

UNITED STATES-CARIBBEAN ECONOMIC RELATIONS

REPORT

OF A

CONGRESSIONAL STUDY MISSION AND CONSULTATION

ON

PROPOSALS TO STRENGTHEN UNITED STATES-CARIBBEAN ECONOMIC RELA- TIONS—FEBRUARY 6-7, 1988

TO THE

COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES



OCTOBER 1988

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FOREWORD

This report of a study mission and symposium on U.S.-Caribbean economic relations, held February 6-7, 1988, in Barbados, was submitted to the Committee on Foreign Affairs by The Honorable Don Bonker, Chairman of the Subcommittee on International Economic Policy and Trade, and The Honorable Geo. W. Crockett, Jr., Chairman of the Subcommittee on Western Hemisphere Affairs.

The findings in this report are those of the Members participating in the study mission, and do not necessarily reflect the views of the Members of the Committee on Foreign Affairs.

DANTE B. FASCELL, *Chairman*.

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LETTER OF TRANSMITTAL

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, D.C., September 23, 1988.

HON. DANTE B. FASCELL,
Chairman, Committee on Foreign Affairs, U.S. House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: We transmit herewith the report of our second study mission and symposium on U.S.-Caribbean economic relations, held in Barbados February 6-7, 1988, under the cosponsorship of our two subcommittees. The report of the first consultation, held in Barbados September 18-19, 1987, was published under the title, "The Caribbean Basin Initiative: Caribbean Views."

The purpose of this study mission was to continue our consultations with a broad cross-section of Caribbean government and society on U.S. economic and development assistance policies. In particular, we discussed two documents that were drafted as a result of recommendations made at the first meeting: a draft bill pertaining to U.S. development assistance policy in the Caribbean (since introduced as H.R. 4943), and proposals to strengthen the Caribbean Basin Economic Recovery Expansion Act of 1987 (H.R. 3101). Both documents appear as appendixes to this report, as do a meeting agenda and a list of Caribbean participants.

We particularly appreciate your own participation in the study mission, Mr. Chairman. Other Members participating, in addition to Chairman Crockett, were Representatives Ted Weiss and Toby Roth of the Committee on Foreign Affairs, Kweisi Mfume of the Committee on Banking, Finance and Urban Affairs, and Phillip M. Crane of the Committee on Ways and Means.

We again wish to thank Prime Minister L. Erskine Sandiford and the Government of Barbados, Ambassador Paul A. Russo and the staff of the United States Embassy in Barbados, and our Caribbean friends and colleagues for making this symposium as successful as its predecessor. And we again owe special thanks to The Development Group for Alternative Policies for assistance in organizing the symposium and producing this report.

Finally, we look forward to continuing a close consultative relationship with the Governments and people of the Caribbean, and hope that you will authorize further delegations for this purpose in the future.

Sincerely,

DON BONKER,
Chairman, Subcommittee on International Economic
Policy and Trade.

GEO. W. CROCKETT, JR.,
Chairman, Subcommittee on Western Hemisphere Affairs.

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SUMMARY

On February 5, 1988, a six-Member delegation travelled to Barbados for two days of meetings on U.S.-Caribbean economic relations. The meetings were sponsored by the Subcommittee on Western Hemisphere Affairs, chaired by Rep. Geo. W. Crockett, Jr., and by the Subcommittee on International Economic Policy and Trade, chaired by Rep. Don Bonker.

The delegation was chaired by Rep. Crockett (D-Mich.) and included Rep. Dante B. Fascell (D-Fla.), Chairman of the Committee on Foreign Affairs; Rep. Ted Weiss, a member of the Subcommittee on Western Hemisphere Affairs; Rep. Toby Roth, Ranking Minority Member of the Subcommittee on International Economic Policy and Trade; Rep. Kweisi Mfume, a member of the Committee on Banking, Finance and Urban Affairs; and Rep. Phillip M. Crane, a member of the Committee on Ways and Means.

The Members conferred with a panel that included government ministers, heads of regional organizations, private sector leaders and representatives from non-government organizations that work directly with the poor. The Development GAP organized the consultation on behalf of the Subcommittees. The meeting agenda and list of panelists are found in Appendix 1.

The study mission was a follow-up to a symposium held in Barbados the previous September, sponsored by the same two Subcommittees. At that meeting, representatives from a broad range of sectors in the Caribbean critically examined the Caribbean Basin Initiative and H.R. 3101, the Caribbean Basin Economic Recovery Expansion Act of 1987, and provided the members of the congressional delegation with recommendations for improving U.S. aid and trade policy toward the region. In closing the meeting, Chairman Crockett promised to return for further consultations, and to maintain contact with the people of the region. Detailed information and background on the September meeting is contained in the report of the first study mission, entitled "The Caribbean Basin Initiative: Caribbean Views."

In response to the September meeting, two documents were drafted. First, Rep. Crockett drafted a proposed Caribbean Community Development Act of 1988 which set forth a new U.S. development assistance policy for the Caribbean (see Appendix 2). Second, The Development GAP staff drafted a set of proposals to enhance the impact of H.R. 3101 (see Appendixes 3 and 4). Both documents were based on recommendations made at the September meeting, and both served as discussion documents for the February meeting.

The second study mission proved to be just as valuable as the first. The presentation of specific modifications and amendments to the documents introduced for discussion contributed to an extremely substantive and productive consultation. Just as importantly, it marked the continuation of a consultative process in which U.S. de-

elopment and trade policy in the Caribbean can benefit from the concrete recommendations and indepth analysis of Caribbean people.

The participants achieved a consensus in support of the major provisions of the Caribbean Community Development Act, and proposed several changes in, and additions to, the draft bill. The participants concurred that the following proposals should be included in the new draft bill:

1. A redefinition of countries eligible for assistance to include the insular Caribbean, Guyana and Belize;
2. The encouragement of greater food self-sufficiency through increased staple food production for local consumption;
3. The promotion of an integrated approach to development through the strengthening of linkages among the agricultural, industrial and service sectors;
4. Support for small- and medium-scale producers, particularly women, as well as for agro-processors and industrial producers, through programs that improve market infrastructure, introduce appropriate technologies, provide training and ensure concessionary financing;
5. Ongoing consultation with organizations active at the grassroots and, through them, the incorporation of local knowledge, local expertise, and vulnerable populations, particularly women, in the planning implementation and evaluation of all projects, policies and programs;
6. The provision of aid through, and the strengthening of, existing regional and non-governmental organizations that help the poor, rather than a duplication of their efforts;
7. The promotion of intra-regional trade through the development of a marketing network that would facilitate commercial exchange among small producers and production cooperatives in the region;
8. A requirement that countries receiving assistance take steps to afford internationally recognized worker rights;
9. The assurance that the poor and other vulnerable groups least able to endure physical, economic, and social hardships are no longer negatively affected by austerity measures; and
10. The protection of the environment and promotion of indigenous culture.

