whites extremely vulnerable. Numerically they were weak in relation to the rest of their local community. Their political, economic, social, and ideological commitment to the mother land undermined their ability to forge a confident, self-conscious Caribbean society based on the diversity of the region." 4

The strata and sub-strata of social status in relation to color and the workings of the plantations, and subservience to a variety of colonial and imperial masters created a complicated and restless Caribbean society. Each level of society was so tightly intertwined with the rest that a change in one level, such as the abolition of slavery or colonial independence, would have profound and irreversible effects upon all other levels of the society.

"The colonial status was an important factor in the Caribbean. Unlike the circumstances in the United States, where slavery matured under the auspices of an independent, though sharply bifurcated, nation-state, Caribbean slave
societies always had the prevailing influence of an external metropolis. The colonial status made a difference both in the timing of maturation and the abolition of slavery. Crucial decisions concerning the colonies were resolved outside the area, in the metropolitan decision-making body. A general emancipation independent of the whims of the metropolis therefore involved... reconsideration of the political status of the colony. For this reason abolition assumed paramount importance in the internal fortunes and affairs of the European metropolitan powers.\(^5\)

It was in Britain that the first successful abolition movement began. Abolitionists from the British religious community joined imperialists, free traders and members of the working class in the fight for their cause in Britain and in its colonies. "Their fight coincided with the period when British industry and the English economy were no longer narrowly Atlantic and subservient to the domineering West Indian interest. British capital and British manufactured goods were no longer confined to their empire. The sugar industry accentuated this growing universality of English commercial activity. British West Indian sugar producers by the 1830's were competing with those from India, Mauritius, Cuba, Brazil, Singapore, Java, and the Philippines. The exporters of refined sugar faced the additional competition of a rising beet production both in the United States of America and continental Europe. West Indian production was becoming increasingly uncompetitive both within the imperial system and in the international
market owing to its low technological development and corresponding high production costs. Economic considerations formented hostility to imperial preference and to the economic and political importance of the West Indian planters. This decline was near its nadir when the British Parliament moved to abolish slavery in 1833-34."

The effect of the dropping price of sugar and the gradual abolition of slavery on the colonies was the large-scale abandonment of unprofitable plantations and the introduction of greater production diversification in the region. The plantation system was temporarily salvaged in some places, such as Trinidad and Guyana, by the importing of indentured labor from China, India, and Portugal, but for the most part, large, single-owner plantations disappeared. The most important economic development of this period, however, "was the emergence of a new sector in the regional economy--a peasant class consisting largely of ex-slaves growing food for themselves and their families as well as the domestic market and, later in the century, pioneering the production of new export crops, like bananas, cocoa, coffee and spices. The growth of this new sector was given additional impetus in the last years of the nineteenth century by the long depression in sugar caused by the subsidisation in Europe of beet sugar.""

Problems in the Caribbean Today

Product diversification has continued into the twentieth century, but agriculture remains, almost without
exception an important part of every Caribbean economy. "Since it is more labour-intensive than any other industry, its role in providing work is critical: as late as the 1960's, it provided over 40 percent of the labour force in several Caribbean countries. In terms, too, of export earnings, many territories are highly reliant on one or two basic agricultural crops. In St. Kitts, for example, 80 per cent of export revenue is derived from sugar, and in Dominica almost as high a percentage from bananas. Moreover, within the agricultural sector, the plantation is still dominant, especially in the export sphere. Although peasants usually own the vast majority of farms, their holdings are small, typically less than five acres. It is the much smaller number of plantations which control the greatest proportion of farm land, and the best-quality land too. Plantations are certainly fewer in number than they were, even at the beginning of the twentieth century. They have tended in the modern era to become concentrated in the hands of large, foreign-owned corporations, such as Booker McConnell Ltd, which owned, until relatively recently, the bulk of the sugar plantations in Guyana, and Tate & Lyle, which operated for many years in other parts of the Commonwealth Caribbean."\(^8\)

The production and export of minerals, such as oil and gas in Trinidad and bauxite in Jamaica, and tourism are the other important industries that have emerged in the Caribbean. But, like agriculture, these industries are dominated by foreign-owned multinational corporations which absorb
many of the benefits of production.

Attempts to attract foreign manufacturing investment to the region in the 1950's by offering a variety of tax and other incentives was marginally successful. "It worked to the extent that foreign capital responded predictably and flowed into the Caribbean in massive amounts, bringing in its wake a number of highly visible manufacturing industries. The contribution made to gross domestic product by manufacturing rose quickly to over 25 per cent in Puerto Rico and some 15-20 per cent in the larger Commonwealth Caribbean territories. However, the industries established have been largely 'final-touch' enterprises, based upon the assembly of imported inputs which have relatively little value added and have failed to penetrate export markets. They have produced few jobs and have often been itinerant in their commitment to the Caribbean. All too frequently, when the incentive plan has expired and local taxation comes into force, the economy has found it profitable to move its entire operation to another locale offering a new package of inducements."9

Overall, economic growth continued in the Caribbean throughout the 1950's and 60's, but it was "'a continuation of the centuries-old pattern of West Indian economy; growth without development; growth accompanied by imbalances and distortions; growth generated from outside rather than within.'"10

The weaknesses and problems of today's Caribbean economy were listed as follows by William Demas, President
of the Caribbean Development Bank:

1. a very large food import bill, consequent upon the stagnation and decline of domestic agriculture;

2. a heavily undiversified and specialised structure of production, with dependence on a single or limited number of export products such as sugar, bananas, coffee, citrus, oil and natural gas, bauxite and alumina, and tourism;

3. corresponding dependence on a very wide range of imports, not only of capital goods but also intermediate and other consumer goods;

4. the vulnerability and uncompetitiveness of the high cost, low-productivity export agricultural sector;

5. the lack of economic linkages between different sectors of each national economy and the paucity of linkages between economies across the region, whether measured by the size of intra-regional trade or the existence of joint productive ventures;

6. the failure of the manufacturing sector to achieve significant levels of extra-regional exports;

7. the marked external orientation of economies in the region and the dominant role played by foreign capital;

8. a low rate of national savings in all sectors and the taste for foreign goods and inappropriate patterns of consumption;

9. above all, alarmingly high levels of unemployment (ranging from 10 per cent to 30 per cent of the labour force) and low-paid underemployment.

Recent Examples of Economic Problems

The Region in General

In October of 1984, the U. S. government announced a cut of 16% in U. S. sugar import quotas, an announce-
ment that caused the governments of many Caribbean nations with sugar-dependent economies to doubt the sincerity of such U.S. measures as the CBI. The U.S. is the largest market for Caribbean sugar. One nation's Prime Minister said, "you gave me a few million with one hand (with the Caribbean Basin Initiative) and took it away with the other." 12

Officials of the United States' State Department called the reduction a "mechanical procedure" of the sugar support system designed by Congress to keep sugar prices at certain "target levels." The quota was automatically reduced when it was forecasted that U.S. sugar production would be increasing while U.S. sugar consumption would continue to decrease.

