

**THE CARIBBEAN:
New Dynamics
in Trade and
Political Economy**

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Chapter 9

INFLUENCING U.S. POLICY TOWARD THE CARIBBEAN: A POST-COLD WAR STRATEGY

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From the end of World War II to the late 1980s, U.S. foreign policy in the Caribbean region was governed by Cold War imperatives. During this period, Caribbean countries ensured attention from the United States because of security considerations. However, the end of the Cold War has virtually eliminated these concerns and created circumstances in which Caribbean governments will have to find a new rationale and more diversified channels to influence the extent of U.S. involvement and the character of its foreign policy toward the region.

Post-Cold War Era: A New Day

The post-Cold War period, marked by the continued centrifugal forces of fragmentation in the former Soviet Union and the impending implosion of the socialist government in Cuba, is the first time since the arrival of Columbus that there is no rivalry among external powers for hegemony in the region. At the same time, dislocating economic shifts have occurred, specifically the separation of raw material and primary product supplies from the growth process in developed countries. The implication of all this is that

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no major external power, including the United States, has either security or economic interests to motivate involvement in the Caribbean.

During the Cold War, the United States and the Soviet Union had security and economic interests in the region, and the Caribbean was assured of foreign aid and preferential trade arrangements. Supplicant diplomacy and the existence of Marxist or leftist guerrilla movements were sufficient to ensure attention and economic assistance. However, in the post-Cold War era, the formerly highly successful diplomacy of poverty will no longer be relevant. The governments and people must face the reality that these countries no longer have a special status and will have to conduct their affairs as "normal small countries" (Domínguez 1993).

While a growing number of observers have pointed out that the global economy and world geopolitics have changed in fundamental ways that have profound implications for the Caribbean, this realization has not permeated thinking in the region (West Indies Commission 1993). In this milieu, it will not be business as usual; it will be a new ball game. This essential fact must be fully grasped so that new, more appropriate strategies of economic development and international relations can be devised and implemented immediately. In desperate need of revision and creative reformulation are the strategy and tactics of influencing U.S. policy toward the region.

The English-Speaking Caribbean

The English-speaking countries of the Caribbean formed a common market (CARICOM) in 1973. The member countries are Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts-Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago. CARICOM consists of small economies, many of which are micro states, the smallest being Montserrat, which has a population of 15,000 in an area of 103 square kilometers. In fact, even if the entire region is aggregated, the total population is just under 6 million spread over 270,000 square kilometers in thirteen countries. The gross domestic product (GDP) of the region as a whole is just over US\$10 billion. These economies are so minute that they have to be differentiated from the conventional concept of small economies such as Ireland and Singapore, each with a GDP of approximately \$40 billion, or Hong Kong and the Dominican Republic with populations of 5.8 million and 7.2 million respectively (World Bank 1993). In these circumstances, small size is an additional constraint on development, which is reflected in the size of the market, narrow range of resources, and lack of economies of scale.

The member states of CARICOM are individually and collectively vulnerable to external events. External vulnerability derives from economies with the following structural characteristics: 1) small size; 2) a high degree

of openness, for example trade/GDP of over 70 percent; 3) concentration on a few exports, in most instances primary products such as bananas, sugar, citrus, or raw materials such as bauxite and oil; and 4) dependency on a few extra-regional markets, particularly the industrialized countries and especially the United States, which absorbs over 50 percent of the region's exports. The Caribbean's trade and capital flows, both foreign investment and loans (concessional and commercial) are concentrated on the United States and the European Union (EU). Over 50 percent of the region's trade is with the United States, much of it under the Caribbean Basin Initiative (CBI). Most of the exports are marketed to the United States, Canada, and the EU under preferential arrangements, namely the CBI, CARIBCAN (Caribbean and Canada Trade Agreement), and the Lomé Convention. CARICOM's exports to the United States amounted to \$4.8 billion in 1990, having grown by 24 percent since 1987. Exports from the United States to the region grew even more rapidly, by 33 percent during 1987 and 1990, when the total was \$5.6 billion. This makes the Caribbean one of the few regions where the United States has a favorable trade balance and one that has grown steadily.