The participants supported a multilateral approach to trade that encourages strong linkages to the local economy, expands market access for small- and medium-sized producers and is consistent with a more self-sufficient, equitable and participatory development process. The participants endorsed the following provisions and made the following recommendations with respect to proposals to enhance the impact of H.R. 3101.

1. The Caribbean Community (CARICOM) and the Organization of Eastern Caribbean States (OECS) should be recognized as the permanent representatives and negotiating bodies for their members on matters of trade;
2. Tariff barriers should be phased out for those Caribbean products the production of which does not have a net negative effect on the environment and which are produced under work-

ing conditions that meet International Labor Organization standards;

3. Specific information on the classification and standards of products permitted entry into the United States should be made readily available and comprehensive by the USDA and U.S. Customs Service;

4. Longer-term market access should be provided through the institutionalization of a mechanism that extends the CBI beyond its original expiration date of 1995; and

5. Sugar quotas should be restored to pre-CBI (1983) levels.

The Caribbean participants congratulated the delegation for its interest in the Caribbean. Chairman Crockett promised to continue to work together with the people of the Caribbean to build stronger economies in the region that are responsive to the needs of the people. He stated that every effort would be made to incorporate the recommendations of the symposium in the Caribbean Community Development Act of 1988 and to introduce the legislation in Congress at the earliest opportunity. In addition, the delegation promised to seek consideration of the trade proposals by the Committee on Ways and Means for incorporation into H.R. 3101.

STUDY MISSION OBJECTIVES AND FORMAT

On February 6, the second broad-based consultation initiated by Rep. Crockett on U.S.-Caribbean economic relations was convened at the Dover Convention Centre in Barbados. The delegation was joined by twenty-four Caribbean panelists and an audience of close to one hundred. The panelists included two government ministers, the President of the Caribbean Development Bank, the Secretary General and the Caribbean Community (CARICOM), a representative of the Director General of the Organization of Eastern Caribbean States (OECS), and representatives of development organizations, academia, the private sector, trade unions, small farmers' organizations, women's groups, churches, cooperatives and opposition parties.

The first day was devoted to a discussion of draft legislation entitled the Caribbean Community Development Act of 1988. The focus during the second day was on a document drafted by The Development GAP entitled *Proposals to Enhance the Impact of H.R. 3101*. In addition to the discussions among the panelists and Members of Congress, the consultation included the active participation of persons from the audience, who also presented recommendations and comments for consideration by Congress.

The participants also heard a luncheon address by the Secretary General of CARICOM, Mr. Roderick Rainford. Reception for the participants were hosted by the foreign Minister of Barbados, Sir James Tudor, K.C.M.G. and the U.S. Ambassador, His Excellency Paul A. Russo. During these informal sessions, the cordial and frank exchange of views that characterized the working sessions was continued.

The study mission was organized to strengthen those policy documents that emerged from the September symposium and to continue consultations with the people of the Caribbean on U.S. economic

policy in the region. In both regards, the exercise was another unqualified success.

RECOMMENDATIONS ON THE PROPOSED CARIBBEAN COMMUNITY DEVELOPMENT ACT OF 1988

The participants viewed the draft bill, the Caribbean Community Development Act of 1988, as an important step in reshaping U.S. development assistance to support an equitable, more self-reliant development process defined by the Caribbean people. They agreed that it effectively incorporated the recommendations presented by the participants in the September symposium, and they endorsed the allocation of assistance to the following areas identified as priorities in the draft bill:

1. The encouragement of greater food self-sufficiency through increased staple food production for domestic consumption;
2. The promotion of integrated rural development efforts designed to increase farm employment opportunities, to enhance the quality of rural life, and to retard rural-urban migration;
3. The strengthening of linkages among the agricultural, industrial, and tourism sectors;
4. The introduction of programs that improve the market infrastructure, introduce appropriate technologies, provide training, and ensure the availability of credit on concessionary terms to small- and medium-scale, locally owned cooperatives and community-based agro-industries;
5. The upgrading of the technical and managerial skills of Caribbean people in appropriate technical fields;
6. The channelling of U.S. development assistance through existing regional organizations for the purpose of coordinating regional development activities;
7. The extension and protection of internationally recognized worker rights; and
8. The promotion of development programs and policies that reflect local realities, gain the commitment of the Caribbean people, and support a self-reliant and participatory development process by:
 - involving the common people, especially women and indigenous populations, in the formulation, implementation, and evaluation of development projects, programs, and policies; and
 - ensuring ongoing consultation with and involvement of non-governmental and regional organizations that are familiar with the grassroots reality.

The participants emphasized the need to build local structures and capacities that would enable the Caribbean to reduce its dependency on goods, development assistance, and other resources obtained outside the region. A rationalization of the regional development process is considered integral to this process.

In conjunction with the priorities listed above, considerable concern was voiced about the negative influence of structural adjustment policies and other development packages imposed on the region. It was argued that, to be truly responsive to the needs and

realities of the Caribbean people, development models should continue to be shaped inside rather than outside the Caribbean. The broad-based participation of Caribbean people—through the establishment of an active role for regional and non-governmental organizations in the determination, implementation and evaluation of development policies and programs—was seen as crucial to this process. In order to ensure continued support for the processes and activities initiated by the Caribbean people and the utilization of local knowledge and expertise, the participants reiterated the need for sustained consultation.

The participants also expressed concern about the applicability of the draft bill to only English-speaking Caribbean countries. They emphasized that the bill must embrace all Caribbean countries designated as beneficiaries under the CBI. Within the framework of the principles, priorities, and concerns voiced by the conferees, additional modifications in and amendments to the draft bill were recommended. These are presented below.

SUPPORT FOR FOOD SELF-SUFFICIENCY AND LOCAL FOOD PRODUCTION

The participants supported existing provisions in the bill that would promote local food production and agro-processing. Among the actions that need to be taken to achieve this end, the conferees urged that assistance be provided for the coordination of livestock commodity research and production.

At the same time, one of the panelists noted that efforts to encourage production and consumption of local food items could mean higher food prices in the short run. Macro-economic policies that increase the access of poor populations to basic social services and resources necessary for the generation of income could help alleviate such short-run problems.

