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The Effects of the Caribbean Basin Initiative on Jamaica's Trade

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"The Effect of the Caribbean Basin Initiative on Jamaica's Trade"
THE EFFECTS OF THE CARIBBEAN BASIN INITIATIVE ON JAMAICA'S TRADE

by

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A paper submitted in fulfillment of the Honors College Thesis Requirement for graduation

June 1992
Official name: Jamaica

Political status: Independent (gained independence from Britain in 1962). Member of the British Commonwealth and of the Caribbean Community (CARICOM).

Form of government: A legislature, called Parliament, is made up of a House of Representatives, a Senate, and the Queen of England. The leader of the majority party in the House of Representatives is appointed Prime Minister and heads the government. The Queen is titular head of state and is represented in Jamaica by a Governor-General. The Constitution provides for the Prime Minister to serve for up to five years before calling a general election.

Area: 4,411 square miles. Third largest of the Caribbean islands.

Population: 2.4 million (1982)

Capital: Kingston

Second largest city: Montego Bay

Language: English. Most people also speak an English-based Creole language known as patois.

Currency: Jamaican dollar
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INTRODUCTION

This paper will analyze the export-led model for development by looking at the intended versus the actual results of the Caribbean Basin Initiative (CBI) as it relates to the Caribbean country of Jamaica. The CBI was passed into law by the U.S. Congress under the Caribbean Basin Economic Recovery Act (CBERA) in 1983. An exploration is made of the circumstances leading to the CBI, the main precepts and legislation of the CBI, its implementation and its effects. This paper also discusses the amendment to the CBERA, known as CBI II, which was passed into law effective October 1, 1990. There will be an assessment of the results of the CBI as an export-led tool for the Caribbean and an illustration of the effect of the CBI on key industries and sectors in the Jamaican economy. There will then be an attempt to make predictions for the future trade prospects for Jamaica and the future importance of the CBI in relation to Jamaica's trade.

BACKGROUND

Jamaica

Jamaica is a Third World Caribbean country. It serves as an interesting case study of how a small independent nation-state is attempting to develop using an export-led model in the modern world economy.

Jamaica has a relatively open, market-oriented economy which is mainly based on the export of bauxite/alumina and agricultural products, as well as on tourism. While most prices are determined by supply and demand, there are price controls on some items, mainly basic food and fuel items, to protect lower income people. Due to its commitment to the export-led model and free enterprise, as well as its promise to the IMF to reduce levels of subsidies, the government has recently removed a number of these items from its subsidy list.
Because of Jamaica's proximity to the United States, close ties have been developed between the two, particularly after Jamaica's independence from Great Britain in 1962. Other reasons for the continuous strong link between the United States and Jamaica are attributable to their extensive trade and investment relationship and Jamaica's commitment to a democratic system of government.

Jamaica has not always grasped the export-led model and its relationship with the U.S. has not always been strong. When Prime Minister Michael Manley came into power in 1974, he disregarded this model and sought to follow a more socialist model, in line with Jamaica's neighboring island, Cuba. Manley began subsidy programs, land distribution, and proceeded to build up an excellent health and welfare system. He also wanted Jamaica to be truly independent and self-sufficient given its resources. He sought to put levies on multinational corporations (many of which were U.S. owned) and demanded more taxes from corporations. This led many businesses (e.g., Alcoa) to withdraw from Jamaica. In 1980, with the election of Edward Seaga, the government returned to the export-led model, and most of Manley's efforts were undone. Prime Minister Seaga especially sought to bring Jamaica back "in good graces" with the United States who had started actions against Jamaica due to its "communist ideals". Seaga sponsored an all out effort to restore the linkages between the U.S. and Jamaica.

Since the 1980s the Jamaican government has been constantly seeking to attract investments in exporting industries and agriculture as part of its effort to diversify the economy's foreign exchange earning capacity. Investment aimed at the domestic Jamaican market is limited by the island's small population and per capita income of about US$1,300 (1989).

The economy relies on a few export earners which generate relatively few jobs due to their high import content (mining equipment for alumina, cut textiles for clothing, and food and hotel provisions for tourism). Although the major exports for most of the period since WWII have been bauxite and alumina, the gross value of the export sales from these commodities cannot be taken as being indicative of a pool of foreign exchange available to finance imports. There is a dominance of foreign firms in the production and export of these commodities, so only
a portion of this revenue (e.g., the local expenditures of these companies, wages, taxes and royalties) account for the foreign exchange flows associated with that sector.

Since 1981, the Jamaican economy experienced a phase of moderate expansion up to 1983, followed by stagflation in 1984 and 1985 and a return to positive growth in 1986. The upturn in the economy which began in 1986 was interrupted briefly by the damage from Hurricane Gilbert which struck in September 1988. Agriculture and manufacturing were particularly hard hit by the hurricane.

Jamaica has been experimenting with a variety of tools in its export-led development efforts. In the 1980s, Jamaica signed a Tax Information Exchange Agreement (TIEA) with the U.S. in order to ensure that U.S. taxpayers can deduct legitimate business expenses incurred in attending business meetings and conventions in Jamaica through the CBI. This agreement also enables Jamaica to access Section "936" funding (administered by the U.S. through Puerto Rican banks) at below-market interest rates for development projects. The Jamaica Facility of the Overseas Private Investment Corporation (OPIC) also provides financing and insurance.

The Jamaican government also has tax and other incentives of its own. Presently Jamaica has three active industrial park/free trade zones (Kingston, Montego Bay and Garmex). These zones offer investors an opportunity to manufacture, warehouse, assemble, and package for exports. The companies in the zone are entitled to exemption from customs duty and import licensing, 100% income tax holidays on profits (in perpetuity) and on factory space.

Since 1989, Jamaica has rapidly liberalized its economy and has given many incentives to the private sector to play the role as the major force of development. Jamaica is seeking investments in areas that would increase productive output, use domestic raw materials, earn or save foreign exchange, develop linkage industries ("twin plants"), generate employment and introduce new technology. These investment goals are clearly no small task.
The Development of a U.S. Policy Towards the Caribbean

Economic growth and government policies in small Caribbean countries like Jamaica have been conditioned by three factors: 1) the very large fluctuations of their commodities on the world market which is constantly changing the profitability of the productive sectors of their economies, 2) the attempts of their governments to cope with those fluctuations and, 3) the political and economic relations that prevail in these countries, and that determine the nature of government intervention and the role of the private sector.¹ These factors leave these small countries extremely vulnerable to external conditions. The result is that they must continually make concessions to the First World powers in order to survive in the current world climate.

The need for a clearly defined U.S. policy toward the Caribbean grew out of international developments in the 1970s when oil prices soared. The Caribbean nations were especially hard hit because their import-substitution industries depended heavily on imported petroleum and petroleum-based products. Jamaica was 98% dependent on imported energy. The increase in oil prices had a particularly adverse effect on the cost of refining bauxite and alumina in Jamaica. Similar consequences were felt in neighboring Caribbean countries. The result was increased import bills and the ensuing balance of payment crisis in the region.

The United States was also in a crucial position. America's status as "the" world power had started to decline due to many factors, one of which was the world economic situation of the 1970s. It was further weakened by events in 1979 and 1980. These included revolutions in Iran, Nicaragua, and Grenada, increased guerilla activity in Central America and the Soviet invasion of Afghanistan. Thus emerged a militant mood reflecting America's wounded pride that transferred from the Carter Administration into the Reagan Administration. In the late 1970s and early 1980s, the United States also experienced both high unemployment and high interest rates. The recession would have played a role in any policy initiative of the time.

The United States economic dominance of the Caribbean also began to be threatened by Japan, the European Economic Community (through the Lome I and II Convention with the Caribbean), the socialist countries, and by more extensive Caribbean economic integration (the Caribbean Community). The shaping of U.S. policy towards the Caribbean region, however, was based on Reagan's international economic policy. Three factors conditioned this policy: 1) the disastrous state of the world economy in 1980, 2) the deteriorating condition of the U.S. economy, and 3) increasing dependence of the U.S. economy on world trade for markets and investments.

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Since the turn of the century, the United States has based its international economic policy on the belief that it must depend on the exploitation of foreign countries for the relief of stagnant domestic markets. 4 The U.S. realized that it needed to restore domestic growth in other national economies in order to improve the environment for foreign investment and for U.S. based MNCs. It also needed to reduce trade barriers that inhibit exports and imports in the world trading systems.5

These needs led to the several principles underlying the Reagan Administration's international economic policy. There was a need for "security" and reaffirmation of U.S. interests and leadership in international affairs. This relied on bilateral agreements as opposed to multilateral approaches to promoting U.S. international security interests. In order to initiate bilateral agreements, the U.S had to tread cautiously and ensure that it did not violate the guidelines of the General Agreement on Tariffs and Trade (GATT).

There was also the importance of a market approach to solving the problems of trade. This went along with the deregulations of major industries and the conservative stance of the Reagan era. The emphasis was on increasing private sector involvement in international investment using supply side economics.

The last principle was the importance of reorganizing domestic economic policy of countries recognized as vital to the maintenance of U.S. security and economic interests. In other words, the U.S found it necessary at this time to begin looking at the potential interests in its "backyard"--the Caribbean. This last principle underscored the administration's eagerness to link economic policy to political ideology. The Reagan method sought to use the fear of "another Cuba" as the reason for the need for involvement in the region. This same belief undoubtedly led to the U.S. invasion of the tiny Caribbean island of Grenada in 1983.

These principles of U.S. international economic policy were not altogether new as it related to U.S. policy towards the Caribbean. There have been several economic motives that


5 Martin and Kandel. See footnote 3.
have always been prominent in the U.S. policy towards the Caribbean and Latin America. These motives include the following desires of the U.S.: 1) to seek investment opportunities with higher yields of profit than those in the U.S., 2) to secure export markets and, 3) to acquire raw material.\textsuperscript{6} The region on a whole has always been strategically important and served as an important outlet for U.S. investment.

**THE CARIBBEAN BASIN INITIATIVE**

**Relative Context of the CBI**

The Caribbean Basin Initiative embodied all of the principles of the Reagan Administration's international economic policy and served as the test case of a new strategy by the U.S. to reshape and control areas deemed vital to the U.S.\textsuperscript{7}

The inception of the CBI was influenced by Lome Conventions I and II, which provide preferential access to EEC markets and preferential tariff treatment to the Caribbean countries. They provide significant export markets for sugar and bananas from the former European colonies in the Caribbean. The relationship of the Caribbean with the EEC is conducive to non-alignment and makes for closer trade relations; there is no political pressure. The Reagan Administration's development policy for the Caribbean, on the other hand, was the opposite. Alignment with democracy was of utmost importance. The policy attempted to link diplomacy with trade. It also involved packaging all the other assistance programs into one and supporting the investments of U.S. as well as quelling progressive (or revolutionary) movements and governments in the region through alliance with the Right.\textsuperscript{8}


\textsuperscript{7} Richard Bernal, *The Struggle for the Old International Order: The CBI and Jamaica* (n.pub., 1989).

The Caribbean Basin Initiative was both an economic and military assistance program by its original design. It was, however, very much a political program as well, due to its requirement of alignment. The 1991 International Business Dictionary and Reference by Presner defines the CBI as “a political initiative in the form of U.S. international trade policy.” It was primarily an export-led mini-Marshall plan modeled after the Puerto Rican experiment, Operation Bootstrap.

The Puerto Rican model refers to the U.S. strategy of modernizing a small, one-crop economy in the Caribbean— the commonwealth of Puerto Rico. The model is comprised of duty free access to the U.S., cheap labor, and tax incentives in the form of U.S. tax exemptions for U.S. companies to relocate manufacturing units in the country. This strategy, with its foundation in conservative ideology and neo-classical economics, was the basis of the CBI.

**Legislation of the CBI**

The CBI was first borne out of a speech by President Reagan to the Organization of American States on February 24, 1982. Passage of the CBI, then, fulfilled the promise that Reagan made to the nations of Central America and the Caribbean on this date. He promised “an unprecedented program of trade, economic assistance and tax measures” that would facilitate recovery throughout the region.

The plan was designed to expand and diversify productive capacity and export markets through the cooperative efforts of U.S. and local business organizations. Similar to Operation Bootstrap, the CBI was to provide a combination of official aid, investment incentives, trade concessions, and technical and military assistance to select countries and territories in the Caribbean. This was to be done under the guise (in true Reagan style) of improving internal stability, facilitating economic development of the region and helping to solve causes of illegal immigration to the U.S. The CBI was promoted by the Administration in such a way as to

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9 Ibid.
appeal to both U.S. and Caribbean capitalist governments. It aimed to please these two groups whose needs didn't always coincide.

In March of 1982 the Caribbean Basin Economic Recovery Act (CBERA) was submitted by the President to Congress. The final legislative measure was signed into law on August 5, 1983 and took effect in January, 1984. It consisted of economic assistance and tax measures to generate economic growth by increasing private sector investment and trade.

From the beginning, the Reagan plan brought about mixed reactions from observers in and outside of the prospective beneficiary countries. Caribbean business leaders were overall supportive of the plan. Jamaica was chosen by the Reagan Administration to be the showcase for the program, mainly due to Prime Minister Seaga's strong support. (Jamaica was also the first country visited by the U.S. designating team in August 1983). The plan gained support from all of the other Caribbean governments, whose countries were also under severe economic pressure. The word "governments" is used here instead of "countries" because it is a recognized fact that many of the peoples within these governments did not agree with the governments' support of the program and the concessions (and/or exploitation) that seemed likely to be included. The governments, then, saw the plan as a way of accessing U.S. bilateral assistance that they assumed would be involved. Because these nations were, at this time, experiencing the most acute economic crisis since the Great Depression, there were many immediate political and social problems to be addressed. There existed serious shortages of the resources that were needed to develop the physical infrastructure necessary for industrialization.

Business groups and many individuals began to voice their reservations of the plan as soon as the details were made public. Protectionist sentiments in the U.S. became widespread as many saw the CBI as a serious threat to U.S. industry and labor. Another group, leftist opponents, saw the "CBI as an imperialistic plan to tighten U.S. economic and political

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hegemony over the region." Both supporters and opponents of the plan did not doubt that the CBI would succeed in accomplishing its goals, whatever they believed them to be. The CBI was oversold and blown out of proportion by both its opponents and proponents.

The major elements of the CBI are trade, concessional aid and investment. The plan as first proposed by Reagan provided that the CBI would:

1. Establish one-way duty-free access to U.S. markets for Caribbean Basin (CB) exports for a 12-year period—this was to be the main component which was referred to as the Free Trade Area (FTA).

2. Provide $350 million to meet balance-of-payments shortfalls in key countries. (See Table 1 for disbursement schedule)

3. Create an investment tax credit of 10% for U.S. businesses investing in the Caribbean Basin.

TABLE 1

The AID Package

<table>
<thead>
<tr>
<th>Country</th>
<th>Administration’s original proposal ($ million)</th>
<th>As passed by Congress ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dominican Republic</td>
<td>40</td>
<td>41</td>
</tr>
<tr>
<td>El Salvador</td>
<td>128</td>
<td>75</td>
</tr>
<tr>
<td>Honduras</td>
<td>35</td>
<td>38</td>
</tr>
<tr>
<td>Jamaica</td>
<td>50</td>
<td>52</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>70</td>
<td>75</td>
</tr>
<tr>
<td>Belize</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Haiti</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Eastern Caribbean</td>
<td>10</td>
<td>24</td>
</tr>
<tr>
<td>Guatemala</td>
<td>--</td>
<td>10</td>
</tr>
<tr>
<td>AIPLD</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Latin American Caribbean Region</td>
<td>--</td>
<td>13</td>
</tr>
<tr>
<td>TOTAL</td>
<td>350</td>
<td>350</td>
</tr>
</tbody>
</table>

Source: U.S. Agency for International Development.

The Congress had soon began its deliberation on the bill. In spite of heavy labor opposition, the House voted for the initial bill (HR 2769) that would eliminate duties on certain Caribbean imports. The bill had added certain restrictions to the products that could seek duty-free entry. In the House deliberations, opponents of the bill complained that it would add to unemployment in the U.S. James Oberstar, D-Minn, one of the most outspoken opponents of the bill, spoke for many when he said, “Jobs would be lost in the American workplace and replaced by subsistence-type jobs in the Caribbean with no health benefits, retirement plans, overtime or vacation pay...”.

Supporters of the proposal said that jobs would be created both in the Caribbean and in the U.S. They argued that the CBI would work to the favor of the U.S. because an improvement in the economies of these nations would push U.S. exports to the region even higher than the $6 billion earned in 1982 from the region. Many members of the House also argued that the package would contribute to political stability in an ever-troubled area which was close to home. Others felt that the promise made to the area had to be fulfilled since the countries were desperate and would probably turn for assistance from others if the United States failed to deliver.

