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From NAFTA To Hemispheric Free Trade

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Limiting NAFTA to only the United States, Canada and Mexico will have immediate and adverse effects on the economies of the Caribbean Basin and Latin America. The diversion of investment and trade alone will result in the shrinking of these economies which have been growing steadily for the last few decades. Bernal discusses the advantages of expanding NAFTA to include these overlooked regions and constructs a transparent and fair process by which these countries of diverse economic development could obtain accession.

When the North American Free Trade Agreement

(NAFTA) came in to effect in January 1994, it created a tariff-free market for 363 million people in United States, Canada, and Mexico. However, an almost equal number of people in the Caribbean region and in Latin America, who depend on the United States for export revenues, were omitted from the equation. The result will be economic fall-out for these regions if NAFTA is not expanded. NAFTA's most detrimental effects on the Caribbean will come through inevitable trade diversion, investment diversion, relocation of production capacity, and contraction of economic activity as products and services that once were supplied by the Caribbean to the United States are now exported from Mexico.

Instead of leaving the Caribbean, a faithful and significant trading partner of the United States, and most of Latin America out of the trade equation, the answer for the NAFTA member countries is to quickly expand NAFTA into a hemispheric free trade area. The member governments of NAFTA have indicated a willingness to expand the membership, but there has not been unanimity on who, how and when.

This article discusses the reasons why NAFTA should be expanded, beginning with those countries most adversely affected, i.e., the Caribbean. It reviews U.S.-Caribbean trade since the inception of the Caribbean Basin Initiative of 1983 and outlines proposals to upgrade this by way of the Caribbean Basin Free Trade Agreements Act of 1994 and an interim trade program. It also discusses the possible structure for an expanded western hemispheric free trade area. The incorporation of the Latin American and Caribbean (LAC) countries into NAFTA would create the largest trade bloc in the world and could expand trade within the hemisphere to unprecedented levels. Where NAFTA creates a market for 363 million people, a hemispheric free trade area would provide a market for 719 million. An expanded trade zone in the entire hemisphere's interest.

An expanded NAFTA, raises concern about how quickly smaller, less developed countries could join. Many of these countries are not ready for immediate accession to NAFTA because they have not yet attained the level of development commensurate with the far-reaching obligations embodied in NAFTA. A suitable transitional arrangement would need to be designed for these countries and an orderly, transparent accession program established.

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The views expressed in this article are those of the author and not necessarily those of the Government of Jamaica.

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The Caribbean Basin Initiative

Understanding what the participation of the rest of the hemisphere could add to NAFTA is best illustrated by reference to a single region: the Caribbean. The Caribbean basin region has historically been an important and integral trade partner of the United States. Just 10 years ago, the U.S. House Ways and Means Committee passed the Caribbean Basin Economic Recovery Act which operationalized the Caribbean Basin Initiative (CBI). This legislation in 1983 recognized the considerable benefit to be derived by both the United States and 24 Caribbean countries¹ from the liberalization of the two regions' trading relationship. It was motivated and designed to stimulate economic reform and trade-led economic growth in the same manner as the current North American Free Trade Agreement (NAFTA) does with Canada and Mexico.

The CBI has been responsible for a decade of unparalleled growth in trade between the United States and the Caribbean, acting as a catalyst for exports, investment and employment creation in the economies of the United States and the Caribbean nations, such as Jamaica. In just 10 years, U.S. exports to the region have surged by 100% and Caribbean exports to the United States have climbed close to 50%. In 1992, the United States posted a trade surplus with the Caribbean Basin for the seventh year in a row. The Caribbean Basin now comprises the tenth largest market of the United States, while for the Caribbean, the United States is by far the largest market. Combined trade (accounting for both imports and exports) between the United States and the Caribbean exceeded \$20 billion in 1992, supporting 220,000 jobs in the United States and countless jobs throughout the Caribbean region.

As the growth process in CBI economies has been strengthened by increased U.S. investment and market access, their import capacities have increased, resulting in increased purchases of U.S. goods and services. Each dollar spent in the Caribbean generates 60 cents worth of U.S. exports, while that same dollar in Asia would generate only 10 cents per dollar of U.S. exports. Jamaica for example, now purchases three quarters of its imports from the United States, creating exports and export-related jobs in the United States.

