Panama: Obstacles to Democracy
Luis P. Salas, I. Roberto Eisenmann Jr., Peter Eisner

The Caribbean: Trade Policy in a Restructuring World
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Real-World Economics
Lisa R. Peattie

Graham on US-Caribbean Trade-offs
Kimerling & Natural Resources Defense Council on Poisoning Ecuador’s Oriente
Heymann on Official Violence in Guatemala
Feinberg on Bush’s Enterprising Initiative
Thurston on Cultivating Chilean Exports
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REPORTS
Bush's Andean Initiative by Eduardo A. Gamarra

REPORTS
Letter to President Vinicio Cerezo by Philip Benjamin Heymann
Bush's Enterprising Initiative by Richard E. Feinberg
Cultivating Exports by Charles Thurston

FEATURES
Panama: Obstacles to Democracy
Disarming Politics by Luis P. Salas
Hope Restored by I. Roberto Eisenmann Jr
So, What Did Happen by Peter Eisner
Caribbean Trade Policy in a Restructuring World
1992: The EC and the Caribbean by Paul Sutton
The View from the Caribbean by Anthony P. Gonzalez
A CBI Report Card by Carmen Diana Deere

REVIEW FORUM
Real-World Economics by Lisa R. Peattie
Strategic Choices, Making Policy, Revolutionary Mexico

PUBLICATIONS UPDATE
Labor Migration Policy by Marian Goslinga
Trade-offs? The US and the Caribbean

by Bob Graham

The US and Mexico have taken a potentially positive decision to begin negotiations on a free-trade pact. Nonetheless, this decision poses challenges for a region of great importance to the US: the Caribbean Basin.

A US-Mexico trade pact must not damage—even inadvertently—US trade ties with the fragile economies of the Caribbean Basin’s emerging democracies. The US must also be sensitive to the implications of a US-Mexico agreement for the state of Florida, particularly for agriculture, its second largest industry.

It is widely recognized that healthy economies in Latin America and the Caribbean translate into profitable markets for US products. Strong economies also improve the chances of solving hemispheric problems such as drug trafficking and immigration. But free trade must be fair trade. In the case of agriculture, this means negotiating a trade pact that takes into consideration important issues such as labor conditions, chemical and pesticide regulation, and food safety.

The decision by US president George Bush and Mexican president Carlos Salinas de Gortari to initiate trade talks means the US and Mexico will negotiate for a period of up to three years to eliminate trade barriers. A trade pact between the US and Mexico, similar to the recently ratified US-Canada agreement, could make Mexican goods more competitive than goods from the Caribbean Basin. Such a pact, then, could jeopardize economic growth, as well as destabilize fledgling democracies, throughout the Basin.

A trade pact between the US and Mexico could make Mexican goods more competitive than goods from the Caribbean Basin. Such a pact could jeopardize economic growth, as well as destabilize fledgling democracies, throughout the Basin.

Since 1988 the Caribbean Basin has experienced an unprecedented election binge. Except for Cuba and Haiti, democratic rule now prevails throughout the region. After a decade of war and political turmoil, the US must help its friends preserve their hard-won democratic gains. The best way to do so is by fostering economic growth through trade.

Regional Response

The US and its neighbors in the Caribbean Basin should respond to this challenge by asking what is in their long-term collective economic interests. The debate must begin in the Basin, which has the most at stake. Since 1983, when the Caribbean Basin Initiative (CBI) became law, the region has taken advantage of the program to gain limited duty-free access to US markets and to attract new foreign investment. In 1990 the US Congress passed and President Bush signed a law strengthening CBI. The 1990 legislation:

- Makes permanent the region’s limited duty-free access to the US market, which was to have expired in 1995.
- Expands duty-free treatment to include the assembly or processing of fabricated components of 100% US origin. This change would affect products ranging from electronics to leather goods such as shoes and handbags.
- Separates CBI countries from other world markets for the purpose of determining injury to US industries in unfair trade practices cases.
- Extends special treatment for CBI ethanol products (i.e., fuel) through 1992.

These are modest but useful improvements. CBI supporters wanted more but failed in the face of strong resistance from the US textile, apparel, and shoe industries. The Senate even defeated an effort to reduce—not eliminate—import duties on inexpensive footwear. Some US producers will oppose a trade pact with Mexico as well. Portions of agriculture and the electronics industry are sure to be among them. US negotiators will have to address these concerns if they are to forge an agreement with Mexico that has the support of the American people.

Bob Graham is a US senator for the state of Florida.
Yet some US economic sectors as well as the CBI countries stand to lose as a result of a free-trade agreement between Mexico and the US. Mexico already has two formidable built-in advantages over the Caribbean Basin: a large, trained labor force and a developed cross-border transportation system that provides easy access to the US market. Moreover, allowing unrestricted entry of duty-free Mexican textiles and apparel into the US could wipe out CBI gains under the so-called Super 807 program, which permits CBI quota-controlled imports of garments made from 100% US cut and formed fabric.

Caribbean Basin governments need to decide whether to move beyond CBI by seeking a free-trade agreement with the US, either in collaboration with Mexico or separately. Only they can make this decision.

The region's countries are well aware of the dangers posed by a US-Mexico pact. That is why Costa Rica, Panama, Jamaica, El Salvador, and Honduras are currently negotiating with the US the outlines of possible free-trade agreements. The five Central American presidents are expected to take up the issue when they meet in December 1990, and Caribbean countries are already discussing the feasibility of a regional agreement with the US. In the meantime, however, the US should emphasize that it would welcome a decision in favor of free trade by the Caribbean Basin and would be prepared to negotiate the terms of such a pact. The US must also begin to view its relationship with the Caribbean Basin and Latin America in a broader context of mutual self-interest.

**A New Era**

The US is entering a new era where its national security will be increasingly defined in economic rather than military terms. Using this calculus, US economic interests in Latin America overwhelm its economic interests elsewhere in the world. Further, as Europe moves toward economic integration in 1992 and as economic cooperation grows between the Pacific Rim economic giants, the US must recognize that economic integration in this hemisphere is in the interests of both the US and its neighbors.

As revolutionary change sweeps across the USSR and Eastern Europe, it is easy to lose sight of these facts. What is happening across the Atlantic is, of course, extremely important. But so too is what is happening in the Americas.

This is not the time to walk away. It is time, rather, to help the nascent democracies of the Americas to consolidate their new political institutions and to strengthen their democratic gains through economic growth. Once and for all, the US must break its destructive habit of crisis-driven involvement in Latin America and the Caribbean. How the US confronts this regional challenge will have a profound impact on the country's future.

The US must play a leadership role. The country's success will rest largely on its ability to be a good neighbor—to be attentive to the economic changes sweeping the world and sensitive to the ramifications for not only the US but the hemisphere as well.

The completion of a free-trade pact between the US and Canada in 1989 was occasion for regional applause. A similar agreement with Mexico will be hard-wrought and perhaps controversial, but it will likely produce another round of hemispheric applause. In its quest to open a healthy trade relationship with Mexico, the US must not torpedo economic gains by its Caribbean neighbors.

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Please address letters to: The Deputy Editor, Hemisphere, Latin American and Caribbean Center, Florida International University.
Bush's Andean Initiative

by Eduardo A. Gamarra

Following the signing of the February 1990 Cartagena agreement, the Bush administration and the governments of Bolivia, Colombia, and Peru claimed a significant victory in the "war on drugs." US officials noted that the Latin Americans had finally accepted the administration's proposals to escalate repressive antidrug activities. In turn, the Andean presidents noted that the US had finally acquiesced to their demands for an "alternative development policy" and increased economic aid. The Andean presidents and President George Bush agreed that responsibility for combatting the "drug war" should be shared. They also agreed that policy distinctions should be made between consumer, trafficker, and producer nations.

In short order the Bush administration unveiled its Andean strategy to follow up on the promises it made in Cartagena. Claiming that drugs constituted the major security threat to the US, the administration unveiled a $2.2 billion economic aid package for Bolivia, Colombia, and Peru. Nevertheless, the administration conditioned economic aid on the acceptance of military aid by the three countries.

In a classic example of foreign policy based on public opinion polls, the Bush administration aimed to score a quick Panama-style victory over South American drug lords. US strategy toward the Andes, which was engineered principally by the Pentagon and the State Department's Office of International Narcotics Matters, moved along two concurrent fronts. First, the US exerted pressure on Bolivia, Colombia, and Peru to accept military aid as a step toward the deployment of their armed forces in zones of conflict. Second, the Pentagon crafted an antidrug plan to engage the Department of Defense more directly in South American antidrug efforts. The so-called "Thurman Plan" envisioned that—strengthened by US-provided logistics, training, and equipment—the armed forces of the three countries would undertake coordinated attacks against cartel targets. Pentagon reports suggested that if Bush gave the order, US special forces would be sent to pursue Colombian drug lords.

Since the Cartagena summit, international factors as well as domestic conditions in the US and the Andes have threatened to unravel the Bush initiative.

Obstacles

Since the Cartagena summit, international factors as well as domestic conditions in the US and the Andes have threatened to unravel Bush's Andean initiative. Internationally, the cost of deploying and maintaining (perhaps indefinitely) US troops in the Persian Gulf may force the redistribution of funds promised to the Andean campaign. Many South Americans believe the longer the Gulf Crisis, the greater will be the leeway for Bolivia, Colombia, and Peru to emphasize economic recovery and democratic consolidation. Optimism about the waning of US interest in the Andes, however, must be tempered by the knowledge that current programs will not be stopped overnight.

