

[COMMITTEE PRINT]

THE CARIBBEAN BASIN INITIATIVE:
CARIBBEAN VIEWS

REPORT

OF A

Congressional Study Mission and Symposium

ON THE

Caribbean Basin Initiative

September 18-19, 1987

TO THE

COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES



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FOREWORD

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

This report stemming from a congressional study mission and symposium on the Caribbean Basin Initiative held September 18-19, 1987, was submitted to the Committee on Foreign Affairs by Hon. Geo. W. Crockett, Jr., chairman of the Subcommittee on Western Hemisphere Affairs, and Hon. Don Bonker, chairman of the Subcommittee on International Economic Policy and Trade, both of the Committee on Foreign Affairs.

The findings in this report are those of the members participating in the symposium and do not necessarily reflect the views of the membership of the Committee on Foreign Affairs.

DANTE B. FASCELL, *Chairman.*

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LETTER OF TRANSMITTAL

COMMITTEE ON FOREIGN AFFAIRS,
HOUSE OF REPRESENTATIVES,
Washington, DC, December 22, 1987.

HON. DANTE B. FASCELL,
*Chairman, Committee on Foreign Affairs,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: Transmitted herewith is a report of a congressional study mission and symposium on the Caribbean Basin Initiative conducted in Barbados September 18-19, 1987.

The purpose of the study mission was to consult with representatives of a broad range of Caribbean organizations on how they see the effectiveness of the Caribbean Basin Initiative—its successes, its failures, and its effects on the lives and livelihood of the Caribbean people. Representative Dan Mica filled in as cochairman when Chairman Bonker was unable to make the trip due to last-minute scheduling problems. Other members participating in the study mission included Representatives Mervyn M. Dymally, Jaime B. Fuster, and Ben Blaz of the Committee on Foreign Affairs, and Representative Kweisi Mfume of the Committee on Banking, Finance and Urban Affairs. We met for 2 intensive days with a panel of 20 representatives of government, business, development organizations, academia, trade unions, churches, small-business and small-farmers' organizations, and opposition political parties. Close to 100 people were in the audience, and many of them participated in the discussion. The analysis and recommendations of the symposium are presented in the attached report.

A venture of this magnitude would not be possible without a great deal of assistance. We thank you, Mr. Chairman, for authorizing the mission, and Prime Minister L. Erskine Sandiford and the Government of Barbados, Ambassador Paul A. Russo and the staff of the United States Embassy, and our many Caribbean friends and colleagues for all they did to make the symposium the success that it was. We wish in particular to recognize the very effective work of The Development Group for Alternative Policies in organizing the symposium and producing the report.

Sincerely,

DON BONKER,
*Chairman, Subcommittee on
International Economic
Policy and Trade.*
GEO. W. CROCKETT, JR.,
*Chairman, Subcommittee on
Western Hemisphere Af-
fairs.*

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REPORT ON THE CONGRESSIONAL STUDY MISSION AND SYMPOSIUM ON THE CARIBBEAN BASIN INITIATIVE BARBADOS, SEPTEMBER 17-21, 1987

Summary

On September 18-19, a Congressional symposium was held in Barbados as the centerpiece of a study mission designed to investigate the shortcomings of the Caribbean Basin Initiative (CBI) and to elicit recommendations for its improvement from people representing a wide range of Caribbean sectors. The six-member delegation engaged in concrete, detailed discussions with a panel that included government ministers, heads of regional organizations, private-sector leaders and representatives of non-governmental organizations that work directly with the poor. The exercise was sponsored by two subcommittees of the House Foreign Affairs Committee: the Subcommittee on Western Hemisphere Affairs and on International Economic Policy and Trade. The committees were ably assisted by The Development Group for Alternative Policies, which organized the symposium.

The study mission was an unqualified success. The delegation received incisive analyses of the CBI and many practical suggestions on which consensus was reached. Furthermore, the exercise in Barbados established the basis for ongoing, broad-based consultations that will enrich future Caribbean policy deliberations.

The Caribbean participants at the symposium expressed a desire to work with U.S. government agencies to make the Initiative more relevant to the needs of the region, despite their strong criticisms of the CBI. There was virtual unanimity that the CBI was proving inadequate to address the deteriorating economic situation in the Caribbean. The conferees explained that the CBI's effectiveness has been limited by the incorrect assumption that an emphasis on export production, without strong links with local economies, can yield self-sustaining growth and a broad sharing of development benefits. In fact, this emphasis, according to the participants, has contributed to a diversion of resources from the Caribbean's many small producers. Small farmers, the backbone of the region's food system, have been perhaps the hardest hit.

The symposium participants linked shortcomings in the formulation and implementation of the Initiative to insufficient consultation in the region. They called for an institutionalizing of a regular two-way communication between U.S. policymakers and Caribbean representatives (ideally through the establishment of the CBI as a multinational venture), and they stressed the importance of a central role for non-governmental

organizations with an on-the-ground presence. It was agreed that the policy proposals derived from the symposium discussions should be reviewed with Caribbean representatives in a subsequent consultation.

