

U.S.-CARIBBEAN RELATIONS INTO
THE 21ST CENTURY

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FOREWORD

FOR MANY AMERICANS THE CARIBBEAN IS EITHER A VACATION DESTINATION OR A REGION OF CASUAL POLICY CONCERN. YET THE AREA HAS FOSTERED SOME OF THE MOST SPECTACULAR EPISODES IN MODERN U.S. FOREIGN POLICY: THE CUBAN MISSILE CRISIS, THE DOMINICAN CRISIS OF 1965, THE DEBATE OVER THE PANAMA CANAL TREATIES, REFUGEE FLOWS FROM CUBA AND HAITI, THE U.S. INVASION OF GRENADA IN 1983 AND THE OCCUPATION OF HAITI IN 1994, THE PASSAGE OF THE CARIBBEAN BASIN INITIATIVE (CBI), AND, IN ITS BROADER REGIONAL CONTEXT, OTHER CRISES IN CENTRAL AMERICA THROUGHOUT THE 1990S. THE CARIBBEAN IS AN IMPORTANT AND PERMANENT FEATURE ON THE U.S. FOREIGN POLICY AGENDA.

THE DIFFICULTIES THAT FACED BOTH THE CARIBBEAN AND LATIN AMERICA IN THE 1990S HAVE PRODUCED A REGIONAL CONSENSUS THAT SERVES THE HEMISPHERE WELL. A REMARKABLE COMMUNITY OF OPINION NOW EXISTS IN FAVOR OF LIBERAL ECONOMIC REFORM, A DEEPENING OF REPRESENTATIVE DEMOCRACY, AND A SURGE OF REGIONAL SELF-CONFIDENCE.

TODAY, U.S. OBJECTIVES IN THE CARIBBEAN ARE TO ACHIEVE DEMOCRATIC GOVERNANCE, ECONOMIC GROWTH, AND SOCIAL JUSTICE. BUT DOES THE POST-COLD WAR ERA PRESAGE A DECLINING SIGNIFICANCE FOR THE CARIBBEAN? IS THE REGION ASSUMING LESSER PRIORITY? THESE FUNDAMENTAL QUESTIONS ARE ADDRESSED IN THIS CSIS REPORT, WHICH UNDERSCORES THE ABILITY OF CARIBBEAN LEADERS TO BE PROACTIVE RATHER THAN RESPOND TO EXTERNAL EVENTS. THE REPORT EMPHASIZES THE IMPORTANCE OF THE HEMISPHERIC TRADE AGENDA AND ALSO EXAMINES SOME REALISTIC STRATEGIES FOR COPING WITH CUBA'S INEVITABLE OPENING.

MOST COMMENDABLY, THE REPORT POINTS OUT THAT THE IMPORTANCE OF THE U.S. RELATIONSHIP DEMANDS THAT CARIBBEAN NATIONS INVEST THE EFFORT REQUIRED TO MAKE THE RELATIONSHIP WORK FOR THEM. I WHOLEHEARTEDLY ENDORSE THIS. MY YEARS IN THE U.S. CONGRESS REPRESENTING SOUTH FLORIDA GAVE ME AN APPRECIATION OF OUR UNIQUE CULTURAL AND BUSINESS INTERACTIONS WITH THE CARIBBEAN. THESE LEAD ME TO BELIEVE THE REGION HAS THE INGENUITY AND RESOURCES TO MEET THE DEMANDS OF THE 21ST CENTURY. I AM THEREFORE PLEASED TO SEE A MAJOR U.S. PUBLIC POLICY RESEARCH INSTITUTION TAKE ON THE TASK OF FOCUSING CONSTRUCTIVE ATTENTION ON THE FUTURE OF THE U.S.-CARIBBEAN RELATIONSHIP. THIS REPORT RENDERS AN INVALUABLE SERVICE.

DANTE FASCELL
SENIOR ADVISOR, CSIS

PREFACE

THIS CSIS REPORT BUILDS ON A QUARTER CENTURY OF THE CENTER'S INTEREST IN HEMISPHERIC AFFAIRS, PARTICULARLY IN U.S.-CARIBBEAN RELATIONS. BEGINNING WITH A REPORT ON THE DOMINICAN CRISIS IN 1965, CSIS PUBLISHED SEVERAL STUDIES IN THE 1970S ON CUBA AND REGIONAL SECURITY, AND, IN THE 1980S, PRODUCED TWO BOOKS ON CUBA AND SEVERAL ELECTION REPORTS.¹ IN 1989, THE CENTER ESTABLISHED RESEARCH PRIORITIES FOR THE 1990S, FROM WHICH THIS REPORT ON THE FUTURE OF U.S.-CARIBBEAN RELATIONS HAS RESULTED; THREE COMPANION VOLUMES FOCUS SPECIFIC ATTENTION ON CUBA AND HAITI.²

UNDER THE AEGIS OF THE PROJECT'S POLICY AND RESEARCH GROUP, CSIS HELD MEETINGS BEGINNING IN 1990 FOR WHICH IT COMMISSIONED RESEARCH PAPERS. SEVERAL OF THESE PAPERS APPEAR IN A MODIFIED FORM IN THIS REPORT, WHICH IS NOT INTENDED TO BE A CONSENSUS DOCUMENT. THE OVERVIEW OUTLINES THE MAJOR THEMES AND CONCLUSIONS OF THIS REPORT. CHAPTERS ONE AND TWO ANALYZE THE REGIONAL AGENDA FROM CARIBBEAN AND U.S. PERSPECTIVES. THE THIRD AND FOURTH CHAPTERS ADDRESS THE KEY THEMES OF ECONOMICS, TRADE, AND INTEGRATION. THE LAST CHAPTER OF THE REPORT DEVOTES ATTENTION TO THE LIKELY POLICY PRIORITIES FOR U.S.-CARIBBEAN RELATIONS IN THE 21ST CENTURY.

THIS HAS BEEN A COMPLEX UNDERTAKING, AND THE FINAL PRODUCT IS THE RESULT OF SUSTAINED INTEREST AND HARD WORK. FOUR CONFERENCES WERE HELD UNDER THE AEGIS OF THIS PROJECT. AS PROJECT DIRECTOR, I OWE A GREAT DEAL OF GRATITUDE TO EACH PARTICIPANT. THE CONTINUED INTEREST OF THE PROJECT'S POLICY AND RESEARCH GROUP WAS REWARDING. I WOULD LIKE TO EMPHASIZE THE CONTRIBUTIONS MADE TO THIS PROJECT BY ANTHONY BRYAN, LLOYD SEARWAR, BERNARDO VEGA, AND PAUL CHEN-YOUNG, AS WELL AS G. PHILIP HUGHES FOR HIS SKILL IN SHAPING THE FINAL DRAFT OF THIS REPORT. SPECIAL THANKS SHOULD BE EXTENDED TO THE INSTITUTE OF INTERNATIONAL RELATIONS AND ITS EFFICIENT STAFF, WHICH WORKED WITH US FOR THE SPRING 1992 CONFERENCE IN PORT-OF-SPAIN. INVALUABLE ASSISTANCE WAS PROVIDED BY THE TWO ANCHORS OF THE CSIS AMERICAS PROGRAM, MAUREEN MALCHOW, WHO SHEPHERDED THIS PROJECT FROM BEGINNING TO END, AND JOYCE HOEBING, WHO PITCHED IN AT KEY MOMENTS. AND SPECIAL THANKS IS DUE TO THE ANDREW W. MELLON FOUNDATION, WHOSE SUPPORT MAKES OUR WORK ON THE CARIBBEAN POSSIBLE.

GEORGES A. FAURIOL
DIRECTOR
AMERICAS PROGRAM

¹ A SELECTION OF THESE EFFORTS INCLUDES: JAMES THEBERGE, *Russia in the Caribbean*, 2 vols. (CSIS 1972); HUGH THOMAS ET AL., *The Cuban Revolution: Thirty Years Later* (Westview 1984); THOMAS MOORER AND GEORGES A. FAURIOL, *Caribbean Basin Security* (Westview 1984); GEORGES FAURIOL AND EVA LOSER, EDs., *Cuba: The International Dimension*, (Transaction 1990); AND ALSO SEVERAL REPORTS ON ELECTIONS IN JAMAICA, GRENADA, THE DOMINICAN REPUBLIC, HAITI, ST. VINCENT & THE GRENADINES, AND ANTIGUA & BARBUDA.

² GEORGES A. FAURIOL, ED., *The Haitian Challenge* (CSIS 1993), ERNEST H. PREEG WITH JONATHAN D. LEVINE, *Cuba and the New Caribbean Economic Order* (CSIS 1993), AND GEORGES A. FAURIOL, ED., *Haitian Frustrations* (CSIS 1995). ALSO UNDERWAY IS A STUDY ON POPULATION AND U.S. NATIONAL INTERESTS, WITH A FOCUS ON HAITI, FOR PUBLICATION IN 1995.

OVERVIEW: THE BOUNDARIES OF THE U.S.-CARIBBEAN AGENDA

IN UNDERTAKING THIS PROJECT CSIS BELIEVED THE END OF THE COLD WAR WAS NOT "THE END OF HISTORY" FOR THE CARIBBEAN AND THAT IT WAS NOT ACCURATE TO EXPECT THE DIMINUTION OF THE REGION'S POLICY IMPORTANCE.³ CLEARLY, THE REARRANGEMENT OF HEMISPHERIC TRADE FLOWS WILL DRAMATICALLY RESHAPE THE CARIBBEAN'S INSULAR AND NARROW ECONOMIC PATTERNS. LIKEWISE, A GENERATIONAL CHANGE IS UNDER WAY IN THE REGION'S LEADERSHIP, AS REPRESENTED BY MICHAEL MANLEY IN JAMAICA OR FIDEL CASTRO IN CUBA, AND IT IS UNCERTAIN WHICH LEADERS WILL TAKE THE CARIBBEAN INTO THE NEXT CENTURY. A POLITICALLY INVOLVED CARIBBEAN EXPATRIATE COMMUNITY IN THE UNITED STATES IS ANOTHER INTRIGUING ELEMENT THAT IS CREATING A PERMANENT LINK WITH THE REGION. THIS COMMUNITY INCLUDES NOT JUST CUBAN-AMERICANS AND HAITIAN-AMERICANS BUT ENGLISH-SPEAKING WEST INDIANS, DOMINICANS, AND PUERTO RICANS AS WELL.

A CENTRAL MESSAGE OF THIS REPORT IS THAT CARIBBEAN ISSUES BRIDGE OUR FOREIGN AND DOMESTIC AGENDAS AND FOR THAT REASON MUST STAY AT THE FOREFRONT OF U.S. POLICY CONCERNS. THE UNITED STATES REMAINS A CORE FIXTURE OF CARIBBEAN POLITICAL, ECONOMIC, AND CULTURAL LIFE. A GENERAL IMPRESSION IS NEVERTHELESS FORMING THAT THE CARIBBEAN IS NOW ON ITS OWN. THIS THEME IS ECHOED IN SEVERAL OF THE CHAPTERS THAT FOLLOW. DESPITE SUGGESTIONS BY SOME CRITICS, THE UNITED STATES IS NOT A FEARSOME PARTNER FOR THE CARIBBEAN. ITS GREAT-POWER STATUS, HOWEVER, ENSURES THAT ITS ATTENTION SPAN VIS-À-VIS THE REGION WILL BE FITFUL.

IN THE FALL OF 1962, EVENTS IN CUBA BROUGHT THE WORLD TO THE BRINK OF A SUPERPOWER NUCLEAR EXCHANGE. SOME 20 YEARS LATER GLOBAL INTEREST AGAIN FOCUSED ON THE CARIBBEAN WHEN A COALITION OF EASTERN CARIBBEAN STATES AND THE UNITED STATES REACTED TO THE MURDER OF THE PRIME MINISTER OF GRENADA, MAURICE BISHOP, BY INVADING THE COUNTRY AND TOPPLING THE COMMUNIST REGIME. IN THE 1990S, NATIONAL- AND LOCAL-LEVEL U.S. POLICYMAKERS ARE ONCE AGAIN FOCUSING ON THE REGION. BUT AS DRAMATIC AS THESE MILESTONES ARE, THE MOST IMPORTANT DEVELOPMENT DURING THIS PERIOD HAS BEEN THE GRADUAL BUT SURE GROWTH OF A DEMOCRATIC COMMUNITY OF CARIBBEAN STATES. THAT THERE HAVE BEEN GLARING EXCEPTIONS TO THIS—IN CUBA AND HAITI—UNDERSCORES THE NEED FOR CONTINUED ATTENTION TO CARIBBEAN AFFAIRS.

MEETING THE CHALLENGES

JUST AS THE 1980S PRESENTED OPPORTUNITIES, THE 1990S HAVE BROUGHT A NUMBER OF NEW CHALLENGES FOR THE NATIONS

³ FOR THE PURPOSE OF THIS PROJECT, THE CARIBBEAN COUNTRIES CONSIDERED WERE PRIMARILY THE ENGLISH-SPEAKING NATIONS THAT BELONG TO THE CARIBBEAN COMMUNITY (CARICOM). GENERAL CONSIDERATIONS APPLICABLE TO THIS GROUP MAY ALSO APPLY TO THE DOMINICAN REPUBLIC AND SURINAME. NO ATTEMPT HAS BEEN MADE TO TREAT SUCH COMPLEX TOPICS AS HAITI AND CUBA IN DETAIL, WHICH ARE THE SUBJECT OF OTHER CSIS INITIATIVES; RATHER, AN EFFORT HAS BEEN MADE TO DRAW IMPLICATIONS FOR THE REST OF THE CARIBBEAN FROM THE CRISES AND DEVELOPMENTS IN THESE TWO IMPORTANT CARIBBEAN NATIONS. A GLOSSARY RELEVANT TO THE REGION IS INCLUDED IN THIS REPORT.

OF THE CARIBBEAN REGION. CARIBBEAN NATIONS ARE ATTEMPTING TO RESPOND TO AND COPE WITH THESE PRESSING DEMANDS.

TRADE AND INVESTMENT

REDUCTIONS IN U.S. DEVELOPMENT AND SECURITY ASSISTANCE LEVELS ARE PERHAPS THE FIRST AND MOST IMPORTANT ISSUES THE CARIBBEAN NATIONS MUST ADDRESS. U.S. AND INTERNATIONAL PRESSURES TO REDUCE PROTECTIONISM AND LIBERALIZE TRADE ARE ANOTHER. THE NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA)—PERHAPS THE MOST CONCRETE EXPRESSION OF THIS LATTER TREND—POSES A PARTICULARLY KNOTTY PROBLEM FOR THE UNITED STATES' TRADING PARTNERS IN THE CARIBBEAN: THEY WILL BE COMPELLED TO COMPETE MORE EFFECTIVELY AS THE PREFERENCES THEY ENJOY UNDER THE CARIBBEAN BASIN INITIATIVE (CBI) ARE ERODED. SIMILARLY, THE EUROPEAN UNION'S SINGLE MARKET IN THE LONG RUN POSES FRESH THREATS TO THE CARIBBEAN'S TRADITIONAL PROTECTED MARKETS FOR BANANAS AND SUGAR.

POLITICAL CHANGES

TURMOIL IN HAITI, EVEN FOLLOWING THE SEPTEMBER 1994 INTERVENTION, REMAINS A SERIOUS REGIONAL CONCERN. EVEN MORE PORTENTOUS IS THE IMPENDING OPENING OF CUBA—MOST LIKELY AFTER CASTRO PASSES FROM THE SCENE—WHICH WILL RESHAPE THE REGION'S ECONOMIC AND POLITICAL LANDSCAPE. A TRANSITION OF THIS MAGNITUDE IN CUBA WILL AFFECT VIRTUALLY EVERY ASPECT OF CARIBBEAN ECONOMIES—TOURISM AND AGRICULTURE INITIALLY AND MANUFACTURING AND SERVICES EVENTUALLY—PARTICULARLY FOR THE FRIENDLY, RELATIVELY MORE DEVELOPED AND PROSPEROUS NATIONS OF THE CARIBBEAN COMMUNITY (CARICOM).

POLICY MARKERS

BOTH THE UNITED STATES AND THE CARIBBEAN COUNTRIES NEED TO BASE THEIR RELATIONSHIP ON A REALISTIC APPRAISAL OF THEIR IMPORTANCE TO EACH OTHER. AS THEY APPROACH THE 21ST CENTURY, CARIBBEAN NATIONS WILL NEED TO FOCUS ON WHAT THEY BRING TO THE TABLE IN THEIR RELATIONSHIP WITH THE UNITED STATES IF THEY DESIRE POLITICAL ATTENTION, TRADE AND INVESTMENT OPPORTUNITIES, AND PART OF THE DIMINISHING DEVELOPMENT AND SECURITY ASSISTANCE AVAILABLE FROM THE UNITED STATES.

1. INTEGRATION. TO MEET THE DEMANDS OF LIBERALIZED TRADE IN THE 1990S AND THE CHALLENGES OF THE INTERNATIONAL COMMUNITY OF THE 21ST CENTURY, CARIBBEAN NATIONS MUST MAKE DRAMATICALLY SWIFTER AND MORE CONCERTED PROGRESS TOWARD MEANINGFUL INTEGRATION. THE ASSOCIATION OF CARIBBEAN STATES (ACS) MAY BE A STEP IN THAT DIRECTION, BUT THE VITALITY OF THIS PROCESS REMAINS IN QUESTION. U.S. POLICIES SHOULD SUPPORT AND FOSTER SUCH ADVANCEMENTS. AT THE SAME TIME, IT IS DIFFICULT TO SEE HOW THE NECESSARY GAINS CAN BE MADE AS LONG AS SEVERAL DIFFERENT INTEGRATION SCHEMES AND PROJECTS ARE IN PLAY SIMULTANEOUSLY, WITH NO STRATEGY FOR HARMONIZING THEM OR BRINGING ANY ONE OF THEM TO FRUITION.

2. HEMISPHERIC TRADE. CARIBBEAN NATIONS SHOULD ACTIVELY ADJUST TO AND PARTICIPATE IN NAFTA AND BROADER MOVES TOWARD HEMISPHERIC TRADE LIBERALIZATION, RATHER THAN ATTEMPT TO HOLD OUT AGAINST THESE TRENDS. ALTHOUGH THE PROCESS IS FRAUGHT WITH UNCERTAINTY AND DANGER, THE ALTERNATIVE IS A PRACTICAL IMPOSSIBILITY FOR THE ECONOMIES OF THE CARIBBEAN—BESIDES BEING RUINOUSLY EXPENSIVE. AT THE SAME TIME, THE UNITED STATES AND ITS NAFTA PARTNERS WILL NEED TO MAKE REALISTIC ALLOWANCES FOR THE FRAGILE, NARROWLY BASED CARIBBEAN ECONOMIES—EVEN AT THE EXPENSE OF COMPROMISING SOME FREE TRADE NEGOTIATING PRINCIPLES—IN ORDER TO BRING THE

CARIBBEAN INTO A HEMISPHERIC FREE TRADE FRAMEWORK.

3. COMPETITION. WHEREAS DURING THE 1970S AND 1980S U.S. AND CARIBBEAN EXPECTATIONS FOR ECONOMIC DEVELOPMENT FOCUSED ON DIVERSIFICATION (ADDING ADDITIONAL SECTORS TO SUCH TRADITIONAL PURSUITS AS AGRICULTURE, TOURISM, OR EXTRACTIVE INDUSTRIES), THE COMPETITIVE TRENDS OF THE 1990S MAY NARROW, RATHER THAN WIDEN, THE BASES OF MANY CARIBBEAN ECONOMIES AND INCREASE THEIR DEPENDENCE ON TOURISM IN PARTICULAR. THIS WILL REQUIRE BOTH ADJUSTMENT OF ECONOMIC EXPECTATIONS AND MORE EFFECTIVE COMMERCIAL POLICIES TO MAXIMIZE THE EARNING POTENTIAL OF THE CARIBBEAN'S MOST NATURALLY COMPETITIVE SECTORS.

4. GOVERNANCE. THE NATIONS OF THE CARIBBEAN REGION ARE FACED WITH THE CHALLENGE OF REPLACING A GENERATION OF HIGHLY EXPERIENCED AND VISIBLE LEADERS SUCH AS JOHN COMPTON OF ST. LUCIA, EUGENIA CHARLES OF DOMINICA, NICHOLAS BRAITHWAITE OF GRENADA, JOAQUIN BALAGUER OF THE DOMINICAN REPUBLIC—LET ALONE FIDEL CASTRO OF CUBA—WITH A NEW GENERATION OF LEADERS. IN THE CASE OF HAITI, THE LEADERSHIP QUESTION REMAINS VERY PROBLEMATIC. HOW WILL THE NEXT GENERATION FILL THE SHOES OF THEIR PREDECESSORS? WHILE TRANSITIONS IN JAMAICA, TRINIDAD AND TOBAGO, AND SEVERAL OTHERS COUNTRIES GIVE GROUNDS FOR OPTIMISM, IT IS UNCERTAIN THAT THESE TRENDS CAN BE SUSTAINED IN THE FACE OF SO MANY GENERATIONAL TRANSITIONS. LIKEWISE, THE PROFILE OF THE CARIBBEAN'S 21ST CENTURY LEADERSHIP HAS YET TO EMERGE AND MUCH REMAINS TO BE LEARNED ABOUT WHAT ITS ATTITUDES WILL BE TOWARD NATIONAL POLICIES AND RELATIONS WITH THE UNITED STATES.⁴

5. CUBA. MANY CARIBBEAN NATIONS—ESPECIALLY THE BAHAMAS, JAMAICA, AND MOST EASTERN CARIBBEAN COUNTRIES—URGENTLY NEED TO DEVELOP INDIVIDUAL STRATEGIES FOR MEETING THE LOOMING COMMERCIAL THREAT POSED BY CUBA'S IMPENDING POLITICAL AND ECONOMIC OPENING. CHOOSING THE BEST APPROACH TOWARD CUBA WILL REQUIRE A COMPLEX CALCULATION. THE SHORT-TERM BENEFITS OF SUCH GESTURES AS THE CREATION IN MID-1993 OF A CUBA/CARICOM ECONOMIC COMMISSION MUST BE BALANCED AGAINST LONGER-TERM CONSIDERATIONS SUCH AS HASTENING CUBA'S TRANSITION TO A DEMOCRATIC AND OPEN SOCIETY, POSITIONING THE CARIBBEAN STATES FOR COOPERATIVE RELATIONS WITH POST-CASTRO CUBA, AND AVOIDING UNNECESSARY FRICTION WITH THE UNITED STATES.

6. SECURITY. THE CARIBBEAN'S PRIMARY SECURITY CHALLENGE ARE NOW DRUG TRAFFICKING, MONEY LAUNDERING, INTERNATIONAL CRIME, AND CORRUPTION. ACTIVE U.S. ENGAGEMENT IN COMBATING THIS PROBLEM THROUGHOUT THE CARIBBEAN WILL BE INDISPENSABLE BECAUSE MANY KEY TRANSIT ROUTES TO THE UNITED STATES TRAVERSE THE REGION AND THE MAGNITUDE OF THE ENFORCEMENT TASK AND THE CORRUPTION RISKS EXCEEDS THE CAPACITY OF ANY CARIBBEAN NATION TO COPE. MOREOVER, AN ENTRENCHED PATTERN OF DRUG CORRUPTION IN EVEN A SMALL CARIBBEAN ISLAND WOULD BE EXCEEDINGLY HARD TO ROOT OUT.

7. DEVELOPMENT RESOURCES. SCARCE DEVELOPMENT ASSISTANCE FUNDS FOR THE REGION WILL BE SEVERELY STRAINED. THE NEED TO SUPPORT TRADITIONAL DEVELOPMENT ACTIVITIES—PARTICULARLY AGRICULTURAL AND ECONOMIC DIVERSIFICATION AND IMPROVED EDUCATION TO SUPPORT INCREASINGLY SERVICE SECTOR-ORIENTED ECONOMIES—WILL PERSIST.

⁴ GOVERNANCE IN THE CARIBBEAN IS ADDRESSED IN TWO SEPARATE CSIS STUDIES: DOUGLAS W. PAYNE, *DEMOCRACY IN THE CARIBBEAN: A CAUSE FOR CONCERN*, AND HOWARD WIARDA, *U.S. FOREIGN POLICY AND CARIBBEAN AND LATIN AMERICAN DEMOCRACY* (FORTHCOMING). THE QUESTION OF THE NEW GENERATION OF CARIBBEAN LEADERSHIP IS THE SUBJECT OF A FORTHCOMING CSIS STUDY BY THE AMERICAS PROGRAM.

AT THE SAME TIME, THERE WILL BE AN INCREASED NEED TO FUND MAINTENANCE OF THE SUBSTANTIAL, AND CRITICALLY IMPORTANT, PHYSICAL INFRASTRUCTURE BUILT IN THE PAST TWO DECADES, MUCH OF WHICH IS BEYOND THE LONG-TERM CAPACITY OF INDIVIDUAL CARIBBEAN ECONOMIES TO SUPPORT. FINALLY, NONTRADITIONAL DEVELOPMENT ACTIVITIES SUCH AS COPING WITH ENVIRONMENTAL DEGRADATION WILL ALSO REQUIRE ATTENTION. THOUGH THE WHITE HOUSE AND CONGRESS MAY AT TIMES BE TEMPTED TO PULL THE PLUG ON ASSISTANCE TO THE CARIBBEAN IN ORDER TO CONCENTRATE ON DOMESTIC PRIORITIES, SUCH ACTION WOULD BE A QUICK TICKET TO FUTURE PROBLEMS.

GEORGES A. FAURIOL

THE REGIONAL AGENDA FROM A CARIBBEAN PERSPECTIVE

ANTHONY T. BRYAN

REGIONAL INTEGRATION IN THE POST-COLD WAR CARIBBEAN IS UNDER CHALLENGE, AND, IN FACT, THE CONCEPT ITSELF IS CHANGING. SOME CARIBBEAN COMMUNITY (CARICOM) LEADERS STILL VIEW INTEGRATION AS MEANING A SINGLE MARKET AND A SINGLE COMMUNITY THAT BENEFIT FROM INCREASED INTRAREGIONAL TRADE AND COORDINATED FISCAL AND MONETARY POLICIES. BUT OTHERS NOW REGARD THAT MODEL AS TOO CONSTRAINING AND INWARD LOOKING, NOTING THAT IT SEEKS TO AVOID THE INEVITABLE ADJUSTMENT COSTS OF OPENING THE REGION TO FREE TRADE. THEY ENVISION A DIFFERENT MODEL ALTOGETHER—ONE OF FULL REGIONAL TRADE LIBERALIZATION IN WHICH THE PRIVATE SECTORS OF VARIOUS COUNTRIES ARE LINKED, AND PUBLIC AND PRIVATE SECTORS WITHIN EACH COUNTRY CAN PULL TOGETHER FOR THE GOOD OF THE WHOLE. WHAT THEN IS THE FUTURE OF REGIONAL INTEGRATION IN THE CARIBBEAN?

- ◆ First, in the short term, a priority should be to strengthen the subregional integration movement in the Caribbean. This process would include developing multicountry trading areas, a single internal economic community, and regional cooperation in developing capital markets, as well as reforming institutions that currently constrain further integration.

Progress in subregional integration is evident in (1) the agreement between Venezuela and CARICOM in October 1992, which guarantees one-way, duty-free access from CARICOM countries into Venezuela until 1998, when a reciprocal agreement will take effect, and a similar agreement signed between Colombia and CARICOM in July 1994; (2) the tentative free trade agreement reached by the Central American Republics, Colombia, and Venezuela in January 1993; (3) exploratory talks between CARICOM and the Central American countries aimed at establishing uniform external tariffs, liberalizing intraregional trade, and formulating recommendations for a single strategy with respect to the North American Free Trade Agreement (NAFTA), the Caribbean Basin Initiative (CBI), and the Enterprise for the Americas Initiative (EAI); and (4) the creation of the Association of Caribbean States (ACS) in July 1994.⁵ The ACS provides a framework for Caribbean states to work out special trading and

⁵ The countries eligible for full ACS membership include the thirteen CARICOM countries and Colombia, Costa Rica, Cuba, the Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Suriname, and Venezuela. In addition, the following countries and territories are eligible for associate status: Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Montserrat, Puerto Rico, Turks and Caicos Islands, United States Virgin Islands, the French Republic (with respect to Guadeloupe, Guyana, and Martinique) and the Kingdom of the Netherlands (on behalf of Aruba and the Netherlands Antilles).

COOPERATION ARRANGEMENTS.

- ◆ SECOND, A CONSENSUS SHOULD ALSO BE FOSTERED AMONG THE PRIVATE, PUBLIC, AND OTHER SECTORS IN THE CARIBBEAN ON HOW TO STIMULATE ECONOMIC GROWTH. THE PRIVATE SECTOR IN THE REGION WOULD BE STRENGTHENED IF SMALL, MEDIUM, AND LARGE ENTERPRISES WERE ENGAGED IN PRODUCTION AND TRADE, WHETHER THEY INVOLVE TRADITIONAL OR NONTRADITIONAL SERVICES AND GOODS. INTRAREGIONAL PRIVATE SECTOR INTEGRATION SHOULD BE ABLE TO PROCEED WITHOUT ANY FORMAL GOVERNMENTAL ACCORDS ONCE NATIONAL ECONOMIC AND TRADE LIBERALIZATION PROGRAMS ARE UNDER WAY. ECONOMIC INTEGRATION IN THE CARIBBEAN IS ALREADY TAKING PLACE THROUGH THE PRIVATE SECTORS OF VARIOUS COUNTRIES—PROVIDING A LARGER MARKET FOR REGIONAL EXPORTERS. THE PRIVATE SECTOR IS THE APPROPRIATE INSTRUMENT TO COMPLETE THE CROSS-REGIONAL INVESTMENT, TRADE, AND INTEGRATION PROCESS.
- ◆ THIRD, THE STATE'S INFLUENTIAL ROLE IN THE ECONOMY SHOULD NOT BE ABANDONED, GIVEN THE WEAKNESS OF MARKETS IN THE SMALL CARIBBEAN COUNTRIES. THE STATE STILL HAS AN IMPORTANT FUNCTION IN SUPERVISING TRANSNATIONALS AND MONOPOLIES AND AS THE GUARANTOR OF SOCIAL SERVICES. ITS ROLE AS THE MAJOR CATALYST FOR GROWTH AND AS THE ARBITER OF MARKET PROTECTIONISM, HOWEVER, SHOULD BE REDUCED. BUT CONCOMITANT WITH THE RISE OF THE PRIVATE SECTOR INTO A MORE AUTONOMOUS POLITICAL AND ECONOMIC RELATIONSHIP WITH THE STATE, PRIVATE SECTOR RESPONSIBILITY FOR LEGITIMIZING THE SOCIAL ORDER AND ATTENDING TO PUBLIC WELFARE WILL INCREASE.

