For Freedom and Free Enterprise: The Origins, Development, and Legacies of Ronald Reagan's Caribbean Basin Initiative

A thesis presented to
the faculty of
the College of Arts and Sciences of Ohio University

In partial fulfillment
of the requirements for the degree
Master of Arts

Tyler P. Esno
June 2012

© 2012 Tyler P. Esno. All Rights Reserved.
This thesis titled
For Freedom and Free Enterprise: The Origins, Development, and Legacies of Ronald Reagan's
Caribbean Basin Initiative

by

TYLER P. ESNO

has been approved for
the Department of History
and the College of Arts and Sciences by

______________________________

Chester Pach
Associate Professor of History

______________________________

Howard Dewald
Interim Dean, College of Arts and Sciences
ABSTRACT

ESNO, TYLER P., M.A., June 2012, History

For Freedom and Free Enterprise: The Origins, Development, and Legacies of Ronald Reagan's Caribbean Basin Initiative

Director of Thesis: Chester Pach

In 1982, Ronald Reagan unveiled the Caribbean Basin Initiative (CBI). CBI was an aid, trade, and investment program intended to foster economic growth in the Caribbean Basin, thereby alleviating the socio-economic misery that led Basin people to embrace Communism. Although Reagan claimed the program was an urgent priority, it took Congress two sessions to pass CBI, and it had mixed economic results. This study uncovers the origins of CBI, the reasons Congress hesitated to act, and CBI’s impact. CBI was the Reagan administration’s response to Communist expansion in the Basin, and conservative think tanks and Reagan’s political philosophy shaped the initiative. In Congress, CBI became entangled in debates over the administration’s controversial Central American policies and fears that the initiative would hurt the U.S. economy during a severe economic recession. Although CBI had mixed economic results, it increased U.S. economic and political dominance in the region.

Approved: _____________________________________________________________

Chester Pach

Associate Professor of History
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abstract</td>
<td>3</td>
</tr>
<tr>
<td>List of Figures</td>
<td>5</td>
</tr>
<tr>
<td>Introduction</td>
<td>6</td>
</tr>
<tr>
<td>Chapter One: The Origins and Development of Reagan’s Caribbean Basin Initiative</td>
<td>17</td>
</tr>
<tr>
<td>The Challenge in the Tropics</td>
<td>19</td>
</tr>
<tr>
<td>Reagan and the Origins of CBI</td>
<td>23</td>
</tr>
<tr>
<td>Policy Development and CBI</td>
<td>34</td>
</tr>
<tr>
<td>Chapter Two: The Reagan Administration, Congress, and Interest Groups in Making CBI</td>
<td>51</td>
</tr>
<tr>
<td>Forging a Coalition for CBI</td>
<td>53</td>
</tr>
<tr>
<td>Congress and CBI, 1982</td>
<td>61</td>
</tr>
<tr>
<td>Congress and CBI, 1983</td>
<td>82</td>
</tr>
<tr>
<td>Chapter Three: The Impact and Legacies of CBI</td>
<td>89</td>
</tr>
<tr>
<td>CBI’s Early Economic Results</td>
<td>90</td>
</tr>
<tr>
<td>CBI, Reforms, and the Making of Hegemony</td>
<td>98</td>
</tr>
<tr>
<td>CBI’s Legacies and Informal Empire</td>
<td>116</td>
</tr>
<tr>
<td>Conclusion</td>
<td>122</td>
</tr>
<tr>
<td>Bibliography</td>
<td>130</td>
</tr>
<tr>
<td>Primary Sources</td>
<td>130</td>
</tr>
<tr>
<td>Secondary Sources</td>
<td>135</td>
</tr>
</tbody>
</table>
LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sea Lanes, Oil Fields, and Refineries in the Caribbean Basin</td>
<td>26</td>
</tr>
<tr>
<td>2</td>
<td>U.S. Imports from CBI Countries 1983 – 1991</td>
<td>112</td>
</tr>
<tr>
<td>3</td>
<td>Composition of U.S. Imports from CBI Nations in 1983</td>
<td>115</td>
</tr>
<tr>
<td>4</td>
<td>Composition of U.S. Imports from CBI Nations in 1991</td>
<td>116</td>
</tr>
</tbody>
</table>
INTRODUCTION

It was a partly cloudy and warm afternoon on February 24, 1982 when President Ronald Reagan entered the Hall of Americas at the Organization of American States (OAS). Minutes later, the president would unveil an unprecedented socio-economic program for the Caribbean Basin that one congressional member later described as the “first salvo in the new American effort to renew our dedication to the American idea” of political, economic, and social freedom.¹

The administration worked tirelessly with the private sector, foreign governments, and officials from the U.S. territories to develop the initiative over the previous year, and now the White House was prepared to officially announce the Caribbean Basin Initiative (CBI). Banker David Rockefeller invited Reagan to deliver this speech before the Americas Society, an association dedicated to the hemisphere’s development. But the White House decided the OAS was a more appropriate forum since, as Reagan stated in his address, the organization’s principles of “democracy, self-determination, economic development, and collective security are at the heart of U.S. foreign policy.”²

After the Ambassador of Trinidad and Tobago introduced the president, Reagan delivered his address to the OAS, and it was broadcast live over the Voice of America system. “What happens anywhere in the Americas affects us in this country. In that very real sense, we share a common destiny,” stated Reagan. “From colonialism to nationhood, our common quest

has been for freedom,” the president continued, “in this profound sense, we are all Americans.”

Once he established the American nations shared traditions and commitments to freedom and independence, Reagan explained his intentions to “approach our neighbors not as someone with yet another plan, but as a friend seeking their ideas, their suggestions as to how we could become better neighbors.”

To become better neighbors, Reagan believed that the United States should aid the “well-being and security” of the nations in the Caribbean Basin that were enduring civil strife and “economic siege.” By the 1980s, extreme income inequality, rigid class structures, and government corruption led to civil wars in El Salvador and Nicaragua. In El Salvador, a U.S.-backed government battled leftist guerrilla movements, and the Sandinistas, a Marxist political group, assumed power in Nicaragua. At the same time, Caribbean Basin governments intervened heavily in their economies in an attempt to weather economic troubles. The White House viewed these developments with dismay and believed the Caribbean Basin was moving into the Soviet Union and Cuba’s sphere of influence in the Cold War. Communism was “a new kind of colonialism stalk[ing] the world today and threaten[ing] our independence,” Reagan declared. As a result, Reagan proposed the Caribbean Basin Initiative before the OAS, calling the initiative “as unprecedented as today’s crisis in the Caribbean.” Reagan intended CBI to harness the power of the private sector through aid, trade, and investment incentives to help Basin economies and alleviate the misery that destabilized the Basin leading many of its peoples towards Communism.

Aid, trade, and investment were the main components of the Caribbean Basin Initiative. Since many Caribbean Basin nations were having trouble with their balance of payments—the costs of international economic transactions—Reagan proposed a $350 million supplemental appropriation for 1982. The administration intended this aid to assist Basin nations in meeting their outstanding debts. Although the aid was important, the trade and investment components were more significant. One-way free trade was the “centerpiece” of CBI, according to the State Department. Under one-way free trade Basin exports would gain increased duty-free access to the U.S. market without requiring Basin nations to reciprocate for U.S. exports. Thus, trade was only free in one direction. The administration and Basin nations maintained that two-way free trade would inhibit Basin industrial development due to the Basin’s inability to compete with American goods. Last, the White House proposed tax and investment incentives designed to attract capital to the Caribbean Basin.\(^5\)

In addition to the aid, trade, and investment measures, CBI also contained safeguard provisions to protect the U.S. territories and domestic industries from any of the initiative’s adverse effects. The governments of Puerto Rico and the U.S. Virgin Islands, for example, relied on revenues from rum exports and feared the effects of Basin rum exports on their revenue stream. So, the administration agreed to place excise taxes on all imported rum and rebate the revenues to the territories.\(^6\) Despite these safeguards, Congress had serious reservations about CBI’s effects on the U.S. economy as well as the $350 supplemental appropriation request. Although Congress approved the appropriation request in 1982, it was not until the next session


\(^{6}\) Ibid., 2, 4-5.
in 1983 that the legislature passed the rest of CBI in the Caribbean Basin Economic Recovery Act (CBERA).\textsuperscript{7}

Against the administration’s requests, Congress excluded some Basin exports from duty-free access like leather goods and footwear. In order to benefit from CBI, a Basin nation had to be designated by the president, and Congress agreed to Reagan’s proposed designation criteria in CBERA. A beneficiary nation could not be a communist country, have nationalized U.S. property without compensation, and refused to sign an extradition treaty with the United States, to name a few of the criteria. For the rest of the 1980s, the Reagan administration implemented the Caribbean Basin Initiative and, along with Congress, worked with Basin and U.S. territorial governments to increase the initiative’s impact.\textsuperscript{8}

There is a long history of U.S. informal empire—empire through spheres of influence and unconventional or unorthodox means rather than formal colonization—in the Caribbean Basin, and CBI’s implementation continues that trend of domination. In 1823, the United States issued the Monroe Doctrine, which aimed at preventing European intervention in the Western Hemisphere. During the rest of the nineteenth century, U.S. influence in the region expanded as U.S. businessmen invested substantially in Basin economies and the United States removed the last remnants of the Spanish empire in the Spanish – American War.\textsuperscript{9}

In the twentieth century, the United States routinely intervened in Basin nations with military force to protect U.S. lives and property from nationalist movements and preserve pro-


American governments. In the 1930s, the United States moved away from these interventions because they fostered anti-Americanism and embraced Basin dictators that maintained stability and U.S. influence. After the World War II, Communism became the new threat to America’s informal empire since oppressed and poor Basin people found solace in Communism’s anti-imperialist, anti-capitalist doctrine. As a result, the United States opposed socialist, nationalist movements and sought to foster economic development through programs such as the Alliance for Progress.\(^\text{10}\)

In 1961, President John F. Kennedy proposed the Alliance for Progress in response to the Communist revolution in Cuba. Through the Alliance for Progress, the Kennedy administration planned to pour $20 billion of economic aid into Latin America to spur economic development and modernization. The White House believed that once these nations modernized they would be less likely to embrace Communism. During the Alliance for Progress’s implementation in the 1960s, the United States funneled approximately $18 billion in official aid into the region through various development programs. At the same time, the administration created the Peace Corps, a volunteer assistance program for young Americans, the Agency for International Development, and development banks, to aid third-world development. Kennedy also sharply increased military aid to Latin America. Despite these efforts, the Alliance for Progress fostered minimal positive results during the 1960s, and the United States abandoned the project as U.S. involvement in Vietnam expanded. During the 1970s, the United States

continued to neglect widespread economic development and modernization in the hemisphere, concentrating more on problems in Southeast Asia and the Middle East.\textsuperscript{11}

The Alliance for Progress and the Caribbean Basin Initiative were both proposed in response to Communist threats and had similar goals: generating stable, friendly governments in the region through economic development and modernization. Yet, the two projects differed in their approaches. Unlike the failed Alliance for Progress, CBI emphasized private-sector development over official aid and bureaucracies. While the Alliance for Progress had a proposed $20 billion in official aid, CBI contained a mere $350 million in economic aid. In CBI, the difference was to be made up through private sector investments and export-oriented economic growth.

The two programs also differed in their theories. The Alliance for Progress was a product of modernization theory in which experts believed societies developed along a certain path that could be manipulated through efficient programs. CBI, on the other hand, was a product of neoliberalism, an economic doctrine espousing open markets and limited government intervention in the economy. In order for a nation to attract investment and economic growth in an age of increasingly fluid capital markets, neoliberal economists argued that governments had to create economic environments suitable to business and investment. To produce this environment, developing nations were advised to liberalize trade and decrease state intervention in the economy through privatizing state enterprises, deregulation, and restructuring government economic and social policies and spending. As developing countries faced increasing foreign debt problems during the 1980s, multilateral financial institutions and

the United States urged these nations to adopt neoliberal policies, often tying financial loans to these anti-state, pro-market reforms. CBI’s premises rested on these same neoliberal assumptions.\textsuperscript{12}

Reagan’s CBI was also unique in many other ways. The program was announced at a time when Congress and the American people increasingly criticized the administration’s aggressive anti-communist and aid policies towards Central America. In addition, CBI was the first time the United States granted a region preferential trade treatment. Prior to the initiative, trade policy had always been conducted at the international level through the General Agreement on Tariffs and Trade (GATT) and any agreements applied equally to all GATT members. CBI, however, gave the Caribbean Basin trade privileges with the United States compared to other nations.\textsuperscript{13}

CBI’s distinctive characteristics and the context in which Reagan proposed it raise a multitude of questions: what were the origins and inspirations for the program? What role did President Reagan play in designing CBI, and who were the principal staffers that crafted it? In what ways did the administration envision CBI combating the spread of Communism? How did Congress and interest groups shape the initiative? How did the administration’s controversial Central American policies influence CBI’s journey through the legislature? After the program was implemented, what were its economic effects throughout the 1980s? How did the United States and Basin nations respond to these effects? Finally, what were CBI’s legacies and impacts on U.S. hemispheric hegemony?


Until now there has not been a historical analysis of CBI’s origins as well as the role of Reagan, White House officials, and Congress in developing the initiative. There are numerous studies of U.S. trade and economic policy that mention CBI in passing, concentrating on larger trade programs like the North American Free Trade Agreement, and there are a few economic studies on CBI that analyze the initiative’s successes and failures. Unlike these analyses, this study focuses predominately on CBI’s origins and establishment and the Reagan administration’s and Congress’s involvement in that process.¹⁴ This study seeks to answer the above questions and relies on documents from the Ronald Reagan Presidential Library, government documents, and Congressional hearings, testimonies, and debates as well as numerous other sources to explore the history of the Caribbean Basin Initiative.

Chapter One examines the origins, inspirations, and policy development of Reagan’s Caribbean Basin Initiative. The administration proposed CBI as a long-term socio-economic and political reform component of a comprehensive Caribbean Basin strategy designed to roll back Communism in the Western Hemisphere. CBI was also meant to serve as a model of how to modernize to other developing nations across the world. Although Reagan was not personally involved in developing CBI’s specific provisions, Reagan’s free market political philosophy established the initiative’s conceptual framework. Administration officials then took cues from Reagan’s philosophy and conservative think tanks and consulted with the private sector, Basin

governments, and the U.S. territories to fill CBI’s framework with concrete policies. After working on the initiative between early 1981 and 1982, Reagan officially unveiled the Caribbean Basin Initiative before the OAS and transmitted the program to Congress for action.

Chapter Two explores the legislative phase of CBI. After submitting CBI to Congress, the Reagan administration organized the U.S. private sector to form the Caribbean Basin Initiative Coalition that raised public support and lobbied Congress on behalf of the program. During Congressional committee hearings and debates, CBI’s aid component became entangled in debates over the administration’s contentious Central American policies. By late summer 1982, though, Congress passed the supplemental appropriation but set limits on how the president could allocate the funds. While Congress considered the initiative’s trade and investment components, interest groups like the American Federation of Labor – Congress of Industrial Organizations lobbied for certain products to be excluded from CBI’s duty-free treatment. Since Congress was reluctant to pass a trade and investment program that many claimed would cost American jobs during an economic recession, the Reagan administration took some legislators on a Basin tour to persuade them of the initiative’s necessity in late 1982. Even though this tour convinced congressional members to move forward on CBI, the bill failed to pass both chambers before the end of the 1982 session, partly due to the president’s lack of time to promote the bill. In early 1983, the White House dropped the initiative’s investment component to make the bill less controversial. The president then reintroduced CBI to the legislature and took a more active role in pushing Congress for action. As a result, Congress passed the initiative’s trade component in the summer of 1983.

Chapter Three analyzes CBI’s economic impact on the Caribbean Basin and its effects and legacies on U.S. hemispheric hegemony. Between 1984 and 1986, CBI had mixed economic
results as total Basin exports decreased while certain economic sectors like textiles and nontraditional products grew. These mixed results prompted Basin nations to demand actions to enhance CBI, especially since many Basin governments instituted costly neoliberal reforms at the request of the Reagan administration and international financial institutions. In response, the White House and Congress engaged Basin leaders to improve the initiative. By the early 1990s, Basin economies decreased their dependence on traditional exports like sugar and petroleum partly due to CBI’s duty-free treatment.

Chapter Three continues with an examination of CBI’s effects on U.S. influence and power in the region. During the 1980s, CBI served as a vehicle through which the United States established legitimacy for free markets across the Caribbean Basin, thereby minimizing left-wing threats and maintaining its informal empire. Although the Reagan administration never viewed CBI as an imperial tool, the initiative’s implementation and impact strengthened America’s informal, free trade empire with the consent and assistance of Basin leaders. By interacting with Basin leaders to implement and reform CBI, the Reagan administration and Congress built a consensus for free markets that also resulted in the Basin’s increased dependence on the U.S. market. These efforts were so successful that Basin nations sought further inclusion into the U.S. and global economies through other free trade initiatives like the Enterprise for the Americas Initiative and the North American Free Trade Agreement in the 1990s. This interpretation of CBI’s effects utilizes Antonio Gramsci’s Marxism as an analytical tool. In Gramsci’s Marxism, hegemony is a process through which one group of actors work to persuade and, if necessary, coerce other actors to accept and support their ideas and power system. Hegemony is a process of building legitimacy and consensus that results in forms of domination, and Gramsci’s Marxism
is a useful tool to understand CBI’s impact and implementation in relation to the dynamics of informal empire.15

A history of the origins, development, implementation, and results of Ronald Reagan’s Caribbean Basin Initiative reveals that the initiative was a significant U.S. policy vis-à-vis the Caribbean Basin. It was a program conceived in the crucible of the Cold War and U.S. – Third World relations. After the president submitted the initiative to the legislature, Congress, as it does with most trade policy, modified the program to serve its own purposes. Congressional members used the aid, trade, and investment provisions to criticize and extend some oversight over White House policies in Central America and the Caribbean. Once Congress approved and Reagan signed CBI, the United States established a precedent for granting regions preferential trade treatment. In the wake of CBI and the end of the Cold War, the United States and other nations in the hemisphere planned to create more regional trade agreements like NAFTA with the ultimate goal of establishing a free trade area across the entire hemisphere. Globalization and free trade were the slogans for progress and modernization by the 1990s and a way for the United States to maintain its international power and prestige. The Caribbean Basin Initiative contributed to these axioms of the 1990s, and this study elucidates that role.

CHAPTER ONE: THE ORIGINS AND DEVELOPMENT OF REAGAN’S CARIBBEAN BASIN INITIATIVE

On the morning of March 17, 1982, President Ronald Reagan addressed reporters and members of Congress in the White House Roosevelt Room. After a few opening remarks, Reagan stated, “Economic disaster is consuming our neighbors’ money reserves and credit, it’s forcing thousands of people to immigrate, and threatening even the most established democracies.” The president contended that “[e]xtremist groups” were “exploiting” this instability to “gain new footholds in this hemisphere,” thereby, undermining U.S. security. Now Reagan was “urg[ing] the Congress to move with maximum speed” on his administration’s response to this subversive challenge: the Caribbean Basin Initiative. Reagan maintained that CBI “addresses the underlying economic crisis that offers opportunities to the foes of freedom,” and he formally transmitted the CBI bill to the Congress.16

Though Reagan had only unveiled CBI at the Organization of American States less than a month before transmitting it to Congress, he and his administration had been working on it for almost a year. During that time, what role did the President play in designing the initiative, and who were the principal staffers that crafted it? Furthermore, what were the origins and inspirations for the program? While it is obvious that the administration intended CBI to combat the spread of Communism throughout Central America and the Caribbean, in what ways did the administration envision the program doing so?

Although there has not been a historical analysis of these aspects of CBI, until now, some scholars have commented on what they believed to be initiative’s origins and inspirations.

Many scholars correctly identified the Caribbean Basin Initiative as an economic response to the hemisphere’s growing leftist political and economic movements. However, they portrayed the initiative as a program primarily driven by political and ideological interests such as strengthening U.S. hegemony rather than alleviating the Basin’s economic plight. Others scholars also contended that the Reagan administration never held the problems in the Caribbean Basin economies as a high priority. Instead, the administration was attempting to remove Congressional and public scrutiny away from its controversial and aggressive policies in Central America’s civil wars.¹⁷

While these studies make some insightful points, their analyses are inaccurate and disingenuous. First and foremost, Reagan and his staff considered the Caribbean to be vital to maintaining U.S. Cold War security and capabilities across the world. The administration may have not emphasized the Caribbean as much as the conflicts in Nicaragua and El Salvador. But, they believed that the United States needed to make a serious commitment to assisting the Caribbean Basin nations in undertaking long-term, self-help reforms aimed at fostering socio-economic and political stability. Reagan and his officials found inspiration for these reforms and CBI in expert studies such as A New Inter-American Policy for the Eighties, a conservative think tank’s report on Inter-American relations. The administration also consulted with Central American and Caribbean governments to develop specific policies. In addition, Reagan’s own

political philosophy determined what measures were acceptable in combating the economic and political challenges in the Basin. An analysis of CBI’s roots and development in the executive branch reveals that the administration conceived of CBI early in the president’s term as a part of a comprehensive Caribbean Basin strategy for the Cold War and, to a lesser extent, North-South relations.

The Challenge in the Tropics

For most of the twentieth century, the United States enjoyed unrivaled power and freedom of action in the Western hemisphere. Although the Cuban Revolution in 1959 and the Cuban Missile Crisis in 1962 briefly shook the foundations of U.S. dominance, U.S. relations with the other nations in the hemisphere remained relatively stable and received low priority compared to the Cold War hotspots in Europe, the Middle East, and Asia. By the 1980s, however, this stability collapsed and U.S. hemispheric relations took center stage.