Overall, there was a consensus that the CBI should provide greater access to the U.S. market for Caribbean goods while promoting regional approaches to economic self-reliance and greater control by the poor over their own development. The participants agreed that the CBI could be improved by directing resources to small producers' organizations and to the development of infrastructure required by these groups and by larger Caribbean businesses. They called on the United States to support public and private financial institutions that make credit available to women and other small producers, particularly those who can help the region achieve self-sufficiency in food.

The conferees urged that the United States focus less on underwriting factory operations engaged primarily in assembling imported components (often in free-trade zones in which labor rights are not fully protected), and promote, instead, efforts to increase regional self-reliance. The United States could, they suggested, help reduce Caribbean long-term dependence on external assistance and imports, especially food, by helping the Caribbean to upgrade its capacity to transform its raw materials into processed goods for local consumption and for the diversification of exports. They called on the United States to commit its resources to the employment of Caribbean consultants and to the training of Caribbean personnel rather than to the engagement of outside "experts", as has been common under the CBI.

The policy advice given under the CBI, which has resulted in an increasing openness in Caribbean economies, has contrasted markedly, the symposium participants emphasized, with the slow pace at which the United States market has opened to any significant extent to Caribbean goods. They agreed that tariffs on all Caribbean products should be phased out and that a fund should be established to help stabilize commodity prices. In addition, the participants urged that the right of the U.S. President under the CBI unilaterally to terminate trade preferences for designated products be eliminated and that USDA and the U.S. Customs Service cease actions that effectively ban goods not specifically excluded by Congress. They recommended that these agencies make detailed information available regarding U.S. import requirements so as to eliminate uncertainties and confusion among Caribbean exporters.

At the same time, the conferees suggested that more U.S. support be provided to Caribbean tourism, one of the region's largest industries and one that is not constrained by U.S. trade barriers. This support, it was suggested, should help integrate tourism more fully with Caribbean economies and cultures. It was

pointed out as an example that stronger links between hotels and local agriculture would reduce the import bill and help stimulate the local economy.

A principal criticism of the CBI at the symposium was that it has promoted U.S.-Caribbean economic relations on a bilateral basis, thereby generating competition among Caribbean countries in U.S. markets instead of promoting greater regional integration. The conferees called on agencies of the United States government to work with existing regional organizations, such as the Caribbean Common Market, the Caribbean Development Bank and the Caribbean Food Corporation, as well as regional non-governmental groupings, rather than establish new programs that duplicate their efforts. It was also recommended that the United States negotiate trade agreements with the Caribbean on a multilateral basis.

The symposium participants suggested, as well, that funds presently spent on military aid for the Caribbean be reallocated to strictly development pursuits. This, they explained, would constitute a more constructive utilization of U.S. resources. A shortage of investment funds in the Caribbean has led some to investigate the 936 program of Puerto Rico, not formally a component of the CBI, as a potential source of financing. While restrictions on the program limit its usefulness as an investment and development tool, the participants asked that more information on its possible applications be provided by the United States.

The Caribbean panelists and audience repeatedly urged that a mechanism for ongoing consultation, information sharing and the monitoring of CBI programs be established. They commended the Subcommittees for taking the initiative to consult with the people of the region, and they committed themselves to work with the Subcommittees to restructure the CBI so that it addresses the needs and concerns of the people of the Caribbean and the United States.

Background

In 1982, the Reagan Administration announced the formulation of the Caribbean Basin Initiative, a package of aid, trade and investment measures intended to engender economic growth and development in Central America and the Caribbean. Congress that year approved a \$350 million aid program for the region and, in mid-1983, passed the Caribbean Basin Economic Recovery Act, whose trade and tax benefits came into effect on January 1, 1984.

Since that time, there has been little evidence of economic progress in the region. In most places and sectors and among most population groups in the Caribbean, the economic situation

has, in fact, deteriorated. At the same time, Caribbean leaders have complained that Central America has received an inordinately large share of U.S. resources under the CBI. Dissatisfaction with the Initiative has been increasingly expressed by those government and private-sector representatives who had embraced the CBI at its inception.

For these reasons, the staff of the Subcommittee on Western Hemisphere Affairs visited Jamaica and five countries in the Eastern Caribbean in January 1986. In addition to meeting with government and private-sector leaders, the staff delegation enlisted the assistance of The Development Group for Alternative Policies (The Development GAP) in arranging visits to representatives of a wide range of "social sector" organizations that either represent or work closely with the large part of the Caribbean population that is poor and disadvantaged.

In January 1987, a Congressional delegation led by Representatives J.J. Pickle and Sam Gibbons of the Committee on Ways and Means visited the Caribbean to investigate the impact of the trade provisions of the CBI. Their discussions with government and private-sector leaders yielded legislative action (H.R. 3101, introduced by Representative Gibbons) that hopefully would extend for another twelve years the duty-free treatment of goods authorized under the 1983 CBI legislation and remove or reduce trade barriers to sugar and other goods.