DEVELOPMENT AND TRADE STRATEGIES

CARIBBEAN ECONOMIES HAVE TRADITIONALLY BEEN MAINTAINED BY ECONOMIC WINDFALLS (OIL, Bauxite, BANANAS) AND BY PREFERENTIAL TRADING ARRANGEMENTS WITH EUROPE AND NORTH AMERICA. THE CARIBBEAN HAS THUS BEEN ABLE TO ENJOY A LEVEL OF CONSUMPTION THAT IS NOT COMMENSURATE WITH ITS LEVELS OF PRODUCTION, PRODUCTIVITY, AND INTERNATIONAL COMPETITIVENESS. EVEN AGAINST A BACKDROP OF LARGE TRADING BLOCS AND MULTILATERAL TRADE LIBERALIZATION, CARIBBEAN DEVELOPMENT AND TRADE STRATEGIES CONTINUE TO FOCUS ON THE PROTECTION OF EXISTING GUARANTEES FOR TRADITIONAL EXPORT PRODUCTS.

A MAJOR ISSUE FACING THE CARIBBEAN ECONOMIES IN THE 1990S IS HOW BEST TO SWITCH TO A NEW GENERATION OF COMPETITIVE EXPORT PRODUCTS AND SERVICES. THE POLICY ENVIRONMENT MUST ENCOURAGE A VIBRANT ECONOMIC SECTOR THAT IS SUSTAINABLE WITHOUT TRADE PREFERENCES. NEGOTIATED FREE TRADE ARRANGEMENTS CAN BE THE CATALYST FOR THIS STRATEGY, BUT MARKET DYNAMICS, A FAVORABLE INVESTMENT CLIMATE, AND SUBREGIONAL INTEGRATION WILL BE NECESSARY TO SUSTAIN LONG-TERM COMPETITIVENESS.

THE CARIBBEAN MUST FACE SOME HARSH REALITIES:

- ◆ PREFERENTIAL MARKET ACCESS FOR CARIBBEAN PRODUCTS, WHETHER UNDER CBI, THE LOMÉ CONVENTION, OR THE CARIBBEAN-CANADA TRADE AGREEMENT (CARIBCAN), WILL PROBABLY DISAPPEAR BY THE END OF THE DECADE. EVEN IN THE INTERIM, MERE MARKET ACCESS DOES NOT EQUAL EXPORT PROMOTION. PREFERENCES ARE NOT A PART OF THE CARIBBEAN'S TRADE FUTURE.

- ◆ SMALL MARKETS AND TRADING AREAS SUCH AS CARICOM (5.5 MILLION) AND CENTRAL AMERICAN MARKETS (28 MILLION) ARE OF LIMITED RELEVANCE TO LARGER MARKETS.
- ◆ TRADE ARRANGEMENTS SUCH AS NAFTA, THE EUROPEAN UNION (EU), AND THE GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT) ARE ERODING TRADITIONAL NOTIONS OF SOVEREIGNTY AND INTRODUCING NEW CONCEPTS OF POLITICAL CONSENSUS BUILDING, ECONOMIC PARTNERSHIPS, AND COMPREHENSIVE ECONOMIC PLANNING.
- ◆ CARIBBEAN COUNTRIES ARE MAKING PROGRESS TOWARD DEREGULATING THEIR ECONOMIES, PRIVATIZING GOVERNMENT-OWNED COMPANIES, AND LIBERALIZING THEIR CURRENCY AND FINANCIAL MARKETS; HOWEVER, TRADE ARRANGEMENTS SUCH AS NAFTA COULD EVENTUALLY DIVERT INVESTMENT AND TRADE AWAY FROM THE REGION WITH A RESULTANT LOSS IN ECONOMIC ACTIVITY AND PRODUCTION CAPABILITY. COMPETITION BASED ON MARKET FACTORS WILL WEIGH STRONGLY IN MEXICO'S FAVOR, AND THE NEGOTIATED NAFTA PROVISIONS ON TRADE IN SERVICES, INVESTMENT, AND THE MECHANISMS FOR DISPUTE SETTLEMENT ARE STRONG MOTIVES FOR INVESTMENT IN MEXICO.

NAFTA AND THE CBI COUNTRIES

BECAUSE OF THEIR SMALL SIZE AND THE PREFERENTIAL TREATMENT OF EXPORTS TO THE UNITED STATES UNDER THE CBI, THE CARIBBEAN (AND CENTRAL AMERICAN) COUNTRIES REPRESENT A SPECIAL CASE IN THE EXPECTED MOVE TOWARD THE IMPLEMENTATION OF A FREE TRADE AREA OF THE AMERICAS (FTAA) BY 2005. THE DECISION TO PURSUE AN FTAA WAS TAKEN BY HEADS OF GOVERNMENT OF

THE WESTERN HEMISPHERE AT THE SUMMIT OF THE AMERICAS HELD IN MIAMI IN DECEMBER 1994.

THE CBI COUNTRIES SHOULD DEVISE A COMPREHENSIVE STRATEGY TO LOBBY FOR PARITY WITH NAFTA (E.G., FOR THE SAME TERMS AND CONDITIONS OF MARKET ACCESS TO THE UNITED STATES AS THOSE AFFORDED MEXICO).⁶ IDEALLY, CBI COUNTRIES, THROUGH SUBREGIONAL ACTION, WOULD PROCEED TO JOIN NAFTA OR NEGOTIATE SEPARATE FTAs WITH THE UNITED STATES BY EXPANDING THE SCOPE OF THE CBI AND GRADUALLY ACCEPTING OBLIGATIONS TO MAKE THE PROGRAM RECIPROCAL. IF A FORMULA FOR NAFTA ACCESSION IS AGREED TO BY THE THREE NORTH AMERICAN COUNTRIES, HOWEVER, THE ISSUE OF PARITY LOSES RELEVANCE.

IN ANY CASE, CBI COUNTRIES SHOULD REGARD PARITY WITH NAFTA AS MERELY A TRANSITIONAL ARRANGEMENT, WHILE NEGOTIATING FOR ACCESSION AND MOVING TOWARD FULL RECIPROCALITY. IT SEEMS LIKELY THAT THE GATT WILL INEVITABLY ERODE THE PROTECTION GAINED FROM NONRECIPROCALITY BOTH FOR TARIFFS AND NONTARIFF BARRIERS.

THE POTENTIAL BENEFIT FOR CARICOM, IN PARTICULAR, IS THE FORGING OF A STRONG RELATIONSHIP WITH THE NAFTA COUNTRIES. SUCH A RELATIONSHIP WOULD GRADUALLY MOVE FROM A NONRECIPROCAL BASIS TO INCREASED LEVELS OF RECIPROCALITY. NEITHER THE CANADIAN NOR MEXICAN MARKETS HAVE BEEN EXPLOITED TO ANY GREAT EXTENT BY CARIBBEAN BUSINESS AND INDUSTRY.

CARIBBEAN ENTREPRENEURS SHOULD MOVE TOWARD STRATEGIC BUSINESS ALLIANCES IN THE SOUTHERN UNITED STATES, PARTICULARLY FLORIDA AND TEXAS. STRENGTHENING SUCH LINKAGES WOULD STIMULATE MUTUAL GROWTH AND INVESTMENT CAPABILITIES, PARTICULARLY IN THE INDUSTRY AND SERVICES SECTORS. SUCH CARIBBEAN AND U.S. INTERDEPENDENCE WOULD BOLSTER COMPETITION AND COMPARATIVE ADVANTAGE, EVEN WHILE THE LONGER-TERM FREE TRADE ARRANGEMENTS ARE BEING NEGOTIATED.

AT PRESENT, DIFFERING LEVELS OF NATIONAL COMMITMENTS TO TRADE LIBERALIZATION ARE CONSTRAINTS TO CARIBBEAN REGIONAL GROUP ACCESSION TO NAFTA. THE COUNTRIES OF THE CARIBBEAN ARE NOT AT THE SAME STAGES OF DEVELOPMENT AND IT IS PROBABLE THAT THEIR PATHS WILL DIVERGE EVEN FURTHER.⁷ CONSEQUENTLY, GOVERNMENTS IN THE CARIBBEAN SHOULD ALSO ALLOW THEMSELVES THE FLEXIBILITY TO PROCEED AT DIFFERENT SPEEDS AND RESERVE THE OPTION TO DECIDE WHETHER THEIR FREE TRADE OBJECTIVES ARE BEST SERVED BY PURSUING A SUBREGIONAL OR INDIVIDUAL COUNTRY APPROACH. BUT COLLECTIVE ACTION (WITH INCREASING LEVELS OF RECIPROCALITY) WILL BE REQUIRED IF THE CARIBBEAN WISHES TO PARTICIPATE AS A REGION IN NAFTA.

CARIBBEAN COUNTRIES SHOULD KEEP OPTIONS FOR FREE TRADE AGREEMENTS OPEN. THE OUTLINE OF THE FTAA BEYOND NAFTA IS BY NO MEANS CLEAR. ONE OPTION WOULD BE TO HAVE A SINGLE, OPEN-ENDED, AND CONTINUOUSLY EXPANDING FTAA COMPOSED OF SUBREGIONAL GROUPINGS. ANOTHER WOULD BUILD ON NAFTA AND ENLARGE IT AS OTHER

⁶ THE MOST RECENT EFFORT TO ARGUE CBI PARITY WITH NAFTA IS THE "CARIBBEAN BASIN TRADE SECURITY ACT," HR 553 INTRODUCED BY REPRESENTATIVE PHILIP CRANE (R-ILL.) IN JANUARY 1995.

⁷ ECONOMICALLY STRONG TRINIDAD AND TOBAGO, WHICH TOGETHER WITH CHILE HAS MET THE READINESS CRITERIA FOR JOINING NAFTA, HAS ACCELERATED ITS LOBBYING EFFORTS DURING 1995 FOR ITS OWN ACCESSION TO NAFTA.

SUBREGIONAL GROUPS OR INDIVIDUAL COUNTRIES SEEK ACCESSION. CARIBBEAN COUNTRIES SHOULD NOT RULE OUT EITHER POSSIBILITY.

CARICOM, LOMÉ, AND THE EUROPEAN UNION

THE CARICOM COUNTRIES BENEFIT GREATLY FROM THE PREFERENTIAL LOMÉ AGREEMENT ACCORDED TO THE AFRICAN-CARIBBEAN-PACIFIC (ACP) STATES. SPECIFIC PROTOCOLS GOVERN VERY FAVORABLE ACCESS FOR PARTICULAR ACP AGRICULTURAL PRODUCTS TO THE EU MARKET, AND DEVELOPMENT FINANCING IS AVAILABLE UNDER LOMÉ IV COOPERATION PROVISIONS. DURING THE LAST DECADE, ACP COUNTRIES, AND IN PARTICULAR THE CARIBBEAN, HAVE LOST MARKET SHARE IN EUROPE COMPARED WITH OTHER DEVELOPING NATIONS. THERE ARE ALSO INDICATIONS THAT INCREASED COOPERATION WITH, AND SUPPORT FROM, THE EU MAY DEPEND ON GREATER ECONOMIC INTEGRATION BETWEEN COUNTRIES IN THE WIDER CARIBBEAN AND CENTRAL AMERICA. FOR EXAMPLE, THE VALUE OF EU AID TO CENTRAL AMERICA SURPASSED EU FLOWS TO THE CARIBBEAN IN THE 1990S, AND TRADE PREFERENCES HAVE INCREASED THE SHARE OF CENTRAL AMERICAN EXPORTS TO THE EU TO APPROXIMATELY THE SAME LEVEL AS THAT OF CARIBBEAN EXPORTS. THERE ARE INDICATIONS THAT EU TRADE POLICY TOWARD THE CARIBBEAN AND CENTRAL AMERICA WILL INCREASINGLY CONVERGE.

CARICOM WILL HAVE TO DEVELOP A STRONG AND COORDINATED APPROACH AND TAKE INITIATIVES, IN COOPERATION WITH ITS PARTNERS IN THE ACP, TO PREVENT OR MINIMIZE THE ANTICIPATED IMPACT OF THE MIDTERM REVIEW OF THE LOMÉ IV CONVENTION SCHEDULED FOR COMPLETION IN 1995. THE CURRENT CONVENTION WILL EXPIRE IN THE YEAR 2000 AND THE PROGRAM MAY INTRODUCE NEW CONDITIONALITIES THAT COULD DIRECT MOST OF THE ASSISTANCE AND PREFERENCES TO THE LEAST DEVELOPED NATIONS IN THE ACP GROUPING. CARICOM WILL ALSO HAVE TO RECONCILE THE DEMANDS OF NAFTA FOR RECIPROCITY WITH THE PREFERENTIAL NONRECIPROCAL PROVISIONS OF THE LOMÉ CONVENTION IN A MANNER THAT IS COMPATIBLE WITH THE RECENTLY CONCLUDED GATT.

CARICOM AND OTHER COUNTRIES IN THE CARIBBEAN WILL HAVE TO REEVALUATE THEIR RELATIONSHIP WITH THE EU. THE FUTURE OF THE LOMÉ RELATIONSHIP WILL HAVE TO CONSIDER NEW PRIORITIES THAT HAVE BEGUN TO COMPETE WITH EUROPE'S TRADITIONAL TIES WITH FORMER COLONIES. THE PRESENT RELATIONSHIP IS LIKELY TO BE ONE OF DIMINISHING RETURNS. AS THE EU EXPANDS TO INCLUDE THE COUNTRIES OF THE EUROPEAN FREE TRADE ASSOCIATION (EFTA) AND CENTRAL EUROPE, THE EUROPEAN FRIENDS OF THE CARIBBEAN (GREAT BRITAIN, FRANCE, THE NETHERLANDS, AND SPAIN) WILL FIND IT MORE DIFFICULT TO NEGOTIATE CONCESSIONS FOR THEIR FORMER COLONIES. THE CARIBBEAN WILL HAVE TO RELY ON THE EUROPE OF THE FUTURE—NOT THE EUROPE OF THE PAST.

IMMINENT LEADERSHIP CHANGES

THE CARIBBEAN FACES A MAJOR CHALLENGE AS ITS LEADERSHIP CHANGES. NEWER TECHNOCRATIC GOVERNMENTS AND YOUNGER AND LESS CHARISMATIC LEADERSHIP ARE LIKELY TO EMERGE IN THE 1990S. CARIBBEAN ELECTORATES ARE DEMANDING MORE ACCOUNTABILITY AND CLEARER ECONOMIC PROGRAMS FROM THEIR LEADERS, AND RECENT ELECTIONS SUGGEST THAT PERSONALISM, PETTY NATIONALISM, AND AUTOCRATIC LEADERSHIP ARE UNDER CHALLENGE. THE ENGLISH-SPEAKING CARIBBEAN IS STRENGTHENING DEMOCRACY BY ELECTING PRAGMATIC TECHNOCRATS, MANY OF THEM IN THEIR 40S. THIS CHANGE IS DRIVEN BY PUBLIC ANGER AT FAILING ECONOMIES, RISING SOCIAL ILLS, AND ENDEMIC CORRUPTION. STRUCTURAL ADJUSTMENT PROGRAMS HAVE PRODUCED THEIR OWN TENSIONS AND DYSFUNCTIONS IN SOCIETY.

CHANGES IN REGIONAL LEADERSHIP ALSO COINCIDE WITH THE EMERGENCE OF A NEW GLOBAL POLITICAL AND ECONOMIC ORDER. EVEN SOME ELDER STATESMEN SUCH AS MICHAEL MANLEY OF JAMAICA (NOW RETIRED FROM PUBLIC LIFE)

and Cheddi Jagan of Guyana have pragmatically dispensed with their socialist labels and moved their countries sharply toward free market economies. Cuba's Fidel Castro has resisted such dramatic change and has introduced a curious brand of à la carte capitalism. Recent economic reforms have encouraged direct foreign investment in certain sectors of the Cuban economy and permitted the evolution of a small merchant class within the margins of the state managed dollar economy.

Leadership changes in the Caribbean will accelerate as an older generation of public figures in Dominica, St. Kitts and Nevis, St. Lucia, Antigua and Barbuda, and the Dominican Republic voluntarily resign or are persuaded to do so. Cuba and Haiti (despite the return of President Jean Bertrand Aristide) will continue to pose problems and be more responsive to international pressures than to domestic ones.

DEMOCRACY AND GOVERNANCE

Attempted coups d'état in Trinidad and Tobago in 1990 and Venezuela in 1992, as well as the continuing political crisis in Haiti, suggest that strengthening democracy is one of the major items on the immediate agenda. There is widespread official and public sentiment that economic vulnerability is at the core of Caribbean insecurity, since instability will increase if the economic pillars that support democratic regimes are eroded. Caribbean democratic and internal security also are under attack by drug traffickers, arms smugglers, and money launderers. In some countries, such as Trinidad and Tobago, Guyana, and Haiti, ethnic and class tensions may worsen if economic circumstances deteriorate and political factions exploit the situation. Will small Caribbean states be able to overcome emerging security problems? How should they react to an array of unprecedented threats?

The Caribbean region, in particular the countries of the Commonwealth Caribbean, maintain some of the hemisphere's strongest democratic traditions. But Cuba and Haiti remain far outside this tradition. Political and economic reform in Guyana has advanced markedly with the holding of fair elections late in 1992. The civilian government of Suriname is moving steadily to curtail the political power of its military. But even those countries with traditions of parliamentary democracy are vulnerable to terrorists, the corruption of law enforcement officials, and insurrection.

Haiti

THE PROMOTION AND STRENGTHENING OF DEMOCRACY IS AN ISSUE THAT PROVIDES COMMON GROUND FOR REGIONAL COOPERATION. EVEN SO, SUCCESS MAY BE ELUSIVE. AFTER THE SEPTEMBER 1991 COUP IN HAITI, THE HAITIAN PEOPLE AND NOT THE REGIME BORE THE BRUNT OF THE EMBARGO IN THE NAME OF DEMOCRACY.

Haiti has long-standing, deep-seated political and socioeconomic problems. Even though Jean Bertrand Aristide has returned to Haiti, economic assistance is essential if the democratic process is to be strengthened. But the absence of the appropriate political institutions necessary to maintain a democratic state points to a deeper crisis. Haiti has paid an enormous price for its emergence as the hemisphere's first black republic. For a long time after Haiti's successful revolt against the French in the early 19th century, the developed world treated it as a pariah state. Elements of the old corrupt traditional political culture have not disappeared. Democracy is a new and untested condition. Social justice and economic equality have yet to become major ingredients in the political and economic equations. The transition will be complete only when a clean break with systems of social and political injustice is evident to the majority of the Haitian people. It is time for the international community to support those Haitians who desire to rebuild and reorganize the nation's institutions.

THE FLOOD OF HAITIAN REFUGEES AFTER THE 1991 COUP ILLUSTRATES THE DIFFICULTY OF TREATING THE PROBLEMS RELATED TO INTERNATIONAL MIGRATION AS NATIONAL RATHER THAN INTERNATIONAL PROBLEMS. HAITI IS AN EXTREME EXAMPLE OF CARIBBEAN DEMOGRAPHICS—THE COUNTRY CANNOT SUPPORT ITS POPULATION. ITS ECONOMIC PROBLEMS ARE EXACERBATED BY AN ENVIRONMENTAL CRISIS—THE DEGRADATION OF NATURAL RESOURCES—MADE WORSE BY THE FAILURE OF POLITICS AND DEVELOPMENT PLANNING. NATIONAL POLICIES MUST MAKE SUSTAINABLE DEVELOPMENT A PRIORITY, BUT A BROADER PERSPECTIVE IS REQUIRED. THE DEPLETION OF RESOURCES MUST BE SEEN AS A FUNDAMENTAL CAUSE OF INTERNATIONAL CONFLICT AND HUMAN MISERY.

SIMILARLY, THE FULL ECONOMIC RECOVERY OF HAITI IS NEITHER IMMINENT NOR CERTAIN. THE COUNTRY FACES A NUMBER OF CHALLENGES IN ITS LONG-TERM DEVELOPMENT. WHILE THE INTERNATIONAL EMERGENCY ASSISTANCE PLAN AND THE INCENTIVES OFFERED TO INVESTORS MAY PROVIDE A KICK START, THE DAUNTING TASK OF REBUILDING THE HAITIAN ECONOMY WILL DEPEND NOT ONLY ON POLITICAL STABILITY BUT ALSO ON LONG-TERM IMPROVEMENTS IN THE DEPRESSED SOCIAL AND PHYSICAL INFRASTRUCTURE.⁹

Migration

CAN THERE BE OFFICIAL RECOGNITION THAT MIGRATION IS ACTUALLY AN ITEM ON THE INTERNATIONAL DEVELOPMENT AGENDA? IN SPITE OF THE CURRENT ANTI-IMMIGRATION FERVOR, THE UNITED STATES STANDS TO BENEFIT ECONOMICALLY FROM BEING AN OPEN DOOR SOCIETY. MIGRATION, LEGAL OR ILLEGAL, WILL CONTINUE TO SERVE AS A SAFETY VALVE FOR ECONOMIC

⁹ FOR AN ANALYSIS OF THE CHALLENGES FACING THE HAITIAN ECONOMY SEE ANTHONY T. BRYAN, "Haiti: Kick Starting the Economy," *Current History*, February 1995: 65-70.

DISLOCATION IN THE CARIBBEAN, AND THE RESULTING BRAIN DRAIN DOES NOT NECESSARILY PRESENT A DOOMSDAY SCENARIO FOR EITHER THE CARIBBEAN OR THE UNITED STATES. THE REMITTANCES AND INVESTMENTS SENT TO THE REGION BY PRODUCTIVE CARIBBEAN EMIGRANTS SHOULD BE REGARDED AS PART OF A LARGER TRANSBORDER CONTRIBUTION TO LONG-TERM ECONOMIC GROWTH, PEACE, AND SECURITY IN THE HEMISPHERE.

DRUG TRAFFICKING

SOME CARIBBEAN COUNTRIES IN THE EASTERN CARIBBEAN AND ON THE NORTHERN TIER OF SOUTH AMERICA HAVE NOW BECOME KEY TRANSSHIPMENT ROUTES FOR SOUTH AMERICAN COCAINE INTO U.S. AND EUROPEAN MARKETS. MOST CARIBBEAN COUNTRIES COOPERATE WITH THE UNITED STATES IN COUNTERNARCOTICS EFFORTS, BUT THEIR ABILITY TO HAVE ANY IMPACT AT ALL VARIES WIDELY. SOME RECENT U.S. ACTION SEEMS TO PUSH EXTRATERRITORIAL JURISDICTION TOO FAR AND PROVOKES HOSTILITY IN SOME CARIBBEAN COUNTRIES TOWARD THE U.S. ANTIDRUG CAMPAIGNS.

WE MUST PAY MORE ATTENTION TO THE DRUG TRADE'S TRANSNATIONAL NATURE. NARCOTICS TRAFFICKING IS UNLIKELY TO STOP IN THE NEAR TERM GIVEN THE DEMAND IN THE DEVELOPED COUNTRIES AND THE EASY ELECTRONIC MONEY LAUNDERING, OFFSHORE BANK SECRECY, A NETWORK OF OFFICIAL PROTECTION ENJOYED BY TRAFFICKERS, AND THE "CORPORATE" STRUCTURE OF THE DRUG TRADE. A NEW POLICY MAY BE REQUIRED—ONE THAT CHASES THE MONEY RATHER THAN THE DRUGS.

DRUG TRAFFICKING AND PRODUCTION MUST BE SEEN NOT JUST AS A SECURITY PROBLEM BUT AS A SYMPTOM OF PROFOUND ECONOMIC CRISIS AND POVERTY. UNFORTUNATELY, THE FAILURE OF ECONOMIC DEVELOPMENT STRATEGIES AND THE LACK OF VIABLE ECONOMIC ALTERNATIVES HAVE MADE THE NARCOTICS BUSINESS THE MOST PROFITABLE SECTOR OF THE CARIBBEAN'S INFORMAL ECONOMY. GIVEN THE REGION'S LIMITED RESOURCES, THE DRUG TRADE WILL NOT BE HALTED ANY TIME SOON. IN THE MEANTIME, CORRUPTION AND VIOLENCE WILL PROBABLY INCREASE EVEN MORE, AND VALUABLE NATIONAL AND REGIONAL RESOURCES WILL CONTINUE TO BE DIVERTED FROM INFRASTRUCTURE, EDUCATION, AND HEALTH CARE TO FIGHTING THE DRUG SCOURGE.

THE BROADER SECURITY AGENDA

POLITICAL POLARIZATION, ETHNIC AND CLASS TENSIONS, ENVIRONMENTAL DEGRADATION (INCLUDING OIL SPILLS AND HAZARDOUS WASTE DUMPING), AND FOOD SECURITY ARE THE NEWER SECURITY CONCERNS IN THE CARIBBEAN. CARIBBEAN NATIONS MUST BE RESPONSIBLE FOR THEIR OWN SECURITY: SOME ISSUES CAN BE ADDRESSED ON A NATIONAL OR REGIONAL BASIS, SOME WILL HAVE TO BE TACKLED THROUGH BILATERAL MECHANISMS, AND OTHERS WILL REQUIRE A GLOBAL APPROACH.

CUBA, THE HISPANIC CARIBBEAN, AND NEW LINKAGES

THE CARIBBEAN WILL SOON HAVE TO FACE THE PROSPECT OF A MARKET-ORIENTED CUBA. A 1993 AGREEMENT BETWEEN CARICOM AND CUBA IDENTIFIES 24 PRIORITY AREAS FOR MUTUAL COOPERATION—AND JAMAICAN AND TRINIDADIAN BUSINESSES ARE ALREADY INVESTING IN CUBA. BOTH THE U.S. EMBARGO OF CUBA AND THE OUTDATED COMMUNIST REGIME OF FIDEL CASTRO ARE POST-COLD WAR ANOMALIES. IF IN THE FUTURE THERE ARE ECONOMIC AND POLITICAL REFORMS IN CUBA, LEADING TO AN OPEN ECONOMY AND NORMALIZATION OF RELATIONS WITH THE UNITED STATES, THERE WILL BE A MASSIVE INCREASE IN U.S.-CUBAN TRADE, POSSIBLE U.S. ECONOMIC ASSISTANCE, AND VAST IMPROVEMENT IN THE INVESTMENT AND TOURISM CLIMATES IN

CUBA. IT WOULD ALSO MEAN GREATER CUBAN AND REGIONAL INTERDEPENDENCE WITH THE U.S. ECONOMY. THE PARTICIPATION OF CUBA AS AN OPEN, MARKET ECONOMY IN THE CARIBBEAN WILL HAVE BOTH TRADE-CREATING EFFECTS (FOR REGIONAL TOURISM AND SERVICES) AND TRADE DIVERTING EFFECTS (ASSEMBLY INDUSTRIES, SOME AGRICULTURAL EXPORTS) ON OTHER CARIBBEAN COUNTRIES. BUT CUBA WILL HAVE TO BE INCLUDED IN ANY FUTURE CARIBBEAN INTEGRATION SCENARIO. A RESTRUCTURED CUBA WILL PRODUCE SHORT-TERM SHIFTS IN EXISTING TRADE AND INVESTMENT PATTERNS THAT WILL RESULT IN A REVISED SET OF COMPARATIVE ADVANTAGES IN THE REGION.⁹

THE CENTER OF GRAVITY IN THE CARIBBEAN WILL CONTINUE TO SHIFT TO THE HISPANIC CARIBBEAN AND AWAY FROM THE CARICOM REGION, WHICH HAS HELD THE INSTITUTIONAL AND DIPLOMATIC SPOTLIGHT FOR THE LAST TWO DECADES. THE CARICOM REGION IN TURN WILL HAVE TO PREVENT FURTHER FRAGMENTATION AS CROSSBORDER TRADE CHALLENGES NATIONAL BOUNDARIES.

THE CARIBBEAN STANDS TO GAIN FROM INCREASED TRADE WITH LATIN AMERICA. FIRST, THE TRADE AND INVESTMENT AGREEMENTS BETWEEN VENEZUELA AND THE CARICOM COUNTRIES (1993) AND COLOMBIA AND CARICOM (1994) PROVIDE THE BASIS FOR A NEW REGIONAL DYNAMIC. SECOND, THE GROUP OF THREE (G-3) TRADE PACT BETWEEN MEXICO, COLOMBIA, AND VENEZUELA IMPLEMENTED IN JANUARY 1994 SETS THE STAGE FOR BETTER RELATIONS BETWEEN CARICOM AND THE G-3. THIRD, THE ACS SIGNALS A NEW LEVEL OF COOPERATION THAT COULD ELIMINATE THE HISTORICAL DIVISIONS WITHIN THE WIDER CARIBBEAN AND PROVIDE THE BASIS FOR A REGIONAL GROUPING THAT WOULD HAVE GREATER WEIGHT TO BARGAIN MORE EQUALLY WITH NAFTA AND OTHER LARGE REGIONAL GROUPINGS. NATURALLY, THE ACS ITSELF WILL FACE THE DIFFICULT TASK OF RECONCILING THE MAJOR DIFFERENCES IN ECONOMIC AND TRADE LIBERALIZATION OBJECTIVES BETWEEN ITS LARGE AND SMALL MEMBER ECONOMIES.