In the Senate, a Caribbean Basin Bill (S544) was approved and the full Senate added this version to HR 2973, the tax withholding bill under which the House version came under. The House and Senate bill differed in that the Senate bill included a provision to protect the U.S. Virgin Islands rum industry from Caribbean competition. The Congress did accept the idea of the Free Trade Area, but decided to make it less free by restricting access for several products: petroleum and petroleum products, canned tuna, footwear, certain leather products, luggage, and handbags. The original proposal had already exempted sugar and textiles from duty-free treatment. The proposed investment tax credit of 10% was also deleted and replaced by a narrower provision allowing businesses and individuals to deduct from their income taxes

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expenses for conventions held in Caribbean Basin countries. This was to be contingent upon the beneficiary country agreeing to disclose information of interest to the IRS through signing of a Tax and Information Exchange Agreement (TIEA).

On July 28, 1983, both Houses approved the bill, and on August 5, 1983, President Reagan signed into law Title II of Public Law 98-67, entitled the Caribbean Basin Economic Recovery Act (CBERA) which is generally known as the Caribbean Basin Initiative. Subtitle A of the Act authorized the President to “proclaim duty-free treatment for all eligible articles from any country proclaimed by the President to be a beneficiary country for purposes of the Act.”

In order for a Caribbean country to receive the benefits of the CBI, it must be officially designated as a beneficiary country (BC) under the Act by the President. On November 30, 1983, the President signed Presidential Proclamation 5133 widely referred to as the Free Trade Area, providing for the promulgation of the duty-free treatment on all eligible articles and designating certain countries as beneficiary countries to become effective January 1984.

In essence, the legislation was applicable to all of the Caribbean (27 countries), except Cuba, but was contingent upon each country meeting certain criteria. There are 11 such discretionary criteria which are for the most part political in nature. They include the degree to which the country recognizes and upholds basic principles of international trade, protection of private and intellectual property and the right of collective bargaining by workers. A country may not be a BC if it has a communist government. The President also has the right to waive some of these conditions for reasons of national security or economic interests. There are currently 23 CBI beneficiaries as of November 1991, reduced from 24 with the exclusion of Haiti due to the political situation there.

Provisions of the CBI

1. Duty-free access to U.S. market.

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15 Public Law 98-67, Title II - CBERA.
16 19 USC 2702.
Caribbean products will have duty-free entry into the U.S. for 12 years. The termination date was set for September 30, 1995. This section is known as the creation of a Free Trade Area (FTA) in the Caribbean. Before the CBI, 87% of Caribbean exports were already duty-free under the Generalized System of Preferences (GSP). Except for certain excluded articles, duty-free treatment under the CBI applies to all products which are the growth, product or manufacture of a beneficiary country (or be "substantially transformed" into a different article of commerce) and which meet the following criteria:

a. The product must be imported directly from the beneficiary country into the customs territory of the U.S.

b. Its cost or value must consist of at least 35% direct cost of processing (made of labor or materials) originating in the CBI countries. U.S. raw material may make up 15% of the 35%, so in this case a 20% value-added, providing a "substantial transformation" is made. The Virgin Islands and Puerto Rico may be included in the calculation of the local value-added.

Excluded are: textiles and garments (which are subject to bilateral textile agreements such as the Multi-Fiber Arrangement), footwear, handbags, luggage and leather wearing apparel not designated as eligible articles under the GSP under Title V of the Trade Act of 1974, petroleum and its derivatives, canned tuna, and watches and watch parts (due to the Most Favored Nation principle in the GATT). In order to qualify for duty-free treatment of sugar and beef, a country must submit an acceptable Food Production Plan within 90 days of its designation as a BC. The President also has the right to withdraw this status for any import that threatens U.S. industries.

2. Incentives to U.S. Investment

The main incentives stem from the above FTA cost-benefit advantage that can be achieved through the CBI. There is also the advantage of writing off business meetings and conventions in the Caribbean. There are tax advantages, as well as investment insurance through OPIC for direct U.S. investment to encourage the location of new production sites in the region.
In 1986, under the new Tax Laws, a further investment incentive was added to the CBI. Section 936 of the Internal Revenue Code exempts income profits of U.S. companies doing business in Puerto Rico from U.S. corporate income taxes if the income is deposited in the Puerto Rican banking system. These funds may be lent at below market rates to finance development projects in CBI countries.\(^\text{17}\)

3. Increased Military ("Security") Assistance

This consisted of a total of $350 million to be dispersed among "friendly" nations in the region in order to contain the spread of alleged foreign-backed "Cuban-styled" revolutions. The more strategically important countries were given the higher proportion of this money. This did not even come close to the actual need in the region, and was immediately absorbed into debt repayments.

4. Other Provisions of the CBI

The Administration said that Puerto Rico and the Virgin Islands will be developed as the "transportation hub for the Caribbean region" and that their industries would be safeguarded against imports from the countries in the free-trade zone.

While the CBI authorizes most products to be eligible for duty-free treatment, articles imported into the U.S. from the CBI beneficiary country must qualify for these benefits, as was previously mentioned. This proved to not always be an easy task. The rules of "substantial transformation" and value-added criteria are rules governing country-of-origin which is determined by where the article is grown or produced and which helps to determine the rate of duty. The "substantial transformation" test is used by the U.S. Customs Service to determine country-of-origin. "Substantial transformation" means that an eligible article must be either "wholly the growth, product, or manufacture" of a beneficiary country or be "substantially transformed" in that country into a new article of commerce. If the article is not made entirely

\(^{17}\) CBI Business Bulletin, October 1990.
from materials and processing operations in the CBI countries, then substantial contribution to the production of the article must have occurred in the beneficiary country. As stated in P.L. 98-67, just combining the operations or diluting with water does not materially alter the characteristics of the article and will not qualify. (See p.5 of Appendix A)

The value-added criteria must not be less than 35% of the appraised value of the product being imported to the U.S. from a BC. The value-added is the sum of cost or value of the materials produced in one or more beneficiary countries plus the direct costs of processing operations performed in one or more of these countries. Combining, packaging, or dilution, even if the 35% value-added requirement is met, is still not acceptable.

Realistically, the CBI consisted only of the Free Trade Area (FTA), because 1) the $350 million aid package for the area was only a one-year appropriation and 2) the investment credit section was scrapped. The FTA itself was significantly reduced in value. It was first reduced by the administration's initial exclusion of textiles and other products that were already ineligible for Generalized System of Preferences (GSP) because of any of these reasons: 1) the value-added in the CBI country of origin being was too low, or 2) the country was already exporting more than allowed under the legislation (e.g., sugar export). The FTA was further reduced by Congress who added more exclusions such as leather handbags, luggage, and footwear.

When the CBI was implemented, 87% of Caribbean exported commodities were already duty-free or qualified for tariff-free entry under the GSP. According to a 1988 report by the Group for the Study of National and International Development, the CBI in actuality only affects 5% of the exports from the region since many products are either excluded or already covered under the GSP. Because the CBI overlapped certain already existing programs and favorable tax treatment for imports from U.S affiliates under Tariff Provision 807, many of the "additional benefits" of the CBI legislation were redundant. (See Table 2 ).
Table 2
Caribbean Basin Exports to the United States, 1980:
Percentage Affected by the Free Trade Area

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>10,205</td>
<td>100</td>
</tr>
<tr>
<td>Currently duty free</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil and petroleum(^a)</td>
<td>6,039</td>
<td>59</td>
</tr>
<tr>
<td>GSP</td>
<td>552</td>
<td>5</td>
</tr>
<tr>
<td>Other (coffee, tropical fruits, etc.)</td>
<td>2,327</td>
<td>23</td>
</tr>
<tr>
<td>Dutiable</td>
<td>1,282</td>
<td>13</td>
</tr>
<tr>
<td>Textiles</td>
<td>282</td>
<td>3</td>
</tr>
<tr>
<td>GSP exclusion, value added</td>
<td>182</td>
<td>2</td>
</tr>
<tr>
<td>GSP exclusion, competitive need</td>
<td>349</td>
<td>3</td>
</tr>
<tr>
<td>Products eligible for Free Trade Area</td>
<td>469</td>
<td>5</td>
</tr>
</tbody>
</table>

\(^a\)Petroleum imports were admitted duty free for the first half of 1980 and later were made dutiable. They are not included in the Free Trade Area.

Source: U.S. Department of Commerce.

The reasons for the emptiness of the initiative had a lot to do with the fact that throughout its legislation it suffered "watering down". Another reason was its original intent of trying to accomplish two opposite goals at once. It attempted to ensure proper economical and political climate for U.S. companies active in the Caribbean Basin, providing them with unrestricted access to the region's resources. At the same time, it wanted to supply the means to insulate the domestic market from competition from the Caribbean producers. The purpose was never to meet the regional needs of these countries. So if regional needs happened to be met, it would appear that this would be strictly coincidental.
JAMAICA AND THE CBI

Implementation of the CBI in Jamaica

The CBI was allowed to take effect beginning January, 1984 but actual utilization of the program would take time. People had to first be informed of the details of the initiative and support services set up. The United States and the Jamaican governments worked together to set up agencies that would assist in explaining and implementing the CBI. Customs officers were put into place and training pamphlets were distributed to all the agencies that would be affected. Jamaica National Investment Promotions Limited and the Jamaica National Export Corporation were later combined into Jamaica Promotions Corporation (JAMPRO). JAMPRO was created to be a “one-stop shop” for exporters and investors, as well as the national and international business communities. JAMPRO is the government’s economic development agency which provides wide services to exporters and seeks to foster investment. It also provides administrative services such as the dispersion of Certificates of Origin which are among the requirements of the CBI, GSP, and the Jamaica/U.S. Textile Agreement.

Jamaica was one of the most avid supporters of the Caribbean Basin Initiative. The Jamaican economy at the time of the enactment of the CBI was in trouble. Many saw the CBI as a way out of the economic troubles. It was evident that any benefits from the Caribbean Basin Initiative would be dependent on the Jamaican government’s success in setting policies that would lead businesses to correct certain marketing deficiencies in order to expand exports. In other words, certain prerequisites had to be met in order to allow the full advantages of the program.

Jamaica made some important steps toward utilizing the export-led model starting in 1980 when Prime Minister Edward Seaga came into power. These efforts would later serve to complement the CBI although at the time of the implementation of the CBI these efforts were
still new and had not achieved their intended goals as yet. In its initial effort to diversify its exports in view of the uncertain world market for bauxite and alumina, Jamaica adhered to the Structural Adjustment Programme (SAP) of the International Monetary Fund beginning in 1981. It included incentives for producing non-traditional goods and provided a means for reviving the declining banana and sugar industries.

Agro 21 was an agricultural program launched in 1983 which was designed to stimulate the use of underutilized and unused land that could be adaptable to advanced agricultural methods and lead to large-scale production. This combined the promotion of export crops with import substitution crops. Another step was the creation of the National Export/Import Bank (EximBank) in 1984. Its services include insurance against non-payment by importers and authorization of lines of credit. It managed an Export Development Fund which was to be used to provide hard currency financing for imports that yield exports.

Jamaica offers opportunities, especially for breaking in new industries, but since the CBI relied upon private investment, if these opportunities weren’t recognized or investors weren’t convinced, then investments would not come in. One reason for this was the lack of trust in the U.S. government by investors which was a result of the protectionist blocks that sought to limit even further the already limited provisions of the FTA. An illustration of the difficulties that face businessmen seeking to use CBI provisions is the case of Tropicana International. Based on a 1984 U.S. Customs Service ruling that the company’s product (processing of Spanish alcohol for re-export to the U.S.). qualified for duty-free treatment under the CBI, Tropicana completed construction of ethanol distillation facilities in Kingston in early 1985. The duty-free ruling was essential to its decision to partake in this project since the normal duty on ethanol imports is 60 cents per gallon. The new expansion was expected to earn a considerable amount of foreign exchange for Jamaica and eventually help to stimulate the sugar industry by using locally-

produced cane sugar as its main feedstock. Everything appeared to be fine, until protectionist pressure began to mount in the U.S. This led to legislation which was enacted in the Tax Reform Act of 1986 which amended the CBI by imposing restrictions on the duty-free treatment of ethanol imports from certain countries.\textsuperscript{19} By changing the provisions of the CBI duty-free provisions, the Congress created distrust of the program among businessmen. It jeopardized the program in general and was interpreted as a show of noncommitment. Businessmen began to realize the uncertainty behind the CBI's legislation. There was no reason not to think that Congress wouldn't make changes that would affect the apparel, electronics, or other non-traditional industries; they proceeded with caution when it came to the Caribbean due to the anticipated risk and uncertainty.

As the U.S. economy began to improve, however, so did Jamaica's. By 1987 investments started coming into Jamaica. The provisions of the CBI became more familiar to businessmen as it was promoted more widely. A few investors began to take notice of the advantages (e.g., low wages) of investing in Jamaica. Many investors opted to locate their businesses in the free trade zones due to the many incentives it provided. The "936" fund availability introduced in 1986 helped to attract investments and expansions. Total direct investment in Jamaica in 1987 was $89.7M versus $23.7M and $13.2M in 1985 and 1986 respectively.\textsuperscript{20} The state-owned Air Jamaica Airlines was able to add new fleets due to such loans. The primary reason for the pick-up in investments, however, may be attributed more to the pick-up of the U.S. economy and less to the CBI as the countries' economies became more integrated into the U.S. economy.

\textbf{Initial Assessment of the CBI}

The conceptual basis of the CBI was founded in liberal access to U.S. markets through a one-way free trade area. It was an export-led model and so it sought to overcome national and

\textsuperscript{19} Research by the Group for the Study of National and International Development, 1988.

regional import substituting industrialization by reorienting new investments and productive factors to producing for export markets outside of the Caribbean region (to the U.S.) The domestic market was no longer targeted. Manufacturing activities could be set up strictly for the export market. Export-led models succeed with the cooperation and commitment of the private sector; reduction of tariff protections (subsidies) and privatization must occur for the model to work. This would result in the closure of some firms at first due to the full-blown competition from imports. The results seemed then to be a displacement of traditional exports and more attention to new types of exports.

When assessing the performance of the initiative, one must focus on the market objectives of the program: 1) export expansion, 2) export diversification, and 3) economic development through trade. One must also consider its ability to boost bilateral trade in non-traditional products, reduce unemployment, and promote capital investment in the manufacturing sector that would be enough to compensate for loss of foreign exchange earnings from traditional exports. It is also necessary to place rises in total (tariff-free and dutiable) exports from these nations in the context of changes in U.S. imports from other regions of the world.

The CBI clearly experienced many difficulties. It had to try to work against many countertrends such as the slow revival of the U.S. economy and disinvestment in the region. After four years of its existence, many began to realize its failures. Non-tariff barriers such as quotas hurt the CBI as well (the U.S. was steadily cutting its sugar quotas); lack of infrastructure development and the shortage of trained personnel with knowledge of technical and marketing skills were also a setback.

The CBI underwent ups and downs. It was amended under the 1986 Tax Reform Act which produced negative effects for the ethanol industry. In 1986, as well, however, a new reduced-duty program was established for CBI beneficiary countries. This was referred to as Guaranteed Access Levels (or GALs) which allowed for negotiations between the countries and the U.S. based on output and estimated expansion to determine access to the American market of
apparel items assembled in the Caribbean from materials made and cut in the U.S. This brought the CBI more in line with Tariff Provision 807. It was referred to as “Super 807” or "807A". In agriculture, only pineapples and citrus fruits were affected by the Act as the rest were covered under GSP. Some industries with potential for growth were the cut-flowers industry and the furniture industry.

Items under the CBI excluded from duty-free treatment were either those on which many economies relied for foreign exchange (e.g., petroleum, sugar) or products which Caribbean Basin countries regard as fundamental to any hope of significantly increasing exports to the U.S. (e.g., footwear, leather articles). Export expansion would mean reordering their exports and factors of production and looking strictly at non-traditional products that could take advantage of this duty-free opportunity. This, however, was easier said than done and would definitely take some time. Once the countries and proponents of the initiative realized that the CBI was not a magic wand, nor did it intend to be, then they also realized that it could be slowly utilized to great long-term advantages. In the short time since its inception, up until 1988, however, the biggest utilizers of this export-led model had been the industries set up to assemble clothing and electronics initially under the "807" tariff laws. The competitive advantage of these are low labor costs, and subsidies within the free zones. The most obvious beneficiaries of the initial CBI trade provisions, however, were producers exporting to the region, not the designated economies themselves.

In order for the countries to benefit, the CBI had to overcome the harm done to Caribbean private sector by the global recession and high interest rates. This was an uphill battle for while imports from the region were shrinking, the U.S. increased commodity sales to CBI countries. This was found to be true in all of the International Trade Commission reports done on the impact of the CBI on the U.S. (The reports were a requirement in the legislation due to
the concerns of labor unions and protectionist groups.) Trade statistics show that for the first two years of the CBI a 23.1% decline in U.S. imports from beneficiary countries.21

Jamaica suffered a decrease due to world price declines in bauxite and alumina, which had been the primary foreign exchange earner in Jamaica since the 1940s. This decrease in exports was also due to the Manley government tax levies of the bauxite industry in the late 1970s, which forced a few of the mining MNCs out of Jamaica. It was also due to the fact that the U.S. shifted to Australia for the majority of its bauxite supply.