In order to build on the proposals contained in H.R. 3101, and to respond to the increasing recognition -- both in the Caribbean and the United States -- that the CBI was proving inadequate to address the deteriorating economic situation in the region, the Chairman of the Subcommittee on Western Hemisphere Affairs, Representative Geo. W. Crockett, Jr., determined that a top-to-bottom review of the CBI, its implementation, the assumptions underlying it, and proposals for alternative approaches was needed. It was further determined that this review would begin by consulting with the people of the Caribbean themselves -- including not only the government and private-sector leaders who are normally consulted on this issue, but also other non-governmental organizations representing and knowledgeable about a broad range of economic and social sectors.

Accordingly, a Caribbean symposium was organized, under the joint sponsorship of the Subcommittee on Western Hemisphere Affairs and the Subcommittee on International Economic Policy and Trade, for the purpose of providing a forum at which a wide range of voices could be heard by Members of Congress and a stimulating interaction on fundamental issues could be facilitated. The Chairman of the Subcommittee undertook to lead a Congressional delegation to the symposium; The Development GAP was invited to assist the event and to assume responsibility for its organization.

Study Mission Objectives and Format

The symposium was held September 18-19 at the Hilton International Hotel in Barbados. Chairman Crockett was joined by Representative Dan Rostenkowski (D-Ill.), standing in for Chairman Don Bonker of the Subcommittee on International Economic Policy and Trade, Representatives Ben Blas (R-Guam), Mervyn M. Dymally (D-Calif.), Jaime B. Fuister (D-P.R.), and Kwesi Mfume (D-Md), the President of the Caribbean Development Bank (CDB), the head of the Economic Division of the Caribbean Common Market (CARICOM), the Director General of the Organization of Eastern Caribbean States (OECS), and representatives of development organizations, the private sector, trade unions, churches, small-business and small-farmers' organizations, and opposition political parties. Eight of these individuals made formal presentations during the course of the symposium. The audience participated actively in the sessions, making comments and posing questions for the panelists.

In addition to the symposium itself, the study mission included luncheons at which addresses were made by the Prime Minister of Barbados and the Director General of the OECS. Receptions at the residences of the Barbadian Prime Minister and the U.S. Ambassador, and frank and open, off-the-record consultations by the Congressional delegation with the Prime Ministers of Barbados and the Bahamas, facilitated dialogue on the issues during the intensive two-day exercise. The official program and a list of the invited panelists are presented in the Appendix.

The symposium was organized in such a manner as to maximize the sharing of perspectives and ideas from a broad range of Caribbean sectors, to provide the delegation with in-depth analyses and critiques of the CBI, to yield practical recommendations for improvements in the CBI and H.R. 3101 and for alternative courses of action, and to establish a precedent and a basis for ongoing, broad-based consultations on these and related policies. In terms of the achievement of all these objectives, the study mission was an unqualified success.

Introduction and Overview

Attention during Day 1 of the symposium was focused on the impact of the CBI. There was virtual unanimity at the symposium, as there is in the Caribbean in general, that the CBI has not fulfilled its promise of stimulating economic growth and development. According to a representative of the Caribbean Association of Industry and Commerce, the "failures and

frustrations of the CBI are well documented. The successes are hard to identify, and it is difficult to find any significant successful ventures that could be directly attributed to the CBI package. The conference participants provided various perspectives on these failings, their causes, and their consequences. On many of these points there was a broad consensus among the Caribbean panelists.

The analysis and assessment of the CBI established the context within which suggestions were made on Day II for upgrading the performance of the Initiative and the programs it has spawned. Despite the serious criticisms of the CBI and the assumptions underlying it, all the participants agreed that the CBI should not be scrapped, but should provide the framework for a restructured economic relationship between the United States and the Caribbean. It was agreed that the Gibbons bill, with some modifications, would make the necessary improvements in the area of trade. Other changes in the economic relationship would best be made through a comprehensive package of integrated policies and programs reflecting the needs and interests of the Caribbean populations.

The following principles can be extracted from the deliberations as a guide for development policies in the region:

1. self-determination -- the shaping of Caribbean development models inside, rather than outside, the region;
2. participation -- the broad-based involvement of Caribbean people in the definition and implementation of those development strategies;
3. self-reliance -- the building of local structures and capacities that would enable the Caribbean to reduce its dependencies on goods, resources, and assistance from outside the region;
4. regionalism -- the fostering of cooperation, rather than competition, among the countries of the region and the strengthening of regional organizations;
5. equity -- the equitable distribution of the opportunities, resources, burdens, and benefits of development throughout Caribbean societies; and
6. sustainability -- the adoption of modes of development grounded in a secure and healthy resource base, local human capacity, and stable sets of economic relations.

Problems with the CBI

Although there was strong criticism of the CBI at the symposium, and considerable feeling that the CBI was designed to serve U.S. interests more than those of the Caribbean, a great deal of willingness was also expressed by the Caribbean participants to work with the U.S. government to improve the CBI so that it responds to Caribbean realities, needs and capabilities.