UTILIZING LOCAL EXPERTISE

In the view of the participants, local knowledge and expertise provide the most relevant basis for meaningful development. Deep concern was expressed, therefore, about the continued use of U.S. exports in the region, especially in areas where the required skills are available locally. In order to facilitate the further development and use of Caribbean expertise, the participants proposed that:

1. U.S. development agencies utilize local knowledge and expertise in the planning, implementation and evaluation of all projects, programs and policies
2. When local capacity is not available in the Caribbean, U.S. or Caribbean experts now residing in the United States be used on a short-term basis until local Caribbean personnel are trained; and
3. Regional institutions and U.S. development institutions jointly establish a talent bank to identify resident and non-resident Caribbean expertise available to work on regional development programs.

PROVISION OF ASSISTANCE THROUGH EXISTING REGIONAL INSTITUTIONS

There was a strong consensus among the participants that regional cooperation and integration are prerequisites for the realization of self-reliant development. It follows, the participants stressed, that the active participation of regional organizations in the determination and implementation of development policies and projects is critical. To this end, the conferees applauded the regional orientation of the draft bill and urged the following amendments:

1. The allocation of U.S. development assistance should not only be channelled through but also determined by existing regional institutions; and
2. U.S. assistance should support the efforts of regional organizations that are already addressing the needs outlined in the priority areas of assistance of the draft bill.

SUPPORT FOR REGIONAL INTEGRATION THROUGH INCREASED REGIONAL TRADE

Support was expressed for the advancement of regional trade as part of a broader policy encouraging greater self-reliance, national economic integration and regional cooperation. Participants declared that an expansion of trade among the Caribbean islands was particularly important because it stimulates production by small- and medium-scale producers who use local resources and expertise. In order to further strengthen the provisions in the draft bill aimed at promoting regional commercial activity, the conferees proposed the following additional recommendations:

1. Economic support funds should be used to purchase critical commodities available within the Caribbean;
2. A marketing network coordinated jointly by Caribbean governmental and non-governmental organizations should be created to facilitate commercial exchange among small producers; enterprises and production cooperatives within the Eastern Caribbean and Puerto Rico; and
3. A committee of representatives of non-governmental organizations should be constituted to discuss and establish the structure and manner of implementing such a program.

ENSURING A LONG-TERM FINANCIAL COMMITMENT

It was noted that the lack of assurance of long-term funding serves to (1) threaten the stability of programs supported by the draft legislation, (2) discourage continued investment in the Caribbean on a regional basis, and (3) make regional development planning difficult. Consequently, several participants urged that the United States consider entering into a multilateral agreement with the Caribbean countries that would provide assured financing for development over a 4-5 year period. It was suggested that Congress may wish to examine the Lomé Convention—a multilateral, multi-year economic agreement between the European Economic Community and African, Caribbean and Pacific nations—as a model for such an arrangement.

APPLICATION OF 936 FUNDS TO ASSIST SMALL- AND MEDIUM-SCALE ENTERPRISES AND COOPERATIVES

The participants identified a source of funds for supporting Caribbean small businesses and cooperatives in the form of monies accumulated as a result of tax-exemptions granted to U.S. cooperations and deposited in the Government Development Bank of Puerto Rico under Section 936 of the U.S. Internal Revenue Code. Originally, these funds were made available for corporate investments with Puerto Rico. In 1986, Congress enacted an amendment to Section 936 that permits the use of a portion of these funds for economic development projects in other Caribbean countries designated as beneficiaries under the CBI. At that time, the Government of Puerto Rico made a commitment to release U.S. \$100 million of 936 funds held by the Government Development Bank. These funds were to be used for developing infrastructure and providing investment capital for twin-plant projects identified and approved by the Economic Development Administration of Puerto Rico (FOMENTO).

It was noted that, to date, the goal of using \$100 million to support twin-plant projects has not been achieved. In addition, a panelist stressed that even if the program were to meet its financial goal, its impact would be limited to larger corporations with the productive capacity to develop twin plants and other large-scale projects. The participants called on the Government of Puerto Rico, therefore, to honor its commitment, and they made the following new recommendations for the use of 936 funds:

1. A U.S. \$100 million loan should be made to the Caribbean Development Bank (CDB) on concessionary terms to support small businesses and cooperatives; and
2. The Caribbean Development Bank, acting as fiscal agent for the Caribbean, should appoint a regional board composed of representatives of the Bank and non-governmental organizations to develop guidelines for lending these funds and to participate in the processing of applications once the program is in place.

The conferees drew attention to difficulties presented by the requirement that countries wishing to gain access to 936 funds must sign the Tax Information Exchange Agreement. They suggested that the guidelines for lending 936 funds be altered to remove this constraint.

PROTECTION OF WORKER RIGHTS

Conferees voiced support for a requirement that governments and enterprises receiving assistance take steps to extend, promote and enforce internationally recognized worker rights. This is of particular significance for workers in free trade zones operating without the benefit of trade union representation, as well as for farmers, farm workers and others exposed to the health and safety hazards posed by the use of dangerous chemicals. Participants sought to further promote worker rights by suggesting that development assistance be available to a broader spectrum of unions operating in the region than is presently the case, including unions

not affiliated with the American Institute for Free Labor Development.

RESPECTING LOCAL CULTURES AND VALUES

Several panelists suggested that assistance under the bill should underwrite a broader development strategy that reinforces, and is consistent with, local culture and values. They indicated that channelling support for development processes through nongovernmental organizations, and other institutions already established by Caribbean people, is critical to this strategy. It was proposed that to be truly responsive to Caribbean needs and realities, the bill should:

1. Direct assistance to developing the capacity of local institutions to carry out development policy;
2. Require that AID consult with and involve local development organizations and populations in planning and implementing aid programs; and
3. Require that AID utilize local techniques and approaches to development problems where these have proven effective.

SUPPORT FOR WOMEN'S ACTIVITIES AND INCORPORATION OF THEIR PERSPECTIVES

Throughout the consultation, considerable emphasis was placed on the need to incorporate women and women's issues and perspectives in the projects, programs, and policies supported by U.S. assistance. Panelists noted that women's access to productive resources and services is limited, and support for their vital roles, especially those relating to child-rearing, is minimal. In addition, it was mentioned that the particular problems faced by women are not well documented.