The economies of CARICOM member states experienced high and sustained growth in the 1960s, largely as a result of favorable market conditions for the principal exports at a time when the world economy and industrialized countries were experiencing strong economic growth. During the 1970s, a combination of internal economic management problems and adverse external developments affecting both export and import prices caused a marked slowdown in economic growth, particularly in Jamaica, after the mid-1970s. The 1980s saw many economies in the region growing at very low rates or experiencing contraction. Growth rates during the period 1983 to 1988 reveal slow growth or contraction in three of the larger, more developed economies. The Economic Commission for Latin America and the Caribbean (ECLAC) estimates that the average growth rate of real GDP was 0.9 percent for Jamaica, -1.4 percent for Guyana, and -3.0 percent for Trinidad and Tobago (Harker 1991). In fact, GDP per capita at the end of the decade was lower than it was in the late 1970s in some countries. Severe balance of payments crises and subsequent stabilization measures substantially reduced import capacity, which in turn led to a reduction in growth and export production. Bouts of high inflation, shortages of foreign exchange, and sizable exchange rate depreciation compounded and aggravated the prevailing economic difficulties. Intraregional trade declined sharply and only began to recover in the late 1980s (Bernal 1993). However, economic recovery has been uneven and relatively weak.

Since the late 1970s, countries such as Jamaica, Guyana, and Trinidad and Tobago, and more recently Barbados, have had International Monetary Fund (IMF) stabilization programs and World Bank adjustment programs

aimed at increasing growth, reducing the balance of payments deficit, and controlling inflation. Some CARICOM countries have become heavily indebted during the last decade (Bernal 1991, 45-58). For many countries, their debt is large in relation to their output and productive capacity. The servicing of the external debt has become the single most sustained impediment to economic growth. The debt to service ratio, that is, the share of foreign exchange earnings from exports of goods and services required for debt payment, is high. The debt of the Caribbean region as a whole has more than doubled from approximately \$6.1 billion in 1980 to \$14.3 billion in 1988.

U.S. Policy toward the English-speaking Caribbean

The foreign policy of the United States toward the English-speaking Caribbean has always been motivated by a mixture of economic and security concerns. Three economic motives have always been prominent in U.S. foreign policy toward the Caribbean and Latin America. These are 1) to assure needed investment opportunities, 2) to secure or penetrate markets for exports, and 3) to assure the availability of supplies of strategic raw materials such as oil and bauxite. The precise mix and relative weighting of economic components with security concerns has varied over time. These variations reflect changing political and economic circumstances in the United States, the Caribbean, the world economy, and global geopolitics. While U.S. interests have endured, the application of a clearly thought-out foreign policy toward the English-speaking Caribbean has been intermittent (Pastor 1992, 18; Lowenthal 1987). The character of U.S. policy in the Caribbean has been marked by engagement when a crisis was perceived and lack of attention when there was stability and peace. Intervention has taken the form of economic pressure, sanctions, covert political destabilization, military invasion, and occupation.

Policy toward the English-speaking Caribbean has passed through five phases since the United States formally designated Latin America and the Caribbean to be within its sphere of influence by the espousal of the Monroe Doctrine of 1823, which was reiterated by the Roosevelt Corollary (Lieuwen 1965, 42) of 1904. U.S. dominance and intervention in the region during the inter-war period was rooted in a belief the United States' manifest destiny (Pratt 1968, Vevier 1960). Security concerns have predominated in the post-war period, as U.S. policy in the Caribbean was motivated by minimizing or preventing the influence of outside "powers," in particular, the Soviet Union, and by maintaining pro-U.S. political regimes. Up to the early 1960s, U.S. hegemony was shared by the colonial powers, most prominently Great Britain. The greatest danger to U.S. political hegemony and military dominance in the Caribbean has always been perceived to be the emergence of communism, either from internal or external sources. This became the main

thrust of U.S. policy after the Cuban Revolution, with interventions in the Dominican Republic and Grenada. Former President Ronald Reagan was convinced that the danger the Caribbean faced was “the expansion of Soviet-backed Cuban-managed support for violent revolution” (Reagan 1982). Economic interests have always had a strong influence on U.S. foreign policy. The importance of government promotion and facilitation of private enterprise overseas has been a tenet of U.S. policy, avidly subscribed to and espoused by government and the private sector. Foreign policy is inseparably linked with foreign trade, and business organizations have constantly brought pressure to bear on the state to play a role supportive of U.S. business abroad (Campbell 1951).