"Sugar specialists say the conflict between domestic and foreign producers will persist as long as the U.S. supports prices with quotas rather than by purchasing American surpluses, which the Caribbean nations would prefer." 13

Those islands with large oil refineries are also in trouble. Many of the refineries have been losing money for years but have hesitated to leave due to the urging of the islands' governments and out of fear of the consequences of such a pull-out on the economies of the islands. In December of 1984 Exxon Corp. announced its intention to close its refinery in Lago, Aruba and it is feared other refinery closures will follow. 14
The markets for most of the Caribbean's major products are in much the same sad shape as the sugar and oil refining markets. This has caused rampant unemployment in the region to increase.

"Unemployment in the Caribbean now averages over 20 percent, according to bank officials in several of the countries. But that figure does not include a large force of impoverished field hands, drifters and black market traders in drugs and prostitution.

"The foreign debts of the Caribbean nations are big: $2 billion in Jamaica; $820 million in Trinidad; $933 million in Guyana; $332 million in Barbados."\(^{15}\)

The status of this foreign debt is also uncertain.

"After a decade of runaway growth in international lending, many U.S. regional banks are cutting back on loans to foreign countries as fast as they can... World Bank President A. W. Clausen recently warned that commercial lending to developing countries could in the worst case, drop by 50% during the next decade... Ironically, many Third World countries may have to rely on increased foreign investment to help repay the mountain of debt they accumulated during the 1970s in ill-fated efforts to achieve industrial self-sufficiency."\(^{16}\)

In Jamaica

Jamaica suffers from depressed world markets for its major products and a flight of trained workers from the island to more stable economies.
In February of 1985 Aluminum Co. of America announced the "temporary" closure of its alumina refinery in Clarendon, Jamaica. As a result, 800 of the plant's 900 workers were laid off. Alcoa's Jamaican unit manager, E. Gerry Dudley said of the closure, "Unfortunately the protracted world recession in the aluminum industry has forced our hand and left no option but to shut down temporarily until world market conditions improve."17

It has been some time, though, since world alumina and bauxite conditions have been good and this has hurt Jamaica. "Crippled by a 37 percent decline in the sale of bauxite and alumina, its chief earners of foreign exchange, Jamaica's exports dropped sharply last year [1983]. The export decline was 15.6 percent, or $61.6 million, in the first six months of 1983...and contributed significantly to the 22.9 percent worsening of the nation's trade deficit for that period, to $293.2 million from $238.6 million.

"In 1982, bauxite and alumina exports declined 28.2 percent, the biggest drop since 1968, pushing the trade deficit to $690 million. On top of this, Jamaica's tab for the imported oil to power its electric plants totaled $262 million."18

The condition of the Jamaican economy is given the responsibility for increasing the one Jamaican export that Jamaica would like to see a decrease in, the export of skilled workers to the U.S. and other countries. Dr. Keith Panton, executive vice-president and general manager of Alcan Jamaican, while speaking of the drain of engineers
from his company in late 1984, expressed the opinion that the drain was due to "the inability of Jamaican economy to provide competitive compensation to qualified engineers... How can we compete with North American salaries which grow on a weekly basis as the Jamaican dollar devalues... We cannot, simply cannot attract qualified Jamaicans to come home to Jamaica to work."19

Still, even with the flight of skilled workers from the island and the other economic problems suffered by Jamaica, the unemployment rate dropped from 27.9% in 1982 to 26.9% in 1983.20

Exports and unemployment, however, are not the only problems faced by the Jamaican economy. Imports and inefficiency are also troublesome.

In 1983 Jamaica imported US $1,281 million worth of goods and exported only US $686 worth of its own goods.21 In order to reduce national spending, Jamaica's prime minister, Edward Seaga, imposed an austerity program that included restrictions on imports. However as a Jamaican electronic's distributor explained it, "We are a Third World nation living on First World principles and aspirations. Everybody feels he must have a TV, a car and all the things Americans have."22 Therefore, the illegal importation of goods has flourished, and those importers abiding by the rules are upset that the law is not more emphatically enforced. Mr. Winston Mahfood, a former president of the Jamaica Manufacturers Association expressed amazement at the amount of foreign goods, and even banned foreign
goods that were available in Kingston's flea market in November of 1984.

"Stating that the government was not serious about developing the manufacturing sector, Mr. Mahfood said the country had become a group of higglers and traders. While there were a number of seizures of imported goods from stores, he noticed...when he visited the flea market he did not see anyone seizing these goods. He said he understood that a number of Air Jamaica staffers owned booths at the flea markets.

"The JMA's deputy president, Mr. Paul Thomas, said he was of the opinion that the government was not being honest about the issue of illicit importation and called for continued vigilance.

"The country could not have a policy where on the one hand there were people prepared to break the law and allowed to get away and on the other, there were legitimate businesses which were not allowed to import. It had to be one or the other, he said.

"Jamaicans, he said, should be concerned because in effect what the Government was saying was that since it could not really control the illicit importation of goods then it could not control the importation of guns and M-16s and anything else that might be coming into the country.

"These illicit imports, he said, more than anything else confused people's perception of deregulation while eating away at the foreign exchange and destroying the country's production thrust."
Mr. Maurice Facey, the Chairman of Jamaica's First Life Insurance Company stated his opinion that "'the huge share of our country's income absorbed by Government is at the heart of our problem, and the share gets increased year by year. It is still continuing and we have hardly raised our voices in protest.'

"Pointing to the relationship between the private and public sector in the economy, Mr. Facey said that in the sixties the majority of funds loaned by financial institutions went into the private sector. By the end of the seventies, the position had reversed as the Government of the day took the view that the State should provide everything and the private sector, the 'imaginary mother figure', would be able to shoulder all the burdens and that 'it would, in fact, be the engine of growth.'

"He added; 'The fact is that this policy led to a flight of capital and to a major number of enterprises being acquired by the Government and subsequently being run in a very inefficient manner and creating significant losses year after year. The Government began to sap up the majority of the resources of our country.'

"Mr. Facey said that now that the Government had changed and while there was clearly a stated commitment to the private sector, there continued to be, in his view, 'a reluctance on the part of our Government to divest the companies and organizations which clearly should not be in their hands.'

"He was convinced that 'a higher standard of living
comes not from the State but from our own endeavours."24

Jamaican Politics

The preceding examples and opinions demonstrate the importance of politics on the Jamaican economy. Part of the volatility of the Jamaican economy must be attributed to the volatility of the Jamaican political system.