In order to better understand and to alleviate the hardships faced by women, the participants urged that particular attention be paid to providing assistance for:

1. Research programs that involve women in the identification of their critical needs in the agricultural, industrial, and service sectors;
2. Increased access by women producers to productive resources and services such as land, credit, and markets;
3. The development of technologies and marketing infrastructure that are appropriate to the needs of women in their dual role of homemaker and producer, and responsive as well to other small producers; and
4. Major improvements in the services and facilities provided for and by women in carrying out their domestic roles.

ENSURING THAT THE BURDENS OF ADJUSTMENT ARE NOT BORNE BY THE POOR

A considerable amount of discussion was devoted to the impact of the structural adjustment policies designed by the IMF and the World Bank to help alleviate national balance-of-payments problems. A number of panelists strongly criticized these austerity programs and stated that such measures undermine the process of de-

velopment within the region. In addition, they reported that such programs have a devastating impact on the poor.

Despite specific objections to the IMF and World Bank adjustment programs, discussants agreed that balance-of-payments problems stemming from the outstanding external debt of Caribbean countries are serious and must be addressed. Due to the gravity of this debt situation in the Caribbean, the panelists agreed that the following recommendations should be included in the draft bill:

1. U.S. policy should ensure that the poor and the other vulnerable groups least able to endure physical, economic, and social hardships are no longer negatively affected by austerity measures;
2. U.S. economic assistance should not be contingent upon the implementation of IMF austerity policies; and
3. The impact of U.S. assistance on the poor and other vulnerable groups should be monitored in order to ensure that they are not adversely affected.

RECOMMENDATIONS TO AMEND THE CARIBBEAN BASIN ECONOMIC RECOVERY EXPANSION ACT OF 1987 (H.R. 3101)

The participants agreed that the "Proposals to Enhance the Impact of H.R. 3101" accurately reflected the recommendations made by the Caribbean participants at the September Symposium. They expressed approval of the following principles set forth in the document:

1. The United States should recognize CARICOM and the OECS as the primary, permanent representatives and negotiating bodies on matters of trade. In this regard, the United States should consult and coordinate with CARICOM and the OECS in:
 - the annual monitoring, evaluation, and reporting with respect to CBI duty-free entry provisions;
 - the processing of complaints regarding CBI implementation;
 - the formulation of entry regulations for Caribbean products; and
 - the dissemination of U.S.-related trade information;
2. Tariff barriers should be phased out for those Caribbean products that are produced:
 - under working conditions that meet ILO standards;
 - in a manner that does not have a net negative impact on the environment; and
 - in conformity with U.S. health and safety standards;
3. The President should consult with CARICOM before terminating trade preferences for goods produced in and exported from the Commonwealth Caribbean;
4. The United States should consider reconstituting the Caribbean Basin Initiative as a multilateral, multi-year agreement;
5. USDA and U.S. Customs Service should make readily available specific information on the classification and standards of products permitted entry into the United States, promptly informed CARICOM and the OECS of changes in

these regulations, and conduct quarterly seminars on their application; and

6. These U.S. agencies should immediately expand the availability and dissemination of trade information in general;

In addition to their endorsement of the policy proposals listed above, the participants urged that consideration be given to establishing a financial facility that would provide partial and temporary relief from the loss of export earnings as a result of a drop in prices or production of agricultural goods traded with the U.S. Panelists also extensively discussed the suggested eligibility requirements for duty-free entry of products into the United States and presented additional recommendations for the amendment of H.R. 3101. These suggestions are presented below.

DUTY-FREE ENTRY OF CARIBBEAN PRODUCTS

The participants supported the phasing out of tariff barriers and the granting of preference to Caribbean producers as recommended in the policy proposals. Until these tariff barriers are phased out, however, a suggestion was made that Belize be classified as a Less Developed Country, as it is by CARICOM. It would thereby benefit from the special rule of origin that raises from 15 to 25 percent the portion of the 35 percent minimum value-added requirement that can be comprised of U.S. components.

ELIGIBILITY REQUIREMENTS FOR DUTY-FREE ENTRY OF CARIBBEAN PRODUCTS

The proposed eligibility criteria for products allowed entry into the United States stimulated a lively debate. Considerable attention was paid, in particular, to the proposed criteria that would necessitate 50-percent local content and 50-percent local ownership and prevent the expanded use of critical resources by producers of exports to the United States. In addition, the feasibility of applying the eligibility requirement on a product-by-product basis was questioned.

1. *Local Content and Ownership.*—Although all of the conferees agreed in principle that increased local ownership contributes to the achievement of self-reliance, several people expressed concern about the immediate consequences of fully applying these criteria. A few also warned that a 50-percent local-content requirement could be an impediment to growth. The Puerto Rican experience, in which strong local involvement is only now beginning to occur after more than 20 years, was offered as an example of the difficulties in reducing the need for foreign inputs.

The relevance of the Puerto Rican experience as an illustrative case was questioned, however, by several panelists who pointed out that Puerto Rico's export-industrialization model is not itself geared to the increased use of local resources. Moreover, it was pointed out that this model has failed to stimulate the local economy, while yielding high unemployment and migration.

2. *Resource Allocation.*—Some participants also urged that fundamental policy issues of resource allocation, as proposed in the local ownership and use of critical resources criteria, should be left to Caribbean governments. However, it was pointed out in this con-

nection that a provision regulating the use of land had already been adopted by Congress as part of the 1983 CBI legislation. This provision requires beneficiary countries to submit a staple-food production plan that demonstrates that food production for local populations will not be adversely affected by the production of exports granted duty-free treatment under the CBI.

3. *Feasibility of Proposed Eligibility Requirements.*—In light of the fact that the eligibility criteria already existing in U.S. law for the determination of trade preference have been applied only on a country-by-country basis, the feasibility of the U.S. Customs Service effectively applying the proposed eligibility criteria to enterprises was questioned. In response to this concern, it was pointed out that, in applying such eligibility criteria to companies already engaged in intra-Caribbean trade, CARICOM relies on certification by local governments. It was thus suggested that Caribbean and the OECS might actively participate in the implementation of a system for certifying produce eligibility for entry into the U.S. market, as well.

TOURISM AS AN EXPORT SECTOR

Representatives of the tourist sector welcomed the inclusion of tourism in Crockett draft bill, but noted its minimal treatment in H.R. 3101. They called for the consideration of tourism as an export sector and suggested that other legislative measures might be explored that would help facilitate travel to the region and increase the volume and duration of tourist visits.