Caribbean Basin Initiative

During the ten to fifteen years preceding the launching of the Caribbean Basin Initiative (CBI), U.S. dominance of the world declined, and its hegemony in world politics weakened. The Reagan administration made a concerted attempt to preserve the “old international order” and to retain and reassert U.S. hegemony. In the attempt to preserve the status quo, the retention of dominance in Latin America and the Caribbean was an integral component in U.S. global strategy. The CBI was aimed at reinforcing links with the Caribbean region. The policy of the United States in the Caribbean has traditionally been one of consistent interest but of unsustained policy application in the pursuit of its economic and security goals. The CBI represented a response to revolutions in Grenada and Nicaragua and to guerrilla warfare in El Salvador. The Reagan administration was convinced of the need to redress what it perceived as a period of “benign neglect” under President Jimmy Carter and to reassert U.S. influence in the region. The sense of urgency was well expressed by a former U.S. diplomat when he stated that the “Caribbean is no longer our placid American sea. It is a seething cauldron, indifferent or even hostile to us. We can no longer neglect it” (Martin 1978, 10).

U.S. interests in the Caribbean are largely economic, and its policy motives continue to be based upon economic and national security concerns, since the Caribbean and Central America are regarded as the southern border of the United States. The United States considers its national security to be threatened if any government in the Caribbean is not actively aligned with U.S. policy and/or pursuing an economic strategy that is a private enterprise, market economy. Former U.S. Ambassador to the United Nations Jeane Kirkpatrick indicated the extent of the U.S. commitment to defend this border when she stated, “Vietnam was a country which was very remote from the U.S. ...we had no vital national stake in Vietnam.... Central America and the Caribbean for us are truly matters of direct national interest” (Kirkpatrick 1982, 7). The United States repeatedly asserted that the political and

economic stability of the region was being undermined by the expansion of Soviet-backed, Cuban-managed support for violent revolution with guerrillas armed and supported by and through Cuba (Reagan 1982, Haig 1981). This idea was predicated on the “domino theory” that viewed Cuba as the first domino to have fallen and “...envisioned the left-subversion of Central America as the first step of a broader Soviet plan to destabilize Mexico in the north and threaten U.S. control of the Panama Canal in the south, leading to direct, dire threats to U.S. territorial security” (Carothers 1991, 13). Other countries were seen as vulnerable because it was believed that poverty made them susceptible to communist penetration and made socialist and/or communist economic models attractive. Former President Reagan warned, “If we do not act promptly and decisively in defense of freedom, new Cubas will arise from the ruins of today’s conflicts. We will face more totalitarian regimes tied militarily to the Soviet Union, more regimes exporting subversion” (Carothers 1991). The area, as Reagan explained, “...is a vital strategic and commercial artery for the United States. Nearly half of U.S. trade, two-thirds of our imported oil, and over half of our imported strategic minerals pass through the Panama Canal or the Gulf of Mexico” (Reagan 1982).

U.S. economic interests relate to the region as a market, a source of raw materials, and an investment outlet. A spokesman from the U.S. Chamber of Commerce, in February 1982, demanded that “the full force of U.S. government should be lent to expanding our exports and foreign investments. Ambassadors and cabinet members should intervene to support major transactions when necessary” (Samuels 1982). The United States is also concerned with insulating its wage levels and unemployment rate from the region’s immigrants. It is estimated that between 1920 and 1960 immigrants from the Caribbean accounted for 4 percent of total immigration to the United States. However, during the last twenty years, the Caribbean became the largest source of migrants: “nearly one-third of all legal U.S. immigrants, two-thirds of all political refugees (from 1961 to 1977), and nine-tenths of all undocumented workers — a total of about 8.5 million people” (Pastor 1982, 1038-58).