People in the Caribbean and the United States predicted five years ago that the export-led development approach embodied in the CBI would not work, but this analysis did not gain currency among policymakers. At the Barbados symposium, the delegation heard again that the effectiveness of the CBI is limited by incorrect assumptions. The consensus was that export production that is based upon low-wage investment, without strong linkages with the local economies, cannot expand consumption and internal markets, provide secure employment, upgrade local development infrastructure and the capabilities of the local private sector, and thus yield self-sustaining growth in the region.

It was acknowledged and emphasized that the Caribbean private sector has a very important role to play in Caribbean development, particularly within the framework of the CBI. But there was also a recognition of the limitations of that sector, particularly in the smaller island states. The conventional private sector consists principally of traders; experience in production and competition is very limited in most industries.

In this regard, the role of small enterprises, cooperatives, farmers' unions, and others engaged in local economic activity was highlighted as a critically important but often ignored aspect of private-sector efforts. At the same time, it was agreed that the public sector has a central role to play in providing the infrastructure essential to national and regional development. It was emphasized that trade liberalization will not help if the appropriate productive and commercial infrastructure is not in place. The CBI has not made significant contributions to this generally weak regional infrastructure, the symposium participants noted, nor has it helped the Caribbean to overcome the transport and other infrastructural barriers to entering the U.S. market.

Far more consideration should have been given to these and related issues when the CBI was originally designed, the participants agreed, and must be given to them now if the United States is to contribute to truly Caribbean processes of development. In this context, they saw the Gibbons bill as an important step forward, but they also stressed the importance of addressing broader aspects of Caribbean economic development. Local populations must be involved, the conferees said, to ensure

that productive resources and the benefits from Caribbean production and trade permeate each economy.

The Need for Broader Consultation

During the two-day symposium, the Caribbean participants repeatedly emphasized the importance of the proceedings and of broad-based consultation, in general. The CBI's shortcomings were attributed largely to the lack of meaningful consultation during the formulation and implementation of the program. The participants stressed that the CBI was designed without the benefit of input from the people of the Caribbean that would have enabled U.S. policymakers better to incorporate Caribbean realities into the plan.

While this view was expressed in various ways by a number of social-sector representatives, it was articulated most strongly by the government ministers on the panel and by the President of the Caribbean Development Bank. They pointed out that CBI conferences have involved narrow discussions among government and private-sector representatives on business opportunities. The Ministers stressed the importance of hearing the views of Caribbean non-governmental organizations, because of their relationships to the people at the local level. They saw the symposium as a critically important first step in bringing Caribbeans into a process from which most had been excluded, and they urged the Congressional delegation and the two subcommittees to make such two-way communications a central and regular feature of U.S.-Caribbean relations. It was generally agreed that broader Caribbean participation would ensure that U.S. policies and programs reflect local realities, and would encourage commitment in the region to their success.

In addition, it was pointed out that aid cannot successfully stimulate development if it is imposed upon people. The symposium participants reflected a strong sentiment against attempts by outside "experts" and interests to direct the development course that the Caribbean must take. If the CBI is to succeed, the conferees maintained, common people must have access to the information required to make decisions about CBI programs and policies, and must be involved in the decision-making process.

The following recommendations were made by the participants:

1. policy proposals derived from the symposium should be reviewed with the Caribbean participants in a subsequent consultation;
2. a permanent consultative mechanism should be established that would permit ongoing U.S.-Caribbean communication on

policy matters and CBI regulations and facilitate the monitoring of the CBI and related programs;

3. consideration should be given to the establishment of the CBI as a multinational venture (similar to the Lomé Convention), the Secretariat of which would serve as a permanent consultative mechanism; and
4. consultations should include Caribbean non-governmental organizations, particularly regional groupings, which reflect grassroots perspectives.

The CBI and the Poor

According to representatives of a broad range of segments of the Caribbean population, the CBI is widely perceived as lacking relevance to the fundamental problems of the majority of the people. The delegation was told of a growing alienation of the people from their governments, exacerbated by structural adjustment programs that hit the poor the hardest and most directly. Four years after the introduction of the CBI, the region continues to suffer high unemployment rates, which themselves do not fully reflect the level of joblessness, it was explained, since many have despaired of finding work and have ceased to try. In Jamaica, for example, many cannot afford the bus fares required to continue the search.

The costs of underdevelopment and externally imposed structural adjustment have been borne most heavily by women. Representatives of women's organizations and other symposium participants explained that the necessity of supporting children has left women dependent and vulnerable to exploitation, and has forced many to turn to prostitution. Women's vulnerability is reflected not only in their personal relationships, they added, but has also made their labor more easily exploitable.

Such exploitation, the delegation was told, is greatest in free-trade zones, where labor rights are often not recognized. Labor unions have had great difficulty in gaining access to these zones, where wages are very low even by Caribbean standards. The CBI was seen by many at the symposium as reflecting or contributing to a pattern of investment and development that exacerbates these problems.