A NOTE OF CAUTION REGARDING HAITI AND CUBA: NEITHER SHOULD BE ALLOWED TO DOMINATE THE U.S.-CARIBBEAN POLICY AGENDA. DURING THE COLD WAR, THE UNITED STATES WAS FOCUSED ON THE IDEOLOGY OF A FEW COUNTRIES IN THE CARIBBEAN AND CENTRAL AMERICA, AND NEGLECTED THE OTHERS. HAITI AND CUBA ARE BUT SYMBOLS OF A DEEPER CARIBBEAN MALAISE, AND IT WOULD BE WISE FOR THE UNITED STATES TO FORMULATE POLICY TOWARD THE WIDER CARIBBEAN.

CONCLUSION

THE MOST IMPORTANT CHALLENGE FACING THE CARIBBEAN FOR THE REST OF THE DECADE IS TO RESPOND TO A MORE DYNAMIC TRADE, INVESTMENT, AND BUSINESS ENVIRONMENT IN THE HEMISPHERE. THE COUNTRIES OF THE REGION WILL ALSO HAVE TO MEET THE CHALLENGE POSED BY HUMAN DEVELOPMENT NEEDS. THE ECONOMIC OUTLOOK FOR MOST COUNTRIES OF THE CARIBBEAN IS FOR SLOW TO MODERATE GROWTH THROUGHOUT THE 1990S. MANY OF THE SMALLER ECONOMIES DEPEND HEAVILY ON ONE OR A FEW EXPORT COMMODITIES, WHICH MAKES THEM VULNERABLE TO THE RELATIVELY SLOW GROWTH ANTICIPATED IN THE WORLD ECONOMY. WORLD PRICES OF TRADITIONAL EXPORT GOODS ARE NOT LIKELY TO RISE, WHILE GROWTH IN TOURISM WILL NOT BE VERY DRAMATIC. SOME CARIBBEAN NATIONS WILL FACE DIFFICULT TIMES WHEN PREFERENTIAL TRADE AGREEMENTS ARE REDUCED OR ELIMINATED. THE POVERTY INDEX IS LIKELY TO RISE EVEN MORE DRAMATICALLY GIVEN REDUCTIONS IN SOCIAL SPENDING. FURTHERMORE, CONCERNS FOR ALLEVIATING POVERTY AND INCOME INEQUALITY CAUSED BY LIBERALIZATION AND PRIVATIZATION POLICIES HAVE NOT BEEN FULLY INTEGRATED INTO PROPOSALS FOR GROWTH. THE DOMESTIC

⁹ SEE ERNEST H. PREEG WITH JONATHAN LEVINE, *CUBA AND THE NEW CARIBBEAN ECONOMIC ORDER* (CSIS 1993).

RAMIFICATIONS OF AN INCREASE IN POVERTY HAVE ALREADY BECOME VERY VISIBLE EVEN IN RELATIVELY RESOURCE-RICH SOCIETIES SUCH AS TRINIDAD AND TOBAGO, VENEZUELA, AND MEXICO. IN THIS "FREE TRADE" ERA OF INTERNATIONAL ECONOMIC RELATIONS, BUILDING COMPETITIVE ADVANTAGES IN SPECIFIC GOODS AND SERVICES MAY BE THE KEY TO THE CARIBBEAN'S SURVIVAL AND SUCCESS. CLEARLY, MANY OF THE CHALLENGES INHERENT IN THE NEW ARCHITECTURE OF TRADE, INTEGRATION, AND DEVELOPMENT CANNOT BE MET WITHOUT SIGNIFICANT REFORM IN THE REGION'S POLITICAL ECONOMY AND GOVERNANCE.

A U.S. Policy Outlook ON THE CARIBBEAN

G. PHILIP HUGHES

A quick review of U.S.-Caribbean relations reveals a remarkable but little noted record of U.S. policy success in addressing what were viewed some 15 years ago as the region's most pressing problems. Recall for a moment the diagnosis of the Caribbean from the late 1970s: the spreading influence of Cuba; governments with little or no ability to counter external or internal security threats; economies narrowly based on tourism and agriculture with limited ability to generate new employment and weather economic downturns; and an increasingly dilapidated judicial and public service infrastructure that further limited economic growth potential. Beginning in the late 1970s and early 1980s, U.S. policy sought to address these problems. The success of those policies now can be seen in many areas:

- ◆ Democracy. With the exception of Cuba, all Caribbean governments are now democratically elected. Externally sponsored threats to democracy have disappeared. Internal security threats have also diminished.
- ◆ Export growth. With six exceptions—Antigua and Barbuda, Bahamas, Barbados, Haiti, the Netherlands Antilles, and Trinidad and Tobago—all other beneficiaries of the Caribbean Basin Initiative (CBI) have experienced compound average growth rates of their exports to the United States (between 1.7% and 49%) over the period of the initiative. Unique local factors—such as civil turmoil in Haiti and the fall of oil prices for Trinidad and Tobago and the Netherlands Antilles—account for some of the exceptions.
- ◆ Living standards. Except for Guyana, Haiti, and the Dominican Republic, per capita gross domestic product (GDP) in the democratic Caribbean countries is at or substantially over \$1,500. Essential infrastructure is in place. In the eastern Caribbean, rural electrification, potable piped water, basic public health services, and education now reach all but the most inaccessible enclaves of a few island states. Driveable roads link all major populated places on the islands and upgraded airports now serve small islands that, until recently, were reachable only by boat. In some places, basic human needs continue to go unmet, but the existing infrastructure can serve as the foundation for further development.
- ◆ Keeping other donors engaged. Notwithstanding the U.S. buildup in the 1980s, U.S. policy toward the Caribbean has managed to maintain, rather than completely displace, Great

Britain's engagement in the region. The United States could easily (if unintentionally) have forfeited Great Britain as a valuable partner in providing needed economic and security support for the region.

POLICIES FOR A DEMOCRATIC CARIBBEAN

The two immediate priorities for the Caribbean are assuring political stability and economic growth in Haiti and assisting—one should say hastening—the eventual democratic transformation of Cuba. Yet the Caribbean faces other concerns, along with pressing hemispheric issues—such as the North American Free Trade Agreement (NAFTA) and its expansion to other nations of the hemisphere—that should not be eclipsed by worries over Haiti and Cuba.

Before we can frame a realistic policy perspective for the near term, we must recognize that, major crises excepted, the Caribbean will be of diminished interest to the United States in the immediate future. This can be attributed to several factors:

- ◆ Political and economic transformations in eastern Europe and the former Soviet Union, the challenges of Middle East peace and security in the Persian Gulf, and relations with our trading partners in Europe and the Far East will detract attention and money from the Caribbean.
- ◆ Within the Western Hemisphere, the Caribbean will rank behind the larger, more pressing commercial interests associated with implementing NAFTA and pressing on with the wider hemispheric trade liberalization agenda. The larger countries of South America, and even the more aggressively interested small states of Central America, will make better candidates for early inclusion in this process than most small Caribbean countries, particularly since the Caribbean countries to date have not demonstrated a great deal of initiative in these processes.
- ◆ Major drug source or transit countries in South and Central America and in the Greater Antilles will rightly command the largest share of counternarcotics attention, potentially limiting the antidrug assistance available to the smaller nations of the eastern Caribbean.

Against this background, what then is the policy outlook for the democratic countries of the Caribbean? First, these countries will enjoy relatively lower policy priority than they did during the 1990s. Second, U.S. policy will focus on essentially preventive goals, such as preserving stable democracy, maintaining economic stability, and preventing Caribbean countries and islands from becoming safe havens for drug trafficking and money laundering. A third goal will be to ensure Caribbean support on key international issues at the United Nations (UN) or Organization of American States (OAS). This aspect of U.S. relations with the Caribbean—and perhaps especially with the eastern Caribbean—will only grow in the years to come, given the increasing reliance on UN and OAS mechanisms to address international crises. This makes it all the more important for Caribbean countries to take their participation in these bodies seriously and be prepared to

"stand up and be counted" on major issues of principle. Fourth, U.S.-Caribbean policy will probably have to be conducted on a shoestring. Here the eastern Caribbean illustrates the trend. Two years ago, U.S. development assistance for the eastern Caribbean was roughly 10 percent of its peak level nine years earlier. Next year it will probably be zero. Security assistance—required to simply maintain the patrol boats and equipment purchased with U.S. assistance in the 1980s—has been virtually eliminated, and counternarcotics assistance, while four times greater than in fiscal 1991, was still just over \$1 million.

The Caribbean countries and those in the United States concerned with Caribbean affairs must therefore make a more effective case for reasonable levels of assistance on the one hand, and, on the other, make more efficient use of what will probably be severely limited assistance levels in the future.

OTHER CHALLENGES AHEAD

Other major policy challenges lie ahead for the United States in the Caribbean—and particularly the eastern Caribbean.

Stabilizing the Economy

The United States must face up to the shortcomings of many of its efforts to promote economic diversification in the region and focus on practical, realistic means to help these countries stabilize the basis for their economic survival. In the agricultural field, for example, eastern Caribbean dependence on banana exports remains a fact of life. When, in 1992, the European Union (EU) proposed a tariff rate quota mechanism to ensure continued preferential access for Caribbean banana producers to the European markets, this seemed a hopeful sign—an effort by the EU to accommodate U.S. objections in the Uruguay Round to the previous quota arrangements for bananas in Europe. It seemed to offer a basis for compromise that would permit the United States to be more tolerant of this particular protection policy. Unfortunately, the way the EU has implemented its proposal, so as to benefit European banana trading firms at the expense of their non-European competitors, has touched off a series of trade complaints and a U.S. investigation of allegedly unfair EU trading practices. All of this probably augers poorly for the long-term continuation of this preferential banana access. Yet, while defending the interests of U.S. companies engaged in the banana trade, U.S. policy must somehow come to grips with the almost undiminished dependence of these small economies on a single crop—even after years of efforts and diversification schemes.

Outside the agricultural field, the island countries need to work actively with the NAFTA countries on trade liberalization in the hemisphere. Many of these islands neglected to take the steps necessary to gain maximum benefits from the CBI. Failure now to get in step with NAFTA and hemispheric trade liberalization could lead to small Caribbean economies being swamped as NAFTA takes hold and expands. Also, both Caribbean countries and aid donors could focus on maximizing tourism's foreign exchange earning potential.

Engaging Other Donor Nations in the Caribbean

Another key challenge is to sustain the interest and involvement in the Caribbean of other donor nations such as Great Britain, Canada, and the EU. This would require the United States to curb its propensity to assume total responsibility for certain international problems. Many of these donors face the same resource

constraints and competing demands as the United States does, but their continued involvement is essential because the Caribbean's needs exceed any one nation's capacity to deliver.

DEVELOPING COUNTERNARCOTICS COOPERATION

The United States must also reconsider its approach to counternarcotics cooperation with Caribbean governments and set realistic expectations of these countries in the event that significant narcotics trafficking activity is detected within their jurisdiction. Is it realistic to expect most Caribbean police forces to mount effective undercover operations to discover trafficking operations and "sting" the traffickers? Will these operations be successful in small societies where virtually everyone knows everyone else, and where policemen are instantly recognized even out of uniform? Can operational security for major drug "busts" be achieved in an environment where the location of the police drug squad headquarters is public knowledge, where the comings and goings of its handful of vehicles and its personnel can be readily observed, and where raiders may have to slowly traverse a single ribbon of road through territory populated by the traffickers' friends, relatives, retainers, and fellow villagers to reach the remote site of the drug raid? Is it sensible to expect a handful of magistrates with meager salaries, or a lone judge on an island, to routinely convict traffickers in major drug cases—even if the cases could be brought without fear of reprisal? And when convictions are achieved in cases involving large seizures, can we expect the island prison facilities (usually built in the heart of the main town during the 19th century) to hold these felons, with their access to drug money and outside confederates; can we expect a poorly paid prison guard force to resist the inducements that are invariably offered by these prisoners; and should we expect an island government to willingly bear the expense of imprisoning, feeding, and securing such drug convicts for 20 years or more?

The answer to most of these questions is no. Narcotics cooperation efforts should not be geared toward creating miniature models of the U.S. drug enforcement and prosecution system in individual Caribbean countries. Rather, it should lift the heavier responsibilities of prosecuting and punishing drug traffickers from the shoulders of the smaller Caribbean countries and shift more responsibility to the United States. Obviously this must be done with full regard and respect for the sovereignty and responsibilities of Caribbean nations. Nothing is more corrosive of counternarcotics cooperation in these societies than the kind of U.S. unilateralism reflected by the case of Dr. Alvarez Machain, a Mexican citizen forcibly brought to the United States in a bounty-like process. The ensuing Supreme Court decision sanctioning this action caused an uproar throughout Latin America and the Caribbean. More effort should be expended on updating extradition and mutual legal assistance agreements with Caribbean governments while, as a matter of strategy, trying to set up significant Caribbean drug cases so that the major offenders can be prosecuted in the United States.

BRIDGING SOVEREIGNTY BARRIERS

The United States should encourage the Caribbean nations to develop mechanisms to bridge jurisdictional divisions, particularly between the independent islands and neighboring French or Dutch dependencies, to permit freer information exchange and local coordination of counternarcotics enforcement actions. Sensitivity to issues of sovereignty can produce costly formal procedures and delays that can be exploited by drug criminals. Drug traffickers and money launderers must not be allowed to exploit the formalities and

BUREAUCRATIC PROCEDURES THAT EXIST AMONG NEIGHBORING ISLANDS TO EVADE APPREHENSION.

Maintaining the Regional Security System

THE EASTERN CARIBBEAN REGIONAL SECURITY SYSTEM (RSS) MUST BE KEPT INTACT AND SHOULD BE RETOOLED PRIMARILY FOR COUNTERNARCOTICS WORK. IRONICALLY, AT THE VERY TIME WHEN SOME IN THE CARIBBEAN AND THE UNITED STATES—FOR DIFFERENT REASONS—ARE ADVOCATING WIDER CARIBBEAN SECURITY COOPERATION, AND WHEN RSS MEMBERS HAVE SIGNED A NEW MEMORANDUM OF UNDERSTANDING THAT ENVISAGES THIS WIDER COOPERATION, U.S. EAGERNESS TO SAVE MONEY AND TRIM OVERSEAS SECURITY ASSISTANCE COMMITMENTS MAY LEAD TO THE VIRTUAL WITHDRAWAL OF FUNDING SUPPORT FOR THE RSS MEMBER STATES' POLICE FORCES. IF THIS HAPPENS, LOCAL U.S. COAST GUARD ENFORCEMENT ACTIVITY AND DRUG ERADICATION MISSIONS WILL STOP. LARGER COUNTRIES RECEIVE SECURITY ASSISTANCE AS A SUPPLEMENT TO THEIR OWN DOMESTIC EFFORTS, BUT THESE MICROSTATES ARE NOT ABLE TO SUPPORT THEIR RSS COMPONENTS FROM THEIR INTERNAL BUDGETS. SUPPORT FROM THE UNITED STATES AND GREAT BRITAIN PROVIDES ESSENTIALLY THE SOLE SUSTENANCE FOR THEIR COAST GUARD AND SPECIAL POLICE COUNTERNARCOTICS WORK.

SUPPORTING REGIONAL INTEGRATION

THE UNITED STATES SHOULD BE SUPPORTIVE IN PRINCIPLE BUT REALISTIC IN PRACTICE ABOUT PROSPECTS FOR GREATER REGIONAL INTEGRATION OR UNIFICATION IN THE CARIBBEAN. SINCE 1990 AT LEAST THREE DIFFERENT IDEAS HAVE BEEN PUT FORWARD—WINDWARD ISLANDS UNIFICATION, THE WEST INDIAN COMMISSION PROPOSALS FOR A CARICOM COMMISSION AND AN ASSOCIATION OF CARIBBEAN STATES, AND A PROSPECTIVE UNION AMONG GUYANA, TRINIDAD AND TOBAGO, AND BARBADOS. WE SHOULD NOT BE OVERLY OPTIMISTIC ABOUT THE PROSPECTS OF SUCCESS FOR ANY OF THESE PROPOSALS.

DEVELOPING A MORE SOPHISTICATED POLICY DIALOGUE

FINALLY, THE UNITED STATES SHOULD BE MORE SOPHISTICATED IN ITS POLITICAL DIALOGUE WITH CARIBBEAN COUNTRIES. THE UNITED STATES IS CONSTANTLY AT RISK OF "OVERLOADING THE CIRCUITS" OF THE SMALL CARIBBEAN COUNTRIES ON THE MYRIAD FOREIGN POLICY ISSUES WORLDWIDE THAT ARE OF GREAT INTEREST TO US BUT OFTEN OF LIMITED INTEREST TO THEM. MORE ATTENTION SHOULD BE FOCUSED ON THOSE ISSUES OF GREATEST IMMEDIATE IMPORTANCE TO BOTH THE CARIBBEAN AND TO THE UNITED STATES, AND THE "BACKGROUND NOISE" OF OTHER LESS RELEVANT DEMANDS SHOULD BE REDUCED. A MORE SUSTAINED DIALOGUE IS NEEDED ON THORNY ISSUES LIKE CUBA—IN LIEU OF PERIODIC, EMERGENCY REQUESTS—IF THE UNITED STATES IS TO GENERATE A MEASURE OF UNDERSTANDING AND SUPPORT FOR ITS POSITIONS.

THE OUTLOOK

IN 1992 A REGIONAL LEADER SAID TO ME, "THE SMALL ISLANDS [OF THE CARIBBEAN] ARE IN TROUBLE." I BELIEVE HE IS RIGHT. THEY ARE AT RISK OF BEING BYPASSED, OVERLOOKED, SHUNTED ASIDE, AND OVERWHELMED BY BIG-COUNTRY INTERESTS WITH WHICH THEY CANNOT COMPETE.

BUT THE UNITED STATES' GEOGRAPHIC, HISTORIC, POLITICAL, AND MORAL TIES TO THE SMALLER COUNTRIES OF THE DEMOCRATIC CARIBBEAN ARE TOO LONG AND DEEP FOR THAT OUTCOME TO BE A JUST ONE. IF U.S. EFFORTS ARE FOCUSED ON MEETING THE CHALLENGES OUTLINED HERE, I BELIEVE THE UNITED STATES CAN SUSTAIN ITS DIALOGUE WITH THE CARIBBEAN

and advance U.S. interests at the same time.

THE DILEMMAS OF BEING SMALL

LLOYD SEARWAR

THE SMALL MEMBER STATES OF THE CARIBBEAN COMMUNITY (CARICOM) ARE BELATEDLY RECOGNIZING THAT EXPORT GROWTH HOLDS THE KEY TO ECONOMIC TRANSFORMATION AT A TIME WHEN MOST OF THE REGION'S TRADITIONAL INDUSTRIES, EXCEPT TOURISM, HAVE STAGNATED. THIS FOLLOWS A QUARTER CENTURY OF UNSUCCESSFUL EXPERIMENTS WITH INWARD-LOOKING DEVELOPMENT STRATEGIES SUCH AS SOCIALISM, IMPORT SUBSTITUTION POLICIES, AND, IN ONE INSTANCE, AUTARKIC DEVELOPMENT.

IT FOLLOWS THAT THE CARICOM STATES AND OTHER REGIONAL GROUPINGS SUCH AS THE ASSOCIATION OF CARIBBEAN STATES (ACS) SHOULD WELCOME THE PASSAGE OF THE NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA), WHICH LINKS THE UNITED STATES WITH MEXICO AND CANADA, AS WELL AS THE HEMISPHERIC TRADE LIBERALIZATION INITIATIVES FIRST ENVISIONED BY THE BUSH ADMINISTRATION AND NOW REFORMULATED BY THE CLINTON WHITE HOUSE. TWO CONSIDERATIONS, HOWEVER, MIGHT DAMPEN SOME CARIBBEAN ENTHUSIASM TO THESE INITIATIVES. FIRST, GREATER ACCESS TO LARGE, DEVELOPED MARKETS HAS THUS FAR NOT PRODUCED SUFFICIENT LEVELS OF INVESTMENT IN THE CARICOM STATES. SECOND, UNLESS THE INCOME FLOWS ARE ACCOMPANIED BY EQUITABLE DISTRIBUTION POLICIES, EXPORT-LED GROWTH CAN CREATE PROBLEMS SUCH AS HIGH UNEMPLOYMENT, SOCIAL UNREST, AND THE EROSION OF COHESIVENESS.

THESE CONSIDERATIONS ARE EXPRESSED IN CARICOM POLICY GUIDELINES THAT OUTLINE A CONSENSUS ON 21ST CENTURY ECONOMIC DEVELOPMENT STRATEGY FOR THE REGION. ALLUDING TO RELATIONSHIPS WITH AN EXPANDING NETWORK OF REGIONAL TRADE GROUPINGS, A 1991 CARICOM REPORT ARGUES THE FOLLOWING KEY POINTS:

THE INTENSIFICATION OF REGIONAL ECONOMIC ZONES IMPLIES THAT COUNTRIES OUTSIDE OF THOSE ZONES WOULD CONTINUE TO EXPERIENCE SERIOUS DIFFICULTIES OF MARKET ACCESS AND MAY EVEN LOSE THOSE WHICH THEY CURRENTLY HAVE. UNSO FAR AS REGIONALISATION EXTENDS TO FINANCIAL AND OTHER FORMS OF INTERNATIONAL ECONOMIC[S] . . . NON-PARTICIPATION IN REGIONAL GROUPINGS OF THE WIDER KINDS NOW BEING FORMED ALSO CARRIES THE POSSIBILITY OF EXCLUSION NOT ONLY FROM THE BENEFITS OF TRADE BUT ALSO FROM CONCESSIONARY FINANCE AND OTHER NON-TRADE ASSISTANCE. FOR THESE REASONS, COMMONWEALTH CARIBBEAN COUNTRIES . . . SHOULD ADOPT A POSITIVE ATTITUDE TOWARDS MEMBERSHIP IN THE NEW ECONOMIC ZONES, TAKING CARE TO STRENGTHEN THE COHESION OF THEIR OWN SUB-GROUPINGS, TO MAXIMIZE THE NET BENEFITS OF THE WIDER REGIONAL INVOLVEMENT, AND TO MAINTAIN AND EXPAND THE BENEFITS OF ECONOMIC RELATIONS WITH EUROPE AND OTHER EXTRAREGIONAL ECONOMIC ZONES. IN THIS LATTER RESPECT, CARIBBEAN COMMUNITY MEMBER COUNTRIES WOULD NEED TO INTENSIFY THEIR EFFORTS AT TRADE RELATIONS WITH AFRICA AND THE DEVELOPING COUNTRIES IN ASIA. THE FOUNDATION PARTIALLY EXISTS THROUGH RELATIONSHIPS FORMED WITHIN THE FRAMEWORK

OF THE ACP AND THROUGH LINKS OF A POLITICAL AND SOCIO-CULTURE NATURE. (EMPHASIS ADDED.)¹⁰

THIS PARAGRAPH IS PART OF A CARICOM DOCUMENT THAT FORMED THE BASIS FOR DISCUSSION AT A REGIONAL ECONOMIC CONFERENCE IN TRINIDAD AND TOBAGO THAT BROUGHT TOGETHER HEADS OF GOVERNMENT (27 FEBRUARY TO 1 MARCH 1991). THE NATIONAL DELEGATIONS PARTICIPATING IN THE TALKS INCLUDED THE PRIVATE SECTOR, TRADE UNIONS, AND NONGOVERNMENT ORGANIZATIONS. THE POLICY GUIDELINES FOR THE MOST PART EMPHASIZED OUTWARD-ORIENTED DEVELOPMENT, BUT THE GROUP TOOK A MARKEDLY CAUTIOUS APPROACH TOWARD THE HEMISPHERIC TRADE LIBERALIZATION INITIATIVES PROPOSED BY THE UNITED STATES. THE CONSENSUS WAS THAT WHILE CARICOM AS A GROUP SHOULD EXPLORE THOSE PROPOSALS, THEIR PARTICIPATION IN PREFERENTIAL TRADING ARRANGEMENTS WITH THE EUROPEAN UNION (EU), WITH THE UNITED STATES THROUGH THE CARIBBEAN BASIN INITIATIVE (CBI), AND WITH CANADA THROUGH THE CARIBBEAN-CANADA TRADE AGREEMENT (CARIBCAN), SHOULD BE MAINTAINED.

THE CHARACTERISTICS OF SMALL CARIBBEAN STATES

THE CAUTION OF MOST CARICOM STATES REFLECTS FACTORS IN BOTH THEIR HISTORY AND INTERNATIONAL EXPERIENCE.

THE VULNERABILITIES OF SMALLNESS

FIRST, THE SMALL STATES ARE VULNERABLE TO ECONOMIC TURBULENCE AND UNCERTAINTY. THEIR TRADITIONAL INDUSTRIES ARE BEING THREATENED AND THERE IS A GROWING REALIZATION THAT NEW EXPORT INDUSTRIES NEED TO BE EMPHASIZED. GIVEN THAT MOST OF THE ISLANDS HAVE A LAND AREA OF LESS THAN 300 SQUARE MILES AND AN EVEN MORE LIMITED RESOURCE BASE, THERE IS ALSO A CONVICTION THAT DIVERSIFYING PRODUCTION AND MARKETS CARRIES RISKS THAT SHOULD BE OFFSET BY MAINTAINING THE PRESENT ECONOMIC BASE. SECOND, THE ISLANDS GENERALLY BELIEVE THAT THE POOLING OF ECONOMIC SPACE IS THE WAY TOWARDS INDUSTRIALIZATION. THE CARICOM STATES ALSO PERCEIVE THE NEED FOR GREATER SOLIDARITY IF THEY ARE TO SURVIVE—EACH NATION'S RESOURCES

¹⁰ THE FORMULATION OF THESE "GUIDELINES FOR ECONOMIC DEVELOPMENT STRATEGY FOR CARICOM COUNTRIES INTO THE TWENTY-FIRST CENTURY" WAS THE SECOND STAGE IN A PROCESS WHICH HAD BEGUN WITH A SPECIALLY COMMISSIONED REPORT (THE BOURNE REPORT) "CARIBBEAN DEVELOPMENT TO THE YEAR 2000: CHALLENGES, PROSPECTS, AND POLICIES." THE GUIDELINES REPRESENT A SYNTHESIS OF MEMBER STATES' REACTIONS TO THE BOURNE REPORT.

ARE TOO LIMITED TO EFFECTIVELY REPRESENT ITS INTERESTS, AND INDIVIDUAL DEFENSE FORCES ARE INSIGNIFICANT.

A Distinct Identity

CARICOM'S IDENTITY COMES FROM ITS DISTINCTIVE HISTORY, WHICH DIFFERENTIATES IT FROM THAT OF LATIN AMERICA (THE INDEPENDENCE MOVEMENTS IN THE CARICOM STATES WERE LED BY THE DESCENDANTS OF SLAVES AND INDENTURED LABORERS). THIS IDENTITY HAS PROVIDED THE REGION WITH THE RESILIENCE TO WEATHER GRAVE DIVISIONS AND IS SEEN AS AN ULTIMATE SECURITY RESOURCE.

Its Relationship with the United States

CARICOM PERCEIVES ITS RELATIONSHIP WITH THE UNITED STATES AS AMBIGUOUS. ON THE ONE HAND, THE UNITED STATES APPEARS TO OFFER A MEANS FOR ECONOMIC DEVELOPMENT, BUT ON THE OTHER IT SEEMS TO THREATEN THE CARICOM IDENTITY AND ITS EXPRESSION IN REGIONAL INSTITUTIONS.

CARICOM'S THREE-PRONGED STRATEGY

THE REGION HAS HISTORICALLY RESPONDED TO THE FACTORS DESCRIBED ABOVE WITH A THREE-PRONGED STRATEGY THAT AIMS TO (1) MAXIMIZE ITS POLITICAL AND ECONOMIC SPACE AND RESOURCE AVAILABILITY THROUGH CARICOM, WHICH IN ADDITION TO A COMMON MARKET PROVIDES A MECHANISM FOR COORDINATING FOREIGN POLICY; (2) MAINTAIN TRADITIONAL EXPORT PRODUCTION SECTORS AND MARKETS BY NEGOTIATING AID AND TRADE TREATIES WITH THE TRADITIONAL MARKET COUNTRIES, ESPECIALLY THE EU; AND (3) PLAY AN ACTIVIST ROLE ABROAD IN THE DEVELOPING WORLD AND ESTABLISH DIPLOMATIC LINKAGES WITH A NUMBER OF AFRICAN AND ASIAN STATES. THIS ASSERTS AN IDENTITY SEPARATE FROM THAT OF LATIN AMERICA AND COULD PROVIDE BOTH NEGOTIATING LEVERAGE AND A MEASURE OF SECURITY THROUGH DIPLOMATIC SOLIDARITY.

