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EASTERN CARIBBEAN

REPORT

OF A

STAFF STUDY MISSION TO THE DOMINICAN REPUBLIC, ANTIGUA, DOMINICA, BARBADOS, AND ST. VINCENT, JANUARY 5-19, 1982

SUBMITTED TO THE

COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES

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FOREWORD

House of Representatives,
Committee on Foreign Affairs,
Washington, D.C., April 9, 1982.

This report has been submitted to the Committee on Foreign Affairs by the staff study mission to the Caribbean January 5–19, 1982.

The findings in this report are those of the staff mission and do not necessarily reflect the views of the members of the full Committee on Foreign Affairs.

Clement J. Zablocki, *Chairman.*

LETTER OF TRANSMITTAL

April 9, 1982.

Hon. Clement J. Zablocki,
Chairman, Committee on Foreign Affairs, U.S. House of Representatives, Washington, D.C.

Dear Mr. Chairman: Transmitted herewith is a report of a staff study mission to the Caribbean, January 5–19, 1982. The countries visited were the Dominican Republic, Antigua, Dominica, Barbados, and St. Vincent.

The purpose of the trip was to review U.S. assistance to the countries and to discuss with host government officials, U.S. officials, and the local business community the anticipated Caribbean Basin Initiative, which was subsequently presented by President Reagan on February 28.

We greatly appreciate the kind assistance which was extended to us during our stay in each of the countries, both by U.S. Embassy and AID officials and by the host governments.

It is hoped that the information obtained by the study mission and conveyed in this report is useful to the committee in its review of U.S. assistance to the Caribbean and of the legislation proposed to implement the Caribbean Basin Initiative.

George M. Ingram,
Staff Consultant.
R. Roger Majak,
Staff Director, Subcommittee on International Economic Policy and Trade.

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DOMINICAN REPUBLIC

Background

The Dominican Republic has considerable developmental potential due to a diversity of natural resources, greater social and physical infrastructure than most developing countries, strong entrepreneurial spirit, receptivity to self-help programs, and democratic processes. Democratic institutions have been strengthened by the recent election, in an open and aboveboard primary, of a candidate of the ruling party to replace retiring President Guzman. The military shows no sign of involving itself in the coming election, but remains "protective" of the political process, and its active reinvolvement in politics cannot be precluded. The year 1978 was the first time in Dominican history there was a peaceful transfer of power from one political party to another via the democratic process. The fulfillment of the coming (May 16) elections should help solidify the Dominican Republic's democratic institutions. Dominicans are looking to the elections to move the economy out of neutral. Although the business community is discouraged, the economic situation is far less serious than in most other Caribbean nations and has good potential to rebound.

Economic Situation

The estimated economic statistics for 1981 show a gross domestic product growth of 3.5 percent, compared to 5.6 percent in 1980. The inflation rate was only 9.5 percent. The current account deficit was around $300 million, but the overall balance of payments was positive, in the range of $60 million. However, the balance of trade trend in 1981 was increasingly negative and the prospect for 1982 is not encouraging. Sugar is the center of the Dominican economy—for employment, tax revenues, and foreign exchange. The Dominican Republic was fortunate in selling 70 percent of its 1980–81 crop while prices were still above 30 cents/pound. However, the current world price of 12 cents and the fee imposed on sugar imports into the United States by the 1981 farm bill (which may cost the Dominican Republic up to $50 million/year), will impact significantly on the balance of payments.[1] World prices for the Dominican Republic's other major exports—coffee, cocoa, tobacco, gold, ferronickel, and bauxite— are also below the levels of a year ago.

Restrictive economic policies were pursued during 1981 in order to deal with the loss of nearly $120 million in anticipated exports. The Government tightened monetary policy and adopted restrictive import

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[1] It is interesting to note that the Dominican Republic and Haiti are the only two Caribbean sugar producers which do not have a sugar patron—the former British and French colonies receive preferential prices and markets from their former colonial masters and the Cuban sugar crop is purchased by the Soviet Union.

measures including the shift of an increasing number of imports from the official foreign exchange market to the parallel foreign exchange market. The parallel market, officially sanctioned by the Government, is operated by the free market and trades pesos for dollars at a rate of about 1.3 pesos to the dollar, compared to the official 1-to-1 rate. So, those imports which can no longer be financed through the official exchange market become more expensive. In seeking economic policies to deal with continued low international commodity prices, it is doubtful how much further imports can be contracted in an import-dependent economy such as the Dominican Republic's without serious adverse effects on production, employment, growth, and development.

The most immediate economic problem facing Dominican policymakers is the inability of the Central Bank to make good on short-term letters of credit. The Dominican Republic is not in arrears on any of its long-term debt, or on any Government-held debt, but is 6 to 8 months behind in meeting some $280 million of short-term commercial credit. The burden of this delay rests on the Dominican importers who have incurred the debt, as they have to pay additional interest—the result being to increase the effective cost of importing.

In the view of the Central Bank, the Domincian situation is worthy of special consideration by the foreign banks. The Government has been following a restrictive economic policy including restraints on imports; the debt service ratio is only 12 percent; inflation is below the international norm; the 1981 balance of payments was favorable. Under Central Bank projections, the arrearages can begin to be reduced by the end of 1982, and what is necessary in the interim is a degree of flexibility by the banks and a line of credit equal to the arrearages.

For their part, the international banks want to provide a line of credit to the Central Bank. The difficulty is that for the Central Bank to play this intermediary role between the foreign banks and Dominican commercial banks, the Dominican Congress would have to give its approval for the Central Bank to guarantee the commercial rates of interest. It is most unlikely that the Congress would approve such an arrangement.

It would appear that, given the general strength and potential of the Dominican economy, particularly when compared to the economic situation in most developing countries, the international banks have overreacted in assigning an unfavorable credit rating to the Dominican Republic based solely on the short-term credit arrearages.

Another solution would be an IMF loan. The Government has already instituted the types of policies which would be required by an IMF agreement, but past experiences with external intervention to restore economic and political stability make any appearance of external economic intervention politically unacceptable. Furthermore, an IMF agreement would likely include a requirement for an official revaluation of the exchange rate. The exchange rate is sacred in the Dominican Republic; it is viewed as a barometer of how well the Government is managing the economy. Any change would require congressional approval, which would be politically costly, if forthcoming at all.

There are several structural problems which need to be confronted in order to set the country's economy on the path to long-term growth.

