

THE TURNING POINT: THE CARIBBEAN BASIN INITIATIVE AND THE FREE TRADE AREA OF THE AMERICAS IN 2000

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Thank you. I am pleased to join you at this very timely conference, and let me thank President Iglesias and the Inter-American Development Bank for hosting us today.

This is an especially appropriate time for us to meet. The months ahead will mark a turning point in the relationship between the United States and the Caribbean region. This is true in the most direct terms, as we implement a newly strengthened trade and investment relationship. And it is true in a larger sense, as we prepare for a fundamental change in the economic environment of the entire Western hemisphere - as, in accord with our mandate from the Summits of the Americas, we complete a first draft of the agreement creating the Free Trade Area of the Americas.

This morning, we have an opportunity to reflect and share ideas on the work ahead. As we do so, we can begin with the simple proposition at the foundation of the CBI, and of our broader economic policies in the Caribbean Region: that is, we have no more critical a set of relationships than those with our closest neighbors.

US-CARIBBEAN BASIN RELATIONSHIP

Even the most superficial glance at the ties linking the United States with Central America and the Caribbean islands shows this plainly. We see it in the personal and family ties that join millions of Americans with the region; we see it in the region's extraordinary influence on the arts and popular culture in the U.S.; and we see it in the political ideals of democratic government and the open society which all of the region's diverse nations have come to share.

The fundamental importance of our relationship is equally evident, of course, in economic life. Taken as a whole, the Caribbean Basin is a larger market for our goods than such large and more industrialized countries as France, Brazil or China. It is estimated to be the world's third-largest market for American services exports. Likewise, the United States is the region's natural market, taking 80% of its exports and providing nearly \$50 billion in foreign direct investment. These exchanges have grown rapidly throughout past decade; and today provide jobs and opportunities for millions of people in every part of the region we share.

As we consider the challenges of a new decade, therefore, we begin with the foundation of a deep and successful relationship. It is one which contributes to hopes for growth, jobs and opportunity throughout the region and in the United States; and one which helps all of us achieve our hopes for a peaceful, democratic and prosperous environment.

CBI RECORD

For this, the Caribbean Basin Initiative deserves substantial credit. If we look back to the enactment of the CBI in the early 1980s, we see an environment markedly different from the present. These were years of violence and upheaval. This of course stemmed from a number of different causes; but almost all observers and governments agreed that they had many of their roots in the economic realities of the era.

The U.S. economy was then less open to the world; the economies of the region were likewise more closed to one another and the outside world than they are today. As a result, two commodities alone -- oil and coffee -- at times made up nearly 60% of the region's exports to the U.S.. This left the Caribbean

Basin with few job opportunities for a growing population, and also made national economies highly vulnerable to fluctuations in commodity prices; and such a situation is a natural breeding ground for frustration and discontent.

These were facts both the region's governments and the United States recognized. The result of the discussions of that era, the Caribbean Basin Initiative, has been the centerpiece of our economic relationship ever since. And fifteen years later, and together with the steady development of such regional initiatives as CARICOM and the Central American Common Market, the CBI has fully proven its value.

By offering greater market access for a wider array of the region's industries, it has helped the nations of the region diversify and stabilize their economies, balancing commodity exports with manufacturing and a broader range of agricultural products. Minister Weymann of Guatemala will follow me, and his country offers compelling testimony to this - in 1984, Guatemala relied on coffee and sugar for 60% of its exports to the U.S.. Today, the proportion is 15%, with Guatemala's exports now dominated by apparel.

Almost every country participating in the CBI program has shared in these benefits. In Jamaica, for example, in 1984 aluminum ores made up 70% of exports to the U.S.; today, while Jamaica's total exports have more than doubled, ores are less than 10% of its total exports, balanced by much larger levels of apparel and value-added aluminum products. Looking at the region as a whole, the dominant products of 1985 - oil and coffee - together now make up only about 15% of a much larger total of Caribbean exports to the U.S., and are joined by semiconductors, apparel, shrimp, computers and many other products.

This indicates a shift of profoundly important consequence. It shows us a more developed regional economy with greater long-term growth prospects; and lessened short-term vulnerability for national economies to swings in commodity prices. It implies larger tax bases which enable governments to support education, environmental protection and health. It means new hope for workers and families, as the children of campesinos become students, skilled factory workers, and entrepreneurs. Ultimately, it is a framework of growth and development which complements the work of democratization and political reconciliation; and we see this today in the success of the Central American peace process.

And we in the United States benefit broadly from the region's economic development and political

stabilization. This is true, of course, in practical economic terms - U.S. exports to the region have more than tripled since the CBI's creation, from \$6.5 billion in 1984 to a projected \$23 billion this year - but still more so in the inestimable value of a stable peace in the nations which are America's closest neighbors.