Jamaica inherited a parliamentary system of government from its British masters while it was still a British colony. It is, for the most part a two party system. These two parties being the Jamaica Labor Party (JLP) and the Peoples National Party (PNP). The present party leaders are Edward Seaga, the current prime minister, representing the JLP, and Michael Manley, former prime minister representing the PNP.

"Within the English-speaking Caribbean, Jamaica enjoys a reputation as the most politically advanced island. In 1941, Alexander Bustamante, the founder of Labor, and Mr. Manley's father, Norman, founder of PNP, got the British to grant the vote to anyone born in Jamaica who was 19 years or older. Jamaicans weren't voting for a government that really ran anything, but it was a beginning. By the time independence came 20 years later (1962), Jamaica was already handling most of its internal affairs."25

"In the past, Jamaica's leaders have flirted variously with capitalism and socialism. For eight years, until his upset defeat as prime minister in 1980, Michael Manley and his Peoples National Party embraced socialism and streng-
thened Jamaica's ties with Cuba."26 Mr. Manley also came very close to running the Jamaican economy into the ground. "As Oliver Clarke, editor of the leading daily, the Gleaner, put it, 'He just didn't know how to run the shop.' Mr. Manley also started out, not only with a $157 million surplus left over from the former Labor government, but with the total support of business. He squandered both away while forming an alliance with Cuba that had Washington breaking out in hives over the very idea that Fidel Castro could capture this former British colony 90 miles from Havana.

"Mr. Manley turned the sugar estates into worker-run cooperatives that were bankrupt by the time he left office. And in general he so mismanaged Jamaica that it had no foreign exchange to do much more than pay the oil bill and keep enough basic food on hand."27

The 1980 election campaign was a long and violent one in which over 700 people died before Edward Seaga won the election with 58.9% of the popular vote. Seaga's JLP also captured 51 out of 60 seats in the House of Representatives.28

Seaga and his party have turned the country once more towards capitalism and pro-American policies, but his administration "is far from finding solid footing. Seaga's 3-year-old economic recovery program, which emphasizes the development of exports and tourism and the reduction of domestic spending, has had some modest successes, but overall has not performed nearly as well as expected."
"It has succeeded in reversing an eight-year trend of negative growth in which the gross national product declined each year by an average of 2.3 percent. But the growth rate during the last three years has averaged only 1.2 percent, well below the 5 percent that economists say Jamaica should have."\textsuperscript{29}

"Seaga has cause for concern. The poor of Jamaica are restless. 'They're disappointed with Seaga,' said Hector Wynter, editor of the Daily Gleaner newspaper, 'because the economy has not come back ... Seaga promised to bring prosperity, to bring the U.S. dollar into the country by being pro-American. It hasn't happened... When expectations are raised and not met that means trouble.'\textsuperscript{30}

Restlessness and disappointment caused the Jamaican populace to pressure Seaga to call for a national election in 1983, which he did in November of that year. Manley's PNP, however, boycotted the election.

"The P.N.P. asserts that its unprecedented step resulted from Mr. Seaga's failure to honor a pledge to complete certain electoral reforms, among them the issuing of identity cards to prevent fraud and the updating of voters' rolls to enfranchise an estimated 180,000 young people who have come of age since the 1980 national election. Mr. Seaga counter-charges that the P.N.P. was simply too disorganized and short of funds to fight a national election."\textsuperscript{31}

"Six of the 60 seats in the Jamaican Parliament were contested by independents who were easily defeated by candidates from Seaga's party. In the other 54 constituencies,
there was no opposition, no ballots were cast, and Seaga's colleagues simply took office. No one was pleased.

"Jamaicans like to feel that there is an alternative point of view," Seaga said... 'I as a Jamaican feel that way too.'

"Immediately after the election, both leaders set about trying to devise new channels of dissent.

"Having taken the entire House of Representatives in Parliament, Seaga was entitled to appoint members of his party to all 21 seats in the Senate. Instead he filled the eight seats constitutionally designated for the opposition with independents and members of Manley's party, including a Baptist minister, a farm leader, and two university professors.

"Jamaicans would never have accepted a situation in which the Senate was totally dominated by the party in power, in addition to the house," Seaga said."

But the walls of downtown Montego Bay, Jamaica, many of which are spray-painted with slogans such as "JLP Bogus Government" indicate that Mr. Seaga's efforts to give the opposition a voice may not be enough. Many Jamaicans are calling for the updating of the controversial voters' lists and for new elections. Polls conducted in early 1984 showed "that if new elections were held on updated voters' lists, Mr. Manley would win 55% of the vote and take over as Jamaica's prime minister.""

Part of the reason that Seaga called for elections at the time he did was to capitalize on the huge surge in
his popularity caused by Jamaica's role in the successful October 25, 1983 invasion of Cuban-Marxist dominated Grenada by Caribbean and American forces.

Grenada

The existence of the conditions within Grenada that led to the death of its prime minister, Maurice Bishop, as well as the positions being taken by the two powerful leaders of Jamaica on what conditions actually existed, are topics of equal importance. The question arises as to the susceptibility of other Caribbean islands to such anti-American powers, especially the susceptibility of Jamaica to such influences.

"'For the first time we are seeing violent coups in the Caribbean like we have seen in Africa,' said a senior American diplomat in the area. 'People are desperate and guns and ideologies are available from one source or another to every malcontent.'"34

In order to explain the readiness of the Caribbean people and their governments to accept new ideologies, J. Edward Greene, acting director or the University of the West Indies' Institute of Social and Economic Research said, "By the 1970's, once the national movements had worked themselves out and we had achieved independence, you had a second-generation nationalism of which Maurice Bishop was a part. They were educated partly at the University of the West Indies at the height of nationalism and partly in Britain, the United States and Canada at the
height of the development of third-world consciousness and black power. So here you have an inherited system which believes itself to be liberal in orientation, but you also have a new generation brought up in a tradition that is a fairly rebellious one.

"What has developed...is a dialectical kind of relationship: a system trying to contain the growth of radical politics, but not delivering the economic and social ideals that would locate the alienation that people are suffering. At the same time, there is this new elite charged with a fervor for change. This is where Castro becomes important. Cuba looked like an option."³⁵

Professor Greene added that, "The crisis in Grenada, leading to the death of Bishop, was the antithesis of democracy in the Caribbean... But the Jamaican election held without an opposition, has introduced another new equation in our political understanding. I don't think that if this situation continues Jamaica will any longer be able to boast of being the good example of Westminster politics. I am also not sure that the next generation would not become more involved in Latin-American-style politics, with changes in government coming from outside the parliamentary system."³⁶

Continued economic problems in Jamaica could conceivably lead to the ouster of pro-American Seaga and the reinstatement of pro-Castro Manley, who said of the Cuban presence in Grenada, "Nothing has emerged that suggests Cuba had any improper intentions to anybody... It is
nothing but the wildest conjecture to suggest that (warehouses full of Cuban arms on Grenada discovered by U.S. soldiers) were there for any other purpose but defense." 37 Mr. Manley, who has written "glowingly of Mr. Castro's denunciation of 'the forces of Western Imperialism led by the U.S.' and Mr. Castro's praise for Soviet support of 'liberation movements,'" 38 may well become the leader of one of the Caribbean's most powerful nations. Such an event could provide the momentum for anti-American feeling to sweep through the Caribbean, a region in dangerously close proximity to the United States.