The most dramatic displays of instability emerged in El Salvador and Nicaragua in the 1970s. As historian William M. LeoGrande described, El Salvador was a nation with one of Latin America’s “most rigid class structures” and extreme income inequality. With a population of almost five million, a few thousand families controlled sixty percent of the land, and eight percent of the population collected half of the national income. Over a quarter of rural families were landless, and it was illegal for peasants to protest. Strong oligarchic landowners and an army controlled El Salvador through coercion and fixed elections.18

When a coalition of opposition parties under José Napoleón Duarte defeated the ruling party in the 1972 elections, the army suppressed the results and cracked down on political parties across El Salvador. In response, numerous leftist guerrilla organizations formed to oppose the oppressive government. As El Salvador descended into civil war by 1977, the military placed General Humberto Romero in charge, and government-supported death squads began persecuting anyone who supported the guerrillas, including church officials. Throughout this time, the Carter administration called on the Salvadoran government to respect human rights and hold free elections in an effort to bring the violent, leftist guerrillas into the peaceful political arena. Instead, a coup d’état swept Romero from power in 1979. By 1980, Duarte, a moderate, emerged as the president of El Salvador, but the strife continued.\footnote{Ibid., 35-45, 63.}

A similar situation took place in Nicaragua. While Nicaragua had socio-economic inequalities like El Salvador, the Somoza family had ruled the nation since the 1930s. After an earthquake destroyed the capital city Managua in 1972, President Anastasio Somoza Debayle began rebuilding the city while enriching himself and his cronies by stealing from the international relief fund. Radical lower-class opposition emerged, though, in the form of strikes and uprisings. By 1978, the Sandinista National Liberation Front, a leftist guerrilla group formed after the Cuban Revolution, co-opted the lower-class resentments to begin an insurrection against Somoza. To make matters worse, some Latin American nations aided the Sandinistas through arms supplies and diplomatic support while the United States and other Latin American countries helped Somoza. To the disappointment of Washington, the Sandinistas overthrew Somoza in July 1979, and Somoza fled to exile in Miami. During the 1980s, guerrilla
groups, known as Contras and supported by President Reagan, emerged to oppose the
Sandinista government.\(^{20}\)

In addition to events in El Salvador and Nicaragua, other Caribbean Basin governments began intervening heavily in their economies to the dismay of the United States. From the end of World War II until the early 1970s, most Basin nations experienced strong, private-sector-led economic growth. In the years 1960 – 1980, for instance, the Basin’s total gross domestic product grew between five to seven percent annually. The strong growth rates, however, were not enough to absorb the challenges of rapid population growth—the population grew from approximately 94 million to 160 million.\(^{21}\) As a result, the problems of economic inequality, poverty, health, nutrition, and education, among others, increased. In the 1970s, the skyrocketing oil prices, a commodity most Basin nations had to import, along with the strife in Central America and a decline in many of the Basin’s commodity prices sent the region’s economies into recession, increasing government debt and social and political problems. Consequently, some Basin governments adopted left-wing reform measures in an effort to start an economic recovery and decrease unemployment.\(^{22}\)

In 1972, Michael Manley became Prime Minister of Jamaica, pledging to fix the island nation’s socio-economic problems. Manley increased the size of the Jamaican state by creating new public works and social programs while also nationalizing companies and redistributing land

\(^{20}\) Ibid., 14-29.


with the slogan “put idle lands into idle hands.” At the same time, Manley increased political ties with Cuba. Despite Manley’s attempts, however, economic recovery remained elusive for the island.

A socialist government also came to power in Grenada in 1979. Known as the New Jewel Movement under Maurice Bishop, the government sought to resolve the economic problems through a stronger public sector that focused on food production and tourism. Although the NJM wished to preserve the private sector, the government increased social services, instituted land reforms, and nationalized the importation of certain basic goods. Furthermore, Cuba agreed to finance a new international airport for Grenada, an ominous move to many Americans during a time of increasing East-West tensions.

Many Americans perceived these political developments in the Caribbean Basin through the lens of East-West relations. Since several Basin governments were moving to the left and had the support of Cuba, a lot of people believed that Communism was on the march throughout the hemisphere. At the end of the 1970s, the Soviet Union invaded Afghanistan and conservative American groups like the Committee on Present Danger proclaimed that America had fallen behind in the Cold War. Put simply, the Cold War was intensifying after the perceived failure of détente. In this context, it made sense to interpret the problems in the Caribbean Basin as a part of a larger Communist grand strategy.

Besides becoming a Cold War hotspot, the Caribbean Basin was also an arena for North-South relations. Since the United States was the leading capitalist country and, along with

---

23 Slogan as quoted in Deere, Shadow of the Sun, 135.
24 Ibid., 135-136.
25 Ibid., 140-142.
Canada, the hemisphere’s only advanced industrial society, it was only natural that tensions emerged between the United States and the developing nations of the Basin. While the region’s developing nations were relatively amicable towards the United States, they still thought the United States should increase its assistance to less developed countries. Essentially, the Caribbean Basin acted as a crossroad for East-West and North-South tensions, a fact the Reagan administration had to deal with in crafting its comprehensive Basin strategy.27

Reagan and the Origins of CBI

Ronald Reagan was elected in 1980 after a campaign in which he criticized Jimmy Carter’s presidency as a failure at home and abroad. Although Carter responded forcefully to the Soviet Union’s invasion of Afghanistan, Reagan and many Americans believed he mishandled the events in Central America and the Iranian Hostage Crisis—a crisis that was still underway during the election. At home, the economy steadily declined with increasing inflation and unemployment during Carter’s term. So after Reagan asked Americans, “are you better off than you were four years ago” during a campaign debate, many Americans responded on Election Day with an emphatic “no.” On Inauguration Day, Reagan promised to restore America and “do whatever needs to be done to preserve this last and greatest bastion of freedom.”28

Ronald Reagan and his administration interpreted the events in Central America and the Caribbean as products of Cuban and Soviet subversion. In a July 1977 radio address, Reagan

claimed that Jamaica’s Prime Minister Manley “walks hand in hand with Fidel Castro.” A National Security Council strategy paper in May 1981 argued that Communist subversion was taking place in El Salvador, Guatemala, Honduras, Nicaragua, Grenada, Costa Rica, and numerous other Caribbean islands. According to the paper, Cuba was working to establish “Marxist regimes and diminish U.S. influence” in the Basin, a region with “long-standing and deep-rooted political, economic and social problems which provided an all-too-fertile ground for subversion and violent change.” Furthermore, “Cuba adventurism must be met in our own front yard . . . [before it] embolden[s] our adversaries and undermine[s] our Allies and friends worldwide.” But, the administration feared that anti-communist policies “largely based on—or seen to be based on—military measures would generate such opposition among the American public, the Congress and our Allies as to jeopardize their support and ultimately the strategy itself.” So the NSC proposed a “multifaceted” response that, they hoped, would “maximize domestic and international support” while also being more successful in meeting the diverse Communist threats. Part of this comprehensive strategy entailed fostering a “credible electoral process to legitimate” U.S.-backed governments and “curb the excesses of their militaries which serve to alienate their populations and feed the insurgencies” like in El Salvador. The NSC also proposed an aid, trade, and investment component to attack the underlying socio-economic problems in the Basin, CBI’s policy genesis.29

In early 1981, a fear of Communist expansion in the Basin permeated the Reagan administration. Before a Congressional subcommittee, Thomas Enders, Assistant Secretary of State for Inter-American Affairs, contended that “the decisive battle for Central America is

underway in El Salvador” with Cuba “expanding its capacity to project military power beyond its own shores.” In his diary, President Reagan even wrote that “there is no question but that all of Central Am[erica] is targeted for a Communist takeover.” In another entry, Reagan penned that “Nicaragua is becoming an armed camp & the base for the communizing of all of Central Am[erica].” In his memoir, Secretary of State Alexander Haig, Jr. declared that “El Salvador was not merely a local problem . . . . [but] a regional problem that threatened the stability of all of Central America,” the Panama Canal, and the region’s oil reserves. The situation in El Salvador also “represented the injection of the war of national liberation into the Western Hemisphere.”

The administration believed the Basin’s problems posed a threat to the American security triangle resting on Panama, Puerto Rico, and Guantanamo Bay. If Cuba and the Soviet Union established Marxist regimes across the region, then many feared a militarized Communist triangle between Nicaragua, Cuba, and Grenada would emerge. To the administration, maintaining the security of the Basin’s sea lanes of communication was paramount (Fig. 1). These sea lanes were vital to U.S. trade and defense: the Caribbean lanes accounted for thirty-five percent of U.S. imports in 1982 and, in the event of war in Europe, half of NATO’s supplies would ship through these routes. Furthermore, seventy-five percent of the America’s crude oil

imports flowed through these waters. And, above all else, the Caribbean bordered the United States.


Ronald Reagan and his advisers understood the need to strengthen U.S. relations in the hemisphere. In one of the first NSC meetings, Reagan stated, "My own feeling—and one about which I have talked at length—is that we are way behind, perhaps decades, in establishing good relations with the two [North and South] Americas." Many groups influenced the Administration’s development of these new strategies and policies for U.S. relations with the Americas and the Caribbean. An examination of two policy studies, in particular, reveals the initial inspirations for Reagan’s Caribbean Basin Initiative. These studies were the Committee of Santa Fe’s *A New Inter-American Policy for the Eighties* and the Heritage Foundation’s *Mandate for Leadership*.

A conservative think tank commissioned and published The Committee of Santa Fe’s *A New Inter-American Policy for the Eighties* in 1980 in an attempt to influence the 1980 election in Reagan’s favor and forge a more aggressive U.S. foreign policy in the hemisphere. Believing that “World War III is almost over,” the Committee claimed that containment was “not enough” and “[d]étente is dead.” In addition, “a sophisticated, but brutal, extracontinental super power manipulating client states” was pushing the United States out of the Caribbean and Central America. U.S. foreign policy was in “disarray” and “[t]he hour of decision can no longer be postponed” as the Caribbean was becoming a “Marxist – Leninist Lake.”

The Committee recommended the United States increase aid and assistance to the Caribbean Basin in a program that “wed the most successful elements of the Truman Doctrine and the Alliance for Progress.” Furthermore, the United States should embrace multilateralism.

---

in U.S. hemispheric relations and act through the OAS. Since the hemisphere’s economies were becoming more interconnected, “national markets must remain relatively open” for “future prosperity.” To foster economic growth, the Committee proposed that the United States “encourage shifts [in the Basin] to the production of cash crops,” aid the establishment of industries, and help those nations obtain favorable loans from the multinational banks. One member of the Committee of Santa Fe later contended that their study helped shape Reagan’s CBI, and two other Committee members joined the Reagan Administration in 1981. Roger Fontaine became the NSC’s Latin American specialist, and Lt. General Gordon Sumner worked as a special advisor to Enders. Fontaine and Sumner were in positions to influence policymaking, and it was no coincidence that CBI’s provisions were intended to accomplish everything the Committee suggested. The fact that NSC oversaw the creation of CBI strengthens the argument that the Committee was one inspiration for the initiative.

While the Committee of Santa Fe was concerned with U.S. foreign relations, the Heritage Foundation’s Mandate for Leadership focused primarily on rolling back the size of the U.S. government at home. However, the Heritage Foundation did briefly address U.S. relations in the Caribbean Basin, and parts of the study were released early to the Reagan transition team after the election. Like the Committee of Santa Fe, the foundation argued that Carter’s policies damaged American interests in the Basin. To restore America’s position, the think tank recommended that the United States encourage socio-economic reforms while “encouraging trade and the expansion of the private sector.” To stop the spread of Marxism in Nicaragua and El Salvador, the foundation maintained that U.S. policy should help those governments combat the serious economic problems that were undermining the governments’ popular support.

Lastly, the United States Department of Agriculture “should become more active” and help Basin governments grow their agricultural sectors.\textsuperscript{37} Although the Heritage Foundation’s suggestions were not as specific as the Committee of Santa Fe’s, it is likely that they reinforced the idea that the administration’s policies should boost the private sector and encourage social and political reforms to combat Communism.

These two studies demonstrate that many people believed the United States should respond to the perceived Communist threat by fostering private-sector-led economic growth and political reforms. Although CBI was intended to roll back Communism, the administration also developed the initiative as a response to developing nations’, or South’s, demands for international economic reforms. Furthermore, Reagan’s own political philosophy limited what measures were acceptable in responding to the South’s demands on the international economy.

Post–World War II decolonization led to an increase in the number of developing nations. By the 1970s, many of the nations organized to push for international economic reforms through the United Nations and other global institutions. In general, the South wanted the advanced industrial nations, or North, to assist the South’s development through increased aid, debt restructuring, shared industrial production, technology transfers, and new international institutions. In 1981, the North and South agreed to hold basic talks on economic aid and reforms in Cancun, Mexico.\textsuperscript{38} Reagan opposed some of the South’s demands, and he made his opposition known at Cancun and the months before the summit. In addition, the Reagan administration offered the Caribbean Basin Initiative as an alternative model for economic growth in the South.


Ronald Reagan was dedicated to the ideas that free enterprise and free markets were the best ways to maximize economic progress, and he believed that America’s economic strength stemmed from its adherence to capitalism. As he explained in a radio address:

> We lead the world in advanced technology; in telecommunications, drilling & mining equipment, medical science & agri-science. All of this is because our system freed the individual genius of man. Released him to fly as high & as far as his own talent & energy would take him. We allocate resources not by govt. decision but by the mill[ion]'s of decisions customers make when they go into the mkt. [market] place to buy. . . . Thus resources are steered toward those things the people want most at the price they are willing to pay.

In the free market system, Reagan believed, power ultimately rested with consumers and the entrepreneurs that responded to consumers’ needs and desires. Furthermore, political freedom was an outgrowth of this economic freedom. As Reagan stated while campaigning for presidential candidate Barry Goldwater in 1964, “A government can’t control the economy without controlling people,” so only if there was a free economy could free people thrive.³⁹

To Reagan, this same dynamic existed at the international level. International bureaucracies were not only inept but also impeded the pursuit of national objectives since “we [the United States] have no control” over “international financial institutions” that were “answerable to no one but their international charters.” While the United States did have more influence in these institutions than other nations, Reagan was likely alluding to the growing power of developing nations. In addition, Reagan thought that the free flow of goods advanced

economic growth and peace. The day after signing CBI into law, the president declared that “the freer the flow of world trade, the stronger the tides for economic progress and peace among nations.” These were “timeless principles,” and “one economic lesson [that Reagan learned] of the 1930’s is protectionism increases international tensions.” Reagan brought this free market philosophy with him to the presidency leading him to reject the South’s demands and offer CBI as an alternative that “underscores our belief that economic development based on free market principles is the key to helping our neighbors build a future of freedom, democracy, and peace.”

In the summer of 1981, Reagan attended a meeting of the world’s seven advanced industrialized democracies in Ottawa, Canada. In his concluding statement for the summit, Reagan expressed his thoughts on the best ways to help the developing nations. “[W]e shall resist protectionism and support an open, expanding system for multilateral trade,” Reagan stated. The president then pledged that the developed nations would “work together in helping the developing nations move toward full partnership in that system.” Reagan was implying that the United States would resist any of the South’s attempts to create new international institutions or limit free trade—a view Reagan made much clearer before the Cancun meeting.

During the same month of the Cancun meeting, the president began expressing his opposition to the South’s demands more forcefully. In his diary on October 8, 1981, Reagan wrote that the United States “cant [sic] agree to the demand by the undeveloped countries for a Global organization to enforce a share the wealth policy on the industrial nations.” A week later,

---

Reagan publicly spoke out against the South’s demands in an address before the World Affairs Council of Philadelphia. After assuring developing nations that the United States wanted “greater economic growth and prosperity for all our people,” Reagan argued that some people call for “collectivism” and falsely “claim massive transfers of wealth somehow miraculously will produce new well-being.” But to Reagan, America’s experience had revealed that “the real essence of development. . . . [was the] ability by all men and women to realize freely their full potential.” According to Reagan, the way to Southern development was through access to the U.S. market since the United States purchased about half of all the manufactured goods that non-OPEC countries exported. Furthermore, developing nations received more money in two years exporting to the United States than they did from the World Bank in thirty-six years.42

At the end of his address to the World Affairs Council, President Reagan laid out some specific principles to aid the South. These principles consisted of stimulating open markets, private investment, political reforms, and making economic sectors like agriculture and energy self-sustaining. Since each region had its own unique economy, political system, and culture, Reagan maintained that the United States should “tailor particular development strategies to the specific needs” of each country. Reagan then mentioned his efforts in developing the Caribbean Basin Initiative with Mexico and Canada as an example. After the speech, Reagan entered into his diary that “[t]he speech was really meant for the nations going to Cancun to plant the idea we weren’t going to buy their idea of a new international bureaucracy empowered to share the wealth.”43

At the Cancun Summit, October 21 – 23, Reagan reaffirmed his commitment to aid undeveloped nations without establishing new international institutions and bureaucracies. “As the world’s largest single market,” he stated, “we can be a powerful conductor for economic progress and well-being.” The president also mentioned that developing nations should work on policies that strengthened their exports in order to take advantage of markets in the developed world. In one of the final NSC meetings before unveiling CBI in February 1982, advisor Edwin Meese commented that CBI was “a logical follow-up to Cancun.”

Reagan’s deep dislike of bureaucracies and the redistribution of wealth shaped the provisions in the Caribbean Basin Initiative. CBI would not be a Marshall Plan for the Western Hemisphere. In fact, the administration avoided describing CBI as such because the term “put the emphasis on official assistance, while we want to put it on private enterprise and trade.” Nor would CBI be like the Alliance for Progress that also relied on official aid and bureaucracy. Instead, CBI was intended to harness the power of the private sector through open markets and tax and investment incentives to help the developing Caribbean Basin achieve prosperity and democracy. The initiative would then serve as a model to other undeveloped nations on how to modernize. Although CBI was primarily a security and anti-Communist program, to view it simply

---

through the lens of East-West relations misses the initiative’s significant North-South dimensions.

Policy Development and CBI

While policy studies and Reagan’s free market philosophy established the Caribbean Basin Initiative’s conceptual structure, the administration still had to fill the framework with concrete measures and policies. They developed these policies in three distinct ways between early 1981 and 1982. First, the executive branch started fostering ties with business leaders by enlisting banker David Rockefeller to form a business committee on Jamaica. Second, the NSC and its subcommittees developed proposals for CBI while seeking input from Puerto Rico and the U.S. Virgin Islands. In particular, the administration went to great lengths attempting to placate the territories’ fears of CBI and receive their support for the initiative. Last, Reagan and diplomats began cultivating CBI’s multilateral aspects.

By 1980, Jamaican unemployment was about 35 percent, and the Jamaican treasury owed $1.4 billion in debt. Failing to restore the Jamaican economy, Michael Manley’s government fell in October 1980, and the Jamaican people elected Edward Seaga and his conservative Jamaican Labour Party to fifty-one of the sixty seats in Parliament. The new Prime Minister began cutting spending and other conservative economic reforms. But, Seaga faced a daunting task in trying to restore an economy that experienced eight years of negative real
growth, high oil costs, declines in real per capita income, and a massive emigration of the professional classes under Manley’s government.\(^4^6\)

Ronald Reagan and his advisors took a special liking to Seaga and his government. Seaga was Reagan’s first official state visitor, and Reagan believed “we can help him & gradually take back the Caribbean which was becoming a ‘Red’ lake.”\(^4^7\) According to NSC talking points, the administration thought it necessary to aid Seaga before his government faced a popularity crisis that would undermine a “lasting mandate” for free markets in Jamaica.\(^4^8\) To assist Jamaica, the president asked former Chase Bank CEO David Rockefeller to form a private investment group for the country in early February 1981. The administration formally announced the United States Business Committee on Jamaica on February 24. Rockefeller chaired the Jamaican committee, whose members included influential American business leaders: Frank Borman (Eastern Airlines), Charles Bludhorn (Gulf and Western Industries), John C. Duncan (St. Joe Minerals), W.H. Krome George (Alcoa), and Howard C. Kauffman (Exxon Corp), to name a few. The administration intended the Jamaican committee to “stimulate and mobilize new investment, trade, and employment in Jamaica,” and Secretary of State Haig assigned a senior advisor to facilitate the committee’s work. By July 1981, Reagan was “greatly encouraged” by the Rockefeller committee and believed it was helping Seaga place Jamaica on the right path to prosperity.\(^4^9\)


\(^{4^7}\) Reagan, Diaries, vol. 1, 15.

\(^{4^8}\) NSC Meeting Agenda and Talking Points for Feb. 6, 1981.

The Jamaican committee was significant because its establishment marked the first time that the White House officially enlisted private sector help to generate economic growth in the Caribbean. After unveiling CBI, Reagan asked many of these same business leaders for their thoughts on how to implement the initiative and called on them to lobby Congress while building popular support for the program. Essentially, the working relationship between the executive and the private sector that helped get CBI through Congress in 1983 began with the Rockefeller committee on Jamaica. Furthermore, the Jamaican committee demonstrated the administration’s commitment to aiding nations willing to eschew socialism and institute free market reforms. Reagan and his advisors believed that the stakes were high in Jamaica: if Jamaica’s reforms were successful then they would reinforce the administration’s argument that the U.S. economic model rather than Communism generated prosperity and stability.

While the U.S Business Committee on Jamaica started in-country operations, the administration began developing specific policy proposals for CBI. Initially, Thomas Enders chaired “a series of informal, small group meetings” in the State Department in which officials prepared some basic ideas for economic development in the Caribbean Basin. The Enders group proposed and the State Department approved a comprehensive Caribbean Basin strategy that sought to combat Communism and maintain U.S. interests through a mix of military and economic actions. In the same strategy paper that argued the Basin provided an “all-too-fertile ground” from Communist expansion, the Department called for the administration to develop a “Reagan Plan for Caribbean Basin Cooperation” to improve the Basin’s political, economic, and social conditions. With an estimated total cost of over $600 million for 1982, the Reagan Plan for

Caribbean Basin Cooperation was what would become the Caribbean Basin Initiative. Since many experts doubted that the Caribbean’s small island economies could “become self-sustaining without a special relationship to the markets of North America,” State called for increased U.S. market access, increased loans, multilateral assistance, and foreign aid to Basin nations conditional on political reforms. Overall, the Reagan Plan “would be a dramatic demonstration of long-term United States commitment to the region.” In May, the State Department sent these recommendations to the NSC for further consideration.  