The climate and resources of the Dominican Republic are sufficiently attractive to make the country an efficient agricultural producer, but such barriers as Government price controls and inadequate credit have prevented the Dominican Republic from reaching its potential. The most difficult problem is confronted in sugar. Production in the Dominican Republic is not efficient. The answer lies not just in improving productivity, as worldwide sugar production capacity far exceeds demand and prices go through periodic gyrations. The long-term solution is to diversify agricultural production, as is currently being attempted in pineapples.

A second problem is energy. The Dominican energy situation is not as serious as many developing countries. Oil imports account for only 40 percent of total requirements. The potential exists to decrease even this dependency upon oil imports, such as through domestic production or importation of coal. The Government has not made the decisions necessary to achieve energy diversification.

Foreign Investment

The Dominican Government maintains a posture of openness to foreign investment, and actively seeks it in the areas of agribusiness, exports, and tourism. However, only a minuscule amount of foreign investment has entered the country since the passage of Law 861 on Foreign Investment in 1978. While not intended to inhibit foreign investment, the law has in fact discouraged it.

Law 861 places an 18-percent annual limit on profit remittances—an acceptable level in 1978, but not today when the interest rates on loans may be that or more. Capital that is registered with the Central Bank can be brought in at the official rate, one U.S. dollar to one peso; the 18-percent annual remittance is based on registered capital. Two disincentives arise—an investor runs a devaluation risk, and machinery imports have been moved to the parallel market so that this capital investment can no longer be included in registered capital. The vagueness of the 1978 law serves as a disincentive to foreign investment. The investment approval process is ill-defined, and local interests can make representations during the process (specifically during application for industrial incentives) to object to an investment, as has occurred several times. It is unclear whether a company may register earnings reinvested internally, and what procedures it must follow to invest blocked earnings (those in excess of 18 percent). Another disincentive for U.S. investors is the informal nature of the parallel exchange market. It clearly has the official sanction of the Dominican Government, but it has never been formalized and therefore has not been recognized by U.S. regulatory agencies, such as the SEC. Foreign investors must also contend with a generally unsympathetic press and political institutions.

U.S. Development Assistance

Overview

The staff delegation devoted 4 of its 6 days in the Dominican Republic to visiting development projects, mostly in rural areas, but also in Santo Domingo. Those 4 days created the impression of a country in which relatively high literacy (67 percent) and per capita income ($990), compared to most AID recipients, provide the opportunity for channeling assistance through indigenous groups and using U.S. assistance to build on indigenous development initiatives. A review of the totality of AID-supported projects in the Dominican Republic reveals that at least half the assistance is funneled through and/or to private groups—for example, a private sector development foundation, a privately initiated agricultural institution, the local national businessman's council, private construction firms, farmer cooperatives, a church-operated radio station. The U.S. AID program in the Dominican Republic clearly is, and has been for years, managed in a way which utilizes and promotes the indigenous private sector, both profit and nonprofit.

The bulk of the 4 days devoted to reviewing development projects was spent in rural areas. The visits included health clinics, primary schools, road maintenance, soil conservation, a radio station, an agricultural breeding station (CIMPA), and an agricultural college (ISA).

HOUSING

Hurricanes David and Frederick, which struck the Dominican Republic in August 1979, destroyed or damaged some 40,000 housing units. AID commenced in September 1979 what became a three-phase emergency housing program. The first phase distributed minimum repair packages (zinc roofing panels, wood, nails, tools) for the repair of 1,879 houses and the construction of 84 new core houses, at a cost of $538,000. The materials were sold to families on a subsidized basis, depending upon ability to pay. Delivery was achieved using existing private voluntary organizations.

Phase 2, begun in September 1980, provided similar materials for the reconstruction or new construction of 1,724 houses, plus latrines and water lines, at a cost of $326,500.

The third phase, also commenced in September 1980, consists of nine subprojects for the construction of new housing principally in the form of duplex cement block structures. The construction cost per unit is $1,420. AID's contribution will total $1.42 million. INVI, the national housing authority, is providing the land, site preparation, and water service; the beneficiaries are providing the labor. The staff delegation visited several of these sites. Construction was nearly completed on many units. The structures—located on solid, dry ground, with concrete floor, cinder block walls, asbestos sheet roof, and outside latrine and fresh water pipe brought to each house—are better than traditional housing and a drastic improvement over the flimsy riverbank shacks in which the beneficiaries currently reside.

The guidelines on which all three phases of the emergency housing program have been based are: Channel assistance through a community committee, keep subsidies to a minimum, and use the reflows for additional housing improvement or community works and self-help projects. At one of the INVI-sponsored self-help housing projects, the occupants make their own cinder blocks, doors, and windows (wooden louvers) and have developed this into a business to supply other housing projects.

Another AID-sponsored product inspired by the 1978 hurricanes is a booklet on proper construction methods for small homes. AID contracted with a consultant to study improvements necessary to permit traditional Dominican rural housing to withstand hurricanes. The result is a detailed, diagramed booklet (ability to read is unnecessary) that shows simple alterations of traditional housing techniques that will enable houses to withstand hurricanes. This booklet has been widely distributed throughout the country and, along with many other pamphlets and books, is available at the Center for Appropriate Technology in Housing in Santo Domingo. The center receives assistance from both AID and ATI. Its purpose is to expand the knowledge of and promote the training of appropriate housing technologies through its library, seminars, and a directory it is developing on AT housing experts in the Dominican Republic.

The principal new AID housing project is a $15 million housing investment guaranty, in conjunction with a $220,000 AID grant and $5.75 million of Dominican funds (principally private). The project, operated in conjunction with the National Council of Businessmen and the National Housing Bank, is designed to provide housing for workers. The funds will be channeled through existing savings and loans associations. Construction will be by private contractors. For a 6,000-peso house, a downpayment of 1,600 pesos will be required—1,300 pesos from the employer and 300 pesos from the worker; the employer will pay the difference between the Dominican 12-percent ceiling on interest rates and the rate on the dollar loan, meaning that the employer will probably pay 16 of the 60-peso monthly mortgage payment. It is expected that the project will finance the construction of 2,500 new homes and improvements to 1,500 homes. The staff delegation met with several of the businessmen who were instrumental in developing the program. They are quite enthusiastic about the potential of the program and view the cost to the employer as a proper worker benefit.

HEALTH CLINICS

In 1975, AID began a rural health program in which it is still participating. The basic concept was to train local health promoters to assist with basic health care and family planning in the villages. The program is highly participatory. Each health promoter, who receives a small salary, is selected by village residents, and can be removed by the villagers. There are now some 5,400 health promoters serving some 2.2 million people. The project has been expanded to include rural health clinics, with each clinic being the base for four health promoters. The health promoters remain in the village and secure their supplies from the clinic. There are now about 100 clinics.