Strategic Importance of the Caribbean to the U.S.

"The Caribbean Basin region can no longer be viewed as the U.S. backyard. It is now central to the increasingly complex economic, political, and overall strategic equation with which the United States must deal. Having ignored the greater Caribbean Basin region in the past, the United States is now belatedly attempting to cope with a series of events that may overwhelm U.S. interests and policies in the region. Profound changes within the area and on the broader international stage have transformed the Caribbean Basin into a key item on the U.S. foreign and security agenda." 39

Defending the United States mainland is of primary importance in the event of a war. Because the nations of the Caribbean are so small and so close, The U.S. has tended to underestimate their strategic importance. In the 1982
posture statement of the Joint Chiefs of Staff, the chairman of that organization outlines the importance of the region as follows:

Hemispheric defense is based on the protection of the northern and southern flanks of the United States, access to regional resources, and secure LOC's [lines of communication] with the rest of the world. Only when the Americas are secure does the United States enjoy the freedom to commit forces to contingencies outside the hemisphere. U.S. policy, therefore, focuses on promoting a hemisphere of friendly and cooperative nations, supporting long-term regional stability, and preventing the presence of extrahemispheric hostile forces in the region. A cooperative Canada and Latin America assist in securing U.S. northern and southern flanks, thus precluding the necessity to commit substantial U.S. forces to the area during a crisis.40

The Caribbean/Latin American area is not important to the U.S. only as a possible avenue of attack on the U.S. mainland or a source of supplies in war-time, it is also important in peace-time. The same ports and waterways that in war-time would be used to ship about half of NATO's supplies, are used extensively in peace-time.

It is through Caribbean sea lanes and ports that 45 percent of America's crude oil and 44 percent of all foreign tonnage arrive in the United States. "More than 8 percent of U.S. investments worldwide and about 32 percent of U.S. investments in developing countries are located in the Caribbean Basin region. About 11 percent of both U.S. imports and exports are to the Caribbean Basin and Mexico. The Caribbean imports 41 percent of its goods from the United States and exports about 60 percent to the United States."41
Though it is obvious that the U.S. is of more importance to the Caribbean nations than those nations are to the U.S., there is a definite interdependence between them. An interdependence that extends to the U.S. acting as an escape valve for the social, economic and political pressure that builds up in the Caribbean and drives its citizens to leave in search of a better life.

"The point cannot be overstated that the Caribbean Basin has had an historical pattern of external migration, partly rooted in labor migration. British West Indians were instrumental in building the Panama Canal. Between 1900 and the 1930s an estimated 100 thousand Jamaicans migrated to Cuba, Panama, and Central America. Some 45 thousand came to the United States. Although the United States has always served as a target for Caribbean migration, it has never attracted as great a number as in the last two decades. Between 1900 and 1960, almost 500 thousand migrants from the region entered the United States. By comparison, about 900 thousand entered the United States from the Caribbean in the 1960-1978 period, accounting for roughly 18 percent of the total number of U.S. immigrants.

"The Caribbean and Central American countries have an enormous stake in U.S. immigration and refugee policy. Emigration looms large as a factor in the region. For countries with severe economic pressures (Jamaica), for societies with unsettling political forces (Cuba), for countries facing civil strife (El Salvador), and for others suffering environmental destitution (Haiti), emigration to
this country serves as an escape valve. With the exception of Cuba, the migration is generally because of high unemployment and economic frustrations. In the Cuban case, the political factor enters into the economic equation.

"The result has been the establishment of Caribbean and Central American communities in the United States. By U.S. 'minority' standards the communities may not be that large, yet they constitute a significant proportion of the total population of the Caribbean Basin. It is difficult to estimate this number, for it includes illegal or 'undocumented' immigration. Published estimates suggest that about 10-15 percent of all Caribbeans live on the U.S. mainland."42

Jamaica is an excellent example of a Caribbean country exporting its people to the U.S. In addition to the thousands of Jamaicans who move to the U.S. permanently, thousands of others travel to the States on a temporary basis. They help Florida harvest its sugar cane crop, a job few if any Americans are willing or able to do, and they take any other job that will allow them to return to Jamaica with valuable U.S. dollars.

"The extensive travel and communication between North America and Jamaica is a constant reminder of the fact that social opportunities and levels of living are much higher in these overseas metropolitan centers. The effect of the high level of migration is to make many Jamaican citizens feel that they have an option to live in the
society that may materialize someday and allow them to leave or abandon the frustrating environment that impinges on them. This sentiment breeds a sort of escapism, ambivalence, and lack of commitment to the Jamaican political community and society that weakens the development of ties of loyalty and affinity to the nation.43

Jamaican Attitudes to United States Migration
Question: Supposing you got an opportunity to go to the United States of America to live, would you go?

<table>
<thead>
<tr>
<th>Class</th>
<th>Yes</th>
<th>No</th>
<th>Don't Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Peasants</td>
<td>60%</td>
<td>25%</td>
<td>15%</td>
</tr>
<tr>
<td>2. Working Class</td>
<td>68%</td>
<td>24%</td>
<td>8%</td>
</tr>
<tr>
<td>Including lower working class</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Middle Class</td>
<td>45%</td>
<td>48%</td>
<td>6%</td>
</tr>
<tr>
<td>Including lower middle class</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

In his book, *The Nine Nations of North America*, Joel Garreau describes a nation he calls "the Islands." This nation includes the islands of the Caribbean Basin, and has as its capital South Florida. Florida is, of course, one of the United States of America, but it is also very much the capital of "the Islands", because it is to South Florida that most "Islanders" emigrate. "There is no place in this watery nation that cannot easily export its hungry to the wealthy capital of the Islands, South Florida."45

To stem the tide of immigration into the U.S. from "the Islands", the U.S. must do everything in its power to create conditions in "the Islands" that the "Islanders"
will not want to, or be forced to leave.

The drain of skilled and unskilled manpower is not good for the Caribbean region. Nor, is the lack of loyalty to their home lands engendered by this migratory trend. Caribbean citizens must care about their countries and vote according to their consciences in order for democracy to survive in the region.