During the May 28 NSC meeting, Reagan “[g]ave the go ahead” for the Caribbean Basin Initiative, and by June, the NSC established the Trade Policy Committee (TPC), under U.S. Trade Representative William E. Brock, to develop specific policy proposals. Though Haig and Enders initially conceived of the economic initiative in the State Department, CBI was now an NSC project. It is likely that the TPC consulted with Haig throughout the rest of 1981. It is hard to determine how much influence Haig had on the TPC, though, since Reagan assigned him to assist in organizing CBI’s multilateral aspects while “dealing with [the] Cuban threat.” Brock, on the other hand, “handle[d] economic matters and how CBI will aid long-term US reform interests.” Just before Reagan unveiled CBI, the administration combined these policymaking structures and gave them greater definition, but until then, Haig’s and Brock’s groups were quasi-separate.

---


From June 1981 to January 1982, the TPC worked diligently to develop CBI’s policies. Once the TPC had finished a preliminary version of the initiative, the committee asked Puerto Rico and the U.S. Virgin Islands to review the proposals. The administration’s consultations with the U.S. territories proved to be a very tedious but politically significant part of CBI’s policy development. By meeting with Puerto Rico and the U.S. Virgin Islands, the White House hoped to generate territorial support for the initiative while removing a potential Congressional roadblock to its passage. Although the administration received the territories’ official support for the program, the executive branch dismissed many of their suggestions as too parochial or unpractical such as Puerto Rico’s request for a regional strategic petroleum reserve and exemptions from federal labor laws. As a result, Puerto Rico and the U.S. Virgin Islands only influenced CBI’s policy development slightly.

Puerto Rico and the U.S. Virgin Islands, as U.S. territories, had a different economic relationship with the United States than Caribbean Basin nations. Capital and labor flowed freely between the islands and the U.S. mainland, and the territories were not permitted to impose any trade duties to support and protect local industrial development. In the post–World War II era, this territorial status was an advantage for the islands over the rest of the Basin in competing for investment. Puerto Rico even tried to harness this advantage through an industrial development program, Operation Bootstrap. The operation failed to fix Puerto Rico’s unemployment problems and increased its dependence on U.S. capital investments, though—it is likely that the TPC examined the operation’s technical aspects while formulating CBI. By the 1980s, however, the territories were required to follow most federal labor and environmental regulations, increasing the costs of conducting business on the islands. The territorial governments now feared that CBI’s duty-free provisions would undermine the one advantage
they had over the rest of the Basin in competing for private sector investment.\textsuperscript{53} As a result, the territorial governments sought to shape CBI to their own benefit and Brock and the TPC attempted to meet the territories’ policy requests when possible.

Brock and his Trade Policy Committee generated a series of proposals for CBI through three interagency groups—the groups focused on trade, investment, and aid—and consultations with recipient governments and the private sector. According to the TPC’s preliminary draft of CBI, the “guiding principles” for this program were outlined in Reagan’s speech to the World Affairs Council of Philadelphia in October 1981. By November 1981, the committee had about twenty general proposals and combined them in a single report for the administration and U.S. territories. These suggestions ranged from self-help measures such as structural adjustment programs to increasing political risk insurance and the Basin’s liquidity.\textsuperscript{54} Although the territories accepted most of the measures, they contested two TPC recommendations: the one-way free trade agreement and rum’s inclusion in the free trade area.

Even though the Caribbean Basin’s exports to the United States grew dramatically between 1960 and 1980, the Basin’s total share of U.S. imports declined from 19 to 12 percent. Furthermore, the strengthening Mexican economy attracted more direct U.S. investment than the smaller Basin economies, and Mexico more than doubled its share of total Basin exports to the United States.\textsuperscript{55} The TPC believed that increasing the Basin’s ties to the U.S. economy would increase their attractiveness to investors and help those nations attain prosperity. Reagan agreed with the TPC as demonstrated in his World Affairs Council and Cancun Summit addresses. To increase these economic ties, the committee proposed a “dramatic trade

\textsuperscript{53} Deere, \textit{Shadow of the Sun}, 128-131; Thomas, \textit{Poor and Powerless}, 78-81.
\textsuperscript{54} TPC Decision Memo, William E. Brock to All TPC Members, November 9, 1981, folder “Caribbean Basin Initiative (2) (OA 10033),” box 10, Neal, Rick: Files, Reagan Library, 1.
“initiative” known as a “One-Way Free Trade Agreement.” This agreement would create a free trade area in the Caribbean Basin and grant those nations’ exports duty-free access to the U.S. market. The Basin would not reciprocate duty-free access, however, in order to protect their developing industries from harmful U.S. competition.

In addition to including minor safeguard measures to protect the U.S. economy, the TPC recommended that the president have the authority to designate and terminate recipient nations, an anti-Communist component contained in the State Department’s initial proposal. The designated countries would be those “taking appropriate steps . . . which support the purposes of the Initiative” (i.e. friendly, non-Communist) and the terminated nations would be those that reverse reforms or have “improved to the point that special treatment is no longer warranted.” The TPC predicted that the free trade area would be problematic, though, because non-participating nations, Mexico, and the U.S. territories would see it as giving the Basin an unfair economic advantage. Furthermore, giving the Basin preferential trade treatment would “weaken the [historic] U.S. commitment to a nondiscriminatory trade policy” through the General Agreement on Tariffs and Trade (GATT) and Most-Favored-Nation (MFN) status.\(^56\) The GATT was created after the Second World War with the goal of liberalizing trade for all its members through multilateral negotiations over time. To speed liberalization along and prevent trade discrimination, the GATT held that any MFN treaties, bilateral trade agreements that granted participants trade advantages, were automatically extended to all GATT members. With CBI, the United States was stepping outside of the GATT framework for the first time.\(^57\)

\(^{56}\) TPC Decision Memo, Reagan Library, Tab 3, pp. 1, 4, 3.  
Aside from the one-way free trade agreement, the TPC suggested that U.S. duties on imported Basin rum be decreased. The committee contended that current rum duties were unfair because the tariff added 43 percent to the cost compared to an average of 5.5 percent for all other taxed imports. But the territories opposed rum’s inclusion in the free trade area since Puerto Rico’s and the U.S. Virgin Islands’ U.S. rum sales provided ten and twenty percent of their government revenues, respectively. White House officials actually received letters and reports from prominent Puerto Rican leaders throughout November 1981 expressing opposition to CBI’s rum and free trade aspects.58 The territories feared increased competition since two-thirds of total U.S. rum imports came from Jamaica, but Jamaican rum accounted for only five percent of U.S. consumption. However, many Basin governments “urged” the United States to reduce the rum tariff, and the TPC argued that it would be a “dramatic demonstration of our commitment to free trade with the Caribbean.” The TPC also maintained that the effects of rum’s inclusion might be “insignificant” because the territories had a strong marketing and distribution system for U.S. markets while Basin nations did not have “much additional sugar production” to dedicate to rum production.59 In essence, the TPC believed that the administration should risk the small chance that the territories would be adversely affected in exchange for showing its dedication to helping the Caribbean Basin.

On December 7, 1981, the administration delivered the TPC’s proposals to Puerto Rican Governor Carlos Romero Barcelo and set up a meeting to hear his thoughts about the program on December 18. Romero was serving his second term as the island’s governor, and he was

59 Ibid., Tab 6, pp. 1, 2.
adamant about reviving Puerto Rico’s economy, increasing the island’s infrastructure, and shielding Puerto Rico from any of CBI’s adverse effects. As a result, the governor was constantly requesting special treatment from the TPC during CBI’s policy development to protect Puerto Rico. In preparation for the meeting, Brock’s TPC began working with Rick Neal, the Executive Director of the White House Task Force on Puerto Rico, along with officials from the Departments of Treasury, Agriculture, Transportation, and State. According to Neal, negotiating CBI with the territories was a massive interagency operation.60

On December 18, Puerto Rican Secretary of State Carlos Quiroz and the President of the Puerto Rican Governor’s Economic and Financial Council Nelson Famadas met with several Reagan officials, including Brock and Neal, in the USTR’s office. Although there are no minutes from the meeting, a few documents offer insight into what they discussed. According to one of Governor Romero’s reports, Puerto Rico agreed that there was a security problem in the Basin and that a “free enterprise approach” was the best course of action. However, the Governor feared that a free trade area would reduce Puerto Rico’s share of the U.S. market and inhibit “the Island’s ability to maintain an acceptable development rate.” Therefore, Romero argued for a series of changes to CBI that protected Puerto Rico and proposed twenty-two additional measures.61


Romero requested that some Puerto Rican industries such as agriculture, electronics, and textiles be exempted or protected from increased Basin competition in the U.S. market. In addition, Romero declared that including rum in the free trade area was “completely unacceptable.” Rum’s inclusion was a “blatant example of discrimination against Puerto Rico” since the island was “powerless” to lobby Congress for exemption like mainland sugar producers. In response to the administration’s proposal to rebate excise taxes on rum to Puerto Rico and the U.S. Virgin Islands, Romero stated that there was “no guarantee that congress would not . . . repeal” the rebate in the future.62

Besides expressing Puerto Rican opposition to the free trade area and decreased rum duties, Romero offered numerous other measures to aid Puerto Rico. These measures included requests for a regional strategic petroleum reserve on Puerto Rico, the elimination of Environmental Protection Agency and Department of Energy regulations that were inhibiting economic growth, a fair share of federal defense contracts, and an agricultural research center, to list a few. Romero’s most novel proposal, however, was for a Caribbean Basin Corporation and an accompanying Caribbean Financial Corporation. Romero argued that the CBC and CFC would use “strong tax incentives” to encourage investors to establish twin plant operations—operations in which products are assembled through various stages in different places—across the Caribbean. Romero believed that CBC and CFC incentives would “appeal to investors who would benefit from having low-cost assembly performed on one island, and higher skill operations on another.”63

---

A few days later, Brock and officials from the Office of Intergovernmental Affairs met with San Juan Mayor Hernan Padilla to receive his analysis of CBI. At some point between December and early January, the administration also discussed the initiative with the President of the Puerto Rican Senate, Miguel Hernandez Agosto. Unlike Romero, Padilla had no issues with the free trade area or rum’s inclusion in CBI. Agosto, on the other hand, shared Romero’s concerns but recommended that Puerto Rico be permitted to set its own tariff rates on rum and agriculture. Furthermore, Padilla and Agosto were both indifferent to most, though not all, of Romero’s counter-proposals. For instance, both men wanted an Agricultural Research Center and suggested federal assistance for it, but they were unresponsive to Romero’s CBC and CFC idea. While Padilla did not care about Romero’s CBC and CFC suggestion, he did want some type of measure to foster twin plant manufacturing in Puerto Rico and the Caribbean Basin. Padilla also recommended that Puerto Rico be designated as CBI’s “physical base and the leadership and personnel base.”

The Reagan administration responded to all of the Puerto Rican suggestions in early January. The executive branch rejected most of the recommendations, promised to consider some, and accepted a few. On the free trade and rum issues, the White House guaranteed territorial revenues through rebated excise taxes on rum, expanded the protection of territorial industries under the 1974 Trade Act, and permitted Puerto Rican production inputs to count as Caribbean value-added for duty-free purposes. The administration also rejected most of Puerto Rico’s counter-proposals: CBC and CFC, petroleum reserve, federal guarantees of Puerto Rican bonds, CBI base in Puerto Rico, energy research center, and state-like treatment for all federal

programs, among others, were excluded. But, the executive promised to consider lifting some environmental, energy, and shipping regulations, negotiating increased air travel to Puerto Rico, and designating Puerto Rico as the primary source for manufactured products used in CBI-related construction projects. Of all the proposals, the White House only accepted the establishment of an Agricultural Research Center, federal assistance for oil and copper exploration on Puerto Rico, and a rice support program, even though Puerto Rico requested price supports for all agriculture production.65

Puerto Rico was more prominent than the U.S. Virgin Islands in the negotiations with the White House over CBI. The U.S. Virgin Islands did have their own concerns, though. Like Puerto Rico, the Islands were troubled by the free trade area and rum and also requested exemptions from EPA regulations. However, the Islands also wanted $40 million in FY 1982 to finish the St. Thomas Airport in order to facilitate tourism. The administration granted the Islands federal assistance for the airport, but it could only offer $15 million at most for FY 1982. The Islands also requested federal assistance to build a research and training center at the College of the Virgin Islands, and the administration authorized a $150,000 grant.66

Throughout January 1982, the Trade Policy Committee considered the territories’ recommendations and finalized their CBI proposals. During a February 6 NSC meeting, the president “approved key elements” of CBI and other short-term Basin measures such as El

---
Salvadoran military aid. The negotiations between the Reagan administration and the territories over CBI’s components reveal that the White House went to great lengths to make sure the territories were comfortable with the initiative. Through meetings and correspondence, the territories aired their grievances about CBI to White House policymakers, who gave them serious consideration. Yet, the administration contended that some counter-proposals such as rum’s exclusion from CBI would harm the initiative more than it would benefit the territories. The White House maintained that other counter-proposals like a petroleum reserve on Puerto Rico were unpractical. The end result was that Puerto Rico and the U.S. Virgin Islands did not shape the Caribbean Basin Initiative in any substantial way. After the negotiations, the territories were still not completely pleased with CBI but offered their official support for the program while lobbying Congress for changes the administration refused to grant.

While the Trade Policy Committee was developing policies for CBI, Reagan and Haig met with foreign governments to foster international support for the initiative. Administration officials met with the leaders of Canada, Mexico, and Venezuela, a few times throughout the summer and fall of 1981. Most of these meetings, however, were due to the Ottawa and Cancun economic summits. Since there was only one international summit on CBI, did Reagan’s initiative lead Canada, Mexico, and Venezuela to make new commitments to the Basin or was CBI simply a label Reagan applied to existing commitments? It is likely that Reagan’s working relationship with Canadian Prime Minister Pierre Trudeau, and Canada’s subsequent governments, helped increase Canadian assistance to the Caribbean Basin. For Mexico and Venezuela, though, Reagan declared that their existing policies were a part of CBI.

67 Memo, Alexander M. Haig, Jr. to President, Feb. 6, 1981, folder “NSC 00040 10 Feb 1982 (1) (Box 3),” box 4, Executive Secretariat, NSC: NSC Meeting Files, Reagan Library.
Reagan first met Prime Minister Trudeau after receiving a “warm welcome” when he visited Canada in March 1981. Reagan “liked” the Prime Minister and developed a strong relationship with him since their respective nations had a lot of issues to work out, such as international fishing rights and environmental problems along the border. Trudeau also visited the White House ten days before the Ottawa Summit to discuss preparations for the conference.\textsuperscript{68} Traditionally, Canada had had close ties to the English-speaking nations of the Caribbean since they were all members of the British Commonwealth. Yet, trade with the Caribbean only represented about two percent of Canada’s international trade. By 1981, according to the State Department, “Canada [saw] economic progress over the longer term as a key factor in achieving regional stability” in the Caribbean. So when Reagan approached Trudeau about the Caribbean Basin Initiative, Trudeau agreed to play a role in it. In June 1981, the White House decided that each CBI donor nation should frame its own approach to aiding the Basin, probably because the Latin American donors opposed Reagan’s intention to exclude non-friendly, communist nations from CBI. While the Reagan administration chose to emphasize private-sector-led investment and growth, Canada preferred official development assistance. By early 1982, Canada “announced a threefold increase in developmental assistance” over five years to Central America along with an increase in the Commonwealth Caribbean’s assistance allocations. By 1985, Caribbean exports to Canada increased by 72 percent.\textsuperscript{69} These aid and


trade increases demonstrate that the Reagan administration and CBI had some bearing on Canadian policy vis-à-vis the Caribbean.

While Canada increased its aid and trade with the Caribbean in response to CBI, Mexico and Venezuela had commitments underway before the administration formulated CBI. As a result, it appears that Reagan simply classified those policies as a part of the initiative. Reagan first met Mexican President José López Portillo during the White House transition, and López Portillo came to Camp David for a two-day visit in early June 1981. During this visit, Reagan discussed CBI with Portillo “for more than an hour” before horseback riding and a barbeque.70

Nevertheless, U.S. – Mexican and U.S. – Venezuelan cooperation on CBI proved problematic since Mexico and Venezuela had foreign policies in the Basin that conflicted with U.S. policy. Mexico and Venezuela supported the Sandinistas in Nicaraguan civil war while the United States supported the opposing Contra rebels. The nations were also divided on Duarte’s government in El Salvador. To make matters worse, Lopez Portillo believed that no nations should be excluded from CBI, including Cuba and Nicaragua. Cuba’s and Nicaragua’s participation, however, would undermine the administration’s use of CBI as an anti-Communist tool while reversing U.S. policy towards Cuba. Despite these disagreements, the United States, Mexico, Venezuela, and Canada held a meeting on CBI in Nassau, The Bahamas, on July 14, 1981. In Nassau, the four nations “agreed on . . . further multilateral elaboration . . . but did not deal with the particular measures” of CBI. The governments also agreed to consult with Basin nations about CBI policies.71

70 Reagan, Diaries, vol. 1, 46.
After unveiling the initiative, the administration frequently mentioned its international components. The White House claimed that a few Mexican and Venezuelan policies, in particular, were a part of CBI, but these policies predated the initiative. Therefore, Reagan’s CBI had little effect on Mexican and Venezuelan Basin policies, unlike Canadian policies. For example, the administration classified a joint Mexican and Venezuelan program that offered Basin nations low-interest loans for oil consumption and economic development under CBI. This program was established in 1980, though, before Reagan was president. The president also maintained that Mexican and Venezuelan aid and trade programs were a part of CBI, even though those nations had traditionally had favorable aid and trade policies for the Basin.\(^{72}\)

Upon entering the White House in 1981, Ronald Reagan and his advisors believed that Cuba and the Soviet Union were spreading Communism throughout the hemisphere. Civil wars were underway in El Salvador and Nicaragua, and the Caribbean nations were facing economic declines that threatened those countries’ long-term social and political stability. Since stability in the Caribbean Basin was vital to maintaining U.S. hegemony in the hemisphere and power in the Cold War, the Reagan administration developed a comprehensive Basin strategy. In developing this strategy, administration officials took cues from think tanks like the Committee of Santa Fe and the Heritage Foundation as well as the president’s political philosophy.

The Caribbean Basin Initiative was the long-term socio-economic reform component of this strategy, and Reagan also intended it to enlighten developing nations on how free markets and individual initiative create prosperity, abundance, and democracy. As the administration moved closer to unveiling the initiative at the OAS in February 1982, it began fostering ties to the private sector through the committee on Jamaica and negotiated CBI’s policies with the U.S.

\(^{72}\) U.S. Department of State, “Background,” Special Report No. 97, 9-10.
territories and other countries in return for their support. Altogether, an examination of the
origins and policy development of the Caribbean Basin Initiative before 1982 reveals that Ronald
Reagan was not personally involved in its creation. However, Reagan’s ideas and philosophy
were influential in establishing CBI’s conceptual framework. Officials like Alexander Haig,
Thomas Enders, William Brock, and Rick Neal were responsible for filling the framework with
concrete policy proposals. Once the administration finished preparing CBI, the president
approved it and unveiled it at the OAS. In March, Reagan transmitted the draft CBI legislation to
Congress: the initiative had now moved from the White House’s closed-door policy meetings to
the public arena.
During the State of the Union address on January 25, 1983, President Ronald Reagan stated that the “final passage of the remaining portions of our Caribbean Basin Initiative, which passed the House [of Representatives] last year, is one of this administration's top legislative priorities for 1983.” Kenneth Duberstein, the Assistant to the President for Legislative Affairs, later recounted that “my eyes caught the eyes of [Representative] Dan Rostenkowski, the Chairman of the [House] Ways and Means Committee,” at that moment in Reagan’s speech. “There was a big wink and a smile on his face,” continued Duberstein, “I think what that [Reagan’s words] said to Danny is yes, we can deliver.” Rostenkowski was instrumental in getting the House of Representatives to pass CBI the previous December; the Senate, however, failed to consider the CBI legislation before the end of the session. Therefore, CBI had to be reintroduced to the Ninety-eighth Congress for consideration.\footnote{“Address Before a Joint Session of the Congress on the State of the Union January 25, 1983,” The Public Papers of President Ronald W. Reagan, Ronald Reagan Presidential Library, \url{http://www.reagan.utexas.edu/archives/speeches/1983/12583c.htm} (accessed 28 February 2012); Audio tape, WH exit interview with Kenneth Duberstein, December 15, 1983, Oral History – WH Exit Interviews, Ronald Reagan Library.}

By the end of July 1983, Congress finally passed the Caribbean Basin Initiative, and Reagan signed it into law on August 5, 1983.\footnote{“Interest Withholding Requirement Repealed,” in CQ Almanac 1983, 39th ed., 261-64, Washington, DC: Congressional Quarterly, 1984, \url{http://library.cqpress.com/cqalmanac/cqal83-1198852} (accessed 16 February 2012). The Caribbean Basin Initiative was attached to interest withholding requirement repeal legislation H.R. 2973.} Why, though, did it take Congress two sessions to pass CBI, especially when Reagan claimed it was a part of a comprehensive security plan for the
Basin that required the United States to “act now, [else] the [Communist] dangers will grow?”  
In what ways did Reagan and his administration pressure the Ninety-seventh and Ninety-eighth Congresses to act on CBI? The U.S. Constitution grants Congress the power “to regulate Commerce with foreign Nations,” and Congress consists of individuals representing the diverse interests of people and states. As a result, congressional members have the ability to shape trade legislation in a manner reflecting the views of their constituencies, sometimes to the dismay of the president. This dynamic raises numerous questions that are worth exploring in the context of the Caribbean Basin Initiative: What aspects of CBI did Congress accept and reject and why? How did the Reagan administration respond to the legislature’s modifications of CBI? How did the economic recession of the early 1980s and interest groups affect CBI’s journey through Congress? Last, how did Reagan’s controversial policies towards El Salvador and Nicaragua influence Congressional action on the initiative?