The staff delegation visited the Rizonetto Rural Health Clinic, a clean, substantial building with a general waiting room, three examination rooms, a small waiting room for more serious and infectious cases, a supply room, and an apartment for the physician. Every Dominican medical graduate is required to spend 1 year in a rural health clinic. The interest and enthusiasm which the woman physician at the

Rizonetto Clinic was devoting to her task was evident by the cleanliness of the facilities and the extensive flower and vegetable garden she was cultivating on the grounds of the clinic.

The program is now reaching 60 percent of the population. Its success is evident by the fact that the Government has taken over the program, the cost of which is 3 cents a person. AID's current involvement is in expanding the number of rural health clinics.

RURAL SCHOOLS

The staff delegation also visited several rural schools, financed with Public Law 480 funds. One of the schools—two simple, clean cinder block buildings with concrete floors, plus a latrine—replaced what was little more than a shack. The other school, a similar structure, was a completely new institution. Some 98 schools have been completed to date.

RURAL ROADS

AID is engaged in improving the Dominican capability and system for rural (dirt/gravel) roads maintenance. This involves moving toward contracting road maintenance with private contractors, rather than the public highway authority, and placing maintenance responsibility on the local population. A village committee selects a manager responsible for maintaining a segment of the local road, up to 5 kilometers. The manager is paid approximately $125/month. Local maintenance is crucial because road drainage systems are abused by the local citizens (e.g., ditches are filled in to make access to one's house easier) and often damaged by heavy rainfall. The more local residents can be educated and the faster preventive maintenance can be done, the better will be the condition of the roads. The project is just underway, so the degree of success is unknown.

ISA—SUPERIOR INSTITUTE OF AGRICULTURE

In 1964, a private development organization, Asociacion Para El Desarrollo Inc. (Association for Development Inc.), established an agricultural development institute, ISA, near Santiago. AID has assisted the institute in various ways over the years. ISA is now the principal agricultural training institution in the country, offering courses and degrees at both the high school and college level. The institute engages in some research and has recently commenced programs in extension service and in appropriate technology.

AID is currently engaged in helping to fund a center for administration of rural development. The center, created to improve rural development management. offers a variety of programs for that purpose. It operates symposia on agricultural policies for top policymakers in rural areas, both to help develop better public policy and to demonstrate to policymakers what ISA has to offer to Government experts. It runs a 5- to 7-week course in agricultural management for both private and state farm managers (the state operates large sugar plantations, a legacy of the Trujillo reign). The center offers a 5-month "mini MBA" program for more promising agricultural technicians. It has held seminars on the science and technology of forestry and on agricultural crops for export. Several U.S. experts are assisting in the development of the courses and the course material. The center is using the case method of instruction and, in so doing, is attempting to make ISA a major repository of case materials.

A particularly interesting seminar which the center recently sponsored centered around the United Brands establishment of an investment project approved by the Government as an experiment for growing fresh produce for the U.S. market in place of sugar. United Brands was promised 5,000 acres from the State Sugar Council, on which to produce pineapple, but has received only 500. Two factors contributed to the discrepancy. The President of the country, with whom United Brands reached agreement on the deal, apparently never fully cleared it with the State Sugar Council. And the price of sugar soared in early 1980, so the incentive to diversify out of sugar was less and to maintain sugar production was greater. The case is illustrative of discouragement to foreign investment.

More to the purpose of the center and the symposium, local pineapple growers were opposed to the United Brands investment. It would produce four to five times the total Dominican production and therefore held the potential to threaten the domestic growers' market, even though United Brands was supposed to produce only for export. The local producers were concerned also over the high capital and high technology the United Brands investment would introduce into the market. The research of the center and the seminar revealed some interesting information. There were about 100 rich farmers (the pineapple takes 18 months to bring to harvest and requires expensive inputs) controlling the Dominican production and market, and a reduction in price might benefit both the consumer and the potential export market. It was discovered that the United Brands project introduced improved technology, and that local producers were benefiting from the new export market. Prices to consumers did decline. Farmers improved the programing of their production, and some who were initially opposed to the investment are now actually supplying United Brands. The pineapple seed is particularly expensive, and United Brands is reducing the cost through a chemical application that produces a greater number of seeds. So, the work of the center is demonstrating to local farmers that this particular foreign investment may be a "positive sum game" rather than the anticipated "negative sum game."

CIMPA—CENTER FOR THE STUDY AND IMPROVEMENT OF ANIMAL PRODUCTION

Another activity supported by the Association for Development is CIMPA, an experimental farm devoted to improving animal productivity. Established in 1974 to upgrade the indigenous criollo cattle, CIMPA has expanded into pigs, goats, ducks, chickens, and freshwater fish. Upon establishing a genetic bank of a particular animal, the center retains a small percentage of each year's offspring for its own breeding purposes, sells a portion to small and medium-sized farmers, and slaughters the poorer grade stock. The center runs training sessions, ranging from 1 day to 1 month, for farmers, Government technicians, and even a few Peace Corps volunteers. It conducts research on animal production and on simplifying farm technology, such as developing a cattle headgate that a small farmer can construct himself. ATI has just provided CIMPA with funding for a pilot program to test how profitably milk cows can be raised by small-scale producers. The program will test the viability of the CIMPA milk production technology on 10 small farms (3, 5, and 10 hectares). The criteria to be assessed include the economic return to the family farm and the conservation of conventional capital and of land.

The most recent initiative of CIMPA is an integrated swine production farm. In 1978, an infestation of African swine fever required the slaughter of the entire swine population of the Dominican Republic, a difficult—perhaps unprecedented—Government undertaking which illustrates the Government resolve to upgrade the agricultural sector. CIMPA is in the process of constructing a 20-acre swine breeding operation which will include swine-feeding stalls and a biogas digester, with the solid manure used to fertilize the pasture and fruit trees that will be planted, and the liquid manure to be used to feed the fish pond and ducks; hicinae trees will be raised for firewood. The immediate purpose of the project is to replace the country's lost swine population with disease-resistant strains. It is anticipated that the operation will be self-supporting within 3 years. The Domincian Government has provided some funds and technicians; the Heifer Project International is providing the swine (from the United States); and AID is providing $420,000 worth of equipment, medicine, buildings, and technical assistance. Peace Corps plans to assign a volunteer to the farm. Especially impressive is the speed of the design and execution of the project. Discussions over the feasibility of such a project were initiated only in early 1981. The necessary funding was secured in less than 1 year (AID's portion was approved under the authority of the AID mission in the Dominican Republic), and construction had just begun at the time of the staff delegation visit in early January. The project is scheduled to be operational in March 1982—a total gestation period of just over 1 year, which is a credit to CIMPA, the AID mission, and the other donors.