The flow of immigrants is also not beneficial to the U.S. and is, in fact, something the U.S. may not be equipped to handle.

"The lamentable U.S. record in dealing with illegal Mexican immigration and crises such as the flow of refugees from Mariel, Cuba in 1980 and the influx of Haitians into Florida is indicative of how ill-prepared the United States and its people are to deal with such unconventional and serious events. Federal contingency policy on major environmental, economic, political or military crises in the Caribbean Basin and Mexico is either nonexistent or essentially based on the hope that such events will occur only once." 46

The economic, social and political health of the Caribbean Basin is strategically, economically and perhaps even morally vital to the United States. The futures of the U.S. and "the Islands" are inextricably bound.

"The United States simply cannot avoid the massive economic and social disruptions likely to continue in the coming years if it assigns secondary political capital to U.S.-Caribbean Basin economic diplomacy. Caribbean Basin
Initiative kinds of financial requests in the limited range of $350 million have to proceed through Congress with political persuasion.

"The publicity surrounding the Caribbean Basin Initiative cannot be allowed to decline. It has drawn attention to that part of the world as a possible site for new investment by the United States and other countries. The region holds the greatest potential in the agricultural and light manufacturing areas. Production sharing is a particularly attractive mechanism. The region could benefit from increased employment, the introduction of new labor skills, increased foreign exchange earnings, and some degree of technology transfer... Ultimately, these activities can forestall further declines in the region's economic fortune. Whether through regional fiscal incentives, bilateral investment treaties, or risk insurance schemes, the United States needs to pursue a vigorous trade, development, and investment policy toward the region. Without this emphasis, regional political stability will not be assured."47

History and Main Provisions of the CBI

From the first, the Reagan administration made it clear that it would determinedly pursue anti-Communist, anti-Cuba policies in the Caribbean, including the following: "the abandonment of all day-to-day diplomatic contacts with Cuba such as the granting of visas to Cuban officials; the release of propagandist State Department
papers...; the toleration of Cuban exiles training in paramilitary camps in Florida; the establishment of Radio Marti to broadcast anti-Communist propaganda to Cuba; and the use of US economic power in a variety of ways to prevent loans being made to Cuba and to make it harder for Cuba to sell its sugar on the world market."  

President Reagan also attempted to provide America's allies in the Caribbean with military aid, but he found that they were more interested in economic assistance in the form of investment, trade and monetary aid.

"Several countries saw the chance to exchange their anti-Communist credentials for tangible measures of economic support. The Puerto Rican government was alert to this and so too was Seaga in Jamaica. He was concerned not just to secure substantial economic assistance for Jamaica (in which he has been very successful), but for the Caribbean as a whole. During his visit to Washington shortly after Reagan's inauguration, he made a speech calling upon the United States and its allies to put together a rescue programme for the region along the lines of the Marshall Plan prepared for Europe after 1945."  

The idea gained some support in the U.S. and eventually talks were held with Canada, Mexico and Venezuela to discuss joint participation in the venture. The nations of the Caribbean were consulted about the types of programs that would bring about the greatest social and economic benefits for their countries. As these talks occurred, "it became gradually clearer that the US govern-
ment viewed the supply of aid and the promotion of economic growth in the Caribbean primarily as another means of cutting the ground from underneath the feet of the leftist movements in the area and their alleged patron, Cuba. As the underlying political aims of the initiative became more overt, the effect was to cause the governments of Mexico, Canada and Venezuela to seek to distance themselves from the Reagan plan. Mexico made it clear that it was opposed to certain conditions that the US was trying to include in the aid package, notably the exclusion of Cuba, Nicaragua and Grenada from its provision. Canada was also disturbed by this aspect of the plan, and Venezuela steadily lost interest, preferring to return to its traditional policy of bilateral dealings with countries in the region. When the CBI was finally unveiled, therefore, it constituted a unilateral programme proposed by the United States for the Caribbean Basin and designed, according to Reagan, to 'help revitalize the economies of this strategically critical region by attacking the underlying causes of economic stagnation' and thus to 'make possible the achievement of a lasting political and social tranquility based on freedom and justice.' 50

**Main Provisions of the CBI**

The most important provision of the Caribbean Basin Initiative is the elimination of duties on most products from the beneficiary countries entering the United States. This provision will remain in effect until September 30, 1995.
Eligible Products and Local Value-Added Requirements

Except for certain excluded articles, duty-free treatment under the CBI will apply to all products, which are the growth, product or manufacture of a beneficiary country which meet the following criteria:

(i) The product must be imported directly from the beneficiary country into the customs territory of the United States; and

(ii) The sum of the cost or value of the materials produced in one or more beneficiary countries plus the direct cost of processing operations performed in the beneficiary country or countries must be not less than 35% of the appraised value of the product at the time of entry in the U.S. The cost or value of materials produced in the U.S. up to a maximum of 15% of the appraised value of the product at time of entry may be included in the 35% local value-added content.

In the calculation of the 35% of the local value-added, the value of materials inputs from Puerto Rico and the U.S. Virgin Islands may be included.

Simple combining or packaging operations as well as the mere dilution with water or other substance does not qualify a product for duty-free treatment.

Definition of Local Value-Added Content

The costs which MAY be included toward meeting the 35% local value-added content for an eligible product are:

(i) Cost of material inputs from one beneficiary country or from two or more beneficiary countries combined, PLUS

(ii) All direct labour costs, including fringe benefits, on-the-job training and the cost of engineering, supervisory, quality control and similar personnel;

(iii) Cost of dies, molds, tooling and depreciation on machinery and equipment which can
be allocated to the specific product.

Costs which MAY NOT be included in the 35% local value-added content are costs which are not directly attributable to the specific product or are not costs of manufacturing the product such as:

(i) Profit

(ii) General expenses of doing business which are not related to the processing operations of the specific product, such as administrative salaries, casualty and liability insurance, advertising and salesmen's salaries, commissions or expenses.

Excluded Products

A number of products are excluded from the duty-free treatment provided for by this Act. The specific products which are excluded from duty-free treatment are:

(1) Textile and apparel articles which are subject to textile agreements;

(2) Footwear, handbags, luggage, flat goods, work gloves, and leather wearing apparel not designated at the time of the effective date of the Act as eligible articles for the purpose of the United States Generalized System of Preferences (GSP) under title V of the Trade Act of 1974;

(3) Tuna, prepared or preserved in any manner, in airtight containers;

(4) Petroleum, or any product derived from petroleum, provided for in part 10 of Schedule 4 of the Tariff Schedules of the United States (TSUS);

(5) Watches and watch parts (including cases, bracelets and straps), of whatever type including mechanical, quartz digital or quartz analog, which contain any material which is the product of any country with respect to which TSUS Column 2 rates of duty apply (i.e. Communist countries).
Existing import quotas on goods entering the U.S. will not be affected by the CBI. Such goods, with the exception of the excluded products, will now receive duty-free treatment. There are special rules limiting the duty-free export of sugar and beef. Sugar exports to the U.S. from the Dominican Republic, Panama and Guatemala will be subject to existing quotas while sugar imports from other beneficiary countries will be limited by the competitive need criteria of the United States GSP. Beef and sugar imports will receive duty-free treatment if the beneficiary country submits an acceptable Stable Food Production Plan to the U.S. within 90 days from the date of its designation, consisting of proposals to ensure that food production and nutritional levels in the country will not be adversely affected as a result of increased exports of sugar and beef.

