

CARIBBEAN BASIN INITIATIVE

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## ISSUE DEFINITION

The Reagan Administration has proposed legislation which would seek to use trade and aid to promote political stability and economic growth in the Caribbean Basin region. Among other things, it would create a one-way free trade zone, where the small nations of the region would have an opportunity for export-led growth through duty-free access to the U.S. market. It would also provide \$350 million in economic aid for 1982 to El Salvador and other Caribbean countries.

The House of Representatives approved legislation in the post-election session, in 1982, approving the international trade portion of the Caribbean Basin Initiative (CBI) plan. The Senate took no action on the measure however, and it expired at the end of the 97th Congress. On Feb. 22, 1983, the President submitted the trade portion of the CBI plan for reconsideration by Congress.

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## BACKGROUND AND POLICY ANALYSIS

### The Reagan Administration's Proposal

In a speech before the Organization of American States in Washington on Feb. 24, 1982, President Ronald Reagan proposed a package of U.S. economic aid and trade initiatives to help the small countries of Central America and the Caribbean revitalize their economies. The Presidential message and draft legislation for his Caribbean Basin Initiative (CBI) were delivered to Congress the following Mar. 17. In brief, the President's plan provides for one-way duty-free access to the U.S. market for Caribbean and Central American exports, \$350 million in FY82 supplemental aid for certain key countries, incentives to expand U.S. foreign investment in the region, and some proposals for strengthening the private sector in the Caribbean nations.

As defined in the President's proposal, the Caribbean Basin includes the seven nations of Central America, the island countries of the Caribbean, and Guyana and Surinam (28 countries in all.) The large countries in the region are not to be beneficiaries. Indeed, Mexico and Venezuela are sponsoring their own economic aid programs (as is Canada) and Colombia is considering

adoption of a program to help the small nations of the Caribbean area.

The President told the OAS delegates his CBI plan was needed to strengthen the Caribbean nations and bolster them against outside subversion. Currently, he observed, "these countries are under economic siege." Economic disaster has drained their money reserves, stimulated illegal immigration to the United States, and shaken their political stability, he said. It has also "provided a fresh opening to the enemies of freedom, national independence and peaceful development." President Reagan denounced Cuba and its allies sharply, in the last half of his speech, for exploiting the region's economic vulnerability. The CBI proposal showed, he said, that the United States was ready to counter Communist activity in the Caribbean. "If we do not act promptly and decisively in defense of freedom," he warned, "new Cubas will arise from the ruins of today's conflicts." The U.S. response would focus, he said, on the economic roots of the regional crisis. It would not "follow Cuba's lead in attempting to resolve human problems by brute force." The United States planned to spend up to five times as much for economic assistance (including the CBI), he announced, as for security aid to the Caribbean nations.

Administration spokesmen put more emphasis on the development aspects of the proposal in their subsequent statements. U.S. Trade Representative Bill Brock said, in the Feb. 24 press briefing unveiling the new CBI plan, that it was meant to respond simultaneously with trade and aid to the Caribbean's long-term and short-term needs. "We have two different problems," he told the press. "It is difficult to propose an economic program that can work in the midst of gunfire. But most countries don't face that problem immediately." On Mar. 25, testifying before the Senate Foreign Relations Committee, Ambassador Brock said the CBI program sought to cope with basic problems "that must be addressed if this country hopes to live in a hemisphere free from the suffering that is now so vividly apparent in the Caribbean." Deputy Secretary of State Walter Stoessel also testified during these hearings that "security, democracy, and economic development are clearly linked together" in the Caribbean area. The CBI plan was intended, he said, to help those small countries survive the present crisis, achieve self-sustaining growth, and "give them hope in their futures with Western values as the foundation for their freedom and independence." AID Administrator Peter McPherson also testified then that the CBI was not an aid-based development program, as the Alliance for Progress had been. "What we have tried to create is a program that is based more on the development of an indigenous private sector ...so they can develop the institutional means for preserving political pluralism."