Congressional hearings on CBI began the same day Reagan transmitted the draft legislation to Congress in March 1982. During the spring and summer of 1982, the administration worked to establish a coalition within the private sector and government to lobby Congress on behalf of CBI. An examination of Congressional committee hearings reveals the extent of this coalition’s efforts as well as the influence of other interest groups such as organized labor. In addition, these hearings along with floor debates reveal how legislators responded to lobbying and perceived of the initiative in the context of an economic recession and the administration’s contentious policies towards Central America. What emerges from these sources is that, unlike the administration, Congress interpreted CBI’s aid, trade, and

---

investment components as separate rather than interconnected measures. Moreover, the debates and actions, or lack thereof, on each component unfolded in a unique manner: the aid portion became entangled in debates over U.S. policy in El Salvador and only made it through Congress by being buried in a massive supplemental spending bill for fiscal year 1982; Congress weakened the administration’s trade plan under pressure from certain industries, organized labor, and the U.S. territories; the investment proposal, according to the *CQ Almanac*, was “never given serious consideration in either house” of Congress for various reasons. 76 In the end, the Reagan administration pushed CBI through Congress without significant changes to the aid and trade measures by forming a consensus among private sector lobbyists and influential members of Congress that overcame most of the attacks from CBI’s opponents. 77

**Forging a Coalition for CBI**

On March 17, 1982, Ronald Reagan transmitted the bill for the Caribbean Basin Initiative to Congress claiming that the “crisis in the Caribbean Basin is not a partisan issue” and that “our security cannot wait.” After Reagan had formally unveiled CBI at the Organization of American States (OAS) in February, Congress hailed the initiative as “innovative and thoughtful,” according to the *New York Times*. Now, congressional members introduced the bill to their respective


chambers, and committee hearings began. On the Senate floor, Robert Dole (R-KS) stated the
CBI gave the United States and the Basin the opportunity for the “development of a full
partnership,” and Senator Charles Percy (R-IL) described the initiative as a “positive and
constructive proposal for stimulating the economic development of the Caribbean
community.” In preparation for Congressional deliberation on the Caribbean Basin Initiative,
the Reagan administration began building a political coalition in the private sector and Congress
to lobby for the initiative in mid-February.

Before Reagan’s OAS speech, the administration observed that “the Congressional
calendar is rapidly filling up, even moderate delay [on CBI] may close the opportunity for
[Congress to pass] CBI legislation this year.” Even if Congress received the proposal in early
1982, its passage was still “unlikely before early summer” due to the time it would take to get
through committees. The White House also began analyzing which interest groups would
support and oppose the initiative. While organized labor would probably support the
supplemental aid component of CBI, they would, the administration believed, attempt to
exclude some products from duty free treatment to protect their own industries from
competition. Business groups, on the other hand, would be the “strongest and most important
source of support for the CBI,” and the administration mentioned two business associations, the
Americas Society and Caribbean Central American Action, as prominent lobbying groups.
Besides pressure from the agricultural lobby due to CBI’s inclusion of sugar and produce, the
administration also foresaw opposition from “liberals, academics, church groups, ethnic

78 “Remarks on Signing a Message to the Congress Transmitting Proposed Caribbean Basin Initiative
Legislation March 17, 1982,” Public Papers, Reagan Library,
http://www.reagan.utexas.edu/archives/speeches/1982/31782a.htm (accessed 7 January 2012); Steven
(East Coast), A 2; U.S. Senate, Congressional Record, March 18, 1982, Statement by Robert Dole, p. 2422
and Statement by Charles Percy, p. 2425-2426.
Americans from Basin countries, and the foreign affairs citizens groups” that would lament CBI’s “private sector emphasis” and probably seek to reduce or “exclude funds for El Salvador.” Yet, the administration asserted that “our bottom line must be to preserve significant funds for El Salvador.”

Reagan believed the funds for El Salvador were necessary to help the Salvadoran government, under José Napoleón Duarte, combat leftist guerrillas. But White House policies were increasingly coming under Congressional and public scrutiny. To justify greater military and economic aid to El Salvador, the administration sought to build legitimacy for the Salvadoran government through elections and human rights certifications, required by Congress. Throughout 1982, however, some congressional members claimed Reagan was not taking the certifications seriously and opposed additional U.S. aid as a result. During the same time, Reagan sent the CBI bill to Congress containing substantial economic aid to El Salvador and feared that the legislature would decrease the aid amounts to the detriment of U.S. policy.

In most cases, White House officials argued that some interest group support for CBI “cannot be won, but their opposition need not be provoked” by inciting their “general membership” to action. The administration also contended that White House strategy must focus on opposing attempts to exclude certain products from duty free treatment because it would “quickly turn the trade area into a political sham.” Moreover, White House officials defined the president’s role in moving CBI through Congress:

* A meaningful [sic] bill can pass only with Presidential leadership. The President can defend a bill of integrity that expresses an idea which all know he strongly

---

believes. The President cannot weigh in on individual product battles nor commit his prestige to sham policies. *Therefore exclusions and exception will make passage more difficult as the forces of entropy will tear the bill apart if it lacks critical mass* (emphasis in original).

Lastly, the White House knew that Congress would consider CBI “in the context of El Salvador,” so they thought it was necessary to present the initiative “in an economic context for the region as a whole.” As the administration prepared to deliver the CBI bill to Congress, it understood the motivations and concerns of the various interest groups that would mobilize for and against the initiative. Furthermore, presidential leadership was essential to achieve Congressional passage. If Reagan did not take a prominent role in promoting the bill or if the president involved himself in partisan bickering over minute provisions in the bill, then the Caribbean Basin Initiative was unlikely to make it through the legislature. The initiative had to be sold to Congress and the public, and Reagan had to be the lead salesperson.

In mobilizing this public support for CBI, Reagan relied on the Assistant to the President for Public Liaison, Elizabeth Dole. Dole was the wife of Senator Robert Dole, Chairman of the Senate Finance Committee. She and her husband developed a friendship with Reagan before he was president, and she served as the Human Resources Director during the White House transition. Now, though, Dole’s job was to rally constituents on behalf of White House policies. She was “not to lobby the Congress” but provide groups with information while urging them to lobby the legislature. “I was the advocate for the president,” Dole said in her exit interview. By early 1982, Reagan believed Dole was “doing a fantastic job. . . . And all those people heed her call when we need Cong[ress] to hear the voice of the people.” With CBI entering the legislative

---

phase, Dole and her staff were tasked with organizing a political coalition to pressure Congress and secure the initiative’s passage. One way Dole and the Office of Public Liaison forged this coalition was through briefings, meetings, and social events that brought together administration officials and important figures from the private sector.

In March 1982, David Gergen, Assistant to the President for Communications, and the State Department requested that the Office of Public Liaison become the “lead office in planning a major White House event to gain corporate support” for CBI. The State Department intended to invite at least 170 CEOs for a private briefing on CBI and a luncheon with the president and press in mid-April. The White House eventually reduced the invitations to eighty CEOs, about forty-five of whom actually attended. On April 28, Secretary of State Alexander Haig, U.S. Trade Representative William E. Brock, and Administrator of the Agency of International Development Peter McPherson spent an afternoon briefing the guests on CBI’s strategic and economic dimensions. President Reagan also addressed the CEOs about their role in CBI and the “magic of the marketplace.” Reagan argued that CBI offered Basin nations a new path to prosperity that did not rely on “massive aid transfers and centralized international institutions.” While the United States would offer nations limited aid for financial matters, Reagan maintained that the private sector was “critical” and “indispensable” to the initiative. The president suggested that each CEO “familiarize yourself with the . . . Government agencies that support” CBI, offer business advice to the U.S. and Basin governments, and invest in the Basin. Finally, Reagan

---

83 Memo, Diana Lozano to Elizabeth Dole, March 16, 1982, folder “Caribbean Basin Initiative I (2) (F001),” box 1, Elizabeth Dole Files, Reagan Library.
asked them to lobby Congress for the program, adding, “I have a hunch you know somewhat how to contact your Congressmen.”

The administration kept in contact with private sector leaders in the months after the April 28 luncheon. And in early July, the White House finally got its wish: private sector organizations announced the establishment of the CBI Coalition to alert Congress that “the American public as well as the people of the Caribbean themselves join President Reagan in favoring this initiative.” At least fifty private sector organizations such as the Caribbean Central American Action (CCAA), Association of American Chambers of Commerce in Latin America, and the Americas Society formed the lobby group. Furthermore, two members of the U.S. Business Committee on Jamaica, Frank Borman (Chairman of Eastern Airlines) and banker David Rockefeller, headed the CBI Coalition along with CEOs S. Lee Kling (Landmark Bankshares Corp.) and Sam Segnar (InterNorth Inc. and trustee of CCAA).

Although the CBI Coalition was not officially created until early July, its members had clearly been working together for quite some time as they planned a massive fundraising gala for July 21 that involved U.S. business leaders and officials from the White House and Basin governments. In addition, the Reagan administration and CBI Coalition coordinated a follow up meeting between the private sector and the White House for the same day as the gala. “In an unprecedented effort,” wrote Jessica Lee of the Gannett News Service, “the White House has teamed up with foreign governments, U.S. corporations and private voluntary organizations to organize a tremendous lobbying blitz” for CBI. On the morning of July 21, a few dozen business

---

leaders from the CBI Coalition went to the White House for a private meeting with the president. Reagan thanked many of the attendees for testifying before Congress on CBI, discussed below, and assured them that CBI was still a top priority for the administration. After the meeting, Borman and Thomas Pownall conducted a short press briefing about the talks, and later in the day, Reagan dropped by a meeting between White House officials and representatives from Basin governments.  

The gala that evening was held at the OAS Pan American Union with “Caribbean Casual” as the recommended attire. The USTR’s wife was on the host committee, and ambassadors from Basin nations attended as special guests. At least 650 tickets were sold for the event (122 to individuals, 420 to the private sector, 100 to media, 30 to international organizations, and 230 to congressional members) with the proceeds going to a CBI Private Sector Task Force to foster economic growth in the Basin. President Reagan even stopped by to make a few remarks. Reagan thanked Borman, Kling, Rockefeller, and Segnar by name and stated that CBI was “not a made-in-America program; it’s a made-in-Americas program” because “our countries are neighbors” helping one another. After giving a basic overview of how the administration intended CBI to help the Basin, the president declared that “we must act now and . . . I’m personally leading the effort to assure passage of this vitally needed legislation before the summer recess.” Altogether, the meetings and gala on July 21 were very successful in drawing attention to CBI since hundreds of business leaders, U.S. and foreign government officials, and

---

media representatives participated. The CBI Coalition contended that 250 of the Fortune 500 companies sent representatives, usually CEOs, to the White House meetings and gala.  

Between February and July 1982, the Reagan administration, especially Elizabeth Dole and the Office of Public Liaison, interacted with U.S. business leaders to mobilize a constituency for the Caribbean Basin Initiative culminating in the formation of the CBI Coalition. During the same spring and summer, Congress began its committee hearings and markups of the CBI legislation, and many CBI Coalition members testified before these committees in support of the initiative. Sam Segnar, CCAA trustee and CBI Coalition co-chair, claimed that CBI was “very, well-founded” before the House Ways and Means Committee in March 1982 and stated that “there is absolutely no question in my mind” that the free trade area will foster economic growth in the Caribbean Basin. Segnar also testified before the Senate Finance Committee in August. Other members of the Caribbean Central American Action testified before Congressional committees too. Before the House Foreign Affairs Committee, Robert V. West, Jr., CCAA President, contended that the Basin economies were “too small and not sufficiently diversified” to stabilize and grow unless granted “access to U.S. markets.” West ended his statement by saying, “if the leaders who have turned those [socialist] trends back [in the Basin] do not produce some meaningful results we will see a rather violent swing back.”

90 U.S. Congress, House Committee on Foreign Affairs, Caribbean Basin Initiative, 97th Cong., 2nd sess., 1982, 82, 83.
CBI Coalition co-chairman David Rockefeller told the Senate Finance Committee that CBI “responds directly and constructively to three lessons” he learned “as a banker and a private citizen.” First, the initiative supported U.S. economic, political, and strategic interests in the Caribbean Basin. Second, CBI permitted the U.S. private sector to “play a greater role in assuring this vitality [of the Basin] through trade, investment, and technical assistance.” Last, the U.S. and Basin governments were offering a “supportive public sector climate” to aid businesses and economic growth. And this economic progress, according to Rockefeller, would not come at the expense of U.S. jobs.91 Representatives from the Americas Society, another CBI Coalition member, testified before the House Ways and Means and Foreign Affairs Committees and the Senate Foreign Relations Committee.92 In the few months after Reagan unveiled CBI at the OAS, he and his administration had constructed a strong alliance with influential people and groups in the private sector to lobby Congress on behalf of the initiative.

*Congress and CBI, 1982*

CBI Coalition members were not the only witnesses to testify before Congressional committees. There were also representatives from the Reagan administration, academics, organized labor, and other interest groups. Therefore, committee hearings offer a forum in which to examine how these historical actors interacted and shaped the initiative. An analysis of these hearings, along with Congressional floor debates, reveals the ways congressional

---

91 Senate Committee on Finance, *Caribbean Basin Initiative*, 92.
members viewed CBI and reacted to the lobbying efforts of the administration, private sector, labor, and others. Although most senators and representatives believed that the United States should institute an aid and trade program to improve relations in the hemisphere, some elected officials disagreed about how much aid should go to El Salvador compared to the rest of the Caribbean Basin and how liberal the one-way free trade provisions should be, especially in the context of a domestic economic recession. As a result, congressional members pursued compromises between each other and the administration, thus, shaping CBI in unique ways.

The president and Congress clashed over U.S. policy in El Salvador throughout the 1980s, and one of these disagreements took place over how much economic aid should be allocated to the nation under the Caribbean Basin Initiative. The Reagan administration claimed that El Salvador was the next Cold War hotspot along with Nicaragua and that the United States should support Duarte’s anti-Communist government through military and economic assistance. Congress and many Americans, however, feared that the president was leading the United States into “another Vietnam.” As a result, Congress extended oversight over the administration’s provision of U.S. aid to El Salvador, most prominently by linking military aid to the president’s biannual certification that the Duarte government was making progress on human rights and ending the civil war.93

In January 1982, Reagan submitted a report to Congress certifying that the Salvadoran government was making human rights progress. But many rights organizations like Amnesty International and the American Civil Liberties Union, along with some members of Congress, disputed the administration’s certification. Representative Jonathan Bingham (D-NY), for instance, asserted that the certification was “a fraud, pure and simple” while Representative LeoGrande, *Our Own Backyard*, 152, 130-134.
Gerry Studds (D-MA) introduced a bill to cut military aid to El Salvador. The president certified El Salvador again in July, and a similar debate followed. As Reagan transmitted the CBI bill to Congress in March 1982, elections took place in El Salvador that undermined Duarte’s government, eventually leading to his exit from power in May. So, it was in the context of a contentious certification process and a weakened Salvadoran government that Congress considered the aid aspects of the Caribbean Basin Initiative.

As a part of the 1982 budget, Congress approved $475 million in economic assistance for the Caribbean Basin. This amount consisted of development assistance (funds to strengthen infrastructure and social programs), food aid, and economic support funds (ESF). ESF is money allocated to make international transactions or balance-of-payments permitting a nation to receive loans and trade. Under CBI, Reagan requested a $350 million supplemental appropriation of economic aid for fiscal year 1982 consisting exclusively of ESF. Claiming that the Salvadoran economy was “in desperate straits,” Reagan planned to distribute $128 million to El Salvador while giving Costa Rica the next highest amount, $70 million, in the Caribbean Basin. The president intended to give the islands of the Eastern Caribbean a sparse $10 million and Haiti, one of the Basin’s poorest and most underdeveloped nations, $5 million.

Many congressional members, however, questioned why El Salvador deserved so much of the $350 million while other members feared that the ESF was a guise to funnel more military aid to the Salvadoran government. In the opening remarks of the House Foreign Affairs

---

94 John Bingham quoted in Ibid., 156, 152-165.
Committee hearings, Chairman of the Subcommittee on Inter-American Affairs Michael D. Barnes (D-MD) stated, “I am astounded that, of the 28 countries [covered by CBI] . . . only 1—El Salvador—would . . . receive 37 percent of the emergency economic assistance.” During the hearings, Barnes asked Peter McPherson, Administrator of the Agency for International Development, to justify $128 million for El Salvador. McPherson replied that the administration “considered the problems of each of the countries and attempted to balance the needs of each” and “the political instability of the country has put a great burden upon the economy.” Other members of the Foreign Affairs Committee like Daniel A. Mica (D-FL) also questioned McPherson about El Salvador’s allocation. During the subcommittee’s markup of the CBI legislation, Barnes claimed that ESF for El Salvador was a “political liability and tends to confirm what many critics have argued that this package is just a front to provide more aid to El Salvador. Our bilateral aid program to El Salvador is already the largest in the hemisphere.” Although Barnes and Mica opposed the Reagan administration’s aggressive Central American policies, they did support the Caribbean Basin Initiative and only wanted to keep El Salvador’s allocation under $100 million while earmarking some funds for development assistance across the Basin. Eventually, the Committee on Foreign Affairs agreed to cap each country’s portion at $80 million, though El Salvador received an extra $20 million for its land reform program.96

During the Senate Foreign Relations Committee hearings, Joseph Biden (D-DE) asked McPherson if CBI was a “Trojan horse’ to get aid to El Salvador, which you would not otherwise be able to get through?” Biden also mentioned that this issue would “rear its head here in the Congress” in the floor debates. McPherson dodged Biden’s question and claimed that El Salvador needed the economic aid. Senator Paul Tsongas (D-MA) argued that the “best way that

---

96 House Committee on Foreign Affairs, Caribbean Basin Initiative, 1, 61, 72-73, 111, 367, 396-428.
you can make this thing [CBI] work is to bring about a ceasefire in El Salvador,” implying that the administration was not working towards peace and that more aid was not going to make a difference. Senator Edward Zorinsky (D-NE) found it “exceedingly difficult to support” a bill that included Salvadoran aid. Zorinsky also contended that there was not enough assistance for the Eastern Caribbean and that “many in Congress and the country at large see the Caribbean Initiative, rightly or wrongly, as little more than a cover for increased assistance to El Salvador. Pushing for El Salvador’s inclusion in such a climate of controversy may doom the entire program altogether.” Like the Democrats on the House Foreign Affairs Committee, though, these senators supported the initiative overall.97

On the Senate floor on August 10, freshman Senator Christopher Dodd (D-CT) delivered a stirring denunciation of the administration’s request: “Do you know why we are providing $128 million for El Salvador? Because the very rich in El Salvador are taking their money out and sending it to Miami and to Switzerland.” Dodd continued by claiming that the United States was giving El Salvador a “bail out” while “the very affluent of this country [U.S.] will not invest in it.” Even though Dodd believed “foreign aid is absolutely essential” and “helps America’s prestige around the world,” he also opposed funds for Haiti due to corruption and Jamaica since its economy was relatively stable. Finally, Dodd proposed an amendment to reduce the $350 million to $177.5 million since there was only a month left in the fiscal year to distribute the money. Nevertheless, Dodd still supported CBI believing it was a step in the right direction after the United States neglected the Basin for years. After all, CBI was America’s first economic development program for the region since President John Kennedy’s unsuccessful Alliance for Progress in the 1960s. Senator Patrick Leahy (D-VT), on the other hand, opposed the

97 Senate Committee on Foreign Relations, Caribbean Basin Initiative, 78, 87, 54, 53, 57-58.
supplemental funds because Congress had yet to authorize the rest of the initiative, and Senator Dennis DeConcini (D-AZ) believed the bill added “excessive expenditures” to the budget. In the House, Representative Thomas Harkin (D-IA) echoed Dodd’s remarks by stating that “El Salvador’s own entrepreneurs have been taking their money out of El Salvador for at least 10 years” and that even $75 million for El Salvador was too much.  

There were some congressional members who defended the aid to El Salvador, however. Representative Robert Lagomarsino (R-CA) told the House Foreign Affairs Committee that it was considering the $350 million package “in and of itself . . . [as] the whole picture [of CBI]. And it is not,” there were also the trade and investment components. Lagomarsino continued that the Eastern Caribbean was allocated more funds on a per capita basis relative to El Salvador, $92.30 to $51.67. Furthermore, the elections in El Salvador had demonstrated progress and justify the $128 million. When Senator Zorinsky raised the possibility of excluding El Salvador because it did not have a Caribbean coastline like the other nations, Senator Charles Percy (R-IL) countered that El Salvador was “desperate” and the “only Central American country that does not have a Caribbean coast. With whom else does it fit if not Central America and the Caribbean.” Brock concurred with Percy, saying that the term “Caribbean Basin” does “not mean that the water had to touch all of these countries, we simply were talking about a general description of the area.”

In response to Dodd’s suggestion on August 10 to decrease Salvadoran aid, Percy declared, “that is the most self-defeating thing that I have ever heard” while Senator Strom Thurmond (R-SC) supported Percy and stated that CBI was an “excellent opportunity to

---

99 House Committee on Foreign Affairs, Caribbean Basin Initiative, 371; Senate Committee on Foreign Relations, Caribbean Basin Initiative, 55, 56.
strengthen” U.S. hemispheric relations. Senator Robert Kasten (R-WI) also rose in support of the aid, and Senator Daniel Inouye (D-HI) claimed that “without this assistance we will find several of these countries not only on the verge of bankruptcy but possibly going into bankruptcy.”

