

## Afterword: The Significance for Americans of Trade with the Caribbean Basin

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**AFTERWORD**  
**THE SIGNIFICANCE FOR AMERICANS OF TRADE  
WITH THE CARIBBEAN BASIN**

*Congressman Parren J. Mitchell\**

I am honored to participate in a conference on trade between the United States and the Caribbean Basin countries because, as you may be aware, I have been an ardent supporter of strengthening our economic ties with the developing countries of the world. I also believe that the United States will be facing greater international competition for the remainder of this century and the policies to address these pressures must be positively correlated with those of other countries, especially the developing countries. During the last five years virtually every country's dependence on the outside world has increased, which indicates that we must take greater account of the implications of our growth and trade policies.

Indeed, to the extent that we strengthen our ties with the various regions of the world, we demonstrate our commitment to improving the conditions of life in the developing countries, while simultaneously increasing the possibility for both jobs and sustained economic growth in the United States. Accordingly, as the trade balances of the United States and other developed countries have grown, the United States has urged other industrial nations to emulate its expansionary policies to varying degrees for the sake of growth in the world economy. Given the resurgence of protectionist attitudes, the decline in the international value of our dollar, and the lagging recovery from the worldwide economic recession, this conference demonstrates the importance of examining our economic and trade relations with the Caribbean Basin countries which would be more adversely affected by myopic growth policies and protectionist measures. This conference is unique since there is a definite nexus between the economic prospects for the State of Maryland and the Port of Baltimore, and the U.S. economic and trade policy toward developing regions of the world.

This is the first time that a conference of such importance has been held in Baltimore on the Caribbean directed toward such a diversified community — legal, business, academic, government and diplomatic. Additionally, we as a group share the common view that the Caribbean Basin countries are as important to the United States as any other region of the world.

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\* Democratic Representative for Maryland in the U.S. House of Representatives.

Today, my remarks will focus on the question of the implications of our policies with respect to the Caribbean Basin countries, a group of countries with per capita incomes ranging from \$170 in Haiti to \$2,600 in the Bahamas. At the outset, however, I think that it would be instructive to stress the necessity of viewing the policies we implement in terms of facilitating faster long-term growth, greater equity in income distribution, and increased ability to exploit economies of scale in the producing goods countries.

I believe that the restructuring of U.S. foreign policy and a greater sense of economic interdependence among nations of the world has focused attention on the economic significance of the Caribbean as a region which has been grossly underestimated. This attitude can be attributed, in part, to the unique economic, political, and social characteristics of this region. Because of these unique characteristics, the economic development of the Caribbean Basin countries differs from the development process in other parts of the world. But I believe that the uniqueness of this process must provide the basis for furthering our relations with this area.

Our trade relationship with the Caribbean translates into approximately \$6 billion. The United States supplies twenty-five percent of the Caribbean imports — \$2 billion — and is the market for seventy percent of the Basin's exports. In addition, direct foreign investment in the Caribbean Basin countries is estimated in excess of \$4 billion. For example, the U.S. investment in the Dominican Republic alone amounts to more than \$500 million and investment in Jamaica is \$1 billion. However, only three percent of the U.S. direct foreign investment is in the Caribbean countries. Most of the investment is concentrated in natural resources extraction, particularly bauxite and petroleum. This is a pattern that must be reexamined to determine whether a broader investment program can be created. To a degree the importance of our investment depends upon the various legal impediments or the lack thereof, which determines the bargaining position between ourselves and the Caribbean Basin countries. Although our investment is expected to diminish in the future, I would emphasize that the importance of the Caribbean as an economic region will prevail. Thus, greater emphasis must be placed on eliminating the economic and legal impediments to trade.

Another important facet of our trade relationship with the Caribbean is tourism. Approximately two to three million U.S. tourists visit the Caribbean each year providing foreign exchange for trade purposes.