Those at the symposium whose organizations work with the poor argued strongly that the CBI's emphasis on large-scale export production by large Caribbean companies and foreign investors was contributing to a diversion of resources away from small Caribbean producers and traders. Small farmers have perhaps been hardest hit, they said. Although they constitute the backbone of the region's local food system, in several

countries small farmers lack access to credit and services, which are concentrated in large-scale, high-technology, export agriculture managed often by foreign firms. The participants explained that banks generally are not organized to provide capital to small producers. Members of the symposium audience and panel confirmed from personal experience that even those small enterprises with collateral find banks reluctant to provide them with risk capital. This is particularly true of international banks, they said, despite the fact that they attract the savings of a large part of the general Caribbean public.

The participants identified the channelling of aid to the less fortunate segments of the Caribbean population as a priority in the region's development. In order to expand opportunities in the region and achieve greater equity among all parts of the population, it was suggested by the symposium participants that the following action be taken:

1. aid under the CBI should be used to create or help capitalize financial mechanisms that could direct resources to small and medium-sized Caribbean farm and manufacturing enterprises, cooperatives, and other local ventures, rather than to support large Caribbean and foreign businesses that already have sources of financing;
2. the Caribbean Development Bank and national development banks should be provided the resources with which to open soft-loan windows, so as to increase access to credit for small producers, particularly rural women;
3. the commercial banking system in the region should be opened to non-traditional borrowers by calling forth risk capital through the design and support of financial guarantee schemes;
4. aid for development efforts should be channelled to the maximum degree possible through those U.S. institutions, such as the Inter-American Foundation, which directly fund poor people's organizations;
5. the United States should help to advance the cause of labor rights in the region, particularly in free-trade zones, by establishing an investment code under which U.S. companies must adhere to the same rights enjoyed by U.S. workers, and by conditioning trade preferences on compliance with these standards; and
6. mechanisms utilizing the on-the-ground presence of non-governmental organizations should be established by USAID to monitor the situation of the poor and the impact of CBI-related programs and policies on them.

Barriers to the U.S. Market

There was considerable discussion during the symposium about the problems that Caribbean exporters have had in penetrating the U.S. market. The participants expressed annoyance over the failure of the United States to open its markets to any significant extent since the CBI was launched. Government representatives pointed out that Caribbean textiles, for example, would have little impact on the U.S. market, and that the Caribbean purchases a large amount of its consumer and capital goods in the United States. The Chairman of Grace, Kennedy and Co., Ltd., of Jamaica juxtaposed U.S. protectionism with the openness of Caribbean economies required by the CBI. Jamaica, he pointed out, has honored this obligation, making its local industries particularly vulnerable to foreign competition.

A good deal of discussion was also devoted to unanticipated problems that Caribbean goods have faced at U.S. ports of entry. In this regard, attention was focused mainly on the U.S. Customs Service and USDA. According to the symposium participants, the Caribbean is full of "horror stories" about the trouble that people in the region have had in satisfying USDA standards and regulations in their efforts to gain entry for their products. At the same time, they said, the Customs Service, in response to U.S. lobbyists, has introduced quarantine requirements, reclassified certain products, and in other ways effectively banned goods that Congress had not specifically sought to exclude from the U.S. market.

The participants stated that the ambiguities and confusion that arise from the scarcity of information available in the region on these policies are as troubling as the exclusions themselves. They also cited as a cause of uncertainty the right that the President of the United States has under the CBI to terminate, upon the recommendation of the Secretary of Commerce, trade preferences for designated products. This stipulation, it was explained, can cause considerable dislocations.

The conferees engaged, as well, in extensive discussion of the Gibbons bill. They welcomed the provisions that would reduce tariffs on a range of goods, return sugar quotas to pre-CBI levels, and extend the life of the CBI trade program another twelve years. The last measure, it was agreed, would provide the increased security required by many investors who wish to produce for export to the United States. They also suggested additional measures that would reduce the non-tariff obstacles faced by Caribbean exporters.

At the same time, however, there was a recognition among the participants that U.S. markets might remain in large part closed to key Caribbean goods for some time to come. This possibility, coupled with the increasing vulnerability of Caribbean economies,

precipitated sober reassessments of the CBI model and the articulation of alternative and less dependent modes of development for the region.

This skepticism notwithstanding, the participants continued to urge the United States to open its markets wider to Caribbean goods. They made the following suggestions:

1. the Gibbons bill should be modified to phase out restrictions on all remaining Caribbean products, and to eliminate the President's authority under the CBI unilaterally to deny access for a given product to the U.S. market;
2. a fund, modeled after STABEX of the Lomé Convention, should be established to help stabilize commodity prices in international markets; and
3. USDA and the Customs Service should be required to prepare and make readily available specific and explicit information regarding the classification and standards of products relevant to their entry into the United States.