### Critiques of the Plan

Several elements of the Caribbean Basin Initiative (CBI) package are controversial. Some labor unions and business groups oppose the foreign trade portions of the plan. They fear, for example, that Caribbean goods may undersell U.S. products and U.S. firms might shift production out of this country if those goods face no tariffs barriers and those firms get the same tax credits for their investments in both the United States and the Caribbean. Farm groups are worried about new competition from Caribbean fruit and winter vegetable growers, and the U.S. sugar industry has been concerned that the plan might possibly undermine the U.S. sugar price support system. Liquor producers in Puerto Rico and the Virgin Islands have also been worried that they might have to close some of their local distilleries if the United States imports more rum from the Caribbean.

countries.

From another perspective, many economic and foreign affairs commentators insist the CBI plan is simply too narrow and too limited in scope to meet the needs of the Caribbean area. The small amounts of additional bilateral economic aid in the package will not offset the huge outflows of private capital from the region, they say, let alone provide any net increase in local investments. Moreover, the U.S. proposal for reducing the size of the multilateral bank programs in the Latin American area more than offset any increased aid from this bilateral program. Some analysts calculate that only about 7% by value of the Caribbean's exports to the United States (i.e., articles other than sugar, textiles, petroleum, and goods entering free now under the regular tariff or GSP rules) would be affected by the elimination of U.S. duties. There is also doubt whether enough investment will be forthcoming under the plan to support a major expansion in the region's duty-free exports or any significant transformation of the Caribbean economies. The CBI plan's trade components are largely irrelevant, some observers say, to the problems of confidence and security that plague Central America and adversely affect the desire to invest. If the CBI were adopted and it failed to promote development, they argue, the peoples of the Caribbean would tend to blame the United States for their predicament. Meanwhile, they argue, the proposed trade concessions threaten to undercut the Puerto Rican and Virgin Islands economies while locking the other Caribbean nations into the pattern of dependency which they believe has produced unstable growth over the years. The others would not have the "safety valve" of open emigration to the United States which the U.S. Caribbean territories have enjoyed over the years.

Many of the critics are also concerned that too much of the CBI bilateral aid money is slated for short-term balance of payments support and very little is intended for project aid to help overcome the obstacles which have hampered growth and development in the past. Some critics insist that too much of the bilateral aid is earmarked in the Administration's proposal for Central America (\$243 million of the \$350 million, \$128 million for El Salvador alone). They say the CBI plan seems to be mainly a vehicle for bolstering U.S. security policy in that particular area.

The Administration and its allies dispute the accuracy of these objections to the plan. They insist the CBI is a sound framework for future Caribbean development. Furthermore, they say, the foreign policy costs of failing to adopt the CBI plan may be very great, now that the United States has given the residents of the Caribbean hope for a better life through that plan. They argue the advantages to the United States from strengthening the Caribbean economies far outweigh the costs from any small dislocations in segments of the U.S. economy. (The Administration also subsequently imposed quotas which keep out much of the sugar which might otherwise enter the United States under the CBI.) Most of the FY83 aid money is scheduled for Central America, they say, because its economic problems are more immediate and severe than those of the other parts of the region. In addition, they say, on a per capita basis the Caribbean islands are getting the largest share and El Salvador the smallest share of that money. They contend that the trade parts of the CBI plan are really much more important, however, in terms of their potential long-range impact on the whole region's development prospects, than is the allocation pattern for the FY82 economic aid...

#### Elements of the Plan

Some of the administrative components of the Caribbean Basin Initiative (CBI) plan may be implemented using existing presidential authority. All of its major elements, though, require congressional approval. The tax committees must pass on its trade and tax provisions, the foreign affairs panels must approve the new foreign aid allocations, and the House and Senate have to agree to the basic legislation before the regional assistance plan can go into effect. This section provides a summary of the details of the Administration's proposal. The next section provides a brief account of congressional action on the plan.

### Free-Trade Zone

The centerpiece of the Administration's CBI plan is the proposal to establish a one-way free trade area, so that Caribbean exports could enter the United States duty-free without similar reverse trade concessions being expected from the Caribbean states. The U.S. Generalized System of Preferences, which already applies to all Caribbean countries except Cuba, already extends similar but more limited trade advantages to the developing nations. The Administration says its rules are too complex, though, for most small inexperienced traders. Unlike the GSP, the CBI plan would set no absolute or market share limits on Caribbean imports. Textiles and apparel goods would still be subject to quantitative limits based on the international multifiber agreement, but the Administration says the Caribbean nations will get more favorable treatment (presumably a larger quota) in the context of current U.S. policy. Caribbean sugar exports would be duty free only up to a limit that protects the U.S. domestic sugar price support system.

Safeguard provisions would also be provided, so the International Trade Commission could recommend that the President grant tariff relief if it finds increased imports are a significant source of substantial injury to U.S. producers. For perishable goods, the Secretary of Agriculture could ask the President for immediate relief pending the completion of an ITC inquiry.

This duty-free status for Caribbean goods would last for 12 years. (The GSP provisions of the current U.S. tariff code lapse in 1985.) Goods would be eligible for duty-free entry, under the program, if 25% or more of their import value originated in one or more of the Caribbean countries.

The Administration's plan would authorize the President to negotiate separately with each Caribbean Basin country to set the terms and conditions for its participation in the program, instead of making them all eligible for automatic benefits under the CBI legislation. Executive branch officials have said they hope these talks will provide them opportunities for encouraging the Caribbean nations to give the private sector a wider role in their domestic economic policies.

### Investment Incentives

The Administration's plan also includes incentives to encourage U.S. firms to take advantage of the trade aspects of the CBI plan through new investments in the region. First -- and perhaps most important -- it recommends that U.S. investors get the same tax credits for their Caribbean investments as they now get for their U.S. domestic investments. Specifically, it proposes that the 10% annual tax credit for investments in fixed assets in the United States (enacted in 1981) be extended for a 5-year period to cover similar investments in the Caribbean. The Administration says this would significantly reduce the new Caribbean investors' net tax

liability in the United States.

Second, the Administration says it plans to negotiate some new bilateral tax treaties to set standards and clarify the investment rules in the developing countries. Among other things, the Administration wants agreed mechanisms for resolving disputes and a pledge that U.S. investors will be treated on an equal basis with local investors (not just with other foreign investors.) This tax treaty concept is not part of the CBI legislation, but future agreements would be subject to the advice and consent of the Senate.

Third, the Administration also wants the U.S. Overseas Private Investment Corporation (OPIC) to take various administrative actions to help encourage more U.S. private investment in the Caribbean region. OPIC is subject to statutory ceilings which limit its insurance and guarantee exposure in single countries. The Administration hopes to leverage OPIC's existing authority and expand its coverage in the region by arranging informal consortia with private insurance firms or a possible multilateral insurance agency. The CBI package does not propose any changes in OPIC's current operational ceilings.

#### Bilateral Economic Aid

As a part of its CBI package, the Administration also wants the United States to allocate an additional \$350 million in economic support fund (ESF) aid in FY82 to countries in the Caribbean region. This would be in addition to the \$351 million in development aid and ESF money appropriated for FY82 and the \$544 million proposed for FY83.

The Administration wants to use this extra ESF money for fast-disbursing balance-of-payments assistance to help selected Caribbean countries pay their import bills this year. Little is scheduled for use in financing new development projects. (Projects usually take more time to fully disburse their funds.) The Administration says this balance of payments aid will help these countries import the spare parts, machinery, and other inputs which their private sectors need to revitalize and expand their levels of activity. The U.S. aid would not be tied to specific import transactions, but the recipient countries would be expected to allocate more money to the private sector for essential imports, working capital, and other local cost requirements.

The Administration wants to allocate this FY82 supplemental aid in the following manner. One-third, \$128 million, is scheduled for aid to El Salvador. Another third is designated for other Central American nations -- \$70 million for Costa Rica, \$35 million for Honduras, and \$10 million for Belize. Most of the remaining third is earmarked to aid the Caribbean island nations -- \$50 million for Jamaica, \$40 million for the Dominican Republic, \$5 million for Haiti, and \$10 million for the Eastern Caribbean mini-states. Some \$2 million of it is also scheduled to go to the AFL-CIO's American Institute for Labor Development for use throughout the entire Caribbean region.