According to a U.S. Agency for International Development Report, 1) non-traditional products were booming, 2) export production had sharply diversified, and 3) U.S. sugar policy and poor world prices for traditional commodities had offset non-traditional growth. For sugar bauxite exports, however, it was acknowledged in the report that the reason for the decline was a direct result of the declining U.S. quotas. In real value-added terms, "the CBI countries lost more from U.S. sugar quotas during 1983-1988 than they gained from the growth in non-traditional exports. The conclusion of that report was that "the CBI can dramatically improve the economic growth potential for Basin countries that take the necessary complementary action."22

Even with all the effort put forth, things proved disappointing for Jamaica as capital inflows to the island were initially minimal. Jamaica was still lacking the many prerequisites that would require hard currency to correct. These included such things as a competitive foreign exchange, developed physical infrastructure and marketing associations. The underdeveloped state of the export industries resulted in an overall lack of surplus production capacity. It was dubious whether the private sector could solve most of these problems. The huge external debt just helped to weigh the problems down even more.

The CBI benefits, then, proved disappointing for Jamaica. In the first two years of the CBI, Jamaica's exports declined due to price declines in bauxite and alumina, its principal export

21 U.S. Department of Commerce, National Trade Data Bank (NTDB).
products. This was in part due to external conditions caused by the recession. The relative strength of the U.S. dollar and the depressed state of commodity prices and U.S. commodity imports worked against Jamaica's progress. According to reports by the U.S. International Trade Commission, 1986 exports from Jamaica to the U.S. totaled $192.8 million versus imports from the U.S. to Jamaica of $320.9 million. The economy began to improve in 1987 and continued into 1988; this was due to an upturn in the general world economy. The hurricane that swept Jamaica in 1988 served as a major setback, as much of the infrastructure was damaged. This did, however, have a positive effect as it sent a lot of aid coming in Jamaica's way and resulted in a renewed interest in the Caribbean region.

There were many limits of the CBI. Nothing in the CBI addressed the problem of low and unstable prices for commodities such as sugar, bananas and bauxite, which was the main cause of balance of payments problems. Also, the factories that were set up under the CBI would employ cheap labor but would have no other links to the Jamaican economy. They would not use local raw materials nor develop local skills.

CBI II - 1989 TO THE PRESENT

Provisions of CBI II

There began to be widespread criticism of the CBI program, but no legislative amendment was attempted until late in 1987 with the Gibbons Bill which was set aside due to its unpopularity. The bill sought to extend the Free Trade Area beyond the September 30, 1995 expiration date. It also sought to liberalize the rules for imports and to add more tariff-free products.

After going through months of debate, the proposal to increase sugar quotas and to ease the entry of rubber-soled footwear from Caribbean assembly plants was also denied, and the
ethanol issue was argued and reargued. Late in 1989, Rep. Gibbons won a temporary reprieve from the 1986 change regarding ethanol. The deal allowed the Caribbean plants duty-free treatment with no local feedstock requirement for 7% of the U.S. ethanol market (or 60 million gallons) if as much as 35% (as per CBI rule) of the product's value had been added in the Caribbean. The next 35 million gallons of ethanol would require 30% local Caribbean feedstock and the Caribbean value-added threshold for additional amounts was 50%. This arrangement was to last until December 31, 1991, but Gibbons' original bill would have made this arrangement permanent.23 There were also disputes regarding the reduction in tariffs of leather goods.

Finally, on August 20, 1990 President Bush signed into law the Customs and Trade Act of 1990, which included the Caribbean Basin Economic Recovery Expansion Act of 1990 (CBI II). The measures were in part an out-growth of President Bush's November 1989 memorandum calling for an inter-agency effort to improve the implementation of the CBI which was a response to criticism of the program. The proposals focused on "improvements in the areas of trade, investment, tourism, promotion, marketing, outreach, technical assistance, and coordination ... while it appears that some of these measures will be useful because they focus on specific problems, they are still somewhat vague."24

The most important provision of CBI II was the permanent extension of the duty-free treatment (Section 211 of the conference amendment) that most goods produced in the region receive upon entry into the U.S. market, thus eliminating the 1995 expiration date. Although the bill did not really expand the list of eligible products, it did provide more support for the original program as outlined below. Some aspects of the amendment that made up the main provisions of the CBI II bill were:

24 Enhancements to the CBI, pamphlet provided by JAMPRO.
1. Section 212- Treatment of Product Exemptions.

This provided for duty reduction for certain leather-related products. It called for a 20% reduction in tariff rates on leather goods (but not leather footwear) imported from CBI BCs not to exceed 2.5 percentage points. This would be phased in over 5 years, beginning January 1, 1992. This provision applied to goods that were not eligible for duty-free treatment under GSP (and thereby were formerly ineligible under the original CBI program as well). This would benefit Jamaica by attracting investment and encouraging market expansion. According to JAMPRO, at the time of the amendment Jamaica did not have significant exports of leather products.

2. Section 222- Duty-free treatment for articles assembled in CBI countries from components produced in the United States.

This was actually an amendment to the Harmonized Tariff Schedule 9802.804 which affected CBI countries. This was also the most important new measure in the CBI II. Its purpose was to increase duty-free access to the US market. It provided for duty and quota-free entry into the United States for any articles (other than textiles, apparel, petroleum and certain petroleum products) that are assembled wholly from U.S. fabricated components or processed wholly from U.S. ingredients in a CBI beneficiary country. If these provisions are met, then the imported product will not be treated as a foreign article and will not be subject to duty. This will thus expand the type of operations that can be performed since Customs will no longer need to consider whether the processing "substantially transformed" the U.S. inputs to create a "product of" the CBI country. This section also eliminates the 35% value-added criteria of the CBI. The wording in this amendment is important. By including "processing" as well as assembly, the new provision eliminates a difficulty for those involved in 806-type assembly operations.

This provision has also created controversy and is constantly being attacked by U.S. protectionists. The U.S. Customs Service requires that exporters get a ruling before importing most footwear. There was such a ruling on November 5, 1990 by the Commercial Rulings Division of the U.S. Customs Service that made footwear made in the Caribbean duty-free.26

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25 19 USC 3007.
26 New York Attorney Zelman's Request for Ruling under U.S. Note 2(b) of the Harmonized Tariff Schedule of the U.S. regarding certain footwear produced in the Dominican Republic.
Even so, the issue has not yet been settled as the U.S. Congress on many occasions have tried to say that the extension of duty-free provisions to footwear was an error in wording in the CBI II, "the effects of which could have a negative impact on the U.S. domestic footwear industry." Debate on this issue is sure to resurface.


This section gives the President the authority to effect changes in the CBI rules of origin contained in Section 213 of the CBERA.

4. Section 224- separate cumulation for CBI countries under U.S. Anti-dumping (AD) and Countervailing Duty (CVD) laws.

If imports from a CBI country are under investigation in an AD or CVD case, the imports from that country will no longer be aggregated with imports from non-CBI countries when determining whether the imports from the country are causing or threatening material injury to a U.S. industry. This was done to prevent the small CBI BCs from being put together with larger countries in International Trade Commission AD or CVD investigations since their size usually meant that when taken alone they could not put a serious dent in a U.S. industry.

5. Section 225- Ethyl Alcohol

The 1989 Gibbons deal was expanded through December 31, 1992. This provision granted duty-free treatment for ethanol that was only dehydrated within a CBI country if it met certain annual criteria: no country-of-origin feedstock requirement on the first 60 million gallons (or 7% of the U.S. ethanol market), 30% feedstock requirement on the next 35 million and 50% requirement for any additional U.S. imports. This provision sought to prevent "pass-through" operations (largely using European wine alcohol). Ethyl alcohol that was produced by a process of full fermentation in a beneficiary country remained eligible for duty-free treatment in unlimited quantities without regard to

27 Wording in Amendment Bill S3204 introduced in Congress on October 15,1990.
feedstock requirements. Both methods (full fermentation and dehydration) are used in Jamaica. The Petroleum Corporation of Jamaica has two subsidiaries involved in ethanol production, Petronol Ltd. and Petrojam Ethanol Ltd. The latter is involved in full fermentation while the former is involved in dehydration. The fact that Petrojam gets its wine alcohol from the EEC is very important to its production capability because it is much cheaper than the local cost. This makes it uneconomical for the company to use only local feedstock. They do, however, plan to use a combination of the EEC wine alcohol and local wet alcohol in order to use this provision to enter the U.S. market duty-free (by satisfying the local feedstock requirement). (JAMPRO)


This makes the GSP more stringent and may indirectly make CBI-produced goods more competitive as it may wipe out some goods in non-CBI countries that do not meet these rules-of-origin requirements.

7. Section 227- Requirement for investment of 936 Funds in Caribbean Basin countries.

This section formalizes the commitment in Section 936 (1986 revision) of the Internal Revenue Code which exempts profits of U.S. companies doing business in Puerto Rico from corporate income taxes that are deposited in the Puerto Rican banking system. These funds are used for low-interest funds for development projects in qualifying CBI countries. This provision requires the government of Puerto Rico to ensure that at least $100 million in new investments under 936 be made available each year in eligible BCs.

(See Appendix B for a full summary of the amendments)

Because again, as in the first legislation, protectionist interests prevailed, much was deleted from the original Gibbons bill. It appeared that CBI II would just be the sequel to an already watered-down program.

There were other previous changes to the CBI. One was the addition of Section 9802.00.8010 of the U.S. Harmonized Tariff Schedule (US-HTS), known as Guaranteed Access Levels (GALs) in 1986 was an improvement to the CBI (1986). It affected apparel articles only and required the apparel to be assembled from U.S. formed and cut textiles. It provided for
## Comparison of CBI and GSP Programs

<table>
<thead>
<tr>
<th>Eligible Countries</th>
<th>Caribbean Basin Initiative</th>
<th>Generalized System of Preferences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligible Countries</td>
<td>Central America and most of the Caribbean countries</td>
<td>Most developing countries and some Eastern European countries</td>
</tr>
<tr>
<td>Duration of program and product eligibility</td>
<td>Permanent program with fixed product eligibility</td>
<td>Program statute to be considered for renewal in 1993. Product eligibility adopted on product-specific basis through annual review procedure</td>
</tr>
<tr>
<td>Products exempt from duty-free status</td>
<td>Most textile and apparel, petroleum, footwear, gloves, leather products, and watches</td>
<td>Import sensitive products including certain textile and apparel, watches, electronics, steel, footwear, luggage, leather goods, and semi-manufactured glass product</td>
</tr>
<tr>
<td>Rules of origin requirements</td>
<td>35% value-added (the value of U.S. materials may be counted but only up to 15% of the appraised value of the imported article) and substantial transformation or double substantial transformation</td>
<td>35% value-added and substantial transformation</td>
</tr>
<tr>
<td>Exceptions from rules of origin requirements</td>
<td>Value added and substantial transformation requirements do not have to be met if the product is made of 100% U.S. components or if a product of Puerto Rico is further processed or advanced in a CBI country</td>
<td>None</td>
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</table>

Reprinted from Caribbean Basin Exporter's Guide
Harmonized Tariff Schedule of the U.S. 9802.00.80: Provisions for Off-shore Assembly

<table>
<thead>
<tr>
<th>Description</th>
<th>HTS 9802.00.8010</th>
<th>HTS 9802.00.8040</th>
<th>HTS 9802.00.8060</th>
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</thead>
<tbody>
<tr>
<td>Guaranteed Access Level (GAL)</td>
<td>100% U.S. Components</td>
<td>Formerly TSUS 807</td>
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</tr>
<tr>
<td>Eligible Countries</td>
<td>CBI beneficiaries</td>
<td>CBI beneficiaries</td>
<td>Any</td>
</tr>
<tr>
<td>Eligible Products</td>
<td>Apparel</td>
<td>Any product except textile and apparel</td>
<td>Any product</td>
</tr>
<tr>
<td></td>
<td>• Apparel must be assembled from U.S.-formed and cut</td>
<td>• Article must be processed, assembled or</td>
<td>• Assembly may include sewing, gluing, force-</td>
</tr>
<tr>
<td></td>
<td>textiles</td>
<td>manufactured from 100% U.S. components</td>
<td>fitting, laminating, crimping, screwing, nailing,</td>
</tr>
<tr>
<td></td>
<td>• U.S. exporter of qualifying fabric must also</td>
<td></td>
<td>riveting, soldering, welding or the use of</td>
</tr>
<tr>
<td></td>
<td>import finished article</td>
<td></td>
<td>fasteners.</td>
</tr>
<tr>
<td></td>
<td>• Foreign origin findings and trimmings (i.e. thread,</td>
<td></td>
<td>• Operations incidental to the assembly process (i.e.</td>
</tr>
<tr>
<td></td>
<td>buttons, lace trim)</td>
<td></td>
<td>cleaning, removing rust or grease, applying</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>preservation paint, testing, folding) are also</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>allowed.</td>
</tr>
<tr>
<td>U.S. Market Access Advantage</td>
<td>Virtually quota-free access to the U.S. market</td>
<td>Duty-free access</td>
<td>Duty is not assessed on the value of exported and</td>
</tr>
<tr>
<td></td>
<td>if exported from a CBI country that has negotiated a</td>
<td></td>
<td>reimported U.S. components</td>
</tr>
<tr>
<td></td>
<td>GAL agreement with the U.S. for the specific article</td>
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</tr>
<tr>
<td></td>
<td>Duty is levied only on value added abroad, not on U.</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>S. formed and cut textiles</td>
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quota-free access to the U.S. market if exported from a CBI country that had negotiated a GAL agreement with the U.S. for the specific article. Duty is levied only on value-added abroad, not the U.S. formed and cut textiles. The U.S. exporter of the qualifying fabric must also import the finished article to the U.S.\textsuperscript{29} (See following two charts). Jamaica is active in this program.

Due to criticism of the CBI and President's Bush's desire to woo Caribbean leaders to his Enterprise of the Americas Initiative, some more benefits were extended to the CBI countries effective October 2, 1991. These changes eliminated the conditions that covered such products as meat, wristwatches, and athletic equipment and restricted them under the original CBI program.

CBI I and II AND JAMAICA: 1989 TO THE PRESENT

Effect of the CBI on Specific Industries

Jamaica is today the fourth largest exporter to the U.S. in the Caribbean. In 1990, about 30\% of its exports (US\$335 M) went to the U.S. Half of that entered duty free, in part due to the CBI.\textsuperscript{30}

Textiles/Apparel

The textile industry is the fastest growing industry in Jamaica. The Export Processing Zones that have been put into place by the government are made up primarily of firms exporting textiles and apparel. Its rapid growth began in the early 1980s. In 1983, exports of wearing apparel were US\$12.7 M. In 1984, the first year of the CBI, it increased to US\$32.6 M in spite of the faltering world economy. In 1987, it reached US\$102.7 M (See Table 3). This growth is not necessarily attributed to the CBI program alone. It has been facilitated primarily by the 806 (formerly 807) provision of the US-HTS as well as the GAL provision for CBI countries. Its

\textsuperscript{29} Caribbean Basin Exporters Guide, Dept. of Commerce.
\textsuperscript{30} 1991 United States Annual Report, USITC.
Table 3
JAMAICA
NON-TRADITIONAL DOMESTIC EXPORTS
US$ Million

<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>1. Wearing Apparel</td>
<td>7.1</td>
<td>7.2</td>
<td>17.4</td>
<td>12.7</td>
<td>32.6</td>
<td>36.0</td>
<td>52.5</td>
<td>102.6</td>
</tr>
<tr>
<td>2. Fruits and Vegetables</td>
<td>23.1</td>
<td>19.8</td>
<td>21.8</td>
<td>28.4</td>
<td>21.1</td>
<td>29.5</td>
<td>32.7</td>
<td>41.8</td>
</tr>
<tr>
<td>3. Cigars</td>
<td>8.7</td>
<td>9.2</td>
<td>8.5</td>
<td>13.5</td>
<td>9.8</td>
<td>9.5</td>
<td>8.3</td>
<td>9.7</td>
</tr>
<tr>
<td>4. Cordials/Liqueurs</td>
<td>5.3</td>
<td>7.1</td>
<td>7.4</td>
<td>9.1</td>
<td>4.1</td>
<td>3.5</td>
<td>3.4</td>
<td>4.3</td>
</tr>
<tr>
<td>5. Beer/Stout</td>
<td>0.7</td>
<td>0.8</td>
<td>1.4</td>
<td>3.0</td>
<td>2.3</td>
<td>2.9</td>
<td>3.5</td>
<td>4.6</td>
</tr>
<tr>
<td>6. Cut Flowers/foliage and other live plants</td>
<td>1.4</td>
<td>1.6</td>
<td>1.5</td>
<td>1.9</td>
<td>1.1</td>
<td>1.8</td>
<td>2.7</td>
<td>3.7</td>
</tr>
<tr>
<td>7. Toilet Preparations</td>
<td>4.2</td>
<td>4.7</td>
<td>7.8</td>
<td>7.1</td>
<td>4.5</td>
<td>4.1</td>
<td>4.1</td>
<td>4.2</td>
</tr>
<tr>
<td>8. Electrical Machinery nes</td>
<td>4.4</td>
<td>4.6</td>
<td>5.2</td>
<td>4.9</td>
<td>2.2</td>
<td>2.2</td>
<td>1.8</td>
<td>2.3</td>
</tr>
<tr>
<td>9. Furniture</td>
<td>3.1</td>
<td>3.0</td>
<td>5.3</td>
<td>6.3</td>
<td>3.0</td>
<td>1.8</td>
<td>2.2</td>
<td>3.6</td>
</tr>
<tr>
<td>10. Miscellaneous Manufactures</td>
<td>7.8</td>
<td>12.2</td>
<td>8.8</td>
<td>11.5</td>
<td>7.2</td>
<td>6.6</td>
<td>7.7</td>
<td>9.3</td>
</tr>
<tr>
<td>11. Coffee/Cocoa</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>12. Fresh Fish</td>
<td></td>
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</tbody>
</table>

success is also due to the large amount of skilled persons in the apparel industry in Jamaica and their increasing emphasis on technical efficiency. The CBI is predicted to have an increasing impact in the future due to the 1990 amendment that gives added advantage to these products.