There are various instrumentalities of the U.S. economic and trade policy toward the developing countries. For the purpose of this conference

the most relevant instrumentalities of this policy toward the Caribbean are the GSP and the activities of Eximbank.

In 1974, the United States became the last developed country to adopt a system of international trade preferences. The concept of such a system as a method of stimulating growth in developing countries grew out of the United Nations conference on trade and development sessions in the mid-1960s. Although the program is still in its early stages, the GSP has emerged as a program of major importance to many developing nations. Central American countries and the Dominican Republic registered most of their gains under GSP in agricultural and wood products. Fresh vegetables increased sharply as the United States importers have promoted production by small farms. Most Central American countries showed substantial increases in a wide range of wood products. However, the Caribbean countries generally showed the least in gains from GSP in 1977. In large part, their net decline in GSP shipments was directly related to the problems with sugar. Although there were a few cases in which Caribbean countries increased their shipments of other GSP products, in general, they have shown very little ability to utilize the tariff advantages to initiate or expand nontraditional exports.

In many respects, the underutilization of the GSP has been precipitated by the lack of aggressive promotion of the GSP by the United States. The program has not been publicized among importers or foreign exporters and undoubtedly participation has not been facilitated.

Our program must be reexamined to determine whether this form of preference is stimulating development in beneficiary countries in the Caribbean. Until we know how much of the duty-free savings are being passed through to make the goods more competitive in the U.S. market; how many countries have stimulated development of their industry; what has been the return to developing countries; and if it is being used to shift production unevenly from the United States to the developing nations, we will not be able to determine the effectiveness of the GSP.

Clearly, the intent of the Congress was to ensure the growth and development of the nascent economies. In 1980, the President will report to the Congress on the effectiveness of the GSP, and only then will many of these questions be answered.

During the last fiscal year, the Eximbank was instrumental in creating the ad hoc committee on exporting and foreign investment by small minority businesses. Other members of the Committee are the Small Business Administration, the Department of Commerce, and OPIC. The primary purpose of the Committee is to provide the small business community with the opportunity to enter export markets. Of the 3,000

United States exporters actively using the bank's programs, some forty-two percent of the businesses could be considered small businesses.

An excess of 4,600 transactions, supporting more than \$3 billion in exports by these small businesses, were active at year end. In addition, many small businesses are subsuppliers to exporters participating in the Eximbank's program.

There are Eximbank programs that operate in conjunction with other banks to support short and medium-term export credit transactions for small businesses. They are the export credit insurance, the commercial bank guarantees, discount loans, and the cooperative financing facility. In fiscal year 1977, \$4.4 billion was authorized under these four programs and constituted the major activities of the Eximbank.

The importance of the Eximbank as an instrumentality of our overall economic and trade policy can be reviewed from the perspective of the small business community. These businesses are those with annual sales of less than \$10 million or a net worth of \$5 million or less. It is exactly these types of businesses that can be instrumental in directly assisting the developing countries to increase their economic capabilities.

In fact, of the fourteen million businesses in the United States today, more than thirteen million of them are small, including some three million farms. Together they provide employment for over half of the business labor force and account for more than forty-eight percent of the gross business product. I would submit that America's prestige in the world today might never have been achieved in the absence of small businesses. The interaction of American small businesses with similar businesses in the Caribbean, if pursued aggressively, would promote mutually beneficial economic returns.

I believe that the Caribbean is a region that demands our serious attention. For some time the Caribbean countries have argued that the international economy operates in a manner that precludes rather than incorporates their desires for a higher standard of living. These countries need changes in the international rules of trade and finance, if they are to obtain greater control over their development.

Encouragement of economic development is a difficult problem which requires a multifaceted solution. The GSP, the Eximbank programs, and bilateral and multilateral assistance can never produce a total solution, but they must provide long-term benefits for the Caribbean, lest we lose a significant test of our commitment to development and ultimately fail ourselves.

I pledge that I will do everything that is legislatively possible to ensure that we fulfill our commitment to the Caribbean.