In addition, the jobs created in Jamaica have often been in labor-intensive industries such as apparel manufacture, in which U.S. employers can no longer offer globally compet-

itive products if all stages are carried out in the United States. The CBI has given U.S. firms the ability to rely for part of their production on the internationally competitive wage rates in the Caribbean, rather than losing their entire operations to low wage competitors in Asia. As a result, U.S. apparel manufacturers have been able to improve production costs of production and retain global competitiveness.

Finally, the access to the U.S. market provided by the CBI has encouraged economic reform and liberalization of economic policies in the region, for example in Jamaica, which has pursued privatization and economic deregulation. If economic expansion is to continue in the CBI region, especially as the NAFTA is implemented, it is necessary that a mechanism be established which will enable U.S. and Caribbean firms to enhance their current trade partnership.

The Implications of NAFTA for the CBI Region

The Current Structure of Trade Between the CBI Countries and the United States.

In the new global marketplace to which all countries are adjusting, and to which NAFTA is a response, fewer products are made entirely in one country. The various aspects of the industrial production process are carried out in those areas of the hemisphere where they are most cost effective.

Such a framework of complementary production has become especially characteristic of the trading relationships between the Caribbean Basin and the United States. In many industries, U.S. producers now undertake some production in the CBI countries using U.S. machinery and inputs and Caribbean labor to produce a final product which is internationally competitive. Without this complementarity of production between the United States and CBI countries, U.S. firms and Caribbean producers would not be able to maintain their market share or their competitiveness in the global market place. This preserves U.S. jobs in the relatively more competitive sectors of an industry, and establishes a market for U.S.-made equipment and technology.

One of the best and most visible examples of this is the apparel industry. For each garment produced in Jamaica, 80% of the finished good consists of U.S. textiles,

machinery and other inputs, most of which is imported from U.S.-based firms.

NAFTA's Effects on the CBI and U.S. Trade.

The structure of trade in the region ensures that the impact of NAFTA will be substantial. Because 50% to 70% of exports of individual CBI countries go to the three NAFTA countries, there is concern that NAFTA could result in trade diversion and not in trade creation.

NAFTA will convert the CBI into a depreciated asset as the small, undiversified economies of CBI countries are placed at a competitive disadvantage in terms of access to the U.S. markets. This would inadvertently create a situation in which Mexico, which already has inexpensive labor, energy, transportation costs and the economies of scale, would have a further advantage over the CBI countries. Although Mexico does not compete with the CBI region in all of its exports, a relaxation of import barriers for Mexico could cause a reduction in many of the Caribbean's most valuable exports.

Again, one of the best examples of this potential for displacement is in the area of apparel. Under NAFTA, Mexican textiles and apparel will benefit from a progressive tariff reduction over a 10-year period. This would introduce a new dimension of competition, creating a situation whereby CBI-produced garments made from U.S. textiles would have to compete at a price disadvantage against Mexican apparel made from Mexican textile. This would displace both CBI apparel producers and U.S. textile manufacturers.

On a regional economic level, there could be an erosion of the economic gains of the past decade because NAFTA could cause the following:

1 Trade Diversion

The phase-out of tariffs on Mexican products could remove or at least reduce the advantage enjoyed by CBI exports to the United States. This could cause a diversion of U.S. demand from suppliers in CBI countries to firms in Mexico, thus reducing CBI exports. This would aggravate the balance of payments difficulties of Caribbean economies. The World Bank has estimated that approximately 36 percent of Caribbean exports to the U.S. will be subject to potential NAFTA displacement. This is as high as 79% in the case of St. Lucia.²

2 Investment Diversion

As trade prospects and advantages in the Caribbean diminish, investors will begin to redirect their funds to Mexico. This diversion of investment is already evident from investment patterns throughout the region. This effect has already been documented as investors evaluate the provisions and the implementation process of NAFTA. The U.S. International Trade Commission (ITC), in a recent report, has concluded that "NAFTA will introduce incentives that will tend to favor apparel investment shifts away from the CBERA (CBI) countries to Mexico."³

3 Relocation Of Production Capacity

Existing productive enterprises, which had originally located in the Caribbean to take advantage of the access to the U.S. market, could transfer or close operations in preference for Mexican locations, which have the advantage of better access to the U.S. market. NAFTA discriminates in favor of Mexico against the CBI region.

