A twelve-year lease on life?

SELLING THE CARIBBEAN

by John Tessitore

Last November nearly two thousand conferees from the United States and twenty-six Caribbean nations gathered in that most Caribbean of all cities, Miami. The occasion was the annual conference on trade, investment, and development in the Caribbean Basin—the seventh such conference to date. This year, however, there was a difference. President Reagan had announced his Caribbean Basin Initiative in February of 1982 at a meeting of the Organization of American States; and on August 5, 1983, following often delicate negotiations with Congress and a score of governments, the Caribbean Basin Economic Recovery Act became law.

At the conference center in Miami the consequences of that law were everywhere to be seen: slow, overcrowded elevators; hordes of secret service men (conspicuous in their drab suits and fraternity-like lapel pins); legions of press and camera people; and, perhaps most telling of all, the faces of the Caribbean delegates themselves, reflecting at once their enthusiasm, hope, and a deep, unconcealable anxiousness.

PEOPLE AND PROFITS

The Caribbean Basin Initiative (CBI) is described by the U.S. administration as a comprehensive package of trade, economic assistance, and tax measures designed to promote growth within the private sector of the Caribbean economies. The heart of the CBI is twelve years of duty-free access to U.S. markets for nearly all products exported from the Caribbean Basin. In addition, U.S. citizens are allowed deductions for expenses of business conventions held in eligible countries.

In fiscal year 1982 the U.S. Agency for International Development (AID) received $350 million in supplemental economic assistance appropriations specifically for disbursement within the Caribbean Basin, and Congress is expected to provide additional funds for at least three more years. Monies are used to finance critical imports from the U.S. and to fund private sector development projects originating both outside and within the Basin countries.

For the CBI to work—that is, for the anemic, often desperate economies of the Caribbean nations to grow—investors must be convinced that the Caribbean Basin is a good bet. Thus the CBI in general, and the Miami Conference in particular, is very much a large-scale sales campaign. Offered for sale is a reliable, inexpensive workforce (Third World businessmen do not hesitate to refer to their native populations in the most unabashedly paternal terms), coupled with tax incentives and an almost embarrassing eagerness to cooperate with the foreign investor. "We are open to any and all forms of investment," said Guillermo Gonzalez, executive director of the Salvadoran Business Leaders Association. Speaking in perfect English, Gonzalez emphasized that El Salvador's agri-industry welcomed 100 per cent foreign investment as eagerly as it did joint ventures—a position echoed by virtually all the nations represented.

"The Caribbean," said George Mallet, deputy prime minister of St. Lucia, "for a long time the Cinderella of the world's communities, is finally being seen as an important consideration among the economic conditions affecting the world....The problem of the Caribbean is—and always has been—economic."

Specifically, the problems are threefold: difficulty of access to markets, low-level production, and high unemployment. To the first the administration has responded with a one-way free-trade zone between the U.S. and the Caribbean nations that will remain in effect for twelve years. This step, seen by the administration as politically bold, has met a variety of responses. Some domestic producers, particularly within the agricultural sector, have understandably voiced concern. What, for instance, will be the effect of unrestricted citrus imports upon Florida's citrus industry? The administration is quick to defend the CBI as a program in *everyone's* best interest. Secretary of Agriculture John Block, addressing the conferees in Miami, pointed out that the growth market for U.S. agricultural exports is not Europe or Japan but the Third World. Now, and for the first time in our history, nearly half of our exports are bought by Third World nations. The problem, however, it is that the economies of these nations are not strong enough to allow them to buy all they need. Thus, said Block, "the U.S. farmer must be concerned with the economic well being of these nations."

Whether or not one is convinced by this argument, the administration's message is clear: We must stimulate the Caribbean economy so that it can, in turn, purchase more U.S. goods. Ironically, such reasoning points directly to the response of critics of the CBI, who view the program as one designed more for the advantage of U.S. banks and multinational corporations than for the Caribbean people. Given duty-free access to the United States, these critics argue, multinational corporations will be encouraged to

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seek ever-greater profits in an environment that permits exploitative wages and unsafe working conditions. Indeed, it is worth noting that the Miami Conference provided no forum for union or other labor representatives, nor it seems were such individuals present. This is hardly surprising. As one islander reminded me, attendance at the four-day conference cost as much or more than a Caribbean worker's annual salary. To those without government or corporate backing, then, the conference was unavailable.

Related to the labor issue is an even more sensitive topic—migration. Though this too was ignored in Miami, no one denies that one aim of the administration's initative in the Caribbean Basin is to retard the rate of migration to the U.S., both legal and illegal. Today the region is the largest source of immigrants entering the United States. Consequently, CBI critics and supporters alike point out that—in crudest terms—the U.S. has a choice between supporting the Caribbean worker in Kingston, San Juan, and Port-au-Prince or in New York, Miami, and San Diego.

Will economic development under the CBI be sufficient to stem the tide of Third World immigration? And economics aside, what does the attempt to "buy off" a particular migrant population say about the U.S.?

DOWN TO BASICS

No matter how one views the administration's motives, access to the U.S. marketplace is meaningless unless production in the Caribbean Basin can be greatly increased. This, of course, requires capital investment.