THUS, IN TERMS OF ECONOMIC SURVIVAL, THE CARICOM STATES HISTORICALLY PURSUED A SAFETY-FIRST STRATEGY THAT EMPHASIZED MAINTAINING TRADITIONAL COMMODITY MARKETS AND SOURCES OF AID IN EUROPE AND CANADA. ITS INDUSTRIALIZATION EFFORTS HAVE BEEN CONFINED TO THE CREATION OF A REGIONAL COMMON MARKET. DESPITE OCCASIONAL TRADE WITH OTHER CARIBBEAN BASIN STATES AND THE NEGOTIATION OF A NUMBER OF "MIXED COMMISSION" AGREEMENTS FOR ECONOMIC COOPERATION, THE CARICOM STATES EVINCED LITTLE REAL INTEREST IN CULTIVATING OTHER CARIBBEAN BASIN MARKETS AND VIRTUALLY NONE IN THE COUNTRIES FURTHER SOUTH, EXCEPT INTERMITTENTLY IN THE CASE OF BRAZIL. THE CBI AND CARIBCAN WERE ESTABLISHED LATER.

CARICOM AS IDENTITY

THE CREATION OF CARICOM, IN THE VIEW OF A GROUP OF CARIBBEAN EXPERTS (THE WISE MEN'S GROUP), IS

NOT BURIED IN DOCTRINES OF INTEGRATION ECONOMICS. CARICOM IS NOT JUST THE PRODUCT OF REGIONAL ECONOMIC PLANNING. RESPONSIVE AS IT IS TO THE ECONOMIC AND POLITICAL REALITIES OF THE POSTWAR WORLD, CARIBBEAN REGIONALISM IS THE OUTGROWTH OF MORE THAN 300 YEARS OF WEST INDIAN KINSHIP—THE VAGARIES OF THE SOCIOECONOMIC POLITICAL HISTORY OF A TRANSPLANTED PEOPLE FROM WHICH IS EVOLVING A CARIBBEAN IDENTITY. WITHOUT THAT ELEMENT OF WEST INDIAN IDENTITY A COMMUNITY OF THE CARIBBEAN WOULD BE MERE MARKINGS ON PARCHMENT—a COMMUNITY WITHOUT A SOUL, WITHOUT VISION OF A SHARED DESTINY, WITHOUT THE WILL TO PERSIST AND SURVIVE.¹¹

ESTABLISHING A FREE TRADE AREA, WHICH SUBSEQUENTLY DEEPENED INTO A COMMON MARKET, WAS BASED ON THE BELIEF THAT INDUSTRIALIZATION COULD BEST BE ACHIEVED BY INTEGRATING SMALL MARKETS TO PROMOTE IMPORT SUBSTITUTION INDUSTRIES. AFTER SOME 20 YEARS, HOWEVER, INTRAREGIONAL TRADE REMAINS A SMALL PART OF CARICOM'S OVERALL ECONOMY. SUCH TRADE (MAINLY IN THE PRODUCTS OF LIGHT INDUSTRIES) HAS NEVERTHELESS PROVIDED INCREASED LEVELS OF EMPLOYMENT, ESPECIALLY IN THE EASTERN CARIBBEAN STATES. THE LIGHT INDUSTRIES ARE HEAVILY DEPENDENT ON IMPORTED COMPONENTS, WHICH ARE PURCHASED WITH FOREIGN EXCHANGE RECEIVED FROM SALES OF TRADITIONAL EXPORT COMMODITIES SOLD IN EXTRAREGIONAL MARKETS. UNSTABLE PRICES HAVE ERODED THESE FOREIGN EXCHANGE EARNINGS IN RECENT YEARS. AS A CONSEQUENCE, CARICOM'S LIGHT INDUSTRIES HAVE FACED RESOURCE (COMPONENT) SHORTAGES—a SITUATION REFLECTED IN THE VIRTUAL COLLAPSE, UNTIL VERY RECENTLY, OF INTRAREGIONAL TRADE.

IT WOULD BE A MISTAKE, HOWEVER, TO VIEW THE SUCCESS OF CARICOM WHOLLY IN TERMS OF THE RESULTS OF THE COMMON MARKET. CARICOM IS JUST AS IMPORTANTLY AN EXPRESSION OF A COMMON IDENTITY—a NATIONHOOD DIVIDED INTO SEVERAL STATES BY THE OCEAN. MOREOVER, IT SERVES TWO ADDITIONAL FUNCTIONS—FIRST, IT ENABLES THESE SMALL STATES TO PROVIDE FOR THEMSELVES, ON A COMMON BASIS, SERVICES THEY COULD NOT OTHERWISE AFFORD OR PROVIDE AS EFFICIENTLY, AND, SECOND, IT ENABLES THEM TO SPEAK WITH ONE VOICE, TO NEGOTIATE AS A GROUP, AND TO MOBILIZE DIPLOMATIC SOLIDARITY WITH OTHER DEVELOPING STATES.¹² AS AN EXAMPLE, THE SUCCESSFUL MOBILIZATION OF DIPLOMATIC

¹¹ "THE CARIBBEAN COMMUNITY IN THE 1990S," A REPORT BY A GROUP OF CARIBBEAN EXPERTS, APPOINTED BY THE CARIBBEAN COMMON MARKET COUNCIL OF MINISTERS (GEORGETOWN, GUYANA: CARICOM SECRETARIAT, 1991), 1.

¹² THE PREAMBLE TO THE TREATY OF CHAGUARAMAS ESTABLISHING THE CARIBBEAN COMMUNITY ENJOINS THAT THERE SHOULD BE "A COMMON FRONT IN RELATION TO THE EXTERNAL WORLD." TO ACHIEVE THIS OBJECTIVE THE TREATY ESTABLISHES A COMMITTEE OF MINISTERS RESPONSIBLE FOR FOREIGN AFFAIRS AND ENTRUSTS THIS INSTITUTION WITH THE RESPONSIBILITY OF ADOPTING "AS FAR AS POSSIBLE COMMON POSITIONS ON MAJOR INTERNATIONAL ISSUES."

SOLIDARITY IN SUPPORT OF BELIZE AGAINST THE TERRITORIAL CLAIMS OF GUATEMALA IS SEEN AS A MAJOR FACTOR IN PRESERVING BELIZE'S TERRITORIAL INTEGRITY AND PERMITTING IT TO ACHIEVE INDEPENDENCE.

DESPITE VERY LIMITED PROGRESS IN TRADE, THE MEMBER STATES CONSIDER THE INTEGRATION MOVEMENT OF UTMOST IMPORTANCE POLITICALLY. ANY TRADE AGREEMENT THAT APPEARS TO THREATEN INTEGRATION WILL NOT EASILY ENLIST PARTICIPATION, EVEN IF IT HOLDS OUT THE POSSIBILITY OF ENHANCED INCOME.

Traditional Linkages: Europe and Canada

THE DIPLOMATIC PROWESS OF THE CARICOM STATES, ESPECIALLY IN THE NON-ALIGNED MOVEMENT (NAM) IN THE 1970S, ENABLED THEM TO CREATE THE AFRICAN-CARIBBEAN-PACIFIC (ACP) GROUP OF COUNTRIES.¹⁵ THE MOST DIFFICULT TASK IN THIS DIPLOMATIC TRIUMPH WAS BRIDGING THE DIFFERENCES BETWEEN THE ENGLISH-SPEAKING AND THE FRANCOPHONE AFRICAN STATES. THE ACP GROUP PROVIDED AN EFFECTIVE NEGOTIATING BASIS IN THE EFFORTS TO MAINTAIN TRADITIONAL MARKETS AND SOURCES OF AID IN WHAT WAS THEN CALLED THE EUROPEAN ECONOMIC COMMUNITY (NOW THE EUROPEAN UNION, OR EU). THE LOMÉ CONVENTION WITH THE EU AND ITS SUCCESSOR TREATIES (NOW UP TO LOMÉ IV) HAVE CONTINUED TO PROVIDE GUARANTEED AND PREFERENTIAL MARKETS FOR SUCH TRADITIONAL COMMODITIES AS SUGAR, BANANAS, RUM, AND BAWITE AND ACCESS TO AID THROUGH STABILIZATION MECHANISMS SUCH AS STABEY AND SYSMIN AND THE EUROPEAN DEVELOPMENT FUND (EDF), THE MAIN SOURCE OF BOTH BILATERAL AND REGIONAL ASSISTANCE TO CARICOM STATES. THE LOMÉ TREATIES HAVE BEEN CRITIQUED WITH SOME JUSTICE AS LOCKING THE CARICOM STATES INTO THE STRUCTURES OF TRADITIONAL EXPORT PRODUCTION AND THEREFORE CLOSING OFF THE SEARCH FOR NEW EXPORT INDUSTRIES.

THE LOMÉ TREATIES, HOWEVER, HAVE HAD WIDER POLITICAL SIGNIFICANCE IN THAT THEY HAVE ACCORDED A CENTRAL ROLE TO THE CARICOM STATES—AS AN INTEGRATED GROUP—IN NEGOTIATING, FORMULATING, AND IMPLEMENTING REGIONAL PROGRAMS THAT ATTRACT ASSISTANCE FROM THE EU. THE NEGOTIATIONS THUS LED TO THE STRENGTHENING OF THE REGIONAL MOVEMENT ITSELF. MOREOVER, CARICOM PLAYED A ROLE IN ESTABLISHING HIGH-LEVEL PERMANENT JOINT CONSULTATIVE MACHINERY BETWEEN THE EU AND THE ACP. THIS OUTCOME IS OF SPECIAL IMPORTANCE IN VIEW OF THE LATER CARICOM EXPERIENCE WITH THE U.S.-SPONSORED CBI.

AS IN THE CASE OF THE EU, RELATIONS BETWEEN THE CARICOM STATES AND CANADA HAVE BEEN STRUCTURED WITHIN A TRADE AND ECONOMIC COOPERATION TREATY. THE TREATY WAS NEGOTIATED WITH CARICOM AS A GROUP AND CONCLUDED IN 1979.

THE TREATY PROVIDED FOR THE ESTABLISHMENT OF THE JOINT TRADE AND ECONOMIC COMMITTEE (JTEC) BETWEEN CANADA AND THE CARICOM STATES. IN PRACTICE, THE CARIBBEAN NATIONS HAVE PARTICIPATED IN THE JTEC THROUGH CARICOM INSTITUTIONS. ALTHOUGH CANADIAN AID IS PROVIDED BILATERALLY FOR THE MOST PART, THE AGREEMENT PROVIDES FOR TECHNICAL AND FINANCIAL ASSISTANCE "TO PROMOTE COOPERATION IN THE IMPLEMENTATION OF

¹⁵ THE FOUNDING CONFERENCE OF THE ACP GROUP WAS HELD IN GEORGETOWN, GUYANA, IN 1975.

REGIONAL PROGRAMS AND PROJECTS PROPOSED BY THE MEMBER STATES FOR THE PURPOSE OF CONTRIBUTING TO ECONOMIC AND SOCIAL DEVELOPMENT THROUGH REGIONAL INTEGRATION."

THE WESTERN HEMISPHERE COMMONWEALTH HEADS OF GOVERNMENTS CONFERENCE IS AN IMPORTANT DEVELOPMENT NOT ONLY BECAUSE IT BRINGS HIGH-LEVEL POLITICAL LEADERS TOGETHER FROM CANADA AND THE CARICOM MEMBER STATES BUT ALSO BECAUSE IT INCLUDES THE SMALL, NONINDEPENDENT ENGLISH-SPEAKING COUNTRIES ON THE PERIPHERIES OF THE COMMUNITY—ANGUILLA, BERMUDA, BRITISH VIRGIN ISLANDS, TURKS AND CAICOS, AND THE CAYMAN ISLANDS. THESE SMALL ENTITIES HAVE SECURITY IMPLICATIONS FOR CARICOM BECAUSE SOME CONTAIN ELEMENTS OF THE WESTERN STRATEGIC NETWORK OR HAVE BEEN PENETRATED BY DRUG TRAFFICKING.

AT THE TWO CONFERENCES HELD THUS FAR, CANADA HAD THE OPPORTUNITY TO REAFFIRM ITS "CONVICTION THAT THE CARIBBEAN COMMUNITY CONTINUES TO PROVIDE THE MOST EFFECTIVE INSTRUMENT FOR THE RAPID SOCIAL AND ECONOMIC DEVELOPMENT OF ITS MEMBER STATES AND FOR THE PRESERVATION OF THEIR SECURITY." THE CONFERENCE HAS ALSO ENABLED CARICOM TO PURSUE A NUMBER OF IMPORTANT POLITICAL INITIATIVES WITH CANADA, INCLUDING CANADIAN SUPPORT TO RESIST WORLD BANK EFFORTS TO GRADUATE A NUMBER OF THE SMALL CARICOM STATES OUT OF CONCESSIONARY FUNDING ELIGIBILITY.

THUS, IN THE NEGOTIATION AND STRUCTURING OF THE TREATIES WITH THE EU AND CANADA, CARICOM WAS ACCORDED A CENTRAL PLACE, AND PERMANENT CONSULTATIVE AND IMPLEMENTATION MACHINERY WAS ESTABLISHED. THESE ARRANGEMENTS HAVE GIVEN CARICOM A MODEL OF A CONSULTATIVE RELATIONSHIP IN WHICH ITS ECONOMIC CONCERNS ARE DIRECTLY ADDRESSED, ITS IDENTITY PRESERVED, AND THE INTEGRITY OF ITS REGIONAL MOVEMENT MAINTAINED—IN SHORT, SECURITY. THIS MODEL IS EXPECTED TO STRONGLY INFLUENCE CARICOM'S APPROACH TO PARTICIPATION IN THE MOVEMENT TOWARD HEMISPHERIC FREE TRADE.

CARICOM'S RELATIONSHIP WITH THE DEVELOPING WORLD

THE THIRD ELEMENT IN CARICOM'S STRATEGY HAS BEEN ITS RELATIONSHIP WITH THE DEVELOPING WORLD, ESPECIALLY ITS TIES TO AFRICAN AND ASIAN STATES. SEVERAL CARICOM MEMBER STATES HAVE PLAYED MAJOR ROLES AND TAKEN HIGH PROFILE STANCES IN THIRD WORLD MOVEMENTS, PARTICULARLY WITH THE NAM AND THE GROUP OF '77. THEY HAVE SOUGHT THESE FORWARD POSITIONS, DESPITE THEIR VERY LIMITED DIPLOMATIC RESOURCES, FOR SEVERAL REASONS.

LINKAGES WITH NONALIGNED STATES, PARTICULARLY WITH AFRICAN AND ASIAN STATES THAT TEND TO VIEW LATIN AMERICA AS AN OUTPOST OF EUROPE, WERE ASSERTIONS OF CARICOM'S AUTONOMY FROM LATIN AMERICA AND HAVE BEEN PERCEIVED AS A SOURCE OF SECURITY THROUGH DIPLOMATIC SOLIDARITY. THESE SMALL, NEWLY INDEPENDENT ENGLISH-SPEAKING STATES, WHOSE INSTITUTIONS APPEARED (TO THOSE UNFAMILIAR WITH BRITISH CONSTITUTIONAL CONVENTIONS) TO MAINTAIN TIES WITH THE BRITISH CROWN, ENCOUNTERED A HOSTILE LATIN AMERICA WHEN THEY SOUGHT MEMBERSHIP IN THE ORGANIZATION OF AMERICAN STATES (OAS). ALTHOUGH GEOGRAPHY MADE THEM MEMBERS OF THE LATIN AMERICAN GROUP IN THE UNITED NATIONS (UN) AND ITS AGENCIES, THEY WERE EXCLUDED FROM THE ALLOCATION OF "SEATS" IN INTERNATIONAL BODIES TO

which the group was entitled. The diplomatic solidarity also enabled them to counter the territorial threats to Guyana and Belize from Venezuela and Guatemala, respectively.

CARICOM nations also found support from the developing countries of Africa and Asia for their unique economic concerns as small states with undiversified economies. These same concerns distinguished them from Latin America in negotiations within the UN system, despite their membership in the Latin American group. The major Latin American countries were interested in market access for manufactures, technology transfer, and private sector investment, while the CARICOM nations focussed on maintaining stable remunerative prices and markets for their traditional export commodities and retaining the flow of official development assistance. CARICOM's leadership role among the developing nations has provided it with leverage in negotiating with major states—for example, talks with the EU that led to the conclusion of the Lomé Conventions.

CARICOM AND THE UNITED STATES

When the United States put together the CBI—its most comprehensive foreign policy approach to the region—it was not responsive to CARICOM negotiations. The integration process was in no sense strengthened by negotiations, nor was there any institutional spinoff in the form of permanent consultative machinery. The process stood in contrast to CARICOM's dealings with Canada and Europe.

The initial proposal for establishing what was originally described as a Marshall Plan for the Caribbean came from CARICOM leadership, in particular Prime Minister Edward Seaga of Jamaica. When the United States responded positively, CARICOM, in the light of its negotiating experience with the EU, immediately established joint positions with the Dominican Republic, Haiti, and Suriname, and began coordinating its approach with the Central American Common Market, which was expected to participate in the CBI.

Regional cooperation was inhibited from the beginning, however, when the United States indicated that a number of countries with "left-leaning" regimes (such as Grenada and Guyana in CARICOM and Suriname, Cuba, and Nicaragua in the wider region) would not qualify as CBI beneficiaries. These exclusions led to the early withdrawal of Canada, Mexico, and Venezuela from the initially proposed donor group, the Nassau Four, and the CBI became an exclusively U.S. initiative.

As a first step CARICOM summoned a meeting of its Standing Committee of Ministers Responsible for Foreign Affairs, which was held in Jamaica in September 1991. The foreign ministers produced a set of principles and guidelines for a program of economic cooperation with the United States, which essentially defended the integrity of the integration process. These principles were immediately adopted by the ministerial representatives of the Dominican Republic and Haiti.

One month later, however, a meeting in the Dominican Republic to work out a coordinated approach with the Central American countries attracted only low-level representation from two countries, El Salvador and Honduras. Moreover, when representatives from the United States, Canada, and Venezuela met the next day (Mexico for all practical purposes having already withdrawn), sharp differences of opinion were expressed between the proposed donor states. Although that meeting ended in agreement that "the Foreign Ministers of the wider Caribbean and the Foreign Ministers of the Nassau Group should consider a possible joint meeting only after they have both had their separate meetings," this merely papered over the difficulties caused by the United States' apparent lack of interest in a negotiation process. The envisaged meetings were never held. The United States unilaterally promulgated the CBI in February 1992.

By refusing to negotiate with the CARICOM group, excluding certain CARICOM states from participating in the project, showing its preference for a bilateral CBI, and failing to provide for joint consultative institutions, the United States put the integration process under severe strain.

THE LIMITS OF THE CBI

The CBI is clearly valuable because it provides Caribbean products duty-free access to the U.S. market. It has failed, however, to meet expectations that it would serve as an instrument for development. The initial duty-free provisions were of limited value because some 90 percent of all Caribbean exports were already entering the United States duty free. Moreover, some of the more important regional exports such as textiles, leather goods, sugar, and rum were excluded from the agreement. Trade between the United States and the Caribbean, in fact, initially fell off after the CBI was implemented in 1984. Contrary to expectations, Caribbean exports to the United States did not start growing until the 1990s, well after the CBI was launched. As Caribbean exports to the United States rose from \$7.5 billion in 1990 to \$10 billion in 1993, the U.S. trade surplus with the area fell from more than \$1.5 billion to just over \$500 million, before beginning to climb again.

More important, investment flows have been insignificant—even in Jamaica, whose investment promotion efforts were assisted by a special committee chaired by David Rockefeller. The entry of new, large U.S. corporations into the CARICOM region has been very disappointing—some corporations, in fact, have left.

THE CBI II

Unlike its predecessor, CBI II (passed in August 1990) is of unlimited duration and improves or creates access for certain additional CARICOM exports, including leather-related products. Moreover, Congress has urged that special efforts be undertaken to improve CBI utilization in the very small island states of the eastern Caribbean and in Belize. CARICOM welcomes these improvements, but, because it is aware of the potential impact of hostile lobbies on the U.S. political process, it remains cautious.

A PREFERENCE FOR THE BILATERAL

The U.S. preference for bilateral relations with the CARICOM states reflects not only the asymmetrical power relationship but also the Caribbean Community's demonstrated capacity to take joint positions that could be interpreted as inimical to U.S. foreign policy interests. Examples include the joint declaration by CARICOM heads of government to establish diplomatic relations with Cuba (1972), thus effectively breaking that country's diplomatic isolation; the concerns voiced by CARICOM foreign ministers regarding the economic sanctions against Nicaragua (1995); and the searching critique of the CBI at the CARICOM summit in Georgetown (1986).

It may also be the case, as Vaughan Lewis has argued, that in view of the Caribbean's geostrategic significance and its importance as a transit area for vital supplies, the United States may believe that there is

a general incapacity, because of smallness and weakness, on the part of the Caribbean countries to maintain autonomous positions in relationships with peers, institutions or groups

DEEMED POTENTIALLY HOSTILE TO THE UNITED STATES GOVERNMENT TO ACT PREEMPTIVELY AND NEGATIVELY TOWARDS THE COUNTRIES WHEN THEY APPEAR TO BE BECOMING INVOLVED IN SUCH RELATIONSHIPS. CARIBBEAN STATES' ASSERTION OF "SOVEREIGN RIGHTS" ARE NOT ACCEPTED AS LEGITIMATE, OR ARE DEEMED MOMENTARILY SUBORDINATE TO THE PROTECTION OF U.S. INTEREST.¹⁴

THE EXPANSION SCENARIO

OTHER STATES CAN APPLY FOR CARICOM MEMBERSHIP UNDER THE PROVISIONS OF ITS FOUNDING CHARTER, THE TREATY OF CHAGUARAMAS.¹⁵ CARICOM HAS LONG DISCUSSED ITS MEMBERSHIP STRATEGY, FAVORING DEEPENING OVER WIDENING. BUT THE UNSPOKEN ISSUE HAS TO DO WITH CARICOM'S UNIQUE IDENTITY. AFTER YEARS OF CLAMORING FOR ADMITTANCE, THE DOMINICAN REPUBLIC, HAITI, AND SURINAME WERE PERMITTED TO ATTEND, AS OBSERVERS ONLY, SOME OF THE STANDING COMMITTEES OF MINISTERS MEETINGS, WHICH ADMINISTER FUNCTIONAL COOPERATION IN NONSENSITIVE AREAS. THEY WERE NOT, HOWEVER, ALLOWED TO ATTEND MEETINGS OF THE KEY CARICOM INSTITUTIONS, SUCH AS THE CONFERENCE OF HEADS OF GOVERNMENT, THE COMMON MARKET COUNCIL, AND THE STANDING COMMITTEE OF MINISTERS RESPONSIBLE FOR FOREIGN AFFAIRS. MORE RECENTLY, VENEZUELA, PUERTO RICO, AND THE NETHERLANDS ANTILLES HAVE BEEN GIVEN SIMILAR LIMITED OBSERVER STATUS. HOW LONG CAN THEY BE KEPT OUT OF CARICOM'S ORGANS AND MAJOR INSTITUTIONS?

INCURSIONS INTO THE EXTERNAL MECHANISMS HAVE TRADITIONALLY BEEN THE PRESERVE OF CARICOM DIPLOMACY. THE DOMINICAN REPUBLIC AND HAITI WERE ADMITTED INTO THE ACP GROUP AND RECEIVE EU ASSISTANCE AND TRADE ACCESS UNDER THE LOMÉ CONVENTIONS. THE DOMINICAN REPUBLIC'S EXPORT OF BANANAS TO THE EU HAS ALREADY PRODUCED CONFLICT WITH CARICOM.

THE NAM, LONG THE MAIN INSTRUMENT FOR CARICOM STATES' DIPLOMATIC ACCESS TO AFRICAN AND ASIAN COUNTRIES, MAY BE ON THE POINT OF DISINTEGRATION. THERE IS THE MOUNTING AWARENESS THAT THERE ARE NO FIXED POINTS LEFT.

OUTWARD-ORIENTED DEVELOPMENT IS STEADILY SEEN AS INEVITABLE, BUT SOMEWHERE ALONG THE ROAD THERE LURKS CARICOM'S NIGHTMARE SCENARIO IN WHICH THESE SMALL STATES, ONCE TERMED BY DE GAULLE AS "SPECKS OF DUST," MIGHT BE REDUCED TO EXPORT PROMOTION ZONES (EPZs) AND TOURIST PARADISES. WITH GOVERNMENTS UNDER SIEGE FROM THE LARGE CONTINGENTS OF THE UNEMPLOYED AND IMPOVERISHED, THERE COULD EMERGE IN THE LATE 1990S A DIFFERENT

¹⁴ VAUGHAN A. LEWIS, "GEOLOGICAL REALITIES IN THE CARIBBEAN, WITH SPECIAL REFERENCE TO THE ANGLOPHONE CARIBBEAN" IN *TEN YEARS OF CARICOM* (WASHINGTON, DC: IADB, 1984), 59.

¹⁵ THE TREATY OF CHAGUARAMAS PROVIDES FOR MEMBERSHIP BY "ANY OTHER STATE OF THE CARIBBEAN REGION THAT IS IN THE OPINION OF THE [HEADS OF GOVERNMENT] CONFERENCE ABLE AND WILLING TO EXERCISE THE RIGHTS AND ASSUME THE OBLIGATIONS OF MEMBERSHIP." THE TREATY DOES NOT DEFINE "CARIBBEAN REGION."

RANGE OF SECURITY RISKS FOR THE UNITED STATES, THROUGH (1) POLITICAL INSTABILITIES, (2) THE FURTHER SPREAD OF DRUG TRAFFICKING IN THE REGION, AND (3) RAPIDLY MOUNTING PRESSURES TOWARD MIGRATION.

A SYMPATHETIC RESPONSE

THE CONSIDERATIONS DESCRIBED ABOVE MAKE IT IMPERATIVE THAT THE UNITED STATES, OR ALTERNATIVELY, NAFTA, RESPOND TO CARICOM'S OR THE ACS'S CAUTIOUS BUT EARNEST INTEREST IN ENHANCING TRADE POLICY. THE ENSUING PROCESS NEEDS TO CONSIDER THE REGION'S PECULIAR PROBLEMS AND NEEDS, INCLUDING THE NEED TO SAFEGUARD THE INTEGRITY OF THE REGIONAL MOVEMENT AND THE IDENTITY OF ITS PEOPLES, SO STRONGLY INTERLINKED WITH SECURITY. IT IS TO NO ONE'S ADVANTAGE TO ALLOW THE CARIBBEAN TO REMAIN AT A COMPETITIVE DISADVANTAGE ECONOMICALLY. THIS IS AT THE HEART OF SOME OF THE ARGUMENTS SUPPORTING THE NEED FOR PARITY BETWEEN NAFTA AND CBI BENEFITS.¹⁶ SOME ELEMENTS OF A NEW APPROACH, FROM BOTH THE CARICOM AND U.S. PERSPECTIVES, ARE SUGGESTED BELOW:

CARICOM

- ◆ IN A WORLD TURNING TOWARD MAJOR TRADING REGIONS (WHICH WILL LIKELY FAVOR INCREASED PROTECTIONISM), INTEREST IN THE FATE OF SMALL STATES WILL DIMINISH. CARICOM MUST THEREFORE LOOK NEARER TO HOME FOR THE SOURCES OF SECURITY AND DEVELOPMENT.

¹⁶ SEE CHAPTER 4 OF THIS REPORT.

- ◆ THE INTEGRATION MOVEMENT (THE COMMON MARKET), NOW STRUCTURED PRIMARILY TO PROMOTE INTRAREGIONAL TRADE VIA IMPORT SUBSTITUTION, MUST BE REORGANIZED TO SUPPORT EXPORT PRODUCTION AND TRADE. THIS WILL REQUIRE LOW TARIFF BARRIERS AS AN ALTERNATIVE TO FULL RECIPROCITY.
- ◆ THERE MUST BE GREATER RELIANCE ON FOREIGN DIRECT INVESTMENT, RATHER THAN ON OFFICIAL BORROWING OR GRANTS, TO FINANCE CAPITAL NEEDS.
- ◆ THE RISK THAT INVOLVEMENT IN A HEMISPHERIC TRADE BLOC MIGHT HARM TRADITIONAL PREFERENTIAL MARKETS MUST BE FACED. IT SHOULD BE NOTED THAT SUCH PREFERENCES ARE BEING ERODED EVEN WITHOUT A HEMISPHERIC TRADE AGREEMENT, AND THE CARIBBEAN EXPORT SECTOR MUST LOOK TO NEW MARKETS.
- ◆ WHILE THE CARICOM ACHIEVEMENTS IN MULTILATERAL DIPLOMACY HAVE BEEN IMPRESSIVE, REPRESENTATION WITHIN THE COMPLEX U.S. POLITICAL SYSTEM MUST BE ENHANCED TO ENSURE THAT CARICOM'S PECULIAR NEEDS AND POTENTIAL ARE UNDERSTOOD.
- ◆ NEW LEADERSHIP ROLES WITHIN THE HEMISPHERE, COMPARABLE TO THOSE PLAYED SO EFFECTIVELY IN THE THIRD WORLD, MUST BE SOUGHT. ONE EXAMPLE MIGHT BE PROMOTING INTRAREGIONAL ECONOMIC COOPERATION BETWEEN THE CARIBBEAN AND LATIN AMERICA.

