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# ***The CBI Is Good Policy***

The Caribbean Basin Initiative represents an on-going commitment by the United States to welcome products from the Caribbean Basin into its market as a way of spurring economic growth and development in these small but strategically important countries.

Launched by President Reagan in 1982, the CBI has been strengthened and expanded by both the President and Congress. The heart of the CBI is legislation passed in 1983, granting 12 years of duty-free entry to most products from designated CBI countries. But CBI countries also get other benefits. They get "Guaranteed Access Levels" on textile products, virtually eliminating quotas. Those that sign tax agreements also get access to Puerto Rico's "936 funds" for investment, and "North American treatment" of convention expense tax deductions — a boost to tourism.

Beyond that, the CBI represents an active commitment by the U.S. Government to encourage business to invest in — and buy from — Caribbean and Central American countries, and to help them develop and promote non-traditional exports. The CBI enjoys bi-partisan support in Congress because it is good policy — for the CBI countries and for the United States.

Non-traditional exports are giving Caribbean and Central American countries the chance they need to avoid economic crisis and develop into strong, prosperous societies able to meet their people's needs.

## **The Need: Jobs and Income**

Export earnings provide the two things most urgently needed in that effort. Jobs and hard currency. Foreign exchange makes it possible for local businesses to buy needed parts and raw materials, to grow, and to hire more people. It also makes it possible for the governments to pay for infrastructure, health care, and other essential public-sector services.

The United States' CBI and related policies, and Europe's Lome Convention, are designed to open up new markets for new Caribbean Basin products. To actively encourage new production within Caribbean and Central American countries to meet the new demand from those markets. Even to encourage exporters from other parts of the world to gain market entry by conducting part of their operations in the Caribbean.

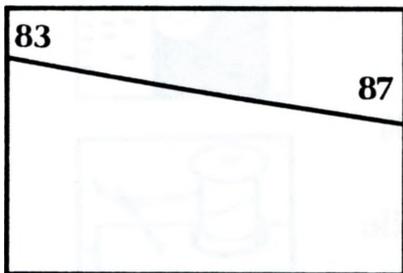
All this is intended to further advance the job-creation and foreign-exchange-earning efforts by bringing in investment capital as well as export income.

## **The Record**

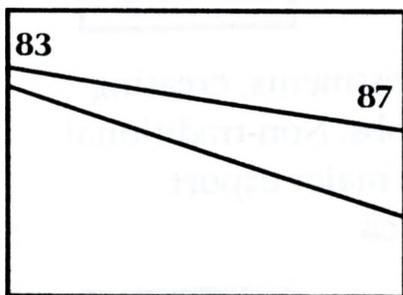
After four years of the CBI, the impact can already be seen. Since the end of 1983 . . .

- Over 640 new investment projects have been started — some expansions of existing operations, but 80% of them new ventures.
- . . . Bringing \$1.6 billion worth of investments.
- . . . Creating over 95,000 new full-time jobs.
- . . . and creating over 21,000 new part-time jobs.

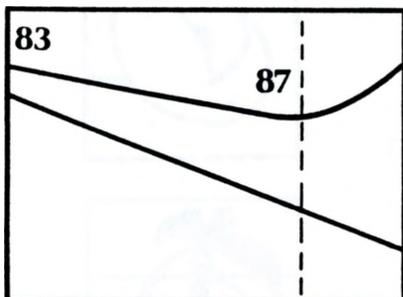
A look at trade statistics makes it clear that producing for the non-traditional export market is the answer to the region's foreign-exchange problems.



From 1983-1987, the CBI countries' overall trade deficit got worse — export earnings dropped from \$9.24 billion to \$6.52 billion.



But the decline reflected a precipitous drop in volumes and prices of petroleum, in U.S. market access for sugar, and income from other traditional commodities.



Meanwhile, non-traditional exports took off — not enough to offset the other losses in 1987, but clearly pointing out the path for achieving trade surpluses in the future.

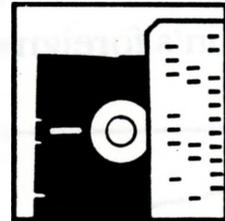
In key sectors, export growth from Caribbean basin countries has been phenomenal.

Exports in GSP-ineligible product categories that became duty-free under the CBI have risen 30% a year. One of these sectors, **meat products**, gained 5,000 jobs in 1985, another 10,000 in 1986.

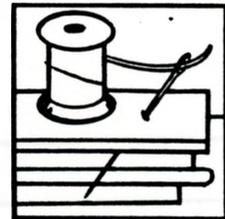
**CBI-eligible manufacturing** has attracted \$447 million in investments, creating 15,600 full-time and 22,000 part-time jobs. Some new growth areas — furniture, jewelry, shoes, sports equipment.

**Free zones** are booming. Just in the Dominican Republic, free zones are expected to employ over 100,000 people by the end of 1988.

**Data entry** is a rapidly-growing sector employing over 9,000 people in Jamaica, Barbados and the DR alone.

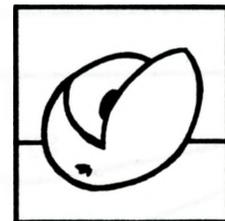


**Textile and apparel products** account for 10% of the new investment, but fully half the jobs. CBI countries sold \$814 million worth of textile products to the U.S. in 1986. Exports rose 29% since 1983.

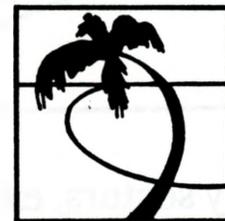


**Agriculture** has attracted \$332 million in investments, creating 15,000 full-time jobs and as many part-time jobs. Non-traditional agriculture and processed foods have become major export industries in Guatemala, the DR and Costa Rica.

**Fruit and vegetable exports** rose 50% from 1983 to 1986, to \$1.6 billion. **Flowers and plants** are a major new growth industry.



**Seafood exports**, up 18%, earned \$300 million in 1986.



**Tourism** — the region's top foreign-exchange earner — attracted \$655 million in investments since 1983, creating 8,800 new full-time jobs. Visitor arrivals are up 11.5%.

Caribbean Basin countries are on the threshold of a potential period of enormous growth and opportunity. Now is the time for Caribbean businesses to take advantage of new markets. For U.S. and other investors to take advantage of new opportunities in the region.

- Non-traditional sectors are taking off.
- Loss of GSP eligibility by four key East Asian countries will turn U.S. importers toward the Caribbean as a new option.
- The full integration of the European Common Market in 1992 will force major changes in West Indian trade patterns.

In this climate of opportunity, both the CBI countries and the United States are challenged to carry out policy changes that will make something good even better.

## ***A CBI-II Agenda***

New policy initiatives will make the CBI even more effective:

- Extension beyond its original term — so the 12 years keep rolling over indefinitely.
- Inclusion of presently excluded product categories — textiles, footwear, leather.
- Including tourism as a major target of CBI development efforts by the U.S. Government.
- Providing a separate injury test for CBI countries in countervailing duty cases.
- Restoring adequate Foreign Aid levels to enable CBI countries to meet needs for infrastructure development, transportation, public services, and business promotion.
- Finding a rational solution to sugar policy.
- Providing U.S. market access for Caribbean Basin ethanol.