NATURAL RESOURCE MANAGEMENT

One of the major new initiatives for AID in the Dominican Republic is a natural resource management program. AID's contribution, beginning in 1981 and extending over several years, will be $11 million plus $10.2 million in counterpart funds. If there is a positive aspect to the 1978 hurricanes, it is that Dominican officials awoke to the fact that another decade or two of existing natural resources practices would bring the Dominican Republic to a condition similar to Haiti.

U.S. experts are working with the Soil Conservation Service (SCS) of the Agricultural Secretariat to strengthen the government's institutional capability for natural resource management and to develop conservation techniques. The fledgling SCS extension service, established in 1979, carries out farm conservation development through voluntary labor groups known as "convites." Rather than attempting to impose conservation technology from other countries, the AID-financed experts are working with the SCS technicians and local farmers to develop conservation techniques that are appropriate to the topography and way of farming of the Dominican Republic. The first field work was initiated in the Ocoa region in August 1979, with the construction of hillside ditches (to reduce and channel runoff) on several eroded farms. Then came Hurricane David, and a week later Hurricane Frederick, bringing 5–10 years of flooding, erosion, and sedimentation into a 2-week period. Farms in Ocoa were devastated, except for the few farms which had installed the SCS conservation practices. They actually benefited from the rainfall, which was caught in the hillside ditches, soaked into the ground, and provided moisture for crop growth. This was the publicity the program needed and resulted in a flood of requests for SCS assistance. Today, the four SCS field offices reach about 5 percent of the mountainous regions of the country and less than 10 percent of its residents. It is AID's assessment that current projects will not save the Dominican Republic from a Haitian-like fate. The AID mission is encouraging additional external donor and Dominican Government activities.

DOMINICAN DEVELOPMENT FOUNDATION

AID has had a lengthy history of cooperation with the Dominican Development Foundation (DDF), a private development organization founded in 1965. The initial focus of the organization was on rural development. The DDF operates only through associations of individuals, providing technical and financial assistance for agricultural development through groups of farmers. Other DDF programs include the development of handicrafts (ceramics, leather, dolls, and jewelry); assistance for orphans; provision of medicine and equipment to hospitals; and development of appropriate technologies for agriculture.

The most recent initiative of the DDF is urban small business promotion. The project was preceded by an 8-month feasibility study which revealed that in four neighborhoods of Santo Domingo there were 4,580 businesses, 76 percent of which were small. Their major shortfalls were in management knowhow and credit. The study resulted in the plan for a two-pronged small business promotion project, Grupos Solidarios and Micro-Businessmen.

The Solidarity Groups are 5–8 member groups of small vendors, primarily "tricicleros," who currently rent their tricycles. The program will provide technical assistance and credit to the groups for the members to purchase their own tricycles. The major purpose of the program is to improve the standard of living of the vendor and his family by reinforcing his present tenuous employment. Repayment is over a period of 1 year at an annual interest rate of 24 percent, with monthly payments not exceeding rents they had previously been paying. The entire group is responsible for the repayment of each individual loan. In addition to providing the members with technical assistance and the capital necessary to purchase their own tricycles, the program is intended to develop solidarity among the group so that they assist each other, such as when one member is ill. It is anticipated that the program will be self-sustaining after 3 years. The program began in May 1981. The AID evaluation of the first 6 months indicates considerable success for the program—a 100-percent repayment record; 191 groups received technical assistance; loans were made to 63 groups, rather than the anticipated 24, and there are 250 groups asking loans; the loans averaged $300 per capita, $275 for tricycles and $25 for working capital, and the $125,775 that was loaned reinforced 413 precarious jobs and indirectly benefited 2,478 persons. One purpose of the program is to test whether mini-entrepreneurs are worthy credit risks (will repay loans), and the initial results are quite positive.

The Micro-Enterprise program is designed to provide managerial expertise and financing to micro-enterprises, small productive operations with capital of up to $10,000 and up to six employees. Loans will be up to $3,000 at an annual interest of 12 percent.[2] Evaluation of the first 6 months reveals that 30 loans, rather than the anticipated 19, were made. The total loaned, $73,528, created 155 new jobs (a cost of $500/job) and indirectly benefited 1,272 persons. Further, a total of 189 micro-businessmen received training in accounting, inventory, production, sales, profits, marketing, cost analysis, and cash flow.

The staff delegation visited several of the micro-enterprises. One was a fabricator of pocketbooks. A 3,000-peso loan he received permitted him to move from two to eight sewing machines, from four to eight workers, and to retain customers he was about to lose because of an inability to fill their orders. A suitcase fabricator used a 3,000-peso loan to purchase three new sewing machines and material, which tripled his production. A tailor received a 2,400-peso loan, with which he was able to double the number of his machines and workers and to improve the quality of his product. A 3,000-peso loan to a sandalmaker permitted him to purchase material and increase the number of workers from 8 to 12.

The initial results of the program have been so successful that ATI and the Inter-American Foundation agreed in late 1981 to provide funds for immediate expansion of the program, and the Dominican Central Bank has approved a $1 million line of credit to be channeled through local financial institutions.

RADIO SANTA MARIA

Another indigenous private development organization that has received AID assistance is Radio Santa Maria. Operated by a Catholic Church diocese, the radio station provides both commercial broadcasting and educational programs. For 25 cents/week, a student receives a weekly workbook and on weekends attends a class conducted by a tutor. The program currently provides both primary and secondary education and has 18,000 students enrolled, mostly adults in rural areas. The cost of the program is covered by the student fees and by advertising on the commercial broadcasts. Since 1965, over 100,000 students have been awarded Government-recognized diplomas. In 1979, AID provided a grant for a $100,000 transmitter, and in 1980, another $100,000 for a generator and materials.

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[2] The reason for the 12-percent interest rate in the Micro-Enterprise program and the 24-percent interest rate in the Solidarity Groups is that the latter involves greater risk and greater overhead costs both in administering the loans and in technical assistance.

FATHER LOUIS QUINN

AID also cooperates with individuals such as Father Louis Quinn, a priest who lives in San Jose'de Ocoa (or La Nuez) and who organizes his own development projects, such as forming farmer cooperatives and organizing local residents to construct farm-to-market roads.