4 Contraction Of Economic Activity

The loss of trade and investment opportunities would precipitate a decline in business confidence and economic activity, undermining development prospects throughout the Caribbean. Caribbean governments would inevitably find it more difficult to sustain their own economic reform and structural adjustment programs, becoming more reliant upon bilateral aid programs.

5 Job Losses

Ultimately, a large number of jobs in the United States and the Caribbean, which depend on healthy U.S.-Caribbean trade flows would be lost as commercial opportunities contract.

Why NAFTA Should Be Expanded

Officials of the three NAFTA member governments have indicated a willingness and/or intention to expand NAFTA. Such a policy would be both astute foreign policy and sound economics. The expansion of NAFTA into a Western hemispheric free trade bloc would avoid the adverse implications of NAFTA and enhance the capacity of trade expansion to propel economic growth in the hemisphere. The onus of facilitating the expansion of NAFTA is on the United States as the largest, most developed economy. There are three justifications for transforming NAFTA.

1 *Trade Expansion Promotes Growth*

Growth in the U.S. economy has become increasingly dependent on export expansion. Exports account for 11% of Gross Domestic Product (GDP) and since 1986, exports have accounted for approximately 40% of economic growth.⁴ In 1993, U.S. exports to Latin American and Caribbean countries totalled US\$78.3 billion. The annual rate of growth over the last six years has exceeded 14%, which is substantially higher than the average U.S. growth rate, including exports to Europe and Asia. Since 1986, U.S. exports to the region have increased by nearly 150%, allowing it to maintain a favorable trade balance. While the CBI is a small export market (\$12 billion), exports have grown by over 100% in the last decade. In 1992, the United States posted a trade surplus with the Caribbean alone of \$1.8 billion. Approximately 1.5 million jobs in the United States depend on exports to LAC countries. Pay for jobs in the export sector tend to be 19% higher than the average for manufacturing.

2 *Security, Stability and Economic Development*

Strong economic growth and expanded trade help ensure greater political and economic stability in the LAC countries. Economic development reduces the vulnerability of democracy to instability which emanates from extreme poverty and provides viable alternatives to discourage criminal activities, such as drug trafficking and money laundering. It would also limit U.S. exposure to immigrants: The combined population of Haiti, Guyana, and the Dominican Republic, which is 14.6 million, subsists on GNP per capita of less than \$1,000 per annum.⁵ An

estimated 307,000 illegal (undocumented) migrants entered the U.S. from Central America and the Caribbean during 1989-1992.⁶

3 *Promote Liberalization In The Multilateral Trade System*

NAFTA arose in the context of a trend towards regional trading blocs. This is evident in the proliferation of varying types of regional arrangements, ranging from the European Union to the emergence of regional trade arrangements in Asia and Latin America.⁷ Without a commitment to free trade at the multilateral level, this trend could lead to a global economy compartmentalized into regional trade blocs. However, regional groups, could actually promote world trade by removing national barriers to trade among the countries which are party to the regional arrangement, thereby contributing to the worldwide reduction in trade barriers. Recognition of this possibility should prompt member countries of the NAFTA to expand participation to encompass the countries of LAC. Indeed, it has been suggested that membership not be limited to countries in the hemisphere (the accession clause makes provision for this) and that NAFTA should be the nucleus of association of countries committed to free trade.⁸

Four Scenarios for Expanding NAFTA

Currently, there are four scenarios for expanding NAFTA: full accession of additional countries through a clause in the present NAFTA agreement; using a "hub and spoke" structure to attach additional trading partners to either the United States; Canada or Mexico individually, merging a number of smaller regional trading blocs into NAFTA; or gradually extending NAFTA trading privileges to smaller countries, such as those in the CBI, without including them in the agreement until they are economically or politically ready to enter. Each has its own advantages and disadvantages.

Accession

The NAFTA accession clause is a single vague sentence, which neither sets out eligibility criteria for new members nor application procedures for interested countries. Article 2204 of the NAFTA merely provides that any country or group of countries may accede to the NAFTA "subject to such terms and conditions" as may be agreed to between those countries and the NAFTA Free Trade Commission (comprising Cabinet level officials from Mexico, Canada, and the United States).