Tourism

Jamaica ranks in the top ten tourist destination in the world and earns over US$700M from this industry. Tourism is the fastest growing area of investment in the service sector.

It was hoped that the new provisions would help Jamaica become more competitive in terms of trade. Section 232 was considered important due to its capability of having an impact on tourism, especially since tourism was a big money earner in Jamaica, and is now Jamaica's number one foreign exchange earner. The CBI now provides for the U.S. to make a more serious commitment in facilitating the increase in the tourism industry.

So far, Jamaica is taking many steps at making this industry work to its advantage. The government has privatized many of the hotels that were formally state-owned. Most of the investors are Jamaican citizens (e.g., Sandals and Jamaica Jamaica). Earnings from tourism in 1990 were US$740M. 1991 estimates were lower due to the Gulf crisis, but are expected to pick up full force in 1992. There is still expected to be tremendous continued growth in this sector. The CBI will contribute if more investors decide to take advantage of hotel investment opportunities in Jamaica. Other factors of the CBI do not pertain to this industry as it deals primarily with goods and not services; thus, the impact here is still relatively small. There is also a tradeoff as tourism is a very high import content industry. Again almost 90% of the imports for this industry, which includes equipment, furniture and food, comes from the U.S. This offsets its contribution to Jamaica's balance of payments.

Bauxite/Alumina

This industry has a high import content due to the fuel needed for alumina production which makes it vulnerable to increases in world oil prices. The industry had the best year in
1990 since its boom in the late 1970s, which had been followed by a huge decline. The CBI has resulted in the turnaround from the late 1970s and early 1980s when the U.S. shifted to Australia for most of its bauxite. An executive decree in 1986 allowed CBI BCs the same access to U.S. Government procurement market as domestic producers. This opened opportunities for CBI subcontractors of bauxite. 31

The industry has thus recovered. It grossed over US$730M in 1990. Its revenues declined in 1991 due to the softening world market for bauxite which resulted in lower international prices. The U.S. market is also softening.

Although bauxite is the leading industry, it is not the biggest foreign exchange earner since most of the firms doing bauxite/alumina mining in Jamaica are foreign-owned. Since the majority of Jamaican bauxite is purchased by the U.S., Jamaican production has often been affected by U.S. economic trends. The upturn in the U.S. economy in 1992 will definitely have a positive impact. There is, also, still much profit to be made in bauxite and alumina by utilizing the CBI.

Agriculture

Jamaica’s main agricultural products, sugar and bananas, have been on a general decline due to poor world market conditions. The banana industry is not doing as bad as sugar due to its inclusion in the CBI as well as the fact that there are no protectionist movements in the U.S. for bananas. It also does well in the European market due to the Lome Convention special treatment. Sugar production is actually up, but exports are down due to U.S. restrictive quotas. More sugar is being used in the Jamaican domestic market than ever before. The production of other export crops have been steady.

There have been dramatic increases in non-traditional agricultural products (such as flowers) due to shifted trade and industrial policies from import-substitution to export-led

### JAMAICA

#### Exports (US$Millions)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bauxite/Alumina</td>
<td>732</td>
<td>423.8</td>
<td>443.4</td>
<td>289.7</td>
<td>295.5</td>
<td>336.5</td>
<td>417.2</td>
<td>546</td>
<td>730</td>
<td>700</td>
</tr>
<tr>
<td>Sugar/Rum</td>
<td>55</td>
<td>57.3</td>
<td>66</td>
<td>49.8</td>
<td>62.2</td>
<td>74.1</td>
<td>91.9</td>
<td>66</td>
<td>67.8</td>
<td></td>
</tr>
<tr>
<td>Bananas</td>
<td>9.0</td>
<td>6.8</td>
<td>1.5</td>
<td>4.2</td>
<td>9.2</td>
<td>19.1</td>
<td>15.7</td>
<td></td>
<td>19.3</td>
<td></td>
</tr>
<tr>
<td><em>Garment/Textiles</em></td>
<td>7.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>186.0</td>
<td>221.0</td>
<td>281.3</td>
</tr>
<tr>
<td>TOTAL EXPORTS</td>
<td>673.1</td>
<td>687.9</td>
<td>535.1</td>
<td>567.2</td>
<td>691.5</td>
<td>833.5</td>
<td>1,017</td>
<td>1,140.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL EXPORTS TO U.S.</td>
<td>262.4</td>
<td>226</td>
<td></td>
<td>192.8</td>
<td></td>
<td>440.9</td>
<td>526.7</td>
<td>563.7</td>
<td>561</td>
<td></td>
</tr>
<tr>
<td>Travel/Tourism</td>
<td>241.7</td>
<td>399.3</td>
<td>407.9</td>
<td>406.8</td>
<td>516.0</td>
<td>594.9</td>
<td>527.1</td>
<td>593</td>
<td>740</td>
<td></td>
</tr>
</tbody>
</table>

- The U.S. is Jamaica's #1 trading partner
- There has been an overall decline in the growth of traditional exports
- Jamaica has been adversely affected by oil price increases which coincided with the fall in bauxite/alumina production (1983 - 1987).

* Considered non-traditional export

(This table was compiled from a variety of sources including the Jamaican Exporter and U.S. Department of Commerce information)
growth. This is almost entirely attributable to the CBI. The banana industry will undoubtedly be impacted by the Single European market and the fact that banana export quotas with the United Kingdom will be filled in 1992. In an effort to deal with these developments, the government will be privatizing two large estates which together produce over half of all banana exports.

Non-Traditional Products

Jamaica must now look to non-traditional exports as ways to deal with its balance of payments problems. Traditional exports such as bananas, sugar and even bauxite have been on a decline due to world-wide import protectionism and the uncontrollable up and down (but mostly down) price swings for these commodities on the world market. The CBI has no provisions for sugar; bauxite fluctuates with world prices and bananas are also vulnerable to terms of trade.

This had led entrepreneurs to try to market non-traditional export products unique to Jamaica such as spices, sauces, its high quality cocoa and coffee, and exotic fruits. This category includes a host of classification of products and is the fastest growing area of exports in Jamaica. The most popular non-traditionals are fresh food (vegetables, juices and fruits), fresh fish, coffee (Jamaica boasts one of the best quality coffees in the world--Blue Mountain Coffee) and cocoa, and spices and sauces. There is almost no limit to the opportunities under the CBI here as most of these products are afforded duty-free treatment. Wearing apparel is also considered non-traditional although it is fast becoming a traditional sector. (See Table 3) The question is whether non-traditionals will make up for the loss in traditional exports. In this sense, it is a trade-off.

In 1986 and 1987 non-traditional exports totaled $162.4 and $224.8 million respectively. In 1990, non-traditionals decreased from the 1989 amount of US$240M due to the weakness of the U.S. apparel market in 1990. Diversified non-traditional agriculture export crops are expected to boom.
Jamaica Economic Summary

In 1990 and 1991, the Jamaican economy continued to grow but at a very slow pace. The main force for growth came from expansion in the tourism industry, rehabilitation of export agriculture, and continued recovery of bauxite/alumina and the service sectors. Inflation was at an all-time high of over 30%. This was primarily due to speculation of the Jamaican dollar and bad monetary policy of the Jamaican government.

The government's policy toward trade has continued to focus on export expansion, diversification, and reduction of the growth rate of imports. Despite this, there was a high increase in imports by the end of 1990 due to the increase in the oil bill due to the Persian Gulf crisis. In 1990, growth in exports was influenced by increased earnings from traditional exports, mainly alumina, sugar, bananas and citrus. Non-traditionals were less impressive.

Despite its desperate need for foreign exchange, the government has not imposed new trade restrictions, but is instead leaving the way open for creative importers to come up with ways to solve their foreign payment problems (through use of the forward markets, etc.). In September 1990, the Jamaican dollar (JD) was allowed to float in the commercial market. (See Appendix D) In September 1991, there was further liberalization of the foreign exchange market. This move would allow market forces to determine the rate of the Jamaican dollar against other major currencies. It allows buyers and sellers to transact in any agreed upon currency. It also allows companies and persons, including Jamaican citizens, to keep accounts overseas. This is significant as it is hoped that this action will lead to a stabilized rate which would mean more certainty and less risk for both importers and exporters. This was the last phase in the stand-by agreement with the International Monetary Fund.

Even with these adjustments, Jamaica remains plagued with some very central problems. Inflation has been steadily increasing and unemployment has remained high although it declined for a brief moment in 1990. The external debt is another major problem; it amounted to

32 Jamaica Economic Overview, 1990 and 1991 (through 3rd quarter); provided by JAMPRO.
33 Ibid.
US$4.1B in 1990. The debt has been hard to deal with because the majority of it is bilateral and multilateral debt which is eliminated from considerations of rescheduling. Only 8% of the external debt is commercial.

The exchange rate is another area for concern. The exchange rate in Jamaica has been going out of control (See Appendix D). The lack of foreign exchange that this produces embodies all of the previous problems. The on-going depreciation of the JD was cited by the U.S. Embassy in Jamaica as the single greatest barrier to U.S. imports, which ironically is an economic measure mandated by the IMF agreement as a way to increase exports. The truth, however, is that just because it is supposed to decrease imports does not mean it will increase exports and in fact the opposite is happening. It does appear that things are improving as the JD for the first time took a reversal in April of 1992 and appears to be finally stabilizing, albeit, at a very low value yet. Jamaica needs to earn foreign exchange in order to reduce its debt burdens, service its loans, and pay for imports. Economic expansion will continue to be limited by balance of payments pressures and the heavy debt service burden.

**Principal Problems**

**INFLATION:**
- 1990- 29.8%
- 1991- 30.0%

**UNEMPLOYMENT:**
- 1989- 18.2%
- 1990- 15.3%
- 1991- 18.0%

**FOREIGN DEBT**

<table>
<thead>
<tr>
<th>Year</th>
<th>% of GDP</th>
<th>Debt, Service as % of Govt.'s Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>57%</td>
<td>26%</td>
</tr>
<tr>
<td>1987</td>
<td>139%</td>
<td>40%</td>
</tr>
<tr>
<td>1990</td>
<td>105%</td>
<td>30%</td>
</tr>
</tbody>
</table>

**EXCHANGE RATE**

- 1988: US$1= JD5.50
- 1990: US$1= JD5.95
- JULY 1991: US$1= JD10.21
- DECEMBER 1991: US$1= JD20.00
- FEBRUARY 1992: US$1= JD27.00
- APRIL 1992: US$1= JD22.00
It still remains that the Jamaican economy is geared to the world price and demand for bauxite/alumina, tourism and the world price of oil. Any U.S. recession is bound to affect the bauxite price; any criminal incident or U.S. recession will affect the tourism industry. This was evident over the last year and a half with the Gulf Crisis and the U.S. recession. Because of the open, trade-dependent economy, its future will continue to depend on its ability to export in the face of international conditions over which it has relatively little control.

The continued focus is on non-traditional exports which are still in their early stages of the product life cycle. To be successful, these products must have certain attributes such as advantageous pricing, good quality, effective promotion, and efficient distribution. The product must be able to create awareness, develop acceptance, and satisfy needs and wants. This means that these exports must be consistently superior to competitive products.34

This brings us to a host of other problems that deter Jamaica's exporting potential. There are ineffective distributive systems; a good one requires one with good grading, packing, storing, and transportation. This can be very capital-intensive and requires long-run commitment, perhaps beyond what the private sector has the ability to do. This requires the help of the government. It requires Jamaicans to become active marketers, not passive marketers.

**Recent Developments**

In 1991, Jamaica became the first Caribbean Community (CARICOM) nation to implement the Common External Tariff (CET) program which all member countries are soon to implement. This action has made CARICOM the first customs union in the Western Hemisphere and will eliminate protective import duties from any CARICOM member nation. This is intended to "increase intra-regional trade and spark competition among the nations to produce in higher quantities and qualities."35 Coffee and some other products will be exempt.

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The "Jamaica Made" mark was also launched by the Jamaica Bureau of Standards in early 1992. Products which carry this mark are supposed to have at least 45% local-value added and meet special approval of the Bureau. This label should help to strengthen Jamaica's international trade and discourage "pass-throughs" and instances where producers mark their products as a product of Jamaica when there was little or no Jamaican content in the product. This is just one way that the government is trying to meet international standards and help improve the marketing of Jamaican products.

Another development is the construction of a new data entry building at the Montego Bay Free Zone in 1992. This is an indication of the growth in the free zones which helps to create jobs. (It has, however, not offset the increasing high unemployment due to displacement in other industries.) State of the art communications facilities were brought to the Zone in 1989 with the creation of Jamaica Digiport; the trend is continuing as the government targeted 18,000 jobs in the advanced information systems in the communications industry by 1994. It anticipates foreign exchange earnings of US$200M for the industry by 1994.36

Another development that is bound to affect the Jamaican economy is the North American Free Trade Agreements (NAFTA) under President Bush's Enterprise for the Americas program. The concern of Jamaican leaders deal with how NAFTA will fit into already existing trade arrangements such as the CBI. The CBI is a legislative program so it can be chipped away by protectionist interests in Congress. NAFTA, on the other hand, is a treaty which cannot be tampered with once accepted.

On March 17, 1992, Jamaican Ambassador Richard Bernal told the ITC that "all apparel exports from CBI beneficiary countries should be given immediate duty-free status if the North American free trade agreements provides such status for Mexican apparel exports." He also said that the CBI program should be placed on a treaty basis so as to insulate it from possible changes by Congress and apparel products should also be able to enter the U.S. quota-free.37 Currently,

the quotas are negotiated based on the Multi-Fiber Agreement and GAL between Jamaica and the U.S. The CBI does not provide duty-free treatment for a majority of articles and does not include totally duty-free status to sensitive imports such as textiles and apparels.

The International Trade Commission was ordered by U.S. Trade Representative Carla Hills to investigate the potential effects of providing duty-free and quota-free treatment for apparel from Mexico under NAFTA on CBI countries. There was a general study made of the impact of the Free Trade Area with Mexico on the United States in February of 1991. In that study, horticultural products, electronic components, and apparel were looked at. The ITC told the Congress that these sectors, which are also the CBI's largest non-traditional export revenues, would suffer harm from a free trade agreement with Mexico. This finding has already worked against the Caribbean countries in that many U.S. companies are holding off investment decisions in other countries, including countries in the Caribbean until the U.S.--Mexico trade negotiations are over. The Free Trade Zones may also be in jeopardy by NAFTA as "free trade" would call for gradual elimination of in-bond manufacturing and duty drawbacks.

The Caribbean nations, with Jamaica at the forefront, are fighting to maintain some of their privileges. Many are considering bargaining off their debt with the U.S. as a trade-off for joining such an agreement.

OVERALL ASSESSMENT OF THE CBI

The Caribbean Basin Initiative was introduced as a program of aid and assistance. It was politically designed, and it popularized the method of tying bilateral aid to trade. It was represented by the Reagan Administration as a program intended to supplement local efforts to

39 Ibid.
40 Ibid.
Its purpose as stated in its legislation was to facilitate and promote, and not necessarily to create or achieve these goals. Its purpose as worded in the legislation, was not a vehicle to solve the problems in the Caribbean. The mistake was in the Administration's overpromotion of this new program, and dealing in "false advertising."

As an export-led program, the CBI's main focus was on the private sector. There was, however, no support of the development of infrastructure by the Administration. How could a program encourage trade and investment without the necessary infrastructure to support it? That question was, of course, left to the private sector to figure out. There was no attempt to expand local and regional markets so that the Caribbean nations could reduce their food imports and supply their own market demands. It can be argued that CARICOM should have forecasted this and taken action to work on regional programs. This was, however, contrary to the principles of the CBI.