In the US, intra-government turf battles have also debilitated the Andean strategy. Agencies such as the Drug Enforcement Administration and Customs have been at loggerheads disputing the leadership role of specific antinarcotics activities. As an innumerable number of agencies and departments enter the drug war, turf battles are likely to become more pronounced.

Until the Panama invasion of December 1989, the US military had not been receptive to the idea of entering the drug war; since then, General Maxwell Thurman, the commander of the Southern Command, has become the key force behind Pentagon antidrug initiatives. Apart from Thurman, however, the Pentagon has few enthusiasts for military involvement in the Andes. In private, Pentagon officials concede that, if Thurman (who is reported to be seriously ill) were to step down, plans for US military involvement would be scrapped.

The US Congress is another likely source of opposition to the Andean strategy. A few members of Congress, such as Peter H. Kostmayer (D-PA), have called for scrapping the military component of the strategy. Even some hardline advocates of the drug war, like Lawrence J. Smith (D-FL), have...
expressed reservations about the Andean initiative.

In the Andean region, opposition to US antidrug plans emanates from governments and grassroots movements. Such opposition revolves around the view that the US has done little to support the non-military options discussed at Cartagena.

César Gaviria, Colombia's new president, pledged to continue Virgilio Barco's antidrug policy. Nonetheless, he has consistently argued that because the drug problem is an issue of law enforcement and not of national security, Colombia will no longer shoulder the human costs of the drug war. Moreover, on September 3, 1990, Gaviria announced plans to forgo extradition and cut prison sentences for drug dealers who cooperate with authorities and help prosecute other traffickers.

The so-called "extraditables" had announced in July that they would unilaterally cease their wave of violence if the Colombian government promised to review its extradition policy. Drug-related violence has plagued Colombia for at least six years; however, since the September 1989 murder of Luis Carlos Galán and the launching of a government offensive to capture the drug lords, violence had increased to overwhelming levels. Gaviria's modified strategy has resulted in a significant decrease in violence. Consequently many Colombians believe that a strategy of increasing repression and militarization of the antidrug offensive may be less successful than peaceful alternatives.

Another reason for shifting Andean attitudes was the trial of Mayor Marion Barry of Washington, DC, who once advocated sending US troops to the Andes to end the flow of drugs. Barry's conviction on lesser charges sent a mixed message to the Andeans. The US was prepared to capture, try, and convict Bolivian, Colombian, and Peruvian drug traffickers, claiming the judicial systems in those countries did not work; its own justice system, however, was lenient in its treatment of prominent US citizens who violate antidrug laws. In an ironic twist, Colombian president Gaviria accused the US of lacking the will to fight drug trafficking.

Similar situations have developed in Bolivia and Peru. In May 1990 Bolivian president Jaime Paz Zamora, after vainly resisting pressures from the US State Department, signed Annex III to a 1987 US-Bolivia antidrug agreement. A few weeks later he ordered the Bolivian armed forces into the Chapare Valley in return for $33.2 million in US military aid and promises that economic aid would be disbursed. Even as Paz Zamora denied the "militarization" of the drug war, he ordered two regiments to initiate antidrug operations. A large antimilitarization effort had already been mounted by opposition political parties, labor, and campesino groups who feared the consequences of such a policy.

For example, in July and August campesino unions carried out road blockades and strikes, announced the establishment of armed campesino defense committees, and called on campesinos in general to dodge compulsory military service. In August, after signing an agreement with the campesino unions not to militarize its antidrug efforts, the government announced it would not order troops into the Chapare where confrontation with peasants was inevitable. Instead it would use US military aid to deploy army units to monitor and prevent ecological damage caused by coca-paste processing in the Bolivian jungles.

Official Bolivian claims that the solution to the drug war requires more than guns, radars, and helicopters has enraged many in the US International Narcotics Matters Office, who believe the Bolivians have reneged on previous commitments. US ambassador Robert Gelbard has publicly reminded the Bolivian government that economic aid will be disbursed only if the military enters the drug war. Gelbard has also headed efforts to delay the signing of trade and investment agreements as a way of pressuring the Bolivian government into signing an extradition agreement. Faced with a no-win situation, Paz Zamora's government appears to be engaging in a bit of double talk: he will comply with US requirements but will simultaneously attempt to convince Bolivians that his government is not giving in to the Americans.

Most disconcerting to the US has been the ambivalence of Peruvian president Alberto Fujimori about the military aid agreements signed by his predecessor, Alan Garcia. On September 12, Fujimori announced his government would not sign a $36-million military aid package because it would commit Peru to an emphasis on repression rather than economic development. The Fujimori government believes it must first address the issues of economic collapse, the Sendero Luminoso and Túpac Amaru rebellions, and a generally hostile political climate, before embarking on a controversial military build-up that could eventually undermine formal civilian rule.

New Exports

The US would do well to listen to Colombian president Gaviria's calls for "more trade and less aid." The announcement of Bush's Enterprise for the Americas Initiative and that Andean economies would be given preferential treatment under the General System of Preferences has raised expectations in Bolivia, Colombia, and Peru. It would be a shame to discover that both initiatives were subordinated to the war on drugs.

Washington must open the US market to Andean products. Failure to do so will result in the Andean region's continued dependence on cocaine as its principal source of export revenue.
Poisoning Ecuador’s Oriente

by Judith Kimerling and the Natural Resources Defense Council

Since the early 1970s, Ecuador’s Oriente—an Amazonian region of vast tropical rain forests and a diverse indigenous population—has yielded a wealth of oil export earnings to both the government and multinational firms. The damage inflicted on the Oriente, however, has been massive. An estimated 1 million hectares of rain forest have been opened to colonization by incoming settlers. Spills from the Trans-Ecuadoran Pipeline have dumped an estimated 16.8 million gallons of oil—compared to the 10.8 million-gallon Exxon disaster in Valdez, Alaska. To make matters worse, the Oriente’s oil wells generate more than 4 million gallons of toxic waste every day. Nearly half of Ecuador’s oil reserves have been extracted; at the current rate, the Oriente has only 15 years of oil left.

Ecuadoran Policy

Neither Petroecuador, the state oil company, nor the Ministerio de Energía y Minas has the capacity or will to establish meaningful environmental regulation. Their weakness is particularly worrisome in view of the pressures on Ecuador to service its bloated foreign debt and the current oil exploration and development initiatives by multinational firms. Petroecuador and nine multinational firms are exploring more than 3 million hectares; Conoco, Oryx (a subsidiary of Sun Oil), and British Gas are already negotiating terms of production.

An estimated 1 million hectares of rain forest have been opened to colonization. And spills have dumped an estimated 16.8 million gallons of oil.

Much of the area of proposed production overlaps the boundaries of Yasuni National Park, Cuyabeno Wildlife Reserve, and Limoncocha Biological Reserve, as well as traditional indigenous lands. All the more troubling are three other matters. First, the World Bank is preparing a loan to Ecuador of $100 million, which would be substantially increased by anticipated co-financing, for expanded oil activities. Second, in the near future the government is expected to grant millions of hectares of new concessions spanning the entire Oriente. And third, contracts specify that the foreign companies relinquish their local production facilities to Petroecuador after a 20-year period, thereby leading them to extract reserves as quickly as possible and to invest little in maintenance.

Local Impact

The petroleum industry damages the ecology of the Ecuadoran Amazon at every stage of development—from seismic exploration and exploratory drilling through production, transport, and refining. Furthermore, the industry poses a grave threat to the physical and cultural survival of the region’s indigenous peoples. Their traditional economies, which depend on forest products and small-scale shifting agriculture, are being undercut by deforestation and contamination.

For example, the oil-producing areas of the northern Oriente are home to the Quichua, Siona, Secoya, and Cofan peoples. Once a zone of pristine rain forest, the northern Oriente is now the site of an industrial corridor, several...
boom towns, uncontrolled colonization, extensive pollution, and severe poverty. The opening of an oil road has even spread these conditions into the Cuyabeno Wildlife Reserve, which was previously set aside for the Siona and Secoya peoples and for the conservation of its striking diversity of plant and animal life. The colonists of the northern Oriente, who migrate to the Amazon region from impoverished coastal and mountain areas, find rain forest soil is generally unsuitable for the cultivation of cash crops such as coffee, naranjilla, and cocoa. In addition they find the petroleum industry generates few employment opportunities. Tens of thousands of such colonists live in the shadows of oil production facilities, where pollution worsens their plight. For one thing, it has killed the fish that used to serve as a major source of protein, a key reason for estimated malnutrition rates of 65-98%. Colonists claim pollution is also linked to cancer, birth defects, and various other skin, gastrointestinal, and respiratory diseases. According to the World Bank, the zone's public services in general are woefully inadequate.

A Sustainable Environment?

Ecuador's Oriente is clearly on a course toward ecological and sociocultural disaster. Such disaster cannot be prevented unless the domestic and foreign groups responsible take decisive action now to establish a sustainable environment.

The Ecuadorian government should declare an "environmental emergency" in the Oriente and a moratorium on the development of new oil fields. In so doing it should create a broad-based independent commission, including representatives of the indigenous peoples and colonists of the Oriente as well as nongovernment experts. The purpose of the commission would be the formulation and management of a plan to mend the region's ecological and sociocultural damage and to minimize further destruction.