Self-reliance and Food Self-sufficiency

Far from enhancing food self-sufficiency and security in the region, the CBI has contributed to the increasing need in the Caribbean for food imports, according to many at the symposium. As an example of the dangers of sacrificing the production of goods required locally in order to develop exports for an uncertain international market, the participants cited the case of Costa Rica's cut flowers, which replaced food crops and then failed to secure permanent access to the U.S. market.

The President of the Caribbean Development Bank stressed the need for external support for efforts to increase regional and national self-reliance. He was joined by others who lamented the neglect under the CBI of infrastructural and human capital development and of production for satisfying the housing and other needs of the local population. Together they pointed out that economic progress cannot be achieved through efforts by donor countries to impose their own development philosophies on aid recipients. Instead, they said, development policies should reflect principles articulated by the people of the region.

The participants emphasized that the provision of resources to Caribbean producers for production that is for local needs, and upon which agro-processing industries and a diversified export program can be based, and would upgrade Caribbean capabilities and would greatly reduce Caribbean dependence on outside assistance and imports over time. It would also, it was

suggested, produce far more stability in employment than do off-shore assembly industries that have few links with the local economy.

In this regard, the participants stressed the importance and potential of tourism as a major Caribbean industry, while pointing out that the CBI accords it little attention. While cautioning that Caribbean dignity and values should not be compromised in the pursuit of the tourist dollar, the participants recommended increased support for the sector and urged that it be paralleled by actions to integrate tourism more fully with local economies. Presently, they explained, tourism's effectiveness as a development tool is limited by weak links with other sectors, as reflected by the great amount of food that is imported by hotels and restaurants.

The potential for change is great, however, and the Secretary General of the Caribbean Tourism Research and Development Centre told the symposium that "... we are willing to take the necessary steps for the transformation of this industry in such a way that it belongs to the Caribbean..." In this vein, it was suggested that national governments should play a more active role, as is done in Europe, so as to minimize tourism's social ill effects and to maximize its positive development impact.

In order to promote a higher degree of Caribbean economic self-reliance, the symposium participants suggested that the following actions be taken:

1. U.S. resource allocations should be directed less at promoting and underwriting assembly operations that produce exclusively for export, than at undertakings geared to achieving food self-sufficiency (through existing regional institutions, such as the Caribbean Food Corporation), and to the development of local materials and techniques in other key domestic sectors such as housing;
2. the United States should assist the Caribbean to increase its capacity to use its raw materials to produce processed goods for local consumption and to diversify its exports;
3. support should be provided through indigenous regional institutions, whenever possible, for improved training and educational opportunities for the Caribbean people, particularly in the areas of administration, finance, science, technology, and tourism;
4. the United States, under the CBI, should engage Caribbean rather than U.S. consultants, advisors, and technicians in its aid programs wherever possible;

5. the expansion of the tourism industry and its further integration with Caribbean economies and cultures should be promoted through support for such measures as the use by Caribbean hotels of local agricultural produce in place of imported food; and
6. the United States should help improve the investment environment for tourism (e.g., through the creation of a data bank within OPIC and the updating of the Commerce Department's 1985 assessment of the investment potential in tourism), and should provide the Caribbean tourism industry with marketing assistance in the United States.

Regional Cooperation

There was a recognition on part of the participants that self-reliance in the Caribbean must be pursued on a regional basis. Experience in producing for, and marketing in, a regional market is essential, they stressed, for those Caribbean firms hoping to compete effectively internationally. The expenditure of hard currency can be substantially reduced, they added, through the rationalization of production and the expansion of trade within the region. This approach, according to the participants, calls for a substantial upgrading of the intra-regional commercial and communications infrastructure and greater external support for the regional institutions that were created to help achieve this objective.

A major criticism of the CBI at the symposium was that it has sought to promote U.S.-Caribbean economic relations on a strictly bilateral basis. Trade relations have been fostered that have generated competition among Caribbean countries in U.S. markets. It was pointed out, rather than promoted greater regional integration. Overall, it was repeatedly suggested, the thrust of the CBI has been in conflict with cooperation among the Caribbean countries. Rather than supporting existing regional programs, USAID has established parallel programs, in many cases duplicating the work of regional institutions, according to the symposium participants.

The participants pointed out that the CBI has all but bypassed the Caribbean's principal regional organizations: the Caribbean Development Bank, CARICOM, the Caribbean Food Corporation, the University of the West Indies, and the Caribbean Research and Development Institute (CARDI). It was suggested that the Gibbons bill could help remedy this shortcoming by prescribing a role for CARICOM and other regional organizations that have been established to promote regional trade.

For the goal of greater regional integration and cooperation

to be achieved, the participants recommended a number of measures that could be taken:

1. the Gibbons bill should be modified to require the United States to negotiate trade agreements with Caribbean states on a multilateral basis;
2. the United States should provide lines of credit to regional trading mechanisms, such as CARICOM's Multilateral Clearing Facility and the Caribbean Export Bank (currently in creation), so as to facilitate intra-regional trade and create the conditions for entry into the extra-regional market;
3. USAID should channel its assistance through the Caribbean Development Bank and other official and non-governmental regional institutions for the purpose of building and strengthening the intra-regional infrastructure needed to facilitate productive and commercial activity;
4. the Gibbons bill should be modified so that, in addition to materials and components of U.S. origin, inputs from elsewhere in the Caribbean are included in the calculation of value-added and thus in the determination of duty-free eligibility of Caribbean goods entering the U.S. market; and
5. the United States should join with Canada, the European Economic Community, and other donors in the promotion of a multilateral and regional approach to supporting development in the Caribbean.