Enterprise for the Americas Initiative

Economic motives now supersede security concerns in the post-Cold War era. The U.S. economy has been in recession, characterized by low and fluctuating growth and persistent fiscal and trade deficits. The trade deficit partly reflects the relative lack of competitiveness of U.S. goods in both the world market and the national market, particularly compared to goods from Japan and the newly industrialized countries (NICs). Protectionism in Europe and Japan has compounded the difficulties in increasing exports. In this context, there is a need to preserve markets in which the United States has a competitive advantage. In recent years, Latin America and the Caribbean

have assumed increased importance as export markets. The region accounts for 14 percent of U.S. exports (U.S. Department of Commerce/ITA/USAID 1992, 7), which is more than exports to Japan and to the NICs of East Asia. Latin America has been a market in which there has been a steady increase in demand. Exports from the United States increased by 70 percent since 1986 — from \$31 billion in 1987 to over \$54 billion in 1990. The U.S. share of the region's imports has grown from 46 percent to almost 55 percent. In 1992, former President George Bush stated that "prosperous Latin America is a natural market for United States goods and services. Strengthening our neighbors' economies will result in more exports" (Bush 1992, 4).

While economic motives dominate U.S. policy toward the English-speaking Caribbean, the United States wants to support democratization and social stability tangibly, complementing and assisting the rehabilitation of economic growth in the region, especially where this is taking the form of private sector-led growth. The United States has concerns about security, drug trafficking, and illegal immigrants, but these are secondary to its economic motive of ensuring more viable trading partners. Trade, particularly export trade, is the primary economic motive as the importance of Latin America and the Caribbean for investment has declined relatively since the early 1950s. Meanwhile, U.S. direct investment in Latin America and the Caribbean as a share of total foreign investment declined from 38.8 percent in 1950 to 17.1 percent in 1981 (Ramsaran 1985, 85). In this context, debt relief was intended to free resources to fuel the expansion of Latin America's imports from the United States.

The Enterprise for the Americas Initiative (EAI), launched in June 1990 by [then] President Bush, has three components:

1. Trade liberalization, aimed at creating a hemispheric free trade area, stretching from Anchorage, Alaska to Tierra del Fuego, Argentina. The establishment of free trade would be achieved by a series of free trade agreements (FTAs), commencing with the North American Free Trade Agreement (NAFTA) of the United States, Canada, and Mexico. Succeeding agreements would depend on the readiness of countries to meet the criteria, including a suitable macroeconomic environment, market-oriented policies, liberalized trade and investment regimes, and a demonstrable commitment to a multilateral trading system such as the General Agreement on Tariffs and Trade (GATT). A consistent EAI-related FTA would seek to eliminate tariffs and nontariff barriers on goods and services over a specified phase-in schedule. The FTAs would also encompass standards for the treatment of investment and the protection of intellectual property rights.

The NAFTA is designated as the first building block of the free trade aspect of the EAI. The agreement has been negotiated along with side agreements on workers' rights, environmental protection,

and import surges. One of the first steps toward creating the hemispheric free trade area envisioned as the core of the EAI was the signing of framework agreements on trade and investment between the United States and individual Latin American and Caribbean countries or groups of countries. These agreements outlined long-term development objectives and broad principles of economic policy; they also established councils as mechanisms for regular consultation between the parties. U.S. policy makers have stated that the process of creating a hemispheric free trade area will take many years, and according to Deputy U.S. Trade Representative Julius Kantz, "at least a decade and probably longer" (Kantz 1991). They recognize that complete liberalization on a reciprocal basis cannot be done within a short time.