ENSURING LONG-TERM MARKET ACCESS

The participants embraced the provision of H.R. 3101 that would extend the CBI program for an additional twelve years. They stressed, however, that the time needed to develop, implement and obtain returns on an investment project was extensive. They supported, therefore, the recommendation in the policy proposals for even longer-term market access and suggested the inclusion of a provision that would either:

Automatically trigger a twelve-year extension of the program if action is not taken to terminate it by a predetermined date; or

Require congressional consideration of further extensions of the program at least five years before its scheduled termination date.

RESTORATION OF 1983 SUGAR QUOTES

During the consultation, the participants expressed concern about the lowering of Caribbean sugar quotas by the United States and stated their support for the raising of these quotas to pre-CBI, 1983 levels, as called for in H.R. 3101. They expressed dismay about this year's reduction of sugar quotas by an additional 25 percent from 1987 levels and argued that such an action, taken before the region has had an opportunity to make a transition to a more self-reliant economy, increases the economic instability of Caribbean nations.

CONCLUSION: THE NEED FOR CONTINUED CONSULTATION

The second study mission proved to be just as successful and beneficial as the first. It provided a unique opportunity for U.S. policymakers, representatives of Caribbean non-governmental organizations, and Caribbean regional, government and business leaders to discuss specific proposals on U.S. economic assistance and trade policy in the Caribbean. Besides being extremely productive in the proposals it yielded for improving U.S. aid and trade policy, the consultation made it possible for Members of Congress to continue to deal directly with the people of the Caribbean. As was the case during the September study mission, the delegation was impressed by the depth of analysis and the number of concrete recommendations presented.

The participants, including the Congressional delegation, were especially pleased by the framework for ongoing, broad-based discussions established by the September and February study missions. They concurred that these sessions achieved the goal of providing forums in which a broad range of Caribbean representatives could transmit their views of Caribbean needs and realities into a policy dialogue with the United States. Ongoing communication should be developed, it was agreed, in a way that allows for the involvement of a broad range of Caribbean sectors.

The Caribbean participants urged that CARICOM and its agencies be used as the main channels of continuing consultation. In addition, they stressed that the incorporation of the views and the direct participation of non-governmental organizations in program and policy decisions are essential to the promotion of meaningful development. Through such ongoing consultation with those non-governmental and regional organizations that are familiar with the grassroots, the delegation and Caribbean participants agreed that well-formed policies can continue to guide U.S.-Caribbean relations in the future.

APPENDIX 1

Congressional Study Mission and Consultation on Proposals to Strengthen U.S.-Caribbean Economic Relations

6-7 February 1988
Dover Convention Centre
Barbados

Sponsored by

The Subcommittee on Western
Hemisphere Affairs

The Subcommittee on International
Economic Policy and Trade

House of Representatives
U.S. Congress

PROGRAM AGENDA

DAY I, SATURDAY, 6 FEBRUARY: REVIEW OF AID PROPOSALS

| | |
|----------------|---|
| 7:30-8:30 am | Registration Dover Convention Centre Lounge |
| 8:30-10:00 | Breakfast at Southern Pines Hotel Welcome and Introductions The Honorable Gen. W. Crockett, Jr. Chair, Subcommittee on Western Hemisphere Affairs, U.S. House of Representatives His Excellency, Paul A. Burns U.S. Ambassador to Barbados and the Eastern Caribbean The Honorable L. Erskine Sandford Prime Minister and Minister of Finance, Barbados |
| | Keynote Address The Honorable Dante B. Facelli Chair, Committee on Foreign Affairs, U.S. House of Representatives |
| Session 1: | Proposals to Strengthen U.S. Support for Caribbean Development Dover Convention Centre |
| 10:00-10:15 | Presentation of Aid Proposals and Explanation of Legislative Context |
| 10:15-12:30 pm | Panel Discussion |
| 12:30-2:00 | Lunch at Southern Pines Hotel Address by Roderick Rainford Secretary-General, CARICOM Secretariat |
| 2:00-3:00 | Open Discussion (Audience and Panelists) |
| Session 2: | Issues and Options in the Implementation of Aid Proposals: The Role of U.S. and Caribbean Institutions |
| 3:00-4:00 | Panel Discussion |
| 4:00-4:30 | Open Discussion (Audience and Panelists) |
| 4:30 | Adjournment |

DAY II, SUNDAY, 7 FEBRUARY: REVIEW OF TRADE PROPOSALS

| | |
|----------------|--|
| Session 1: | Proposals to Strengthen U.S. Caribbean Trade Relations Dover Convention Centre |
| 9:00-9:15 am | Presentation of Trade Proposals and Explanation of Legislative Context |
| 9:15-9:30 | Summary of Caribbean Recommendations regarding H.R. 5101 (Gibson Bill) |
| Session 2: | Building a Stable Trade Environment |
| 9:30-11:30 | Panel Discussion |
| 11:30-12:00 pm | Open Discussion (Audience and Panelists) |
| 12:00-1:30 | Lunch |
| Session 3: | Multinational and Regional Approaches to Trade Cooperation and Consultation |
| 1:30-3:00 | Panel Discussion |
| 3:00-3:30 | Open Discussion (Audience and Panelists) |
| 3:30-4:00 | Closing Statements and Adjournment |
| 4:00-4:30 | Congressional Press Conference |
| 4:30-5:00 | Caribbean Participants Press Conference |

Receptions

| | |
|---------------------------|--|
| Friday, 7:00-9:00 pm | Reception hosted by: Mr. James Tucker, K.C.M.G., Minister of Foreign Affairs, Barbados Dover Convention Centre |
| Saturday, 6:30-8:00 pm | Reception hosted by: His Excellency, Paul A. Burns, U.S. Ambassador to Barbados and the Eastern Caribbean Las Cabañas, Sunset Ridge, St. James |

The Development GAP wishes to express its appreciation to the Carnegie Corporation of New York, General Service Foundation, C.S. Fund, North West Caribbean Universal Youth Program, United Church Board for World Ministries, W.A.O. Caribbean Development Bank, CARICOM, Agricultural Mission, Inc., Catholic Relief Service, Church World Service, Inter-American Foundation, Inter-Pares, Oxfam America, Oxfam Canada and World Education for their support of this endeavor.