Availability of Development Resources

Despite the CBI, there has been a steady decline in the Caribbean over the past several years in resources available for development. The symposium participants identified a number of causes, including trade imbalances, capital flight, the concentration of Caribbean Basin aid in Central America, and increases in military assistance. While the absolute amount of military aid to the region is small, it has added a new dimension to Caribbean life and has raised questions, according to some of the conferees, about the intent of the United States, and thus the CBI, in the region. The delegation was urged to consider a reallocation of aid funds to purely developmental pursuits.

While not strictly speaking a CBI program, the 936 program of Puerto Rico is another potential source of development resources that was discussed by the symposium participants. They argued that the Puerto Rico twin-plants program suffers from several deficiencies that severely limit its usefulness as an investment and development tool. First, the rules for the use of

the program's funds are unclear, and what information exists is not available in a concise and usable form. Second, access to 936 funds for investment outside of Puerto Rico, on a twin-plant basis or otherwise, is restricted by U.S. corporate ownership of, and discretion over, the funds. Third, this private-sector control brings with it lending criteria that, for all intents and purposes, precludes the provision of loans and loan guarantees to small-scale enterprise in the region. The participants expressed deep concern over the exclusion of this vibrant and growing entrepreneurial sector.

Fourth, concerns were expressed that the transfer of technology and skills through the twin-plant program -- a major selling point of that program -- has been very limited and that when it does occur it generally fails to take into account the existence of local skills in the targeted country. Finally, 936 funds are not available for infrastructure needs unless that investment leads to the establishment of twin-plant operations.

In order to maximize the resources available for Caribbean development, the conferees made the following recommendations:

1. the United States should decrease its expenditures on military assistance to the region;
2. the United States, in cooperation with U.S. banks and Caribbean governments, should study ways to prevent the illegal flight of capital from the region;
3. the United States should help improve the investment environment in the region by providing better information on U.S. import laws and regulations (through seminars and training), on investment opportunities, and on the application of 936 funds to twin-plant operations in the Caribbean; and
4. the United States should help ease the restrictions on 936 funds so that they become accessible to small producers in the Caribbean and available for the development of related infrastructure, and so that an agreement on tax-information exchange is not required as a condition for a tax-exemption.

Conclusions

The delegation was impressed and, indeed, overwhelmed by the depth of analysis of the CBI and by the number of concrete recommendations provided by the Caribbean participants during the two-day symposium. Their input, reflecting a wide range of views, including for the first time those of the common people of the Caribbean, will be invaluable in Congress' review of U.S. economic policy toward the Caribbean.

Equally important was the process set in motion in Barbados. The idea and practice of involving a broad-based representation of the people of the Caribbean in a policy dialogue caught the imagination of all those involved. There is a commitment to move forward together to formulate policies and programs that can and will work and benefit all the people of the region.

The symposium was a unique and remarkably successful exercise. It yielded understandings of Caribbean economic life that conventional investigations do not produce. As a vehicle for enhancing the quality of policy-making, it has great merit, not just for the Caribbean, but for Latin America and for the rest of the Third World, as well.

ADDITIONAL VIEWS OF HON. MERVYN M. DYMALLY

After visiting the Caribbean region on numerous occasions and engaging in consultations with the Ministers of the countries of the region, it is my conclusion that the Caribbean Basin Initiative (CBI) will never accomplish its purpose, unless it commits the necessary resources to building the public infrastructure, and thus cater to the human needs of the people of the region.

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APPENDIX 1

PARTICIPANTS

CO-CHAIRS

The Honorable GEO. W. CROCKETT, Jr., *Chairman, Subcommittee on Western Hemisphere Affairs.*
The Honorable DAN MICA, *Representing Chairman DON BONKER, Subcommittee on International Economic Policy and Trade.*
The Honorable MERVYN M. DYMALLY.
The Honorable JAIME B. FUENTES.
The Honorable BEN BLAZ.
The Honorable KWESI MFUME.