2. Promotion of the resumption of substantial private investment flows into the region. Two instruments are designed to foster this transition: a) an investment loan sector program within the Inter-American Development Bank to provide resources to support privatization efforts and to create an environment that promotes increased entrepreneurship. It is envisioned that this loan sector program will be implemented in conjunction with the World Bank, and b) A multi-lateral investment fund of US\$1.5 billion to be disbursed between 1992 and 1996. This fund will furnish financial and technical assistance to support privatization, private enterprise development, and business infrastructure; the major contributors will be the United States and Japan.
3. Reduction of U.S. bilateral debt. This has two elements: a) concessional and PL480 debt will be reduced as follows: principal payments will continue to be paid in hard currency, the stock of debt will be reduced, and interest on the remaining portion will be payable in local currency. Interest payments will be applied to fund environmental projects. This will involve the establishment of environmental boards in the beneficiary countries. b) The debt, which is owed to the Export-Import Bank of the United States (Eximbank) or to the Commodity Credit Corporation, will be reduced through a sale of the debt on the secondary market. The proceeds will be applied to debt-for-nature swaps or debt-for-equity swaps.

The Policy of the Clinton Administration

President Bill Clinton assumed leadership of the United States at an important time in the history of this hemisphere and indeed the world. The implosion of the Soviet Union and liberation of its communist satellites in Eastern Europe has ushered in the post-Cold War era. The resulting

profound political changes and ideological detente coincide with a period of rapid globalization in production, trade, and financial flows. These fundamental developments have profound implications for industrialized and developing economies, established democracies, and newly liberalized countries — for the large and powerful as well as the small states. The Clinton administration has had to react to a number of crises, such as the economic collapse of the Soviet Union, the trade impasse with Japan, civil wars in Somalia and Bosnia, political oppression in South Africa and Haiti, and the Palestinian-Israeli conflict. At home, there have been other challenging issues: the difficult passage of the budget, gays in the military, reducing the armed forces, NAFTA and the side agreements, “reinventing” government, and health care reform. In this milieu, a carefully reasoned, clearly defined foreign policy is still in the process of formulation (Clarke 1993, 143) and articulation, particularly regarding areas not in crisis, such as the English-speaking Caribbean.

All of this is occurring at a time when the U.S. economy is 1) undergoing an uneven, unplanned process of structural adjustment; 2) achieving very low and fluctuating rates of real growth; and 3) grappling with a large, persistent fiscal deficit. Moreover, the mood in the country is that the United States is caught in a global, tri-polar economic rivalry with the European Community and Japan (Thurow 1992) at a time when the power of the United States has declined relative to the two decades after World War II. This combination has created strong sentiments that the United States should make domestic issues such as jobs and health care the top priorities and should scale back resources devoted to foreign policy. Despite calls for “come home America,” “America first,” and “selective disengagement,” the United States will scale down but not relinquish its global role. The present disposition toward foreign policy reflects both cyclical and conjunctural factors. At present, foreign policy coincides with a domestically oriented mood that is part of a cyclical pattern of “historical alternation of moods in American foreign policy” (Klingberg 1983). This is coinciding with and compounded by an inward-looking period in politics (Schlesinger 1989, 23-48). The manner in which the United States addresses its domestic priorities will have an important economic impact on the world economy and, in particular, on the countries of this hemisphere.

Those in the administration who have made the domestic economy *the* priority are cognizant of the critical interdependence of economies in the global economy and are ensuring that policies conducive to continued adjustment and growth in other economies are pursued. The Clinton administration has expressed commitment to the liberalizing of hemispheric trade and the

enhancement of an open world trading system through the successful conclusion of the Uruguay Round of the GATT (Kantor 1993a, 146-147). The administration will support private-sector led, market-driven economic strategies, thereby promoting electoral democracy, human rights, acceptable working conditions, and preservation of the quality of the natural environment.