The NAFTA implementing legislation hints at the selection process for determining the countries eligible for accession to NAFTA. Section 108 of the NAFTA Implementing Act, establishes a two-part process for accession.

First, the President must identify to the Congress (first by May 1, 1994 and again by May 1, 1997) those countries that currently provide fair and equitable market access to U.S. exports or have made significant progress in opening their markets to U.S. exports. On the basis of these reports, the President will determine with which foreign countries, if any, the United States should seek to negotiate a free trade agreement.

Second, the Congress requested a report from the President which lists the countries with which the United States would begin free trade negotiations. The report submitted in early July indicated that the administration would not be in a position to name specific countries until after the Summit of the Americas in December 1994. However, there was a reiteration of the commitment to negotiate a free trade agreement with Chile.⁹ Section 108 does not confer upon the President Congressional approval

of the entry into force of the NAFTA for United States with countries other than Canada and Mexico. The President must submit additional legislative proposals, such as a renewal of "fast track" authority, to ensure adequate Congressional consultation and advance Congressional approval of those negotiations.

The NAFTA implementing legislation outlines the objectives of the United States in any subsequent negotiation of a free trade arrangement with countries other than its NAFTA partners. These objectives are the closest approximation of the criteria that may be considered essential to a determination of NAFTA eligibility. They are:

- 1 Elimination of barriers and national or preferential treatment for U.S. goods, services, and direct investment;
- 2 Fair rules for government procurement, standards and certification, competition, and intellectual property rights;
- 3 Elimination of export and domestic subsidies which harm American exports, including export taxes and targeting; and
- 4 Effective dispute settlement, rules on standards, testing, labelling, and certification requirements, and nondiscriminatory access for government procurement.¹⁰

It must be recognized, however, that the negotiating objectives of the United States may not necessarily reflect the negotiating concerns of Canada and Mexico.

Hub And Spoke Approach to NAFTA Expansion

One frequently discussed proposal is that NAFTA constitute the core of an expanded trading bloc by "docking" additional countries. Expansion of NAFTA by countries negotiating free trade agreements with individual NAFTA countries started even before the conclusion of NAFTA. This was prompted by the worry that securing a free trade agreement with or joining NAFTA would be difficult after NAFTA ratification because the member countries may want to wait for a period in order to evaluate NAFTA's progress.¹¹ This uncertainty has spawned a "hub and spoke" development with Mexico emerging as the central node of concatenation.¹²

There is now a stampede to negotiate, even in principle, a free agreement with Mexico in order to get into NAFTA through the "back door." This diplomatic jockeying could

become unsavory and might be detrimental to the kind of regional cooperative initiative which a hemispheric bloc is intended to be. Moreover, expansion may face political obstacles such as existing U.S. trade law which prevents the extension of FTA benefits to third countries. It will be necessary instead to renew "fast track" authority for each agreement subsequent to NAFTA. Some opposition can also be expected from labor and environmental organizations. This is a political quagmire in terms of U.S. domestic politics, relations among the NAFTA partners and foreign policy of NAFTA member countries towards non-members.

Convergence of Regional Trade Blocs

The five regional trade groupings, namely, NAFTA, MERCOSUR, CARICOM, the Central American Common Market, and the Andean Pact could negotiate to converge or cooperate on a common integration goal. This might be easier and quicker than entering into numerous overlapping bilateral negotiations with NAFTA member countries and an array of non-members of different sizes, levels of development and stages of readiness. As more regional trade arrangements are established or consolidated, bloc-to-bloc arrangements become a possibility. A prime example is Mercosur's interest in an accord with the European Union.¹³ There is even a proposal by Brazil to create a South American Free Trade Area which would eventually be in a position to amalgamate with NAFTA.¹⁴

Gradual Enhancement

The United States has responded to the concerns of the small developing countries of Central America and the Caribbean which enjoy preferential access to the U.S. market under the CBI. The Clinton Administration has decided to seek congressional approval for an "interim trade program" for the countries of the Caribbean Basin. This is a response to the concerns expressed by the CBI countries.¹⁵

The proposed program provides enhanced access to the U.S. market, in the form of NAFTA-like tariff and quota treatment for particular categories of apparel. It is hoped that the interim trade program will be included in the Uruguay Round legislation which is expected to be passed this year. Even though, the program attempts to address the issue of parity, it does not adequately respond to the problem of diversion of trade faced by the CBI countries.