The disputes about CBI’s aid component, for the most part, fell along party lines with Republicans supporting Reagan’s request and Democrats opposing parts of it, usually the $128 million for El Salvador. Liberals like Barnes and Dodd also preferred more developmental assistance for the Basin rather than ESF. Despite these party disagreements, though, there was a general consensus that the Caribbean Basin Initiative was a well-conceived and important program. Many legislators believed CBI represented a renewed commitment to aid the hemisphere’s troubled areas after the United States had neglected the region since the late 1960s. By the end of summer, Congress combined the $350 million aid with Reagan’s fiscal year 1982 supplemental appropriations request of almost $16 billion. And it is possible that the Basin aid only got through Congress because it was buried in this larger supplemental request. On the House floor, Representative Silvio Conte (R-MA) stated:

I said to the President when I went down to the White House for a meeting that the only way he was ever going to get that $350 million is to have it right in this supplemental. Can you imagine me coming on the floor of the House to ask my colleagues to vote for $350 million in foreign aid? I would get my head beat in. Nobody would vote for it at a time when you are cutting all of the domestic programs.

Legislators like Conte knew that foreign aid was rarely popular among American voters, especially during times of fiscal constraint. Congress, however, was able to hide CBI’s aid

---

100 U.S. Senate, Congressional Record, August 10, 1982, pp. 20074, 20075, 20072, 20073.
component in Reagan’s FY 1982 budget supplemental request to minimize their constituencies’ discontent. Even though the aid was concealed in the budget, some congressional members still opposed it on budgetary grounds. Representative Frank Sensenbrenner (R-WI), for example, claimed “it is wrong to bring up the Caribbean Basin Initiative at this time” of budget cuts while “asking the American people to pay more taxes to finance bridging the budget deficit.” Sensenbrenner was likely referring to the tax increases contained in what would become the Tax Equity and Fiscal Responsibility Act of 1982 then being debated in Congress.\textsuperscript{102}

The House passed its version of the 1982 supplemental appropriations bill at the end of July, but a group of legislators blocked an amendment on the floor to add the $350 million for CBI to the bill. The Senate, however, passed CBI’s aid component in its budget supplement in August. After negotiating a conference report between both versions of the supplemental appropriation, many legislators were pleased with the aid portion of CBI. Representative Matthew McHugh (D-NY) stated, “we have gone a long way toward realtering the priorities in the original [aid] proposal and in satisfying the reservations that some of us had,” while Representative Donald Clausen (R-CA) called CBI “one of the more significant things we have done in this Congress.” Congressional Black Caucus member Mervyn Dymally (D-CA), who opposed the president’s proposal, now supported the bill because it doubled the Eastern Caribbean’s aid and created a scholarship program. Yet, Reagan believed he had “to veto [the bill] even though it

includes our C.B.I. program” because the bill “would bust the budget” and did so on August 28.103

But the appropriations bill actually contained $1.9 billion less than Reagan’s request, leading Representative Barney Frank (D-MA) to call Reagan’s budget busting comment “an example of why the American public sometimes gets the Federal Government confused with the flat earth society.” Other legislators like Senators Gary Hart (D-CO) and Mark Hatfield (R-OR) declared that Congress and the president had different spending priorities. As a result, Congress overrode the president’s veto, 301 – 117 in the House and 60 – 30 in the Senate, in September. Reagan said he was “not angry” but “terribly hurt.” Of the $350 million, Congress mandated that no more than $75 million be allocated to El Salvador and no less than $20 million for the Eastern Caribbean, $41 million for the Dominican Republic, and $10 million for Haiti. The administration had requested $128 million for El Salvador, $10 million for the Eastern Caribbean, $40 million for the Dominican Republic, and $5 million Haiti. Congress accepted the rest of Reagan’s country allocations but stipulated that $2 million be given to the Inter-American Foundation, a government agency for Latin American development. Congress also left $25 million unallocated. Last, Congress barred the distribution of funds to any nation that did not cooperate with the United States in

preventing drug trafficking and reaffirmed the government’s commitment to prevent, by military force if necessary, Cuban subversion in the hemisphere.  

Although Congress passed the $350 million aid supplemental in September 1982, the legislature still needed to act on the initiative’s trade and investment components. The “centerpiece” of Reagan’s March 1982 proposal was “one-way free trade” between the United States and the Caribbean Basin for twelve years. One-way free trade meant that Basin exports, not already covered under the Generalized System of Preferences (GSP) trade program, could enter the U.S. market duty-free, and Basin nations were not required to reciprocate the treatment for U.S. goods. Thus, trade was only free in one direction. To prevent non-Basin nations from taking advantage of this provision by shipping their goods to the U.S. through the Basin, the administration’s proposal required that a product have a “minimum amount of 25% of local value added” to obtain duty-free status. This provision was meant to encourage investment in Basin production. Under the proposal, a tax credit on investment depreciations and a five-year, ten percent investment tax credit was also available in Basin nations that agreed to share tax information with the United States. The overall goal of the initiative’s trade and investment portions was to foster export oriented economic growth and investments in the Caribbean Basin.  

In the early 1980s, high inflation and unemployment rates plagued the U.S. economy. Although the Reagan administration instituted tight monetary policies to decrease inflation,
unemployment reached 10.7 percent in December 1982 and measured 8.2 percent a year later. So when contemplating the trade and investment portions of CBI, some congressional members raised serious concerns about the effects one-way free trade and tax investment credits could have on U.S. jobs and the nascent economic recovery. Organized labor lobbied Congress for increased protections and product exclusions from CBI while academics urged legislators to consider other trade and tax measures. At the same time, some congressional members and Caribbean Basin nations feared Congress would exempt too many products undermining the initiative.

During the Congressional committee hearings, administration officials often had to justify the need for CBI’s trade and investment components and respond to questions about any adverse effects these policies could have on the U.S. economy. Under the GSP, eighty-seven percent of Basin exports already entered the U.S. duty-free. This fact left many legislators wondering if CBI was even necessary or if CBI would have an impact on the Basin economies. Astronaut turned Senator John H. Glenn (D-OH), for instance, asked USTR Brock what “new advantage” CBI had to offer during the Senate Foreign Relations Committee hearing. Brock replied that the GSP expired in 1985 and it was unknown if Congress was going to renew the program. Furthermore, Brock argued that CBI’s twelve-year length offered investors “long-term security” and flexibility to gain a return on their investments. In front of another committee, Brock said that the “Caribbean has not yet been able to use the [GSP] scheme with the same effectiveness as many other more competitive countries.” Responding to a similar question before the Senate Finance Committee, Deputy USTR David MacDonald explained that a good’s

duty-free treatment “can be withdrawn from 1 year to the next” discouraging investors from financing Basin businesses whose products could be excluded from GSP the next year.\textsuperscript{107}

Other congressional members and academics also had misgivings about how successful the CBI would be in generating economic growth in the Basin. Senator Dodd, for example, concluded that achieving economic growth “through trade and investment . . . in one or two crop economies . . . is optimistic at best.” Brock, however, pointed out to Dodd that giving the Basin increased access to the U.S. market will increase capital flows and aid those nations in “pull[ing] themselves up by their own bootstraps” over time. Like Dodd, the academic community was skeptical about CBI’s potential. Abraham F. Lowenthal, Secretary of the Woodrow Wilson International Center’s Latin American Program, claimed the administration’s proposal “misplaced emphasis” on “counter[ing] Cuba.” Agreeing with Yale University Professor Albert Fishlow who testified before the Senate Foreign Relations Committee, Lowenthal stated that CBI’s “exclusive reliance on private sector decisions guarantees neither equitable development nor efficient market responsiveness, and it will not be enough to help the Caribbean nations break out of the vicious cycle.” Lowenthal ended his testimony by “urg[ing] the committee to focus on the human importance of Caribbean development” rather than its East-West dimensions.\textsuperscript{108}

Other academics made the iconoclastic suggestion that the United States not exclude any nations from the Caribbean Basin Initiative. Richard E. Feinberg and Richard S. Newfarmer, Visiting Fellows at the Overseas Development Council, asserted that excluding a nation like


Nicaragua could strain economic relations with its neighbors, thus, hurting the very countries CBI was meant to help. Newfarmer also estimated CBI’s total value over the first three years at a mere $630 million; this number included the $350 million aid supplemental appropriation. Howard University Economics Professor Ransford W. Palmer was “cautiously optimistic” about CBI because it was a step in the right direction but believed the United States needed to offer the Basin more aid to develop infrastructure.109 In the summer of 1982, economist Heliodoro Gonzalez criticized CBI’s trade and investment measures as ill-conceived and predicted that CBI would turn U.S. aid into a “permanent dole” for the Basin. Vaughan A. Lewis, Director General of the Organization of Eastern Caribbean States, argued that the Reagan administration was not adequately considering the Basin’s socio-economic and political problems and inequalities in formulating its policies such as CBI.110 Though some academics and legislators questioned how effective CBI would be, most agreed that it held some potential in generating long-term growth and reform compared to recent U.S. policies that either ignored the Caribbean Basin or sought to aggressively contain Communist subversion.

While some congressional members were concerned that CBI would not help the Basin economies, other members feared CBI would damage the U.S. economy, possibly even deepening the recession. Representative Dennis Eckart (D-OH) told the House Foreign Affairs Committee that “as long as 9.4 percent of our workers . . . are out of work, the tax and tariff giveaways in this legislation will not be tolerated.” Eckart also declared that the CBI bill was “an insult to the American people. . . . I think we are exporting jobs through this legislation.” One of the most ardent critics of CBI’s trade and investment components, however, was Representative

109 Ibid., 177, 180, 179, 226.
Donald A. Bailey (D-PA). Bailey was a former assembly line worker before being admitted to the Pennsylvania bar in 1976 and entering Congress in 1979. He was strongly connected to labor interests, and the Reagan administration identified him as “a leader of Democratic opposition” to CBI on the House Ways and Means Committee.\textsuperscript{111} Of all the Democrats on the Ways and Means Committee, Bailey was the most vocal in expressing his anxieties and the most receptive to organized labor’s pleas for exclusion from CBI.

During the Ways and Means Committee’s March hearings, Bailey asked Segnar about the likelihood of U.S. jobs being exported to the Caribbean Basin. Segnar candidly responded that some jobs would probably be sent overseas, but “we will work our way through the unemployment . . . get our people relocated, retrained, and back on jobs” and that the United States only has a “relatively short duration” to respond to the Basin’s needs before “somebody else” does, i.e. Cuba and the U.S.S.R. Though Segnar’s argument made sense, Bailey reflected that “some of the vehicles being suggested here [in CBI] just do not make the best sense.”

During additional testimony, Bailey expressed dismay that CBI did not offer much help for infrastructure development or support on “how to export, and how to do business, and how to market and how to build and how to invest.” At another point, Bailey also suggested that the committee explore the extension of wage, labor, environmental and other standards to the Basin in order to raise livelihoods.\textsuperscript{112}

Representatives from the U.S. leather industry found a champion in Representative Bailey. According to testimony before Ways and Means, the leather industry was under intense


\textsuperscript{112} House Committee on Ways and Means, \textit{Caribbean Basin Initiative}, 140, 382, 90-91.
pressure from international competition by the 1980s. Between 1975 and 1980, leather luggage imports increased five times from $49 million to $243 million, capturing about twenty-five percent of the U.S. market for personal leather goods. By 1982, imported leather handbags made up seventy-five percent of the U.S. market. Richard Miller, former President of the National Handbag Association and President of Harry Levine Corp., declared that “the industry has experienced a loss of over one-fourth of all manufacturing plants . . . [and] about 45 percent of our labor force.” Miller also pointed out that “it is difficult to identify another U.S. industry which controls less than 25 percent of its own markets.” Stanley Nehmer, President of Economic Consulting Services, Inc., testified that leather goods received duty-free treatment in 1976 only to have it revoked three years later due to harm to the domestic industry. Nehmer stated, “we feel our industry is already in a state of siege. . . . We look to Congress for help in preventing further damage” by excluding leather goods from CBI.113

Bailey was moved by the leather industry’s plight, and he fought for the industry’s exclusion from CBI along with the other provisions like wage and labor standards for the Basin. “You have got a great deal of respect here being sacrificed on the altar of free enterprise,” Bailey told the industry’s representatives,

You should go smilingly to your economic demise. You owe it to your country to give up your livelihood and your standard of living. I do not think it is going to strike much of a blow for free enterprise. I really do not. If it did I would be for it. Most of the members of the committee know where my views are regarding

113 Ibid., 151, 155, 157, 142.
Bailey also got into a heated debate with Brock during the trade representative’s testimony. Bailey told Brock that the administration’s trade proposals treated U.S. industries and workers unfairly because Basin exports were duty-free while U.S. exports were still taxed, sometimes as high as eight-five percent ad valorem. Brock responded that the Basin exports to the U.S. “are not big enough to really cause a problem” for the U.S. economy. Bailey, however, shot back that Pennsylvania’s unemployment rate was “in excess of 11 percent, and you are asking us to accept more.” Bailey continued that the leather and footwear industries “face a structural unemployment problem [and] if we follow this policy, well over 200,000 [jobs will be lost] at the very least, I assure you.” Brock stood his ground, maintaining that CBI will grow the U.S. economy as Basin industries purchase U.S. supplies for their own industries. “There are nasty little realities, political realities, disclocations [sic],” Bailey rebutted, “I use the adjective ‘structural’ unemployment, a very important adjective.” Brock only replied with two words, “I heard.”

Besides Bailey, other members of the Ways and Means Committee voiced fears that non-Basin nations would pass their goods through the Basin to take advantage of duty-free access, that the proposal’s quotas on sugar imports were not enough to protect the domestic sugar industry, and that the tax and investment policies would encourage U.S. businesses to flee the United States for the Basin’s cheap labor and limited regulations. On top of everything else, the American Federation of Labor – Congress of Industrial Organizations (AFL-CIO)

---

114 Ibid., 176.
115 Ibid., 9, 10, 11.
116 Representatives from both parties expressed these concerns throughout the House Committee on Ways and Mean’s hearing.
vehemently opposed the Caribbean Basin Initiative’s trade and investment components. The AFL-CIO’s Legislative Representative Stephen Koplan testified before all of the Congressional committees that had jurisdiction over the CBI bill. Koplan asserted that CBI’s trade and tax provisions would “encourage new runaways by U.S. industries to the Caribbean region.” Since the bill only required twenty-five percent Basin value added for duty-free status, “massive trade diversions—a flood of imports worldwide—can be funneled through” the Basin and into the U.S. market. In addition, the proposal’s tax credits would “diminish U.S. investment in our own domestic industries.” Koplan concluded that CBI “will simply assure continued swollen profits for multinationals at the expense of the U.S. economy.”

Although the House Foreign Affairs and the Senate Foreign Relations Committees authorized versions of CBI’s trade and investment measures in the summer of 1982, their bills were never considered on the floors of Congress. And, as the fall approached the House Ways and Means and Senate Finance Committees had yet to report a CBI bill, most likely because Congressional attention turned to Reagan’s supplemental appropriations request. At the same time, the sense of urgency for Congressional action that President Reagan conveyed in the spring of 1982 seemed to be gone; between the July 21 lobbying blitz and November, Reagan did not deliver any speeches or statements on the initiative. During those same months, Reagan only mentioned CBI in his diary when it related to the 1982 budget supplement.

In 1982, Reagan had to deal with a series of international issues that inhibited his ability to push Congress for action on CBI. In April, the United Kingdom and Argentina went to war over

---


the Falkland Islands off the South American coast after Argentina invaded the islands claiming it held sovereignty. Although the war was over by mid-June, Reagan discussed the war and his administration’s attempts to negotiate a peace in his diary almost daily, demonstrating his attention towards resolving the crisis. Just as the Falklands War passed, however, a new crisis developed in Lebanon. The Palestinian Liberation Organization had been using Lebanon as a base of operations to attack Israel, so Israel invaded Lebanon in June. By July, Reagan decided to commit U.S. Marines to a multinational peacekeeping force while transitioning to a new Secretary of State, George P. Shultz. Over the next year and a half, the Reagan administration sought to halt Israeli actions and stabilize Lebanon. Also during 1982, Reagan lobbied Congress to strengthen U.S. nuclear and conventional weapons systems while handling a growing grassroots movement for a freeze on U.S. and U.S.S.R. nuclear weapons testing, production, and deployment.120

Reagan’s apparent uninterest no doubt affected Congress’s pace of action, and many legislators and Caribbean Basin leaders accused Reagan of indifference throughout 1982. According to the New York Times, St. Lucia’s prime minister saw the administration’s ambivalence and “inertia” as the biggest obstacle to CBI’s passage. In a White House memo, Elizabeth Dole wrote, “critics have contended that CBI is not a top priority of this Administration, giving your [Reagan’s] opponents ample ammunition to bottle up legislative initiatives.” During the Senate Finance Committee’s hearings in August, Senator John Chafee (R-RI) stated that some people are suggesting “the administration cooked it [CBI] up and threw it out and they are

letting it lie there without a great deal of thrust. None of us are very anxious to get out ahead on
something and find that you [the administration] have moved on to some other venture or
initiative.”121 By October 1982, CBI’s trade and investment provisions were stalled in the House
Ways and Means and Senate Finance Committees, and a Senate aide told the Miami Herald that
the Finance Committee “won’t move on CBI until we see what the House Ways and Means
Committee does.”122

Kenneth Duberstein, the Assistant to the President for Legislative Affairs, maintained
that he was “pressuring” Dan Rostenkowski (D-IL), Chairman of the House Ways and Means
Committee, to “mark up the [CBI] bill” throughout 1982. With Congress’s time to act on CBI
running out, Duberstein told Rostenkowski, “before you dismiss this [CBI] out of hand, why
don’t we at least go to the Caribbean and talk to some of the leaders of the countries.” So in
mid-November, Rostenkowski and seven other members of the Ways and Means Committee
(five Democrats and two Republicans) toured the Caribbean. While visiting Jamaica, the
Dominican Republic, Barbados, Panama, and St. Lucia, the legislators, according to Duberstein,
went “from being skeptical . . . [to] looking for a way to get it [CBI] done.” After Rostenkowski
told some Caribbean leaders that CBI was unlikely to get passed this session, the “leaders were
clearly disappointed.” Dominica Prime Minister Eugenia Charles told Rostenkowski, “people are
asking, ‘Where is the CBI?’ They’re getting less patient,” while Barbados Prime Minister Tom
Adams said, “my hopes would be severely dashed” if CBI does not pass. During the trip,

Late Edition (East Coast), A 7; Memo, Dole to Reagan, July 20, 1982, folder “CBI [Caribbean Basin
Initiative] Luncheon 04/23/1982 (4) (F028),” box 33, Dole Files, Reagan Library; Senate Committee on
Finance, Caribbean Basin Initiative, 74.
122 Alfonso Chardy, “Can Reagan Rekindle Caribbean Basin Initiative?,” The Miami Herald, October 22,
1982, 14A.
Representative Charles Rangel (D-NY) described CBI as “friends helping friends,” a phrase that Rostenkowski adopted after the trip for pushing the initiative.123

After returning from their fact-finding mission, the Ways and Means delegation filed a report summarizing the trip and unequivocally supporting the Caribbean Basin Initiative, something many legislators were unwilling to do before the tour, according to Duberstein. The report mentioned that the Basin faced serious economic problems while many Basin leaders were counting on the initiative. Jamaican Prime Minister Edward Seaga, for instance, was “‘way out in front’ in linking himself to the U.S. initiative” and feared “he would be forced by political realities to abandon the plan” if it did not pass this year. The delegation also stated that it was consistently told CBI “will boost, not reduce, employment and manufacturing in the U.S.” as Basin nations turned to the United States for supplies to build their own industries. “Fears of major harm to U.S. industry and employment are overstated,” the report continued, as well as the prospects of “runaway plants and pass-through operations developing.” Altogether, the delegation agreed that “the cost of mounting political and economic instability in the region outweighs the cost of trade and business incentives to our own economy.”124

A little over a week after the Congress reconvened in late November, the Ways and Means Committee approved the CBI bill with a vote of 27 – 6. To get the bill approved, though, the committee had to drop the administration’s controversial ten percent investment and depreciation tax credits; raise the local valued-added percentage from twenty-five to thirty-five percent; and exclude leather goods, petroleum, and petroleum products from duty-free

---

treatment. The committee resisted efforts by other members to exclude rum, tuna, steel, and some agricultural products from the free trade area.\textsuperscript{125} On December 17, the CBI bill came to the House floor for debate. James Oberstar (D-MN) attacked the initiative, saying it “would be appropriate if our goal were to throw Americans out of work.” Bailey (D-PA) also spoke out against the bill, and Parren J. Mitchell (D-MD) claimed it would lead to the “exploitation of workers in the Caribbean Basin.” Other legislators made similar arguments on the floor, but they were rebutted by legislators like Rostenkowski who “described [CBI] in fiscal terms as a bargain—getting something of great value for comparatively little cost.” Clement Zablocki (D-WI) called CBI a “[U.S.] jobs creation program,” while Beryl Anthony (D-AR) and Rangel described their experiences touring the Caribbean as a part of the Ways and Means delegation. CBI’s bipartisan supporters carried the day, passing the initiative 260 – 142.\textsuperscript{126}

Three days later, the Senate Finance Committee passed its version of CBI in an eleven to five vote. Unfortunately, the full Senate failed to consider the bill before it left Washington for the year on December 23 after raising taxes on gasoline for highway repairs.\textsuperscript{127} The day before Congress adjourned, Reagan promised ambassadors from the Basin nations that he would get the initiative passed in the next session so “the tremendous efforts that the leaders of your countries have put into this bill will not be in vain.”\textsuperscript{128}

On February 16, 1983, almost a year after unveiling the Caribbean Basin Initiative at the OAS, President Reagan reintroduced the CBI bill to the Ninety-eighth Congress. Although Congress appropriated the administration’s $350 million aid package for the Basin in 1982, Reagan claimed that “aid . . . is not enough.” Reagan then urged Congress to act in the spirit of bipartisanship: “we have got to work together if anything is to be accomplished.” Unlike the Ninety-seventh Congress, the Ninety-eighth moved with greater speed on CBI and passed the initiative by comfortable voting margins at the end of July. Reagan then signed the Caribbean Basin Economic Recovery Act, CBI’s official title, into law on August 5, 1983. The administration, CBI Coalition, and its Congressional allies had such difficulty getting Congress to move on the initiative in 1982, so why was Congressional action so much easier and debates so much less contentious in 1983?