The foreign policy and trade policy of the Clinton administration will be dominated by economic considerations and will be an extension of domestic economic policy (Kantor 1993b, 143). Economic policy will be based on recognition that low growth, persistent fiscal deficit, and the trade deficit reflect structural problems requiring medium- to long-term solutions. The number-one priority is "putting America to work, putting people first" (Clinton and Gore 1992), by expanding government's contribution to infrastructure and new technology. This will increase international competitiveness and generate employment. An important aspect of this will be a much more aggressive approach to the trade practices of Japan and the EU. Laura D'Andrea Tyson has argued that in a world of "imperfect competition, free trade is not necessarily and automatically the best policy"; she believes that "government policy to strengthen the competitive position of domestic producers in world markets may generate higher levels of national welfare than would result from free trade" (Dosi, Tyson, and Zysman 1989). Tyson has stated that "aggressive unilateralism is defensible as an interim response to foreign trade practices and structural barriers that harm American economic interests and which are not covered by binding multilateral regulations" (Tyson 1992, 258). However, there is a clear understanding that the choice is not between free trade and protectionism; the objective is trade liberalization on the basis of reciprocity. The trade policy of the Clinton administration is unlikely to be protectionist because this would inhibit the restoration of economic growth, the number one priority. Protectionism would be the antithesis of growth as the expansion of exports has been the major source of GDP growth in the United States in recent years. Since 1986, roughly 40 percent of the economic growth of the U.S. economy was produced by the expansion of exports (U.S. Department of Commerce 1991, 3). Exports to developing countries have become increasingly important, representing 37 percent of total exports in 1992, up from 32 percent in 1990 (Greenhouse 1993). U.S. Trade Representative Mickey Kantor has pointed out, "Since we [the United States] are producing more with fewer workers, opening up new markets is the key to new job creation and economic growth" (Kantor 1993a). Latin America and the Caribbean are seen as an essential market for the United States and one that the United States should continue to dominate vis-à-vis Europe and Japan, by creating preferential access if necessary (Kantor 1993d, Christopher 1993).

reciprocity as the basis of trade with the countries of the CBI region is not surprising since one of the tenets of U.S. foreign economic policy is "reciprocal and nondiscriminatory" international agreements (Pastor 1980). However, what exactly constitutes reciprocity has varied over time and circumstances (Grey 1990, 97-119). This was waived for the CBI due to security concerns, restrictive product coverage, and because the volume of imports from the CBI was insignificant in total exports.

The structure of trade in the CBI region ensures that the impact of NAFTA will be substantial. Fifty percent of exports of CBI countries go to the United States, and traditionally the United States has a large favorable trade balance with the CARICOM region. Since such a significant proportion of the region's trade takes place with the United States, and given the importance of trade to economic growth, there is well-founded concern that NAFTA, instead of maintaining and enhancing present levels of trade with CBI countries, could cause trade to be diverted from them. NAFTA involves the three most developed economies in the hemisphere; trade among Mexico, Canada, and the United States accounts for most of intra-hemispheric trade. Countries at lower levels of development that are less able to compete in the global trading system are naturally concerned that trade and investment diversion could be an unintended consequence of NAFTA. Although Mexico does not compete with the CBI region in all of these categories, a relaxation of import barriers for Mexico could cause a reduction in Caribbean exports.

Furthermore, NAFTA could put CBI countries at a disadvantage in terms of access to the U.S. market, as it provides Mexico with removal of tariffs and quotas over specified adjustment periods. This would inadvertently create a situation in which Mexico would have a further advantage over the CBI countries, along with inexpensive labor, cheap energy, and lower transportation costs and economies of scale. The following trends, which are already discernible, are likely to continue and intensify:

1. Trade Diversion

The elimination of quotas and phasing 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, thereby reducing CBI exports.

2. Investment Diversion

In the past few years, there has been a lull in investment in the region while investors waited to evaluate NAFTA's provisions. The United States International Trade Commission (U.S. International Trade Commission 1992, vii) concluded that "NAFTA will introduce incentives that will tend to favor apparel investment shifts away from

the CBERA [Caribbean Basin Economic Recovery Act] countries to Mexico.”

3. Relocation of Production Capacity

There is danger of a transfer or closure of existing productive capacity in CBI countries, particularly in “foot-loose” industries such as assembly and apparel, which can easily be relocated.

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.