THE UNITED STATES

- ◆ THE CARICOM STATES, THOUGH SMALL, HAVE REMARKABLE DIPLOMATIC PROWESS AT THE INTERNATIONAL LEVEL AND COULD BE USEFUL ALLIES IN ARTICULATING U.S. VIEWPOINTS AND INTERESTS NOT ONLY TO DEVELOPING COUNTRIES BUT ALSO IN GLOBAL AND REGIONAL FORA, INCLUDING THE OAS, WHERE THEY NOW REPRESENT NEARLY HALF THE MEMBERSHIP.
- ◆ DESPITE THEIR SMALL, UNDIVERSIFIED ECONOMIES AND LIMITED RESOURCES, THE CARICOM STATES' LONG COMMITMENT TO DEMOCRACY, THEIR LOCATION, THEIR INSTITUTIONS INFORMED BY WESTERN VALUES, HIGH EDUCATION LEVELS, AND COMPARATIVELY LOW WAGE RATES, CAN PROVIDE A PRODUCTION BASE WITH CLEAR EXPORT ADVANTAGES.
- ◆ FINALLY, AGREEMENTS SHOULD BE FASHIONED THAT, WITHIN THE PROJECTED LARGER FREE TRADE BLOC, WOULD TAKE INTO ACCOUNT THROUGH INSTITUTIONALIZED CONSULTATION THE UNIQUE VULNERABILITIES AND NEEDS OF THIS GROUPING OF ENGLISH-SPEAKING STATES.

CBI AND NAFTA PROVISIONS COMPARED

STEPHEN LANDE AND NELLIS CRIGLER

CARIBBEAN BASIN INITIATIVE (CBI) BENEFICIARY COUNTRIES AND THE U.S. COMPANIES OPERATING WITHIN THEM GREETED IMPLEMENTATION OF THE NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA) ON JANUARY 1, 1994 WITH BOTH RELIEF AND CONCERN.

BOTH THE BUSH AND CLINTON ADMINISTRATIONS HAD CONVINCED CBI BENEFICIARIES THAT APPROVAL OF NAFTA WAS IN THEIR BEST INTEREST. U.S. OFFICIALS ARGUED THAT NAFTA'S DEFEAT WOULD DEAL A DEATH BLOW TO THE URUGUAY ROUND OF GATT NEGOTIATIONS, DOOM PROSPECTS FOR HEMISPHERIC FREE TRADE, AND USHER IN AN ERA OF U.S. PROTECTIONISM. THEY ALSO POINTED OUT THAT ECONOMIC GROWTH SPARKED BY NAFTA WOULD INCREASE NORTH AMERICAN DEMAND FOR CARIBBEAN BASIN PRODUCTS.

WHILE ACCEPTING THESE PREMISES, CBI BENEFICIARIES HARBORED GENUINE AND WELL FOUNDED CONCERNS ABOUT COMPETING WITH MEXICO UNDER NAFTA—THESE CONCERNS HAVE PROVEN AT LEAST PARTIALLY CORRECT. THE CBI PROGRAM, IMPLEMENTED IN 1984, HAD ENCOURAGED GROWTH IN NONTRADITIONAL EXPORTS FROM THE REGION; THESE EXPORTS WOULD NOW FACE COMPETITION FROM MEXICO—WHICH, UNDER NAFTA, WOULD HAVE THE ADVANTAGE OF MORE SECURE AND COMPREHENSIVE TARIFF CONCESSIONS THAN THOSE OFFERED THROUGH THE CBI. THE MAJOR THREAT IS TO APPAREL EXPORTS FROM THE REGION.

IN ADDITION, UNLIKE CBI, NAFTA COVERS SUCH AREAS AS SERVICES, DISPUTE SETTLEMENT, STANDARDS, AND INTELLECTUAL PROPERTY RIGHTS THAT ATTRACT FOREIGN INVESTMENT. AFTER NEARLY A YEAR AND A HALF SINCE NAFTA'S IMPLEMENTATION, EVIDENCE APPEARS TO INDICATE THAT THE COMBINATION OF TRADE AND TRADE-RELATED CONCESSIONS IS, IN CERTAIN SECTORS, ALREADY CAUSING A DIVERSION OF EXPORTS AND INVESTMENT FROM THE CARIBBEAN BASIN TO MEXICO.

IN RESPONSE, PROPOSALS WERE DEVELOPED FOR MINIMIZING ANY DAMAGE TO CBI COUNTRIES FROM NAFTA. IN THE SHORT TERM, FOCUS HAS BEEN ON ENACTMENT OF SO-CALLED PARITY LEGISLATION THAT WOULD PROVIDE NAFTA TRADE BENEFITS NOT CURRENTLY AVAILABLE UNDER CBI. EVEN IF THIS LEGISLATION IS ENACTED, HOWEVER, CBI COUNTRIES WILL STILL BE AT AN INCREASING DISADVANTAGE TO MEXICO GIVEN THE SCOPE AND SECURITY OF NAFTA. THUS, THE

Parity legislation includes ongoing steps to assure that CBI beneficiaries are NAFTA-ready and eventually are given the opportunity to join NAFTA.

Elements of a more comprehensive CBI approach are:

- ◆ Enactment by the United States of measures providing parity of access for apparel and other products not currently covered by the CBI.
- ◆ U.S. assurances that any extension of fast track trade negotiating authority would provide for NAFTA accession negotiations with CBI beneficiaries.
- ◆ Intensification of internal reform by CBI countries.
- ◆ Negotiation of specific agreements that would not only serve as building blocks to eventual accession to NAFTA but would also promote CBI exports and investment in the interim.

Efforts to enact parity legislation in the 103rd Congress were unsuccessful. This year, bills introduced by Philip Crane (HR 553) in the House of Representatives and Bob Graham (S-529) in the Senate, with broad bipartisan support from the members of the Ways and Means and Finance Committees, would provide NAFTA-like treatment to apparel and other exempted manufactured products. HR 553 as recently reported out of the Trade Subcommittee of the Ways and Means Committee, requires that beneficiaries of parity provisions enter into building block agreements containing world class obligations for treatment of foreign investment and protection of intellectual property rights. Finally, the Crane bill establishes procedures to facilitate NAFTA accession no later than 2005, the target date for implementing the Free Trade Agreement of the Americas (FTAA), as put forth at the Miami Summit of the Americas in December 1994.

Product Coverage: NAFTA's Superiority to CBI

The major negative effect of duty eliminations under NAFTA is its impact on the relative competitiveness of CBI and Mexican imports. There are four types of effects: (1) for products currently under the general system of preferences (GSP) and CBI, NAFTA provides more secure duty-free treatment; (2) for products under CBI where duties were eliminated when NAFTA was implemented, CBI immediately loses its preferential margin; (3) for products under CBI where NAFTA provides for a phaseout of duties, CBI preferential margins will be eliminated only over a period of time, and (4) for those products excluded from CBI duty-free treatment, NAFTA will give Mexico a definite and growing advantage. This last case represents the major challenge to CBI. The timing of duty reductions and the relative competitiveness of Mexican production will significantly affect NAFTA's impact on individual product groups.

Apparel, rubber and nonrubber footwear, leather and leather-related products, and petroleum and petroleum products are significant products that are excluded from CBI duty-free treatment. Important CBI agricultural products currently or imminently subject to prohibitive duties under tariff rate quotas (TRQs) include sugar, beef, and certain types of cigarette tobacco. These will face increasingly large preferential

MARGINS IN FAVOR OF MEXICO.

APPAREL

IMPORTANCE TO CBI BENEFICIARIES. THE PRIMARY PRODUCT CONCERNS FOR CBI BENEFICIARIES ARE THE TEXTILES AND TEXTILE PRODUCTS THAT ARE EXCLUDED FROM CBI DUTY-FREE TREATMENT. THESE PRODUCTS ARE THE REGION'S MOST IMPORTANT NONTRADITIONAL EXPORT, ACCOUNTING FOR ABOUT 30 PERCENT OF TOTAL U.S. IMPORTS FROM THE REGION. THE MAJOR INTEREST IS APPAREL, ALTHOUGH FABRIC, YARN, AND FABRIC HOME FURNISHINGS ARE SIGNIFICANT.

THE VIABILITY OF AT LEAST PARTS OF THE CBI APPAREL INDUSTRY WILL REMAIN UNDER THREAT AS LONG AS PARITY LEGISLATION IS NOT ENACTED. THERE ARE ALREADY INDICATIONS THAT SOME U.S. SUBCONTRACTORS ARE SWITCHING TO MEXICAN SOURCES; PLANS TO INVEST IN THE REGION ARE BEING DELAYED OR CANCELLED, AND ACTUAL OPERATORS MAY BE MOVING TO MEXICO. APPAREL ASSEMBLY IS EASILY SUBSTITUTED AND PLANTS CAN BE SHIFTED FROM COUNTRY TO COUNTRY WITH LITTLE DISRUPTION.

NAFTA RULES. APPAREL TRADE IS SUBJECT TO COMPLEX REGIMES IN THE GLOBAL, CBI, AND NAFTA CONTEXTS. U.S. DUTIES ON APPAREL ARE AMONG THE HIGHEST IN THE TARIFF SCHEDULE, USUALLY AT LEVELS RANGING FROM 10 TO 25 PERCENT. MOST IMPORTS FROM MEXICO AND CBI ARE PRODUCED IN *maquiladora* SEWING OPERATIONS USING PARTS CUT IN THE UNITED STATES. DUTIES ON THIS TYPE OF APPAREL (HTS 9802, FORMERLY 967) ARE ASSESSED ONLY ON THE NON-U.S. VALUE ADDED PORTION OF THE PRODUCTION PROCESS, WHICH REDUCES THE ACTUAL DUTY PAID BY 70 OR 90 PERCENT COMPARED TO DUTIES PAID ON IDENTICAL PRODUCTS MADE FROM NON-U.S. CUT COMPONENTS.

U.S. IMPORTS OF TEXTILES AND APPAREL ARE ALSO SUBJECT TO QUANTITATIVE RESTRICTIONS (QRs) ORIGINALLY IMPLEMENTED UNDER THE TERMS OF THE MULTI-FIBER ARRANGEMENT (MFA). ALTHOUGH THE MFA WAS NOT RENEWED IN THE URUGUAY ROUND, ITS QUOTA REGIME WILL ONLY BE PHASED OUT OVER 10 YEARS. QRs ARE APPLIED TO SPECIFIC CATEGORIES OF APPAREL, SUCH AS WOVEN MEN'S MAN-MADE FIBER PANTS, KNITTED COTTON WOMEN'S BLOUSES, WOOL SUITS, AND IN OTHER CASES WHERE IMPORTS FROM SPECIFIC COUNTRIES ARE FOUND TO BE DISRUPTING OR THREATENING TO DISRUPT DOMESTIC MARKETS.

SPECIAL RULES FOR QRs WERE APPLICABLE TO CERTAIN IMPORTS FROM MEXICO AND THE CBI EVEN BEFORE NAFTA WAS NEGOTIATED. IN ADDITION TO THE LOWER TARIFFS, IMPORTS PRODUCED FROM FABRIC KNITTED OR WOVEN IN THE UNITED STATES (THE 907A PROVISION) BENEFITTED FROM SPECIAL ACCESS UNDER THE SPECIAL REGIME (SR) FOR MEXICO AND GUARANTEED ACCESS LEVELS (GALS) FOR CBI. THIS APPAREL IS LARGELY FREE OF QRs AS LONG AS PRODUCTS IN THE SAME CATEGORY INELIGIBLE FOR 907A TREATMENT ARE SUBJECT TO QRs KNOWN AS SPECIFIC LIMITS (SLs).

NAFTA PROVIDES MORE GENEROUS DUTY AND QR TREATMENT FOR CERTAIN APPAREL IMPORTED FROM MEXICO THAN PROVIDED UNDER THE CURRENT REGIME. THE DEGREE OF MORE FAVORABLE TREATMENT DEPENDS ON WHETHER THE MEXICAN APPAREL QUALIFIES FOR FULL NAFTA BENEFITS. EVEN NONQUALIFYING APPAREL, HOWEVER, BENEFITS FROM SOME SPECIAL (BUT LESS GENEROUS) TREATMENT.

THE GENERAL RULE FOR A QUALIFYING PRODUCT IS THE "YARN FORWARD" RULE—THE PRODUCT MUST BE SEWN IN MEXICO FROM YARN SPUN AND FABRIC FORMED AND CUT WITHIN A NAFTA COUNTRY. THERE ARE A NUMBER OF EXCEPTIONS TO THIS RULE, HOWEVER. APPAREL SEWN IN MEXICO FROM FABRICS SPECIFIED AS BEING IN SHORT SUPPLY (HARRIS TWEED, VELVETEEN, FINE WALE CORDUROY, CERTAIN SHIRTING COTTON, AND COTTON/MANMADE FIBER BLENDS FOR SHIRTING) ALSO QUALIFIES FOR NAFTA TREATMENT, REGARDLESS OF THE FABRIC ORIGIN. ON THE OTHER HAND, MANMADE FIBER SWEATERS ARE SUBJECT TO A STRICTER "FIBER FORWARD" RULE WHEREBY THE FIBER USED TO PRODUCE THE YARN MUST ALSO BE PRODUCED

within NAFTA.

MAQUILADORA APPAREL SEWN FROM U.S.-CUT AND FORMED FABRIC UNDER THE SR ALSO QUALIFIES UNDER NAFTA, EVEN IF IT DOES NOT MEET THE YARN FORWARD RULE.

QUOTAS WERE ELIMINATED FOR ALL CATEGORIES OF QUALIFYING APPAREL FROM MEXICO IMMEDIATELY UPON NAFTA IMPLEMENTATION. IN ADDITION, DUTIES WERE COMPLETELY ELIMINATED ON ALL 907A IMPORTS, NOT JUST THE DUTY ON THE U.S. COMPONENT. DUTIES ON THE REMAINING QUALIFYING APPAREL WERE EITHER ELIMINATED ON JANUARY 1, 1994 OR ARE BEING PHASED OUT IN ALMOST ALL CASES BY JANUARY 1, 1999.

NONQUALIFYING APPAREL FROM MEXICO DOES NOT RECEIVE ANY SPECIAL QUOTA TREATMENT BUT IS SUBJECT TO DUTY PREFERENCES UP TO A GIVEN QUANTITY, KNOWN AS TARIFF PREFERENCE LEVELS (TPLs). THERE ARE TWO TPLs. UNDER THE FIRST, DUTIES ARE REDUCED ON UP TO 45 MILLION SQUARE METERS OF COTTON AND MANMADE FIBER APPAREL AND 1.5 MILLION SQUARE METERS OF WOOL APPAREL ASSEMBLED IN MEXICO BUT NOT MEETING NAFTA ORIGIN RULES. A SECOND TPL OF 25 MILLION SQUARE METERS COVERS NONQUALIFYING APPAREL ASSEMBLED FROM FABRIC CUT BUT NOT FORMED IN THE UNITED STATES (NON-907A MAQUILADORA OR 907 APPAREL).

NAFTA'S IMPACT ON CBI. THE MAJOR U.S. IMPORT FROM THE CARIBBEAN BASIN IS COPRODUCED APPAREL THAT IS SEWN IN THE REGION FROM FABRIC CUT AND FORMED IN THE UNITED STATES. DUTY IS PAID ON THE NON-U.S. VALUE ADDED AND ITS QUOTA-FREE STATUS IS SOMETIMES CONDITIONED ON SUBJECTING OTHER PRODUCTS IN THE SAME CATEGORY TO SLs. SIMILAR PRODUCTS IMPORTED FROM MEXICO ARE COMPLETELY DUTY FREE AND AUTOMATICALLY ENTER QUOTA FREE WITHOUT HAVING TO AGREE TO OTHER LIMITATIONS.

CBI ASSEMBLES APPAREL FROM FABRIC CUT BUT NOT FORMED IN THE UNITED STATES. THESE PRODUCTS DO NOT QUALIFY FOR QR FREE ENTRY BUT DO QUALIFY FOR IMMEDIATE OR PHASED OUT DUTY-FREE TREATMENT UP TO THE TPL.

THE CBI ALSO MANUFACTURES APPAREL FROM FABRIC DIRECTLY IMPORTED FROM NON-U.S. SOURCES. THESE PRODUCTS HAVE MORE VALUE ADDED THAN THOSE USING FABRIC CUT IN THE UNITED STATES. THEY ARE, HOWEVER, SUBJECT TO FULL DUTIES UPON ENTRY INTO THE UNITED STATES. SIMILAR PRODUCTION IN MEXICO NOW QUALIFIES FOR PREFERENTIAL DUTY ENTRY UP TO THE TPL.

ALTHOUGH THE AMOUNT OF APPAREL ENTERING FROM MEXICO UNDER TPLs REMAINS FAR BELOW ALLOWABLE LEVELS, ITS ATTRACTION TO INVESTORS SHOULD NOT BE UNDERESTIMATED. MEXICO HAS THE RIGHT TO ALLOCATE DUTY-FREE PREFERENCE LEVELS TO ANY SUPPLIER AND TO ANY PRODUCT IT WISHES. THERE IS NOTHING TO PREVENT IT FROM INCREASING FUTURE ALLOCATION OF TPLs UP TO ALLOWABLE AMOUNTS.

WITHOUT NAFTA PARITY, DECISIONS ABOUT WHERE TO PRODUCE APPAREL—MEXICO OR COUNTRIES IN THE CARIBBEAN BASIN—WILL BE AFFECTED BY THE OPPORTUNITY TO GAIN TPLs IN MEXICO. EVEN COMPANIES THAT PLAN TO LIMIT PRODUCTION TO QUALIFYING PRODUCTS (NON-TPL) WOULD MOST LIKELY PREFER THE FLEXIBILITY THAT ACCESS TO TPLs WOULD GIVE.

NEVERTHELESS, FOR THE CBI REGION, PARITY IN 907A PRODUCTION IS MORE IMPORTANT THAN THE LIMITED DUTY-FREE ADVANTAGES UNDER TPLs. THUS, THE REGION WOULD ACCEPT DROPPING OR LIMITING TPLs IF POLITICALLY REQUIRED TO ASSURE THE PASSAGE OF PARITY. SOME MEMBERS OF THE CONGRESSIONAL TEXTILE CAUCUS HAVE INDICATED A WILLINGNESS TO NOT OPPOSE PARITY IF TPLs (WHICH ALLOW PREFERENCES TO BE EXTENDED TO APPAREL PRODUCED FROM THIRD-COUNTRY FABRIC) ARE EITHER EXCLUDED OR STRICTLY CONTROLLED.

APPAREL PRODUCED FROM INDIGENOUS MATERIALS IS NOT ELIGIBLE FOR DUTY-FREE OR SPECIAL QUOTA ACCESS UNDER CBI. UNDER NAFTA, APPAREL PRODUCED FROM MEXICAN MATERIALS ENTERS UNDER PREFERENTIAL DUTY RATES AND IS EXEMPT FROM QRS. ALTHOUGH SUCH APPAREL IS NOT YET A SIGNIFICANT CBI EXPORT, COTTON AND WOOL PRODUCTION IS

important in many disadvantaged regions within the Caribbean. Locally produced yarns and fabrics would also add significant value-added to production.

OTHER MANUFACTURED PRODUCT EXCLUSIONS

In addition to textiles and textile products, the original CBI legislation excluded from duty-free treatment all footwear, leather and leather goods (wallets, luggage, flat goods, leather apparel), canned tuna fish, petroleum and petroleum products, and watches made from parts produced in Communist countries.

This was amended somewhat by the CBI II legislation passed in August 1990, which provided for a phased-in duty reduction of up to 20 percent for the exclusions, except footwear, textiles, and textile products. It also provided for duty-free treatment for products assembled in the region entirely from U.S. components, except for textiles and textile products.

Parity for these products is not as pressing as it is for apparel. With the exception of petroleum and petroleum product imports, which are subject to low most favored nation (MFN) duties, imports from the region of these products are currently small. For most of these products, NAFTA duties will be phased out over a 10- or 15-year period, giving Caribbean Basin producers time to adjust. Finally, non-textile exceptions assembled from U.S. origin components enter duty free. Sizeable exports of footwear

COPRODUCED IN THE DOMINICAN REPUBLIC AND THE UNITED STATES ARE ENTERING DUTY FREE UNDER THIS COPRODUCTION PROVISION.

ON THE OTHER HAND, MANY OF THE EXCLUSIONS FROM CBI DUTY-FREE TREATMENT ARE LABOR INTENSIVE, LOW COST PRODUCTS. DUTY-FREE TREATMENT WOULD ALSO ALLOW COMPONENTS TO BE PRODUCED IN THE REGION. SINCE THE FAR EAST ALREADY DOMINATES THE U.S. MARKET FOR THESE PRODUCTS AND THEIR COMPONENTS, ANY DISPLACEMENT FROM CBI EXPORTS WOULD ONLY HAVE A LIMITED IMPACT ON U.S. PRODUCTION AND JOBS SINCE IT WOULD REPRESENT A DIVERSION FROM OTHER SOURCES.

SUGAR

U.S. IMPORTS OF MEXICAN SUGAR WILL REMAIN SUBJECT TO TRQS, WITH PROHIBITIVE DUTIES ON AMOUNTS ABOVE THE QUOTA, UNTIL 2009. THIS SHOULD PROVIDE SOME PROTECTION FROM CBI SUGAR BEING DISPLACED IN THE U.S. MARKET BY MEXICAN IMPORTS. WELL BEFORE 2009, CBI BENEFICIARIES PRODUCING SUGAR SHOULD GAIN NAFTA TREATMENT BY ACCESSING THE AGREEMENT.

THE SUGAR PROGRAM IS ALMOST AS COMPLEX AS THE REGIME FOR APPAREL. EACH YEAR, THE U.S. DEPARTMENT OF AGRICULTURE (USDA) ESTIMATES EXPECTED U.S. SUGAR CONSUMPTION AND PRODUCTION FOR THE FOLLOWING YEAR. IT THEN ESTIMATES HOW MUCH SUGAR CAN BE IMPORTED WITHOUT DRIVING U.S. PRODUCER PRICES BELOW SUPPORT LEVELS ESTABLISHED BY CONGRESS. (THE SUGAR PROGRAM PROHIBITS BUDGETARY EXPENDITURES TO SUPPORT PRICES, AND THEREFORE THE BURDEN OF MAINTAINING PRICE LEVELS FALLS SQUARELY ON RESTRICTING IMPORTS.)

A TWO-TIER TARIFF OR TRQ PROGRAM IS USED TO LIMIT SUGAR IMPORTS FROM ANY COUNTRY. COUNTRIES CAN EXPORT UP TO THEIR QUOTA ALLOCATION AT LOW OR ZERO DUTY RATES; SHIPMENTS ABOVE THAT RATE ARE SUBJECT TO PROHIBITIVE DUTIES. THE AMOUNT OF SUGAR THAT THE USDA ESTIMATES CAN BE IMPORTED WITHOUT DISRUPTING SUPPORT LEVELS BECOMES THE AMOUNT OF SUGAR THAT CAN BE IMPORTED UNDER THE LOW DUTY FRANCHE OF A TRQ. THIS AMOUNT IS SUBDIVIDED AMONG INDIVIDUAL SUPPLIERS ACCORDING TO A FORMULA BASED ON HISTORICAL MARKET SHARES. (INTERESTINGLY, THE BASE YEARS USED FOR THE CALCULATIONS PROVIDE AS LARGE A SHARE OF ALLOCATIONS AS POSSIBLE FOR CBI COUNTRIES.)

MEXICAN SUGAR WILL ONLY GAIN COMPLETE DUTY-FREE ACCESS IN MARKETING YEAR 2009-2010. UNTIL THEN MEXICO WILL BE GUARANTEED DUTY-FREE ENTRY ONLY UP TO THE BOAT LOAD LEVEL OF 7,258 METRIC TONS, WHICH IS EQUIVALENT TO THE CURRENT ALLOCATION FOR INDIVIDUAL COUNTRIES IN A BASKET CATEGORY RESERVED FOR SMALL SUPPLIERS. THIS AMOUNT WILL INCREASE AUTOMATICALLY TO THE HIGHEST DUTY-FREE ALLOCATION RECEIVED BY ANY COUNTRY IN THE BASKET.

THE ALLOCATION CAN BE INCREASED ABOVE THE GUARANTEED LEVEL IN ANY YEAR IN WHICH MEXICO IS ESTIMATED TO BE A NET SURPLUS PRODUCER AND THE SURPLUS EXCEEDS THE GUARANTEED AMOUNT. THE NET PRODUCTION SURPLUS IS DEFINED AS THE AMOUNT BY WHICH SUGAR PRODUCTION EXCEEDS CONSUMPTION OF SUGAR AND HIGH FRUCTOSE CORN SWEETENERS. IN THAT CASE, MEXICO WILL BE ABLE TO SHIP AN AMOUNT EQUIVALENT TO ITS PROJECTED SURPLUS PRODUCTION.

FOR THE FIRST SIX YEARS OF NAFTA (UNTIL MARKETING YEAR 2000-2001) THE MAXIMUM DUTY-FREE ALLOCATION FOR THE EXPORTABLE MEXICAN SURPLUS PRODUCTION IS CAPPED AT 25,000

metric tons, an amount not considered large enough to disrupt Caribbean suppliers' stake in the U.S. market.

Between market years 2000-2001 and 2009-2010, the amount can be increased to 250,000 metric tons, which would be close to 20 percent of the total low duty allocation for the world during 1994. A multimillion dollar investment in the Mexican sugar industry would be required, however, to increase capacity to the level necessary to become a significant surplus producer. Such an investment is doubtful, because Mexico is a high price supplier and the U.S. sugar program could be liberalized at any time in the future, obliterating the advantages of NAFTA (the U.S. had no sugar import quotas for a time during the 1970s).

Sugar remains an important export product for most CBI countries. Thus, although the chances are remote that Mexico would be able to generate a sufficient surplus to take advantage of the higher cap in effect between marketing years 2000-2001 and 2009-10, CBI countries must closely monitor Mexican production and exports and be ready to take political action in the United States to prevent dislocation.

Other Agricultural Products

With the exception of sugar, agricultural products from CBI countries entered the United States duty free. NAFTA would have merely levelled the playing field for Mexican products in many of these cases by eliminating CBI's preferential margin.

What has occurred, however, is that the United States is now introducing TRQs on a number of CBI agricultural imports, most notably beef and most cigarette tobacco. CBI products are not exempt from the high duty tranche of these quotas.

The TRQs on beef are part of a "tariffication" process called for in the Uruguay Round, under which QRS are to be replaced by more transparent and more easily reduced tariffs. The problem for CBI countries is that its beef has never been subject to QRS. The United States maintained the right to impose QRS on beef imports, but voluntary agreements with the largest suppliers (Australia and New Zealand) at times of heavy supplies in the United States eliminated the need to limit CBI exports. Thus, beef imports from CBI entered duty free without any limitation. Unless negotiations result in a higher allocation, CBI exports of beef to the United States will be sharply reduced under the TRQ regime.

With respect to tobacco, the Uruguay Round implementing legislation authorized the United States to negotiate TRQs to replace GATT illegal mixing restrictions. Central America, including the only major exporter to the United States, Guatemala, will be subject to TRQs. Under CBI, the product was completely duty free. Unlike the case in beef, the duty-free portion of the TRQ should be sufficient to cover current and potential shipments over the next few years. The tobacco TRQ, however, will prevent potential new suppliers, such as Nicaragua, from shipping sizeable quantities to the United States.

THE SITUATION MAY WORSEN IN THE FUTURE IF TRQS ARE APPLIED TO OTHER CBI AGRICULTURAL EXPORTS SUCH AS HORTICULTURE. UNDER U.S. LAW, IF TRQS ARE APPLIED, THE HIGH DUTY FRANCHE AUTOMATICALLY SUPERSEDES CBI DUTY-FREE TREATMENT.

OTHER TRADE PROVISIONS—NAFTA HAS MORE ADVANTAGES

ORIGIN RULES

NAFTA ORIGIN RULES HAVE A NUMBER OF ADVANTAGES OVER CBI ORIGIN RULES.

- ◆ UNDER NAFTA, U.S., MEXICAN, AND CANADIAN INPUTS ARE INTERCHANGEABLE IN ACHIEVING NAFTA ORIGIN. THE MEXICAN AND THE THIRD COUNTRY VALUE INCORPORATED IN THESE PRODUCTS ENTER THE UNITED STATES DUTY FREE. UNDER THE CBI, HOWEVER, A PRODUCT CONTAINING U.S. COMPONENTS IS NOT ELIGIBLE FOR DUTY-FREE TREATMENT UNLESS THE CBI CONTENT EQUALS AT LEAST 20 PERCENT OF ITS DIRECT COST OF PROCESSING AND THE PRODUCT IS SUBSTANTIALLY TRANSFORMED (MEANING A NEW AND DIFFERENT PRODUCT IS PRODUCED IN A CARIBBEAN COUNTRY). THIS MEANS PRODUCTS ASSEMBLED IN CBI COUNTRIES FROM U.S. COMPONENTS OFTEN FAIL TO MEET CBI ORIGIN REQUIREMENTS, AND DUTY IS ASSESSED ON THE FOREIGN VALUE ADDED.
- ◆ ANY MEXICAN PRODUCT ELIGIBLE FOR NAFTA DUTY-FREE ENTRY INTO THE UNITED STATES CAN FREELY CIRCULATE TO OTHER NAFTA COUNTRIES. THUS, U.S. MATERIALS OR COMPONENTS ASSEMBLED IN MEXICO ARE ELIGIBLE TO ENTER CANADA DUTY FREE. THE SAME PRODUCT ASSEMBLED IN CBI COUNTRIES RECEIVES NO PREFERENCES IN EITHER CANADA OR MEXICO, EVEN IF IT MEETS CBI RULES FOR DUTY-FREE ENTRY INTO THE UNITED STATES.
- ◆ COMPONENTS FROM CBI COUNTRIES ALSO DO NOT COUNT TOWARDS NAFTA ORIGIN. CARIBBEAN RUM BOTTLED IN CANADA AND REEXPORTED TO THE UNITED STATES, FOR EXAMPLE, IS DENIED DUTY-FREE TREATMENT. NAFTA PREFERENCES, BY CONTRAST, EXTEND TO MEXICAN RUM BOTTLED IN CANADA AND SOLD IN THE UNITED STATES.
- ◆ MODIFICATION OF NAFTA ORIGIN RULES REQUIRES AGREEMENT AMONG THE NAFTA PARTNERS. THE UNITED STATES CAN UNILATERALLY CHANGE CBI ORIGIN RULES AND CBI COUNTRIES HAVE NO RECOURSE TO CHALLENGE SUCH CHANGES.
- ◆ NAFTA PARTIES HAVE RECOURSE TO DISPUTE SETTLEMENT PROCEDURES SHOULD THEY DISAGREE ON QUESTIONS OF ORIGIN. THERE IS NO COMPARABLE DISPUTE SETTLEMENT MECHANISMS UNDER CBI.