Investment in the region can take many shapes and come from many sources—including one Miami entrepreneur seeking to erect rollercoasters on the islands. Other investment ventures are more serious but not necessarily less exotic. Jamaica, for instance, has hired a dozen U.S. aquaculture experts to expand its shrimp farms and to experiment with the raising of tilipia—a white-meat fish indigenous to the Mideast and cultivated in Israel in wells. The tilipia project—expected to be a major factor in Jamaica's export growth—is now entirely funded by the Jamaican Government, but it is hoped that eventually outside investors will be found.

In the Dominican Republic, foreign investors are subject to only those rules governing domestic investment, without additional process or restrictions. The Chinese, who constitute a large minority, own 60 per cent of the hotel space—as well as a major percentage of the brothels. Recently, the Dominican Government has spent over $200 million on infrastructure to promote tourism development on its north shore.

Clearly, the Caribbean nations are open to nearly any form of investment, with little in the way of restrictions. Yet one area of concern, particularly among the poorer nations, is job security. A primary objective of the CBI is job creation. Caribbean unemployment figures are staggering, ranging from 26 per cent in Jamaica (down a mere 1 per cent since Edward Seaga replaced Michael Manley as prime minister three years ago) to nearly 50 per cent in Haiti. One measure aimed at reducing these figures is the Project Development Assistance Program (PDAP) designed to generate three thousand jobs over three years in the six islands of the Eastern Caribbean and Belize. Funded by a $5 million AID grant and administered by the international consulting firm of Coopers and Lybrand, each nation is assigned an on-site consultant who works with the local government to assess the country's needs, evaluate its production potential, and assist in attracting outside investment.

Speaking with Stuart McIntosh, an economist assigned to St. Vincent, and Peter Crespo, consultant to Dominica (he refers to Dominica's Prime Minister Eugenia Charles as "my P.M."), one detects a genuine commitment, both personal and professional, balanced by a sound grasp of the social, political, and economic realities. The men explain that under the PDAP jobs have been generated at a cost of about $2,000 each; that while this is in fact several times the per capita income of these impoverished nations, the cost for job creation, according to AID statistics, is as high as $7,000 in other Third World development programs. Given such figures, one obvious question is why bother to create jobs at all; wouldn't it be easier—and less costly—simply to give the money as aid? Here McIntosh and Crespo are quick to defend the program, pointing out

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that aid does not stimulate growth. And though start-up costs are relatively high, great emphasis is put upon finding investments that will provide reliable, long-term employment. For this reason most jobs are in light industry and manufacturing. Ideally, any one company employs from two hundred to three hundred people. Larger-scale industry is avoided for fear that failure or dislocation will "spill" large numbers of the workforce back into the ranks of the unemployed.

One possibility for new investment is the movement of U.S. industry to the Caribbean, with the resultant loss or reduced growth of U.S. employment. Another source of funds is the Far East, especially given the increasing uncertainty over the future of Hong Kong. The British lease is due to expire in 1997, and renewal is far from certain. The PDAP is attempting to capitalize on this uncertainty, and already three businesses have been secured. Overtures have also been made to businesses operating in Singapore and South Korea.

One difficulty to be surmounted is the lack of readily available factory space. The Caribbean Development Bank is reluctant to finance space prior to a confirmed demand, while industries naturally prefer to examine facilities before making the decision to enter a country. For this reason too the PDAP consultants are focusing on small-scale industries, which can be provided with basic structures and facilities quickly and at relatively little expense.

On the positive side, the project's midterm review last July was so favorable that AID is almost certain to extend it for another three years. On the negative side, so many island-nations are seeking to serve the same markets with the same products that a self-defeating "beggar thy neighbor" competition is already on the rise.

RISKS AND REWARDS

The CBI was called many things by many people during the course of the four-day Miami Conference, but perhaps the most dispassionate, and hence valuable, assessment came from U.S. Representative Dante Fascell, chairman of the House Subcommittee on International Operations. The CBI involves risk, he told his audience. There is the constant problem of trying to help our neighbors while being careful to protect our own people. Increased agricultural production in the Caribbean has to mean more potential export to the U.S. and a possible flooding of our markets. Still other problems facing the region are not even addressed by the new legislation. "The CBI is not a panacea, it does not have all the answers. It is *an* answer."

Whether the Caribbean nations can view the CBI with similar dispassion is doubtful. Some, like Dominica's Prime Minister Charles, openly describe the CBI as too little too late—adding, however, "we'll take it for now." Others are irritated by the export restriction on apparel, noting that clothing assembly is a primary skill of the Caribbean workforce and the U.S. an essential market. At the same time, representatives of the Caribbean business communities are clearly uncomfortable addressing audiences of potential U.S. investors—all too conscious that in most instances they have little to offer beyond a mild climate and a "wonderful people."

Shortcomings exist, then, on both sides: with the CBI legislation, its exceptions and limitations, and with the Caribbean nations themselves: civil war in El Salvador, an AIDS scare in Haiti, the recent upheaval in Grenada, to name just a few. Yet despite an uncertain prognosis, there was no doubt in Miami that the CBI has been greeted with enthusiasm by the Caribbean's public and private sectors alike. For the people of the region the CBI provides what one island native called a "psychological lift." Though it can promise little, it offers a *chance* for better education, better health care, better housing—in short, for the elevation of human dignity. WV