After Reagan reintroduced the bill to Congress in 1983, he publically pushed Congress to act more than he did in 1982. These statements most likely kept pressure on the legislature to work on the initiative; Reagan was selling the program to the public and Congress. In addition, CBI’s supporters already knew what issues their opponents had with the legislation due to the previous year’s debates. As a result, the administration and its Congressional allies modified the proposals in ways that lessened the opposition making passage easier. The Senate also helped CBI along by attaching it to legislation repealing a controversial and unpopular

interest and withholding tax. In the end, the Caribbean Basin Initiative passed Congress with ease in the summer of 1983 and many legislators believed CBI would create U.S. jobs over the long-term.

Besides mentioning the Caribbean Basin Initiative in his State of the Union address, President Reagan discussed the initiative in an address for Pan American Day on April 14, 1983. Reagan stated that the $350 million aid package Congress approved in 1982 contained a $4.4 million scholarship fund that “enable[d] Caribbean students to study subjects crucial to development and democracy in their countries.” Yet, the president described the aid as a “small part of a broader initiative to strengthen freedom throughout the Caribbean Basin” while “call[ing] upon Congress to act rapidly on the trade and tax portions.”

Two weeks later, Reagan delivered a televised address to a joint session of Congress on U.S. interests and policies in Central America in an effort to prevent Congressional restrictions on U.S. aid and operations in the region. By early 1983, the administration’s Central American policies had failed to produce significant results and the White House wanted Congress to increase U.S. aid and operations in the region. Congress disagreed with the administration’s course of action, though. So the legislature intended to impose greater restrictions on U.S. policies in Central America and strengthen requirements on the Salvadoran human rights certification process that many believed Reagan had turned into a farce. In his address, Reagan stated that the region was a “magnet for [Communist] adventurism” and that the Truman Doctrine, the American commitment to defend post–World War II Europe from Communist subversion, now applied to Latin America. Reagan then outlined his administration’s response to

---

the region’s problems, one of which was CBI: “I am asking that the bipartisan consensus, which last year acted on the trade and tax provisions of the Caribbean Basin Initiative in the House, again take the lead to move this vital proposal to the floor of both Chambers.”

Almost a month later, the president spoke at a Cuban Independence Day Celebration in Miami, Florida. Although most of his speech focused on U.S. relations with Cuba, Reagan argued that Congress could help the Caribbean by “enact[ing] those trade and tax provisions of the Caribbean Basin Initiative that will put the power of free enterprise to work in the Caribbean.”

Unlike the previous year, Reagan assumed a more prominent role in publically lobbying Congress for action on an initiative that, he believed, was essential to meeting U.S. political, economic, and strategic challenges in the Caribbean Basin.

While Reagan made these statements for the initiative, the Senate Finance Committee worked on the legislation. Senator Robert Dole (R-KS) introduced a bill (S. 544) for the Caribbean Basin Initiative to the Senate on February 22, 1983 claiming that the United States can “show them [Basin nations] the way out of their economic malaise and strengthen their democratic institutions.” The bill then went to Dole’s Finance Committee for hearings on April 13. During the hearings, representatives from the U.S. territories argued for more protections on the rum industry, and AFL-CIO Representative Koplan pushed for more labor protections as in 1982. Academics also testified before the committee, claiming that CBI was inadequate. George Washington University Associate Professor Joseph Pelzman called the Senate bill “fundamentally...

---


flawed, and ill-conceived” because it portrayed U.S. tariff rates as the “fundamental impediment to Caribbean development” rather than Basin infrastructure and skilled labor problems. University of Maryland Professor Robert Pastor, on the other hand, warned that creating any more product exclusions could cause the program to “sink in the Caribbean Basin.”¹³⁵ These were the same concerns that academics voiced in 1982. For the most part, though, the 1983 Finance Committee hearing was calm compared to the hearings of 1982, largely due to the fact that S. 544 was identical to the House bill, including its product exclusions, passed in 1982. According to USTR Brock, the administration “said we will accept the House bill as is in order to expedite passage. We did that in order to try to see if we could pass the bill in the Senate in the special session.” On May 12, the committee approved CBI in a fifteen to three vote.¹³⁶

On June 16, 1983, the Senate debated S. 554, and a few senators spoke in support of the bill arguing that it would expand the U.S. economy while helping the Caribbean Basin. Senator Dole stated that even if the Basin economies began growing rapidly, they could not “seriously threaten any of our domestic interests.” Dole also proposed an amendment to attach S. 544 to H.R. 2973, legislation repealing an unpopular ten percent tax withholding requirement on interest and dividends. Congress passed the withholding requirement as a part of a 1982 tax act and the public and financial institutions began calling for the requirement’s repeal through a massive mail-in campaign almost immediately. The Reagan administration opposed H.R. 2973, though, and the Senate believed that attaching CBI to it would preclude a presidential veto. Senator Frank Murkowski (R-AK) supported Dole’s amendment, and Senator Dale Bumpers (D-AR) argued that combining the bills would make Reagan “much more reluctant to” veto the bill.

During the debate, most senators focused on the interest withholding legislation rather than CBI to the disappointment of Howard Metzenbaum (D-OH) who asserted that “there has been no debate whatsoever on the Caribbean Basin Initiative” even though “it will cost American jobs.” Regardless, Dole’s amendment passed by seven votes, and the Senate passed H.R. 2973 eighty-six to four.  

The House Ways and Means Committee approved H.R. 2973 on June 21, and the House debated the bill on July 14. During the debate, the body agreed to a rule (212 – 204) preventing amendments to the bill despite the efforts of Representatives Oberstar and Richard A. Gephardt (D-MO) to block it. This rule demonstrated that most legislators were comfortable with CBI’s trade provisions and industry safeguards, since they had passed a very similar bill in the previous session. On the House floor, Rostenkowski argued that 130,000 U.S. jobs “depend on CBI trade” while Barber Conable (R-NY) maintained that “no serious threat to our economy or our people’s jobs can result.” Conable also stated that CBI would ease illegal immigration to the United States by giving the Basin unemployed a reason to “stay home and work.” A few representatives, however, attacked CBI. Douglas Applegate (D-OH) called it a “kick in the pants to the American taxpayer and the American worker.” Robert Mollohan (D-WV) said that CBI “will promote further hemorrhaging of our basic industries” at a time “with 11 million unemployed.” Despite some legislators’ concerns that the initiative would damage the U.S. economy, the House passed the bill 289 – 129, a voting margin that was 42 votes greater than the 1982 vote.  

On July 28, after combining each chambers’ bill into a conference report, the House and Senate both passed the Caribbean Basin Economic Recovery Act as a part of the legislation.
repealing the withholding tax on interests and dividends. During the debates in both houses, congressional members concentrated on the withholding tax bill, but those who spoke on CBI recited the common arguments that CBI would grow or damage the U.S. economy. President Reagan signed the Caribbean Basin Initiative into law on August 5, 1983. The final legislation stipulated that the president could not designate a nation as a recipient if it was Communist, nationalized U.S. property without compensation, infringed on U.S. copyright laws, failed to cooperate in preventing drug trafficking, and exported food products to the United States to the detriment of its own population. Furthermore, leather goods, footwear, canned tuna, textiles, petroleum, petroleum products, and a few other minor goods were excluded from duty-free treatment. There were also quotas imposed on sugar and rum imports, and some executive departments were required to report on CBI’s impact on the U.S. economy annually.

Why did Congress fail to pass the Caribbean Basin Initiative in 1982 only to pass it in 1983 with little controversy? There are a few reasons. The Reagan administration worked early on in 1982 to establish a lobby group, the CBI Coalition, intended to demonstrate to Congress that CBI had strong support among the private sector, Basin governments, and the public. The success of the July 21, 1982 CBI gala, in particular, showed this support. Despite this effective lobbying blitz, though, Reagan was not as involved in CBI’s legislative process in 1982 as in 1983, most likely because his attention was on the nuclear weapons protests, the Falklands War, and the growing problems in Lebanon. Without presidential leadership, many Congressional members refused to take the lead on a controversial program that some feared would risk U.S. jobs during a deep economic recession. Representative Bailey voiced these fears most

---

prominently on the House Ways and Means Committee, which was reluctant to move forward on CBI until the Rostenkowski delegation toured the Basin in November 1982. At the same time, CBI’s aid component became entangled in debates over U.S. policies in Central America, only to pass Congress after the legislators earmarked funds to their liking. Although Ways and Means supported the trade provisions of the initiative after some of its members visited the Basin, it was too late in the Congressional session to get CBI through both chambers.

As the Ninety-eighth Congress opened in 1983, however, the president promised to push the initiative more than he did in the previous session, and he did so. Furthermore, Congressional attitudes had changed: most legislators now believed that CBI would grow the U.S. economy by generating Basin demand, as shown by the Congressional debates and comfortable voting margins on CBI. There is no doubt that Congress’s preoccupation with the tax withholding legislation also minimized some of the controversy surrounding the initiative. As a result, Congress passed the Caribbean Basin Initiative and President Reagan signed it into law in the summer of 1983. Although Reagan got Congress to deliver the program he requested, he still had to compromise some of its provisions. The administration had to accept $53 million less in economic aid for El Salvador as well as product exclusions and quotas on the initiative’s trade component. In addition, Congress refused to accept the administration’s proposed tax incentives. In the end, though, the Reagan administration and Congress delivered on its promises to the governments and people of Caribbean Basin to create a program intended to alleviate their socio-economic plight.
“We were really shocked,” stated Larry Perla, the owner of a dive suit company that set up a manufacturing center in Saint Lucia to take advantage of the Caribbean Basin Initiative’s preferential trade treatment. At 350 to 400 dollars per wet suit, Perla’s products were priced to compete with similar suits from Taiwan in the U.S. market. To Perla’s dismay, however, the U.S. Customs Service ruled that rubber wet suits were considered apparel and since apparel was excluded from CBI’s duty-free treatment Perla’s company had to pay a ten and one-half percent duty. According to The New York Times, Perla’s lawyer said the U.S. Custom Service’s ruling “‘should make other people think twice before investing’ in the Caribbean.” Likewise in the mid-1980s, the Commerce Department “slapped a 19 percent tariff on cut-flower imports from Costa Rica,” and the U.S. Congress decreased sugar import quotas from the Basin while attempting to do the same for textiles.141

These trade decisions heightened Caribbean Basin nations’ fears of an increase in unfair U.S. protectionism as many of these countries undertook economic reforms to open up trade and attract investment in response to the Caribbean Basin Initiative.142 These frustrations were exacerbated by the fact that total Basin exports to the United States substantially declined after 1984 until rebounding in the late 1980s. Although total exports declined in the mid-1980s, the initiative had limited success in generating export-oriented growth in certain sectors, helping

Basin nations gradually diversify their exports. After reforms increased CBI’s impact, though, the initiative aided Basin countries in diversifying their exports by fostering strong growth in the region’s nontraditional products like textiles, electronics assembly, and medical supplies.

At the same time, CBI strengthened U.S. – Caribbean Basin economic and political ties by encouraging neoliberal reforms—reforms that restructure an economy towards open markets and decrease government intervention—and the Basin’s increasing dependence on the U.S. market. Furthermore, Caribbean Basin leaders often worked with the Reagan administration and Congress in an attempt to increase CBI’s effectiveness. As the 1980s unfolded, CBI increased U.S. influence and power in the Caribbean Basin while helping lay the foundation for continuing free trade reforms and expansion between the United States, the Caribbean Basin, and the rest of the hemisphere. In the end, CBI helped the United States maintain economic and political dominance over the region by cooperating with Basin governments to build legitimacy for U.S. concepts of freedom and free enterprise, strengthening U.S. security. In essence, CBI was an exercise in informal empire, though the Reagan administration never viewed the initiative as such.

CBI’s Early Economic Results

A few months after President Reagan signed the Caribbean Basin Economic Recovery Act (CBERA), CBI’s principal legislation, the Prime Minister of the Netherlands Antilles, Don Martina, declared that the program would be a “valuable contribution to the recovery of the region.” A year after CBERA’s passage, the Prime Minister of Jamaica Edward Seaga asserted,
“We’re having the biggest investment boom in our history.” Yet, unemployment rates remained high and investment rates low throughout the Caribbean Basin while total Basin exports to the United States declined by thirty-one percent between 1983 and 1986. In the face of this economic decline, many people believed the Basin economies were not collecting the benefits the United States promised, especially since many of the Basin governments were undertaking pro-market economic reforms intended to attract investment. At the same time, however, the Basin economies did experience steady export growth in nontraditional, CBERA-eligible goods along with non-CBERA-eligible goods like textiles and apparel.

In order to take full advantage of the CBI, the Reagan administration argued that Basin nations had to carry out domestic economic reforms or “self-help” measures that created a favorable business climate. U.S. Trade Representative William E. Brock, for instance, said, “Self-help is the final essential key needed to unlock the door to economic opportunity [in the Basin] over the next decade.” Many Basin countries, as well as many other developing nations, undertook such reforms following the emerging economic theory of neoliberalism. In order for a nation to attract investment and economic growth in an age of increasingly fluid capital markets, neoliberal economists argued that governments had to create economic environments suitable to business and investment. To produce this environment, developing nations were

---

advised to liberalize trade and decrease state intervention in the economy through privatizing state enterprises, deregulation, and restructuring government economic and social policies and spending. Furthermore, the World Bank and International Monetary Fund pushed many developing nations toward neoliberalism through structural adjustment loans that linked loan approvals to these anti-state, pro-market reforms. Carrying out these reforms, according to neoliberal doctrine, would unleash market forces spurring investment and economic progress.\footnote{Thomas F. O’Brien, \textit{Making the Americas: The United States and Latin America from the Age of Revolutions to the Era of Globalization} (Albuquerque: University of New Mexico Press, 2007), 268-271; Frances Stewart, “The Evolution of Economic Ideas: From Import Substitution to Human Development,” in \textit{Economic Doctrines in Latin America: Origins, Embedding and Evolution}, eds. Valpy FitzGerald and Rosemary Thorp (New York: Palgrave MacMillan, 2005), 59.}

At the behest of the Reagan administration and international financial institutions, many Caribbean Basin nations instituted neoliberal reforms that reduced the size and scope of their governments. “We give incentives because we want the jobs,” stated Dominican Prime Minister Mary Eugenia Charles, whose nation, by 1986, doubled tax relief on investments and offered few restrictions on profit repatriation while granting some businesses a ten to fifteen year tax holiday.\footnote{Mary Eugenia Charles quoted in Susan Dentzer, Diane Weathers, and Marilyn Achiron, “Trade Winds in the Caribbean,” \textit{Newsweek}, Nov. 14, 1983, 89; Clinton G. Hewan, \textit{Jamaica and the United States Caribbean Basin Initiative: Showpiece or Failure?} (New York: Peter Lang, 1994), 118.} In some cases, the United States assisted Basin nations in instituting these reforms. The U.S. Agency for International Development assisted Basin governments with “feasibility studies, marketing studies, financial analysis, [and] joint venture brokering” in addition to aiding the privatization of state enterprises. The agency helped the Jamaican government sell off most of its hotels and advised the Honduran and Costa Rican governments to establish holding companies for approximately sixty state entities for future sale.\footnote{Letter, Dwight Ink (AID Bureau for Latin America and the Caribbean) to Frank C. Conahan (General Accounting Office), April 1, 1988, attached to U.S. General Accounting Office (GAO), \textit{Caribbean Basin Initiative: Impact on Selected Countries}, Washington, DC, July 1988, 58, 59.} During the same time, other Basin countries like the Dominican Republic and Dominica constructed export processing zones,
or free trade zones, where raw materials and semi-finished goods could be imported duty-free for completion then re-exported to the U.S. and global markets.149

Besides pressuring Basin governments to embrace neoliberalism, the president had the power to designate which Basin nations could receive CBI’s benefits according to criteria listed in CBERA. The act listed twenty-seven Basin nations as eligible. Once one of those countries requested designation, the president granted it unless that nation was communist, gave preferential treatment to products from developing nations that competed with U.S. products, or nationalized U.S. property without compensation. A designated nation also had to cooperate with the United States in preventing drug trafficking and sign an extradition treaty. As a result of these criteria, Cuba, Nicaragua, and Grenada were not eligible to take advantage of CBI, and other nations were encouraged to remain in compliance with these standards or else the president would reverse their designation.150

Once Basin governments began neoliberal reforms and the United States launched the Caribbean Basin Initiative, Business Week declared that Barbados and other Basin countries were “ripe for investment.” But investment in the Basin was slow and the region’s overall economy declined through the mid-1980s despite CBERA and other U.S. trade programs like the General System of Preferences and most-favored-nation agreements. Barbados, for instance, was plagued by an annual unemployment rate between fifteen and eighteen percent. Furthermore, the computer company Intel, Barbados’s largest employer, closed its doors, likely due to increasing import duties on product inputs and the inability to count those inputs as value-added for duty-free purposes. In a letter to Representative Michael Barnes (D-MD),

149 GAO, Caribbean Basin Initiative, 38; Hewan, Jamaica and the United States, 118.

While Basin leaders claimed timid investors were responsible for CBI’s mixed results, others focused on exporters’ problems entering the U.S. market and the global economic downturn. The *Wall Street Journal*, for example, reported that the benefits of CBI have been “illusory” because Basin exporters “need to find U.S. importers that would devote the time and money necessary to make these products marketable in the U.S.” Bernardo Vega, the former Governor of the Dominican Republic’s central bank, on the other hand, pointed out that CBI “has coincided with the worst economic crisis in the area in 45 years.”\footnote{Jacobson, “The Americas,” *Wall Street Journal*, Apr. 4, 1986, 1; Bernardo Vega quoted in Lowenstein, “Mixed Results,” *Wall Street Journal*, Dec. 3, 1984, 1.}

Between 1983 and 1986, U.S. imports from CBERA-designated nations declined from $8.8 billion to $6.1 billion, a decrease of thirty-one percent, and U.S. exports to those nations also totaled $6.1 billion in 1986. According to the U.S. International Trade Commission (ITC), this import decline was “caused principally by steeply falling prices and volumes of crude and refined petroleum imports.” If oil imports from CBERA nations were excluded from the calculation, then U.S. imports actually increased by more than twenty-four percent. Furthermore, U.S. imports from the Basin that gained duty-free entry, whether under CBERA, the General System of
Preferences, or a most-favored-nation agreement, increased from thirty-five percent in 1983 to sixty-eight percent in 1986 with a “minimal” effect on U.S. industries. The Dominican Republic and Costa Rica were the “leading CBERA beneficiaries [in 1986], accounting jointly for some 45 percent of U.S. imports under the program.”

Despite the growth in duty-free imports, there was not “overwhelming” investment in CBI nations, and investment in CBERA-eligible products did “not fuel growth of the economies of CBERA beneficiaries.” Of the 132 investment projects registered for 1986, the ITC believed that sixty-eight would probably be eligible for duty-free treatment under CBERA or other trade programs, and the Dominican Republic, Jamaica, Belize, and Saint Kitts received the most new investment projects with at least ten each. In 1986, there were also seventeen investments in twin plant operations, manufacturing production in which goods were assembled in phases at multiple sites. However, many of these investments took place in product categories that Congress excluded from CBERA’s duty-free treatment like fishing, textiles and apparel, though textiles and apparel were eligible for duty-free treatment under a quota system. Overall, CBERA did not foster much new investment in the Basin during its first two years.

There were a few reasons why CBERA had such a limited positive effect on the beneficiary nations in the program’s early years. First, Congress did not grant many of the Basin’s leading exports to the United States duty-free treatment. Leather goods, footwear, canned tuna, textiles, petroleum, and petroleum products, for instance, were excluded from the program’s benefits, “a most unfortunate mistake,” according to the Chief Executive of Jamaica.

---

National Export Corporation Peter King. Of the leading twenty-nine imports to the United States from the Basin, only eight were granted new tariff treatments under CBERA, a mere $556 million of approximately $9 billion imports in 1983. While the Congress impeded CBERA’s success through exclusions, Alexander Good, official at the Department of Commerce, argued that Basin nations’ custom services discouraged investment through a “bureaucratic maze” that “impose[d] unacceptable risks on doing business by their capricious application of complex and confusing regulations.”\(^{155}\)

Though not in the CBERA legislation, Bilateral Investment Treaties were parts of the Caribbean Basin Initiative and also factors in the program’s poor results. Developed through the U.S. Trade Representative, these treaties created a framework for direct U.S. investment in another nation. Usually these agreements contained provisions that required the other signatory to grant U.S. investors equal treatment with domestic investors, unrestricted capital repatriation, and “compensation in the event of nationalization,” among other things. Although the Reagan administration intended to negotiate Bilateral Investment Treaties with all the Basin countries, only Panama and Haiti had agreed to the treaties by 1986 and Congress had yet to ratify these agreements. Many Basin nations were hesitant to sign these treaties because they limited their right to regulate foreign companies operating inside their borders. As a result, the potential for direct investment in the Basin was limited in CBI’s first few years, thereby hindering the initiative’s success. It is also interesting that these agreements were *bilateral* rather than *multilateral*. The Reagan administration could have pursued investment treaties through

regional economic institutions like the Caribbean Community that may have strengthened these regional groups. Instead, though, the Bilateral Investment Treaties went around these regional structures.\(^{156}\)

A 1988 General Accounting Office (GAO) study also found that U.S. policies vis-à-vis the Caribbean Basin were counteracting each other and limiting CBI’s impact: although cut flowers were granted duty-free treatment, the U.S. International Trade Administration ruled in 1986 that Costa Rica had to pay import duties on its cut flowers exports because Costa Rica subsidized its domestic flower production. The Tax Reform Act of 1986 reversed duty-free access for ethanol imports even though investment plans were already underway. A 1987 Congressional continuing resolution directed the U.S. Travel and Tourism Administration to limit its promotional efforts to U.S. destinations despite the fact that the Caribbean Basin held a comparative advantage in tourism. From the mid-1980s to early 1990s, Congress also attempted to impose a rigid quota system on U.S. textile and apparel imports, one of the Basin’s fastest growing sectors.\(^{157}\)

Furthermore, the GAO concluded that “U.S. sugar quota cuts and declining world sugar prices have severely damaged the foreign exchange positions for major sugar producers like the Dominican Republic” and “exacerbated their [CBI nations’] short-run unemployment situation.”