ARBITRARY COUNTERVAILING AND ANTIDUMPING ACTIONS

NAFTA ALSO PROVIDES SOME PROTECTION AGAINST DUTY INCREASES UNDER U.S. ANTIDUMPING AND COUNTERVAILING DUTY LAW. NAFTA PROVIDES FOR BINATIONAL PANELS TO REVIEW ANTIDUMPING AND COUNTERVAILING DUTY ORDERS CHALLENGED BY ANY OF THE PARTIES. CBI DOES NOT PROVIDE ANY MECHANISM FOR REVIEW OF UNFAIR TRADE PRACTICE CASES. ON THE OTHER HAND, CBI PROVISIONS INCLUDE RULES AGAINST CUMULATION, WHICH MAKE IT DIFFICULT TO MAKE AFFIRMATIVE INJURY DETERMINATIONS AGAINST IMPORTS FROM THE REGION.

SECURITY OF CONCESSIONS

CBI CONCESSIONS CAN BE WITHDRAWN OR REDUCED UNILATERALLY BY THE UNITED STATES AT ANY TIME. CBI COUNTRIES HAVE NO RECOURSE TO DISPUTE SETTLEMENT. NAFTA CONCESSIONS ARE CONTRACTUAL AND CAN ONLY BE WITHDRAWN OR REDUCED THROUGH SPECIFIC PROCEDURES. ANY SUCH ACTION IS SUBJECT TO DISPUTE SETTLEMENT.

THIS INSECURITY CANNOT BE ADDRESSED EFFECTIVELY THROUGH PARITY LEGISLATION BECAUSE, IN THE ABSENCE OF A CONTRACTUAL ARRANGEMENT, THE UNITED STATES RETAINS THE RIGHT TO UNILATERALLY WITHDRAW CONCESSIONS. CONCESSIONS CAN ONLY BECOME SECURE WHEN CBI COUNTRIES ACCEDE TO NAFTA OR ENTER INTO CONTRACTUAL RELATIONS WITH THE UNITED STATES.

BEFORE NAFTA WAS IMPLEMENTED, CBI COUNTRIES HAD MORE SECURE DUTY-FREE ACCESS INTO THE U.S. MARKET THAN MEXICO DID. MEXICO WAS A BENEFICIARY OF THE GSP SYSTEM, AND ABOUT 20 PERCENT OF ITS IMPORTS ENTERED DUTY FREE UNDER THIS PROGRAM. GSP CONCESSIONS WERE LESS SECURE THAN THOSE UNDER CBI, AND THE GSP REQUIRED AN ANNUAL PRODUCT REVIEW WHICH COULD LEAD TO IMPORTS FROM ANY COUNTRY LOSING DUTY-FREE STATUS.

CBI IS A PERMANENT PROGRAM AND CAN ONLY BE TERMINATED THROUGH LEGISLATION. GSP MUST BE RENEWED PERIODICALLY AND IN FACT WILL EXPIRE AUGUST 1, 1995, UNLESS RENEWED. CBI HAS NO ANNUAL PRODUCT REVIEW OR COMPETITIVE NEED LIMITATIONS AND THE U.S. ADMINISTRATION IS CIRCUMSCRIBED IN ITS UNILATERAL RIGHT TO WITHDRAW SPECIFIC CBI BENEFITS. PRODUCTS ARE USUALLY ONLY REMOVED FROM CBI IF FOUND TO DIRECTLY CONTRIBUTE TO SERIOUS INJURY.

MEXICO'S GSP PRODUCTS WERE GRANTED IMMEDIATE CONTRACTUAL DUTY-FREE TREATMENT UNDER NAFTA, REVERSING THE SITUATION.

COUNTRY REMOVAL. A MAJOR INSECURITY OF CBI IS THAT THE U.S. PRESIDENT CAN WITHDRAW OR SUSPEND THE DESIGNATION OF ANY COUNTRY OR WITHDRAW, SUSPEND, OR LIMIT THE APPLICATION OF DUTY-FREE TREATMENT FOR ANY ELIGIBLE ARTICLE OF THAT COUNTRY IF HE DETERMINES THAT, BASED ON CHANGED CIRCUMSTANCES, THAT COUNTRY WOULD NOT HAVE MET THE ORIGINAL CRITERIA FOR DESIGNATION. THE DECISION IS MADE UNILATERALLY BY THE UNITED STATES. PANAMA, FOR EXAMPLE, WAS REMOVED FROM CBI DESIGNATION DURING THE NORIEGA ADMINISTRATION. (HAITI NEVER FORMALLY LOST ITS CBI DESIGNATION, ALTHOUGH THE DESIGNATION LOST MUCH OF ITS SIGNIFICANCE DURING THE EMBARGO PERIODS.)

THE UNITED STATES CAN WITHDRAW FROM NAFTA, BUT IT IS HIGHLY UNLIKELY TO DO SO. WITHDRAWAL WOULD HAVE SERIOUS POLITICAL AND ECONOMIC CONSEQUENCES FAR BEYOND THE IMMEDIATE TRADE IMPACT.

LABOR PROVISIONS. INVESTIGATIONS INVOLVING ALLEGED LABOR RIGHTS VIOLATIONS ARE A SIGNIFICANT THREAT TO THE CONTINUATION OF CBI ELIGIBILITY AND ARE ANOTHER IMPORTANT SOURCE OF INSECURITY. SEVERAL CBI BENEFICIARIES, INCLUDING COSTA RICA, THE DOMINICAN REPUBLIC, EL SALVADOR, GUATEMALA, AND PANAMA, HAVE BEEN OR ARE CURRENTLY SUBJECT TO GSP REVIEWS ON LABOR RIGHTS GROUNDS. U.S. LABOR UNIONS PREFER THE GSP/CBI LABOR PROVISIONS TO THE NAFTA PROVISIONS BECAUSE THEY ALLOW AND IN SOME CASES REQUIRE THE UNITED STATES TO UNILATERALLY WITHDRAW PREFERENTIAL TREATMENT.

THE NAFTA SIDE AGREEMENT ON LABOR PROVIDES FOR VIOLATIONS OF LABOR RIGHTS TO BE BROUGHT BEFORE A NAFTA TRIBUNAL. INVESTORS IN MEXICO, UNLIKE IN CBI BENEFICIARIES, DO NOT RISK LOSING TRADE CONCESSIONS OVER THIS ISSUE. THE ONLY RISK TO INVESTORS UNDER NAFTA IS A POSSIBLE FINE ON IMPORTS PRODUCED BY WORKERS AFFECTED BY A PERSISTENT LACK OF ENFORCEMENT OF WORKER SAFETY, MINIMUM WAGE, AND CHILD LABOR STANDARDS, AND THIS ONLY AFTER A LONG AND RIGOROUS PERIOD OF REVIEW IN WHICH MEXICO WOULD BE AN ACTIVE PARTICIPANT.

PRODUCT REMOVAL. IN ADDITION TO REMOVING A COUNTRY FROM ELIGIBILITY, THE UNITED STATES CAN ALSO REDUCE BENEFITS IF A COUNTRY IS FOUND TO BE IN VIOLATION OF ELIGIBILITY REQUIREMENTS. PRODUCTS COULD BE REMOVED FROM CBI AND ELIGIBILITY RULES CHANGED AT ANY TIME THROUGH LEGISLATION. THE UNITED STATES CANNOT ACT UNILATERALLY UNDER NAFTA TO WITHDRAW CONCESSIONS.

OTHER SUPERIOR NAFTA PROVISIONS

BOTH NAFTA AND CBI COVER A NUMBER OF TRADE-RELATED AREAS. CBI COVERS THEM INDIRECTLY THROUGH THE ESTABLISHMENT OF CRITERIA FOR COUNTRY DESIGNATION. ANNUAL GSP COUNTRY REVIEWS COULD ALSO RESULT IN REMOVAL OF A COUNTRY FROM CBI ELIGIBILITY OR A REDUCTION IN BENEFITS. NAFTA ADDRESSES THESE ISSUES THROUGH CONTRACTUAL ARRANGEMENTS. NAFTA COVERS A NUMBER OF AREAS OF INTEREST TO FOREIGN INVESTORS THAT ARE NOT ADDRESSED UNDER CBI. FOREIGN INVESTMENT, SERVICES, TEMPORARY ENTRY OF BUSINESS PERSONS, AND STANDARDS SETTING ARE AREAS WHERE NAFTA OFFERS GREATER PROTECTION TO INVESTORS THAN DOES CBI.

INVESTMENT

NAFTA PROVISIONS ON INVESTMENT OFFER FAR GREATER ASSURANCES THAN CBI. NAFTA GUARANTEES U.S. INVESTORS THE BETTER OF NATIONAL OR MFN TREATMENT, ACCESS TO MOST SECTORS OF THE ECONOMY, AND ACCESS TO INTERNATIONAL ARBITRATION IN CASE OF INVESTOR-STATE DISPUTES.

CBI ELIGIBILITY REQUIREMENTS ADDRESS ONLY INVESTMENT DISPUTES AND ARBITRAL AWARDS. THEY NEITHER GRANT MFN OR NATIONAL TREATMENT TO INVESTORS NOR DEAL WITH PROBLEMS OF ACCESS TO SPECIFIC SECTORS.

CONDITIONS FOR CBI ELIGIBILITY ALLOW THE UNITED STATES TO REMOVE A COUNTRY OR REDUCE BENEFITS FOR EXPROPRIATION OF U.S. INVESTMENT OR FAILURE TO HONOR ARBITRATION AWARDS, BUT THERE IS NO REQUIREMENT TO TAKE SUCH ACTION AND PROCEDURES FOR REVIEW AND INVESTIGATION OF COUNTRIES ARE CLUMSY. THUS INVESTORS PREFER THE PROTECTION OF NAFTA BECAUSE THEY ARE ASSURED RELIEF IF THEY WIN THE ARBITRATION.

SERVICES

NAFTA CONCESSIONS IN THE SERVICES SECTOR ARE ALSO LIKELY TO ATTRACT INVESTMENT TO MEXICO. CBI PROVISIONS OR CONDITIONS DO NOT ADDRESS SERVICES.

FINANCIAL SERVICES. NAFTA ALLOWS U.S. AND CANADIAN FINANCIAL INSTITUTIONS TO ESTABLISH SUBSIDIARIES IN MEXICO. THERE WILL BE LIMITS ON MARKET SHARE DURING AN INITIAL TRANSITION PERIOD ENDING IN 2004. CBI DOES NOT ADDRESS FINANCIAL SERVICES.

TELECOMMUNICATIONS. NAFTA CALLS FOR THE REASONABLE AND NONDISCRIMINATORY AVAILABILITY OF PUBLIC TELECOMMUNICATIONS NETWORKS AND SERVICES, AND IMPOSES DISCIPLINE ON MONOPOLY PROVIDERS. CBI DOES NOT ADDRESS TELECOMMUNICATIONS.

SURFACE TRANSPORTATION. NAFTA INCLUDES A SCHEDULE FOR REMOVING MANY BARRIERS TO SURFACE TRANSPORTATION, PARTICULARLY THOSE AFFECTING TRUCK OPERATORS AND, TO VARYING DEGREES, RAIL AND LAND-SIDE ASPECTS OF MARINE TRANSPORT. CBI HAS NO SIMILAR PROVISIONS.

TEMPORARY ENTRY FOR BUSINESS PERSONS. NAFTA CONTAINS PROVISIONS GUARANTEEING BUSINESS PROFESSIONALS THE RIGHT TO ENTER NAFTA COUNTRIES AND TO WORK FOR NAFTA ENTERPRISES. THESE PROVISIONS ASSURE POTENTIAL INVESTORS THAT MANAGERIAL AND TECHNICAL PERSONNEL WILL BE AVAILABLE. CBI DOES NOT ADDRESS THIS ISSUE.

PARTICIPATION IN STANDARDS SETTING. THE NEED TO MEET DIVERGENT AND FLUCTUATING STANDARDS, WHICH ARE SOMETIMES DISGUISED TRADE BARRIERS, CAN BE A MAJOR IMPEDIMENT TO CROSSBORDER MOVEMENT OF SERVICES AND GOODS. STANDARDS INCLUDE HEALTH, SAFETY, LABELLING, AND SANITARY AND PHYTOSANITARY REQUIREMENTS TO PROTECT WORKERS, PRODUCERS, AND CONSUMERS. FOREIGN SERVICES PROVIDERS (LAWYERS, ENGINEERS, ETC.) CAN ALSO CONFRONT BARRIERS IN THE FORM OF LOCAL PROFESSIONAL CERTIFICATION REQUIREMENTS.

IN ITS CHAPTERS OR SUBCHAPTERS ON SANITARY AND PHYTOSANITARY MEASURES, STANDARD RELATED MEASURES AND SERVICES, NAFTA CONTAINS PROCEDURES FOR UPWARD HARMONIZATION OF STANDARDS AND REQUIREMENTS, MUTUAL RECOGNITION OF CERTIFYING ORGANIZATIONS, AND DISPUTE SETTLEMENT IN CASES WHERE STANDARDS UNJUSTIFIABLY INTERFERE WITH TRADE. CBI DOES NOT ADDRESS THIS ISSUE.

SUPERIOR CBI PROVISIONS

CBI DOES HAVE SOME ADVANTAGES OVER NAFTA. THESE INCLUDE (1) TEMPORARY PREFERENTIAL MARGINS OVER MEXICO FOR A NUMBER OF SENSITIVE PRODUCTS; (2) THE EXCLUSION FROM CUMULATION IN ANTIDUMPING AND COUNTERVAILING CASES; (3) FULL ACCESS TO DUTY DRAWBACK; AND, (4) ACCESS TO SECTION 936 DEVELOPMENT FUNDS FROM PUERTO RICO.

TEMPORARY TARIFF PREFERENCES

DUTIES ON ABOUT 50 PERCENT OF U.S. IMPORTS FROM MEXICO ARE SUBJECT TO PHASED, RATHER THAN IMMEDIATE, ELIMINATION UNDER NAFTA. UNTIL DUTIES ARE ELIMINATED, CBI COUNTRIES WILL ENJOY A MARGIN OF PREFERENCE, ALTHOUGH

THIS WILL DECREASE EACH YEAR. THIS MARGIN DOES NOT EXIST FOR PRODUCTS EXCLUDED FROM CBI, SUCH AS APPAREL.

CUMULATION

IN COUNTERVAILING AND ANTIDUMPING INJURY INVESTIGATIONS, THE U.S. INTERNATIONAL TRADE COMMISSION CONSIDERS IMPORTS FROM ALL COUNTRIES SUBJECT TO COMPLAINT. THUS EVEN IF IMPORTS FROM A SINGLE SUPPLIER BY THEMSELVES ARE NOT MATERIALLY INJURING U.S. PRODUCERS, THAT COUNTRY IS STILL INCLUDED IN ANY FINAL AFFIRMATIVE DETERMINATION. THE ONLY EXCEPTION TO "CUMULATION" OCCURS WHEN THE QUANTITY OF IMPORTS DERIVED FROM A COUNTRY IS CONSIDERED TO BE *DE MINIMIS*.

IMPORTS FROM CBI BENEFICIARIES ARE NOT CUMULATED WITH IMPORTS FROM OTHER COUNTRIES IN THESE INVESTIGATIONS. SINCE CBI PRODUCTS USUALLY HAVE ONLY SMALL MARKET PENETRATION, THIS PROVISION WILL SHIELD THEM IN MOST CASES FROM DUMPING DUTIES WHEN THEY ARE NOT MAJOR SUPPLIERS TO THE U.S. MARKET.

THERE IS NO NAFTA EXEMPTION FOR MEXICO FROM CUMULATION. MEXICAN IMPORTS CAN BE SUBJECT TO PENALTY DUTIES IN UNFAIR TRADE CASES EVEN IF BY THEMSELVES THEY ARE NOT CAUSING MATERIAL INJURY.

ACCESS TO 936 FUNDS

CBI BENEFICIARIES ARE ALSO ELIGIBLE FOR LOW COST SECTION 936 FUNDS—PRIVATE SECTOR FUNDS DEPOSITED IN PUERTO RICO THAT BENEFIT FROM SPECIAL TAX TREATMENT AS LONG AS THEY ARE NOT REPATRIATED TO THE UNITED STATES. THESE DEPOSITS CAN BE USED FOR INVESTMENTS IN THE CBI BENEFICIARY COUNTRIES. THE CORPORATE TAX CONCESSIONS ON WHICH THIS BENEFIT IS BASED, HOWEVER, ARE UNDER CONSTANT ATTACK BY THE U.S. CONGRESS.

MEXICO HAS NO ACCESS TO SECTION 936 FUNDS, ALTHOUGH INVESTMENT FUNDS HAVE BEEN ESTABLISHED TO ASSIST IN ENVIRONMENTAL CLEANUP AND LABOR ADJUSTMENT IN NAFTA COUNTRIES. IN ADDITION, THE NORTH AMERICAN DEVELOPMENT BANK WILL PROVIDE A SOURCE OF FINANCING FOR NAFTA PROJECTS.

RULES OF ORIGIN

IN SOME AREAS, CBI RULES OF ORIGIN MAY BE MORE ADVANTAGEOUS THAN NAFTA RULES. IN A NUMBER OF IMPORT-SENSITIVE PRODUCT AREAS, NAFTA HAS SPECIAL RULES DISCOURAGING THE USE OF NON-NAFTA COMPONENTS. FOR EXAMPLE, NO TELEVISION CONTAINING A NON-NAFTA PICTURE TUBE CAN GAIN NAFTA ORIGIN, EVEN IF IT MEETS GENERAL NAFTA ORIGIN RULES. CBI ORIGIN RULES ARE MORE LIBERAL IN THESE INSTANCES THAN NAFTA RULES.

DRAWBACK

CBI IMPOSES NO LIMITATIONS ON COUNTRIES' CONFERRAL OF DUTY DRAWBACK BENEFITS TO THIRD COUNTRY IMPORTS INCORPORATED INTO PRODUCTS THAT ARE SUBSEQUENTLY EXPORTED TO THE UNITED STATES UNDER CBI. UNDER NAFTA, MEXICAN DUTY DRAWBACK WILL BE LIMITED BY JANUARY 1, 2001 TO AN AMOUNT NOT EXCEEDING THE U.S. IMPORT DUTY. SINCE PRODUCTS ELIGIBLE FOR NAFTA WILL EVENTUALLY PAY NO DUTIES, THIS AMOUNTS TO A COMPLETE PHASEOUT OF DUTY DRAWBACKS ON NON-NAFTA COMPONENTS. BY 2001, THE SAME RULES LIMITING DRAWBACK WILL PROBABLY ALSO APPLY TO CBI BENEFICIARIES.

EVALUATION OF THE PARITY BILL

AT THE TIME OF THIS WRITING, IT IS NOT CLEAR WHETHER THE 104TH CONGRESS WILL ENACT THE PARITY BILL. ALTHOUGH REPORTED BY THE TRADE SUBCOMMITTEE OF THE WAYS AND MEANS COMMITTEE AND SUPPORTED BY A NUMBER OF INFLUENTIAL MEMBERS OF CONGRESS ON BOTH SIDES OF THE AISLE, IT FACES A NUMBER OF HURDLES. THESE INCLUDE THE NEED TO FIND BUDGETARY OFFSETS TO REDUCED TARIFF REVENUES, WASHINGTON "TRADE FATIGUE" AFTER TWO YEARS OF CONCENTRATION ON THE URUGUAY ROUND AND NAFTA, THE UNCERTAIN TRADE STANCE OF THE LARGE FRESHMAN CLASS, AND OPPOSITION BY KEY MEMBERS OF THE TEXTILE CAUCUS.

IF ENACTED, THE PARITY BILL WILL ADDRESS THE FOLLOWING.

- ◆ THE BILL WILL EXTEND FULL PARITY WITH NAFTA TO ALL MANUFACTURED PRODUCTS CURRENTLY EXCLUDED FROM DUTY-FREE TREATMENT UNDER CBI. THE MOST SIGNIFICANT IMPACT FROM THE CBI VIEWPOINT WILL BE TARIFF AND NONTARIFF TREATMENT OF CBI APPAREL IMPORTS INTO THE UNITED STATES.
- ◆ THE BILL CONTINUES THE PRESSURE ON CBI COUNTRIES TO CARRY OUT INTERNAL REFORMS BY REQUIRING CBI COUNTRIES TO ASSUME WORLD CLASS OBLIGATIONS AS A CONDITION FOR CONTINUING ELIGIBILITY AND MANDATING THE ADMINISTRATION TO SUBMIT PERIODIC REPORTS ON CBI LIBERALIZATION TO CONGRESS.

- ◆ BY PROVIDING PARITY BENEFITS FOR ONLY UP TO 10 YEARS AND NOT COVERING ALL AREAS WHERE CBI COUNTRIES ARE AT A DISADVANTAGE, THE BILL SHOULD ALSO ACT AS A SPUR TO NAFTA MEMBERSHIP. ALSO, IT APPEARS TO REQUIRE NEGOTIATION OF SO-CALLED BUILDING BLOCK AGREEMENTS GUARANTEEING ACCESS AND FAIR TREATMENT OF FOREIGN INVESTMENT AND PROTECTION OF INTELLECTUAL PROPERTY RIGHTS.

THE BILL DOES NOT CORRECT OTHER DEFICIENCIES OF CBI COMPARED TO NAFTA. A NUMBER OF THESE DEFICIENCIES CANNOT BE ADEQUATELY ADDRESSED UNTIL CBI COUNTRIES EITHER JOIN NAFTA OR ENTER INTO SOME OTHER TYPE OF CONTRACTUAL ARRANGEMENT.

- ◆ THE ABSENCE OF A CONTRACTUAL AGREEMENT MEANS THAT CBI CONCESSIONS CANNOT BE AS SECURE AS CONCESSIONS UNDER NAFTA.
- ◆ THE UNITED STATES HAS THE RIGHT TO MAKE UNILATERAL DECISIONS AND TAKE UNILATERAL ACTION, AND THERE IS NO DISPUTE SETTLEMENT MECHANISM IN THE CBI.
- ◆ CBI PRODUCTS WOULD STILL BE UNABLE TO FREELY CIRCULATE THROUGHOUT THE NAFTA MARKET, AND CBI COMPONENTS WILL NOT COUNT TOWARDS NAFTA ORIGIN.
- ◆ SINCE PARITY WILL BE TEMPORARY, LESS EXTENSIVE IN COVERAGE, AND LESS SECURE IN CONCESSIONS THAN NAFTA, MEXICO WILL REMAIN MORE ATTRACTIVE TO FOREIGN INVESTORS.
- ◆ THE BILL DOES NOT ADDRESS THE IMPOSITION OF TRQS ON FORMERLY DUTY-FREE CBI AGRICULTURAL PRODUCTS.

THESE ISSUES WILL BE ADDRESSED IN NAFTA NEGOTIATIONS. ONCE CBI COUNTRIES ACCEDE TO NAFTA, REMAINING VESTIGES OF INEQUALITY SHOULD BE ELIMINATED.

Heading into the 21st Century: Seven Challenges Facing the Caribbean

GEORGES A. FAURIOL AND G. PHILIP HUGHES

THE OPENING SECTION OF THIS REPORT OUTLINES SEVEN POLICY MARKERS THAT SHAPE U.S.-CARIBBEAN RELATIONS INTO THE EARLY PART OF THE 21ST CENTURY. THESE WERE TAKEN UP IN VARYING FORMS BY THE FOUR ESSAYS THAT CONSTITUTE THE BODY OF THE REPORT.

THE CHAPTER BY ANTHONY BRYAN EMPHASIZES THE STRATEGIC CHALLENGE FACING THE CARIBBEAN: ITS ABILITY TO RESPOND EFFECTIVELY TO THE DYNAMIC TRADE, INVESTMENT, AND BUSINESS ENVIRONMENT IN THE HEMISPHERE. THE VERDICT IS STILL OUT, DESPITE SOME ENCOURAGING POLICY INITIATIVES BY INDIVIDUAL GOVERNMENTS IN THE REGION. BRYAN NOTES THAT PART OF THE CHALLENGE RESIDES IN THE CHANGING PERCEPTIONS OF WHAT REGIONAL INTEGRATION IMPLIES. THIS IS NOW SEEN IN THE OVERLAPPING SUBREGIONAL ARRANGEMENTS THAT FRAME CARIBBEAN POLICIES—FROM THE CARIBBEAN COMMUNITY (CARICOM) TO THE NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA) TO THE ASSOCIATION OF AMERICAN STATES (ACS).

THE FOLLOW-ON CONTRIBUTION BY G. PHILIP HUGHES UNDERSCORES THE TENSION BETWEEN THE FEARS OF THE CARIBBEAN REGION BEING BYPASSED AND OVERWHELMED BY "BIG-COUNTRY INTERESTS" AND THE DANGERS FOR U.S. POLICY THAT ENSUE FROM THIS INATTENTION. A CAREFUL ARGUMENT CAN BE MADE THAT SUGGESTS THAT THE EROSION OF CORE U.S. INTERESTS IN THE REGION CAN BE ARRESTED BY CARIBBEAN GOVERNMENTS INSERTING THEMSELVES INTO THE DEBATE OVER THEIR RELATIVE IMPORTANCE. IN RECENT YEARS, SOME GOVERNMENTS HAVE INDEED DONE JUST THAT, AND A PRODUCTIVE DIALOGUE HAS ENSUED.

FOR HIS PART, LLOYD SEARWAR REMINDS THE READER OF THE REALITIES OF "BEING SMALL," WHICH SOME CARIBBEAN GOVERNMENTS HAVE AT TIMES USED AS THE ARGUMENT FOR CONCESSIONS AND SPECIAL STATUS IN THE POLICIES OF THE UNITED STATES. THAT EMPHASIS, HOWEVER, HAS ALSO REENFORCED THE NOTION IN WASHINGTON THAT THE CARIBBEAN IS OF MARGINAL POLICY SALIENCE. THERE ARE PRACTICAL DISTINCTIONS TO BE MADE BETWEEN THE SMALLEST CARIBBEAN STATES THAT OPERATE UNDER GENUINE STRUCTURAL LIMITATIONS AND THE LARGER COUNTRIES. THE CARIBBEAN IS NOT MONOLITHIC AND THE SUCCESS OF THE 1990S AND BEYOND REVOLVES AROUND THE ABILITIES OF U.S. AND CARIBBEAN POLICIES, IN TANDEM, TO BE SENSITIVE TO THIS REALITY.

THESE THEMES ARE PICKED UP BY STEPHEN LANDE AND NELLIS CRIGLER IN THE TRADE CONTEXT, FOCUSING ON THE NEED FOR PARITY BETWEEN NAFTA BENEFITS AND CBI PREFERENCES. THE LOGIC FOR U.S. POLICY IS THE NEED TO LIMIT THE ADVERSE EFFECTS OF NAFTA COMPETITION ON THE ECONOMIC AND SOCIAL ENVIRONMENT OF THE CARIBBEAN WHILE IN EFFECT ENCOURAGING GREATER TRADE RECIPROCITY FROM CBI COUNTRIES—AND IN THE LONG RUN EXPANDED HEMISPHERIC

LIBERALIZED TRADE.

WHERE IS THE U.S.-CARIBBEAN RELATIONSHIP HEADED FOR THE EARLY PART OF THE 21ST CENTURY? IT IS OBVIOUS WHY THE UNITED STATES IS IMPORTANT TO THE CARIBBEAN. BUT WHAT IS THE IMPORTANCE OF THE CARIBBEAN TO U.S. INTERESTS?

TRADITIONALLY, THE CARIBBEAN HAS BEEN IMPORTANT TO U.S. SECURITY, BUT THIS IS NO LONGER AN ADEQUATE ANSWER IN THE POST-COLD WAR ERA. THE UNITED STATES HAS TENDED TO ANSWER THIS QUESTION WITHOUT INPUT FROM THE REGION. IT IS THEREFORE VITALLY IMPORTANT FOR CARIBBEAN GOVERNMENTS TO INSERT THEMSELVES INTO THE DEBATE OVER THEIR RELATIVE IMPORTANCE.

IF CARIBBEAN GOVERNMENTS ARE TO SECURE A POSITIVE RESPONSE FROM WASHINGTON, THEY MUST HAVE A CONCRETE, REALISTIC APPRECIATION OF THEIR STATUS. THEY MUST BE ABLE TO IDENTIFY SPECIFICALLY WHAT THEY BRING TO THE TABLE IN THEIR BILATERAL RELATIONS WITH THE UNITED STATES. BEYOND THE QUESTION OF FUNDAMENTAL INTEREST, THOUGH, THE CARIBBEAN GOVERNMENTS MUST ADDRESS A NUMBER OF IMPORTANT CHALLENGES:

1. DEVISING REALISTIC ECONOMIC AND DEVELOPMENT STRATEGIES IN THE FACE OF A CHANGING WORLD ECONOMIC ORDER;
2. PROTECTING AGAINST THREATS TO DEMOCRACY;
3. COPING WITH CRISES OR REVOLUTIONARY CHANGE IN HAITI AND CUBA;
4. PROMOTING A REALISTIC FORM OF REGIONAL INTEGRATION;
5. STRENGTHENING THE CARIBBEAN'S INTERNATIONAL ROLE;
6. CONTENDING WITH TRANSNATIONAL ISSUES SUCH AS DRUG TRAFFICKING, MIGRATION, AND THE ENVIRONMENT; AND
7. SUSTAINING U.S. COOPERATION AND ENGAGEMENT IN THE REGION.

THE SEVEN CHALLENGES

1. ECONOMIC AND DEVELOPMENT DEMANDS

U.S. EFFORTS TO REDUCE TARIFF BARRIERS AND INSTITUTE RECIPROCAL TRADE RELATIONS IN THE WESTERN HEMISPHERE WILL DILUTE THE CARIBBEAN REGION'S ONE-WAY FREE TRADE ACCESS TO THE U.S. MARKET UNDER THE CARIBBEAN BASIN INITIATIVE (CBI). THE EROSION OF THE CBI IS NOTHING NEW: IN 1991 THE UNITED STATES EXTENDED TRADE BENEFITS TO COLOMBIA, PERU, AND CHILE UNDER THE ANDEAN TRADE PREFERENCE ACT TO HELP THESE COCAINE-PRODUCING COUNTRIES COMBAT DRUG TRAFFICKING. NAFTA, HOWEVER, WILL SERIOUSLY ERODE CBI TRADE CONCESSIONS. NAFTA, AND THE PROSPECT OF ITS EXTENSION TO OTHER COUNTRIES IN THE HEMISPHERE, WILL INCREASE PRESSURE ON CARIBBEAN NATIONS TO OPEN THEIR MARKETS RECIPROCALLY TO THE NAFTA PARTNERS—AND PERHAPS EVENTUALLY TO OTHER HEMISPHERIC NEIGHBORS.

THIS PRESSURE WILL POSE A PROFOUND CHALLENGE NOT ONLY TO THE REGION'S MANUFACTURING ENTERPRISES BUT ALSO TO THE FUNDAMENTAL ECONOMIC STRATEGY PURSUED BY CARIBBEAN GOVERNMENTS. THE CARIBBEAN HAS PREVIOUSLY MET ITS TRADITIONAL GOALS OF ECONOMIC GROWTH AND DIVERSIFICATION BY ENCOURAGING MANUFACTURING FIRMS TO SET UP SHOP IN THE REGION AND PRODUCE CONSUMER PRODUCTS THAT WOULD OTHERWISE BE IMPORTED. THIS IMPORT-SUBSTITUTION APPROACH (AS DISCUSSED EARLIER IN THIS VOLUME) WAS DESIGNED TO CONSERVE FOREIGN CURRENCY THAT WOULD OTHERWISE HAVE BEEN SPENT ON IMPORTS, WHILE GENERATING LOCAL EMPLOYMENT—ESPECIALLY IN MORE HIGHLY SKILLED OCCUPATIONS RATHER THAN TRADITIONAL AGRICULTURAL WORK.

BUT THE MINUSCULE SIZE OF THE DOMESTIC MARKETS SERVED BY THESE FIRMS HAS DICTATED AN UNUSUALLY HIGH DEGREE OF PROTECTION THROUGH AN ASSORTMENT OF TARIFF AND NONTARIFF BARRIERS, INCLUDING OUTHRIGHT PROHIBITIONS ON IMPORTING COMPETING PRODUCTS (SO-CALLED NEGATIVE LISTS). FREQUENTLY, WHEN GOVERNMENTS HAVE HAD A FINANCIAL STAKE IN THESE ENTERPRISES, THEY HAVE REQUIRED PUBLIC SUBSIDIES AS WELL. THESE IMPORT SUBSTITUTING FIRMS TYPICALLY HAVE NOT BEEN ORIENTED TOWARD PRODUCTION FOR EXPORT. EXCEPTIONS TO THIS RULE HAVE GENERALLY RESULTED FROM TWO SOURCES: (1) THE BUSINESS STRATEGIES OF CARIBBEAN FIRMS THAT MUST EXPAND BEYOND STAGNANT OR OVERLY-CONFINING DOMESTIC MARKETS, OR (2) INVESTMENTS BY MAJOR MULTINATIONAL FIRMS THAT TAKE ADVANTAGE OF LOWER INTRA-CARICOM TARIFFS.

IMPORT SUBSTITUTING INDUSTRIES WILL FACE SEVERE COMPETITIVE PRESSURE AS TRADE LIBERALIZATION PROGRESSES. THOSE CARIBBEAN FIRMS CAPABLE OF MAKING THE TRANSITION WILL NEED TO BECOME MUCH MORE EXPORT ORIENTED. MAJOR CARIBBEAN CONCERNS WHOSE BUSINESS REMAINS BY TRADITION CONCENTRATED IN A SINGLE COUNTRY OR ISLAND WILL NEED TO EXPAND TO A MORE REGIONAL MARKET, IF FOR NO OTHER REASON THAN TO ACHIEVE THE "CRITICAL MASS" IN THE MARKETPLACE THAT IS NEEDED TO MEET EXTERNAL COMPETITION. CARIBBEAN FIRMS WILL HAVE TO DETERMINE WHERE THEIR TRUE AREAS OF COMPARATIVE ADVANTAGE LAY AND AGGRESSIVELY DEVELOP THESE LINES OF BUSINESS.

THE PRESSURES FACING CARIBBEAN MANUFACTURERS WILL BE INTENSIFIED BY NAFTA'S MARKET OPENING PROVISIONS IN THE FINANCIAL AND SERVICES SECTORS. ALTHOUGH A NUMBER OF CARIBBEAN NATIONS AND DEPENDENT TERRITORIES HAVE SUCCESSFULLY BUILT UP THE OFFSHORE FINANCIAL SERVICES SECTORS OF THEIR ECONOMIES IN THE PAST TWO DECADES, AND THEIR BANKING SECTORS HAVE GENERALLY BEEN OPEN TO FOREIGN OPERATORS, MANY OTHER AREAS OF PROFESSIONAL SERVICES ARE UNACCUSTOMED TO FACING OUTSIDE COMPETITION. IF, IN THE PROCESS OF ALIGNING THEMSELVES WITH NAFTA, CARIBBEAN NATIONS ADOPTED NAFTA-LIKE MARKET OPENING PROVISIONS IN THESE SERVICE SECTORS, AS PRESUMABLY THEY WOULD HAVE TO DO, THE RESULTS MIGHT UPSET SOME TRADITION BOUND AND COMFORTABLY WELL OFF PROFESSIONAL SEGMENTS OF CARIBBEAN SOCIETIES.

ALONGSIDE NAFTA'S CHALLENGES TO THE MANUFACTURING AND SERVICES SECTORS, PREFERENCES FOR TRADITIONAL CARIBBEAN AGRICULTURAL PRODUCTS—SUCH AS BANANAS AND SUGAR IN THE EUROPEAN MARKET—WILL BE REDUCED AND PERHAPS EVENTUALLY ELIMINATED. THE SINGLE EUROPEAN MARKET IMPLEMENTED FROM THE BEGINNING OF 1993 REQUIRED THE CONVERSION OF THE CARIBBEAN'S TRADITIONAL QUOTA-BASED ACCESS TO THE U.K. MARKET INTO A TARIFF-REGULATED QUOTA ARRANGEMENT FOR THE EUROPEAN MARKET. ALTHOUGH THIS ARRANGEMENT HAS THUS FAR PRESERVED PREFERENTIAL CARIBBEAN ACCESS TO THE EUROPEAN MARKET, A DETERIORATING BRITISH POUND INITIALLY REDUCED REAL EARNINGS FOR EASTERN CARIBBEAN AND JAMAICAN BANANA FARMERS—A RESULT SOME MISTAKENLY ATTRIBUTED TO THE NEW ACCESS ARRANGEMENT. THE EUROPEAN UNION'S LOMÉ IV AGREEMENT WITH CARIBBEAN AND OTHER PARTICIPATING COUNTRIES IS DUE TO EXPIRE IN 1999, AND MANY DOUBT THAT THE LOMÉ'S CONCESSIONAL ACCESS ARRANGEMENTS WILL BE RENEWED.

MANY CARIBBEAN GOVERNMENTS ARE THUS LIKELY TO ENCOUNTER HOBSON'S CHOICE IN BOTH THE AGRICULTURAL AND MANUFACTURING SECTORS AS THE 21ST CENTURY DAWNS: EITHER PHASING OUT UNECONOMIC PRODUCTION AS TRADE BARRIERS DROP AND PREFERENTIAL ACCESS DECLINES—WHICH WOULD RISK SEVERE ECONOMIC DISLOCATION AND SOCIAL DISCONTENT—OR ATTEMPTING TO MAINTAIN UNECONOMIC PRODUCTION BEHIND CONTINUING MARKET PROTECTION AND PERHAPS WITH DOMESTIC SUBSIDIES, RISKING AN INSUPPORTABLE DRAIN ON FOREIGN EXCHANGE BALANCES AND NATIONAL BUDGETS.

THIS HOBSONIAN SCENARIO MIGHT SUGGEST THE URGENT NEED FOR ECONOMIC DIVERSIFICATION IN THE CARIBBEAN—MOVING AWAY FROM CROPS THAT CANNOT COMPETE WITHOUT PREFERENTIAL ACCESS OR PRODUCTS THAT ARE COMPETITIVE ONLY WHEN HEAVILY PROTECTED OR SUBSIDIZED. UNFORTUNATELY, ECONOMIC DIVERSIFICATION EFFORTS HAVE HAD ONLY LIMITED SUCCESS. REDUCED FLOWS OF DEVELOPMENT ASSISTANCE WILL FURTHER DECREASE THE FUNDING AVAILABLE FOR DIVERSIFICATION EFFORTS EVEN AS THE NEED FOR IT INTENSIFIES. FINDING LEGAL SUBSTITUTES FOR TODAY'S CROPS WILL NOT BE EASY. FOR EXAMPLE, BANANAS ARE A YEARROUND CASH CROP WITH ESTABLISHED MARKET DEMAND AND MARKETING AND DISTRIBUTION SYSTEMS; THEY CAN BE CULTIVATED BY PEASANT FARMERS ON SMALL PLOTS, HAVE A BRIEF GROWING PERIOD TO FIRST CROP, AND RECOVER RAPIDLY FROM HURRICANES. NO CROP HAS YET BEEN IDENTIFIED THAT COULD REPLACE BANANAS. OF COURSE, THE PROSPECT OF CARIBBEAN FARMERS GROWING ILLEGAL NARCOTICS IS TOO DREADEFUL FOR CARIBBEAN GOVERNMENTS AND U.S. AUTHORITIES TO CONTEMPLATE.

Economic diversification and development in the Caribbean thus eludes easy resolution. Nontraditional service industries such as data entry, claims and order processing, and telemarketing may hold some potential for diversification, but these industries may create relatively few jobs relative to traditional labor-intensive pursuits. Moreover, these industries will themselves face competition from suppliers with more modern and efficient communications infrastructure and lower labor costs—factors that underscore the imperative of keeping the Caribbean's telecommunications and public services infrastructure as up-to-date as possible and of keeping wage rates economically realistic.

It may not be possible to create much more diversified economies in the Caribbean. Rather, many Caribbean countries may collapse back onto tourism—an obvious, and traditional, area of comparative advantage—and agriculture, which seems destined to remain a fixture of most economies in the region. Will tourism and agriculture form a sufficient basis to support these economies into the 21st century? The answer depends on the ability of Caribbean governments to organize their economies to reap maximum value from these sectors, to hold down population growth (through emigration and prudent population policies), and to bolster the competitiveness of the tourism sector, particularly with Cuba as a new entrant into the Caribbean market.

Greater regional integration will certainly be a key issue for the region. Though the area is small both in terms of population and economics—roughly 5.5 million people and \$14.8 billion of combined gross domestic product (GDP) among the CARICOM members, and 19 million people and \$24.5 billion of combined GDP when the Dominican Republic and Haiti are included—it seems clear that firms in these economies will be even less competitive in tiny, purely national markets than in a more integrated regional market. If indeed tourism will become a larger component of Caribbean economies, competition among Caribbean countries for the tourist dollar may work against integration to some degree, but the integration imperative will be strong nevertheless if the economic challenge of the 21st century is to be met.

2. Threats to the Democratic Structure

The deep democratic roots in most Caribbean nations—particularly those enjoying a British parliamentary heritage—has generally allowed the international community to take democratic governance in the region for granted. But this may be a risky assumption. The economic dislocation and discontent that will likely occur in the Caribbean may strain democratic institutions. Should economic stagnation set in with persistently higher rates of unemployment—particularly if, at least in proportional terms, these nations become more dependent on tourism for their livelihood—a "politics of envy" and of economic, racial, and class resentment may develop. At the very least, politicians might seek to gain a short-term political advantage in playing on such themes. These themes could also find expression in the labor movement and might even be exploited by politically ambitious labor leaders to cement their leadership of their unions.

Another possibility is that, particularly in the post-cold war world, political and policy debates within Caribbean nations may descend to a sterile, partisan pettiness that alienates the public from participating in the electoral process. In several Caribbean nations there are already ample signs that the public is taking a much less active interest in day-to-day politics than was formerly the case. Such voter alienation could lead to another attenuation of democratic governance: the emergence of single-party rule. In several eastern Caribbean states, one party has come to occupy a commanding political position through an apparently free and legitimate electoral process. In some cases, the financial and organizational advantages

OF THE DOMINANT PARTY SEEM SO OVERWHELMING THAT IT IS HARD TO IMAGINE THE OPPOSITION EVER TAKING POWER THROUGH ELECTIONS. SUCH DEVELOPMENTS INEVITABLY LEAD TO VOTER ALIENATION AND POLITICAL POLARIZATION, AND POSSIBLY EVEN TO VIOLENCE. ALTHOUGH THERE IS NO EVIDENT SOLUTION FOR THIS PROBLEM, THE CONDITION BEARS CLOSE MONITORING.

DRUG TRAFFICKING POSES ANOTHER SERIOUS CHALLENGE TO CARIBBEAN DEMOCRATIC INSTITUTIONS. APART FROM ITS DAMAGE TO HEAVILY TOURISM-DEPENDENT ECONOMIES, THE VIOLENCE BRED BY NARCOTRAFFICKING CAN OVERTAX THE CAPABILITIES OF CARIBBEAN POLICE AND SECURITY SERVICES. MORE INSIDIOUSLY, AND OF GREATEST CONCERN, THE DRUG TRADE CORRUPTS THE DEMOCRATIC INSTITUTIONS AT EVERY LEVEL—COMPROMISING GOVERNMENTS THROUGH CORRUPTION OF ALL LEVELS OF THE POLICE, THE "BUYING" OF JUDGES AND PRISON OFFICIALS, AND DRUG MONEY CONTRIBUTIONS TO POLITICAL CAMPAIGNS. INDEED, IN SMALL CARIBBEAN SOCIETIES, DRUG CORRUPTION CAN EASILY PENETRATE THE HIGHEST LEVEL OF THE GOVERNMENT—PARTICULARLY IN COUNTRIES WHERE POWER AND DECISIONMAKING AUTHORITY ARE CONCENTRATED IN ONE LEADER. VIGILANCE AGAINST DRUG CORRUPTION IS VITAL—BOTH ON THE PART OF CARIBBEAN GOVERNMENTS AND OF THEIR FRIENDS OUTSIDE THE REGION. SHOULD A CULTURE OF NARCOTICS CORRUPTION TAKE ROOT IN ANY SMALL CARIBBEAN STATE—EVEN THE SMALLEST ISLAND—IT WOULD BE EXCEEDINGLY HARD TO WEED OUT.

FINALLY, DEMOCRACY WILL BE THREATENED BY PERSISTENT UNDERINVESTMENT IN THE CARIBBEAN'S DEMOCRATIC INSTITUTIONS. POLICE EQUIPMENT, DETENTION FACILITIES FOR CRIMINALS, COURTS AND LIBRARIES, AND EVEN THE PUBLICATION OF LEGAL OPINIONS, COURT PROCEEDINGS, AND NEW LEGISLATION AND REGULATIONS LAG INCREASINGLY BEHIND IN THE REGION. AS FOREIGN ASSISTANCE LEVELS DECLINE, CARIBBEAN GOVERNMENTS WILL HAVE TO STEP INTO THE BREACH IF THEY ARE TO FUNCTION EFFECTIVELY, EVEN IF THIS MEANS INCREASING THE STRAIN ON SLENDER NATIONAL BUDGETS. WITHOUT THIS EFFORT—WHICH PRODUCES NONE OF THE SHORT-TERM ELECTORAL BENEFITS THAT OFTEN MOTIVATE GOVERNMENT SPENDING IN CARIBBEAN NATIONS—STRAINS ON DEMOCRATIC GOVERNANCE COULD REACH THE BREAKING POINT IN SOME COUNTRIES.

3. *CRISES AND CHANGES: HAITI AND CUBA*

DEVELOPMENTS IN THE GREATER ANTILLES—HAITI IN THE SHORT TERM AND CUBA IN THE LONG—WILL HAVE A MAJOR IMPACT ON U.S. INTERESTS. HAITI IS DESTINED TO COMMAND U.S. POLICY ATTENTION OVER THE NEXT SEVERAL YEARS. THE REINSTATED GOVERNMENT OF PRESIDENT JEAN BERTRAND ARISTIDE, AND ITS SUCCESSOR THAT WILL BE ELECTED IN DECEMBER, 1995, WILL NEED MAJOR ONGOING EXTERNAL SUPPORT TO SURVIVE. HAITI'S ECONOMY WAS DEVASTATED BY THE COMBINATION OF ECONOMIC SANCTIONS AND THE CHAOTIC AND VIOLENT DOMESTIC CONDITIONS UNDER MILITARY RULE, AND ARISTIDE'S GOVERNMENT NOW DEPENDS HEAVILY ON ECONOMIC SUPPORT. THIS SUPPORT MUST CONTINUE IF THE ECONOMY IS TO BE STABILIZED AND THE COUNTRY REBUILT. MONITORING THE ACTIONS OF ARISTIDE'S GOVERNMENT IN HEALING THE DIVISIONS IN HAITIAN SOCIETY AND IN ENSURING RESPECT FOR BASIC HUMAN RIGHTS IN A REPRISAL-PRONE ATMOSPHERE ALSO DEMAND CONTINUED INTERNATIONAL ATTENTION.

IN SHORT, EVEN THOUGH INTERNATIONAL EFFORTS SUCCEEDED IN RESTORING THE DEMOCRATICALLY ELECTED GOVERNMENT, HAITI WILL REMAIN AT THE FOREFRONT OF U.S. POLICY. THE POLICY SUCCESS IN HAITI EFFECTIVELY GUARANTEES CONTINUED U.S. PREOCCUPATION WITH THE COUNTRY, PRECISELY TO ENSURE THAT IT DOES NOT COLLAPSE INTO YET ANOTHER CYCLE OF COUP, REPRESSION, VIOLENCE, AND LARGE-SCALE MIGRATION TO THE UNITED STATES.

WITH HAITI GETTING THE LION'S SHARE OF U.S. POLICY ATTENTION, OTHER CARIBBEAN NATIONS MUST COMPETE FOR THE REMAINING U.S. RESOURCES. THE CARIBBEAN COUNTRIES HAVE A CHANCE TO WIN U.S. FAVOR BY CARVING OUT A CONSTRUCTIVE, PROACTIVE ROLE FOR THEMSELVES IN HELPING TO SOLVE HAITI'S PROBLEMS.

ANOTHER GREAT CHALLENGE FOR THE CARIBBEAN IS THE EVENTUAL, POSSIBLY IMMINENT, TRANSFORMATION OF CUBA'S

COMMUNIST SYSTEM. REGARDLESS OF THE SCENARIO AND THE TIMEFRAME IN WHICH THIS TRANSFORMATION OCCURS, CUBA'S REEMERGENCE POSES A TWO-FOLD DILEMMA FOR THE REST OF THE CARIBBEAN. FIRST, THE REGION MUST FASHION A RELATIONSHIP WITH THE CURRENT CUBAN GOVERNMENT THAT WILL NOT EXACT TOO HIGH A TOLL ON RELATIONS WITH THE U.S. GOVERNMENT AND A POST-CASTRO CUBAN GOVERNMENT. SECOND, THE LONGER-TERM DILEMMA IS TO AVOID BEING OVERWHELMED BY A FREE AND ECONOMICALLY LIBERALIZED CUBA.

IN THE SHORT RUN, THE ISSUE OF CUBA TURNS ON QUESTIONS OF EFFECTIVENESS AND CONSEQUENCES: WHAT IS THE MOST EFFECTIVE WAY TO HASTEN CUBA'S LIBERALIZATION AND TO BRING ABOUT LONG-TERM COOPERATION WITH THE REST OF THE CARIBBEAN? IF CARIBBEAN GOVERNMENTS EXTEND SOME LIMITED OPENINGS TO CUBA, WHAT WOULD THE CONSEQUENCES BE GIVEN THE HARD-LINE U.S. COURSE? THE LONG-RUN QUESTION IS ONE OF ECONOMIC STRATEGY: HOW DO CARIBBEAN COUNTRIES—PARTICULARLY THOSE FACING THE GREATEST COMMERCIAL THREAT FROM CUBA IN SUCH FIELDS AS TOURISM, AGRICULTURE, AND LOW-WAGE MANUFACTURING—POSITION THEMSELVES IN THE MARKETPLACE TO AVOID OR WITHSTAND THIS COMPETITION?

THIS PROBLEM IS AT LEAST AS DAUNTING AS THAT OF ECONOMIC DIVERSIFICATION AND IS SUBJECT TO MANY OF THE SAME CONSTRAINTS—PARTICULARLY THE LIMITED AVAILABILITY OF DONOR ASSISTANCE TO HELP CONCEIVE, PLAN, AND FINANCE THE NEEDED ECONOMIC "REPOSITIONING." BECAUSE THE TIMING OF POLITICAL AND ECONOMIC TRANSITION IN CUBA IS COMPLETELY UNPREDICTABLE AND SEVERAL SCENARIOS SEEM EQUALLY PLAUSIBLE, IT IS IMPERATIVE THAT CARIBBEAN NATIONS WORK URGENTLY ON THIS PROBLEM LEST IT OVERWHELM THEM BY THE EARLIEST YEARS OF THE NEXT CENTURY.

CUBA, LIKE HAITI, HAS THE POTENTIAL TO DIVERT U.S. POLICY ATTENTION AWAY FROM THE REST OF THE REGION—U.S. PREOCCUPATION WITH HAITI AND CUBA MAY BE SO CONSUMING IN THE EARLY 21ST CENTURY THAT U.S. POLICYMAKERS MAY BE VIRTUALLY BLIND TO THE REST OF THE REGION.

It is therefore imperative that Caribbean nations become involved in international efforts to help solve the massive problems of Haiti and Cuba.

4. THE INTEGRATION CHALLENGE

Caribbean efforts at regional integration date back to the failed West Indies Federation in the late 1950s and early 1960s, and the quest for greater regional integration will likely remain a fixture of the regional agenda. More liberalized trading arrangements and greater economic cooperation in the Western Hemisphere point to the wisdom of economic integration. The primary goal of regional integration would be to achieve an organizational framework for joining the hemisphere's trend toward economic liberalization and to position its firms to better withstand the resulting competition.

At the same time, one element is not clear: how hospitable will the new international environment be to the sovereignty and economic survival of mini and microstates? Such countries, after all, comprise the largest number of Caribbean nations. On the one hand, upholding a nation's sovereignty has become the mainstay of international relations. The international community has largely repudiated the forcible conquest and annexation of territory, while newly independent nations based on ethnic and linguistic groupings have emerged from older multiethnic states, generally with the support of the international community. The mini and microstates of the Caribbean thus have reason to feel secure about their future. On the other hand, the international community may offer such states much less comfort than in the past. The Caribbean's small states may find the strains of individual, independent existence progressively harder to support given the realities of the 21st century: major economic assistance programs are declining, reciprocal trading relations are being demanded, special concessions and allowances are less forthcoming, enormous competitive challenges are facing even highly successful small-scale industries in tiny societies, and greater pressure is being placed on all members of the international community—large or small—to shoulder their share of the burden for international responsibilities.

Regional integration in the Caribbean is an extremely complicated subject. Its history is so fortuous that a full discussion of various models, possibilities, and pitfalls is not possible here. But if the imperatives of the 21st century will make Caribbean integration even more important, then several observations are in order. First, the mixed record of success in this field implies that integration now depends on the will and vision of the Caribbean's leaders. Will they be willing to compromise their countries' sovereignty and to sacrifice personal political opportunity in the interest of creating a larger community? Some external challenge—not necessarily a security threat, but perhaps an economic or cultural one—may be required in order to galvanize these leaders to action.

Second, the microstates of the Caribbean must choose an integration model. What form and degree of integration will best fit future needs—technical and functional, economic, or political? And which of several possible schemes—a number of which are in play today—should be the focus? Since the beginning of the 1990s there have been a succession of integration initiatives in the Caribbean—an initiative for the political union of the Windward Islands, the report of the Independent West Indian Commission, *A Time for Action*, which proposed an Association of Caribbean States extending beyond CARICOM, and an initiative for the union of Guyana, Trinidad and Tobago, and Barbados, to name just a few. The region must, however, move beyond experimentation, settle on an achievable integration goal and organizational model, and pursue integration in

a deliberate, timely fashion.

Third, CARICOM's reluctance to take steps that run counter to its Secretariat's institutionalized interests and its ill-suited headquarters in Guyana may prove more of a hindrance than a help to regional integration. One sign of progress is the recent innovation of a CARICOM bureau to provide executive direction between ministerial meetings. Effective regional integration will likely emphasize building "from the bottom up"—that is to say, integrating first the smallest states with the greatest commonality of interests and the most to gain from cooperation. Such efforts will probably occur outside, rather than through, CARICOM.

5. THE CARIBBEAN'S ROLE IN THE INTERNATIONAL COMMUNITY

Caribbean nations, despite their size and economic limitations, have the potential to play a much larger and more constructive role in the international community, both in addressing regional problems within the Caribbean and in responding to world problems further afield. Particularly in the English-speaking Caribbean—where there are long traditions of parliamentary democracy and professional civil service administration, professionalism of police and security forces, impressive economic achievements of individual nations working with meager resources, and internationally-respected leaders—these nations ideally positioned to play active roles in international efforts to promote democratic government, foster economic development, and keep the peace.

Although Caribbean nations are not strangers to involvement in international missions—leaders have participated in election observer missions, some of the region's police and security forces have joined in international monitoring and security missions, and trainers and observers have been provided for democracy-building efforts—this remains a nontraditional activity for Caribbean governments, perhaps too long accustomed to thinking of themselves as recipient countries. This is particularly true for extraregional involvements.

Obviously, economic limitations intrude here. Small Caribbean nations cannot underwrite their participation in international missions at the expense of pressing domestic needs. With financial support from such international bodies as the UN or the Organization of American States (OAS), however, Caribbean nations could play a much more active role in addressing international problems.

Participation in international missions may become more of an obligation for all the members of the community of nations. Caribbean involvement would be valuable in its own right, and might also strengthen the region's claims on the support and cooperation of the United States and other industrial states.

6. TRANSNATIONAL ISSUES: MIGRATION AND THE ENVIRONMENT

Several transnational issues will play a major role in the U.S.—Caribbean relationship in the early 21st century. Migration and the environment (in addition to drug trafficking, which has already been discussed) are the most important transnational issues. Migration is a politically sensitive issue in the United States. It is also a factor that increases the capacity of the Caribbean countries to make their interests felt in the United States, through the region's expatriate populations. Environmental conservation is becoming critical because of the Caribbean's increasing dependence on tourism and because it will undoubtedly be a major focus of even reduced levels of U.S. and international development assistance and of multilateral lending.

Migration. Legal immigration—or even the relatively small amount of illegal immigration produced by the microstates of the eastern Caribbean—has not historically been a source of great friction in U.S. relations with the Caribbean. Recognizing that a certain amount of migration from the island states is a regional safety-valve, the United States has readily absorbed traditional migrants into its economy and society—that is, provided that the numbers of people involved are manageable and arrive incrementally. The dislocations caused by previous mass movements of refugees from the Greater Antilles, however, has made Caribbean migration an increasingly politically sensitive issue in the United States.

One sign of domestic sensitivity is the opposition of workers and labor organizations to the seasonal migrant farm labor from the Caribbean. The long-standing, seasonal labor program—a major source of remittance income for many Caribbean states—has been severely curtailed by these objections. And, of course, the massive migration of boat people fleeing the economic and political conditions in Haiti prior to Aristide's return remains a specter that haunts both political leaders and citizens in the United States. There is no clearer demonstration of the domestic political sensitivity of this issue than the history of the Clinton administration's oft-changed Haitian refugee policy during the three-year crisis in Haiti.¹⁷

The sizable Caribbean immigrant communities in the United States represent an increasingly significant political force. They served as advocates, along with allies in the African American community, for more liberal admission of Haitian migrants, and also function as a constituency to lobby on behalf of Caribbean interests and agendas. Their presence heightens the salience of the question of a U.S. double standard regarding migrants from, for example, Haiti and Cuba.

The most significant immigration problem vis-à-vis the Caribbean—mass inflows of refugees—arises from political repression, turmoil, and economic despair. The most significant Caribbean migration crises have also originated in the Greater Antilles—lands with large populations close to the United States. The Mariel boatlift and the Haitian boat people are two cases in point. Will migration continue to be a major factor in the U.S.-Caribbean relationship into the 21st century? Almost certainly it will. Will Cuba and Hispaniola dominate the migration problem? That depends. It depends on the success of Aristide's government, and its successor, to strengthen Haiti's legitimate government and civil order. It depends on how Cuba's impending political transformation unfolds. It depends on whether other nations of the region continue to enjoy political stability and avoid suffering sharp economic declines. Even in the event of political or economic deterioration elsewhere in the Caribbean, the smaller populations of the Lesser Antilles combined with their greater distance from the United States and their habit of migrating to relatively better-off neighboring islands during troubled times, would limit the magnitude of migration problems coming from this section of the Caribbean.