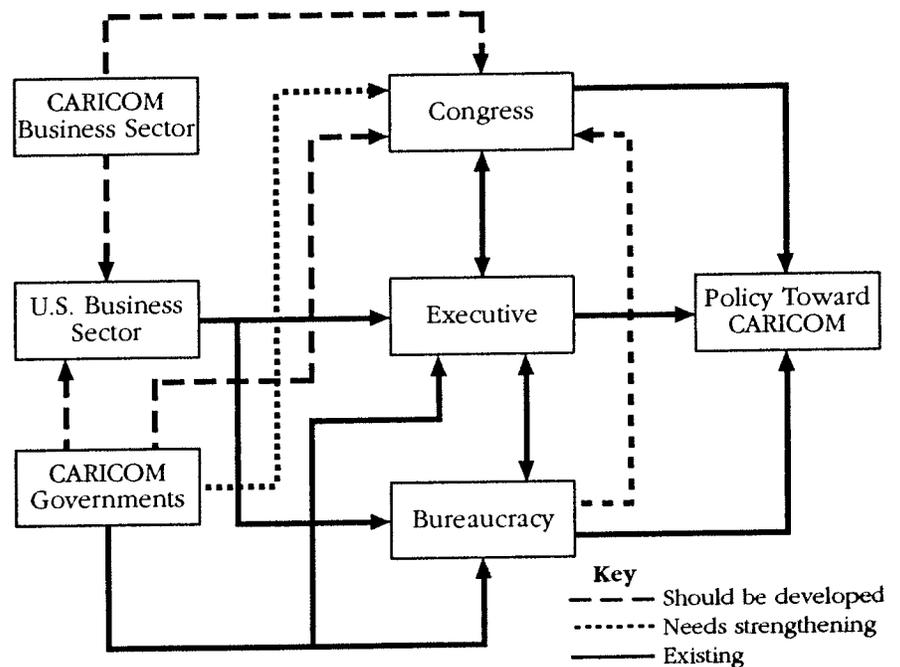
Through trade and investment diversion, relocation of industries, and an overall contraction of economic capacity, growth momentum in the Caribbean could be stymied, and the region could be marginalized from the economic dynamic in its main export market, the United States. However, this development could be prevented if appropriate policy recommendations were adopted.

Remedial action is urgently required to prevent an adverse impact on CBI countries and to preserve the value of CBI status. The appropriate policy should be the establishment of parity with NAFTA in terms of market access for a transitional period, after which there would be phased reciprocity for a suitable adjustment period (Bernal 1993).

Influencing U.S. Foreign Policy

These proposed changes mean that the influencing of U.S. foreign economic policy can no longer be confined to intergovernmental relations but must involve the private sector. Traditional lobbying efforts must be broadened to include 1) strengthened lobbying of Congress by Caribbean governments; 2) CARICOM governments working to influence, involve, and collaborate with U.S. exporters, importers, and firms operating in the region (important given the influence of U.S. multinational corporations on U.S. policy); 3) firms and business associations from CARICOM countries supporting CARICOM governments in lobbying Congress; and 4) development of alliances by the CARICOM private sector with U.S. firms and business associations. The actual and recommended channels of influence are outlined in Figure 1.

Figure 1



Strategic Transborder Alliances

The globalization of production and finance is rapidly sweeping away national barriers to the movement of goods, services, capital, and money. The globalization of production is evident in the steady rise in the trade to GDP ratio, especially in industrialized countries, and in the fact that world trade has grown faster than world GDP. The logic of this globalization is that different phases of production are allocated or dispersed throughout the world on the basis of where they are undertaken most cost effectively. The globalization of production is a rationalization of resource use on a global scale, which is more cost-efficient than production confined to national economies.

One of the fundamental changes inherent in globalization is corporate reorganization in the form of mergers, collaborative agreements (even between rival producers of the same product), and strategic corporate alliances. Corporate integration, consolidation, and restructuring through cross-border mergers and acquisitions is a worldwide phenomenon. This has

resulted from the striving for increased size, the need to maintain market presence, intensified competition which has forced consolidation and pruning, and the easing of regulations governing mergers. Corporate reorganization, at the global level, provides opportunities for Caribbean firms to establish strategic corporate alliances. Caribbean exporters are often extremely small compared to the firms and multinational corporations against which they have to compete in the world market and in major export markets such as the United States and Europe. Small size puts CARICOM exporters at a severe disadvantage; therefore, they need to form mergers and strategic alliances to provide a larger capital base, a more extensive pool of resources, and greater expertise (Badaracco 1991). There is a clear trend for globalized production to be complemented by collaborative agreements and strategic corporate alliances that fundamentally modify the nature of global competition and the organization of international production by creating a series of intermediate positions between national and global competitors (Doz 1987). Small countries can take advantage of these niches in the global production process.