The provision of the CBI that was expected to induce American businesses to invest in the Caribbean was the extension of the 10 percent tax credit to Caribbean investments that is usually applied only to investments made within the U.S. This provision did not appear in the final version of the CBI, but a tax credit for business conventions held in the area was included. Reagan also expressed a willingness to negotiate bilateral investment treaties with Caribbean countries to provide definite legal investment guidelines.

The U.S. provided US $350 million in additional financial aid to be divided amongst the beneficiary countries. Additional military assistance was given to each country as well. Total funds were divided, for the most part, as follows: "El Salvador (not more than US $75 million); Costa Rica (not less than US $70 million); Jamaica (not less than US $50 million); the Dominican Republic
(not less than US $41 million); Honduras (not less than US $35 million); Eastern Caribbean (not less than US $20 million); Haiti (not less than US $10 million); and Guatemala (not more than US $10 million)."52

The fourth provision of the CBI is, as President Reagan described it to the Organization of American States, the offering of "technical assistance and training to assist the private sector in the Basin countries to benefit from the opportunities of this program. This will include investment promotion, export marketing, and technology transfer efforts, as well as programs to facilitate adjustments to greater competition and production in agriculture and industry."53

The United States promised to work closely with Mexico, Canada and Venezuela in coordinating their individual aid programs as well as attempting to get countries such as Colombia, Japan and other European and Asian countries to begin aid programs or to make donations of their own to the nations of the Caribbean Basin.

The sixth, and final, main provision of the CBI involves special concessions made to the U.S Virgin Islands and Puerto Rico. These include: "the continuation of arrangements whereby excise taxes on imported rum were rebated to these two territories; ...agreement that industries in these areas will have recourse to the same safeguard procedures as mainland industries, in the event that they are seriously injured from increased US imports from the
Caribbean; and a request for congressional support for a series of development projects to be located in the islands."

The Caribbean Basin Initiative as described above is the version that President Reagan signed into law in 1983, but it is a mere shadow of the CBI that first entered Congress in 1982. As had occurred in the talks with Canada, Mexico and Venezuela, questions were raised about the methods of distributing the aid and both the supporters and the detractors of the bill lobbied intensely. The anti-immigration lobby came out strongly for the bill, and organized labor came out just as strongly against the bill, saying the measure would export U.S. jobs to the Caribbean. American industries whose markets were already flooded with imports, such as the footwear industry, convinced Congress to amend the bill to exclude their products from duty-free entry. Liberals objected to the aid earmarked for El Salvador in the bill, pointing to the human rights record of its government as making it unworthy of aid.

Buffeted from all sides by the winds of discontent, Congress amended the bill again and again. The CBI was passed by Congress in August of 1982 as a part of an appropriations bill, but it was subsequently vetoed by President Reagan because it "exceeded budgetary spending limits."55

Congressional elections were held and the CBI bill was reintroduced to the new Congress in April of 1983. The bill faced the same problems it had encountered when
it first entered Congress, but once again the bill was passed, this time attached to legislation repealing income-tax withholding on interest and dividends. President Reagan had opposed the withholding legislation but "the measure passed both the House and Senate by margins wide enough to override a veto, after a massive lobbying campaign by the banking industry." President Reagan signed the bill and the CBI became a law in August of 1983, although it did not go into effect until January 1, 1984.

Caribbean and Jamaican Reactions to the CBI

Reaction to the CBI in the Caribbean has been as reactions to it elsewhere have been, mixed. Some governments are very optimistic, and others see nothing but the potential problems of the program.

"If all Reagan's so-called Caribbean Plan means is that we must open our countries to free access by U.S.-based multinational corporations, several Eastern Caribbean officials have commented, we are not interested since there are too many problems connected with unbridled penetration by MNC's. Both former Prime Minister Williams of Trinidad and Barbados cabinet member Richard Cheltenham have expressed strong personal reservations regarding tax holiday incentives which multinational corporations routinely demand; and George Chambers, the present Prime Minister of Trinidad and Tobago [1982], has questioned the role of MNC's in the control of crucial technology.

The transnational enterprises are the prime
sources of...new technology...and the principal agents in the traffic in technology. They determine not only what technology is made available [which is astronomically high in the Caribbean], but also where the products of the technology may be sold.

"Real questions are also raised by West Indian leaders regarding Reagan's belief that U.S.-style development models should be emulated by emerging Caribbean nations. Such fragile economies require 'truly Caribbean models rooted in our historical experience and our Caribbean purposes and values,' Barbados Central Bank Governor Courtney Blackman correctly asserts. 'We will, of course, continue to study alien models and modes of thought, but to obtain insight, not as molds into which our societies must be forced.' West Indians, he concludes, should be 'as impatient with the Free Enterprise laissez-faire ideology of Milton Friedman as...with Marxist-Leninism.'

"Caribbean Basin governments less solvent than Trinidad or Barbados, however, tend to be more circumspect of their placement within the U.S. sphere of interest and less critical of potential capital flows from Washington—with or without Friedman/Stockman orientations and investment guarantees for metropolitan-based MNC's. To paraphrase Dominica's Prime Minister Eugenia Charles, the CBI has moved slowly but that is because we are impatient. Weak governments must fall into line and learn to beg properly." 57 A very defeatist attitude, but understandable.