MIA

The staff delegation visited the headquarters of the MIA—Mujeres Aplicadas a la Industria. Created by the artisan Ada Balacer, MIA has received funding from both the Inter-American Foundation and ATI for its program to create jobs for women living in barrios. Some 300 women, mostly heads-of-households, have been organized into 22 groups throughout the country to make handicrafts—dolls, papermache faces, silkscreen, fans, quilted pillows, jewerly. ATI's purpose in providing assistance is to determine whether it is feasible to establish productive enterprises in barrios and whether the semi-industrial mode of production (MAI provides the raw materials to the dispersed, small-scale production centers) can compete in the marketplace. The women earn approximately 60 pesos/month, not sufficient for it to be their only source of income.

AGROBUSINESS PROJECT

The staff delegation visited the main plant of a large-scale, chicken-hatching and broiler-raising firm, a joint venture of an American investor and several Dominican partners. The original investment was made possible by a $1.2 million loan guarantee by the U.S. Overseas Private Investment Corporation. An additional loan guarantee was made in 1980 after the plant suffered substantial damage in the hurricanes of 1979.

Managers of the project reported that the firm was operating profitably, with a steady market for the 70,000 broiler chickens it markets weekly. Price controls on chicken had considerably reduced profits for a time, but the Government had recently permitted reasonable price increases, officials reported. In order to maintain quality control, the firm raises its chickens on its own farms, under controlled conditions, rather than distributing birds to independent farms to raise on consignment. Its entire operation employs about 260 Dominicans, and uses the latest mechanized hatching and raising technology from the United States. Feed is imported from the United States.

Project officials said they are quite satisfied with their investment in the Dominican Republic. They have experienced no discrimination or Government restrictions directed against foreign investment, although they do not publicize their foreign ownership for fear of possible biases on the part of competitors or customers. They have no excess production which could be exported, but would not be allowed to export in any case because high-quality poultry continues to be in short supply within the Dominican Republic. The investment appeared to be contributing positively to the Dominican economy—in product, local employment, and transfer of agricultural technology. With the import restrictions necessitated by the condition of the Dominican economy, it seems unlikely that the chicken produced by this facility would otherwise have been imported from the United States.

EASTERN CARIBBEAN ISLANDS

BACKGROUND

The study mission briefly visited four newly independent island nations in the Eastern Caribbean: Antigua, Dominica, St. Vincent, and Barbados. All are English speaking, having been until recently under British colonial rule. They gained independence and full voting membership in the United Nations in 1981, 1978, 1979, and 1966, respectively. All have high birth rates (the range is 1.7 to 3.7 percent), but relatively stable populations due largely to outmigration to the U.S. Virgin Islands and the United States itself. Unemployment and underemployment levels are high, and remittances from islanders working in the United States account for a major portion of national income. Such remittances, for example, totaled $24 million for Barbados alone in 1980, constituting the third largest foreign exchange earner (after tourism and sugar).

ANTIGUA (AND BARBUDA)

Antigua has a population of 75,000 in an area of 280 square kilometers. It is a relatively flat, slightly arid island with good beaches that attract tourists, the backbone of its economy. It has achieved rapid economic growth—7.5 percent per year between 1977 and 1980, dropping to about 3 percent since tourism has dropped off in response to the U.S. recession. It has attracted a few "screwdriver" (assembly) industries, but government remains the major employer. Per capita GNP is about $1,300. Unemployment is 19 percent.

Despite major improvements in public finances over the past few years, principally through an improved tax collection system, the country continues to run a current account deficit in the neighborhood of $8 million (U.S.)—about 8 percent of the gross domestic product. External public and publicly guaranteed debt is a rather high 30 percent of GDP, making Antigua unable to borrow capital on conventional terms and dependent upon grants and concessional loans, mostly from the United States, Canada, and Britain. U.S. aid is channeled through the Caribbean Development Bank and other multilateral entities. In addition, the United States maintains small Navy and Air Force bases on the island and a Voice of America transmitter which contribute about $4 million to the economy.

Like most of the East Caribbean islands, Antigua's agricultural potential is underutilized and food imports soak up a major portion of scarce foreign exchange. The reason is partly sociopolitical. Agricultural work on the islands is associated with the days of slavery, and the government of Antiguan Prime Minister Vere Bird, Sr., has occasionally appealed to the public aversion to agricultural work by promising to "get you out of the fields." Nevertheless, measures being undertaken to rehabilitate the agricultural sector include land clearing, land tenure reform, expanded irrigation, and improved training and marketing services.

Energy shutdowns and water shortages constrain further development of tourism and manufacturing. Major investments are needed to improve these facilities, as well as for pier and airport improvements, road maintenance, and insect abatement. A defunct oil refinery on the island recently purchased and refitted by a foreign investor, is scheduled to go into operation soon and is seen as a weathervane for the island's economy. Its successful operation could ease the island's energy situation, add to its exports, and generally stimulate the private sector.

The Antiguan Government is a major investor in most enterprises on the island, including tourist hotels, the oil refinery, and the electric company. The financial strength of the public sector is therefore crucial to the island's development. Government overstaffing and lack of effective debt and expenditure management continue to threaten to drive public finances further into deficit, in turn reducing the government's ability to invest in needed development projects

Antiguan officials are impatient with the Caribbean Development Bank as a source of funding for their high-priority development projects, and are hopeful of additional U.S. support under the Caribbean Basin Initiative. In addition to the projects mentioned above, they point out that their small military force is seriously in need of basic equipment, and their coast guard in need of additional vessels and training.

Dominica

In terms of per capita GNP ($620), Dominica is the poorest of the East Caribbean island nations. It is a mountainous island of lush beauty, with heavy rainfall (about 79 inches per year) feeding some 360 rivers that drop from rainy mountain peaks to the sea. It is directly in the hurricane belt and has been hit hard twice in the past few years. Lacking attractive beaches and an airport capable of handling jet aircraft, however, the island has little tourism.

Water is both a major resource and a serious problem for the island. There is great potential for large quantities of cheap energy if the rivers were properly dammed and outfitted with hydroelectric generating equipment. The island presently uses several hydroelectric sites, but they are in need of renovation. The World Bank is performing feasibility studies on additional sites, and Appropriate Technology, Inc. (ATI) is helping develop several mini-hydro sites. The Government of Dominica has also been approached by a U.S. commercial firm that proposes to purchase pure water from Dominica for shipment in empty oil tankers returning to Saudi Arabia. The water would be used first to clean out the tankers. Oil from the bilge would be salvaged in a small plant for use in Dominica, or for export. If economically feasible, such a project could benefit the weak Dominican economy.