The economic policies of countries and the global economic environment will be determined primarily by the interaction between governments and corporations, especially in the so-called Triad: the United States, Europe, and Japan (Ostray 1990). Intergovernmental relations and multilateral institutions, while important, will be relatively less so as corporate alliances, both domestic and international, influence the range of policy options available to governments (Cowhey and Aronson 1993). The importance of U.S. corporations as allies and advocates of trade measures sought by Caribbean countries results from their considerable influence on Congress and the fact that intra-firm transfers constitute a growing component of international trade (Helleiner 1981).

Firms and business associations from CARICOM countries must be more active in supporting CARICOM governments in lobbying Congress. The CARICOM private sector must develop transborder alliances (Thorup 1991) with U.S. firms and business associations. Some Caribbean firms and financial institutions, particularly Jamaican ones, have become multinational corporations or are branching into the United States, Britain, and the wider Caribbean, including Cuba. Entrepreneurs have emerged whose horizons are hemispheric and even global.

In addition, U.S. businesses in the Caribbean can be mobilized to support beneficial policies, especially those that promote private sector led development and growth. There is no more effective testimony regarding the economic reform and structural adjustment policies implemented by a Caribbean government than that offered by U.S. business executives active in the region. When the U.S. business community validates governmental

policies to encourage private sector led development and growth by expanding or initiating new enterprise, that action speaks clearly to the effectiveness of the policy and makes a solid argument for U.S. government support of the Caribbean government. U.S. investors in the Caribbean are persuasive because of their direct experience with the policies their investments are implicitly endorsing; they also have influence because they represent economic interests that are important to elected public officials. Increasingly, benefits to the Caribbean must be shown to have reciprocal benefit to the United States, particularly in creating U.S. employment opportunities based upon foreign investment and trade, and it is U.S. businesses abroad that must be called upon to make the case.

Alignment of U.S. and Caribbean Interests

Perhaps the single most effective way to advance the Caribbean agenda is to establish ways for it to be aligned with domestic U.S. policy concerns. In this way, it will be possible to build transborder coalitions of interests that converge on single issues. In this regard, the most effective lobbying is done through advancing arguments that address the policy makers' self-interests. An alliance for lobbying Caribbean interests in Washington that includes U.S. citizens who benefit from a strong Caribbean relationship will be effective because they can discuss the issues in terms of domestic constituency politics.

There is particular benefit in mobilizing support for addressing foreign policy issues that generally inspire little interest and have a negligible constituency. The most effective lobbying for foreign assistance is that undertaken by Caribbean Americans in support of assistance to their countries of origin. Therefore, it is a priority for those concerned about the Caribbean to mobilize support within the Caribbean American community. Caribbean Americans who are U.S. citizens traditionally have been interested and active in politics but have not traditionally turned their attention and activism toward advocacy for the Caribbean. As Caribbean American communities are strategically located in jurisdictions represented by key decision makers affecting trade policy and foreign assistance (represented in Connecticut by a member of the Trade Subcommittee of the Committee on Ways and Means and the chairperson of the Western Hemisphere Committee of the Senate Foreign Relations Committee and represented in New York by the chairman of the Senate Finance Committee), there is potential for effective lobbying for increased assistance to the Caribbean through activating Caribbean Americans and Caribbean American organizations.

As issues such as debt relief, investment financing, and trade become more important than traditional foreign assistance and trade concessions in the bilateral relationship between the United States and the Caribbean, those

who work on behalf of the Caribbean must widen the issues addressed and recruit new allies to encourage policies that will foster a strong commercial linkage between the United States and the Caribbean. Education on these more complex issues will be necessary. Advocates will be required to become engaged more actively in dialogue within academic circles and the Washington policy community and with a cross section of business leadership.

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