

Caribbean Basin Initiative

President Reagan presented his Caribbean Basin Initiative in a speech at the OAS in February of 1982 and sent legislation to Congress in March. The House passed it in December of 1982, but the Congressional session lapsed before it reached the Senate floor. The legislation was resubmitted on February 22, 1983, and was passed by Congress on July 28.

The CBI consists of three elements. The first is a twelve-year one-way free-trade arrangement for all goods produced in the Caribbean Basin, except for textiles, apparel, canned tuna, leather goods, shoes and petroleum products.

The second element would allow US citizens attending business conventions in the Caribbean Basin to deduct the reasonable expenses incurred from their income tax. Before a country can qualify for this "North American" treatment, it will have to enter into an executive agreement with the US on the exchange of tax information.

The third CBI element involves foreign assistance. The last session of Congress approved a supplementary FY 82 request of \$350 million in Economic Support Funds for emergency balance-of-payments aid. These funds have been totally obligated. In general, aid levels to the CBI region have doubled since 1980.

The CBI legislation lists 27 potential beneficiaries and sets forth a variety of criteria - dealing with self-help efforts, expropriation, trade practices, etc. - which the President must consider in deciding which countries will benefit. Following Congressional passage and Presidential signature, the designation process will begin. We currently plan to have two groups from Washington visit Basin countries, beginning in late August. The purpose of these trips will be to discuss with the various governments the nature of the legislation and how the designation criteria may be met.

July 29, 1983