Throughout the early 1980s, the Reagan administration and Congress worked together to


protect the domestic sugar industry through subsidies, import quotas, and increased tariffs at the expense of Caribbean Basin sugar exporters. From 1981 to mid-1982, for example, the effective U.S. tariff rate on sugar increased by 185 percent. Though the administration increased sugar purchases from the Basin by ten percent in 1984, it limited global sugar imports for 1985 by sixteen percent costing Latin America and the Basin an estimated $106 and $62 million, respectively. Due to the effects of the sugar quota reductions on Basin economies and CBI’s limited performance, many U.S. and Caribbean Basin leaders believed CBI needed to be reformed.

*CBI, Reforms, and the Making of Hegemony*

CBI’s mixed results prompted many Basin leaders and businesses to state their grievances to the Reagan administration and Congress while arguing for greater trade preferences with the United States. The Reagan administration and Congress responded by engaging Basin’s leaders in an effort to reform CBI and increase its effectiveness. These reform efforts were a part of a process that began with the launching of CBI in 1983 by which the U.S. and Caribbean Basin elites built legitimacy for free enterprise and globalization in a region that previously experimented with protectionism and strong government intervention in the economy. In essence, the United States and the Caribbean Basin nations were unequal actors, and the United States exercised power, sometimes in conjunction with Basin cooperation, through CBI and other measures that resulted in U.S. economic and political domination of the Basin by the 1990s.

This interpretation utilizes Antonio Gramsci’s Marxism as an analytical tool. In Gramsci’s Marxism, hegemony is a process through which one group of actors (the state and civil society) work to persuade and, if necessary, coerce other actors to accept and support their ideas and power system. Hegemony is a process of building legitimacy and consensus that results in forms of domination be it cultural, political, social, economic or others. Although Gramsci wrote about hegemony as a consensus building process within the nation-state, this study suggests that Gramscian Marxism is also a useful tool to comprehend international trade and political relations. Analyzing CBI’s implementation and reform through Gramscian Marxism reveals the dynamics of informal empire, empire through spheres of influence and unconventional or unorthodox means rather than formal colonization. The United States responded to Communist expansion in the hemisphere through CBI, and the initiative resulted in the United States maintaining its informal empire in the Caribbean Basin.159

The history of U.S. informal empire in the Caribbean Basin reaches back to the mid-nineteenth century, if not further. In 1823, the United States issued the Monroe Doctrine, which aimed at preventing European intervention in the Western Hemisphere, but the United States had limited power to enforce this policy. It was not until the late nineteenth century that European nations began respecting U.S. influence in the Caribbean Basin as U.S. political and economic power in the region expanded. During this time, U.S. businessmen invested in Basin banana, coffee, and sugar plantations, railroads, and various mining operations which in turn

augmented the power of cooperating indigenous elites at the expense of the Basin people. In 1898, the United States defeated Spain to take informal and formal possession of Spain’s colonies in Cuba and Puerto Rico, respectively, and in 1904, the United States began constructing a strategically vital isthmian canal in Panama. At the beginning of the twentieth century, the United States was the dominant political, economic, and military power in the Basin.\(^\text{160}\)

During the early twentieth century, the United States went to great lengths to protect its informal empire from European intervention as well as indigenous movements that caused instability and threatened U.S. lives and property. The United States routinely used military force to ensure the Basin governments paid their foreign debts since failure to pay would invite European intervention in America’s sphere. The U.S. military also suppressed nationalist movements that sought to oust U.S. businesses and oppressive, pro-American governments. In the 1930s, the United States moved away from these military interventions with President Franklin Roosevelt’s Good Neighbor Policy since the interventions fostered anti-Americanism. Instead, the United States embraced Basin dictators that maintained stability and U.S. influence.\(^\text{161}\)

After World War II, Communism became the new threat to U.S. influence in the region. The Caribbean Basin suffered from chronic economic underdevelopment. This underdevelopment coupled with a history of oppression at the hands of the U.S. government and U.S. businesses led many Basin people to accept Communism’s anti-imperialist, anti-capitalist doctrine. To alleviate Basin misery and contain Communist expansion, the United


States toppled unfriendly, nationalist governments through covert operations and sought to foster economic development, most notably through President John F. Kennedy’s Alliance for Progress in the 1960s. The Alliance for Progress, however, failed to generate development due to poor implementation and corruption in Basin governments, so the United States returned to embracing regional dictators that maintained stability.162

As the region’s economic problems increased in the late 1960s, Caribbean Basin social movements pushed for increased state intervention in their economies in an attempt to foster economic growth, development, and solutions to the region’s socio-economic troubles. In 1972, Jamaicans, for example, elected a left-wing, nationalist government under Michael Manley that took over some private enterprises while instituting public works projects, import and export controls, and land redistribution. At the same time, a socialist government in Guyana undertook similar reforms, and so did the New Jewel Movement in Grenada after coming to power in 1979. These governments sought to decrease their economies’ dependence on foreign capital, foreign goods, and traditional exports by developing a strong, indigenous industrial economy that exported to local and regional markets. The Reagan administration intended CBI to reverse these leftist government policies while building support for free enterprise to maintain U.S. influence in the region, and many Basin governments actually responded positively to the initiative.163

162 For a comparison between the Alliance for Progress and CBI see the Introduction. Leonard, Central America, 121-145; O’Brien, Making the Americas, 216-227, 239-245.
According to the White House, after Reagan unveiled the Caribbean Basin Initiative at the Organization of American States (OAS) in February 1982, the reaction of potential CBI beneficiaries was “overwhelmingly favorable.” The Jamaican Prime Minister Edward Seaga called the initiative a “bold, historic and far-reaching concept,” while the Honduran president believed it “mark[ed] the beginning of a new and different stage in the cooperative relationship” between the United States and Caribbean Basin. The Dominican prime minister “appreciat[ed]” that the United States “considered it necessary to talk to us, the recipients” about the program while the OAS General Secretary declared that Reagan’s speech and the new program “demonstrated a sincere wish to establish closer ties with Latin America and do something positive.” In addition to Basin leaders, Basin newspapers such as Jamaica’s *Daily Gleaner*, Trinidad and Tobago’s *Express*, Costa Rica’s *La Presna Libre*, and Guatemala’s *Impacto* all ran favorable stories about CBI.\(^\text{164}\) In general, many Basin leaders were receptive to cooperating with the Reagan administration in return for economic progress via access to the U.S. market and investments.

The White House launched CBI while increasing security and military operations across the Caribbean Basin, demonstrating the extent of U.S. desires to maintain regional power. The Reagan administration augmented U.S. troop strength in the Basin, unified the Defense Department’s Caribbean Command structure, and conducted the largest peacetime Caribbean naval exercise since World War II. At the same time, the administration funneled military aid to the pro-American government in El Salvador to combat leftist guerrilla movements, constructed new military installations in Honduras, and worked to undermine the leftist Sandinista government in Nicaragua. The United States also used military force to depose the socialist

Grenadian government. In October 1983, the United States invaded the island after a military coup resulted in the murder of the New Jewel Movement’s leader Maurice Bishop. President Reagan claimed the operation was necessary to protect the lives of Americans studying in Grenada. Even though the Organization of Eastern Caribbean States asked Reagan to intervene, the United Nations condemned the U.S. mission. Regardless, the U.S. invasion replaced a socialist regime that the White House long opposed with a democracy that cooperated with the administration.\(^{165}\) While Reagan used a military buildup and outright force to reinforce U.S. power in the Caribbean Basin in the short-term, he intended CBI to strengthen U.S. influence over the long-term through private-sector-led economic growth.

Once the initiative failed to deliver the economic progress promised by the mid-1980s, however, Basin leaders began pressing the United States for reform. The Caribbean Community (CARICOM), a regional trading bloc, made the initial calls for CBI’s improvement. In September 1985, the Heads of Government of CARICOM wrote a letter to President Reagan explaining that investment and development under CBI’s current provisions were “being made virtually impossible by pending congressional actions [on textiles and apparel, leather, and ethanol] which threaten to erode benefits already established under CBI and understandings reached with your Administration.”\(^{166}\)

Caribbean Basin representatives also took their nations’ call for change to the U.S. Congress. In February 1986, Basin ambassadors and Puerto Rican officials testified before the


House Ways and Means Committee about improving the Caribbean Basin Initiative. Peter Laure, Ambassador of Barbados, “regret[ed] to report that the CBI has had only a marginal impact” on his nation since sixteen companies left Barbados in 1985 and U.S. investment was not forthcoming. In addition, only one of the eight new manufacturing firms established in 1985 exported to the United States and its exports were not eligible for duty-free treatment under CBERA. Lastly, Laure claimed that Caribbean entrepreneurs were having difficulty penetrating the U.S. market due to “price, . . . high standards of quality, sophisticated marketing techniques, good supply capabilities, . . . the capacity for technological innovation” and “the complex regulatory requirements of the U.S. market.”

The other ambassadors voiced similar concerns before the committee. The Costa Rican ambassador stated that his country “adopted a commitment to deep structural changes” in its economy and that CBI was a “necessary and integral part [to] . . . achieve economic and social recovery.” Therefore, the ambassador urged Congress to decrease CBI’s exclusions and eschew protectionism. Eulogio Santaella, Ambassador of the Dominican Republic, believed CBI was a “promising hope” but wanted the United States to raise its sugar and textiles quotas. The Saint Lucian Ambassador maintained that the initiative’s “disadvantages and disincentives . . . are magnified many fold when applied to the less developed microisland states within the region.” The Saint Lucian Ambassador then proposed that the Caribbean’s small island nations “be given special attention” through specific provisions that apply only to them. All of the ambassadors agreed that the United States should at least increase its sugar and textile import quotas.

After the ambassadors testified, Antonio J. Colorado, the Administrator of the Economic Development Administration of Puerto Rico, told the Ways and Means Committee that Puerto

---

168 Ibid., 360, 341, 342, 328.
Rico was working to increase CBI’s effectiveness. Governor Rafael Hernandez-Colon was “providing the missing financial engine” by encouraging the establishment of twin plant operations through Puerto Rico’s own development bank, private institutions, and federal government assistance. The governor’s “personal call” to three companies even “triggered the[ir] interest” to invest in Grenada after the U.S. invasion restored democracy on the island. Hernandez-Colon also endorsed a new scholarship program for students to learn about the Caribbean Basin.169

Despite the governor’s success in promoting the Caribbean Basin Initiative, other Puerto Ricans were having trouble benefitting from the program. In its submitted statement, the Puerto Rico Bankers Association claimed that its efforts to stimulate investment across the Basin were undermined by credit risks, instability, high interest rates, and a “complicated international debt structure.” Likewise, the Puerto Rico Manufactures Association maintained that Basin “exports consist of those products that compete with our own manufactured goods” and U.S. tax credits for Basin nations “have the potential of diverting new investment from Puerto Rico.”170 The Basin ambassadors’ and Puerto Rican representatives’ pleas for reform demonstrate that many, though not all, of the region’s political and economic leaders had rallied behind the initiative’s fundamental premise that economic prosperity depended on export-oriented growth and increased access to the U.S. market. Even though CBI had limited economic results in the first few years, these leaders did not demand a return to the protectionist developmental policies that many instituted in the 1970s. Rather, most Basin governments and businesses sought further inclusion into the United States’ economic sphere of influence and the political economy of free enterprise and neoliberalism that accompanied this sphere.

169 Ibid., 858, 859.
170 Ibid., 1145, 1157, 1158.
As Caribbean Basin and Puerto Rican leaders began voicing their assessments of CBI’s progress and problems, the Reagan administration was also reviewing the initiative and responding to the Basin’s request for reform. In an early February 1986 memo, U.S. Trade Representative Clayton Yeutter told President Reagan that the “initial high expectations of our Caribbean Basin friends [has been] tempered by the knowledge that there are no quick or painless solutions to their complex and deep-seated economic problems.” However, the administration remained “optimistic” because many of the Basin nations were following neoliberal reforms through “strengthening [economic] promotion programs, cutting bureaucratic red tape, and encouraging the freer play of market forces.” Yeutter also outlined the measures the administration began within the previous year to increase the initiative’s effectiveness: waiving the buy American provisions for government procurement contracts gave Basin nations access to a $20 billion market, continuing Bilateral Investment Treaty negotiations, and encouraging Canada, Japan, Venezuela, and Europe to increase economic ties to the Basin. In addition, the Department of Commerce conducted investment workshops through its 125 offices worldwide while the Labor and Transportation Departments offered technical assistance to Basin governments in order to improve infrastructure and labor-management relations. After Haiti’s dictator fled the country, the Reagan administration even held a White House briefing for CEOs on investing in Haiti’s “new opportunities for freedom and progress.”

While visiting Grenada in February 1986, though, Reagan announced the administration’s most important change in implementing the Caribbean Basin Initiative. After admitting that CBI’s progress had been “slow but steady,” Reagan announced a “special

program that will guarantee access to the U.S. market for Caribbean-produced clothing made from cloth woven and cut in the United States. This will be good for the U.S. textile industry, but it will mean jobs for the people of the Caribbean.” Apparel was one of the Basin’s fastest growing industries with the United States importing $590 million in apparel from CBI nations in 1985, five percent of total apparel imports. Clothing imports also rose from eighteen to thirty-three percent since the previous year. Although duties only had to be paid on the value added abroad for most of these imports, the administration’s new program used more favorable quotas to guarantee access for these imports. Furthermore, these access levels were to be negotiated on a bilateral basis and decided in advance of each year. As a result, Basin exporters gained greater investment security and the U.S. economy was protected from “import surges that would harm the domestic industry,” according to the administration.172

The White House demonstrated its willingness to cooperate with Caribbean Basin leaders through instituting the guaranteed access levels for apparel imports as well as the countless smaller changes in implementing CBI. By doing so, the administration reinforced the idea that free enterprise and export-oriented growth tied to the U.S. market was the key to economic advancement. Like the White House, the House of Representatives also worked with the Caribbean Basin nations to improve the initiative and build a consensus behind neoliberalism. To do so, Congress sent a delegation to the Basin in early 1987 and held a symposium with Basin leaders in the fall of 1987 in order to uncover the initiative’s problems and suggest reforms.

At the request of the Ways and Means Committee Chairman Daniel Rostenkowski (D-IL), a Congressional delegation traveled to Jamaica, Costa Rica, Barbados, the Eastern Caribbean States, the Dominican Republic, and Haiti in January 1987. During the tour, the delegation met with heads of state and investors while visiting business sites for a firsthand look at CBI’s results. In each nation, the congressional members found “disillusionment with CBI” and a “concern that protectionism is a growing trend in the United States.” In Jamaica, for instance, the legislators met with Prime Minister Seaga and former Prime Minister Michael Manley and learned that Jamaica’s sugar sales to the United States fell from $14.92 million in 1983 to $2.35 million in 1986 as a result of U.S. import quota reductions. Similarly, Costa Ricans feared that once their companies “penetrate the U.S. market, U.S. industries will take action to restrict duty-free imports,” and the Eastern Caribbean States suffered from a “lack of infrastructure” and high freight rates. 173

In their committee report, the delegation made recommendations to better aid the Basin nations. First, they suggested that Congress pass a joint resolution “formally expressing a commitment to preserving the integrity of the Caribbean Basin Initiative and to improving its effectiveness.” Next, the legislators believed Congress should extend CBI’s time period beyond the initial twelve years and grant duty-free access to any Basin exports made from one-hundred percent U.S. parts. In addition to reducing CBI’s product exclusions, the congressional members advocated continued levels of aid, technical assistance, and economic support funds. 174

In the autumn after the Ways and Means delegation toured the Caribbean Basin, representatives from the House Committee on Foreign Affairs attended a symposium in

173 House Committee on Ways and Means, Report on the Committee Delegation Mission, 7, 8, 10, 12, 16, 20, 21.
174 Ibid., 36, 36-47.
Barbados for a “top-to-bottom review of the CBI.” At the symposium, Basin delegates told the congressional members that there was “insufficient consultation” in planning CBI but the symposium was a “critically important first step in bringing Caribbeans into a process from which most had been excluded.” The U.S. legislators found “virtual unanimity that the CBI was proving inadequate” as there was “little evidence of economic progress” and the “situation has, in fact, deteriorated” in some areas.  

Although the delegation heard many of the same problems as the Congressional Basin tour in January, the symposium group also received “serious criticisms of the CBI and the assumptions underlying it.” Basin participants believed that the focus on “export production, without strong links with local economies” undermined the region’s socio-economic progress. They argued that the free trade zones, for example, created low-wage jobs but prosperity eluded the surrounding economy since goods were only imported, assembled, and re-exported. Furthermore, labor rights were often neglected and prostitution was common in these zones. The U.S. delegation also reported that the Basin representatives “pointed out that economic progress cannot be achieved through efforts by donor countries to impose their own development philosophies on aid recipients.” The Basin delegates were clearly voicing opposition to the neoliberal reforms that “hit the poor the hardest and most directly.” In another instance, the Basin representatives criticized the Reagan administration’s approach to “promote U.S. – Caribbean economic relations on a strictly bilateral basis” as in Bilateral Investment Treaties. These bilateral approaches undermined regional economic structures like CARICOM and the Caribbean Development Bank by “generat[ing] competition among Caribbean

countries.” Despite these criticisms, “the participants agreed that the CBI should not be scrapped.” The Basin delegates suggested that the United States do more to embrace the regional economic institutions while promoting economic production for local markets and infrastructure development.\footnote{Ibid., 6, 10, 14.}

After considering all of the Caribbean Basin leaders’ suggestions for improving CBI, the House Ways and Means Subcommittee on Oversight began drafting a bill to alter CBI. Representative Samuel M. Gibbons (D-FL) commented on the United States’ inconsistent CBI policies stating, “We gave with one hand but took away with a bushel basket in the other,” so now the United States had to set the program right.\footnote{Gibbons quoted in ITC, Third Report 1987, September 1988, 28.} By late 1989, the House of Representatives passed a modified version of the Caribbean Basin Economic Recovery Act, referred to as CBI II, but the bill was dropped in a budget reconciliation act with the Senate under the agreement that the Senate Finance Committee would make CBI II a top priority in the next Congressional session. The Senate Finance Committee kept its word in 1990 as Congress passed and President George H. W. Bush signed CBI II in August.\footnote{“Caribbean Import Bill Held Over for 1990,” in \textit{CQ Almanac 1989}, 45th ed., 142-44. Washington, DC: Congressional Quarterly, 1990, \url{http://library.cqpress.com/cqalmanac/cqal89-1138272}, (accessed 30 March 2012); "Congress Passes Caribbean Trade Bill," In \textit{CQ Almanac 1990}, 46th ed., 211-17, \url{http://library.cqpress.com/cqalmanac/cqal90-1112452}, (accessed 30 March 2012).}

In CBI II, Congress repealed the September 1995 expiration date for the initiative that CBERA established; now the Basin’s trade preferences were permanent. Congress also authorized the president to reduce tariff rates by twenty percent over five years on leather goods (handbags, luggage, leather apparel etc.), except footwear. In addition, CBI II granted duty-free access to products assembled completely from U.S. or Puerto Rican components, excluding textiles, apparel, petroleum, and petroleum products. Lastly, CBI II enhanced
scholarship programs to Basin students, tourism and workers’ rights promotion, and tax-free measures for Puerto Rican investments in the Basin while also designating Nicaragua as a CBI beneficiary since the leftist Sandinista government lost power.\textsuperscript{179} Many of these measures responded directly to the problems and suggestions that Caribbean Basin leaders voiced to President Reagan and Congress since the mid-1980s. Unlike the president and Congress’s token consultations with Basin elites in formulating and enacting the original CBI, though, both branches of government actively reached out to the Basin governments in reforming the program through guaranteed access levels and CBI II. Although the United States answered many of the Basin’s grievances in CBI II, the United States still sought to promote U.S. – Caribbean economic and political relations on a bilateral basis rather than embracing the regional institutions.

Although CBI demonstrated mixed economic results early on, what were the results of the initiative’s numerous reforms by the late 1980s and early 1990s? Throughout this time, U.S. duty-free imports of Caribbean Basin products grew steadily and the Basin’s nontraditional products and textiles and apparels developed into a large component of total Basin exports, effectively diversifying Basin exports. Between 1984 and 1990, U.S. duty-free imports from the Basin increased by seventy-two percent from $594 million to $1 billion, comprising over thirteen percent of total U.S. imports from CBI nations. Of the $1 billion in 1990, however, only $422 million received duty-free access because of CBI alone. One of the product categories that benefitted dramatically from CBI duty-free treatment, though, was medical and surgical instruments, soaring from $27.1 million in 1989 to $84.3 million in 1990. While medical supply exports became a prominent Basin export by 1990, beef, fruits, rum, and raw sugar cane

\textsuperscript{179} Ibid.; ITC, Sixth Report 1990, September 1991, ix-x.
consistently led Basin exports since the initiative’s inception. At the same time, investors continued to pour money into free trade zones and textiles and apparel, especially in the Dominican Republic, Costa Rica, Guatemala, and Honduras. Yet, the International Trade Commission still maintained that CBI “has not fueled economic growth and development in the region” and that the “overall level of private sector investment in the region remains relatively low.” Although the Caribbean Basin did benefit from CBI, the United States benefitted to a much greater extent: in 1990, the United States ran a trade surplus with the Basin for the fourth consecutive year (Fig. 2).  