Heavy rainfall and recent hurricanes, however, combined with the mountainous terrain, make road maintenance on the island difficult and costly. A two-lane road links the capital (Roseau) near the south end of the island with the only level area on the island large enough for a viable commercail airport, at the north end. This road serves as a vital commercial artery on which bananas and other tropical products that are the mainstay of the agricultural economy of the island are brought to processing areas and to the docks for shipment. The road is currently in such bad repair that the 36-mile trip from the airport to the capital takes nearly 2 hours. The road and its maintenance are politically sensitive, being regarded by many islanders as a litmus of the government's effectiveness. The roadbed is sound in most places, but needs to be regraded and resurfaced, and new embankments constructed in areas of frequent washout. The estimated cost of this essential project is $11 million.

Other infrastructure requirements of the island include upgrading of the telephone system, improvement of the port facilities, increased construction of industrial shells needed to attract manufacturing industries, and renovation of the national armory. During a recent coup attempt against the government of Prime Minister (Ms. Eugenia) Charles, insurgents attacked the armory, which was damaged and lacks physical security. At the time of the attack, the telphone system was inoperative, making police response to the attack difficult to command. Improvement of the telephone system is thus a requirement of both commerce and national security.

Agricultural industries top the list of priorities for industrial development in Dominica. A citrus canning and packing facility is particularly needed to avoid losing fruit to spoilage when the country's inadequate transportation and marketing system cannot immediately export them. Disruption of banana production during the recent hurricanes resulted in higher quality bananas from Central America penetrating Dominica's markets in Europe, generally weakening the country's banana export position, perhaps permanently. Some crop diversification has been undertaken, and more efforts along these lines are needed. Lumbering (the island has rich, if relatively inaccessible, stands of fine tropical hardwoods), coffee, and ornamental plants and flowers are promising possibilities, but considerable assistance will be required to establish consistent, high-quality production of these commodities by local farmers.

Labor and energy intensive industries, such as garment, electronic, and other assembly industries, furniture and prefabricated housing manufacture, aluminum processing, and petroleum refining are also high-priority government goals to further the island's economic development. Lack of infrastructure to support such industries, however, remains a critical problem.

Prime Minister Charles and her government are among the more friendly in the region to the United States, and receptive to private sector involvement in the development process. The government has taken the lead in identifying both broad areas and specific instances of opportunity for foreign investment. A privately run Dominican Development Foundation has been established to identify and find funding for promising local entrepreneurial projects, and to supplement the work of the Dominican Development Bank.

St. Vincent

Like Dominica, St. Vincent is a mountainous island with relatively high rainfall, few beaches to attract tourism, low per capita income, and high unemployment (about 35 percent). Although it does have a relatively modern airport which brings in some 40,000 tourists, the airport cannot handle large jets. This prevents the island from achieving its goal of 120,000 tourist visits per year. Enlargement of the existing airport or consruction of a new one is the project given top priority by government officials, but cost estimates as high as $1 billion E.C. ($370.4 million U.S.) have blocked the project and raise serious questions of its cost-effectiveness.

An alternative, less expensive means of gaining greater utility from the existing airport for needed air freight service to outside markets is short takeoff and landing (STOL) aircraft, such as the Canadian-made Twin Otter. The government would run and, if necessary, subsidize such air freight service as an incentive to investment and production.

St. Vincent officials feel they have done everything possible to provide financial incentives to investors. They offer customs rebates, tax holidays for foreign investors, and unlimited repatriation of profits. Better infrastructure and preconstructed factory space, it is felt, would help attract investment and officials are apprehensive that U.S. investment incentives will not help them without such facilities.

The country's electric system is in need of upgrading and has been the object of studies by the World Bank and UNDP. Forty percent of the electricity on the island is currently generated by hydroelectric installations. Five possible new hydroelectric sites are presently under study, with bidding documents in preparation for the first site. The CDB recently funded a diesel-powered, electric-generating facility.

As in most of the other Eastern Caribbean islands, the Government of St. Vincent is the major investor and force in the economy. More than 60 percent of total investment is made by government. But private sector activity is essential to the growth and dynamism of the economy. High profits and low risk from importing, however, as well as lack of markets and infrastructure, have inhibited the indigenous private sector from engaging in manufacturing enterprises.

Canning and arrowroot processing are among the private investments sought by the island. Arrowroot is a source of high-quality starch, traditionally used for baby foods because of its high digestibility, but now used increasingly in coatings for certain types of special papers, including computer paper. St. Vincent is one of the few sources of the root in the world. It is presently sold unprocessed, but value added through local processing would bring a greater return to the local economy.

The political leadership on St. Vincent is, for the most part, older. The majority of the population, however, is young, many with leftist political leanings. The political leaders are concerned by the inroads of leftist ideology among the island's youth. One of the reasons Caribbean federation failed, they say, is that the islands' leaders were too insecure at home to send other than very junior officials to the short-lived Federal Parliament. Security on St. Vincent is provided by a small, modestly trained and equipped police force, and a small coast guard manned cooperatively with Barbados.

Barbados

Barbados is the largest and most prosperous of the East Caribbean Islands, with the best developed infrastructure. Because of size, location, attractiveness to tourists, and development, it has become the hub of the Eastern Caribbean Region. Most of the few foreign embassies in the region are located in the capital (Bridgetown).

Barbados, however, is not without its problems—many of them common to the region. British-style socialism shaped the island's economic and political systems, and continues strongly to influence popular views of economic development. Much is expected of government in the way of social services, benefits, and management of the economy. The private sector, while substantial, has not been well organized or particularly aggressive. Birth rates are high, and the population has remained relatively constant only through emigration to the British Commonwealth nations and the United States. Emigration, however, is becoming increasingly difficult.

With the help of U.S. aid funds, an effort is being made to revitalize the private sector by strengthening the Caribbean Association of Industry and Commerce and the Chamber of Commerce and Manufacturer's Association of Barbados. Leaders of those organizations told the staff they hope to be "action oriented" in assisting with economic development of the region. They plan to establish a Caribbean investment corporation run by the private sector to stimulate new enterprises in the private sector. The groups are attempting to raise $2 million themselves for this effort in order to attract matching funds from regional organizations and foreign governments.