Congressional Study Mission and Consultation

Chair

The Honorable Gen. W. Crockett H.
Chair, House Subcommittee on Western
Hemisphere Affairs

Organizers

Atherton Martin
Stephen Hellingger
Rubin Herr
The Development GAP

Panelists

| NAME | ORGANIZATION | COUNTRY |
|--------------------|---|-------------|
| Frappé Anthonio | Women and Development Unit (WAND) | Barbados |
| Frederick Baker | Association of Development Agencies | Jamaica |
| Richard Bernal | Workers Savings & Loan Bank | Jamaica |
| Patrick Bethell | Caribbean Food Corporation | Barbados |
| Hayden Blades | CARICOM | Guyana |
| Burtis Butcher | Caribbean Congress of Labour | Barbados |
| George Byron | National Democratic Congress | Grenada |
| Marcus Defriesse | Minister of Trade, Industry & Agriculture | St. Vincent |
| William Demas | Caribbean Development Bank | Barbados |
| Neville C. Duncan | University of the West Indies | Barbados |
| Enrique Fernandez | SOLIDARION | Domin. Rep. |
| Robert Fitzpatrick | Windward Island Farmers Association | St. Vincent |
| Joan French | Caribbean Feminist Research Association | Trinidad |
| Evelyn Gerrens | Minister of Trade, Industry & Commerce | Barbados |
| Jean Holder | Caribbean Tourism Research Centre | Barbados |
| Dalston Jones | Natl Research & Development Foundation | St. Lucia |
| Alan Kinton | Caribbean Conference of Churches | Barbados |
| Vaughan A. Lewis | Organization of Eastern Caribbean States | St. Lucia |
| Enelia Parnass | Proyecto Caribeño de Justicia y Paz | Puerto Rico |
| Joseph Pinner | CARIFTA | St. Vincent |
| Richard Rafter | CARICOM | Guyana |
| Clarence Richards | Cable Industries Corp. | Dominica |
| Rita Thompson | Caribbean Area of Industry & Commerce | Barbados |

APPENDIX 2

— DRAFT —

A Bill

To Promote equitable and participatory development, national and regional economic integration, and food security and self-reliance in the Caribbean through responsive development policies.

Sec. 1. Short Title.

This Act may be cited as "The Caribbean Community Development Act of 1988".

Sec. 2. Findings.

(a) The economies of the Caribbean nations are highly dependent on markets outside the Caribbean region, and are therefore vulnerable to fluctuations in the international economy, as evidenced by deteriorating balances of trade in the region.

(b) The poorest citizens in the Caribbean, particularly women, have been hardest hit by those fluctuations and by austerity policies designed to address the impact of the fluctuations.

(c) The promotion of equitable development in the region requires support for the activities of those poorest citizens through organizations in which they actively participate.

(d) The identification and design of these activities, and of effective regional and national policies and programs that affect the population as a whole, require ongoing, broad-based consultation with Caribbean governments and non-governmental organizations.

(e) Decreased dependency on foreign aid, food imports, and foreign markets requires a higher degree of economic self-reliance by the Caribbean economies, based on the development of local resources for consumption and use principally by the people of the Caribbean.

(f) The food import bill of the Caribbean has risen sharply, although the region possesses the agricultural resource base from which to feed itself and to diversify its exports.

(g) Increased economic self-reliance and food self-sufficiency, and enhanced international competitiveness, can be achieved most effectively in the Caribbean through regional cooperation and integration.

Sec. 3. Policies.

(a) In General. -- It shall be the policy of the United States in providing assistance to the Caribbean --

(1) to help the poor majority (including women, the landless, subsistence food producers, and urban workers) to participate in the development of their societies through a process of equitable economic growth that enables them to increase their incomes and their access to productive resources and services, to protect and advance their rights, and to influence decisions that affect their lives;

(2) to support development that is environmentally sustainable in that it maintains and restores the renewable energy resource base of the economy and wisely uses non-renewable resources;

(3) to promote Caribbean self-reliance by providing assistance to indigenous national and regional governmental and nongovernmental institutions that have the capacity to carry out development policies;

(4) to help increase the food security, reduce the food-import bill, and improve the nutritional levels of the Caribbean by supporting food production for national and regional consumption;

(5) to promote the diversification of production, the development of new products, and the integration of agricultural production with the development of industry and tourism;

(6) to help advance the process of regional economic integration by channeling assistance through regional organizations to the maximum extent possible in order to increase the capacity of such organizations to support development; and

(7) to consult with the intended beneficiaries of United States assistance in the elaboration of development policies, programs, and projects.

(b) Development Assistance. --

(1) In accordance with section 102 of the Foreign Assistance Act of 1961, priority in providing development assistance to the Caribbean shall be given to supporting democratic Caribbean institutions (including farmers' unions, cooperatives, labor organizations, women's groups, and community organizations) that represent, work with, and benefit the poor, and through which the poor participate in making the decisions that affect their lives, and their development.

(2) Such assistance shall be channelled to the maximum extent possible through United States institutions

(including the Inter-American Foundation and private voluntary organizations and Caribbean regional institutions that directly fund such democratic Caribbean institutions).

(c) Economic Support Funds. --

(1) Economic support funds shall be made available for countries in the Caribbean that are experiencing a scarcity of foreign exchange, principally for the purpose of helping such countries diversify their economies and improve the economic conditions of the common people.

(2) Priority in the use of such funds shall be given to the purchase of critical commodity imports by small and medium-sized industries, farms, and cooperatives that have limited access to foreign exchange, and to the purchase of key consumer goods in critically short supply.

Sec. 4. Priority Areas for Assistance.

(a) Criteria for Allocation of Funds. -- To implement the policies set forth in section 3, priority in the allocation of development assistance and economic support funds shall be given to --

(1) support, through national Ministries of Agriculture and the appropriate specialized agencies of the Caribbean Community (CARICOM), for efforts to achieve greater food self-sufficiency through increased staple food production for domestic consumption, including support for --

(A) the updating and completion of agricultural censuses;

(B) the coordination of research designed to improve crop yield and quality and to develop new products;

(C) the improvement of marketing, storage, and transportation systems;

(D) the provision of credit to agricultural producers; and

(E) improved coordination of regional planning for food self-sufficiency;

(2) support, through the Caribbean Development Bank and such other mechanisms as the Caribbean Governments may recommend, for integrated rural development efforts designed to increase farm employment opportunities, to enhance the quality of rural life, and to retard rural-urban migration, including programs of agrarian reform that distribute land and provide necessary assistance to small

producers and cooperatives;

(3) support for small- and medium-scale, locally-owned cooperative and community-based agro-industries engaged in the processing of indigenous resources for local consumption and for export, including support for programs that--

(A) make marketing services more accessible to such industries;

(B) develop and introduce production technology appropriate for such industries;

(C) ensure that credit is available to such industries; and

(D) provide the necessary training for the management and production personnel required by such industries;

(4) provision of financial resources to small- and medium-sized farm and manufacturing enterprises through--

(A) the creation and capitalization of appropriate financial mechanisms, including preferential credit facilities (soft-loan windows) in the Caribbean Development Bank and in the national development banks; and

(B) measures to encourage Caribbean commercial banks to provide risk capital to such enterprises;

(5) support for the expansion of tourism into the Caribbean, and for the increased development impact of tourism through its fuller integration into the local economy, by providing assistance--

(A) for programs designed to increase the use of local goods and services by Caribbean hotels;

(B) to appropriate governmental and regional organizations for the development and implementation of a marketing strategy for tourism in the Caribbean;

(C) to appropriate governmental and regional organizations for the development of tourism as an integral part of Caribbean development and for the promotion of investments in tourism that will maximize the impact of tourism on such development; and

(D) for training in hotel and restaurant management and other necessary skills.

(6) support for regional integration and institutions, including seeking the cooperation of other donor nations in promoting regional development in the Caribbean, and including support for--

(A) efforts to regionalize and coordinate activities, to prevent the proliferation and duplication of regional bureaucracies, and to promote complementarity of regional efforts;

(B) the efforts of the Caribbean Development Bank and other governmental and nongovernmental regional institutions to strengthen the regional infrastructure necessary to promote commercial activity and development;

(C) regional research institutes performing research that would contribute to the region's development; and

(D) inter-island transportation and communications links, roads, and port facilities;

(7) support for efforts of the countries of the Caribbean to upgrade the technical and managerial skills of their people, through--

(A) support, including scholarships, for training in appropriate technical fields, including administration, finance, science, technology, and tourism;

(B) assistance in the identification, evaluation, selection, and development of appropriate technologies that promote small- and medium-scale agro-industries and food production, and training in the use of such technologies;

(C) assistance for product identification, research, development and promotion, and marketing; and

(D) support for increasing the capacity of Caribbean institutions, including universities, technical institutes, and trade schools, to provide training in such fields.

(b) Protection of Worker Rights.--United States assistance shall not be used to support--

(1) enterprises that do not extend internationally-recognized worker rights, as defined in section 502(a)(4) of the Trade Act of 1974, to their workers; or

(2) the construction of physical infrastructure for such enterprises.

(c) Protection of Traditional Industries and the Environment.--In providing United States assistance to the Caribbean, emphasis shall be placed on--

(1) avoiding the displacement of traditional lines of production; and

(2) support for agricultural methods suited to local environmental, resource, and climatic conditions, and training in the use of such methods.

Sec. 5. Consultation and Evaluation.

(a) Consultation.--The agency responsible for administering this Act shall take into account the perspectives of the rural and urban poor in all stages of the design and implementation of assistance policies, programs and projects, through close consultation with Caribbean and other nongovernmental organizations that work with the poor. Particular attention shall be paid to the incorporation of Caribbean women in project design and implementation. The agency shall reflect the results of such consultations in its annual planning and congressional presentation documents.

(b) Evaluation. The agency responsible for administering this Act shall monitor socio-economic conditions in the Caribbean and the effect of United States assistance programs on those conditions, and shall report annually to the Congress on the results of such monitoring. The agency shall involve Caribbean Governments, and Caribbean nongovernmental organizations that work at the grassroots level, in such monitoring, and shall include their views in each annual report to the Congress.

Sec. 6. Definitions.

As used in this Act--

(1) "Caribbean" means the English-speaking countries that are members of the Caribbean Community (CARICOM).

APPENDIX 3

PROPOSALS TO ENHANCE THE IMPACT OF H.R. 3101
THE CARIBBEAN BASIN ECONOMIC RECOVERY
EXPANSION ACT OF 1987 (GIBSONS BILL)
BASED UPON THE RECOMMENDATIONS MADE AT THE SEPTEMBER
CONGRESSIONAL SYMPOSIUM ON THE CBI

January 1988

Section I. Regional Cooperation.

Whereas the trade policy of the United States toward the region, like its aid program, should be designed to have a positive impact upon the poorest people of the region;

Whereas there is a need to be more innovative and to create a more just trading system that actually helps rather than hurts the poor;

Whereas it has been established that the small size of individual Caribbean economies and markets result in the duplication of production activities, inefficient enterprises, and non-productive competition among neighbors;

Whereas the concept of self-sufficiency in such circumstances involves cohesion and cooperation among countries of the region to allow for rationalization in the planning and use of regional resources; and

Whereas the countries of the region, recognizing the limitation of separate development, have established institutions that seek to consolidate the use of human and physical resources in the pursuit of coordinated regional development;

It is proposed that the United States:

A. Recognize CARICOM and the OECS, as the primary, permanent representatives and negotiating bodies on behalf of member countries on matters of trade, and as the beneficiary organizations under the agreement (while non-CARICOM beneficiary countries continue to conduct bilateral relations with the United States under the terms of the CBI);

B. Further strengthen regional institutions and

infrastructure required for an effective trade system in the region by:

1. considering both regional and national requirements in the allocation of assistance to provide industrial and managerial skills training in appropriate technical fields, particularly administration, finance, science, technology, and tourism;
2. supporting the Caribbean Food Corporation as a regional mechanism designed to promote and facilitate food production, agro-processing and marketing of regional products;
3. continue to support regional mechanisms of research, such as CARDI, in accordance with the recognized need for countries to move toward greater regional economic and food self-sufficiency;
4. increasing the availability of finance for small- and medium-sized enterprises addressing regional food and export needs through the mechanisms of the CDB; and
5. strengthen inter-island transportation and communications through support of WISCO and LIAT.

Section II. Duty-Free Entry of Caribbean Products

Whereas the future development of the Caribbean is based in part on the success of small- and medium-sized indigenous manufacturing and agricultural enterprises capable of contributing to the foreign-exchange earnings of their respective countries; and

In order to help increase domestic economic diversification and integration in the region, while protecting worker health and safety, the local food base and the environment:

It is proposed that the United States:

- A. Phase out tariff barriers on all Caribbean products meeting eligibility requirements geared toward supporting equitable and sustainable development in the region;
- B. Define eligible products as those --
 1. with over 50 percent local content and produced by businesses with at least 50 percent local ownership as of 1 January 1993;
 2. produced under working conditions that meet with

International Labour Office standards:

1. that for their increased production for export do not require the expanded use of critical resources, particularly land, essential to meet the food needs of the local population;
 4. that have not had a net negative impact on the environment in the process of their production;
 5. that meet the health and safety standards of the United States; and
- B. Grant preference to local producers for the long-term advantage of the respective national economies and in an attempt to equalize competition with foreign firms that have their financial and marketing infrastructure and contacts already in place.
- C. Designate the appropriate U.S. institutions that would work in conjunction with CARICOM to monitor, evaluate, receive complaints about, report on and review each year the performance and impact of the provisions of the agreement on trade between the United States and CARICOM.