The smaller, less developed countries of the Carib-
bean, such as Dominica, feel that the CBI will not help them as much as the more developed countries, such as Jamaica. The CBI focuses on developing the private sectors of these countries, and less emphasis is placed on the public sector. A similar strategy is being used to bolster the U.S. economy, but as Vere Bird, prime minister of tiny Antigua puts it: "You can't pull yourself up by the bootstraps if you don't have the bootstraps." 58

It is agreed that the private sector does need help, "the problem, West Indians argue, is that a private-sector strategy alone will not suffice. Time and again, West Indian government and business leaders assert that, in addition to a private-sector approach, the United States should assist the fledgling public sector in order to develop the economic infrastructure—roads, water facilities, assured energy supplies, transport, communications, the ability to handle cargo, a trained workforce—without which no investment, local or foreign, is likely to be attracted." 59

Then there are the countries that are determined to make the best of the CBI despite its flaws. Many of these countries see the CBI as their chance to capture some of the business that has, in the past, gone to Asian countries. Eduardo J. Tester, executive director of the Dominican Republic Center for the Promotion of Export said, "With the CBI we have a comparative advantage over many countries in the world, especially those in Southeast Asia. We offer stability, cheap labor, and can export to
the United States." 60

"Jamaica emphasized in its sales brochure that many Asian nations are likely to graduate in 1985 from the Generalized System of Preferences (GSP) which allows products from the Third World into the United States. The trade concessions in CBI will last for 12 years." 61

Mario Carvajal, Costa Rica's minister of export and investment said of the American and Asian interest in Caribbean investment that has developed, "We think the CBI is offering us a window of opportunity that will last for two or three years for the most aggressive countries and most aggressive entrepreneurs." 62

But what, if anything does the average Caribbean citizen know about the CBI? What do they think of it?

Perry Delinger: A 20-year-old Jamaican living in Montego Bay, Jamaica. He did not attend high school and left his job as a carpenter to become a waiter/bartender at a hotel. He had not heard of the CBI but said it sounded like a good idea. When asked if he, personally was better off since the CBI took effect he said: "Yes, I'm better off, but that's because of myself, not because the country is doing better. I have a good job, but more people are out of work every day."

Hervin Stennett: A corporal with the Montego Bay Police Department said: "The CBI is good. I feel it is an asset to Jamaica."
Mr. Whinstanley: The principal of Herbert Morrison Comprehensive High School, in Montego Bay, Jamaica said that theoretically the CBI was good, but it was hampered by the IMF: "I haven't seen the benefits that have accrued to the country. Exports are up in some areas, but unemployment is up and our currency is devalued every day. We need to increase exports enough to match or exceed the devaluation. We should cut imports as well. There is too much importing. Then there's the IMF. They give with the right hand and take away with the left. Our debt service charges are tremendous. The CBI won't help much unless the IMF writes off our debts. We'll just get further and further into debt. But that is not likely to happen because the developed world is not prepared to reduce their quality of life one iota to help the Third World."

Samuel Joseph: Professor of Commerce Law, Economics and Accounting at Montego Bay Community College, who is originally from Pakistan and has lived in Jamaica for 9 years said: "The CBI will be helpful in the long run, but we must be patient. I assume imports and exports have changed, but the effects will only be noticable in the long run."

Henry Harding: Professor of Economics at Montego Bay Community College said: "I don't see that it's affecting Jamaica much. We do need to increase exports but we really need to decrease unnecessary imports. We need to develop
local manufacturing and appreciate local goods. Our hands are tied because we have no control on the prices of the goods we purchase. So many prices are fixed."

Ernest Sterling: Owner/operator of the Verney House hotel in Montego Bay, Jamaica said: "I think it's a good idea. But it's really too early to tell, isn't it? I can't tell that it's having any effect on tourism."

Adur Smith: Manager of hotel distribution for Grace Kennedy, a large Jamaican food company, said: "It should be greatly beneficial. With no duty, goods will be cheaper and sales will increase. But to take advantage of the CBI Jamaica must produce. The ball is in our court. It will help if we take advantage of it."

Winston Dear: President of the Montego Bay Chamber of Commerce said: "Montego Bay is an industrially undeveloped urban area. Manufacturing is all in Kingston, but we've just established a free zone in Montego Bay. We already have three data processing companies here. The trick is developing other industries here without injuring the tourist trade. Our Small Business Association indicates big increases in exports by small local businesses. You see, we have no antitrust laws and people like Grace Kennedy can export for smaller companies."

Robert Theophilum Garth: U.S. Consul with U.S. consulate in Montego Bay, Jamaica said: "The potential of the CBI is extremely significant, particularly in the areas of
agriculture and manufacturing. Garment industries have sprung up and rum makers are interested in its possibilities. Exports have increased, but the full impact has not yet hit home. I expect we will be getting more offshore investment, not necessarily U.S."

Is the CBI Working?

Antigua-Barbuda is a small two island nation 1,300 miles southeast of Miami. Wage rates for the English-speaking workforce are under $1 an hour. Both air and sea-ports are available. It is a politically stable nation that has been governed for 23 of the last 28 years by Prime Minister Vere C. Bird, a staunch advocate of democracy and free enterprise. This nation is seemingly the perfect location for American businesses taking advantage of the CBI.

"'We've lined up three foreign investment projects... maybe 800 jobs within the next two years,' said Jayne Booker, who works under a U.S. government contract. In Washington, the Commerce Department reports receiving an average 123 telephone inquiries per day about doing new business in the Caribbean region...

"'If even more investments materialize, our 20 percent unemployment rate may be cut to 19 or 18 percent,' said Eden Weston, the Antiguan government economic planner. No more than that? 'We would need a massive burst of investment to substantially cut unemployment in Antigua,' he answered, 'and that's not coming.'"
In Jamaica, a study done by the Private Sector Organization of Jamaica shows that exports for September of 1984 were US $80.2 million compared to US $55 million in September of 1983. Imports for the same periods were US $105.4 million and US $95.2 million respectively. So, the balance of trade deficit is, at least, moving in the right direction, having gone from minus US $50.4 million in September of 1983 to minus US $15 million in September of 1984.66

Also, "There are signs of increased investment ... --or the potential for it--around the Caribbean. 'We're having the biggest investment boom in our history,' Mr. Seaga says.

"Nevertheless, 28% of Jamaica's work force remains unemployed, and nobody is sure CBI's benefits have begun trickling down--or when they ever will--to the populace at large."67

In Haiti, "A Polaroid Corp. official who recently toured the island says that, because of the CBI, it is looking into starting an assembly operation there or on another Caribbean island.

"Frederick Brooks, the chief executive of MacGregor Sporting Goods Inc., says his and other baseball manufacturers were thinking of reducing or pulling out of Haiti because of competition from the Far East. Thanks to the CBI, some of them are expanding Haitian operations and none are thinking of leaving.

"In the Dominican Republic there are new projects to
export shrimp and crab and to make furniture for U.S. markets; a Barbados rum maker is preparing to enter U.S. markets; there is a new Honduran factory exporting orange juice concentrate, a toy assembly shop in Grenada and new U.S. business for Costa Rican machinists; talks are under way for an electronics plant in Antigua and fruit and vegetable export projects are mushrooming throughout the area.

"U.S. non-oil imports from the Caribbean have risen by 31% in the first nine months since the CBI became law; but U.S. imports from the rest of the world rose at the same pace, primarily because of the U.S. economic recovery and strong dollar.