Texaco—since the early 1970s, the dominant oil company in the Oriente—should establish a $50-million fund for initial environmental cleanup and remediation in the region. Such a fund, which amounts to a minute fraction of Texaco's two decades of profits in Ecuador, should be administered by another broad-based independent committee.

The oil companies in the Oriente must revamp their operations to prevent further contamination and to maximize the efficiency of already tapped reserves. They should begin detailed chemical sampling to provide a reliable accounting of the composition, quantity, and fate of all waste streams and emissions, and to develop waste handling and other operational procedures to ensure that production activities do not threaten human health or the environment.

The international community should ease Ecuador's debt burden so that the country can dedicate its limited capital to the diversification of the economy, the improvement of living standards, and the cleanup of oil-producing areas. A starting point is Ecuador's proposal to commercial bank creditors to buy back a portion of its debt based on secondary market prices and to restrict service payments to amounts consistent with the goal of sustained real growth. More comprehensive debt reduction packages should include environmental terms, developed in consultation with local nongovernmental organizations and representatives of local communities. The US government should do its part by reducing its share of Ecuador's debt and by allowing the funding of environmental projects in lieu of interest payments.

Finally, the US—the world's largest consumer of oil and the largest importer of Ecuadorian oil—should conserve oil at home. For instance, by the year 2010 the US could save the equivalent of seven times the oil reserves of Ecuador by implementing programs to insulate buildings and replace furnaces and water heaters. By the same year the US could save the equivalent of 13 times the oil reserves of Ecuador by boosting the fuel efficiency of cars to 40 miles per gallon and light trucks to 30 miles per gallon.
Letter to President Vinicio Cerezo

by Philip Benjamin Heymann

I believe that the elected leaders of Guatemala and their appointed cabinet members have now made clear that they have no intention of using their own influence, powers, and resources to help the courts and prosecutors deal with terrorist violence against sizeable segments of the population: students, labor leaders, human rights workers, peasant leaders, political figures to the left of center, and others. I will explain in a moment my basis for this conclusion, but first let me discuss why the conclusion requires us to leave when much important work remains to be done.

Harvard Law School’s Center for Criminal Justice, like the architects of the Administration of Justice program, see the effort to help the judicial authorities deal with violence as, above all, part of an effort to bring democracy to Guatemala. But it is a peculiarly stunted democracy that will survive if many leaders to the left of the ruling Christian Democratic Party, and even some of its distinguished members, are in danger of assassination, and neither the President, the Minister of Defense, nor the Minister of Government (who is responsible for the police) has taken actions showing any real determination to bring this terror to a halt. Under current conditions there can be no democracy for the country—there can only be elections among a small privileged club. Without free speech and a right to organize for all non-violent sectors of the country, claims of democracy are a sham. Democracy cannot coexist with unpursued, unpunished terror.

A law enforcement system can be simply a means of social control of the less privileged members of society or it can be a system of criminal justice. It may or may not be desirable, on the whole, to improve the capacity of a developing nation to investigate and prosecute crimes by its poorest and least powerful sectors. It only becomes something that can be recognized as criminal justice, however, if that effort succeeds in treating violent acts by the wealthy and powerful as subject to the law too. The effective application of the law to only some groups, particularly if they are the poor and powerless, is not an objective worthy of international support. It is also ultimately self-defeating; for any effective law enforcement requires local popular support by witnesses and victims.

A single judge or even a judge accompanied by a prosecutor cannot be expected to investigate and punish crimes of political terrorism that, for all they know, may involve military intelligence or elements of the police. The political and substantive support of the elected President, the Minister of Defense, and the Minister of Government (who is responsible for the police) is necessary. Simply imagine the United States or Italy or Germany trying to deal with a serious terrorist threat without using the police and without the powerful commitment of elected leaders.

This point was made with absolute clarity two years ago when an unusually dedicated and courageous Guatemalan police chief furnished the courts with evidence implicating high-level officials in

In 1987 the Center for Criminal Justice at Harvard Law School contracted with USAID to assist Guatemala in addressing the threats posed to democratization by street violence and politically motivated violence. But given the unwillingness of the administration of Vinicio Cerezo to investigate political killings, the Center decided in the fall of 1989 to withdraw from Guatemala.

The reasons for the withdrawal remain relevant in light of Guatemala’s continued obstacles to democratization. What follows is excerpted from a letter prepared for, and partially communicated to, the president of Guatemala.

—The Editor

Philip Benjamin Heymann is director of the Center for Criminal Justice at Harvard Law School.
the security forces, who were accused "disappearing" students and others in an infamous "death van." The judge who was handling the case was kidnapped. At the same time a close associate of his was brutally murdered. When the judge was released, he in turn released all the arrested members of the Treasury Police. Despite international outcry, nothing was said or done by the President, the Minister of Defense, or the Minister of Government. The files of the case have been kept secret ever since, notwithstanding demands from members of the U.S. Congress and promises by President Cerezo to provide the file.

Not since that case have the police, always led by military officers who are often from army intelligence, undertaken an investigation that might reveal the involvement in political terror of the police themselves or military intelligence. Indeed the likelihood of this happening has been reduced substantially by the creation of new policing systems that include the military police as integrated participants in much of Guatemala's policing. And until recently the head of detectives, a crucial position for investigating terrorist attacks, has been a former member of army intelligence (as was the present Chief of Police) Nor have the security forces shown any great willingness to investigate what may be privately sponsored terrorism from the right, although these elements may also be dangerous to the leaders of Guatemala's government, as three recent coup attempts suggest.

Guatemala's leaders have, in the last two months, revealed with painful clarity their unwillingness to commit their political support or their police resources, the two essential ingredients of an anti-terrorist effort anywhere in the world—to dealing with a recent, frightening burst of terrorist violence, very largely against students, labor leaders, human rights workers, peasant leaders, and political figures. A dozen student leaders and others associated with the University of San Carlos have been "disappeared." The bodies of almost half have now been found, bearing signs of torture. Trade union leaders, particularly those associated with the Coca-Cola union, have been tortured and killed. Human rights workers have met the same fate. Political leaders have been killed. By universal report nothing like this has happened in Guatemala since the very dark days of the military repression. In the face of this, Guatemala's leaders have done nothing. Amnesty International reports various reasons for believing that army intelligence may have been involved in many of these killings and disappearances. The evidence it cites is equally consistent with the involvement of lower levels of the military or some police forces without high level consent. Such groups still elude the control of the top brass, as recent coup attempts by rogue officers attest. More powerful individuals and private groups may be carrying out the murders for their own political agenda.

It does not matter which of these possibilities is true. A government is responsible not only for what it orders or assists but also for its tolerance of violent crime against others by favored or feared groups. It seems clear to us that the current government of Guatemala is prepared to tolerate the familiar, terrible forms of violent repression—disappearances, torture, and death—carried out by private groups or dissident security forces or, perhaps, by the highest levels of army intelligence. The United States and other Western nations have provided millions and millions of dollars to improve the administration of justice in Guatemala in the last three years. The Guatemalan government could now count on a significant number of trained prosecutors, judges, and police investigators if it wanted to punish the terror. But it has not taken, and shows no inclination to take, the obvious steps that might solve these crimes and rebut the otherwise unmistakable conclusion that the government accepts terror against the non-violent left.

The steps it might have taken are those that any democratic nation would take. The highest levels of government should make credible announcements of their political resolve to fight the crimes, including reference to the right of members of groups expressing radical political views to live and speak out. The intelligence branch of the army, the most extensive and trained information-gathering network in Guatemala, should be ordered to make whatever information it has available to the courts. Special task forces of police and prosecutors, selected so that they could be trusted to perform honestly, should be created to devote specialized effort and massive commitments of time to these priority cases.

The student kidnappings are pattern crimes, likely having been committed by the same people using more or less the same techniques. They require a number of people and substantial logistics. Witnesses reported the crimes and were even able to report license plate numbers on cars.

The crimes could be solved. The first and most obvious steps to solve them have not been taken. There are lingering suspicions of the involvement of military intelligence. The government of Guatemala has revealed its hand. Its conception of reform in the criminal justice system does not include making terrorist violence of the sort that has occurred in the last several months subject to the laws of Guatemala and effective investigation and prosecution in the courts of Guatemala.

Under the circumstances we believe those interested in improvements in the criminal justice systems of developing countries can better use their efforts elsewhere.
Bush’s Enterprising Initiative

by Richard E. Feinberg

President George Bush’s Enterprise for the Americas Initiative, unveiled on June 27, 1990, contains a series of major proposals for trade liberalization and debt reduction. By opening markets, reducing debt service, and promoting environmental conservation, the Bush initiative could help to reinvigorate the region’s economy. Its impact, however, will depend on Latin America’s capacity to respond affirmatively and on the way the initiative’s proposals are implemented.

No set of measures to stimulate hemispheric trade and development would be credible unless it promised to substantially reduce the Latin American and Caribbean debt burden, whose weight is lowering the region’s living standards, impeding its efforts at economic reform, and constricting its import capacity—to the disadvantage of US exporters. The Bush initiative addresses this fundamental problem by building upon the 1988 debt-reduction plan of US treasury secretary Nicholas Brady. It extends the principle of debt reduction from bilateral debts owed by low-income countries to bilateral debts owed by middle-income countries—the category that subsumes most of Latin America and the Caribbean.

The initiative would make de jure what has become de facto: the nonpayment of many official debts. In numerous cases actual cash flow would not be significantly altered, thereby minimizing the reduction of US government revenues. Nonetheless, the cleansing of the books and the regularizing of financial transactions would be welcomed by debtors and creditors alike.

How would the initiative reduce the debt and debt service of Latin America and the Caribbean? The answer hinges on the program’s implementation. The critical variables are as follows:

- The amount of debt eligible for reduction and the size of the discount.
- The degree of participation of other bilateral donors.
- The terms of debtor-country eligibility.

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Debt Reduction

Latin America and the Caribbean owe US government agencies $12 billion. Almost 80% of this total is owed to the US Agency for International Development and the US Eximbank, the remainder being divided between Food for Peace and the Commodity Credit Corporation. Under current terms, debt service on these claims will equal $4.7 billion in 1991-94, or $1.2 billion a year.

The Bush administration has not provided estimates of the size of the discounts that would be applied to debts. Estimates by the Overseas Development Council (ODC) suggest that Latin America and the Caribbean could save

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$1.6 billion in 1991-94, or $400 million a year. Savings of more than $50 million for the entire period would accrue to a number of countries: Argentina, Brazil, Chile, Colombia, Mexico, Peru, Costa Rica, the Dominican Republic, and Jamaica.

Other Donors

Detailed information on Latin American and Caribbean debts to bilateral donors other than the US is not available. Yet ODC estimates indicate that extending the initiative to other bilateral donors would yield an annual debt-service savings of between $1.6 and $2.3 billion.

Customarily, bilateral debts are renegotiated under the aegis of the Paris Club, the donors’ cartel for the renegotiation of government-to-government loans. This arrangement assures equal treatment of all bilateral donors; otherwise, concessions granted by one creditor could make it easier for a debtor to service the claims of competing creditors. It would be an unfortunate break with tradition if the US were to forgive bilateral debts without other donor countries doing so as well. The debt-reducing impact of the Bush proposals will be greatest if they assume multilateral form within the Paris Club framework.

Eligible Countries

Debt reduction is typically granted only when a debtor country adheres to a program of economic reform monitored by the International Monetary Fund (IMF), the World Bank, or both. The Bush administration, however, is proposing to add two more conditions, a stance that could seriously delay implementation of the initiative.

The first addition would require that, “if appropriate,” a debtor country must “have agreed with its commercial lenders on a satisfactory financing program.” Whether this proposal is a reversal of US policy depends on the unspecified meaning of “appropriate.” A path-breaking aspect of the Brady plan was that it severed the link between the actions of official agencies and the signing of agreements between a debtor country and its commercial creditors. This link had placed commercial banks in the enviable position of being able to block official programs and loans, thus augmenting their bargaining power at the expense of the flexibility of official agencies. The Bush initiative should not be held hostage to the bargaining strategies of commercial banks.

The second addition is that the debtor country must “have put in place major investment reforms in conjunction with an IDB [Inter-American Development Bank] loan or otherwise be implementing an open investment regime.” This addition might do more than delay putting the Bush program into action; during the interim it could also tempt debtor countries to run up arrears. Whether this addition restricts eligibility is contingent on the content of the proposed reforms. But is such a requirement necessary? As it stands now, the IMF and World Bank reform programs already contain the essential measures a debtor government must take to create a favorable investment climate.

Imposing a set of extra considerations would merely delay debt reduction—and hence delay a catalyst to investment—as well as irritate Latin American and Caribbean leaders. As such it could cost the US government the good will that the Bush initiative has generated throughout the hemisphere. But while it was appropriate for the US to take the lead in advocating additional debt reduction measures, the Paris Club should require the participation of all industrial nations. Our allies should shoulder their fair burden of reducing old debts—since they also stand to benefit from a more prosperous Latin America.

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French, Spanish, and US companies took a chance on Chile’s wine industry in the 1980s. They found the choice was a good one, but not for the reason that many of them planted money there originally.

Investors put their money into Chile and other South American countries with the hope the domestic market for fine wines would take off dramatically. That hasn’t happened. What has sharpened significantly is the US taste for South American wines, especially from Chile. Exports have grown markedly.

According to figures from the National Association of Beverage Importers (NABI)—based on US Customs data—table wine imports from Chile have risen 86%: up from 750,000 gallons in 1988 to 1.39 million gallons in 1989. That rise was the fastest among US foreign suppliers active in the market in both years, NABI indicates.

Sales accelerated further in 1990. During the first six months, Chilean exports nearly doubled to 1 million gallons compared with 560,000 during the same period in 1989, says NABI president Robert Maxwell. Chile is now the fourth-largest supplier of wine to the US, displacing other traditional large-volume European suppliers like Portugal and Spain.

One crucial element of the global wine market dynamic that has aided Chilean wines in the US is exchange rate. While European exporters have been forced to absorb translation losses resulting from the relative decline of the dollar there, profit margins for South American exporters, for whom currencies are tied to the dollar, have been safer.

“One of the great factors of (Chilean) success is that prices are pegged to the dollar,” Tintle says.

Chilean wines are generally priced in the $3 to $10 range in retail stores.

Big Dollar Value

“A dollar is a dollar in South America and it has tremendous value there,” comments Juan Larraguibel, president of Los Andes Importers in Ardsley, New York. Labor costs in Chile are only 15-20% of US rates, which allows wines from the fertile Maipo Valley to compete readily with Californian products.

But a competitive product does not necessarily command market share in a mature—and slowly shrinking—US market. After several difficult years of marketing Chilean wines, Larraguibel says he has found strong US market acceptance in 1990 for Chilean Cabernet Sauvignon, Chardonnay, and other noble varieties under the Casa de Lara label, which he imports exclusively.

Part of the reason for the current success of Chilean wines is the heritage of the product. Chilean wines show a strong French influence, with much of the root stock grown on vines brought from France before the great phylloxera plague that wiped out much of Europe’s vineyards in the late 1870s.

Because of its quality, Chilean wine is being marketed to compete with high-quality California wines. Capitalizing on the appeal of the two regions, Banfi, for example, has blended the exotic Chilean image with the sure-selling California label, marketing a line under the stylized Walnut Crest label for Bodegas y Vinedos Santa Emiliana, a Concha y Toro affiliate.
Cautioning that volume gains do not necessarily mean lower quality wine, John Laird, executive vice president of sales for New York-based Seagram Chateau & Estate Wines Co., says the current surge in US consumption of Chilean wines "is not the same as the Australian boom (and bust) of a few years ago, when the wine offered displayed a big robust kind of style, more so than Californian wine.

Chilean wine is a substitute for European archetypes."

"One should not damn the achievement that Chile is now the fourth-largest wine supplier (to the US)," says Laird. "I don't think that anyone is buying wine because it's Chilean. Chilean wine happens to be (selling for) a very good price and the taste appeals to a quality-conscious wine drinker."

But the source of the wine may have more to do with the success of Chile's product than Laird will admit. As an importer of Argentinean wines, Larraguibel notes commercial US customers often double up when purchasing South American imports so that they have a broad regional offering.

Editor's Note: Adapted from the Journal of Commerce, September 5, 1990.
Rights Across the Border

Mexico's foreign ministry has urged its US-based consuls to promote the rights of the 20 million Mexicans who live north of the border. The ministry's Dirección General para Atención de Ciudadanos Mexicanos en el Extranjero has presented new guidelines on the matter to Mexico's 50 US-based consuls. Recognizing the importance of the financial contributions of Mexicans employed in the US, the ministry warns that if this group is not "recuperated," it will become fully incorporated into the fabric of US society. "Mejicamerica is for us the most important nation with which we have to improve our relations."

Watch Out

The Persian Gulf Crisis will have major repercussions for Latin America's 1990 trade balance. Every increase of $1 in the price of a barrel of petroleum represents additional export income of about $1.3 billion per year and an increase of nearly $500 million in import costs for Latin America in general. ECLAC (CEPAL News, Vol. X, No. 9) projects an upturn in the value of the region's exports by as much as $5 billion in 1990, bringing the trade surplus on goods to some $26 billion.

Quick Quiz

Mexico's leading export to the US is oil—in 1989 nearly $4 billion worth. But what is the leading US export to Mexico? In 1989 US exports of motor vehicle parts and accessories jumped from almost $300 million to more than $900 million. According to the Washington Report on Latin America & the Caribbean (October 1990), "the quantity of US exports in [this sector] is expected to continue to grow as a result of several [liberalizing] rules Mexico has put in place this year."

Where Were You When I Needed You?

Spain's Ministry of Culture, IBM-Spain, and the Ramón Areces Foundation are computerizing 9 million pages of the General Archive of the Indies in Spain. When completed in 1992, 40% of the most sought-after documents will be available to researchers through video terminals housed in the Casa de Lonja, a 16th-century building that originally served as a trading center in Sevilla.

It Was Inevitable

The Washington-based Inter-American Quincentennial Fund may be the first to promote "handsome t-shirts" commemorating the 500th anniversary of the encounter of two worlds. Given the "hype" that has already developed around the festivities, we can expect a dizzying array of trinkets, mugs, pendants, posters, flags, book bags, specially minted coins, limited edition plates, and maybe even Chris Columbus look-alike dolls. Fund shirts are colorful and thoughtful, but don't underestimate the depth of tastelessness to which some merchandisers may sink as the October 1992 event nears.

Thumb's Up on Folk Music

A Christian Science Monitor (November 1, 1990) review of Los Folkloristas gives high marks to the Mexico-based group of musician-singers. The article states that its Latin American folk music "is as varied as rain forest fauna" and that "affection gleams through each song." With some 20 albums to its credit, the group periodically performs concerts in the US. Its next US tours will be in February and April 1991.
Consenting Partners

Canada is abandoning its traditional stance of low-profile relations with Latin America and the Caribbean. On the heels of its 1988 free-trade agreement with the US, Canada joined the OAS. Now it is participating in discussions with Mexico and the US to prepare for negotiations on a North American trade bloc. To monitor and promote regional trade, the Canada-Latin America Forum has been organized in Canada under the auspices of the North-South Institute. According to a Forum document (September 28, 1990), "there is growing public interest in the North American ménage a trois."

Worth Reading

The 1980 Mariel boat lift brought 120,000 new residents from Cuba to the US, some of whom are now being deported back to Cuba because of their hard-core criminal records. An inside account of the trials and travails of a "Marielito" can be found in Christine Bell's The Pérez Family (W W Norton, 1990). The Miami-based story relates the difficulties and adventures encountered by Juan Raúl Pérez, a former political prisoner in Fidel Castro's jails.

Fast Start

Peter Cleaves, a former Ford Foundation representative in Mexico, left the scholarly world for the private sector in 1982. Now he's back as director of the Institute of Latin American Studies at the University of Texas. One of Cleaves's first acts as director was to coordinate a meeting between Mexican president Carlos Salinas de Gortari and UT officials, which was held in Mexico in October 1990. New collaborative efforts were identified and agreed upon, including the visit of senior Mexican government officials to UT's campus in April 1991 to participate in a conference on education.

Well-Endowed

Mexican secretary of education Manuel Bartlett and US deputy secretary of state Lawrence Eagleburger signed an agreement on November 27, 1990, to establish the US-Mexico Commission for Education and Cultural Exchange. The commission will support postgraduate university exchanges and research projects in the arts, humanities, and social and natural sciences. Funding in 1991 will be $3 million, making it the largest nonprofit organization promoting educational and cultural exchange between the US and Mexico.

For Your Information

The Courier: Africa-Caribbean-Pacific-European Community is an informative bimonthly magazine of the General Secretariat of the ACP Group of States of the European Community. The September-October 1990 issue carries a superb set of articles on Barbados's economic and trade environment as well as the prospects for higher education in the Caribbean. Contact the ACP Group at Avenue Georges Henri, 451, 1200 Brussels, Belgium.

On the Move

Muni Figueres, formerly Costa Rica's minister of foreign trade, has been named chief of the Integration and Trade Development Division in the Inter-American Development Bank's Economic and Social Development Department. Henry Gil, outgoing deputy permanent secretary of the Latin American Economic System, has been invited by the OAS to participate in the commission to examine the future role of the Inter-American System and to prepare a report for the June 1991 OAS General Assembly, to be held in Santiago, Chile.

Alma Guillermoprieto, a frequent writer for the New Yorker, has been named the 1990 Maria Moors Cabot Prize winner by Colombia University. The prize is awarded to those who advance sympathetic understanding and freedom of the press among the peoples of the Western Hemisphere.

Anthropologist Larissa A. Lomnitz and political scientist Fernando López Camarra, both from the Universidad Nacional Autónoma de México, were named co-winners of Mexico's 1990 Premio Universidad Nacional. The award recognizes distinguished careers of social science research. Lomnitz is a member of Hemisphere's editorial advisory board.
In the aftermath of the December 1989 US invasion, Panamanian politics revolves around a core issue: the transformation of the country's military into a civilian police force. What began as a small police force in the early 1900s, after Panama separated from Colombia, evolved by the 1950s and '60s into the Panama Defense Forces (PDF), the country's dominant political institution. Given the local power of a white oligarchy, this evolution provided a channel of upward political and economic mobility for the non-white masses. It occurred, moreover, under the aegis of the US government, which flexed its muscles in the context of power vacuums in Panama and Washington's interests in controlling the Canal and containing communism in Central America. Yet US policy backfired in the 1980s when Washington winked at the corruption and ignored the repression of the Noriega regime (1982-89) in exchange for Panamanian support of the US anti-Sandinista policy.

The twist of irony, the US invaded Panama not only to oust Noriega but to dissolve the Panamanian military into a civilian police force.

What Now?

Curiously the blueprint for the US invasion did not plan beyond the elimination of the PDF and the capture of Noriega. In their haste to launch the military action, the invasion managers overlooked an earlier design that called for reservist US military police to patrol Panama's streets. Furthermore the planners did not assume that a civilian government would be installed immediately. The collapse of the PDF and the absence of US military patrols permitted mobs to ransack government offices and private businesses for several days. The sight of looting in the presence of US troops has not been forgotten by Panamanians, who blame Washington for the widespread damages.

Having accomplished its military objectives, the US turned to the formidable task of assisting in the development and consolidation of a civilian government. The new Panamanian government—a fragile alliance of parties united by the goal of ousting Noriega—sought to coalesce its power and establish its legitimacy as foreign troops patrolled its streets. In addition it faced the possibility of armed resistance and popular revenge against the PDF and its supporters.

The challenge confronted by President Guillermo Endara was that of asserting control over the nation's territory as quickly as possible while simultaneously assuming an antimilitary stance. Given the anarchy in the streets and the desire to reduce the visibility of US troops, Endara gave highest priority to the establishment of a Panamanian security apparatus. One option was to abolish the PDF machinery and construct a new force through civilian recruits. Another was to erect a new force upon the PDF's foundations—that is, to convert the military into a civilian police force. The Endara government chose the latter and Washington acceded.

Several reasons informed the choice. To begin with, the rebuilding of a police force from scratch would have required a massive investment in training. Further, it was politically urgent that US troops be removed from the streets. Many officials were concerned with the threat posed by the dispersal of 16,000 armed and trained men from the defeated army. A few senior Panamanian officials believed that most of the PDF's members had not been associated with Noriega's corruption and human rights abuses.
In charge of implementing the strategy was Vice President Ricardo Arias Calderón, the minister of government and justice. Arias encouraged PDF soldiers, including those senior officers deemed relatively untainted by association with Noriega, to join the newly created “Public Force.” Arias presided over the dissolution of some PDF units and the transfer of others, such as the presidential guard and a health-services battalion, to appropriate ministries. The bulk of the PDF was assigned to Arias’s Ministry of Government and Justice, which now administers most of the PDF’s former responsibilities (e.g., immigration, police, corrections, fire, air force). Meanwhile specialists in the US military have concluded that, under any arrangement, the Canal would be defenseless against sabotage or missiles. And, as acknowledged in Panama and the US, Washington possesses treaty rights to intervene in defense of the Canal. Thus Panamanian critics, such as I. Roberto Eisenmann Jr., editor of the newspaper La Prensa, argue that there is no justification for granting the Public Force a military role.

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To be sure, the Endara government has demonstrated its commitment to the police force’s gradual military transformation. In October 1990 the Public Force, Colonel Herrera Hassan, was relieved of command. Hassan’s successor, another colonel, lasted only a few days after publicly criticizing the anti-Public Force newspaper. After several civilians took the job, Endara appointed Rahim Asvat, an attorney and the government’s interim head. Shortly thereafter, Arias fired 142 officers, most of them PDF veterans, and dismissed 142 others without major institutional repercussions. With the police force’s gradual military transformation, power remains concentrated in a national police force. Another problem is suspicion of Arias himself. Members of the Public Force owe their organizational survival to him; in defending them he risked his political future. The loyalty Arias may command within the Public Force is feared by many Panamanians. For one thing, he is the potential beneficiary of the votes the Public Force members and their families can cast in future elections. For another, control over the armed forces has always been the key to political power in Panama.

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Disarming Politics

by Luis P. Salas

In the aftermath of the December 1989 US invasion, Panamanian politics revolves around a core issue: the transformation of the country's military into a civilian police force. What began as a small police force in the early 1900s, after Panama separated from Colombia, evolved by the 1950s and '60s into the Panamanian Defense Forces (PDF), the country's dominant political institution. Given the local political white oligarchy, this evolution provided a channel of upward social and economic mobility for the white masses. It occurred, however, under the aegis of the US government, which flexed its muscles in the context of vacuums in Panama and Washington's interests in controlling the Canal and containing communism in Central America. Yet US backfired in the 1980s when Washington winked at the corruption and ignored the repression of the Noriega regime (1982-89). A change in leadership of the anti-Sandinista political forces in Nicaragua in 1989, led to the dispersal of 16,000 armed and trained men from the defeated army. A few senior Panamanian officials believed that most of the PDF's members had not been associated with Noriega's corruption and human rights abuses.

Twist of irony, the US invaded Panama not only to oust Noriega but to dissolve the Panamanian military into a civilian police force.

What Now?

Curiously the blueprint for the US invasion did not plan beyond the dispersal of PDF and armed resistance and popular revenge against the PDF and its supporters.

The challenge confronted by President Guillermo Endara was that of asserting control over the nation's territory as quickly as possible while simultaneously assuming an antimilitary stance. Given new Panamanian government—a fragile alliance of parties united by the goal of ousting Noriega—sought to coalesce its power and establish its legitimacy as foreign troops patrolled its streets. In addition it faced the possibility of

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In charge of implementing the strategy was Vice President Ricardo Arias Calderón, the minister of government and justice. Arias encouraged PDF soldiers, including those senior officers deemed relatively untainted by association with Noriega, to join the newly created "Public Force." Arias presided over the dissolution of some PDF units and the transfer of others, such as the presidential guard and a health-services battalion, to appropriate ministries. The bulk of the PDF was assigned to Arias's Ministry of Government and Justice, which now administers most of the PDF's former responsibilities (e.g., immigration, police, corrections, fire, air force, and navy). The size of the Public Force is about 13,000 members, compared to the PDF's 16,000 members under Noriega.

Arias has repeatedly affirmed that Panama now has a police force—not an army. Nevertheless, as the sole defender of national security, the Public Force has a clear military mission. In justifying this mission, Arias claimed that drug traffickers linked to Noriega and remnants of the latter's paramilitary "dignity battalions" presented a threat to Panama's security. As further justification, Arias mentioned Panama's treaty responsibility for defense of the Canal. These justifications have been challenged by foreign analysts as well as by the Panamanian press. According to US observer Richard Millett, the Washington-sponsored fusion of police and military functions in several Caribbean Basin governments "not only failed to clean up the police, but it contributed significantly to corrupting the military" (Journal of World Affairs, 1990, p. 9). Meanwhile specialists in the US military have concluded that, under any arrangement, the Canal would be defenseless against sabotage or missiles. And, as acknowledged in Panama and Washington, the US possesses treaty rights to intervene in defense of the Canal. Thus Panamanian critics, such as I. Roberto Eisenmann Jr., editor of the newspaper La Prensa, argue that there is no justification for granting the Public Force a military role.

**Obstacles**

A major problem in building the Public Force is that few civilians have been trained in issues of public security. Moreover, given the widespread antimilitary sentiment reflected in opinion polls and in town meetings conducted by the National Assembly, few of those who possess such training are willing to become involved. In this setting, many argue that, despite Noriega's downfall and Arias's actions, power remains concentrated in a national police force.

Another problem is suspicion of Arias himself. Members of the Public Force owe their organizational survival to him; in defending them he risked his political future. The loyalty Arias may command within the Public Force is feared by many Panamanians. For one thing, he is the potential beneficiary of the votes the Public Force members and their families can cast in future elections. For another, control over the armed forces has always been the key to political power in Panama.

To be sure, the Endara government has demonstrated its commitment to the police force's gradual civilianization. In October 1990 the head of the Public Force, Colonel Eduardo Herrera Hassan, was relieved of his command. Hassan's successor, another colonel, lasted only a few days after publicly criticizing an anti-Public Force newspaper editor. After several civilians turned down the job, Endara appointed Ebrahim Asvat, an attorney and Arias confidant, as the Public Force's interim head. Shortly thereafter, Arias fired 142 officers. The assignment of a civilian to the post and the dismissal of so many officers without major institutional repercussions augur well for civilian control.

Nevertheless, in October 1990 the Endara government uncovered a plot allegedly led by Herrera's brother to hold back the troops in Chiriquí province while public demonstrations were taking place. The motive, it seems, was to compel the government to negotiate with former PDF members. Although this may have been an isolated event, it presents the pos-
sibility of further rumblings from the old military establishment. In so doing it reinforces the fears of critics who want the Public Force purged of all PDF elements.

**The US Role**

Following the December 1989 invasion, the US military was Panama’s only source of aid. This assistance was to have ended with the arrival of US civilian advisors. Delays in the availability of non-military assistance funds, however, have meant that the US military continues to supply commodities, such as $500,000 in police cars, to the Public Force.

By January 1990 US civilian advisors began to arrive. Among the first were advisors from the Drug Enforcement Agency who, besides preparing Washington’s legal case against Noriega, arranged for the dismantling of the PDF narcotics unit and assisted in the training of new personnel. Another arriving contingent was the International Criminal Investigative Training Assistance Program (ICITAP) of the Department of Justice. ICITAP’s mission was to assist in the PDF’s restructuring into a civilian police force. To this end, ICITAP received $1.2 million from the Urgent Assistance for Democracy in Panama Act of 1990, and has requested $5.2 million for first-year assistance to Panama. Congress approved another $9.3 million, which had been previously earmarked as military assistance pipeline funds, for the purchase of law enforcement equipment.

While the technical training value of these activities is undeniable, it must be remembered that the PDF had been one of the Caribbean Basin’s most corrupt security forces. It must also be remembered that US assistance in the development and training of Panama’s security force was nothing new; after all, the US trained the PDF and Noriega himself. In light of the latter fact, journalist Frederick Kemper commented: “As with so many other Latin American military officers, the American training was more successful in teaching him [Noriega] the technical skills of how to control the Panamanian population than in transmitting democratic ideas and procedures” (Foreign Broadcast Information Service, February 21, 1990, p. 29).

Still another complication is that the presence of the Southern Command (SOUTHCOM) in Panama continues to send mixed signals to the country’s armed forces. Indeed, it remains difficult to distinguish whether US policy emanates from the US Embassy or SOUTHCOM. For instance, the appointment of Ambassador Deane Hinton, a tough career diplomat, was meant to bolster the leadership authority of the Embassy in the eyes of the Panamanians while diminishing that of the US military. Nonetheless, US military commanders maintain their appetite for public statements on Panamanian political issues. Hence, in a May 1990 speech to the Union Club and the Rotary Club, retiring general Marc Cisneros commented on the need for a Panamanian army and the threat posed by the guerrilla movement M-20.

**The Political Key**

When the Public Force was first placed on the streets, its members faced a hostile public: these were the same men who had abused them for years. The Public Force’s members, on the other hand, were the demoralized remnants of a defeated army, serving under the command of those who had been their enemies and supervised by the army that had defeated them. These same tensions remain, compounded by a lagging economy and rising crime rates.

It is unlikely that another military government will emerge in Panama in the near future. Still, as domestic conditions deteriorate, the postinvasion honeymoon with the Endara administration and the US is ending. Increasingly, Panamanians are calling for US reparations, while controversy is straining the ruling coalition.

Still another political key is the recognition that the presence of the Southern Command (SOUTHCOM) in Panama continues to send mixed signals to the country’s armed forces. Indeed, it remains difficult to distinguish whether US policy emanates from the US Embassy or SOUTHCOM. For instance, the appointment of Ambassador Deane Hinton, a tough career diplomat, was meant to bolster the leadership authority of the Embassy in the eyes of the Panamanians while diminishing that of the US military. Nonetheless, US military commanders maintain their appetite for public statements on Panamanian political issues. Hence, in a May 1990 speech to the Union Club and the Rotary Club, retiring general Marc Cisneros commented on the need for a Panamanian army and the threat posed by the guerrilla movement M-20.
Hope Restored
by I. Roberto Eisenmann Jr.

Panamanians struggled long and hard against the regime of General Manuel Antonio Noriega and for the establishment of democracy. Their struggle was spontaneous, with no crystallized leadership. Though initiated by the middle classes, it quickly generated support across the class structure. Such support included the business class, which instead of fleeing the country, assumed an active role in the quest for democracy. What emerged was Latin America’s first clearly nonviolent political movement, which rendered Panama ungovernable for Noriega and his narco-military machine while internationally isolating the regime on a multi-ideological plane. In world affairs, Noriega became a pariah for the political left, center, and right.

Noriega’s Exit

The question was not whether the Noriega regime would survive. Rather it was how, when, and at what cost the downfall would occur. Noriega’s repressive response not only escalated domestic opposition but provoked a US military invasion. The invasion was tragic in terms of lives and property. Nevertheless, most Panamanians welcomed the US intervention as having saved the country from a more prolonged struggle and an even higher cost in lives. The US invasion made possible the installation of a government that, in the May 1989 election supervised by more than 300 international observers, had received a decisive popular mandate. Consequently Panama’s political system returned to its tradition of democracy, tossing aside its historical parenthesis of dictatorship. Consequently Panama’s political system returned to its tradition of democracy, tossing aside its historical parenthesis of dictatorship.

Government officials must demonstrate the democratic leadership necessary to harness the country’s obvious energy. No less important is the creation of a truly civilian police force, as well as the reform of the judicial system. And jobs must be created through economic competitiveness.

President Guillermo Endara’s government is clearly legitimate, and the new supreme court is clearly independent and formed by justices of the highest integrity. The legislature is working effectively, including an active minority of former Noriega operatives. The cabinet may be elitist, but most of its ministers are respected as honest and hard-working. The government’s budget is balanced, the Panama Canal Treaty is back on track, and business is again showing signs of vigor. In the latter respect, the banking sector has implemented major reforms, the commercial sector is almost fully recovered, the construction industry is on the rebound, and a promising new stock market has opened. The most likely sector of major job creation is export-assembly manufacturing.

On the Agenda

There are, of course, many concerns. To begin with, Panamanian politics must involve more than power-seeking and patronage, and government officials must demonstrate the leadership necessary to harness the country’s obvious energy. Instead of talking the government must act; and its actions should reflect the mandate of the May 1989 election results. Diógenes de la Rosa, one of Panama’s elder statesmen, called that election “the Panamanian people’s Act of Clarity.” The elected government should strive for clarity, avoiding the tangled web of old-style politics and earning popular faith in the new democratic institutions.

No less important is the creation of a truly civilian police force. Opinion polls confirm that the vast majority of the citizenry wants such change and wants it now—before it is too late. The US invasion was liberating, but it opened a gaping wound in Panama’s national psyche, whose bleeding could become more profuse with the passing of time. The only medication
that can truly stop the bleeding and heal the wound is Panama’s demilitarization.

Democratic leadership and demilitarization go hand in hand with a series of other necessary changes. For one thing, the inadequacy of the justice system is causing public frustration to reach dangerous levels. A new penal code is in order and due process must be guaranteed if national reconciliation is to take place. A new constitution is yet another necessity. Such a document should be produced by a constituent assembly—the simplest and most effective way to achieve participatory democracy.

Finally, the problems of poverty and unemployment should rank among the government’s highest priorities. The new economic program announced by Vice President Guillermo Ford should be promoted vigorously. The message to labor and business should be clear: paternalistic protection and handouts are things of the past. Legislation that protects the employed should take second place to that which fosters new employment. More generally policy should create an economic environment that favors competitive industry, not inefficient industry whose survival depends on state intervention.

The Citizenry Speaks

Now that hope has been restored, Panama has the opportunity to become Latin America’s most successful participatory democracy. After 21 years in opposition, however, Panama’s political leaders must rise to a new challenge—the challenge of governing.

Whatever happens, Panama’s leaders must recognize that the citizenry does not want a strong government. Twenty-one years of dictatorship have cured them of that. What the Panamanian people want and need is a government that listens and, with calm and steadiness, acts.
So, What Did Happen?

by Peter Eisner

On the second day after the invasion of Panama, a wide-eyed public affairs officer told hundreds of US and foreign journalists detained at a US army base that there was no news. "You might as well go home," he said.

Some of those assembled were reporters who normally cover Panama but were off station when the 27,000 US troops invaded in December 1989. Hardly any foreign correspondents were already in the country. The US military held most of the journalists who scrambled into Panama on a tight leash for the first few days, far from the battle lines at Howard Air Force Base.

The lucky few who were already on station—including the Pentagon pool reporters secretly flown to Panama—complained they were systematically blocked from getting anywhere near the action.

By the end of Operation Just Cause, many reporters had at least the vague sensation they had been snookered again by Washington. When they were finally let free after four days, many were skeptical when they saw a cheering populace applauding the US soldiers in green. Yet with the repeated images, and few trips organized outside the US military domain, skepticism was suspended in favor of stories closer at hand.

Sharing the Blame

In spite of Southern Command efforts, journalists in Panama could have waged a better campaign. When they were finally set free after four days, many were at first skeptical when they saw a cheering populace applauding the US soldiers in green. Yet with the repeated images, and few trips organized outside the US military domain, skepticism was suspended in favor of stories closer at hand.

Not that it was easy. In the isolated environment created by Pentagon news management, many reporters were concerned about their personal safety. Some had never before been to Panama, and many had no idea how to go about covering the war. There was little chance to evaluate how the war was going. Only later did it become apparent that the US attack on Panama was an assault on an ill-prepared force that could offer up only scant and sporadic resistance.

The reporters could not know this. They were dependent on the Department of Defense and ripe for the performance they were about to hear.

The press officer was a starched colonel who in better times was the calm voice of military confidence at Southern Command. For the occasion, however, he was regaled in full camouflage, complete with holstered side arm. There was an edge of danger in it all, and he was the only contact with the war that the reporters—clad in designer jeans and Banana Republic shirts—could not see.

"Listen, I'm going to be frank with you," he said, sweat gathering on his upper lip and a nervous otherworldly look in his eye. "We have too many of you here and your safety is our primary concern."

Clearly, in the colonel's (and by extension, the US military's) view, Panama was too dangerous a place to let people out on the streets. And if the streets were too dangerous, there was no reporting to be done there. And if there was no reporting to be done, then the reporters should leave. Some of the assembled journalists gasped in disbelief, demanding they be set free as soon as possible. Most stayed, but more than 100 reporters took the colonel's advice and left that same night on a military plane for Houston. The rest were set free the following day.

The US did its best to deny access and complicate the lives of US officials did their best to deny access and complicate the lives of journalists. And journalists themselves could have waged a better campaign.

Peter Eisner is chief of Newsday's Miami bureau.

Psychological operations officers guided media tours of General Manuel Antonio Noriega's offices, all too willing to reveal cocaine seizures that ended up being tamales and to display pornographic photos, a gun collection, and portraits of Hitler and Qaddafi conveniently side by side. These same officers also worked with the Panamanian news media when they returned to the air with a unanimous pro-invasion stance.

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In the 1990s reporters will likely face growing impediments to the open exercise of their jobs. Some of the impediments will come from the government, but some will be of their own making.

At stake is the balance between gaining access to the news and making use of it to the fullest extent possible. The danger is that journalists simply lose interest in the broader questions of the day in the rush to get the story back home.

Are journalists incapable of identifying more than one social group? Have they lost the ability to hear other viewpoints without deciding that these represent an unreasonably small minority? Journalists have the responsibility to search out the cultural diversity of the stories and countries they cover.

The lesson of Panama was not lost on the media managers at the White House, whose tactics were rewarded with a high media rating for President George Bush. Hot after Panama, they warned the White House press they could not guarantee the safety of reporters covering the February Cartagena drug summit. Reporters were bivouacked instead in the city of Barranquilla so that Bush, playing the conquering hero, could stop off for a news conference after the fact. The image produced by the February Cartagena summit has been revealed to be an illusion of it to the fullest extent possible. The danger is that journalists simply lose interest in the broader questions of the day in the rush to get the story back home.

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"Combat photography is for combat use—internal use," said Robert Hall, an aide to Defense Secretary Dick Cheney. To a reporter's demand for films of combat and Noriega's surrender, Hall advised legal action against the Defense Department. "File a freedom-of-information suit."

To be sure, access to the news is a more complicated notion than arriving at the scene. Anyone with plane fare can gain access to the far reaches of news events in a short amount of time, unless some government puts up systematic roadblocks.

Yet access also involves the tools employed, familiarity and sensitivity to culture, a knowledge of background history, and the ability to break away from the pack. And it involves having editors back home who believe in the independence of journalistic inquiry instead of packaged recapitulation of the resident wisdom gleaned from Washington and the nightly news.

Reporters could have made better use of their related access by covering important stories ignored by most news outlets. A different notion of news access would have identified other voices: the Panamanian who took up a gun and shot US soldiers to defend his notion of patriotism and homeland; the grieving wife who braved the smell of death at the overflowing city morgue to identify her husband—a traffic cop shot in the back by advancing US soldiers; and the lawyer who was dragged from his home at random to be interrogated by US troops about his political beliefs.

"Was catching Noriega worth so much death?" asked an impoverished construction worker, after he told a US reporter he supported the invasion. He was confused, he said. He hated Noriega, but capturing the general was not worth so much bloodshed.

And what about the death of so many people? Was Panama an anonymous land, where the invasion's dead are anonymous souls comprising a questionable body count? US cultural prejudice gave all importance to 23 US soldiers and almost none to the untold hundreds of Panamanians who lie in common graves. No one knows how many Panamanians died and under what circumstances those deaths took place. Because of a collapsed system of gathering and reporting death statistics, we may never know whether the official death toll among Panamanians of 516 civilian and military deaths is at all accurate.

For a journalist, should a Panamanian's life be worth any less than that of a GI? One could argue about the concerns of the folks back home, but for a reporter, beholden to the truth, can patriotism get in the way? It seems incredible, but in 1990 the cynical Fleet Street wisdom that "one dead Englishman is worth a thousand dead Pakistanis" is still frighteningly true.

And while many Americans were deluged with information about the 23 US servicemen reported dead, the US military has not been held to task about their deaths either. Where did they die, under what conditions? Were any of the deaths, as in the case of Grenada, the result of friendly fire? As with much of the coverage of Panama, little was done by journalists to put those numbers to the test. There were considerable restrictions on reporting, and there was lack of accountability by the US government, but there was also limited interest on the part of many reporters in going beyond the most obvious stories. US military opinion shapers took advantage of this the same way the White House press office does everyday, by proffering the diverting news story.

They succeeded. The residing perception of the Panama invasion is not of troops slogging through the mud or dying on some foreign battlefield, but long after the action was over smiling soldiers being hugged by middle-class supporters in downtown Panama City and blasting loud music at the demonized Panamanian dictator.

If human lives are important, if Colombia and Panama and Peru have just as much right to their national aspirations as the US does, then US journalists may be doing an abysmal job of covering the news.

**Facing the '90s**

Journalism in the 1990s has some serious questions to ask about its role in covering government. And one of the greatest false assumptions that news reporters of the 1990s will ever make is that the government is telling them the truth.

Instead the news media gets caught up in the simple story of an American fight in which there were American casualties for a vaguely defined cause. And then, after some wringing of hands, the camera turns toward another event, and collective memory dissolves. We compound the error by letting the stories drop off the radar scope as soon as Washington casts a benign and negligent look askance.

The news machine is plowing other fields right now, be it South Africa, the Soviet Union, the Persian Gulf, or the democratic opening in Eastern Europe. The stories of war dead and destruction in Panama are barely a whisper heard on the journalistic horizon.

The US game plan in Panama was based on secrecy and silence. The government, reveling in the high approval rating garnered for President Bush, languishes in the notion that it went like clockwork, the deception and lies justified by having accomplished the goal of capturing a renegade former employee.

All in all, the image is one of journalistic future shock. And if the US press is not careful, Panama is the harbinger of a relationship that will systematically convert reporting from its watchdog role into a subservient handmaiden of a manipulative, nonresponsive government.
In 1992 the Caribbean will mark the 500th anniversary of its discovery by Europe. In Europe 1992 will mark a different, but equally important event. By the end of that year, the European Community (EC) will have transformed itself into a single market of 320 million people accounting for 20% of world trade. This event will have profound implications for the Third World, which represents about one-third of EC imports and exports. For the Caribbean in particular, the implications are of major significance given the longevity of its ties with Europe and the importance of trade with the EC to its social and material well-being.