PANELISTS

Name, organization, and country

Arlton Alexander, Grace, Kennedy & Co., Ltd., Jamaica.
Eggy Antrobus, Women and Development Unit (WAND), Barbados.
Veta-Ann Baker, Association of Development Agencies, Jamaica.
Richard Bernal, University of the West Indies-Mona, Jamaica.
Rayden Blades, CARICOM, Guyana.
Iurns Bonadie, Caribbean Congress of Labour, Barbados.
George Brizan, Former Minister of Agriculture, Grenada.
Marcus DeFreitas, Minister of Agriculture, St. Vincent.
William Demas, Caribbean Development Bank, Barbados.
Jeville Duncan, Caribbean Conference of Churches, Barbados.
Enrique Fernández, SOLIDARIOS, Dominican Republic.
Alan Fields, Caribbean Ass'n of Industry and Commerce, Barbados.
Joan French, Caribbean Feminist Research Association, Trinidad.
J. E. Greaves, Minister of Trade, Industry & Commerce, Barbados.
Arlene Horne, National Farmers' Union, St. Vincent.
Hughan Lewis, Organization of Eastern Caribbean States, St. Lucia.
George Mallet, Minister of Trade, Industry & Commerce, St. Lucia.
Emilio Pantojas, Proyecto Caribeño de Justicia y Paz, Puerto Rico.
Joseph Peltier, Caribbean People's Development Agency, St. Vincent.
Jement Richards, Candle Industries Co-op, Dominica.

DIGNITARIES

The Honorable LYNDEN PINDLING, *Prime Minister of the Bahamas.*
The Honorable L. ERSKINE SANDIFORD, *Prime Minister of the Barbados.*

ORGANIZERS

Therton Martin.
Stephen Hellinger, *Development Group for Alternative Policies.*

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DAY II, SATURDAY, 19 SEPTEMBER: ALTERNATIVE APPROACHES AND
RECOMMENDATIONS—Continued

APPENDIX 2
PROGRAM

DAY I, FRIDAY, 18 SEPTEMBER: ANALYSIS AND CRITIQUE OF THE CBI

7:30- 9:15 am	Registration.
9:15-10:00	Welcome and Introductions: The Honorable Geo. W. Crockett, Jr., Chair, Subcommittee on Western Hemisphere Affairs, U.S. House of Representatives. The Honorable Don Bonker, Chair, Subcommittee on International Economic Policy and Trade, U.S. House of Representatives. Mr. Atherton Martin, Coordinator, Caribbean Program, The Development GAP. His Excellency, Paul A. Russo; U.S. Ambassador to Barbados and the Eastern Caribbean. Sir James Tudor, K.C.M.G., Minister of Foreign Affairs, Barbados.
10:00-10:40	Presentations: Mr. William Demas, President, Caribbean Development Bank. Ms. Peggy Antrabus, Tutor-Coordinator, Women and Development Unit (WAND), University of the West Indies, Barbados. The Honourable Marcus DeFreitas, Minister of Trade, Industry and Agriculture, St. Vincent and the Grenadines. Dr. Richard Bernal, Professor, Department of Economics, University of the West Indies, Jamaica.
10:40-11:00	Break.
11:00-11:45	Questions from Members of Congress.
11:45-12:30 pm	Discussion among Panelists.
12:30- 2:00	Luncheon sponsored by: Agricultural Missions, Inc., Inter-Pares, Oxfam-America, Oxfam-Canada, The Development GAP. Address by The Honourable L. Erskine Sandiford, Prime Minister and Minister of Finance, Barbados.
2:00- 2:20	Presentation: Mr. Allan Fields, Caribbean Association of Industry and Commerce (CAIC).
2:20- 3:30	Open Discussion (Panelists and Audience).
3:30- 3:40	Break.
3:40- 4:50	Open Discussion (continued).
4:50- 5:00	Summary of DAY I and Adjournment.
6:30- 8:00	Reception hosted by: The Hon. L. Erskine Sandiford, M.P., Prime Minister of Barbados, and Mrs. Sandiford, Residence of the Prime Minister, Hero Court.

DAY II, SATURDAY, 19 SEPTEMBER: ALTERNATIVE APPROACHES AND RECOMMENDATIONS

9:00- 9:20 am	Opening Remarks and Review of DAY I.
9:20-10:00	Presentations: The Honourable George Mallet, Minister of Trade, Industry and Commerce, Government of St. Lucia. Ms. Earlene Horne, President, National Farmers' Union, St. Vincent and the Grenadines.

	Mr. Carlton Alexander, Chairman, Grace, Kennedy & Co., Ltd., Jamaica.
10:00-10:45	Questions from Members of Congress.
10:45-11:00	Break.
11:00-12:30 pm	Discussion among Panelists. Caribbean Community Secretariat (CARICOM).
12:30- 2:00	Luncheon Sponsored by: Caribbean Conference of Churches (CCC). Caribbean Congress of Labour (CCL). Caribbean Development Bank (CDB). Caribbean People's Development Agency (CARIPEDA). Women and Development Unit (WAND). Address by Dr. Vaughan Lewis, Director-General, Organization of Eastern Caribbean States (OECS).
2:00- 2:20	Presentation: Mr. Atherton Martin The Development GAP.
2:20- 3:30	Open Discussion (Panelists and Audience).
3:30- 3:40	Break.
3:40- 4:30	Open Discussion (continued).
4:30- 5:00	Summary of DAY II, Recommendations for Follow-Up, Concluding Comments and Adjournment.
5:00- 5:30	Congressional Press Conference.
5:30- 6:00	Caribbean Participants Press Conference.