---

180 Ibid., ix-x, Ch. 4 p. 1.
Although CBI and its reforms assisted the United States in maintaining a political and economic dominance over the Caribbean Basin by spreading U.S. concepts of freedom and free enterprise, Ronald Reagan and his administration’s intentions and sincerity should also be considered in assessing CBI’s impact and legacies. Upon entering the White House in 1981, the president believed Soviet influence was expanding throughout the Western Hemisphere as Basin citizens embraced Communism due to severe socio-economic trouble. The White House believed that these socio-economic problems provided an “all-too-fertile ground for subversion and violent change,” so fixing them would dissuade Basin people from pursuing Marxist solutions and avoid the totalitarianism that would inevitably result. Reagan and his advisors thought that capitalism and free trade where the best ways to generate the Basin’s needed economic prosperity, after all, “our system,” according to the president, “freed the individual genius of man. Released him to fly as high & as far as his own talent & energy would take him.” Reagan had an absolute faith in the “free mkt. [market] system where individuals have the right to live like kings if they have the ability to earn that right.”\(^{181}\)

Therefore, the president believed that generating free enterprise and limited government intervention in Basin economies through CBI would unleash economic progress and lift Basin citizens out of their misery and away from Communism. When a Caribbean journalist wrote Reagan asking for his thoughts on CBI’s mixed economic results in 1986, Reagan admitted that progress had been “sluggish.” Yet, the president went on to reaffirm his dedication to free enterprise, replying, “I am heartened by the growth of nontraditional exports from the region.

These are the new industries, stimulated by CBI, which are the source of future growth and employment." Although Reagan was likely pleased with CBI’s economic developments by the late 1980s and supported CBI II, it is hard to determine Reagan’s thoughts with certainty as the president did not make any public statements on CBI or mention the initiative in his diaries after 1986.

It is incorrect to argue that Reagan and his advisors intended CBI to impose a free market system on the Caribbean Basin in order to maintain the region as an imperial possession. Rather, the administration acted in good faith, and Reagan was sincere. The Basin’s increased dependence on the U.S. market by the 1990s was a result of disparities in economic power as the United States, a global economic powerhouse, interacted with less dynamic and vulnerable regional economies. CBI helped increase this economic interaction between the U.S. and Caribbean Basin, though, and Basin leaders accepted CBI’s export-oriented growth model that increased the Basin’s dependency on the U.S. and global markets.

While CBI helped strengthen U.S. economic influence in the region, CBI’s greatest economic legacy for the Caribbean Basin nations was the program’s influence in helping those countries diversify their exports. Between 1983 and 1991, nontraditional exports to the United States expanded by almost 150 percent, comprising nearly sixty percent of the total exports to the United States with a value of $4.8 billion. A third of those exports would have been taxed between zero to thirty-five percent if it was not for CBI, and almost half were apparel that received favorable quotas due to the guaranteed access levels. Overall, a government report concluded that the “export diversification has led to a more balanced production and export

base, reducing the region’s vulnerability to fluctuations in markets for traditional products” such as petroleum, whose decline in the mid-1980s harmed the region’s total exports (Fig. 3 and 4).183

---

As the United States and Caribbean Basin nations entered the 1990s, both agreed that free markets and open trade between the regions were the most effective and efficient ways to create economic progress as illustrated by their cooperation to reform the Caribbean Basin Initiative. This consensus between the two regions was not unique since nations across the world, and Western Hemisphere in particular, were also following the neoliberal model in an era of economic globalization, especially after the collapse of the Soviet Union and socialism in the late 1980s and early 1990s. These neoliberal policies that the world’s advanced nations and
multilateral financial institutions urged the developing nations to adopt became known as the “Washington Consensus,” and it appeared that America’s dream of spreading the gospel of free enterprise was finally attainable.\(^{184}\)

How did the Caribbean Basin Initiative affect the rise of the Washington Consensus? As discussed above, the Caribbean Basin Initiative and its subsequent reforms were a part of a process by which the U.S. and Caribbean Basin elites constructed legitimacy for free enterprise and globalization in the region. Though there were times when some Basin leaders questioned the premise of anti-state, pro-market reforms as a basis for economic growth such as during the Barbados symposium in 1987, Basin leaders often utilized America’s free market concepts in economic reforms throughout the 1980s. By the 1990s, these concepts came to dominate the political economy of Caribbean Basin governments, due in part to CBI, creating a foundation for subsequent U.S.-led free trade initiatives in the Western Hemisphere like the Enterprise for the Americas Initiative (EAI) and the North American Free Trade Agreement (NAFTA). Once these new initiatives were proposed, Basin nations did not question the belief that globalization and export-oriented growth equals economic prosperity. Instead, they sought incorporation into these new free trade areas in the most favorable way.\(^{185}\)

Two months before signing CBI II, President George H. W. Bush announced plans to negotiate a “free trade zone stretching from the port of Anchorage to the Tierra del Fuego,” islands on the southernmost tip of South America. Known as the Enterprise for the Americas


\(^{185}\) The United States, multilateral financial institutions, Basin leaders, and private sector organizations that promoted neoliberalism represented the hegemonic forces that culminated with the triumph of the Washington Consensus. The Basin delegation’s questioning of export-oriented growth at the Barbados symposium in 1987 may be perceived as a part of a counterhegemonic force that the Washington Consensus pushed aside by the 1990s.
Initiative, the EAI’s purpose was to “forge a genuine partnership [within the hemisphere] for free-market reform” resting on trade, investment, and debt relief. At the same time, the EAI would “reinforce Latin America’s growing recognition that free-market reform is the key to sustained growth and political stability.” Bush envisioned constructing the EAI through a series of regional free trade agreements like the North American Free Trade Agreement between the United States, Canada, and Mexico, which came into effect during William Clinton’s presidency. Like CBI, the EAI focused primarily on “trade, not aid” and granted preferential trade treatment to areas in the Western Hemisphere. CBI was the first instance that the United States granted preferential treatment to an area, establishing a precedent for these new programs in the 1990s.186

The Caribbean Basin welcomed the EAI and NAFTA and desired inclusion in the free trade areas. This reception was indicative of how successful the U.S. and Basin leaders were in forging a consensus behind neoliberalism and globalization. In 1992, the President of Honduras Rafael Leonardo Callejas wrote a newspaper editorial in support of the EAI and NAFTA. Callejas claimed that Central America “abandoned the state-dominated, protectionist economies” and CBI aided Honduras in diversifying its economy and “improv[ing] our international competitiveness.” Now, the EAI and NAFTA had “captured the imagination of the region’s leaders and entrepreneurs,” and Callejas and others hoped these new “initiatives will


The Jamaican Ambassador Richard L. Bernal submitted a statement to the House Foreign Affairs Committee in 1992 that expressed many of the same ideas as Callejas. Bernal informed that committee that Jamaica “welcomed [the EAI] because it coincided with a shift in economic policy in the region, towards free market policies and outward oriented strategies of growth.” Since approximately sixty percent of Jamaican trade went to the three NAFTA nations, though, Jamaica feared that NAFTA would create “trade diversion” away from the Caribbean. As a result, Bernal argued that other nations should be permitted to join NAFTA over time so they were not placed at a disadvantage. An “accession clause” in NAFTA was also important to Basin nations because Congress granted the trade benefits under CBI and could “whittle[] away” the preferences at any time whereas NAFTA was a treaty-based trade agreement. If NAFTA contained any provisions that “supersede[d] those existing under CBI,” Bernal proposed that CBI nations be granted the same terms so that “the gains achieved under CBI [not] . . . be negated by the NAFTA.”\footnote{U.S. Congress, House Committee on Foreign Affairs, Beyond the Northern American Free Trade Agreement: Chile, the Caribbean, and Administrative Views, 102th Cong., 2ns sess., 1992, 158, 160, 162.}

A report from CARICOM contained the same hopes and fears about the EAI and NAFTA that Bernal mentioned. In CARICOM’s perspective, CBI and CBI II represented the United States’ “continuing commitment . . . to encourage economic development in the Caribbean Basin.” Although CARICOM leaders believed the EAI and NAFTA would benefit the hemisphere’s economies, the trading bloc members were concerned these new initiatives, if not instituted
carefully, could “render meaningless the market access advantages enjoyed by CBI countries.”

Like the Jamaican ambassador, the CARICOM members suggested that NAFTA’s favorable benefits also be extended to the Caribbean Basin. While Jamaican and CARICOM leaders both recommended Basin nations be phased into NAFTA over time, CARICOM members also argued that the Basin should be granted more liberal trade preferences with the United States immediately to aid the Basin’s incorporation into NAFTA. More liberal access to the U.S. market would give Basin countries a “critical lead-time [and] . . . enhance their capacity to participate more fully in liberalized hemispheric trade, as envisaged under the EAI.”

Caribbean Basin governments and CARICOM were not the only groups to laud the EAI and NAFTA though. In a joint communique, a group of U.S. and Caribbean Basin private sector groups also endorsed the “fundamental premise that the long-term prosperity of various parts of the Hemisphere . . . can be best served . . . [by] open and integrated economies.” Although the groups supported continued infrastructure development and aid, they believed Caribbean Basin nations should be made “full-fledged” NAFTA members. Puerto Rican Governor Hernandez-Colon, who pushed for CBI’s reforms in the 1980s, also thought Basin leaders should adopt the new initiatives in the “spirit of regional integration and cooperation.”

What can be learned from CBI’s reforms and these reactions to the EAI and NAFTA? In 1985, economist Kari Polanyi-Levitt wrote that CBI was “trivial” in economic terms but “significant as one component in a larger United States design to lock the Caribbean into its sphere of influence and to construct new economic and political institutions to serve this

---

189 Ibid., 164, 166.
CBI served these ends for the United States and its free market allies in the multilateral institutions and Caribbean Basin. While the Reagan administration acted in good faith and intended the initiative to create strong economic growth in the region, the program’s only economic achievement was aiding the development of nontraditional exports in the Basin. At the same time, though, CBI served as a foundation for the United States, private sector, and Basin leaders to interact and construct legitimacy for free enterprise and export-oriented economic growth for developing nations. At times, however, some groups argued that this emerging neoliberal consensus was not the correct prescription for the Basin’s economic problems and proposed development ideas that tied the economies more towards local consumption and growth. By the 1990s, the neoliberals or Washington Consensus triumphed. Basin economies were more dependent on the U.S. market than ever before and Basin governments sought further inclusion in the U.S. market and regional free trade areas. With the private sector and Basin elites, the United States used the Caribbean Basin Initiative, and other actions, to spread its free market philosophy to nations that experimented with protectionism and socialism in the 1970s, thereby, maintaining the region’s inclusion in America’s informal empire.

CONCLUSION

With capitalism’s triumph over Communism in the Cold War, a consensus formed behind free trade and open markets in the 1990s, easing efforts to strengthen global economic integration. During his presidency, William Clinton promoted globalization by signing over 300 trade agreements as well as getting the North American Free Trade Agreement (NAFTA) and the World Trade Organization ratified. This consensus was so strong by the late 1990s, in fact, that many people in the Western Hemisphere proposed the negotiation of a free trade area across the entire hemisphere by 2005. The idea for a free trade area of the Americas was not new in the late 1990s, though. President George H. W. Bush suggested creating such a trade area through his Enterprise for the Americas Initiative, and President Ronald Reagan even mentioned a trade “accord” among the hemisphere when he unveiled the Caribbean Basin Initiative before the Organization of American States (OAS) in 1982.192

In Reagan’s eyes, CBI was connected to a larger American free trade accord that brought the hemisphere’s nations closer together in peace and prosperity. Although Reagan had this long-term vision for spreading free trade in the hemisphere, he was more concerned with rolling back Communist expansion in the Caribbean Basin. As a result, Reagan proposed the Caribbean Basin Initiative primarily as an anti-communist tool. In time, though, CBI helped pave the way for the globalization efforts of the 1990s by persuading Basin nations to integrate themselves

further into the U.S. and global economies. CBI was initially conceived to further U.S. interests in
the Cold War, but it still served a significant purpose after Communism’s collapse. In essence,
CBI straddled a transitional era between the Cold War and post–Cold War world, and CBI’s
history reflects this transition, offering insight into how U.S. leaders built consensus behind
foreign policy and trade policy at home and abroad.193

By the early 1980s, many Americans believed that Cuba and the Soviet Union were
spreading their influence throughout the Western Hemisphere by supporting left-wing guerrilla
movements and governments. A socialist government had assumed power in Nicaragua, the
Salvadoran government battled a leftist insurgency, and many Caribbean governments had
nationalized certain industries and increased state power. To Ronald Reagan and his advisors,
these developments in the Caribbean Basin posed a fundamental security threat to the U.S.
economy and power in the Cold War. As a result, the Reagan administration developed a
comprehensive Basin strategy consisting of socio-economic, political, and military components
designed to roll back Communist influence.194

The Caribbean Basin Initiative was the socio-economic component of this
comprehensive Basin strategy. The Reagan administration believed that Basin people were
embracing radical left-wing groups because the region’s socio-economic hardship left the people
hopeless. So, taking cues from conservative think tanks like the Committee of Santa Fe and the

193 “Remarks to the Permanent Council of the Organization of American States on the Caribbean Basin
Initiative February 24, 1982,” Public Papers, Reagan Library,
194 Odd Arne Westad, The Global Cold War (Cambridge, UK: Cambridge University Press, 2007), 332;
Campbell Craig and Fredrik Logevall, America’s Cold War: The Politics of Insecurity (Cambridge, MA: The
Belknap Press of Harvard University Press, 2009), 302-310; William M. LeoGrande, Our Own Backyard: The
Press, 1998), 14-45; Carmen Diana Deere, Peggy Antrobus, Lynn Bolles, Edwin Melendez, Peter Phillips,
Marcia Rivera, and Helen Safa, In The Shadows of the Sun: Caribbean Development Alternatives and U.S.
Heritage Foundation, the administration developed CBI to reform Basin economies and alleviate the misery driving people towards radical solutions. CBI would do so through a series of aid, trade, and investment measures meant to strengthen the Basin’s private sector. Since CBI increased duty-free access to the U.S. market for Basin goods, White House officials argued that Basin nations could attract investments and create strong industrial economies that stabilized the region over time. Although the initiative was first and foremost an anti-communist tool, Reagan also intended CBI to show the world’s developing nations that the way to modernize was through private sector development rather than socialism and international bureaucracies.

Before Reagan unveiled the Caribbean Basin Initiative at the OAS in February 1982, he and his administration sought to avoid any major controversies that might prevent Congressional approval. Therefore, the administration developed CBI’s provisions in consultation with the private sector, Basin governments, and the U.S. territorial governments. As U.S. territories, Puerto Rico and the U.S. Virgin Islands already had preferential access to the U.S. market and feared their economies would be undermined if CBI extended duty-free access across the Caribbean Basin. So the Reagan administration listened to U.S. territorial grievances over the initiative and, in some cases, created measures to address those grievances such as rebating revenues from imported rum in return for the territories’ support. By the time Reagan transmitted the CBI bill to Congress in March 1982, he already had endorsements for the initiative from the private sector, Basin governments, and the U.S. territories.

Once Congress began considering the program, the Reagan administration helped create the CBI Coalition to solidify CBI’s support among segments of the private sector and public. CBI Coalition members then lobbied Congress and testified before Congressional committees on the initiative’s necessity. Nevertheless, many congressional members were
reluctant to move forward on CBI’s aid, trade, and investment measures. They claimed that CBI’s aid was a ruse to funnel more money to the Salvadoran government, already the Basin’s highest aid recipient. Other legislators believed CBI’s trade and investment provisions would cost U.S. jobs during a severe economic recession and encourage U.S. industries to flee the United States for the low-wage areas of the Caribbean Basin. During the 1982 session, Congress did appropriate CBI’s aid but only after restricting funds for El Salvador and granting more to the Caribbean. Some legislators also began to move on CBI’s trade and investment provisions after the Reagan administration took members of the House Ways and Means Committee on a tour of the Basin to see the socio-economic misery firsthand. Yet, both Congressional chambers failed to pass the initiative before the end of the 1982 session.195

Going into the 1983 Congressional session, President Reagan vowed to make CBI’s trade and investment provisions “one of my highest priorities.” Unlike in 1982, Reagan assumed a more prominent role in publically pressuring Congress to act. Furthermore, CBI’s congressional supporters dropped the controversial investment measures and exempted some products from duty-free access to protect U.S. domestic industries and lessen CBI’s obstacles to passage. As a result, the legislature delivered Reagan his anti-communist tool in the late summer, officially titled the Caribbean Basin Economic Recovery Act. Congress granted the president the authority to designate Basin nations as CBI beneficiaries, and this designation relied on political criteria. The Communist and left-wing governments of the Caribbean Basin like Cuba and Nicaragua were prohibited from enjoying the initiative’s benefits. Beneficiaries could not nationalize U.S. property without compensation. These nations also had to respect U.S. copyright laws and participate with the United States in preventing drug trafficking, among other things. The White

House hoped that CBI’s economic benefits would persuade leftist governments to reform along free market lines in order to participate in the initiative.¹⁹⁶

During the 1980s, the Reagan administration, along with the international financial institutions, encouraged Basin nations to undertake neoliberal reforms, promising abundance. Neoliberal economists argued that limited state intervention in an economy, open trade, and private sector development were the foundations for strong economic growth. Following neoliberalism, Basin nations cut government spending and social programs and opened their economies to further integration into the global economy. CBI’s economic premises rested on these same neoliberal assumptions: if a Basin nation wanted prosperity, it had to decrease state intervention and foster private-sector-led, export-oriented growth tied to the U.S. and global markets. Once created, however, the initiative was slow to bring the economic results to the Caribbean Basin that the United States promised. Total Basin exports to the United States decreased during the mid-1980s, compelling many Basin governments to demand modifications to increase CBI’s effectiveness. These requests for reforms were significant because Basin nations could have rejected further participation in the initiative and reverted to the socialist economic models that many of them followed in the 1970s. Instead, these nations pursued deeper inclusion into the U.S. and global markets.¹⁹⁷

Congress and the Reagan administration were more than willing to cooperate with Basin governments to reform CBI and further integrate these nations into the U.S. and global

economies. The textile and apparel industry was one of the Basin’s fastest growing sectors, but it was not included in CBI because its importation was regulated under an international quota system. In response to Basin requests, however, Reagan modified U.S. textile importation regulations to grant Basin exporters a guaranteed level of access to the U.S. market under CBI, helping spur growth in the industry. Also in the mid-1980s, congressional members toured Basin countries and participated in a symposium in which U.S. and Basin delegates discussed CBI’s impact, problems, and potential reforms. In 1990, these efforts culminated in CBI II that granted Basin goods increased duty-free access.\textsuperscript{198}

Since CBI’s initiation in the early 1980s and into the 1990s, Basin economies experienced strong, rapid growth in nontraditional exports like textiles and apparel and medical supplies, partly due to CBI’s benefits.\textsuperscript{199} Since these nations were further integrating into the U.S. and global markets, they did not consider returning to the protectionist trade and socialist policies of the past. Therefore, CBI was a successful anti-communist tool during the Cold War. But what role would CBI serve in a post – Cold War world?

After the Cold War ended, free trade expansion and globalization became top foreign policy priorities for the United States, and many people hoped that the Americas would soon be incorporated into one free trade area. Communism lost its luster with the collapse of the Soviet Union, so the Caribbean Basin Initiative no longer had to be an anti-communist tool. In the post


Cold War world, CBI now served as justification to expand free trade. CBI’s creation established a precedent for the United States granting preferential trade treatment to a region. In the 1990s, this regional trade model was carried over to negotiate and create NAFTA, and many people believed a hemispheric free trade area could be achieved through similar regional trade areas that overlapped. Besides setting this precedent, CBI also gave Basin nations a way to pursue further integration into the U.S., regional, and global markets. Much like the U.S. territories had feared CBI would undermine their economies by extending duty-free access across the Basin, Basin nations feared that NAFTA would do the same. So, Basin leaders lobbied the Congress and White House, unsuccessfully, for NAFTA parity during the 1990s. Basin governments requested that any preferential treatment given to NAFTA members also be extended to CBI nations. Basin nations’ push for NAFTA parity marked the realization of a consensus behind free markets in the Caribbean Basin that CBI initiated in the early 1980s. Essentially, CBI assisted the United States in solidifying the Basin’s position within America’s informal, free trade empire.

CBI’s history is one of consensus-building in policymaking and foreign relations. For most of the twentieth century, the United States had unrivaled power and freedom of action in the Western Hemisphere. By the 1980s, the conflicts in Central America and the leftward movement of many Caribbean Basin governments had the potential to undermine U.S. hemispheric hegemony during the Cold War. CBI was the Reagan administration’s long-term, socio-economic response to this threat designed to legitimize American concepts of freedom and free trade.

—

enterprise. Before instituting the initiative, however, the administration first had to receive Congressional approval. Doing so required Reagan to build a consensus among legislators who were hesitant to allocate additional foreign aid to El Salvador and approve a trade program criticized as a job-killer during an economic recession. Once implemented, though, CBI brought economic benefits to both sides and helped legitimize free markets between Caribbean Basin nations and the United States. All in all, CBI was one of the initial steps in preparing the hemisphere for the globalization efforts of the 1990s by combating Communism and promoting free markets.
BIBLIOGRAPHY

Primary Sources

Archives and Manuscripts:


Ronald W. Reagan Presidential Library, Simi Valley, CA:


_The Public Papers of President Ronald W. Reagan_, Ronald Reagan Library.


Office of Intergovernmental Affairs, Ronald Reagan Library.


**News Media:**

*Boston Globe*

*Business Week*

*Christian Science Monitor*

*Foreign Affairs*

*The Globe and Mail*

*The Miami Herald*

*The New York Times*

*Wall Street Journal*

*The Washington Times*
Government Publications, Books, and Periodicals:

Caribbean Review 2, no. 2 (Spring 1982).


U.S. Congress. *Congressional Record*.


Secondary Sources


Dissertations:

