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CARIBBEAN/CENTRAL AMERICAN TRADE AND DEVELOPMENT

Initiative Project Gives Developing Economies Access to U.S. Markets

By Kevin Power

WASHINGTON — The economies of the Caribbean and Central American region experienced a slowdown during the 1970s, like much of the rest of the world.

Due in part to the staggering increase in the price of imported oil, it was aggravated in the Caribbean Basin by declining prices for coffee, sugar and bananas, some of the region's main exports.

From this experience, many of these countries realized that an export-based economy relying solely on traditional exports to generate growth left them vulnerable to the erratic price swings characteristic of agricultural commodities.

One result has been an increasing emphasis on industrialization to diversify the economic base to create employment, generate growth and earn foreign exchange.

Many of the countries' development plans have begun to emphasize the exporting of nontraditional products. Industrial development schemes generally provide added incentives for export-based industries.

Many countries also have established or have under construction a free zone, where exporters have access to shipping facilities, a pool of labor and freedom from exchange controls.

The Caribbean Basin Initiative, a U.S. package of aid and trade incentives to encourage manufacturing, has given an added boost to industrial development in this region. By providing access to the large consumer markets of the United States for most goods produced or assembled in the Caribbean Basin, the initiative has the potential to overcome the main obstacle to efficient industrialization.

One U.S. government study estimated that there are 68 large manufacturing complexes in the region that have significant idle capacity. Increased production in these plants under the initiative could generate $325 million in income and provide 150,000 jobs during the next two years.

The Caribbean Basin Initiative in the long run is expected to benefit production-sharing operations between local Caribbean and U.S. companies. Production-sharing combines the higher labor skills and technology available in the United States and other developed countries to manufacture materials and components with the lower cost of labor available in the Caribbean Basin for processing and assembly operations to produce finished goods for market.

Since 1970, U.S. imports under production-sharing arrangements have been increasing at a rate of more than 20 a year.

Foreign aid is one of the major resources available for the establishment of a basic infrastructure for the forseeable future. The U.S. Agency for International Development, for instance, appropriated $30 million in 1983 for the construction and maintenance of roads, the building of industrial parks and the expansion of factory space in the eastern Caribbean. Additional efforts by the French, British and Canadian governments have contributed to the strengthening of the infrastructure which is necessary to support an expanded industrial sector.

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