Barbados and the Eastern Caribbean region, private sector leaders said, should continue multilateral development efforts through institutions like the CDB to achieve economies of scale in certain areas of economic development. The CDB, however, is most effective with public sector projects, leaving a need for both Government and private institutions to assist in increasing private productivity. One CAIC official identified internal market development, longer term financing, and greater participation in national economic planning as the most pressing requirements for the private sector in Barbados and the neighboring island nations.

U.S. Embassy officials, with whom the staff delegation talked, expressed the view that the United States is not getting the credit it deserves for its economic assistance to the Caribbean region because that assistance has been channeled primarily through multilateral institutions. There seemed to be a consensus that increased emphasis should be placed on bilateral assistance to the countries of the region, particularly economic assistance directed at improving capabilities to export. Awareness of trade opportunities and the possibilities of export-led economic growth, U.S. officials reported, is increasing in the region, particularly following the 1981 Miami Conference on the

Caribbean at which USTR Ambassador William Brock outlined the Reagan administration's approach to foreign assistance and urged revitalization of the private sector in the Caribbean area.

At the same time, Embassy personnel stopped short of recommending abandonment of U.S. support for multilateral aid mechanisms in the region. Despite a perhaps excessively large bureaucracy, they noted, the Caribbean Development Bank has been effective in "institution building" in the region and implementing research, training, and manpower programs, realizing economies of scale for recipient countries. The United States should, they felt, continue to participate in the CDB, including gaining a seat, if possible, on the board of the new soft-loan window planned by the Bank. Embassy officials defended the U.S. action barring access by Grenada to funds subscribed to the CDB by the United States.

U.S. budgetary constraints, Embassy officials said, have severely constrained their economic assistance programs. They would be able to administer an expanded bilateral assistance program in the region under a Caribbean Basin initiative with only a minimal increase of AID staff at the U.S. mission (presently about 20 U.S. personnel.)

Embassy staff noted that budgetary constraints on local travel had seriously hurt the U.S. country team's efficiency. Frequent travel to the several island nations within the Embassy's jurisdiction is esesntial to maintaining complete information on developments, and travel funds available have not been sufficient to meet Embassy needs.

Regional Caribbean Organizations

The study mission visited the headquarters of the Eastern Caribbean Common Market (St. Johns, Antigua) and the Caribbean Development Bank (near Bridgetown, Barbados).

The ECCM's principal operational success has been the development and maintenance of a common currency and monetary system among the islands of Antigua, Dominica, St. Lucia, St. Vincent, and St. Kitts-Nevis. Beyond that, it has achieved little in the way of economic integration among the islands, but serves as a forum for economic consultation and cooperation on common economic problems.

ECCM officials appealed for flexibility in conditions on assistance to its member nations. Aid, they said, should be directed at facilities linked to trade, such as containerized ports, roads, and electric power. A second area where assistance is needed is social services. The islands' relatively high per capita income levels are deceptive, they said, hiding deep poverty. Officials complained that per capita restrictions on U.S. aid are inappropriate and should be supplemented by other measures of economic need. This objection appeared to be largely a matter of principle, since all ECCM countries qualify for grant assistance and meet U.S. per capita income restrictions.

Creation of "pools" of technical experts on a regional basis as a means of cost-saving is one of ECCM's major goals. Establishment of a multilateral team of management experts, with U.S. assistance, has been quite successful, the organization's officials reported, but a similar effort to pool agricultural experts had bogged down in political disputes among island officials.

Reductions of duties for Caribbean products, ECCM officials said, are insufficient to spur investment and development in the region.

U.S. application of the General System of Preferences (GSP) has been complex, cumbersome to administer, and generally unreliable for suppliers. Increased capital from concessional assistance and foreign investment, they argued, would have more positive impact on production.

The study mission heard considerable criticism of the Caribbean Development Bank (CDB) in each of the countries it visited. However, CDB President Demas defended the Bank's project evaluation and lending procedures, noting that they are patterned after those of the World Bank. The Bank, he pointed out, must see that projects will produce a reasonable rate of return on investment, as well as provide benefits to national economies. By contrast, commercial lenders evaluate only a project's cash flow. Some Caribbean countries, he said, have little or no project evaluation capabilities of their own, so the CDB ends up doing all of the appraisal and feasibility work and provides extensive technical assistance. This is time-consuming, slowing down project startups.

The CDB lends mostly for economic infrastructure projects, leaving to IDA and other multilateral aid agencies loans for education and health programs, which require specialized skills. Small projects are funded through national development banks using funds channeled to them by the CDB.

Bank efficiency and flexibility, President Demas acknowledged, are reduced by a combination of strings attached to contributions by donor nations, and by the Bank's own procedures. He appealed for elimination of conditions on national assistance programs. The Bank has been denied use of some $4 million in potential loans because of U.S. conditions that its funds not be available to Grenada, which has caused the Bank board to reject the latest U.S. contribution. Recalling the U.S. role in establishing the CDB in 1965, and its generous contributions since, he appealed for a solution to the current disagreement over Grenada. One solution, he suggested, could be United States lifting its conditions with the understanding that Grenada would not seek access to any funds contributed by the United States. Neither Grenada nor the United States, he emphasized, had yet agreed to such a solution.

CARIBBEAN BASIN INITIATIVE

In a speech before the Organization of American States on February 4, 1982, President Reagan proposed a Caribbean Basin Initiative consisting of trade, investment, and aid measures to benefit the nations of the Caribbean and Central America. Under that long-awaited proposal, increased trade with the region would be encouraged by establishment of a one-way free trade zone under which all products from the region except textiles would enter the United States duty free. Investment in the region would be encouraged by providing tax incentives to U.S. investors. U.S. bilateral aid to the region would be increased by $350 million in economic assistance [1] and $60 million in military assistance, bringing the total for 1982 to just under $1 billion ($824 million in economic assistance and $172 million in security assistance).

Host Government Views

The general dimensions of the CBI were made available to the study mission, although such information was tentative and lacking in precise details. That information, and the fact that most host government officials with whom the study mission talked had met previously with visiting executive branch teams working on the proposals, enabled the study mission to elicit host government views on the anticipated initiatives.

Dominican Republic officials felt all aspects of the initiative could be helpful, but were most interested in favorable treatment for sugar. Sugar from the Dominican Republic already enters the United States duty free under the general system of preferences, but the amount is limited to 780,000 tons per year. The remainder is subject to duty since it exceeds 15 percent of the U.S. market, the limit under the GSP program. Duty free treatment for all sugar from the Dominican Republic is projected to benefit the Dominican Republic to the tune of $48 million at current world and U.S. sugar prices.

Officials in the Dominican Republic also expressed the hope that the CBI might include resumption of scholarships to U.S. colleges and universities for students seeking advanced training. The Soviet Union, they pointed out, has been offering 150 scholarships a year to students from the Dominican Republic (there currently are 600–700 Dominican students in the U.S.S.R.). Many of these scholarships are offered at the secondary level, when students are politically most impressionable, and returning students report heavy doses of political propaganda. In the meantime, the United States has virtually phased out its scholarship program.

The Dominican Republic's likely share of the $350 million in additional aid to the region, it was felt, would certainly be helpful, but would be insufficient even to offset the country's balance of payments deficit, let alone generate real economic gains.

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[1] This proposal was formally submitted to Congress on Mar. 17, 1982, and was introduced as H.R. 5900.

The military in the Dominican Republic was said to be lacking essential equipment and supplies such as communications gear, trucks, and even uniforms. A small program of grant assistance was suggested to provide this equipment which the Dominican Republic cannot afford to buy under U.S. foreign military credit sales programs due to current budgetary deficits and high U.S. interest rates. The military, it was pointed out, was the only institution in the country capable of responding with any effectiveness to natural disasters, such as the recent hurricanes. Equipment supplied to the military would enhance both security and humanitarian disaster relief capabilities.

Officials of the East Caribbean island nations viewed the existing shortcomings of their economies—in indigenous entrepreneurs, infrastructure, marketing, and production—as precluding any short-term benefits from trade and investment incentives under the CBI. They had, they noted, offered very favorable terms for foreign investment, but had attracted little. Their sugar is virtually all sold at premium prices to Britain. Only rum and a few other items could be expected to be exported in greater quantities under a one-way free-trade arrangement with the United States. They emphasized the need for generous direct aid to begin to remedy structural economic weaknesses and tide them over until their economies could be restructured sufficiently to sustain trade and foreign investment. They pleaded for increased channeling of U.S. aid bilaterally, removing what they regard as unduly cumbersome and prolonged processing of assistance requests by multilateral agencies such as the Caribbean Development Bank. U.S. bilateral aid, they argued, should be expedited and tailored to their limited planning and administrative capabilities and immediate needs.

Each of the islands had formulated a "shopping list" of projects which could be urgently undertaken with U.S. aid, mostly highly visible public works projects such as roads, ports, airports, and transport equipment and services. Many of these projects seem worthwhile and essential to any hope of economic progress and political stability on the islands. Given the limited capacity of local firms and governments to undertake and manage such projects, the United States should seriously consider its appropriate role in assuming such responsibilities, employing local labor and management to the maximum extent feasible.

The study mission sympathizes with the desire in the Eastern Caribbean for more bilateral aid from the United States. The needs of the island nations are real and pressing. Bilateral assistance should not be extended, however, at the expense of U.S. contributions to the Caribbean Development Bank. The multilateral character of the bank is the most powerful remaining stimulus to regional cooperation and possible future federation among the islands. Economic and political integration failed in the recent past. It continues, however, to offer many advantages, particularly in the economic area. The CDB, while perhaps more sophisticated and deliberate in its project decisions than the island governments would prefer, nevertheless serves an important development function which should continue to be encouraged through U.S. contributions and other assistance.

Business Sector Views

Business leaders with whom the study mission met tended to place more emphasis on the capacity of the private sector to spearhead economic development than did government officials. The business community in the Dominican Republic, in particular, welcomed and felt the country would benefit from a free trade zone and greater investment from the United States, although they were skeptical that U.S. investment could be significantly increased as long as the U.S. economy is depressed and their own government remains ambivalent about foreign investment. They were generally critical of law 861 and specific actions of the Guzman government with respect to the foreign investment opportunities that have arisen during his administration. Opportunities for foreign investors in the Dominican Republic, they feel, are substantial in terms of resources, markets, and local management and they look forward to greater receptivity to foreign investment on the part of the new Government scheduled to be elected in May, and a possible upswing in U.S. investments under the CBI and a revived U.S. economy.

Business sector leaders in the East Caribbean island nations, while welcoming foreign investors, shared the skepticism expressed by political leaders about whether substantial new foreign investment would be forthcoming. In addition to infrastructure, transportation, and marketing deficiencies, they cited the fact that local entrepreneurs are generally reluctant to undertake projects beyond simple importing and retailing. Local banks, they point out, are extremely conservative, requiring 100-percent collateral and high interest rates for loans on business ventures. Potential investors, therefore, have difficulty finding local partners for productive ventures. Business leaders echoed Government appeals for direct U.S. assistance under the CBI to provide the infrastructure needed to attract foreign investment.

Peace Corps

Particularly in the Eastern Caribbean, the Peace Corps appears to be playing a major role both in projecting the American image, and in furthering the development process. Peace Corps volunteers are able to provide the onsite technical know-how and support needed particularly for smaller development projects well-suited to the island nations. Serious consideration should be given to expanding the number of Peace Corps volunteers in the region as an element of the CBI along with the increases in direct financial assistance.

Police Forces and Coast Guard

The study mission was struck by the absence in most of the Eastern Caribbean (except Antigua and Barbados) of any standing military defense forces. Security is provided by small domestic police forces which are poorly trained and equipped. They perform national security and civil defense functions, as well as policing. Consideration should be given to making an exception to the prohibition on use of AID funds for police training under section 660 of the Foreign Assistance Act for the Eastern Caribbean island nations in which only police and no military forces exist, and which have established democratic traditions and sound records of respect for human rights. Such an exception should not undermine the legitimate intent of section 660—to prevent U.S. complicity in internal suppression. The study mission found persuasive the view that the island nations are wise to forgo military defense forces. Instead, they shuold be encouraged to maintain a well-trained group within the police, similar to a SWAT team, capable of handling terrorist or organized group violence that might threaten the Government. Training of such SWAT-type forces could best be done in the United States if not precluded by section 660.

Similarly, the ability of the islands to police their coastline is minimal. Most depend upon Barbados to provide occasional coast guard services. Consideration should be given to providing assistance to bolster coast guard facilities and services in the region.

U.S. Taxes and Tourist Import Limits

Most of the countries visited rely heavily on tourism to generate jobs and income, with Barbados having the greatest dependence on tourism. An increase in the present $300 limit of goods tourists may bring back to the United States duty free, as well as amendment of the tax laws to allow deductions for convention expenses incurred by conventioneers in the Caribbean, would benefit the region at relatively little cost to the U.S. economy, and should be considered for inclusion in the CBI.

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