CBI ENHANCEMENT: NEW BENEFITS AND ELIGIBILITY CRITERIA

Policy must, of course, advance as time passes and circumstances change. That is now under way, as - drawing on our experience over the CBI's first fifteen years, and looking ahead to a more integrated hemisphere - we deepen and enhance the program. To review the results briefly, the new CBI program will have two substantial changes.

- First, it will include more products. New additions to the current set of eligible goods include footwear, canned tuna, petroleum products, watches and watch parts - which will be eligible for treatment equivalent to that offered to Mexican goods under the North American Free Trade Agreement, and together amount to well over \$1 billion worth of the Caribbean's current manufactured and agricultural exports.

- Second, it will give the countries of the region substantially greater market access for apparel. This will include duty-free and quota-free treatment for apparel made from U.S. fabrics and yarns, as well as handcrafted and folklore articles, and a number of types of apparel made from regional fabric.

The new program has also set some criteria for eligibility. These criteria are not meant to be exclusive or inflexible, but to encourage policies that promote sustainable growth and job creation. Under these criteria, we are examining issues related to participation in the broader work of hemispheric integration, internationally recognized worker rights and child labor, protection of intellectual property rights, and implementation of other WTO commitments. In recent weeks, we have had constructive discussions on these issues with governments in the region; we are now considering our recommendations to the President, who will of course make the final decisions. Again, our goal is not to limit participation in the enhanced CBI benefits, but to ensure that they bring about their full potential.

TOWARD THE FTAA

Both of these benefits - the new market access opportunities CBI enhancement will provide, and the encouragement it will provide for economic reform and liberalization at home - are especially important in the context of the larger integration project now underway: the Free Trade Area of the Americas.

The FTAA represents a dream two centuries old but never yet fulfilled - an integrated western hemisphere, united in democratic ideals and shared prosperity. This was the goal of the first Pan-American Congress held 170 years ago in Panama. And a renewed commitment to it - , drawing ideas from and building on the success of CBI together with NAFTA, Mercosur, CARICOM and the Central American Common Market - was President Clinton's central aim in convening the first Summit of the Americas in Miami six years ago.

The negotiations are now well underway, having begun in earnest at the Santiago Summit of in 1998. Since then, the work has proceeded methodically and on the timetable set by the elected leaders, with a deadline for completion in 2005. Each phase has included substantial participation from the Caribbean Basin. This fall, in fact, the Bahamas, Barbados, Costa Rica, Guatemala, and Trinidad and Tobago are all serving as Chair or Vice Chair of one or more negotiating groups or committees.

To review our progress to date, by the end of 1999, we outlined the nine principal chapters that will make up the FTAA: market access; competition policy; subsidies, anti-dumping and countervailing duties; intellectual property; government procurement; investment; agriculture; services; and dispute settlement. And we are on track to complete a first draft of those chapters by the end of this year. Thus, by the New Year, we will have completed the preparatory stages, and clear the way for the next meeting of the hemisphere's elected leaders next April in Quebec to begin the work of negotiating a final text.

For all of us, the result will mean new challenges. For Caribbean Basin economies, these will include a more competitive environment in the U.S. as, over time, other nations in the Western Hemisphere begin to receive comparable access to the U.S. market. Here the CBI enhancement will have been especially valuable, by providing early incentives for investment in the region, and encouraging domestic reform and liberalization policies that build the capacity for smaller economies to compete and meet FTAA obligations.

But we can also expect that the principal effects for the Caribbean Basin of the FTAA itself will be very

positive. The region's economies will not only have still greater market access in the United States, but find new opportunities in major regional economies such as Brazil, Canada and Mexico. Over time, all of us will benefit from a generally stronger hemispheric economy that will increase opportunities for trade, investment and tourism throughout the region; and this is particularly evident for the Caribbean region as the natural bridge between the Americas.

CONCLUSION

And in fact the benefits that will flow from this transformation of the hemisphere are clear to us already. They are more than theory; they are effects we have seen in practice throughout the past decade - as Caribbean Basin economies diversified and developed; as conflict faded into the past; as hope and opportunity blossomed.

To this the trade policies developed in partnership over the past twenty years have made an important contribution. Today, as we widen and strengthen our Caribbean Basin Initiative, and work toward the prosperous, open and democratic hemispheric community embodied in the Free Trade Area of the Americas, we are drawing on the lessons of this remarkable era; building upon its achievements; and then moving on to transcend them.

These are noble and inspiring projects. It is my great pleasure to be here with you as they unfold. Thank you very much.