It is worthwhile to note that the policies behind the CBI differed from policies adapted by governments of other more successful late industrializing economies in Asia. These countries adapted state-directed rather than private sector-led development programs. This model has been referred to as national developmentalism by James Petras.41 The governments of these nations (Taiwan and South Korea in particular), became the driving force in establishing significant prerequisites for export-led growth which came soon after. There was also continued emphasis on the domestic market and government involvement in agriculture. Another important point is that the United States channeled much more resources into the development of these nations physical and social infrastructure which represented structural obstacles to economic development.42

One would think that the U.S. channeling more resources into development of these nations would cause dependency and that dependency is what countries should avoid as it deters

development. This is debatable and it brings us into the discussion of "dependency theory" itself. Dependency theory is an approach for explaining underdevelopment and is a descriptive analysis of development and modernization. South Korea and Costa Rica, again, are interesting cases and will be mentioned in this discussion.

Dependency theory is an approach that came about in the 1960s that dealt with the broader and more basic question of the roots of Latin American development. It evolved as a comprehensive conceptual framework and became the dominant approach in most Latin American intellectual circles. Lawrence Harrison sums up the thinking of dependency theorists cynically, "Latin America is poor because we are rich. International capitalism has depressed the prices of Latin American commodities while charging it outrageous prices for its imports from the U.S. The U.S. government supports rightist dictators and opposes truly popular movements to perpetuate its privileged imperialistic position."

Even Harrison, however, admits to some of the truths of dependency theory simply because of the many facts inherent in it that can not be refuted, such as the consequences of world prices for Latin America and problems with small economies. Harrison does not deny that dependency is a very important concept for small economies due to their lack of a profitable domestic market and their high import needs.

Dependency theory assumes that the development of a nation can only be understood in connection with its historical insertion into the worldwide political economic system whose tendencies began in the 16th century; history and time are very important elements. Dependency theory deals with structural and macrosociological problems and focuses on modes of production, terms of trade, and political and economic links. Inquiry into the global system is its objective; it suggests that changes would result from realignment of dependency relations over time. How this realignment is to happen is not stated in dependency theory as it is descriptive and vague, rather than prescriptive. The solutions are still left to the countries to ponder over

44 Harrison, Lawrence E. Underdevelopment is a State of Mind, (Lanham: Madison Books, 1985).
### Table 4

**Total U.S. Imports (000's US$)**

<table>
<thead>
<tr>
<th></th>
<th>1983</th>
<th>1991</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jamaica</td>
<td>262,360</td>
<td>563,723</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>386,520</td>
<td>1,006,474</td>
</tr>
<tr>
<td>Dom. Rep.</td>
<td>806,520</td>
<td>1,725,430</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>8,930,246</td>
<td>7,525,218</td>
</tr>
</tbody>
</table>

**CBI BC's**

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### Figure 2

**Composition of U.S. Imports from CBI Countries: 1983 vs. 1991**

( Customs Value Basis, Billions US$ )

**Textiles and Apparel**

- **CBI Eligible, Nontraditional Products**: 4.5%
- **Other Traditional and Non-CBI Products**: 22.5%

**Petroleum and Petroleum Product**: 55%

Total U.S. Imports 1983 $8.9 Billion

Total U.S. Imports 1991 $8.2 Billion *

* Estimated 1991 Data
based on their individual circumstances. There also remains the question of whether realignment, if it were to happen, would lead to development.

This theory sees dependent development as leading to or at least not erasing underdevelopment. Dependent development is described as "producing a structure where personal gain for dominant groups or entrepreneurial efforts are not conducive to the collective gain of balanced development."\(^\text{45}\) The cases of South Korea and Costa Rica partly contradict this statement for they serve as relatively successful examples of dependent development. Costa Rica, depended mostly on U.S. support, while S. Korea received help from both the U.S. and Japan. In both cases, they were helped due to their utmost strategic importance (Costa Rica, due to its border with Nicaragua and S. Korea, due to its threat of leftist politics).

These countries can be studied to extract clues that may help those countries struggling to develop today to develop their own models. The reality is that no two situation is the same and as the dependency theory states, the time context must be considered. Dependency theory has its truths and revelations but the extent to which one prescribes it must be cautiously looked at. On the extreme, it may cause developing countries to shift the blame or to become unreproachable for their mistakes. This will only leave a country complacent and accepting of its feelings of impotence; this in itself can lead it to a state of hopeless dependency.

It must be remembered that this theory is descriptive and historical, and therefore does not prescribe specific action; it only serves as a relative context that could lead to an understanding of why things are the way they are. The challenge is to come up with series of action that take these assumptions into consideration. Although the CBI has caused increased dependency, this dependency if utilized properly may lead to interdependence and self-sufficiency if the countries are willing to take a firm stand on what national strategies to work the CBI into. The dependency theory can not rule out the fact that dependency may be conducive to development. The important thing here seems to be that the countries as in the cases of S. Korea

Figure 3

Major Exports from the Caribbean Basin to the United States

<table>
<thead>
<tr>
<th></th>
<th>1983</th>
<th>1989</th>
<th>1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petroleum</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sugar</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coffee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bananas</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aluminum ores</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Textiles/apparel</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Dept of Commerce statistics
and Costa Rica, retain their national autonomy and their governments play a strategic role in the economy in terms of facilitating its internal infrastructure development.

Instead of supporting state-oriented strategies that could deal with such problems as lack of transportation and marketing facilities, the Caribbean nations in their desperation succumbed to bilateral aid which was poured into the provision of Export Processing Zones (EPZs), or free trade zones, which relied on American imports. While the EPZs created some jobs, they paid extremely low wages and did not make up for the vast unemployment in traditional industries that had suffered relative declines since 1980.

The fact that the CBI emphasized foreign private investment indicates the intention of the program to benefit the foreign investors, not the economies. This has led to a reversal of trade patterns between the U.S. and the Caribbean Basin. Another factor was the pressure to buy American imports which the CBI provided for and which had led to reliance on the U.S. for imports, particularly in the tourism and mining sectors. The CBI, thus, supports U.S. exports. In 1984 exports to the region was $6B and was at a deficit. In 1990, U.S. exports to the Caribbean was at an all time high of $9.3B with a surplus of $1.8B. This is proof that the Caribbean and Latin American markets have continued to be outlets for U.S. exports.

The CBI is still a relatively new program; it is only eight years old. A proper assessment of its actual success, then, will be hard to establish. Not only that, but the provisions have changed many times and have become broadened to even include provisions that were previously under other programs. Many of the wording in the legislation is so vague that the impact of the program remains almost unable to quantify. To date, there has not been a comprehensive governmental study of the overall effect of the CBI on specific Caribbean nations’ economies. There have, however, been studies done by the United States on the effect of the CBI on certain U.S. industries that the CBI was expected to create competition for. These studies were mandated in the original legislation.

According to a recent study in 1990 by the Department of Commerce, there has been an overall decline in export earnings by CBI countries. The estimate for 1991, even with a pick-up in the U.S. economy, was still lower than the 1983 amount. (See Table 4) The decline in petroleum from the oil-producing BCs (from 55% of exports to 20.5%), led to this overall decrease. Traditional products such as petroleum and sugar were not included in the CBI. Non-petroleum imports increased but not enough to offset the decrease in petroleum since the domestic value-added in traditional exports is generally greater.

In the mid- to late 1980s, the ethanol processing and cut flower industries were considered "boom" industries but were hurt by protectionist moves in the U.S. The protectionists soon pressed the ITC to initiate anti-dumping and countervailing duties in Costa Rica due to their enormous success in the cut flower industry. Events such as these were very discouraging but even so, these non-traditional industries continued to prosper.

Exports to the U.S. of non-traditional products which were CBI-eligible grew to $2.4B, with almost $2B of that being textile/apparel, according to Figure 3. The average annual increase of non-traditionals was 12% between 1983 and 1990. The textile/apparel industry is still booming as total exports of these products to the U.S. have grown 25% per year since 1983. The cause of this was mainly attributable to "9802" tariff program provisions which also allows U.S. importers to pay duties only on the value-added abroad. It is expected that the CBI GAL provision for textiles will continue to accommodate the expected growth in this industry.

It was found that U.S. imports of products eligible for CBI benefits have increased by 250%, growing from $582M in 1983 to $1.5B in 1990. This represents a small fraction of total exports from the region. Only $422M of the $1.5B in Caribbean Basin imports that were entered under the CBI would have been dutiable but for the duty-free provisions of the act. The other goods were also eligible for other programs such as MFN and GSP and entered under that. Since many more products not covered by other programs can receive duty-free status under the

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CBI, it appears that its benefits are underutilized. The problem, however, is that there needs to be marketing contacts set up for these potential products before they can be profitably exported.

The leading five products actually benefitting from the CBI, were found to be pineapples, frozen concentrated orange juice, rum, raw cane sugar, and ethyl alcohol. However, the key Caribbean products, completed footwear and non-U.S. origin textiles and apparels, are excluded from the CBI.

The overall investment in the region since 1983 was found to be quite low—$1.9 B. The ITC cited some reasons for this: lack of access to foreign exchange, political and economic instability, and the recent U.S. recession. It can be said, however, that the CBI has helped the most by making investors aware of the Caribbean as an "oasis of opportunities." Opportunities are definitely available for a creative business person and there are funds available (e.g., "936", OPIC). The problem with the available funds, however, is their difficulty to access. In spite of such limitations, however, it appears that new avenues, especially for non-traditional export development, have been created. The important thing that businesspeople seem to keep in mind is that if it couldn't fly without the CBI, then it probably wouldn't fly with the CBI. The business venture had to be a sound one, fully researched and found to be viable in order for benefits to occur. In this sense, the CBI did not make much difference; infrastructure and viability were more important.

This is not to say that the CBI was a futile attempt or that no benefits can be realized from it given enough time and ingenuity on the parts of the government of the Caribbean countries. The CBI can be seen as a way of making the Caribbean more dependent on the U.S., as prescribed by dependency theorists, but the resemblance should end there. It can also be used to the advantage of the Caribbean. Jamaica especially stands at a good position to reap the benefits because of its relatively ample middle class. Necessary changes would not hurt them so much as the urban lower-class and the poor small farmers. These groups must be "taken care of" so they

can at least survive the dry spell that must come while the government implements its strategies. The prescription would require much effort from the Jamaican government in concert with the long-suffering Jamaican people; education as to long-term benefits must be emphasized.

The necessary steps of this "strategy" has already began to happen in Jamaica recently. Technical training and education should be the backbone of this strategy. The displaced farmers must be retrained so that they can be productive; they must be trained as to some of the new agribusiness opportunities that they can be prosperous, and encourage them to stay self-sufficient in terms of their basic food supplies. Technical training must also be provided for urban youth and relevant education must begin at an early age. What is meant by relevant education is one in which students are taught to be productive and nurturing of their society and not necessarily based on the education system of Great Britain as it presently is (which makes it somewhat irrelevant unless one plans to emigrate).

The other important step is development of infrastructure. Farm-to-market roads must be improved so that delivery time and uncertainty is cut down. Island-wide improvement and increase of the electric power service is another important factor, since this would lead to more consistency and increased productivity.

Education and infrastructure development are the two most important factors that must be improved upon to make Jamaica more self-sufficient. According to dependency theory, realignment is the only thing that would change Jamaica's dependence on larger world powers and the international economy. One, however, can not sit around and wait for that to happen. Dependency of itself is not a "bad" notion, but it must not become an albatross which one wears around ones neck, nor an excuse for giving up or making concessions. Dependency is simply a fact of a situation that exists, and nothing in it says that it cannot lead to mutual satisfaction or interdependency.
Summary of Trends: Aid, Trade, and Investment

Aid


Trade

Trade in 1983 of CBI-eligible non-traditional goods, including textiles and apparel (although they were not altogether CBI-eligible), was US$128.2M and this amount jumped to US$421.6M in 1990. According to a Commerce Department survey, between 1984 and 1988, 21,237 export-related jobs were created in Jamaica. This was about 3.7% of total employment.\(^5\)

Investment

New foreign investment in Jamaica was $7.3M for 1983. As of 1990, Jamaica had US$517.1M investment income, $152M was U.S. investment in the manufacturing sector. According to JAMPRO, between 1981 and 1990, 1,222 projects (foreign and local) with total capital investment of JD$3.54B were started. In that period, 79,600 jobs were created by these projects. 415 of the projects were assisted through JAMPRO; of that amount, 259 or 62% were U.S. investments.

SUMMARY AND CONCLUSION

The fundamental motivation for interest in the Caribbean was strategic. The fear that U.S. adversaries would capitalize on political unrest and regimes hostile to the U.S. emerged as a driving force behind the policy. A link was created between economic problems and political trends in the Basin. U.S. economic interests in the Basin, then, were not significant beyond the

role the region plays as an intermediary for flows of oil and capital and as a front for migratory labor.

In light of these motivations, the intent of the CBI was to bolster the faltering economies and to link them more closely to the U.S. economy. It was assumed that this would have the positive result of aiding these countries in their economic development. The conservative Reagan/Bush ideology assumed that supply-side economics would be the answer in the Caribbean. They saw no conflict between multinational or foreign investment and economic development for these countries. This increased the dependence of the Caribbean countries on the U.S. economy. This was an intended result given the foundation of the CBI. The U.S. government saw integration of the Caribbean nations into the world economy as consistent with development even though these countries, as economically weak as they were, would not be able to compete effectively in the world economy. Their only real strength would come from integration through the pooling of their collective power and resources, but this was discouraged.

The result was that the CBI succeeded in linking these countries with the U.S. which has helped to reverse the latter's trend toward increased trade deficits with the region. In 1988, the Caribbean Basin was the only major region with which the U.S. had a trade surplus. It has also lead to more reliance on multinational corporations, especially as more and more industries became privatized. The direct impact of the CBI on the economic well-being of an individual country such as Jamaica, however, is hard to specify. This is partly due to the redundancy of the benefits of the CBI. As stated previously, it duplicated benefits that were already provided through the GSP, 807, and MFN. The duty-free provision of the CBI had only a minor effect on the growth in non-traditional exports from the region. According to a Commerce Department study, it accounted for less than 20% of this growth. Indirect factors such as improved export promotions efforts, macroeconomic policies, and favorable U.S. treatment of apparel (under GAL) were more important. In studying the program, one definitely finds indirect effects of

\[51\] U.S. Department of Commerce.
the CBI (both negative and positive) which are of equal or even more importance than the direct intended benefits.

Since the implementation of the CBI, Jamaica has increased its production of manufactured and agricultural non-traditionals. This is in part due to the CBI since it encourages production of non-traditionals and since most of the products that benefit from the CBI are non-traditional. The critical point is that traditionals which earn more foreign exchange have decreased and this decrease has not been offset by increases in non-traditionals since non-traditionals are worth less in terms of trade. Unemployment has been helped by the program, but only minimally. The concentration of new employment is in the Free Trade Zones, as in the case of Jamaica, with a general shift away from agriculture and employment in traditional industries.

The CBI encourages use of foreign imports, especially those of the U.S. This is demonstrated through the popular countertrades in which Jamaica trades its products or materials and in return receives receipts for U.S. supplies or food instead of money. This, in essence, ties the country to the use of U.S. imports as part of the trade agreement. Food products are Jamaica's largest imports from the U.S. The CBI also encourages use of foreign imports because less energy is focused on developing products for local use. The result is that Caribbean nations are now less self-sufficient in some areas such as food production. The CBI also contained many of the ideals of the World Bank which meant strict austerity and the elimination of food subsidies which led to a decrease in the quality of life for most Jamaicans.

These nations have also made available to the U.S. sensitive information through signing of the Tax and Investment Exchange Agreement which surrenders their independence or sovereignty to Washington, D.C. and the U.S. Internal Revenue Service. This is a trade-off which arises the question of whether the CBI can compensate for the losses in their independence and autonomy.

Another result is that regional institutions such as CARICOM were undermined. The U.S. has been able to exert more leverage over the internal political affairs of Jamaica because the President could terminate the free trade area with countries who failed the ideology test. It
has led these nations to do whatever is necessary to stay in the "good graces" of the U.S. as well as disassociate with neighboring countries. This has led to criticism within the countries as well as renewed interest in counter-hegemony approaches. CARICOM remained at a standstill for several years and it is only recently that it has regained momentum due in part to the activities in the EEC.

It is now crucial for Jamaica to take a positive leadership role in bringing the Caribbean Basin to regional harmony through their influence in CARICOM. The Caribbean nations must work together in order to foster economic independence and lessen their reliance on the U.S. and large foreign-owned corporations for their development. This can be done by diversifying their markets, trading more among themselves and taking more active steps in developing as a region. This will improve their strength and autonomy in the large global economy, renew their self-confidence and make less of the Caribbean Basin a concessionary nations of peoples. They have already started to do this with the implementation of the Common External Tariff.

