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CARIBBEAN BASIN PLAN - SOME U.S. PRELIMINARY VIEWS

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Caribbean Basin Plan - Some U. S. Preliminary Views

The United States President, Ronald Reagan, announced in May of the current year, that his Administration has approved a new plan christened as "The Caribbean Basin Development" and later referred to in the press as a "Mini-Marshall Plan for the Caribbean and Central America." This initiative, which leaves some room for international or multilateral cooperation, is intended to counteract the sustained process of deterioration of the Caribbean economic situation as a consequence of increasing petroleum bills for the oil-importing countries of this area, lower prices for their main export commodities --that culminate into severe strains on their balance of payment positions-- and finally in a dangerous level of external indebtedness.

I. Some Background of the U.S. Initiative

In its inception the initiative was conceived in the framework of the East-West rivalry that is the mainstay of the Reagan's perception of international relation. Against the prospects of rising unemployment rates, falling living standards and their corollary of social unrest it is estimated that some decisions should be taken in order to counteract by both military and economic assistance, what the U.S. Administration perceives as a situation favoring increasing Cuban activities in an area, usually considered as its third border. After some preliminary exchange of views between the Presidents Reagan and Lopez Portillo, followed by the meeting of the U.S. Secretary of State, Alexander Haig with the Foreign Ministers Mark MacGingan of Canada, Jorge Castañeda of Mexico, and José Alberto Zambrano Velasco

of Venezuela, held in Nassau, Bahamas, on July 1981, the military aspects as well as the previous conditions for the assistance were put aside at the request of Mexico and Venezuela. Instead the socio-economic needs of the Caribbean Basin countries, were stressed, the various delegates pointing out that though the region is receiving economic assistance from various quarters, more coordinated efforts through consultation are needed so that donor and receiving countries can decide what the needs are and what type of help might be granted.

The concise final communique distributed at the end of the Nassau meeting, is henceforth the basis of an economic assistance plan for "the Caribbean Basin development."

The U.S. Trade Representative, W. E. Brock, has been charged with developing and coordinating an integrated and comprehensive economic approach toward the Caribbean Basin.

II. Some Features of the Economic Approach Toward the Caribbean Basin

As previously stated the approach toward the Caribbean Basin economic situation is under study and no definite guidelines have been set up regarding its orientation and perspective; whether it would be an exclusive U.S. approach after consultation with Mexico, Venezuela, and the Caribbean countries involved, or whether it will be enlarged to incorporate the group of countries or international organizations already included in the Caribbean Group for Cooperation in Economic Development (CGCED). However, from some statements made before Congress, especially the Sub-Committee on Inter-American Affairs, some global features of the projected plan, can be inferred.

Particular attention in this aspect will be paid to the testimony of S. L. Lande, Assistant U.S. Trade Representative for Bilateral Affairs, this office being in charge of implementing the aforementioned economic approach toward the Caribbean Basin.

1) Some Underlying Caveats

Although recognizing that without major changes in economic policies and structures, the problems of the Caribbean will intensify, Mr. Lande in this statement began emphasizing some general underlying caveats. First, he states that: "Massive new public financial assistance flows from the U.S. are unlikely to be available due to budgetary considerations. So, publicity concerning a Mini-Marshall Plan is misleading, has no basis in reality and creates improper expectations." Second, he signals that: "It must be clear that the U.S. plan will not be imposed on others. On the contrary, U.S. Government cannot get domestic support without the active and creative support of the intended beneficiaries as well as the other countries interested in the economic growth of the Caribbean Basin." Finally, it is emphasized that U.S. assistance will be concentrated in those countries that show willingness to undertake serious economic policy reforms.

2) Broad Framework of the Plan

As recorded before, the U.S. Administration has developed a long list of possible options, some of which will be refined through consultations, and others deleted or added. Anyway, for the moment, the basic ideas center around the way:

- a) to increase the productive capacity of the area,
- b) provide incentives to trade, and
- c) stimulate private investment, which in turn will provide production, employment facilities and enhance competitiveness.

It is understood that the Governments will remove internal constraints on trade and investment if these inhibit economic growth.

Regarding the first point the plan intends primarily to channel resources into activities that quickly revive agricultural and industrial production and create employment. At the same time, assistance will be provided to these countries in order to enable them to correct their external economic disequilibria through adequate stabilization programs.

In the area of basic social services, it is estimated that while innovative programs in health and education for developing human resources will be supported, no large commitments of new resources will be needed in most countries during the next first 3 or 4 years because of AID's current pipeline for social programs and the contribution of other donor countries.

In the field of trade, ways of expanding access into the U.S. market for Caribbean products are under consideration. In this respect, it is pointed out that the U.S. already receives nearly 60% of the Caribbean area export, with 86% of this amount entering this country on a duty free basis. Furthermore, U.S. provides even a larger portion of its tourists. It is agreed, however, that further access to the U.S. market could have major impact in the small countries' economies.

Finally, in relation to investment, it is considered that the first step in this field is to identify the major obstacles to private investment and devise mechanisms to remove them. Various measures are being weighed in order to protect private investments among them, e.g. expanded insurance activities through OPIC (Overseas Private Investment Corporation), or bilateral investment treaty covering the relationship between Government and private investors.

It should be mentioned here that the U.S. pledges its support for strengthening regional economic integration and regional cooperation in view of the advantages derived by each country from the regional organizations existing in the area such as: The Central American Common Market (CACM) and the Caribbean Community (CARICOM). In this regard, U.S. establishes as its basic objective, the full integration of Puerto Rico and the Virgin Islands into mutually beneficial economic activities within the Caribbean.

3) Financial and Technical Assistance

3.1 Financial Assistance

There is no clear commitment regarding the ways to meet the financial needs of the Caribbean and Centro-American countries involved in the U.S. Grand Project. The policy in this field is cautious and vague, and even contradictory. For instance, while some U.S. officials circumscribe the financial assistance within the actual budgetary constraints, others sustain that within those constraints a substantial additional effort for the Caribbean basin should be made; and that the assistance should be provided through quick-disbursing mechanisms. They also mention that development assistance funds will not be enough; they must be completed by supplementary resources as those of the types of PL480 programs and TDP activities, etc.

Finally, room is made for the participation of other countries and international financial institutions in providing financial assistance. From the U.S. point of view, increased assistance should be closely geared to supporting private investment opportunities, and provided under the general guidelines that: "While the overall concept of action should be multilateral, actual benefits should be given on a bilateral

basis, so that the conditions of each recipient and each donor can be satisfied."

3.2) Technical Assistance

No more to the point is the U.S. focus on the way to solve the acute shortage of trained personnel to support the Caribbean development projects. This shortage in various fields such as health, education, nutrition, and other technical aspects, is generally recognized. But instead of any suggestion as to how to train local technicians, "the emphasis is being given to the area of agricultural research, extension and education, in which U.S. universities, through the Title XII Program" can mobilize some of the best expertise in the world to help overcome the problems of hunger and malnutrition" (sic).

III. Conclusion

Since consultation between the U.S. Government, the affected parties and some traditional donor countries of the OECD are foreseen, it is too soon to fully assess the program. Therefore, this conclusion will focus on only some general views or doubts expressed by Caribbean and Latin American leaders regarding what so far has been said by the Reagan's Administration spokesmen.

Regarding the amount of the package, Edward Seaga, Prime Minister of Jamaica, told the OAS in June 1981, that official aid from the donor countries would have to more than double to \$3 billion a year with a view to doubling the per capita income of the region in the next 15 years.

With respect to the general orientation of the aid promised, there is the perception that a plan to stabilizing basic commodities export

prices, would do more for Third World economies than private investments on which hinge the Reagan's views of external assistance.

Finally, it is believed that the success of the Reagan's Plan will depend almost entirely on how far his Administration will be able to overcome its ideological and Cuba-oriented prejudices and show genuine concern for the development of the region. A clue on this aspect could be found not only through Mexico and Venezuela official statements, but again in a recent one made by the Caribbean member countries of the Caribbean Development Bank regarding the pressure brought by the U.S. Administration to bear on them to vote against loans for Granada. They made it clear that if U.S. money came with such conditions attached, they would prefer not to have it.

The East-West orientation of the U.S. Administration, and the actual financial constraints derived from a defense-oriented U.S. budget, are leading some Caribbean and Latin American countries to ask themselves if the U.S. is truly interested in helping them outside of the context of the East-West confrontation.

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