Section III. Ensuring Long-term Market Access. (amendment to Sec. 313a(2) of CBI and Sec. 4 of Gibbons).

Whereas Caribbean economic development is fostered in part by investment in the production of goods and services for domestic consumption and for export:

Whereas the pace and extent of investment is conditioned by an atmosphere conducive to the secure long-term commitment of resources; and

Whereas a commitment of such resources is dependent upon full access to an open and stable market domestically and internationally:

It is proposed that:

- A. The U.S. International Trade Commission, the U.S. Departments of Commerce and Agriculture, the U.S. Customs Service and other institutions advising the President on matters of trade consult with the CARICOM Secretariat before the President exercises his right to terminate trade preferences for goods produced in and exported from the Commonwealth Caribbean, thus ensuring that the United States benefits from views from the region in determining the validity of petitions for exclusion from the U.S.

market and that the interests of the exporter(s) directly affected by the petition and the broader trade concerns of CARICOM are taken into account:

- B. The President have authority to waive duty-free concessions without applying the provisions of Section II.A., in the case of the determination of a direct threat to the national security of the United States;
- C. The United States consider the advisability of establishing the Caribbean Basin Initiative as a multilateral, multi-year agreement that guarantees entry of Caribbean goods into the U.S. market for a predetermined period of time.

Section IV. Trade Information (amendment to Sec. 217 of CBI and Sec. 5 of Gibbons).

Whereas Caribbean Basin exporters wish to gain greater access to the U.S. market for their products;

Whereas producers and manufacturers from the islands of the Commonwealth Caribbean comprising CARICOM have little experience in exporting to the United States;

Whereas a correct understanding of the regulations of the U.S. Customs Service and the U.S. Department of Agriculture (USDA) is critical to obtaining entry to the U.S. market;

Whereas these regulations are subject to varied interpretation as well as to periodic change; and

In order to ensure that Caribbean exporters understand and stay current with these regulations and thereby successfully enter the U.S. market;

It is proposed that:

- A. The USDA and the U.S. Customs Service prepare and make readily available specific and explicit information regarding the classification and standards of products relevant to their entry into the United States;
- B. The trade division of the CARICOM Secretariat and comparable units of non-CARICOM beneficiary states establish and circulate the standards, terms and conditions under which goods from the United States can enter their markets and that such information be made readily available to the U.S. Department of Commerce and other institutions in need of this information to conduct trade with the region;

C. The USDA and Customs Service, working closely with the trade division of the CARICOM Secretariat, conduct quarterly seminars for exporters from beneficiary countries on the application of these regulations to eligible exports;

D. Changes in these regulations be circulated promptly to the CARICOM Secretariat for onward transmission to exporters;

E. CARICOM be consulted during the formulation of rules of origin and other entry regulations for products from beneficiary countries entering the United States and in the monitoring of the impact of these rules on trade;

F. Trading difficulties arising as a result of faulty interpretation and application of these regulations, by exporters or by officials of the USDA or U.S. Customs Service, be referred to the responsible section of CARICOM and trade divisions of non-CARICOM states, which, working closely with the relevant officials of the USDA and the U.S. Customs Service, would assist the exporter in resolving the problem.

Section V. Stabilizing commodity export earnings.

Whereas the over-reliance of the countries in the region on one or two export commodities makes them particularly vulnerable to price fluctuations in world markets;

Whereas attempts to remedy the harmful effects of the instability of export earnings on the region's economies have left this problem unresolved; and

In order to help stabilize commodity prices and export earnings from goods produced in the Caribbean and traded in the U.S. market;

It is proposed that:

- A. The United States establish a financial facility with the countries of the region that would provide at least partial and temporary relief from the loss of export earnings;
- B. This facility guarantees the stabilization of earnings derived from exports to the United States of products upon which these economies are dependent and which are affected by fluctuations in price and/or quantity.

1. these products include those primary and processed goods that have suffered from a deterioration in the terms of trade between the country concerned and the United States and that meet the same criteria, where relevant, as those used to determine the eligibility of products for duty-free treatment;
 2. products qualifying under this system should also be responsible for at least 6.5 percent of a beneficiary nation's export earnings to all destinations in the previous year.
- C. Governments be entitled to request a financial transfer from the United States to compensate for losses in export earnings from this country and that a soft loan the size of the annual earnings deficit be made to the requesting country meeting the following conditions:
1. when that country's actual earnings in a calendar year from the export of a qualifying product to the United States fall at least 6.5 percent below the reference level calculated for that particular country and product:
 - a. this reference level should correspond to the average of export earnings in the four years preceding each year of application;
 - b. conditions which determine legitimate fall of earnings include natural disasters, fluctuations in prices of oil and other imports essential to production, and changes in currency value.
 2. if that government has a program in place to increase food self-reliance, to promote domestic economic and export diversification and to ensure an equitable distribution of land domestically; and
 3. once it has been determined that such a deficit was not due to an adverse change in government policy, particularly in the trade area.
- D. The loan be processed and disbursed within six months of receipt by the United States of official notification from the affected country that conditions described in Section IV,B and IV,C exist.
1. the loan would be repaid over a seven-year period, with two years of grace, with the understanding that all or part of the payment due may be waived if the export performance of the product in question does not significantly improve; and

2. loans received by beneficiary countries under this system should be used to --
 - a. increase local food production in order to reduce import costs;
 - b. create or strengthen domestic economic linkages and stimulate non-traditional exports based on small-to-medium-scale agroprocessing and similar forms of production; or
 - c. to improve the export performance of the good in question if its loan request is accompanied by an adapted version of a Staple Food Protection Plan that demonstrates that increases in the production of that item over previous levels will not affect changes in land use and ownership that adversely affect domestic food production and the nutritional health of the population.
- E. Due to expected losses each year, new allocations to this fund be made annually to maintain available financing for this purpose; and
- F. As this facility to stabilize the region's export earnings is designed in part to help countries maintain an adequate level of foreign exchange reserves, consideration should be given by the President, in proffering or denying assistance, under the system, to the degree that a nation's government cooperates with U.S. authorities in controlling the unauthorized outflow of capital from its territory to the United States.