Another issue is the importance of the countries having the necessary prerequisites such as developed and dependable infrastructure (communication, transportation, utilities) that were necessary for the export-led CBI to be fully utilized. The countries in which these prerequisites were mostly met were also the countries that were able to utilize the CBI the most (e.g., Costa Rica, Dominican Republic). They were able to take immediate advantage of the benefits of the CBI. As the structural infrastructure improves, so too does the environment for investments. For example, the growing trade levels and expansion in 1987 and 1988 called for the need of technologically advanced telecommunications facilities and services which had been limited in Jamaica. This led to the development of Jamaica Digiport in 1989 which has sparked more joint ventures and investment in the communications industry.

The CBI has helped to make the Jamaican government and leaders more active in their efforts to improve trade. There are still much higher hopes for Jamaica, especially to take advantage of the new provisions in CBI II. The attitude among local entrepreneurs in Jamaica will be a factor in the development of the country and its utilization of the CBI. They must take
a more active role in marketing new products to new target markets. The Jamaican government must also take an active role in this, as well as continue its effort to improve communication and transportation. It must also work on encouraging the building of the domestic market by reducing inflation and supporting local business ventures, as well as working out a way to finance its huge external debt.

In other words, Jamaica must take on a slightly modified approach—one that it has not tried yet, one which it is perhaps afraid to try due to outside influences (such as that of the U.S.), but one that it must try. This approach is similar to that which countries such as South Korea and Kenya have tried; it is referred to as the "national developmental" model. In such a model the government takes on the role as guide and support. The dependency theory cannot be followed as a prescriptive approach only a relative background for what is to be done. The Jamaican government must work out a middle ground so that it can take action where needed when it is pushed by the private sector and at the same time be certain not to push the private sector. It must take responsibility for generating economic growth without reverting to controlling the private sector. Laissez-faire can not work in a weak economic environment such as Jamaica; the private sector, especially the local businessmen, clearly cannot go it alone.

The "Caribbean Basin Initiative" is used today to describe a broad range of Executive Branch economic programs and agencies that operate in the Caribbean Basin, including: ongoing bilateral and multilateral aid programs, U.S. Eximbank loans, Overseas Private Investment Corporation (OPIC) loans and political insurance for U.S. investors, and services of the U.S. Departments of Commerce and Agriculture that promote trade and investment in the Caribbean region. In this context, it can be said that the CBI is more than just a single piece of legislation; it is a broad policy directive which is constantly evolving and consists of various governmental programs intending to focus more attention and resources on the region.

In summary, the CBI's main impact has been to: 1) reduce regional unity in the Basin, 2) facilitate a reliance on the U.S., 3) facilitate the displacement of the economies (in terms of the emphasis on lower-value added non-traditionals), and 4) reduce the U.S. deficit with the region. The mainly positive things it has accomplished are to make people aware of opportunities in the Caribbean, increase the export of non-traditionals (offset, of course, by the damage to the traditionals primarily caused by U.S. quotas), and make Caribbean "peoples" become mindful of their abundance of resources. The negative effects of the CBI as well as U.S. policy towards the Caribbean have been partly responsible for the resurgence of regionalism in the Caribbean.

In conclusion, the export-led tool of the CBI to date has had only a relatively small effect on Jamaica's trade. This is in part due to the fact that the CBI never dealt with the true issues which have been keeping Jamaica from being competitive, as well as the fact that this model cannot work by itself. In spite of its shortfalls, the CBI is still the most far-reaching program of its type; together with the GSP and the 807 program, there are still opportunities to be gained from its utilization.

The fact remains, however, that the CBI needs certain requirements and urgings of the government which it does not provide for. In essence, it is up to the Jamaican government to find a way to achieve the requirements necessary to benefit fully from the CBI. To fulfill these requirements, however, may necessitate coming in conflict with some of the precepts of the legislation. As this is yet to occur, the true impact of the CBI is still to be realized for Jamaica. The longer run impact of the CBI as an export-led tool in Jamaica may be more significant, depending crucially still on the performance of the U.S. economy and the Caribbean Basin nations' domestic and regional economic policies.
THE CARIBBEAN BASIN INITIATIVE

WHAT OTHERS HAVE SAID

1. Raymond Jerguson
   Economics Officer- CBI
   U.S. Dept. of State
   202-647-2066

   5/5/92

   OPINION ON THE EFFECTIVENESS OF THE CBI:
   - Hard to quantify
   - Large amount of trade would go on without the special treatment
   - Jamaica definitely benefits from protectionist trade policy with the U.S.
   - Quotas- distorts trade but also protects exporters

2. Rodrigo Sodo
   Desk Manager- Caribbean
   Dept. of Commerce
   202-377-2527

   5/5/92

   "Unfortunately, the CBI only includes man-made upper footwears. When utilized with
   the Free Trade Zones, it gives countries foreign exchange. The companies must
   purchase some local supplies and utilities like electricity."

   "The countries must make concessions to attract and accommodate people."

3. Mary Keenan,
   International Trade Admin.
   Grand Rapids
   616-456-2411

   5/1/92

   RE: CBI
   "...limited success...Costa Rica, Dominican Republic, Puerto Rico (their banks) did well.
   But too many restrictions...(it) has limited effect."
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Haar, Jerry, "The CBI was Created as a Catalyst, not a Panacea", Miami Today, (Feb. 13, 1986).

Harrison, Lawrence E. Underdevelopment is a State of Mind: The Latin American Case, (Lanham, MD: Madison Books and The Center for International Affairs, Harvard University, 1985).


Miami Report III- Recommendations for a NAFTA and for Future Hemispheric Trade, North-South Center 1992, University of Miami.


Eligibility. Stipulated that the bill’s provisions were applicable to the 27 nations in Central America and the Caribbean as well as Guyana and Surinam but not Cuba. A nation would be eligible for benefits if it:

- Was not a communist country.
- Had not nationalized, expropriated or otherwise seized ownership of U.S. property, and had not repudiated contracts, patents, or trademarks of U.S. citizens.
- Had not failed to act in good faith on the results of binding arbitration in favor of U.S. citizens.
- Did not provide preferential trade treatment to the products of countries other than the U.S., to the detriment of U.S. commerce.
- Had not broadcast U.S. copyrighted material without the consent of the owners.
- Cooperated with the U.S. to prevent drug traffic.
- Had signed an extradition agreement with the U.S.

Beneficiary countries wishing to export beef and sugar to the U.S. must also implement “stable food production plans” to ensure that land needed to provide food for the nation’s citizens was not diverted to export crops.

Beneficiary nations were to be designated by the president after notification to Congress. A decision to terminate beneficiary status required 60 days notice to Congress.

Benefits. Provided duty-free entry into the U.S. market for 12 years for Caribbean products except: textiles and apparel, petroleum products, footwear, handbags, luggage, flat goods (wallets, eyeglass cases, etc.), work gloves, leather wearing apparel, tuna, and watches or watch parts. Sugar would be duty-free, but subject to quotas.

- Stipulated that products eligible for duty-free status must be imported directly from a beneficiary country. At least 35% of the products value must consist of Caribbean parts and labor, but U.S. parts and labor could account for up to 15% of that 35%. Items that were not the product of BC and were simply combined, packaged, or diluted in the Caribbean would not be eligible.
- Allowed U.S. citizens to take the same tax deduction for conventions held in eligible Caribbean nations as allowed for U.S. conventions, provided the nation had entered into a tax treaty with the United States. That provision was expected to cost the government about $5 million in lost revenue per year.

Puerto Rico, Virgin Islands. Included provisions to compensate PR and the VI for the increased competition they would face in the U.S. market from Caribbean competition.

Reports. Required the U.S. International Trade Commission to prepare periodic reports on the impact of the Caribbean Basin Initiative on U.S. industries and consumers, and required the Labor Department to undertake a continuing review of the bill’s impact on U.S. employment.
APPENDIX B
CBI II SUMMARY

I. Amendments to Original CBI Legislation:

Sect. 211 - Repeal of termination date of CBI program.
Sect. 212 - Duty reduction for certain leather-related products.
Sect. 213 - Workers rights criteria harmonized with GSP standards.
Sect. 214 - Presidential reporting to Congress on operation of CBI.
Sect. 215 - Treatment of articles produced in Puerto Rico.
Sect. 216 - Sense of Congress to improve CBI utilization.

II. Amendments to the Harmonized Tariff Schedule and Other Provisions Affecting CBI countries:

Sect. 221 - Increase of duty free tourist allowances.
Sect. 222 - Duty-free treatment for articles assembled in beneficiary countries from components produced in the United States.
Sect. 223 - Rules of origin for products of beneficiary countries.
Sect. 224 - Separate cumulation of beneficiary country products under countervailing and antidumping laws.
Sect. 225 - Ethyl alcohol provision.
Sect. 226 - Confirming CBI rules of origin to GSP program.
Sect. 227 - Requirement for investment of section 936 funds.

III. Scholarship Assistance and Tourism Promotion:

Sect. 231 - Establishment of private and public sector scholarship program.
Sect. 232 - Sense of Congress on efforts to promote tourism development.
Sect. 233 - Pilot Customs preclearance program.

IV. Miscellaneous Provisions:

Sect. 241 - Trade benefits for Nicaragua.
Sect. 242 - Sense of Congress on agricultural infrastructure support.
Sect. 243 - Sense of Congress on extension of trade benefits to the Andean region.
### APPENDIX A

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#### TITLE II—CARIBBEAN BASIN INITIATIVE

### Sec. 201. SHORT TITLE.

This title may be cited as the "Caribbean Basin Economic Recovery Act".

### Subtitle A—Duty-Free Treatment

#### Sec. 211. AUTHORITY TO GRANT DUTY-FREE TREATMENT.

The President may proclaim duty-free treatment for all eligible articles from any beneficiary country in accordance with the provisions of this title.

#### Sec. 212. BENEFICIARY COUNTRY.

(a) For purposes of this title—

(A) The term "beneficiary country" means any country listed in subsection (b) with respect to which there is in effect a proclamation by the President designating such country as a beneficiary country for purposes of this title. Before the President designates any country as a beneficiary country for purposes of this title, he shall notify the House of Representatives of his intention to make such designation.

### Eligible countries

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

In addition, the President shall not designate any country a beneficiary country under this title—

1. if such country is a Communist country;
2. if such country—
   (A) has nationalized, expropriated or otherwise seized ownership or control of property owned by a United States citizen or by a corporation, partnership, or association which is 50 per centum or more beneficially owned by United States citizens,
   (B) has taken steps to repudiate or nullify—
      (i) any existing contract or agreement with, or
      (ii) any patent, trademark, or other intellectual property of,
          a United States citizen or a corporation, partnership, or association which is 50 per centum or more beneficially owned by United States citizens,
   (C) has imposed or enforced taxes or other exactions, restrictive maintenance or operational conditions, or other measures with respect to property so owned, the effect of which is to nationalize, expropriate, or otherwise seize ownership or control of such property, unless the President determines that—
       (i) prompt, adequate, and effective compensation has been or is being made to such citizen, corporation,
(ii) good-faith negotiations to provide prompt, adequate, and effective compensation under the applicable provisions of international law are in progress, or such country is otherwise taking steps to discharge its obligations under international law with respect to such citizens, corporation, partnership, or association, or

(iii) a dispute involving such citizen, corporation, partnership, or association, over compensation for such a seizure has been submitted to arbitration under the provisions of the Convention for the Settlement of Investment Disputes, or in another mutually agreed upon forum, and promptly furnishes a copy of such determination to the Senate and House of Representatives;

(3) if such country fails to act in good faith in recognizing as binding or in enforcing arbitral awards in favor of United States citizens or a corporation, partnership or association which is 50 per centum or more beneficially owned by United States citizens, which have been made by arbitrators appointed for each case or by permanent arbitral bodies to which the parties involved have submitted their dispute;

(4) if such country affords preferential treatment to the products of a developed country, other than the United States, which has, or is likely to have, a significant adverse effect on United States commerce, unless the President has received assurances satisfactory to him that such preferential treatment will be eliminated or that action will be taken to assure that there will be no such significant adverse effect, and he reports those assurances to the Congress;

(5) if a government-owned entity in such country engages in the broadcast of copyrighted material, including films or television material, belonging to United States copyright owners without their express consent;

(6) if such country does not take adequate steps to cooperate with the United States to prevent narcotic drugs and other controlled substances (as listed in the schedules in section 202 of the Comprehensive Drug Abuse Prevention and Control Act of 1970 (21 U.S.C. 812)) produced, processed, or transported in such country from entering the United States unlawfully; and

(7) unless such country is a signatory to a treaty, convention, protocol, or other agreement regarding the extradition of United States citizens

Paragraphs (1), (2), (3), and (5) shall not prevent the designation of any country as a beneficiary country under this Act if the President determines that such designation will be in the national economic or security interest of the United States and reports such determination to the Congress with his reasons therefor.

(c) In determining whether to designate any country a beneficiary country under this title, the President shall take into account—

(1) an expression by such country of its desire to be so designated;

(2) the economic conditions in such country, the living standards of its inhabitants, and any other economic factors which he deems appropriate;

(3) the extent to which such country has assured the United States it will provide suitable and reasonable access to the

Sec. 213. ELIGIBLE ARTICLES.

(a)(x) Unless otherwise excluded from eligibility by this title, the duty-free treatment provided under this title shall apply to any article which is the growth, product, or manufacture of a beneficiary country if—

(A) that article is imported directly from a beneficiary country into the customs territory of the United States; and

(B) the sum of (i) the cost or value of the materials produced in a beneficiary country or two or more beneficiary countries, plus (ii) the direct costs of processing operations performed in a beneficiary country or countries is not less than 50 per centum of the appraised value of such article at the time it is entered.

For purposes of determining the percentage referred to in subparagraph (B), the term "beneficiary country" includes the Common-
wealth of Puerto Rico and the United States Virgin Islands. If the cost or value of materials produced in the customs territory of the United States (other than the Commonwealth of Puerto Rico) is included with respect to an article to which this paragraph applies, an amount not to exceed 15 per centum of the appraised value of the article at the time it is entered is attributed to such United States cost or value is applied toward determining the percentage referred to in subparagraph (B).

(2) The Secretary of the Treasury shall prescribe those regulations as may be necessary to carry out this subsection, including, but not limited to, regulations providing that, in order to be eligible for duty-free treatment under this title, an article must be wholly the growth, product, or manufacture of a beneficiary country, or must be a new or different article of commerce which has been grown, produced, or manufactured in the beneficiary country; but no article or material of a beneficiary country shall be eligible for such treatment by virtue of having merely undergone—

(A) simple combining or packaging operations, or

(B) mere dilution with water or mere dilution with another substance that does not materially alter the characteristics of the article.

(3) As used in this subsection, the phrase "direct costs of processing operations" includes, but is not limited to—

(A) all actual labor costs involved in the growth, production, manufacture, or assembly of the specific merchandise, including fringe benefits, on-the-job training and the cost of engineering, supervisory, quality control, and similar personnel; and

(B) dies, molds, tooling, and depreciation on machinery and equipment which are allocable to the specific merchandise. Such phrase does not include costs which are not directly attributable to the merchandise concerned or are not costs of manufacturing the product, such as (i) profit, and (ii) general expenses of doing business which are either not allocable to the specific merchandise or are not related to the growth, production, manufacture, or assembly of the merchandise, such as administrative salaries, casualty and liability insurance, advertising, and salesmen's salaries, commissions or expenses.

(b) The duty-free treatment provided under this title shall not apply to—

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

(2) footwear, handbags, luggage, flat goods, work gloves, and leather wearing apparel not designated at the time of the effective date of this title as eligible articles for the purpose of the generalized system of preferences under title V of the Trade Act of 1974;

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

(4) petroleum, or any product derived from petroleum, provided for in part 10 of schedule 4 of the TSUS; or

(5) watches and watch parts (including cases, bracelets and straps), of whatever type including, but not limited to, mechanical, quartz digital or quartz analog, if such watches or watch parts contain any material which is the product of any country with respect to which TSUS column 2 rates of duty apply.

(c)(1) As used in this subsection—

(A) the term "sugar and beef products" means—

(i) sugars, sirups, and molasses provided for in items 155.20 and 155.30 of the TSUS, and

(ii) articles of beef or veal, however provided for in subpart B of part 2 of schedule 1 of the TSUS.

The term "Plan" means a stable food production plan that consists of measures and proposals designed to ensure that the present level of food production in, and the nutritional level of the population of, a beneficiary country will not be adversely affected by changes in land use and land ownership that will result if increased production of sugar and beef products is undertaken in response to the duty-free treatment extended under this title to such products. A Plan must specify such facts regarding, and such proposed actions by, a beneficiary country as the President deems necessary for purposes of carrying out this subsection, including but not limited to—

(i) the current levels of food production and nutritional health of the population;

(ii) current level of production and export of sugar and beef products;

(iii) expected increases in production and export of sugar and beef products as a result of the duty-free access to the United States market provided under this title;

(iv) measures to be taken to ensure that the expanded production of those products because of such duty-free access will not occur at the expense of stable food production; and

(v) proposals for a system to monitor the impact of such duty-free access on stable food production and land use and land ownership patterns.