#### Measures for Puerto Rico and the Insular Possessions

The CBI also includes some provisions which especially benefit U.S. insular possessions, particularly Puerto Rico and the Virgin Islands. (The premise is an assumption that these two U.S. flag territories deserve some extra help if the program is going to build up their potential competitors in the region.) The Administration's plan, for example, would transfer to the two U.S. possessions all the Federal excise tax collected on imported rum if

rum receives duty-free status in the Caribbean free-trade zone. The plan would also count value added in the form of goods and services from the Virgin Islands and Puerto Rico as Caribbean inputs, as regards the 25% Caribbean content requirement for duty-free entry. This should encourage Caribbean nations to work with firms in the U.S. possessions as they try to expand their duty-free exports under the plan. (The President also announced his support for legislation which would reduce the local input requirement for duty-free export to the United States from all the U.S. insular possessions from 50 to 30%. Insomuch as the 25% allowance for the CBI would apply to all U.S. insular possessions, their exporters would then have a choice as to which of the local-content requirements they wished to follow.) As with firms on the U.S. mainland, producers in Puerto Rico and the Virgin Islands could also use the existing International Trade Commission safeguards to protect them from injurious competition.

Besides proposing these possible legislative actions, the Administration also has announced plans to make greater use of the existing Federal training and research facilities in Puerto Rico and the Virgin Islands. In conjunction with this effort, it is asking Congress for authority (in other legislation) to establish a science and education center at the College of the Virgin Islands, and to let the U.S. Agriculture Department make greater use of Puerto Rico's Tropical Agriculture Research Center. It is also proposing to expand or strengthen the airports and other transportation facilities in both the U.S. island possessions.

#### Other Provisions

The President also announced, as a part of the CBI program, that the Administration planned to use its existing legal authority to encourage the growth of the private sector in the Caribbean countries in a number of other ways. It intended to work with the local governments in the region, for example, to design development strategies which emphasize private sector activity. AID would coordinate programs to promote regional trade, improve transportation, and remove other impediments to private sector growth. USDA would provide technical assistance on agro-industry issues, and advice on meeting the U.S. agricultural health and sanitary regulations. (The latter is important if these countries are to expand their agricultural exports to the United States.) Other agencies would conduct programs of their own to identify other bottlenecks to private sector growth in the region.

He also said the Export-Import Bank would expand its program to finance trade with the Caribbean. Because of their doubts about the region's stability, most U.S. banks have hesitated about extending credit to many Caribbean countries. The Administration estimates there is a demand for commercial bank credit in excess of \$1 billion in the Caribbean which is not being filled because of the lenders' risk perceptions. This reportedly has had a depressing effect on economic activity in the region. The Eximbank has increased its medium-term credit activities in the Caribbean. As part of the CBI program, the President said the U.S. export finance agency would now also consider providing new guarantees for short-term bank loans to borrowers in the region.

#### Congressional Action

On Mar. 18, 1982, bills to implement the Administration's CBI plan were introduced in the House (H.R. 5900) by Representatives Michel, Wright, and others, and in the Senate (S. 2237) by Senator Dole and others (by request).

The legislation was referred jointly to the House Committees on Ways and Means and Foreign Affairs and the Senate Committees on Finance and Foreign Relations. Congress appropriated the necessary funds for

#### Action by the Tax Committees

The Trade Subcommittee of the House Ways and Means Committee has proposed narrowing of the free trade provisions of the Administration's plan. Marking up Title I of the proposed legislation on May 5, it adopted an amendment (which had been strongly supported by the U.S. leather products industry) excepting from the duty-free provisions of the bill footwear, luggage, work gloves, handbags, and other mostly leather goods which are not duty-free under GSP. It also set quotas on the duty-free entry of rum. The subcommittee tightened the provision in the bill allowing Caribbean exports to contain only 25% regional value added, by adding a number of guidelines defining in more detail the eligibility standards under that rule. The panel also incorporated into the bill the change the President had endorsed lowering the local content threshold from 50 to 30% for duty-free imports from U.S. insular possessions.

The CBI legislation sat in the Ways and Means Committee following the Subcommittee action, as the full committee turned its attention to other matters. On Nov. 30, however, in conjunction with his 4-nation trip to Latin America, President Reagan met with several Members of Congress and "underlined the importance" (as he later said) of action "as soon as possible" on the trade and tax provisions of his CBI proposal. The President said that Ways and Means Chairman Rostenkowski had "promised to help" pass the Caribbean development plan in the post-election congressional session. Chairman Rostenkowski's office indicated later, though, that this commitment applied only to the trade portion of the CBI plan.

On Dec. 11, 1982, the full Ways and Means Committee marked up and reported its version of the CBI legislation by a 28-6 record vote. The Ways and Means Committee plan -- which was reported later as H.R. 7397 -- included most of the provisions approved earlier by the Trade Subcommittee. The Full Committee made several significant changes in the earlier subcommittee draft. First, it dropped the proposed quotas and limits on imports of rum from CBI nations. Second, it excludes petroleum and petroleum products from duty-free treatment. Third, it requires the CBI beneficiaries to take action so expanding their agricultural exports to the U.S. does not adversely affect their local food production for consumption by poor people. Fourth, it made the bill's effective date the day of enactment (rather than Oct. 1, 1982). Fifth, it stipulated that no country's exports would be eligible for duty-free treatment if it had a government-owned station which broadcast films or other copywritten material without permission from U.S. copyright holders, and if it did not have an extradition agreement with the United States.

The Ways and Means Committee decided not to include the investment tax credit and accelerated depreciation provisions which the Administration proposed in its original bill. Title II of the final Committee bill does include a few tax provisions, however. It stipulates: (a) that the excise tax revenues from future rum imports from the CBI region would be transferred to Puerto Rico and the Virgin Islands. It also allows: (b) that the cost of attending certain kinds of conventions in the Caribbean will be as deductible as if the convention were held in the United States, providing the Caribbean host country has entered into an exchange-of-information agreement on tax matters with the Treasury.



The Ways and Means Committee defeated a number of amendments which would have granted certain industries or certain products protection from the duty-free provisions of the bill. These included a motion defeated (9-24) to retain the quotas and limits on imported rum. The Committee turned down (by voice votes) proposals to drop the food-for-the-poor safeguards and the convention deduction provisions. It also rejected similarly a motion to extend accelerated cost recovery tax benefits to investments in Puerto Rico and the Virgin Islands.

On Dec. 17, 1982, the House approved the Ways and Means Committee's proposed legislation by a 260-142 record vote. During the course of its deliberations, it voted to keep the existing tariff protection for canned tuna and to exclude it from duty free treatment under the bill. The House also rejected a similar proposal, though, to exclude imports of tobacco products. Finally, the House rejected (171-226) an amendment that would have established quotas and ceilings on the duty-free importation of Caribbean rum.

The Senate Finance Committee held one hearing, on Aug. 2, on the CBI proposal. On Dec. 21, it reported out the just-passed House version of the CBI bill (with minor amendments). Due to the press of other business, however, no further action was taken on the bill and it died at the end of the 97th Congress.

#### Action by the Foreign Affairs Committees

The House and Senate foreign affairs panels made a number of significant changes in the CBI plan during their consideration of the proposed legislation.

The House Foreign Affairs Committee substantially revised the foreign aid portion of the CBI bill when it reported title II of the legislation on July 15. Basically, the committee tried to get more emphasis placed on long-term development and less on short-term balance-of-payments support in the CBI program. The committee used H.R. 6755, an alternative bill introduced by Representatives Zablocki and Bloomfield, as its point of departure in amending the Administration's proposed plan. This bill embodied most of the changes recommended earlier by the committee's International Economic Policy and Inter-American Affairs subcommittees. The two subpanels had voted, on May 11, to limit the amount any single country could get under the CBI aid program (thus reducing the amount available for El Salvador) and to require that most of the CBI aid money be used for development rather than balance-of-payments purposes. After it had marked up and adopted H.R. 6755, the committee also voted to substitute its provisions for the original text of Title II of H.R. 5900 and to report both identical pieces of legislation to the House. This provided the Committee with a vehicle for possibly taking its CBI authorizations to the floor separately if the main CBI bill got hung up elsewhere in the legislative process.

The House Foreign Affairs Committee's version of the CBI bill stipulates that at least \$43.5 million of the authorized \$350 million shall be used to finance development assistance programs in the beneficiary countries. (At least \$7.5 million and \$2.0 million of this must be used, respectively, for scholarships in the United States and Inter-American Foundation programs in the Caribbean region.) A minimum of 80% of the remaining \$305.25 million must be used to generate local currency that can be used to finance additional development programs in the recipient countries. The committee's

bill says that the President shall seek a balance, in using the newly authorized CBI funds, between assistance to the public and the private sectors and between development aid and balance-of-payments support. It also says (in compromise language worked out with the Administration) that particular emphasis should be placed on programs handled by private voluntary organizations. No dollar figure was specified, however. The House bill sets a \$80 million ceiling on the amount which could be used to help any one country (\$48 million less than what the Administration planned to allocate for El Salvador.) With regard to Haiti, the Committee bill said no ESF money could go to that country in 1982 unless the President certified that Haiti was meeting the fiscal performance targets set forth by the IMF. In addition to its CBI authorizations, however, the committee also authorized an additional \$20 million in the bill for aid to El Salvador in order to help finance the implementation of its land reform program. Under the committee's plan, those dollars would be used to generate local currency, and the local money would be used to capitalize a special fund which would help provide compensation for property acquired under phase III of the country's land reform program. In order for the dollars to be available, however, the U.S. President would have to certify that El Salvador is making substantial progress in implementing its land reform program and the rights of its beneficiaries or potential beneficiaries had not been compromised by any changes promulgated before or since the March 28 elections.

The Senate Foreign Relations Committee initially decided, when it first considered the CBI aid plan, to transform it into a multilateral assistance program. On a close vote, it adopted a motion by Senator Dodd which would have changed the Administration's bilateral aid package into a multilateral program run by the World Bank. (Some \$17.5 million of the original sum was still reserved for AID, though, to finance a \$7.5 million scholarship program and a \$10 million program of aid through private voluntary organizations.) The World Bank was to put the CBI money in a trust fund and use it to promote development in the Caribbean region, under the terms of a management contract which it would sign with the United States. On May 21, the World Bank's senior vice president wrote to the Secretary of the Treasury to say the Bank would rather not have the responsibility for managing the foreign aid part of the CBI program. The Senate panel's action suggests, in any case, that it has some serious reservations about the Administration's plans for emphasizing bilateral aid and diminishing the U.S. role in the multilateral banks.

On Sept. 9, the Senate panel decided to take another tack with its part of the CBI legislation. During the intervening period, the House Foreign Affairs Committee had reported its version of the CBI bill (H.R. 6755) and Congress had approved its funding through the General Supplemental Appropriation Act (see below.) To expedite action on the CBI's FY82 authorization, the Senate Committee voted to report a new bill (S. 2899), which was very similar to the new House bill. (The main difference was language in the Senate bill reserving \$10 million for programs run by private voluntary organizations and stipulating that the President should take care that any production financed under the Act not hurt U.S. agricultural producers. The Senate panel also added five other new provisions to its version of the bill. One, a "sense of the Congress" resolution proposed by Senator Glenn, asked the Administration to reconsider its position (in the current Inter-American Development Bank replenishment talks) that IDB lending should grow slowly or even be cut back in some respects. It urged the Administration to seek a new IDB funding agreement where the Caribbean countries could get a larger share -- up to 15% -- of IDB lending in future years. A second provision asks the Administration to pay close attention to

how the CBI plan affects Puerto Rico and the Virgin Islands. A third says that -- to the maximum extent possible -- CBI aid to Haiti should be channeled through private voluntary organizations or the private sector. The fourth provision says that the tourism industry ought to receive some emphasis in the CBI program. The fifth committee initiative expressed the "sense of the Congress" that the President ought to seek commitments to help protect the spawning grounds of the Western Atlantic bluefin tuna during his negotiations with the Caribbean nations concerning implementation of the CBI plan.

On Sept. 8, Secretary of State Shultz wrote Chairman Zablocki of the House Foreign Affairs Committee, saying the Administration intended to abide by the policy and programming guidelines stipulated in the Committee's bill. He also said the Administration would adhere to the country allocation schedule printed in the House panel's report (which was virtually the same as that enacted subsequently in the supplemental appropriation.) Consequently, whether or not Congress has the time to pass H.R. 6755 in the post-election session, its major provisions will help guide the Administration's implementation of the CBI aid program.

#### Action by the Appropriations Committees

When the issue first came up on May 26, the House Foreign Operations Appropriations Subcommittee decided to postpone action on the Administration's funding request for economic aid through the CBI program. Some subcommittee members suggested it might be better to wait until after the authorizing committees had finished work on the package. Others said there probably were not sufficient votes on the panel to approve the CBI request if it came up at that time. The proposed level of aid for El Salvador was reportedly a major sticking point for the legislation. Several leading members of the panel have been long-term critics of Administration policy in Central America. Some reporters suggested that the subcommittee might have been influenced in this instance by the El Salvador government's decision to suspend implementation of its land reform program.

A compromise seemed to have been worked out by the time the Appropriations Committee got ready to take the 1982 General Supplemental Appropriations bill (H.R. 6863) to the House floor. Besides the CBI, Congress was also considering at that time a controversial Administration proposal for \$301 million in military assistance grants and loans. The key figures on the Foreign Operations subcommittee agreed on a compromise package which contained \$350 million for the CBI (with a \$75 million ceiling on economic aid to El Salvador) and \$52 million for military aid (all grants, none for El Salvador). When Representative Long (Md.) proposed the compromise plan as an amendment to H.R. 6863 on July 29, however, it was defeated on a point of order by Representative Miller (Calif.) Mr. Miller noted that the proposed amendment was in technical violation of the House rules, which require that the authorization be approved before the appropriations for a program can be voted. Some observers suggest that this point of order may have been motivated more by opposition to aid for El Salvador than by strict procedural concerns.

The Senate Appropriations Committee included full funding for the CBI aid program -- and added an additional \$5 million for Honduras -- in its version of the General Supplemental Appropriations Bill. The bill passed the Senate with no significant controversy about the CBI section on Aug. 11. The House and Senate conferees recommended subsequently that \$350 million be appropriated for the program. They set a number of ceilings and floors for

country allocations: no more than \$75 million for El Salvador and \$10 million for Guatemala, no less than \$20 million for the Eastern Caribbean, \$41 million for the Dominican Republic, \$10 million for Haiti, \$50 million for Jamaica, \$10 million for Belize, \$70 million for Costa Rica, \$35 million for Honduras, \$2 million for the American Institute for Free Labor, \$2 million for the Inter-American Foundation, and \$25 million unallocated. They also stipulated that none of the CBI aid funds could be obligated until Sept. 15 or until the authorizing legislation was enacted, whichever came first. This gave the authorizing committees a chance to get their bills passed after the August recess without blocking the availability of these urgently needed funds. It also guaranteed that the expenditures would be scorekept against the FY82 budget.

On Aug. 28, the President vetoed the General Supplemental Appropriation Bill, for reasons unrelated to the CBI portion of the legislation. The bill became law (P.L. 97-257) in spite of his objection, however, after the House and Senate voted on Sept. 9 and 10, respectively, to override the President's veto.

#### LEGISLATION

P.L. 97-257 (H.R. 6863)

Supplemental Appropriations Bill, 1982. Includes funds for the Caribbean Basin Initiative, military assistance, and disaster aid for Lebanon. Introduced and favorably reported by the House Committee on appropriations (H.Rept. 97-673) on July 27, 1982; passed House, 282-111 (roll call vote #229) on July 29. Referred to the Senate Committee on Appropriations on Aug. 2; reported, with amendments, by the Senate Committee on Appropriations (S.Rept. 97-516) on Aug. 3; passed Senate by voice vote on Aug. 11. Conference report filed (H.Rept. 97-747) on Aug. 13; House agreed to conference report, 348-67 (roll call vote #293) on Aug. 18; Senate agreed to conference report on Aug. 20. President vetoed H.R. 6863 on Aug. 28. House voted to override the President's veto, 301-117 (roll call vote #216), on Sept. 9. Senate voted to override the veto, 60-30, on Sept. 10. Measure became P.L. 97-257 on Sept. 10, 1982.

H.R. 5900 (Michel et al.), H.R. 7397 (Gibbons)/ S. 2237 (Dole et al.)

Caribbean Basin Recovery Act. Provides duty-free treatment for certain articles imported from designated countries in the Caribbean Basin. Authorizes the appropriations of \$350 million for economic supporting assistance to such countries. Provides investment tax credits for Caribbean Basin property. Extends an investment tax credit and accelerated cost recovery deduction to property owned or used by certain corporations and U.S. citizens engaged in trade or business in Puerto Rico, the Virgin Islands, and other U.S. possessions. H.R. 5900 was introduced Mar. 18, 1982; referred to the House Committees on Foreign Affairs and Ways and Means. Title II was reported to the House with amendment (H.Rept. 97-665, part 1) July 26, 1982. S. 2237 was also introduced Mar. 18; referred to the Committees on Foreign Relations and on Finance. H.R. 7397, substituted for H.R. 5900 on Dec. 9, was reported to the House Dec. 10 by the House Committee on Ways and Means; passed House 260-142 on Dec. 17. Reported by Senate Finance Committee Dec. 21, but was not considered by full Senate.

H.R. 6755 (Zablocki and Bloomfield)/S. 2899 (Percy)

Caribbean-Central American Economic Revitalization Act. Authorizes the appropriation of \$350 million for economic supporting assistance to Caribbean Basin countries. Requires that almost all those funds be used to finance development assistance programs in beneficiary countries, either with dollars or with local currency generated by dollars. Limits the amount available to any single country. Authorizes an additional \$20 million to facilitate implementation of land reform in El Salvador. Requires the U.S. President to determine and report that substantial progress is being made in implementing land reform program in that country. Introduced July 14, 1982; referred to the Committee on Foreign Affairs on July 26. Reported to the House (H.Rept. 97-666) on July 26. Introduced and reported by the Senate Foreign Relations Committee (S.Rept. 97-541) on Sept. 10, 1982.

#### CHRONOLOGY OF EVENTS

- 07/15/82 -- House Foreign Affairs Committee marked up and ordered reported H.R. 6755. It also voted to substitute the text of H.R. 6755 for the original provisions of Title II of H.R. 5900 and to favorably report that amended legislation as well.
- 05/26/82 -- House Appropriations Committee Foreign Operations Subcommittee postponed action on Administration's funding request for CBI program.
- 05/26/82 -- House Foreign Affairs Committee postponed action on CBI legislation.
- 05/21/82 -- Letter from World Bank senior vice president for operations to U.S. Treasury secretary, saying the proposed CBI trust fund would not be suitable for World Bank Administration.
- 05/19/82 -- Senate Foreign Relations Committee marked up and voted to favorably report Title II of S. 2237.
- 05/11/82 -- Two Subcommittees of the House Foreign Affairs Committee recommended full committee adoption of amended versions of Title II of H.R. 5900.
  - Trade Subcommittee of the House Ways and Means Committee recommended full Committee approval of amended version of Title I of H.R. 5900.
- 03/17/82 -- Draft legislation and Presidential message delivered to Congress.
- 02/24/82 -- President Reagan outlined the general direction of his Caribbean Basin Initiative in speech before the Organization of American States.