From NAFTA to Hemispheric Free Trade Through Accession

Of these four proposals, accession is the most attractive to non-member nations. Through legitimate membership in NAFTA, a level playing field would be established that would provide newcomers not with special benefits or preferential market access, but simply with non-discriminatory access. To be successful, the process must be orderly and transparent. Three paths to accession should be established: full membership, membership by asymmetrically phased adjustment, and associate membership.

1 Full Membership by Direct and Orderly Accession

An orderly accession process requires the establishment and enunciation of a clearly defined set of eligibility criteria, procedures for applying for membership and a timetable for expansion. The absence of these criteria creates a situation in which various arbitrary, non-economic factors may disproportionately influence the selection and sequence of admission of new members. One scheme which exemplifies this is the argument for admitting to NAFTA the so called "big, emerging markets," such as Brazil, Argentina and Singapore.¹⁶

2 Membership by Asymmetrically Phased Adjustment

Immediate accession to NAFTA is not feasible for many countries in the Latin American sub-region. Many of these countries have not yet attained the level of development necessary to assume the far-reaching obligations embodied in the NAFTA. Given the potential economic dislocation, a transitional arrangement must be created to facilitate trade liberalization in these countries preparatory to NAFTA accession. This could be addressed by providing the LAC countries with full market access to the NAFTA countries with reciprocity phased in over an extended period.

A premature attempt by these countries to immediately provide full reciprocity could be detrimental to the process of adjustment, since export-led growth is only possible with stable market access. The period of time necessary to attain a position where complete reciprocity can be provided will vary among economies depending on their size, level of development and economic structure. It is essential to recognize that reciprocity does not mean strict equivalence in tariff reduction or elimination of quantitative restric-

tions. Rather, it reflects the range of issues encompassed in international economic relations, namely trade in goods and services, investment, and intellectual property rights. The pace of reciprocity should be worked out between the United States and the countries of the hemisphere through the relevant institutional mechanisms available in the region. A suitable adjustment period would also permit time for the completion of the structural adjustment process of the wider Latin American region.

3 Associate Membership

The NAFTA countries should design a form of associate membership¹⁷ for countries that do not want full membership or are precluded by commitments to sub-regional common market or trade arrangements with trade groups outside the hemisphere. Agreements on associate membership would cover selected issues, sectors and products on terms comparable to NAFTA provisions. Bilateral Agreements and GATT rules would govern other areas.

This could be a viable alternative option for the countries of CARICOM, which benefit from preferential trade arrangements in the form of the CBI and the Lomé Convention with the European Union.¹⁸ If Caribbean countries which are members of the Lomé Convention opt to join NAFTA then the Caribbean would enjoy preferential, non-reciprocal treatment under Lomé, and at the same time be involved in a reciprocal trade arrangement with NAFTA. The dilemma would arise because under Article 174 [2(a)] of the Lomé Convention,¹⁹ these countries are obliged to provide no-less favorable conditions to the EEC than that provided to any developed country. Specifically, if Caribbean countries provide reciprocity to the United States and Canada by virtue of NAFTA membership, then the United States and Canada would be obliged to provide reciprocity to the EEC under the terms of Lomé.²⁰ Associate membership would facilitate liberalization in a limited number of areas and obviate the enforcement of reciprocity by the European Union. The upcoming Hemispheric Summit scheduled for December 1994 is an opportunity for the NAFTA countries to present to the rest of the hemisphere a blue-print for the expansion of NAFTA.

Ready But on Hold: The Present Dilemma

The absence of a clearly outlined expansion strategy creates a dilemma for countries which are ready but on hold. Jamaica is a classic example of such a country.

Record of Trade Liberalization

Jamaica has demonstrated a commitment to trade liberalization within the hemisphere and to a multilateral trading system which approaches free trade. In the last three years, there has been a substantial acceleration in the process of liberalizing the trade regime, with an emphasis on the removal of import restrictions and the lowering of tariffs. A comprehensive process of trade liberalization, which began in 1987, is essentially complete. By December 1991, the average tariff for the economy as a whole was 20.3% after being cut by 60% since 1989 when the average tariff was 49.9%. The current tariff range is 0% to 45% but the majority of products bear 10% or less tariff. In April 1994, rates on non-competing raw materials and intermediate inputs—all items that were at the 5% rate—were dropped to zero.

Import licenses are only required on certain hazardous chemicals, arms and ammunition. Tariffs apply to all countries, with CARICOM member countries enjoying some tariff concessions. There are no non-tariff barriers and no cases of restrictions on U.S. exports by standards, testing, labelling and certification. Government procurement practices allow overseas firms and goods to compete freely. The Jamaican customs administration, while still attempting to improve its efficiency, has not and is not an impediment to U.S. exports or investors requiring imported inputs.

The policy of trade liberalization has provided improved U.S. access to the Jamaica market and represents substantial reciprocity by Jamaica in response to CBI preferential access. It has transformed the basis of U.S.-Jamaica trade from one based initially on preferential access to the United States market to one of virtual reciprocity.

Economic Reform

In recent years, Jamaica has implemented a policy package of stabilization, economic reform and structural adjustment designed in conjunction with the IMF, World Bank, and IADB. This has involved a market-determined exchange rate, reduction of the fiscal deficit, privatization of government owned enterprises, removal of price and rent controls, progressive elimination of subsidies, complete removal of exchange controls, and an open market credit policy. Private enterprise is the engine of growth in a market-driven economy in which the public sector plays a supportive and facilitating role.

Protection of Intellectual Property Rights and Foreign Investment

Concurrent with these reforms, Jamaica has strengthened key elements of the business environment. As a member of the World Intellectual Property Rights Organization (WIPO), it recently enacted a copyright law to protect intellectual property ownership. An intellectual property rights agreement and a bilateral investment treaty (BIT) was recently signed with the Government of the United States. The BIT will guarantee reciprocal and mutual treatment of investment in both countries.

Conclusion

As the world economy becomes increasingly trade-driven, and production becomes transnational, small developing countries face both new challenges and new opportunities. NAFTA, linking three of the most developed economies of the hemisphere, is an important step in this continuing globalization of production and finance to which the small countries of the Caribbean and other CBI states will have to adjust. Fortunately, this process of adjustment is well advanced in the Caribbean, with many countries pursuing outward looking, market-oriented growth strategies.

The CBI and the access to the U.S. market it provides has been critical to the economic restructuring and diversification taking place in the region, contributing, in particular, to economic growth. Both trade and investment diversion will occur and the economic prospects of the region seriously harmed should NAFTA be implemented without provisions which ensure that CBI countries are not placed at

a disadvantage. The well-being of the hemisphere will be ill-served if the interests of the less developed and more vulnerable economies are not taken fully into account as NAFTA is implemented.

For the Caribbean, expanding the present NAFTA to ensure that it does not undermine or lessen the benefits mutually derived from current agreements with the United States is consistent with the original CBI legislation. The CBI is premised upon the recognition of U.S. interest in assisting the development of strong economies in the Caribbean Basin through trade, not aid. This approach strengthens economic reform and promotes market-driven economic growth. Trade is much more effective than aid, in promoting economic development and ensuring political stability in Caribbean societies. Given the limited size of the CBI economies, providing such support would entail minimal cost since free trade with the Caribbean would have virtually no dislocating effects on U.S. industry and commerce.

The United States cannot be an oasis of well-being in the midst of under-development and poverty. Therefore, the continued expansion of trade is crucial. The jobs, investment, and production generated contribute to the economic vitality of the United States and the economic viability of the Caribbean. Economic growth helps CBI countries to alleviate the poverty that spawns crime, narcotics trafficking, and illegal immigration. As the United States forges a new partnership with its Caribbean neighbors, it is vital that it does not lose sight of the fact that the poverty and underdevelopment in the region can only have adverse effects on U.S. national efforts to combat these problems.

Trade liberalization represents both a challenge and an opportunity, which the countries of the Caribbean Basin must seize. Expanding NAFTA presents the opportunity to meet that challenge to ensure that the success of the Caribbean/U.S. trade relationship, with its positive impact on job creation in both economies, remains a catalyst for mutual prosperity.

Notes

- 1** The Caribbean Basin Initiative (CBI) is a political program comprising economic arrangements between the United States and Caribbean countries. In 1983, the CBI originally designated 20 regional countries as beneficiaries of the program: Antigua and Barbuda, Barbados, Belize, the British Virgin Islands, Costa Rica, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Haiti, Honduras, Jamaica, Montserrat, Netherlands Antilles, Panama, St. Kitts-Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago. In 1985, Bahamas was added, as was Aruba in 1986.
- 2** Coping with Changes in the External Environment. (Washington D.C.: World Bank, Caribbean Division, Report No. 12821 LAC, June 1994) page 115.
- 3** Potential Effects of a North American Free Trade Agreement on Apparel in CBERA Countries. (Washington D.C.: United States International Trade Commission. Publication 2542. 1992)
- 4** *North American Free Trade Agreement, Generating Jobs for Americans*, (Washington D.C.; U.S. Department of Commerce, May, 1991) page 3.
- 5** World Development Report 1993. (Washington D.C., World Bank, 1993).
- 6** Immigration and Naturalization Service, Statistics Division.
- 7** Richard L. Bernal, "Regional Trade Arrangements in the Western Hemisphere," *American University Journal of International Policy and Law*, Vol. 8 No. 4. (Summer, 1993) pages 683-718
- 8** John Urquhart, "Canadian Trade Minister Says NAFTA Should Be Opened Up to Other Nations," *Wall Street Journal*, May 31, 1994.
- 9** *Report to Congress on Future Free Trade Area Negotiations*. (Washington D.C.: Office of the Press Secretary, July 1, 1994.) page 2.
- 10** The North American Free Trade Agreement Implementation Act, H.R. 3450, Section 108(5), November 4, 1993.
- 11** Keith Bradsher, "U.S. Memo Says Mexico May Bar NAFTA Growth," *The New York Times*, March 1, 1994.
- 12** Charles W. Thurston, "Regional Blocs Work to Expand Trade, Analyst Say," *Journal Of Commerce*, May 23, 1994.
- 13** "South America's Mercosur Will Seek Bloc-to-Bloc Trade Deal with European Union," *Journal of Commerce*, May 23, 1994.
- 14** Angus Foster, "Support for South American Free Trade Area," *Financial Times*, March 14, 1994.
- 15** Richard L. Bernal, "The Caribbean Basin Free Trade Agreement Act" (H.R. 1403) in Hearing before the Subcommittee on Trade and the Subcommittee on Oversight of the Committee on Ways and Means House of Representatives, One Hundred Third Congress, First Session, June 24, 1993. (Washington D.C.) U.S. Government Printing Office, 1993), pp 68-75.
- 16** Jeffrey Garten, speech on "Competing in the Global Economy: The Clinton Administration's National Export Strategy" before The National Association of Manufacturers, Washington D.C., February 17, 1994. Ironically, some of the countries cited have stated that they would not seek membership at this time, e.g. Argentina. See Stephen Fidler, "Nafta option Shelved," *Financial Times*, July 13, 1994.
- 17** The concept of associate membership outlined here is that proposed by Peter Morici, *Free Trade in the Americas*. New York: Twentieth Century Fund Press, 1994) pages 27-28.
- 18** The Lomé Convention is a multilateral, ongoing commercial agreement entered into by European Economic Community (EEC) representing its 12 West European members and over 60 African, Caribbean, and Pacific (ACP) countries. The first Lomé Convention was signed in 1975 and permitted ACP commodities, mainly comprising raw ores and raw agricultural products, to enter the EEC duty free. The latest Lomé Convention, signed in 1989, guarantees a significant financial commitment from the EEC: ECU 12 billion are to be allocated to debt relief, investment, and risk capital over the 10 year period of the convention agreement.
- 19** Fourth ACP-EEC Convention, December 14, 1989, page 166.
- 20** Richard L. Bernal, "The Compatibility of Caribbean Membership in Lomé, NAFTA and GATT," paper presented at the Sixth Europe/Caribbean Conference, Santa Domingo, Dominican Republic, November 1993.