(b) Duty-free treatment extended under this title to sugar and beef products that are the product of a beneficiary country shall be suspended by the President under this subsection if—

(A) the beneficiary country, within the ninety-day period beginning on the date of its designation as such a country under section 212, does not submit a Plan to the President for evaluation;

(B) on the basis of his evaluation, the President determines that the Plan of a beneficiary country does not meet the criteria set forth in paragraph (1)(B); or

(C) as a result of the monitoring of the operation of the Plan under paragraph (5), the President determines that a beneficiary country is not making a good faith effort to implement its Plan, or that the measures and proposals in the Plan, although being implemented, are not achieving their purposes.

Before the President suspends duty-free treatment by reason of paragraph (2) (A), (B), or (C) to the sugar and beef products of a beneficiary country, he must enter into consultation with the beneficiary country for purposes of formulating appropriate remedial action which may be taken by that country to avoid such suspension. If the beneficiary country thereafter enters into consultation with the President and undertakes to formulate remedial action in good faith, the President shall withhold the suspension of duty-free treatment on the condition that the remedial action agreed upon be appropriately implemented by that country.
(4) The President shall monitor on a biennial basis the operation of the Plans implemented by beneficiary countries, and shall submit a written report to Congress by March 15 following the close of each biennium, that—
(A) specifies the extent to which each Plan, and remedial actions, if any, agreed upon under paragraph (4), have been implemented; and
(B) evaluates the results of such implementation.

(5) The President shall terminate any suspension of duty-free treatment imposed under this subsection if he determines that the beneficiary country has taken appropriate action to remedy the factors on which the suspension was based.

(d) For such period as there is in effect a proclamation issued by the President pursuant to the authority vested in him by section 22 of the Agricultural Adjustment Act (7 U.S.C. 624) to protect a price-support program for sugar beets and sugar cane, the importation and duty-free treatment of sugars, sirups, and molasses classified under items 155.20 and 155.30 of the TSUS shall be governed in the following manner:

(1)(A) For all beneficiary countries, except those subject to subparagraph (B) and paragraph (2), duty-free treatment shall be provided in the same manner as it is provided pursuant to title V of the Trade Act of 1974 (19 U.S.C. 2461 et seq.), at the time of the effective date of this title; except that the President upon the recommendation of the Secretary of Agriculture, may suspend or adjust upward the value limitation provided for in section 504(c)(1) of the Trade Act of 1974 on the duty-free treatment afforded to beneficiary countries under this section if he finds that such adjustment will not interfere with the price support program for sugar beets and sugar cane and is appropriate in light of market conditions.

(B) As an alternative to subparagraph (A), the President may at the request of a beneficiary country not subject to paragraph (2) and upon the recommendation of the Secretary of Agriculture, elect to permit sugar, sirups, and molasses from that country to enter duty-free during a calendar year subject to quantitative limitations to be established by the President on the quantity of sugar, sirups, and molasses entered from that country.

(2) For the following countries whose exports of sugar, sirups, and molasses in 1981 were not eligible for duty-free treatment because of the operation of section 504(c) of the Trade Act of 1974, the quantity of sugar, sirups, and molasses which may be entered in any calendar year shall be limited to no more than the quantity specified below:

<table>
<thead>
<tr>
<th>Country</th>
<th>Quantity (Metric tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dominican Republic</td>
<td>760,000</td>
</tr>
<tr>
<td>Guatemala</td>
<td>210,000</td>
</tr>
<tr>
<td>Panama</td>
<td>160,000</td>
</tr>
</tbody>
</table>

Such sugar, sirups, and molasses shall be admitted free of duty, except as provided for in paragraph (3).

(6) The President, upon the recommendation of the Secretary of Agriculture, may suspend or adjust upward the quantitative limitations imposed under paragraph (1)(B) or (2) if he determines such action will not interfere with the price support program for sugar beets and sugar cane and is appropriate in light of market conditions. The President, upon the recommendation of the Secretary of Agriculture, may suspend the duty-free treatment for all or part of the quantity of sugar, sirups, and molasses permitted to be entered by paragraphs (1)(B) and (2) if such action is necessary to protect the price-support program for sugar beets and sugar cane.

(4) Any quantitative limitation imposed on a beneficiary country under paragraphs (1)(B) and (2) shall apply only to the extent that such limitation permits a lesser quantity of sugar, sirups, and molasses to be entered from that country than the quantity that would be permitted to be entered under any other provision of law.

(e)(1) The President may by proclamation suspend the duty-free treatment provided by this title with respect to any eligible article in any calendar year if he determines that the operation of such an article would interfere with the price-support program for sugar beets and sugar cane.

(2) In any report by the International Trade Commission to the President under section 201(d)(1) of the Trade Act of 1974 regarding any article for which duty-free treatment has been proclaimed by the President pursuant to this title, the Commission shall state whether and to what extent its findings and recommendations apply to such article when imported from beneficiary countries.

(3) For purposes of subsections (a) and (c) of section 203 of the Trade Act of 1974, the suspension of the duty-free treatment provided by this title shall be treated as an increase in duty.

(4) No proclamation which provides solely for a suspension referred to in paragraph (3) of this subsection with respect to any article shall be made under subsections (a) and (c) of section 203 of the Trade Act of 1974 unless the United States International Trade Commission, in addition to making an affirmative determination with respect to such article under section 201(b) of the Trade Act of 1974, determines in the course of its investigation under section 201(b) of such Act that the serious injury or threat thereof, substantially caused by imports to the domestic industry producing a like or directly competitive article results from the duty-free treatment provided by this title.

(5)(A) Any proclamation issued pursuant to section 203 of the Trade Act of 1974 that is in effect when duty-free treatment pursuant to section 101 of this title is proclaimed shall remain in effect unless suspended or terminated.

(B) If any article is subject to import relief at the time duty-free treatment is proclaimed pursuant to section 211, the President, if it determines that the application of such import relief to the otherwise scheduled date on which such reduction or termination would occur pursuant to the criteria and procedures of subsections (a) and (b) of section 203 of the Trade Act of 1974.

(f)(1) If a petition is filed with the International Trade Commission pursuant to the provisions of section 201 of the Trade Act of 1974 regarding a perishable product and alleging injury from imports of such article from beneficiary countries, the President may also be filed with the Secretary of Agriculture with a request that emergency relief be granted pursuant to paragraph (3) of this subsection with respect to such article.

(2) Within fourteen days after the filing of a petition under paragraph (1) of this subsection—

Such petition shall be filed...
(9) If the Secretary of Agriculture has reason to believe that a perishable product from a beneficiary country is being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing a perishable product like or directly competitive with the imported product and that emergency action is warranted, he shall advise the President and recommend that the President take emergency action; or

(10) If the Secretary of Agriculture shall publish a notice of his determination not to recommend the imposition of emergency action and so advise the petitioner,

(11) Within seven days after the President receives a recommendation from the Secretary of Agriculture to take emergency action pursuant to paragraph (2) of this subsection, he shall issue a proclamation withdrawing the duty-free treatment provided by this title or publish a notice of his determination not to take emergency action.

The emergency action provided by paragraph (3) of this subsection shall cease to apply—

(A) upon the proclamation of import relief pursuant to section 232(a)(1) of the Trade Act of 1974,

(B) on the day the President makes a determination pursuant to section 203(b)(2) of such Act not to impose import relief, or

(C) in the event of a report of the United States International Trade Commission containing a negative finding, on the day the Commission’s report is submitted to the President, or

(D) whenever the President determines that because of changed circumstances such relief is no longer warranted.

For purposes of this subsection, the term “perishable product” means—

(A) live plants provided for in subpart A of part 6 of schedule 1 of the TSUS;

(B) fresh or chilled vegetables provided for in items 135.10 through 138.42 of the TSUS;

(C) fresh mushrooms provided for in item 144.10 of the TSUS;

(D) fresh fruit provided for in items 146.20, 146.30, 146.50 through 149.50 of the TSUS;

(E) fresh cut flowers provided for in items 192.17, 192.18, and 192.21 of the TSUS; and

(F) concentrated citrus fruit juice provided for in items 165.25 and 165.35 of the TSUS.

(g) No proclamation issued pursuant to this title shall affect fees imposed pursuant to section 22 of the Agricultural Adjustment Act (7 U.S.C. 624).

SEC. 214. MEASURES FOR PUERTO RICO AND UNITED STATES INSULAR POSSESSIONS.

(a) Effective with respect to articles entered on or after the effective date of this Act, general headnote 3(a) of the TSUS is amended—

(1) by amending clause (i)—

(A) by striking out “50 percent” and inserting in lieu thereof “70 percent”;

(B) by inserting after “total value”, “(or more than 50 percent)”; and

(2) by amending clause (ii) by striking out “50 percent” and inserting in lieu thereof “70 percent”.

(b) Item 813.31 of the TSUS is amended by striking out “4 liters” and inserting in lieu thereof “5 liters”, and by inserting after “United States,” “and not more than 4 liters of which shall have been produced elsewhere than in such insular possessions.”.

(c) If the sum of the amounts of taxes covered into the treasuries of Puerto Rico or the United States Virgin Islands pursuant to section 7652(c) of the Internal Revenue Code of 1954 is reduced below the amount that would have been covered over if the imported rum had been produced in Puerto Rico or the United States Virgin Islands, then the President shall consider compensation measures and, in this regard, may withdraw the duty-free treatment on rum provided by this title. The President shall submit a report to the Congress on the measures he takes.

(d) Section 112 of the Trade Agreements Act of 1979 (19 U.S.C. 2582) is repealed.

(e) No action pursuant to this title may affect any treaty duty imposed by the Legislature of Puerto Rico pursuant to section 319 of the Tariff Act of 1930 (19 U.S.C. 1319) on coffee imported into Puerto Rico.

(f) For purposes of chapter 1 of title II of the Trade Act of 1974, the term “industry” shall include producers located in the United States insular possessions.

(g) Any discharge from a point source in the United States Virgin Islands in existence on the date of the enactment of this subsection which discharge is attributable to the manufacture of rum (as defined in paragraphs (3) of section 7652(c) of the Internal Revenue Code of 1954) shall not be subject to the requirements of section 301 (other than toxic pollutant discharges), section 306 or section 403 of the Federal Water Pollution Control Act if—

(1) such discharge occurs at least one thousand five hundred feet into the territorial sea from the line of ordinary low water from that portion of the coast which is in direct contact with the sea, and

(2) the Governor of the United States Virgin Islands determines that such discharge will not interfere with the attainment or maintenance of that water quality which shall assure protection of public water supplies, the protection and propagation of a balanced population of shellfish, fish, and wildlife, and allow recreational activities, in and on the water and will not result in the discharge of pollutants in quantities which may reasonably be anticipated to pose an unacceptable risk to human health or the environment because of bioaccumulation, persistence in the environment, acute toxicity, chronic toxicity (including carcinogenicity, mutagenicity, or teratogenicity), or synergistic propensities.

SEC. 215. INTERNATIONAL TRADE COMMISSION REPORTS ON IMPACT OF THIS ACT.

(a) The United States International Trade Commission (hereinafter in this section referred to as the “Commission”) shall prepare, and submit to the Congress and to the President, a report regarding the economic impact of this Act on United States industries and consumers during—
(1) the twenty-four-month period beginning with the date of enactment of this Act; and
(2) each calendar year occurring thereafter until duty-free treatment under this title is terminated under section 21(b).

For purposes of this section, industries in the Commonwealth of Puerto Rico and the insular possessions of the United States shall be considered to be United States industries.

(b) Each report required under subsection (a) shall include, but not be limited to, an assessment by the Commission regarding—

(A) the actual effect, during the period covered by the report, of this Act on the United States economy generally as well as on those specific domestic industries which produce articles that are like, or directly competitive with, articles being imported into the United States from beneficiary countries; and

(B) the probable future effect which this Act will have on the United States economy generally, as well as on such domestic industries, before the provisions of this Act terminate.

(2) In preparing the assessments required under paragraph (1), the Commission shall, to the extent practicable—

(A) analyze the production, trade and consumption of United States products affected by this Act, taking into consideration employment, profit levels, and use of productive facilities with respect to the domestic industries concerned, and such other economic factors in such industries as it considers relevant, including prices, wages, sales, inventories, patterns of demand, capital investment, obsolescence of equipment, and diversification of production; and

(B) describe the nature and extent of any significant change in employment, profit levels, and use of productive facilities, and such other conditions as it deems relevant in the domestic industries concerned, which it believes are attributable to this Act.

(c)(1) Each report required under subsection (a) shall be submitted to the Congress and to the President before the close of the nine-month period beginning on the day after the last day of the period covered by the report.

(2) The Commission shall provide opportunity for the submission by the public, either orally or in writing, or both, of information relating to matters that will be addressed in the reports.

SEC. 218. EFFECTIVE DATE OF SUBTITLE AND TERMINATION OF DUTY-FREE TREATMENT.

(a) Effective Date.—This subtitle shall take effect on the date of the enactment of this Act.

(b) Termination of Duty-Free Treatment.—No duty-free treatment extended to beneficiary countries under this subtitle shall remain in effect after September 30, 1993.

Subtitle B—Tax Provisions

SEC. 221. PAYMENT OF EXCISE TAXES COLLECTED ON RUM TO PUERTO RICO AND THE UNITED STATES VIRGIN ISLANDS.

(a) In General.—Section 7652 of the Internal Revenue Code of 1954 (relating to shipments to the United States) is amended by inserting after subsection (b) the following new subsection:

"(c) SHIPMENTS OF RUM TO THE UNITED STATES.—

"(1) EXCISE TAXES ON RUM COVERED INTO TREASURIES OF PUERTO RICO AND VIRGIN ISLANDS.—All taxes collected under section 5001(a)(1) on rum imported into the United States (less the estimated amount necessary for payment of refunds and drawbacks) shall be covered into the treasuries of Puerto Rico and the Virgin Islands.

"(2) SECRETARY PREScribes FORMula.—The Secretary shall, from time to time, prescribe by regulation a formula for the division of such tax collections between Puerto Rico and the Virgin Islands and the time and methods for transferring such tax collections.

"(3) RUM Defined.—For purposes of this subsection, the term 'rum' means any article classified under item 169.13 or 169.14 of the Tariff Schedules of the United States (19 U.S.C. 1202).

"(4) Coordination With Subsections (a) and (b).—Paragraph (1) shall not apply with respect to any rum subject to tax under subsection (a) or (b).”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to articles imported into the United States after June 30, 1983.

SEC. 222. TREATMENT OF CARIBBEAN CONVENTIONS, ETC.

(a) General Rule.—Subsection (b) of section 274 of the Internal Revenue Code of 1954 (relating to attendance at conventions, etc.) is amended by adding at the end thereof the following new paragraph:

"(f) Treatment of conventions in certain Caribbean
## APPENDIX C

### Table 16. Jamaica: Leading U.S. Imports for consumption, Customs value (Thousands of dollars) (COC)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total all commodities</td>
<td>440,934</td>
<td>526,726</td>
<td>563,723</td>
<td>273,872</td>
<td>277,425</td>
</tr>
<tr>
<td>2611--Aluminum oxide (incl. corundum); alum hydrate</td>
<td>47,890</td>
<td>99,360</td>
<td>111,479</td>
<td>59,407</td>
<td>56,275</td>
</tr>
<tr>
<td>2606--Aluminum ores and concentrates</td>
<td>23,560</td>
<td>32,950</td>
<td>44,986</td>
<td>18,314</td>
<td>10,456</td>
</tr>
<tr>
<td>6110--Sweaters, pullovers, vests etc., knit or crocheted</td>
<td>17,803</td>
<td>27,323</td>
<td>37,572</td>
<td>17,181</td>
<td>25,894</td>
</tr>
<tr>
<td>6109--T-shirts, singlets, tank tops etc., knit or crocheted</td>
<td>24,173</td>
<td>26,885</td>
<td>24,991</td>
<td>14,302</td>
<td>9,642</td>
</tr>
<tr>
<td>6205--Men's or boys' suits, ensembles etc., not knit or crocheted</td>
<td>3,700</td>
<td>14,600</td>
<td>16,480</td>
<td>12,113</td>
<td>4,931</td>
</tr>
<tr>
<td>6206--Men's or girls' suits, ensembles etc., knit or crocheted</td>
<td>21,499</td>
<td>34,550</td>
<td>21,140</td>
<td>9,892</td>
<td>4,931</td>
</tr>
<tr>
<td>6212--Bras, girdles, garters etc., knitted etc. or not</td>
<td>7,795</td>
<td>16,000</td>
<td>16,000</td>
<td>7,670</td>
<td>9,382</td>
</tr>
<tr>
<td>2208--Ethyl alcohol, undenat., undos when mixed with water</td>
<td>15,343</td>
<td>19,081</td>
<td>11,657</td>
<td>5,602</td>
<td>6,224</td>
</tr>
<tr>
<td>2207--Ethyl alcohol, undenat., denat.</td>
<td>16,357</td>
<td>9,454</td>
<td>10,316</td>
<td>5,249</td>
<td>8,699</td>
</tr>
<tr>
<td>6105--Men's or boys' shirts, knitted or crocheted</td>
<td>8,064</td>
<td>12,300</td>
<td>9,991</td>
<td>4,628</td>
<td>2,763</td>
</tr>
<tr>
<td>6115--Pants, trousers, slacks, etc., knit or crocheted</td>
<td>12,273</td>
<td>6,359</td>
<td>9,382</td>
<td>2,957</td>
<td>5,752</td>
</tr>
<tr>
<td>6205--Women's or girls' suits, not knitted or crocheted</td>
<td>8,526</td>
<td>13,970</td>
<td>6,549</td>
<td>2,822</td>
<td>2,875</td>
</tr>
<tr>
<td>9801--Exps. of repaired &amp; reinstated</td>
<td>7,205</td>
<td>0</td>
<td>2,954</td>
<td>2,822</td>
<td>139</td>
</tr>
<tr>
<td>6106--Women's or girls' blouses &amp; shirts, knit or crocheted</td>
<td>478</td>
<td>257</td>
<td>6,093</td>
<td>2,641</td>
<td>2,696</td>
</tr>
<tr>
<td>2402--Cigars, cigarettes etc., of tobacco or substitutes</td>
<td>10,339</td>
<td>9,719</td>
<td>5,135</td>
<td>2,573</td>
<td>2,778</td>
</tr>
<tr>
<td>6206--Women's or girls' blouses, shirts etc. not knitted etc.</td>
<td>5,048</td>
<td>5,370</td>
<td>5,195</td>
<td>2,234</td>
<td>1,561</td>
</tr>
<tr>
<td>6512--Carpet, carpeting, etc., wool, not knitted</td>
<td>1,866</td>
<td>4,256</td>
<td>4,775</td>
<td>1,906</td>
<td>1,586</td>
</tr>
<tr>
<td>6111--Sashes, sashes, etc., not knit or crocheted</td>
<td>520</td>
<td>2,469</td>
<td>3,676</td>
<td>1,820</td>
<td>1,577</td>
</tr>
<tr>
<td>6103--Men's or boys' suits, ensembles etc., knit or crocheted</td>
<td>2,891</td>
<td>2,690</td>
<td>3,004</td>
<td>1,571</td>
<td>1,404</td>
</tr>
<tr>
<td>6205--Men's or boys' suits, ensembles etc., not knit or crocheted</td>
<td>2,121</td>
<td>3,706</td>
<td>3,209</td>
<td>1,404</td>
<td>625</td>
</tr>
<tr>
<td>6103--Men's or boys' suits, ensembles etc., knit or crocheted</td>
<td>827</td>
<td>2,550</td>
<td>1,925</td>
<td>999</td>
<td>1,788</td>
</tr>
<tr>
<td>6403--Footwear, outer sole rubber, plastic or leather &amp; upper leather</td>
<td>1,770</td>
<td>1,308</td>
<td>1,072</td>
<td>950</td>
<td>1,008</td>
</tr>
<tr>
<td>6107--Men's or boys' undergarments, pajamas, etc., not knit or crocheted</td>
<td>1,883</td>
<td>1,170</td>
<td>2,114</td>
<td>925</td>
<td>1,058</td>
</tr>
<tr>
<td>6108--Women's or girls' slips, not knit or crocheted</td>
<td>2,128</td>
<td>3,706</td>
<td>3,209</td>
<td>1,404</td>
<td>625</td>
</tr>
<tr>
<td>6109--Sweaters, pullovers, vests etc., knit or crocheted</td>
<td>899</td>
<td>545</td>
<td>1,571</td>
<td>854</td>
<td>382</td>
</tr>
<tr>
<td>9999--Estimates of low valued import transactions</td>
<td>1,567</td>
<td>2,919</td>
<td>1,627</td>
<td>798</td>
<td>833</td>
</tr>
<tr>
<td>9506--Articles &amp; equip. for sports etc., nesoi, pools, etc.</td>
<td>392</td>
<td>1,365</td>
<td>1,368</td>
<td>771</td>
<td>0</td>
</tr>
<tr>
<td>7602--Aluminum wire, not scrap</td>
<td>261</td>
<td>1,382</td>
<td>1,368</td>
<td>771</td>
<td>0</td>
</tr>
<tr>
<td>6121--Garments of felt, etc., or fabric impregnated etc.</td>
<td>808</td>
<td>1,161</td>
<td>1,161</td>
<td>693</td>
<td>472</td>
</tr>
<tr>
<td>6103--Sauces &amp; pãre; mixed condiments, mustard flour etc.</td>
<td>809</td>
<td>956</td>
<td>1,230</td>
<td>671</td>
<td>575</td>
</tr>
<tr>
<td>6063--Cut flowers &amp; buds for bouquets etc., prepared</td>
<td>387,701</td>
<td>492,914</td>
<td>523,072</td>
<td>261,359</td>
<td>256,042</td>
</tr>
<tr>
<td>Total of items shown</td>
<td>53,233</td>
<td>33,812</td>
<td>40,651</td>
<td>12,513</td>
<td>21,383</td>
</tr>
</tbody>
</table>

**Note:** Data before 1989 are estimated.

**Source:** Compiled from official statistics of the U.S. Department of Commerce. Top 35 commodities sorted by Imports for consumption, Customs value in 1990 January-June.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total all commodities</td>
<td></td>
<td>741,286</td>
<td>984,278</td>
<td>916,802</td>
<td>438,375</td>
<td>470,151</td>
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<td>10-Oil (not crude) from petroleum &amp; bituminous mineral etc</td>
<td></td>
<td>60,565</td>
<td>118,950</td>
<td>135,185</td>
<td>54,542</td>
<td>49,386</td>
</tr>
<tr>
<td>15-Sodium hydroxide, potassium hydroxide, sod or potash peroxide</td>
<td></td>
<td>28,963</td>
<td>45,506</td>
<td>59,506</td>
<td>32,858</td>
<td>41,266</td>
</tr>
<tr>
<td>16—Est. low value shipped; Canadian low value and nickels</td>
<td></td>
<td>19,938</td>
<td>31,564</td>
<td>38,028</td>
<td>18,394</td>
<td>18,806</td>
</tr>
<tr>
<td>09—T-shirts, singlets, tank tops etc, knit or crocheted</td>
<td></td>
<td>7,074</td>
<td>29,165</td>
<td>27,250</td>
<td>13,484</td>
<td>20,876</td>
</tr>
<tr>
<td>101—Wheat and meslin</td>
<td></td>
<td>18,012</td>
<td>17,569</td>
<td>19,187</td>
<td>12,426</td>
<td>6,232</td>
</tr>
<tr>
<td>131—Parts for machinery of headings 8425 to 8430</td>
<td></td>
<td>12,572</td>
<td>16,392</td>
<td>19,568</td>
<td>11,060</td>
<td>10,828</td>
</tr>
<tr>
<td>134—Corn (maize)</td>
<td></td>
<td>19,363</td>
<td>22,214</td>
<td>21,000</td>
<td>10,988</td>
<td>9,312</td>
</tr>
<tr>
<td>106—Rice</td>
<td></td>
<td>20,640</td>
<td>16,923</td>
<td>19,302</td>
<td>8,724</td>
<td>8,902</td>
</tr>
<tr>
<td>12—Track suits, ski-suits &amp; swimwear, knit or crocheted</td>
<td></td>
<td>4,124</td>
<td>4,998</td>
<td>12,863</td>
<td>7,422</td>
<td>17</td>
</tr>
<tr>
<td>12-Bras, girdles, garters etc, knitted etc or not knit</td>
<td></td>
<td>11,132</td>
<td>11,796</td>
<td>13,575</td>
<td>6,836</td>
<td>7,884</td>
</tr>
<tr>
<td>101—Soybeans, whether or not broken</td>
<td></td>
<td>10,240</td>
<td>18,287</td>
<td>12,930</td>
<td>6,786</td>
<td>7,859</td>
</tr>
<tr>
<td>03—Motor cars &amp; vehicles for transporting persons</td>
<td></td>
<td>6,083</td>
<td>16,635</td>
<td>18,188</td>
<td>5,585</td>
<td>4,407</td>
</tr>
<tr>
<td>01—Cane or beet sugar &amp; honey pure sucrose, solid form</td>
<td></td>
<td>5,631</td>
<td>13,360</td>
<td>8,472</td>
<td>5,027</td>
<td>584</td>
</tr>
<tr>
<td>10—Sweaters, pullovers, vests etc, knitted or crocheted</td>
<td></td>
<td>20,376</td>
<td>18,761</td>
<td>7,720</td>
<td>4,447</td>
<td>5,129</td>
</tr>
<tr>
<td>07—Meat &amp; ed. offal of poultry, fresh, chilled or frozen</td>
<td></td>
<td>6,932</td>
<td>6,560</td>
<td>7,869</td>
<td>4,034</td>
<td>4,769</td>
</tr>
<tr>
<td>103—Men's or boys' suits, ensembles etc, knit or crocheted</td>
<td></td>
<td>4,671</td>
<td>4,044</td>
<td>7,884</td>
<td>4,032</td>
<td>5,671</td>
</tr>
<tr>
<td>105—Women's or girls' slips, pj's, etc, knit or crocheted</td>
<td></td>
<td>429</td>
<td>4,069</td>
<td>3,919</td>
<td>3,723</td>
<td>6,500</td>
</tr>
<tr>
<td>107—Industrial or lab furniture &amp; ovens, non-elect.</td>
<td></td>
<td>3,194</td>
<td>9,608</td>
<td>7,958</td>
<td>5,632</td>
<td>4,390</td>
</tr>
<tr>
<td>108—Pantyhose, socks &amp; other hosiery, knit or crocheted</td>
<td></td>
<td>9,223</td>
<td>2,900</td>
<td>5,990</td>
<td>3,510</td>
<td>108</td>
</tr>
<tr>
<td>109—Men's or boys' suits, ensembles etc, knit or crocheted</td>
<td></td>
<td>783</td>
<td>2,900</td>
<td>5,990</td>
<td>3,510</td>
<td>108</td>
</tr>
<tr>
<td>102—Kraft paper &amp; paperboard, uncoated paper, rolls etc.</td>
<td></td>
<td>5,708</td>
<td>5,244</td>
<td>6,255</td>
<td>3,418</td>
<td>1,421</td>
</tr>
<tr>
<td>107—Birds' eggs, in the shell, fresh, preserved or cooked</td>
<td></td>
<td>3,831</td>
<td>6,180</td>
<td>6,045</td>
<td>3,533</td>
<td>3,342</td>
</tr>
<tr>
<td>106—Hemp, hemp fiber, hemp seeds, etc</td>
<td></td>
<td>27,608</td>
<td>13,451</td>
<td>6,682</td>
<td>3,193</td>
<td>2,357</td>
</tr>
<tr>
<td>105—Linooleum &amp; other floor covering materials</td>
<td></td>
<td>7,613</td>
<td>4,973</td>
<td>7,471</td>
<td>3,193</td>
<td>2,357</td>
</tr>
<tr>
<td>208—Woven cotton fabrics, knitted or not</td>
<td></td>
<td>1,105</td>
<td>3,524</td>
<td>4,666</td>
<td>2,887</td>
<td>1,372</td>
</tr>
<tr>
<td>211—Automatic data processing machines; magnetic tape etc</td>
<td></td>
<td>3,840</td>
<td>3,524</td>
<td>5,764</td>
<td>2,727</td>
<td>6,531</td>
</tr>
<tr>
<td>353—Machine tools, etc</td>
<td></td>
<td>3,725</td>
<td>5,826</td>
<td>5,257</td>
<td>2,556</td>
<td>1,905</td>
</tr>
<tr>
<td>504—Soybean oil cake and other solid residue, wh/not ground</td>
<td></td>
<td>7,235</td>
<td>2,109</td>
<td>3,141</td>
<td>2,518</td>
<td>1,262</td>
</tr>
<tr>
<td>109—Parts for engines of headings 8407 or 8408</td>
<td></td>
<td>5,079</td>
<td>10,108</td>
<td>4,366</td>
<td>2,248</td>
<td>1,252</td>
</tr>
<tr>
<td>101—Soybeans, whether or not broken</td>
<td></td>
<td>2,314</td>
<td>7,000</td>
<td>3,475</td>
<td>2,258</td>
<td>1,282</td>
</tr>
<tr>
<td>103—Men's or boys' suits, ensembles etc, knit or crocheted</td>
<td></td>
<td>2,314</td>
<td>7,000</td>
<td>3,475</td>
<td>2,258</td>
<td>1,282</td>
</tr>
<tr>
<td>105—Women's or girls' slips, pj's, etc, knit or crocheted</td>
<td></td>
<td>5,671</td>
<td>4,279</td>
<td>5,671</td>
<td>1,013</td>
<td>1,262</td>
</tr>
<tr>
<td>102—Kraft paper &amp; paperboard, coated with kaolin etc, rl etc</td>
<td></td>
<td>11,157</td>
<td>6,378</td>
<td>4,552</td>
<td>2,206</td>
<td>2,249</td>
</tr>
<tr>
<td>108—Pumps for liquid; liquid elevators; parts thereof</td>
<td></td>
<td>88,388</td>
<td>5,573</td>
<td>4,824</td>
<td>2,121</td>
<td>2,346</td>
</tr>
<tr>
<td>Total items shown</td>
<td></td>
<td>357,237</td>
<td>513,511</td>
<td>537,687</td>
<td>263,002</td>
<td>267,159</td>
</tr>
<tr>
<td>Total other</td>
<td></td>
<td>384,049</td>
<td>470,767</td>
<td>379,115</td>
<td>175,573</td>
<td>202,992</td>
</tr>
</tbody>
</table>

Note: Data before 1989 are estimated.
Source: Complied from official statistics of the U.S. Department of Commerce.
Top 35 commodities sorted by Domestic exports, F.a.s. value in 1990 January-June.
APPENDIX D

THE JAMAICAN DOLLAR

Excerpt from the "Jamaican Newsletter, December 1991

"Jamaica Completely Liberalizes Foreign Exchange Market"

The new system means foreign investors and Jamaicans may now freely move foreign currency in and out of the country. Exporters, other earners of foreign exchange and all Jamaicans may now maintain foreign currency accounts locally or abroad without restriction. All exchange controls on interest, profits, dividends and travel have been lifted as part of the overall economic reform strategy. This move is intended to stabilize the Jamaican dollar, encourage investment and exports and end the black market in foreign currency (once and for all).

Manley, in speech, Sept. 21, said that the Jamaican dollar has been falling while the economy was improving. He stated that the dollar fell "not because dollars are short, but because people are speculating." "By liberalizing, we aim to create one foreign exchange market instead of two, leading to an eventual stabilization of the rate. This will lead to the growth of exports and investments which is the best means of being able to afford to do the necessary things for the poor."

"(stringent fiscal and monetary policies necessary) to make sure the supply of JD is restricted...no surplus available to speculate in foreign exchange, thereby depressing the exchange rate."

The result is that interest rates will increase for a time to remove excess liquidity from the system. The JD is still the only legal tender on the island; only licensed dealers are allowed to trade in foreign currency as in most countries.

Message from Ambassador Dr. Richard Bernal, December 1991

"... one of the last steps in the economic adjustment program was achieved when we completely liberalized our foreign exchange market. This will help to establish the real rate for our dollar based upon true market forces. Initial result is depreciation in the rate of exchange for the JD, resulting in inflationary pressures in the economy. Recognize that this was an absolutely necessary measure...more adequately reflects demand and supply and has made our export and our tourist sector more competitive."
Appendix D (cont'd)

Mr. Malcolm Forbes, Jr. of Forbes Magazine at a recent Private Sector Organization of Jamaica banquet, said, "The Caribbean and Latin America is becoming the new Pacific Rim."

He also said:
"There are four basic principles countries must adhere to if they want their economies to grow: 1) a sound currency, 2) a sensible tax regime, 3) respect for property rights, and 4) procedures to make it easier for people to set up businesses."

"If an economy is to grow it must have real or sound money. You don't get an economy to grow if you're always changing your money."

Excerpt from article "Liberalization and the Social Sector in Jamaica" by Norman Girvan, The Sunday Gleaner, (Jamaica), Feb. 9, 1992.

EXCHANGE RATE REGIMES AND MONETARY POLICY PHASES OF THE PNP GOVERNMENT

<table>
<thead>
<tr>
<th>Type</th>
<th>Monet. Policy</th>
<th>* Exchange Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Feb-October 1989</td>
<td>Auction</td>
<td>Expansionary</td>
</tr>
<tr>
<td>2. Nov 1989- Sept 1990</td>
<td>Fixed Rate</td>
<td>Restrictive</td>
</tr>
<tr>
<td>4.** Sept 1991- Present</td>
<td>Liberalized</td>
<td>Restrictive</td>
</tr>
</tbody>
</table>

* To the U.S. Dollar
** Now the Bank of Jamaica (National Bank) was required to bid for US$ from the commercial banks like everyone else.

"What happened? This action of Sept. 1991 further de-stabilized the JD by legalizing and facilitating speculative behavior. Now it has declined to well below the black market rate was."
"...encourages speculation in non-productive ventures like real estate and stock market."