"'It isn't a program of handing out checks,' says Kenn George, a Commerce Department official in charge of implementing the CBI. 'Businesses have to find a niche, make decisions on a plant, find suppliers. That doesn't happen overnight.'"68

Though it is happening very slowly, the CBI seems to be having a positive effect on the region's economy and on those who have invested there. The key word in the preceding sentence, however, is "seems." There are myriad other factors involved in the health and success of the Caribbean economy.

"'Although the CBI is an excellent scheme, it has coincided with the worst economic crisis in the area in 45 years,' says Bernardo Vega, a consultant and former central bank governor in the Dominican Republic. "When we get out of these problems you might see the effects of
Other Influences on the Caribbean Economy

The irons in Jamaica's economic fire are likely representative of the factors affecting the other economies in the Caribbean.

Jamaica has loans from various sources such as the World Bank, the International Monetary Fund (IMF) and a variety of commercial banks and other governments. It has "trade and aid" agreements with groups and countries like the European Economic Community and, of course, the United States, Canada, Mexico and Venezuela. It receives aid outright from various countries, but the conditions imposed on the island by its lenders have caused as many problems as the loans have solved.

The austerity measures that Jamaica had to agree to follow in order to borrow from the IMF etc. are not well accepted by the Jamaican people. As Carl Stone, a columnist for the Daily Gleaner and Head of the Department of Government at the University of the West Indies in Mona, Jamaica put it, "...while the energetic, hard-working and brilliant Mr. Seaga gets bogged down in administrative details, AID, IMF, the World Bank and the whole international cabal of money lenders to whom we have mortgaged our souls are making sure that the government we elected exercises no control over what happens in the economy."
austerity measures imposed, though they may indeed be for the best, have caused Prime Minister Seaga to raise taxes as well as the price of gasoline and other goods, and to let the exchange rate of the Jamaican dollar float.

In April of 1984 the Jamaican government raised "income tax surcharges on banks and trust companies and taxes on hotels, travel and cigarettes." 71

In January of 1985 the price of gasoline in Jamaica was raised from US $1.80 per gallon to US $2.19 per gallon. 72 Eight people were killed and at least 15 were injured in the rioting that followed the announcement of the increase. 73

Traditionally the exchange rates of Caribbean currencies have been pegged to the U.S. dollar. Jamaica's exchange rate was not, but until recently it was fixed. A few years ago it was decided to let the exchange rate float within a designated band of prices. In 1984 the bands were removed and an auction system for foreign exchange was instated so that supply and demand could set the exchange rate of the Jamaican dollar. This system resulted in an almost daily devaluation of the Jamaican dollar, giving those with little even less.

None of these austere actions have helped the popularity of Mr. Seaga's government, which is already on shaky ground because of his previously mentioned election fiasco. Mr. Manley is winning the popularity polls, which makes some investors nervous and in turn has its own effect on the economy.
In the midst of all these variables it is difficult, if not impossible, to pinpoint the effects of the CBI.

Conclusions

Even without the 10% tax credit that was originally proposed, the CBI has been beneficial to those American businesses that have taken advantage of the law. They benefit from lower wage rates and the duty-free entry of their Caribbean-made products into the U.S. Many companies have saved thousands of dollars by moving operations from Asia to the Caribbean.

There is no evidence that any American industry has been injured in any way due to the duty-free entry of Caribbean products under the CBI. That is not surprising, considering that more than 80% of the Caribbean's products were already entering the U.S. duty-free under the Generalized System of Preferences.

Depending on one's point of view, the CBI has also been beneficial to the nations of the Caribbean Basin. A strict non-interventionist would argue that America is forcing its ideology on these nations and not giving them the freedom to develop their own indigenous systems. This is not the case. No Caribbean nation was forced to participate in the CBI. The U.S. simply offered those nations that qualified increased access to a highly successful economic system based on capitalistic business practices. It is not a question of ideology but of methodology. The CBI affects the ideologies of the Caribbean nations only
in so far as the state of their economy influences their beliefs about the effectiveness of their political and other systems. The CBI is an economic measure. One that appears to be beginning to work.

As Walker Williams, Executive Director of the Caribbean Council has said, "The CBI is not the Reagan administration's magical cure-all to the economic stagnation of the Caribbean Basin region, nor does it pretend to be able to cure Jamaica's 28% unemployment level overnight.... Rather the CBI, a legislative program consisting of mutually re-enforcing measures in trade, investment and financial assistance, strives to create a more favorable environment for indigenous and foreign private-sector enterprise development. Although some of the components of the CBI program--U.S. direct financial aid and immediate duty-free access to the U.S. market--have immediate positive impact on the small depressed Caribbean Basin economies, the majority of the measures are directed at eliminating the long-term structural impediments to growth."74

Is this enough though? Is the CBI a band-aid for a broken leg? It may well be, but it is a step in the right direction. The U.S. could conceivably do much more for the region. However, those other countries who are offering home remedies to the Caribbean, as well as the Caribbean patient itself, might object to more treatment.

Hopefully, the aid being given to the region, in conjunction with the attempts of the CBI to "eliminate the long-term structural impediments to growth" will allow the
region to economically heal itself. As is the case with a broken leg, the doctor may do everything in his power to create an environment that is conducive to healing, but it would all be in vain if the leg did not have a natural tendency to heal. Japan and other diminutive countries show us that small nations with few natural resources can be economically vigorous and healthy. It is now up to the nations of the Caribbean to take advantage of their own resources and abilities in the environment of benevolence provided for them.

Economic success for the Caribbean would be a boon for America and for the world as a whole, but problems that have been developing since colonial times will not be easily or quickly solved. The CBI and the other measures being taken must be given time. The world must practice patience, but must not forego persistence and diligence. Between the implementation and the fruition of any economic measure, new solutions should always be sought. If the CBI band-aid is not as effective as is hoped, a new treatment must be tried, not only for the sake of the Caribbean, but also for the rest of the world.
FOOTNOTES


2. Ibid., p. 4.


4. Ibid., pp. 129-130.

5. Ibid., p. 123.


8. Ibid., pp. 6-7.


11. Ibid., pp. 9-10.


13. Ibid., p. 45, col. 3.


21. Ibid., p. 2.


36. Ibid., p. 58.


38. Ibid., p. 26, col. 1.


40. Ibid., pp. 13-14.

41. Ibid., p. 12


44. Ibid., p. 64.


47. Ibid., p. 92.


49. Ibid., p. 55.

50. Ibid., p. 56.


55. Ibid., p. 61.


59. Ibid., p. 35, col. 1.


61. Ibid., p. 9, col. 3.


63. Henry Harding is not this man's real name. He and others interviewed admitted to using assumed names because, they said, those who speak out against the policies of the party in power have a tendency to lose their jobs.

64. An assumed name.


68. Ibid., p. 35, col. 2.

69. Ibid., p. 35, col. 2.


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