The Caribbean countries can do little to avert or help manage the massive waves of immigration from Cuba or Hispaniola. The disproportion between the large numbers of refugees and the small size, population, and economic means of the potential Caribbean host countries, and the nearly complete failure of past efforts to

¹⁷ PLEASE SEE *Haitian Frustrations*, ed. Georges Fauriol, for a more thorough analysis of U.S. refugee policy regarding Haiti.

PERSUADE CARIBBEAN COUNTRIES TO SHOULDER A PORTION OF THIS TASK, MAKE THE PROSPECT OF CARIBBEAN COUNTRIES SERVING AS SAFE HAVENS UNLIKELY. THESE CONSIDERATIONS MAKE THE CLINTON ADMINISTRATION'S SUCCESS IN RECRUITING OTHER CARIBBEAN COUNTRIES TO TEMPORARILY ACCEPT SOME HAITIAN MIGRANTS ALL THE MORE REMARKABLE.

PERHAPS THE MOST CONSTRUCTIVE CONTRIBUTION THAT CARIBBEAN NATIONS CAN MAKE IN DEALING WITH THE SENSITIVE MIGRATION ISSUE IN THE NEXT CENTURY WILL BE TO ACTIVELY ENGAGE IN THE SEARCH FOR SOLUTIONS TO REGIONAL POLITICAL CRISES, SUCH AS IN HAITI. BEYOND THIS, IT WILL BE IMPORTANT FOR CARIBBEAN GOVERNMENTS TO APPRECIATE THE MAGNITUDE OF THE MIGRATION PROBLEM FROM THE U.S. VIEWPOINT AND TO AVOID INDULGING IN CROWD-PLEASING POSTURING ABOUT U.S. APPROACHES TO HANDLING THESE MIGRANT WAVES.

THE ENVIRONMENT. ENVIRONMENTAL CONSCIOUSNESS HAS BEEN RISING IN THE CARIBBEAN IN RECENT YEARS. THIS IS AT LEAST IN PART A RESULT OF THE INDUSTRIALIZED WORLD'S EMPHASIS ON ENVIRONMENTAL CONSERVATION OVER THE PAST TWO DECADES. IN THIS RESPECT THE CARIBBEAN IS FOLLOWING THE PATTERN OF THE DEVELOPING WORLD, WHERE IT WAS ONLY LOGICAL AND NATURAL THAT ECONOMIC DEVELOPMENT WOULD BE PURSUED FIRST AND FOREMOST AND THAT AWARENESS OF ENVIRONMENTAL CONSEQUENCES AND OF THE NEED FOR CONSERVATION WOULD COME LATER. THIS NEW ENVIRONMENTALISM HAS ARRIVED NONE TOO SOON. ISLAND NATIONS ARE PARTICULARLY DEPENDENT ON THEIR ENVIRONMENT. ENVIRONMENTAL CARELESSNESS CAN RUIN THE MARINE LIFE AND BEACHES THAT ARE AMONG THE SMALLER ISLANDS' CHIEF TOURIST ATTRACTIONS, AND ECOLOGICALLY UNSOUND AGRICULTURAL PRACTICES CAN DEVASTATE FRESH WATER SUPPLIES, ERODE ARABLE TERRAIN, AND SPOIL TROPICAL VEGETATION. IN LARGER, MORE INDUSTRIALIZED ISLANDS, OIL SPILLS, HAZARDOUS WASTE CONTAMINATION, AND OCEAN DUMPING CAN CREATE EVEN MORE DRASTIC ENVIRONMENTAL DAMAGE AND PUBLIC HEALTH PROBLEMS.

IN A NUMBER OF CARIBBEAN NATIONS PRIVATE, ENVIRONMENTALLY CONSCIOUS GROUPS LOBBY, IN EFFECT, FOR MORE ECOLOGICALLY SOUND DEVELOPMENT POLICIES. AT THE SAME TIME, MULTILATERAL LENDING AGENCIES AND DONOR NATIONS, INCLUDING THE UNITED STATES, HAVE BEEN ENCOURAGING MORE ENVIRONMENTALLY SENSITIVE POLICIES THROUGH AID PROGRAMS AND LENDING CONDITIONS. CARIBBEAN GOVERNMENTS HAVE BEEN RESPONSIVE IN GENERAL TO THESE EFFORTS, BUT IN MANY INSTANCES THEIR ATTITUDES TOWARD DOMESTIC ENVIRONMENTAL GROUPS AND INTERNATIONAL ENCOURAGEMENTS HAVE BEEN AMBIVALENT. ON THE ONE HAND, GOVERNMENTS OFTEN RECOGNIZE THE IMPORTANCE OF CONSERVATION IN FRAGILE ISLAND ENVIRONMENTS. ON THE OTHER, THEY ARE OFTEN ANXIOUS—EVEN DESPERATE—FOR DEVELOPMENT PROJECTS TO PRODUCE EMPLOYMENT, FOREIGN EXCHANGE EARNINGS, AND REVENUE, AND CAN VIEW ENVIRONMENTAL ADVOCATES AS DISGUISED OPPONENTS OF ECONOMIC DEVELOPMENT PER SE OR, WORSE, ALLIES OF THE POLITICAL OPPOSITION ATTEMPTING TO FRUSTRATE THE GOVERNMENT'S ECONOMIC PLANS AND CRIPPLE ITS CHANCES OF REELECTION. IN ANY CASE, MOST CARIBBEAN GOVERNMENTS ARE ILL-POSITIONED FINANCIALLY TO FUND SIGNIFICANT PUBLIC EXPENDITURES ON ENVIRONMENTAL CONCERNS—FROM CREATING SAFE SANITARY LANDFILLS AND DISPOSING OF THE RUSTING AUTOMOBILE CARCASSES THAT LITTER THE LANDSCAPE TO CLEANING UP MAJOR INDUSTRIAL POLLUTION SITES.

ENVIRONMENTAL CONCERNS WILL ASSUME INCREASING IMPORTANCE TO THE CARIBBEAN IN THE 21ST CENTURY. INDEED, THEY MAY BE CRITICAL TO THE COMMERCIAL SURVIVAL OF MANY ISLAND NATIONS. DONOR NATION ASSISTANCE, EVEN THOUGH REDUCED, AND HELP FROM THE INTERNATIONAL FINANCIAL INSTITUTIONS WILL BE NECESSARY BOTH TO PROVIDE THE FINANCIAL WHEREWITHAL TO REPAIR ENVIRONMENTAL DAMAGE AND CONSERVE THE ISLANDS' NATURAL BEAUTY, AND ALSO TO ENCOURAGE CARIBBEAN GOVERNMENTS TO OVERCOME THEIR AMBIVALENCE ON ENVIRONMENTAL ISSUES. THE GOVERNMENTS THEMSELVES WILL NEED TO WORK TO OVERCOME THIS AMBIVALENCE AND TO MAKE EXPLICIT ALLOWANCE FOR ENVIRONMENTAL CONSIDERATIONS IN THEIR DEVELOPMENT PLANS. THEY WILL NEED TO VIEW ENVIRONMENTAL GROUPS AS BEING THEIR ALLIES RATHER THAN THEIR ENEMIES—OR THEY WILL NEED TO DEVELOP STRATEGIES TO ENGAGE ENVIRONMENTAL ADVOCATES IN

COMMON GOALS. FARSIGHTED, NONADVERSARIAL NATIONAL ENVIRONMENTAL POLICIES, BOLSTERED BY A MEASURE OF INTERNATIONAL FINANCING, MAY BE A KEY TO THE ECONOMIC VIABILITY OF MANY CARIBBEAN ISLANDS IN THE NEXT CENTURY.

7. THE FUTURE OF THE U.S.-CARIBBEAN RELATIONSHIP

A KEY CHALLENGE FACING BOTH THE CARIBBEAN NATIONS AND THE UNITED STATES WILL BE MANAGING THEIR RELATIONSHIP IN THE NEXT CENTURY. IF THE PREVIOUS POINTS ABOUT THE CARIBBEAN IN THE 21ST CENTURY ARE ANYWHERE NEAR ACCURATE, THE RELATIONSHIP BETWEEN THE UNITED STATES AND MANY CARIBBEAN STATES IS LIKELY TO BECOME EVEN MORE UNCERTAIN IN THE FUTURE.

ON THE U.S. SIDE, THERE WILL ALWAYS BE A HIGH LEVEL OF ECONOMIC INVOLVEMENT IN THE REGION. GEOGRAPHIC PROXIMITY AND THE NEED TO DEAL WITH PROBLEMS EMANATING FROM THE REGION THAT AFFECT U.S. INTERESTS—SUCH AS DRUG TRAFFICKING AND LARGE-SCALE MIGRATIONS—WILL ENSURE CONTINUING U.S. ATTENTION TO THE AREA. AND THE NEED TO MONITOR AND RESPOND TO CRISES AND TO BE READY TO RESPOND TO CUBA'S EVENTUAL POLITICAL TRANSFORMATION FURTHER GUARANTEE THIS LEVEL OF ATTENTION. BUT IT SEEMS SAFE TO SAY THAT THE PRIORITY ASSIGNED TO THE CARIBBEAN BY U.S. POLICYMAKERS FOR THE FORESEEABLE FUTURE—CERTAINLY INTO THE NEXT DECADE—WILL BE MEASURABLY LOWER THAN IT WAS IN THE 1980S. THIS IS ONLY NATURAL, GIVEN OTHER COMPETING INTERNATIONAL DEMANDS, AND DOES NOT SIGNAL AN ABANDONMENT OF THE CARIBBEAN—SOMETHING TO WHICH MANY CARIBBEAN OBSERVERS ARE VERY MUCH ATTUNED. RATHER, IT REPRESENTS A RETURN OF THE CARIBBEAN TO ITS MORE ACCUSTOMED AND TRADITIONAL PLACE IN THE SCHEME OF U.S. FOREIGN POLICY PRIORITIES.

FOR THE CARIBBEAN, THE SENSE OF REDUCED U.S. ATTENTION TO THE REGION (PROBABLY MEASURED IN PART BY THE REDUCTION IN U.S. ASSISTANCE LEVELS) AND THE PERCEPTION THAT NAFTA AND RECIPROCAL FREE-TRADE ARRANGEMENTS AROUND THE HEMISPHERE HAVE DIVERTED U.S. INTEREST FROM THE CBI, WILL DOUBTFLESS ELICIT A DISAPPOINTED AND DISILLUSIONED RESPONSE. IT IS POSSIBLE THAT THE CARIBBEAN WILL VIEW THE UNITED STATES AND ITS POLICIES WITH RESENTMENT AND FRUSTRATION—EVEN AS THE CONTINUING LURE OF THE U.S. CONSUMER SOCIETY, WITH ITS PROSPERITY AND ECONOMIC OPPORTUNITY, ENCOURAGES EMIGRATION.

FUTURE U.S.-CARIBBEAN RELATIONS MAY BE CHARACTERIZED BY A HEIGHTENED CARIBBEAN SENSITIVITY TO U.S. DOMINANCE. SUCH SENTIMENTS MAY FIND SEVERAL EXPRESSIONS, RANGING FROM INCREASED CONCERNS ABOUT U.S. CULTURAL PENETRATION AND DOMINATION THROUGH THE MASS MEDIA AND POPULAR CULTURE TO RESISTANCE TO FOLLOWING THE U.S. POLICY LEAD ON INTERNATIONAL QUESTIONS, PERHAPS LESS OUT OF SUBSTANTIVE DISAGREEMENT THAN OUT OF THE URGE TO ASSERT INDEPENDENCE. THIS LATTER SENSITIVITY MAY BE INTENSIFIED BY THE RECOGNITION THAT THE UNITED STATES IS THE ONLY REMAINING SUPERPOWER. WITHOUT THE SOVIET UNION VYING WITH THE UNITED STATES FOR INTERNATIONAL INFLUENCE, THE STEADY STREAM OF U.S. DÉMARCHES DEMANDING THE CARIBBEAN'S SUPPORT ON A WIDE RANGE OF INTERNATIONAL ISSUES (MANY OF WHICH ARE OF NO CONSEQUENCE TO CARIBBEAN GOVERNMENTS THEMSELVES) MAY SEEM HEAVY-HANDED AND PRESUMPTUOUS. IT IS POSSIBLE THAT SENSITIVITIES ON THIS POINT MIGHT LEAD TO MORE EFFECTIVE BLOC VOTING IN THE UN AND THE OAS. ALTHOUGH THIS MIGHT BE A GOOD AUGURY FROM THE STANDPOINT OF REGIONAL INTEGRATION, IT MIGHT NOT NECESSARILY WORK IN THE UNITED STATES' FAVOR AND IS UNLIKELY TO CONTRIBUTE TO FRICTION-FREE RELATIONS AMONG CLOSE NEIGHBORS AND FRIENDS.

AT THE SAME TIME, CARIBBEAN GOVERNMENTS ARE REALISTS. THEY FULLY APPRECIATE THE CENTRALITY OF THE UNITED STATES TO THE REGION'S ECONOMIC FUTURE. EVEN IF THEY REACT WITH DISAPPOINTMENT AND FRUSTRATION TO A DIMINISHED LEVEL OF U.S. ATTENTION AND WITH ANXIETY AND MILD RESISTANCE TO PERCEIVED U.S. DOMINANCE, THEIR RESPONSE WILL BE TEMPERED BY THAT REALISM. U.S. POLICYMAKERS WOULD BE WELL ADVISED TO BEAR THESE LIKELY

CARIBBEAN SENSITIVITIES IN MIND WHEN CRAFTING THEIR APPROACH TO THE REGION—PERHAPS EXERCISING GREATER SELECTIVITY WHEN MAKING REQUESTS OF THE REGION'S GOVERNMENTS, UNDERSCORING THE AREAS OF COOPERATION THAT ARE MOST IMPORTANT, ALLOWING INDEPENDENT REGIONAL ACTION WHEN U.S. INTERESTS ARE NOT IMPORTANTLY AFFECTED, ENCOURAGING ACTIVE CARIBBEAN PARTICIPATION IN INTERNATIONAL MISSIONS UNDER THE UN OR OAS BANNERS BY ENSURING THAT ADEQUATE FUNDING IS AVAILABLE TO UNDERWRITE THEIR ROLE, AND AVOIDING OVERREACTION TO OCCASIONAL, INEVITABLE DISAGREEMENTS. A SENSITIVE U.S. APPROACH TO A CARIBBEAN REGION FACING LOOMING CHALLENGES IN THE CENTURY AHEAD, COMBINED WITH A REALISTIC APPROACH ON THE PART OF CARIBBEAN LEADERS, WILL MAKE FOR A STRONGER AND MORE EFFECTIVE U.S.—CARIBBEAN PARTNERSHIP AS WE FACE THAT NEW CENTURY TOGETHER.

GLOSSARY

ACP States. THE GROUP OF AFRICAN, CARIBBEAN, AND PACIFIC STATES DESIGNATED BY THE EUROPEAN COMMUNITY (NOW THE EUROPEAN UNION) TO TAKE PART IN THE LOMÉ CONVENTION (S.V.).

ASSOCIATION OF CARIBBEAN STATES (ACS). AN ORGANIZATION ORIGINALLY PROPOSED BY THE WEST INDIAN COMMISSION (S.V.) THAT PROMOTES ECONOMIC INTEGRATION IN THE CARIBBEAN BASIN AND INCLUDES ALL STATES IN THE REGION AS MEMBERS.

CARIBBEAN. THE GEOGRAPHICAL REGION CONSISTING OF ALL THE ISLANDS BORDERING ON, OR LYING IN, THE CARIBBEAN SEA, INCLUDING THE BAHAMAS AND THE TURKS AND CAICOS ISLANDS; POLITICALLY, IT IS OFTEN EXPANDED TO INCLUDE BELIZE AND THE THREE GUYANAS.

CARIBBEAN BASIN. THE GEOPOLITICAL REGION ENCOMPASSING ALL OF THE CARIBBEAN AS DEFINED ABOVE, ALONG WITH THE FIVE NATIONS OF CENTRAL AMERICA AND PANAMA.

CARIBBEAN BASIN INITIATIVE (CBI). THE CBI WAS ENACTED BY THE UNITED STATES IN 1984 IN ORDER TO PROMOTE ECONOMIC GROWTH AND POLITICAL STABILITY IN THE CARIBBEAN BASIN. IT PROVIDES NONRECIPROCAL DUTY-FREE ACCESS TO THE U.S. MARKET FOR MOST PRODUCTS FROM THE CBI COUNTRIES, ALTHOUGH THE UNITED STATES DOES RESERVE THE RIGHT TO EXCLUDE ANY PRODUCTS FROM THIS STATUS THAT IT DESIRES.

CARIBBEAN BASIN INITIATIVE 2 (CBI-2). THE ORIGINAL CBI AGREEMENT WAS EXTENDED BY CONGRESS IN 1990 BEYOND ITS 12-YEAR TIME FRAME. ALTHOUGH IT WAS EXPANDED TO INCLUDE MORE PRODUCTS, THE NONRECIPROCAL NATURE OF CBI STILL DOES NOT CONSTITUTE A FREE TRADE AREA. CUBA REMAINS INELIGIBLE.

CARIBBEAN-CANADA TRADE AGREEMENT (CARIBCAN). A 1986 AGREEMENT THAT GRANTS NONRECIPROCAL DUTY-FREE ACCESS FOR MANY PRODUCTS ENTERING CANADA FROM THE CARIBBEAN BASIN.

CARIBBEAN COMMUNITY AND COMMON MARKET (CARICOM). A PRODUCT OF CARIFTA (S.V.), CARICOM WAS FORMED IN 1973 WITH THE PRIMARY GOAL OF BRINGING ABOUT THE ECONOMIC INTEGRATION OF ITS MEMBERS. IT SEEKS TO REMOVE TRADE BARRIERS BETWEEN ITS MEMBERS, TO ESTABLISH A COMMON EXTERNAL TARIFF, AND TO ACT AS ONE ENTITY WHEN NEGOTIATING WITH THIRD PARTIES. IT ALSO PROMOTES INCREASED COOPERATION IN OTHER AREAS, SUCH AS SCIENCE AND TECHNOLOGY, LABOR ISSUES, AND FOREIGN POLICY. CARICOM IS HEADQUARTERED IN GEORGETOWN, GUYANA.

CARIBBEAN DEVELOPMENT BANK. THE REGION'S MULTILATERAL DEVELOPMENT INSTITUTION, CREATED IN 1970 AND BASED IN BRIDGETOWN, BARBADOS.

CARIBBEAN FREE TRADE ASSOCIATION (CARIFTA). AN ORGANIZATION ESTABLISHED IN 1968 TO PROMOTE ECONOMIC INTEGRATION AMONG THE BRITISH COLONIES AND FORMER COLONIES IN THE CARIBBEAN. IT WAS UPGRADED TO CARICOM IN 1973.

CENTRAL AMERICAN COMMON MARKET (CACM). AN ORGANIZATION CREATED IN 1961 WITH THE ULTIMATE GOAL OF ACHIEVING A

COMMON MARKET INVOLVING ITS FIVE HISTORICALLY RELATED MEMBERS. POLITICAL INSTABILITY IN THE REGION HAS GREATLY HAMPERED THIS EFFORT. ITS MEMBERS INCLUDE COSTA RICA, EL SALVADOR, GUATEMALA, HONDURAS, AND NICARAGUA.

COMMON MARKET. AN ECONOMIC UNION OF COUNTRIES THAT REMOVES TRADE BARRIERS BETWEEN ITS MEMBERS, ADOPTS A COMMON EXTERNAL TARIFF AND TRADE POLICY WITH NONMEMBERS, AND PERMITS THE FREE MOVEMENT OF LABOR AND CAPITAL WITHIN THE MARKET.

COMMONWEALTH OF NATIONS. FORMERLY THE BRITISH COMMONWEALTH OF NATIONS, THE MEMBERS OF THIS GROUP ARE FORMER BRITISH COLONIES, MANY OF WHOM STILL RECOGNIZE THE BRITISH MONARCH AS THEIR HEAD OF STATE. MEMBERS ATTEMPT TO COOPERATE WITH EACH OTHER IN VARIOUS POLICY AREAS.

CUBAN DEMOCRACY ACT. ALSO KNOWN AS THE TORRICELLI BILL, ITS PURPOSE IS "TO PROMOTE PEACEFUL DEMOCRATIC CHANGE IN CUBA THROUGH THE APPLICATION OF APPROPRIATE PRESSURES ON THE CUBAN GOVERNMENT AND THROUGH SUPPORT FOR THE CUBAN PEOPLE. THE BILL SETS FORTH A SERIES OF MEASURES, CONSISTING OF BOTH CARROTS AND STICKS, DESIGNED TO HASTEN A DEMOCRATIC TRANSITION IN CUBA BY INCREASING THE ISOLATION OF THE REGIME WHILE CREATING OPENINGS TO DEMOCRATIC OPPOSITION GROUPS THAT WILL SHAPE CUBA'S FUTURE."

EASTERN CARIBBEAN REGIONAL SECURITY SYSTEM (RSS). A BRANCH OF THE OECS (S.V.) THAT WAS CREATED BY SOME OF ITS MEMBERS IN 1992 BY THE MEMORANDUM OF UNDERSTANDING (MOU). ITS PURPOSE IS TO ASSIST IN THE ECONOMIC DEVELOPMENT OF THE SMALLER AND POORER MEMBERS OF THE OECS BY PROVIDED COLLECTIVE SECURITY FROM INTERNAL SUBVERSION AND EXTERNAL AGGRESSION.

ENTERPRISE FOR THE AMERICAS INITIATIVE (EAI). A PROPOSAL PUT FORWARD BY U.S. PRESIDENT GEORGE BUSH IN 1990 WITH THE LONG-TERM GOAL OF TRANSFORMING, AND CREATING GROWTH IN, THE ECONOMIES OF LATIN AMERICA AND THE CARIBBEAN. IT AIMS TO CREATE A HEMISPHEREWIDE FREE TRADE AREA, TO INCREASE INVESTMENT IN THE REGION, AND TO ENGAGE IN ACTIVE TALKS AIMED AT REDUCING THE DEBT OWED BY THESE COUNTRIES TO THE UNITED STATES.

FREE TRADE AREA. A GROUP OF TWO OR MORE COUNTRIES THAT HAS ELIMINATED TRADE BARRIERS BETWEEN THEMSELVES BUT HAS MAINTAINED THEIR ORIGINAL EXTERNAL TARIFFS AND POLICIES TOWARD NON-MEMBERS.

FREE TRADE AGREEMENT OF THE AMERICAS (FTAA). A NAME GIVEN TO A HEMISPHERIC FREE TRADE AGREEMENT PROPOSED AT THE MIAMI SUMMIT OF THE AMERICAS IN DECEMBER 1994. THE FTAA IS TARGETED FOR 2005.

GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT). AN ORGANIZATION CREATED IN 1947 CHARGED WITH THE DUTY TO NEGOTIATE TARIFF REDUCTIONS BETWEEN ITS MEMBERS AND ELIMINATE IMPORT QUOTAS. IT PROVIDES A GENERAL SET OF RULES FOR CONDUCTING TRADE BETWEEN ITS MEMBERS, WHICH INCLUDES MOST OF THE WORLD'S NATIONS. THE MOST RECENT SET OF NEGOTIATIONS, THE URUGUAY ROUND, WAS CONCLUDED IN LATE 1993.

GROUP OF '77 (G-77). THIS GROUP OF DEVELOPING NATIONS, WHICH INCLUDES ALL THE INDEPENDENT COUNTRIES OF THE CARIBBEAN BASIN, FIRST CAME TOGETHER IN 1967 TO INCREASE THEIR BARGAINING POWER IN TRADE NEGOTIATIONS WITH THE DEVELOPED NATIONS. IT IS STILL ACTIVE TODAY, WORKING FOR GREATER ECONOMIC COOPERATION BETWEEN ITS MEMBERS.

ISLAND DEVELOPING COUNTRY (IDC). IN 1976 THE UN GENERAL ASSEMBLY RECOGNIZED THE NEED TO GIVE SPECIAL ASSISTANCE TO COUNTRIES OF THIS CATEGORY BECAUSE OF THE MANY CONDITIONS THAT RETARD THEIR DEVELOPMENT. THESE TRAITS INCLUDE SMALLNESS, GENERAL POVERTY, AND VULNERABILITY TO DISASTROUS STORMS.

LOMÉ CONVENTION. AN AGREEMENT BETWEEN THE EUROPEAN COMMUNITY (NOW THE EUROPEAN UNION--EU) AND A GROUP OF DEVELOPING NATIONS, LABELED THE ACP (S.V.) STATES, WHICH GRANTS NONRECIPROCAL DUTY-FREE ACCESS TO THE EU FOR MANY ACP PRODUCTS, SAVE FOR SPECIFIC EXCEPTIONS. IT PROVIDES FOR EU DEVELOPMENT FUNDS TO THESE COUNTRIES AS WELL.

936 CARIBBEAN LENDING PROGRAM. SEC. 936 OF THE U.S. INTERNAL REVENUE SERVICE CODE HAS ALLOWED U.S. CORPORATIONS TO EXEMPT FROM FEDERAL TAXES THOSE PROFITS EARNED FROM DOING BUSINESS WITH PUERTO RICO. ORIGINALLY, THESE FUNDS HAD TO REMAIN IN PUERTO RICO, BUT THE 1996 TAX REFORM ALLOWS PUERTO RICO TO MAKE OR AUTHORIZE LOANS WITH THESE FUNDS TO APPROVED PROJECTS IN CBI COUNTRIES THAT HAVE SIGNED A TFA (S.V.) WITH THE UNITED STATES. A 1993 REFORM WILL GRADUALLY DRAW DOWN THE EXEMPTION LEVEL FROM 100 PERCENT TO 40 PERCENT.

NON-ALIGNED MOVEMENT (NAM). A GROUP OF ABOUT 100 NATIONS THAT FIRST CAME TOGETHER IN 1961 WITH THE OBJECTIVE OF ATTEMPTING TO AVOID TAKING SIDES DURING THE COLD WAR. PARTICULARLY ACTIVE IN THE 1960S AND 1970S, IT EVOLVED INTO A PRESSURE GROUP TO CREATE A "NEW INTERNATIONAL ECONOMIC ORDER" THAT WOULD END THE PERCEIVED IMBALANCES OF THE COUNTRIES OF THE WORLD. ITS MEMBERSHIP HAS INCLUDED ALL THE INDEPENDENT NATIONS IN THE CARIBBEAN BASIN.

NORTH AMERICA FREE TRADE AGREEMENT (NAFTA). THE AGREEMENT BETWEEN THE UNITED STATES, CANADA, AND MEXICO TO CREATE A FREE TRADE AREA THAT ENTERED INTO FORCE IN JANUARY 1994.

ORGANIZATION OF AMERICAN STATES (OAS). AN ORGANIZATION FOUNDED IN 1948 AND HEADQUARTERED IN WASHINGTON, D.C., TO "FOSTER PEACE, SECURITY, MUTUAL UNDERSTANDING AND COOPERATION AMONG THE NATIONS OF THE WESTERN HEMISPHERE." IT SEEKS TO PROMOTE DEMOCRACY THROUGHOUT THE REGION, TO PEACEFULLY SETTLE ANY DISPUTES BETWEEN ITS MEMBERS, AND TO PROVIDE A COMMON DEFENSE AGAINST AGGRESSORS.

ORGANIZATION OF EASTERN CARIBBEAN STATES (OECS). AN ASSOCIATE INSTITUTION OF CARICOM ESTABLISHED IN 1981, THE OECS SEEKS THE CLOSE INTEGRATION OF THE SMALLER AND LESS-DEVELOPED NATIONS OF THE EASTERN CARIBBEAN. THE OECS STATES HAVE DEVELOPED A CONSIDERABLE LEVEL OF POLITICAL CURRENCY, DIPLOMATIC, AND LEGAL INTEGRATION.

SMALL ISLAND DEVELOPING COUNTRY (SIDC). A SUBGROUP OF THE IDC CATEGORY OF NATIONS WHOSE MEMBERS SUFFER FROM EXCEPTIONALLY GREAT NATURAL DISADVANTAGES IN THEIR ECONOMIC DEVELOPMENT.

TAX INFORMATION EXCHANGE AGREEMENT (TIEA). COUNTRIES THAT ENTER INTO ONE OF THESE AGREEMENTS WITH THE UNITED STATES ARE ELIGIBLE TO TAKE PART IN THE 936 CARIBBEAN LENDING PROGRAM (S.V.).

WEST INDIAN COMMISSION (WIC). A GROUP OF EXPERTS CREATED IN 1989 BY CARICOM TO EXAMINE ITS PROCESS OF INTEGRATION. THE GROUP'S REPORT, ISSUED IN JULY 1992, RECOMMENDED THAT THE CARICOM MEMBERS SPEED UP ECONOMIC INTEGRATION AND EXPAND TO INCLUDE OTHER MEMBERS SO AS TO STRENGTHEN ITS NEGOTIATING POWER IN TRADE TALKS. IT CAME OUT AGAINST FORMAL POLITICAL INTEGRATION BUT RECOMMENDED THE CREATION OF A CARICOM COMMISSION TO LEAD THE INTEGRATION PROCESS. SEE ALSO ASSOCIATION OF CARIBBEAN STATES.

WESTERN HEMISPHERE FREE TRADE AREA (WHFTA). THE NAME GIVEN TO THE PROPOSED HEMISPHEREWIDE FREE TRADE AREA ENVISIONED IN THE EAI.

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