This transformation will be consequential for a select number of commodities of major importance to the Caribbean Common Market (CARICOM). Among these commodities are sugar, bananas, and rum in agriculture; and alumina, bauxite, refined petroleum, and petroleum products in minerals. Singly or in combination these account for 80% or more of exports to the EC for nine of CARICOM’s 13 member states, while for several others they are the main source of foreign exchange and providers of employment.

1992 as a Threat

The year 1992 poses its most acute threat to bananas. Under present arrangements, banana imports from the CARICOM countries and the French départements enjoy preferential access to the British and French markets respectively. In effect, a complex series of licensing and tariff arrangements maintains a market for high-cost Caribbean producers to the disadvantage of lower-cost producers in Colombia, Ecuador, and Central America. Since one of the principles of the EC’s unified market is the free movement of goods between member countries, these preferential trading arrangements cannot survive 1992. For instance, bananas imported into any one EC country can be freely circulated in another. The European consumer will benefit from the unrestricted entry of low-cost Latin American bananas throughout the EC. In direct contrast, the high-cost peasant producer in the Eastern Caribbean, working difficult terrain in small plots, will lose out in the resulting competition. It has even been suggested that the Caribbean producer may have to entirely cease production for export.

Understandably, such a prospect has caused alarm in the Caribbean and acute concern in Brussels, London, and Paris. No solution in sight can satisfy all parties. The British government, for example, has yet to articulate a position concerning the EC’s possible Caribbean impact. Neither has the Inter-Service Group, which was set up in the European Commission in Brussels to review the matter and make proposals. The preferential arrangements set out in the Lomé Conventions will continue unchanged. Yet the EC now reserves the right to “establish common rules for bananas” so long as no traditional Caribbean supplier “is placed as regards access to, and advantages in, the Community, in a less favourable situation than in the past or present.” The Eastern Caribbean has therefore won a temporary reprieve, but it has won no guaranteed long-term concession sufficient to attract substantial new investment in the industry. At best, the future for banana exports to the EC is uncertain.

Beyond bananas, a number of general threats can be identified. The most important are trade diversion and investment diversion. The European Commission argues that 1992 will stimulate economic growth, resulting in a rise of EC imports by as much as 7%. Even if this figure is attained (and there is...
a good deal of dispute among the experts), the Caribbean is in a poor position to capture the benefits. Demand for most of the region's traditional exports is either stagnant or declining. And although there has been an easing of the rules of origin in the next Lomé Convention, the value added necessary for a manufactured or processed product to benefit from duty-free access is still high (a minimum of 45%) and is defined by a complex set of rules and lists. Moreover, imports into the EC will have to meet higher technical standards and satisfy more stringent safety rules as the consequence of a harmonization of consumer protection legislation within the EC. Small-scale Caribbean producers, then, are at a distinct disadvantage, since they face both the mountain of EC bureaucracy and demand for ever more sophisticated products that exceed the local industry's capacity. Indeed, some CARICOM countries may even see an erosion in the EC for a quality product and new destinations will be intense—with Eastern Europe and Southeast Asia as especially keen rivals.

**1992 as a Catalyst**

As with so much of its relationship with Europe over the last 500 years, the predicted effects of 1992 on the Caribbean are rather mixed. On the negative side, 1992 constitutes both a threat to the long-established trade in several commodities and yet another barrier to developing newer trade in manufactured and processed products. On the positive side, it provides new opportunities in the fast-growing service industries and, through the Lomé Convention, the guarantee of a significant amount of financial and technical assistance. The balance between profit and loss is narrow, but it is generally perceived as favorable from the Caribbean side. Why else would Haiti and the Dominican Republic seek closer links with the EC? And why would the CARICOM states and Suriname continue their membership in Lomé as well as their expensive diplomatic missions in Brussels were it not for the real advantages derived from the EC link?

Where, then, does the Caribbean go from here in its relations with the EC? Signs point in one direction, to closer intra-Caribbean cooperation. In a world of increasingly competitive trade blocs the Caribbean has no other choice. Going it alone is no longer a viable option. A deepening of integration within CARICOM and a widening of membership to include Suriname, Haiti, and the Dominican Republic are therefore necessities. It is even possible to envisage the link with the EC opening the way to the incorporation of Cuba and Puerto Rico at the margin. Europe, which for centuries divided the Caribbean, is now acting as the catalyst to bring it together. The onus now lies with the Caribbean to turn this promise into reality.
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1992 as an Opportunity

The CARICOM countries stand to lose from 1992, but not entirely. First of all, the harmonization of very different rates of excise taxes on products such as cocoa and coffee are expected to boost demand and price within the EC. Some Caribbean countries stand to gain from this change as they do as well from modifications to the rum protocol in the next Lomé Convention. The latter augments the quantities that may be imported free of customs duties and plans for the abolition of the tariff quota in 1995. Increased sales in the EC will almost certainly follow.

The greatest benefits, however, are expected in services. In selling the idea of 1992 to CARICOM, European Commission officials have stressed the opportunities available in the travel, telecommunications, and information-processing industries. But above all they have stressed tourism. In fact, the Caribbean has an opportunity it cannot afford to miss. In recent years the EC has accounted for 10% of tourist arrivals and 25% of tourist revenue in the Caribbean. The reasoning goes that European tourists, with more wealth and leisure as a consequence of 1992, will visit in larger numbers and stay longer. Decreased air fares, a predicted result of competition and deregulation, will also boost tourism.

Signs point in one direction: to closer Caribbean cooperation with the EC. In a world of competitive trade blocs the Caribbean has no other choice.

The EC has already set aside considerable funds from its aid program to the region for tourist development. In addition it has urging joint ventures with European tourist operators and the development of a coordinated regional tourist strategy. For its part the Caribbean has begun to respond positively to this challenge. A Caribbean hotel registration system, promotional offices in the EC, and market intelligence facilities have been established. But this new market strategy can only be seen as a beginning, not as sufficient in itself. Foreign competition in the EC for a quality product and new destinations will be intense—with Eastern Europe and Southeast Asia especially keen rivals.

1992 as a Catalyst

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The View from the Caribbean

by Anthony P. Gonzalez

Restructuring of the world economic and geopolitical order poses urgent challenges to the countries of the Caribbean. The new situation is one of intensifying competition for capital and markets, based on rapid innovation in the technology and organization of communication, production, and transportation. It is also one of shifting geopolitical strategies and alignments, as economic transformations undercut the arms race of old. These trends mean weakened demand for the traditional exports of the Caribbean and weakened commitment by its traditional allies. Clearly the region stands at the crossroads of its economic and diplomatic future. What are the implications for Caribbean trade policy?

Crumbling Pillars

At the core of the Caribbean's challenges is the crumbling of its three geostrategic pillars: the Cold War, Third World solidarity, and traditional European market protection. To begin with, the end of the Cold War implies that the Caribbean is of reduced strategic importance in East-West terms and that US development assistance to the region will drop substantially. Undoubtedly the southern flank of the US will remain a zone of transnational drug trafficking, illegal immigration, fiscal erosion, worsening poverty, environmental deterioration, and fragile democracies, but the impact of these trends will continue to be felt not only in the Caribbean but in the US as well. It is doubtful, nonetheless, that the magnitude of Washington's security response will approximate that of the past, as indicated by its modest response to Latin American and Caribbean appeals for aid in fighting the drug war. Yet debate within the US is open-ended inasmuch as US foreign policy is undergoing profound revision in the post-Cold War climate.

Since achieving independence in the 1960s, Caribbean countries have been active in Third World efforts to redress North-South economic imbalances. For more than a decade, however, Third World solidarity has been on the wane, symbolized by the disunity regarding the Uruguay Round of the General Agreement on Tariffs and Trade. The key reason is the growing differentiation of Third World countries in terms of their levels of development and relations with the world economy. This process is bound to accelerate with the formation of regional trade blocs, which will stimulate economic transformation in those Third World countries that gain entry at the relative expense of those that are left outside.

In a multipolar world, the most powerful states will be assuming greater responsibilities within their home regions while disengaging themselves from other regions. This tendency will make it more difficult for Third World countries to hold a few metropolitan powers accountable for the plight of the periphery. Such ambiguity will become especially pronounced as within each trade bloc the metropolitan powers come to share influence with ascending intermediate powers (e.g., Brazil and Mexico in Latin America). The emergence of such divisions within and outside the Third World will likely undercut its diplomatic raison d'être, in part by pulling the rug out from under its nonaligned movement.

Finally, the Lomé IV Convention of December 1989 bore testimony to the erosion of traditional European commitments to protect the export markets of principle Caribbean commodities such as sugar and bananas. The European Community (EC) failed to offer export guarantees to the Caribbean against the impact of the Uruguay Round. Nor did it offer to safeguard Caribbean export guarantees from the impact of Europe's market unification of 1992. The Caribbean's trade privileges with Europe are vanishing as the EC seeks to globalize its commercial

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There are compelling reasons why a free-trade bloc should include not only the US, Canada, and Mexico, but also the Caribbean and South America.
ties with the developing world and establish a special trade relationship with Eastern Europe and the Mediterranean.

Trade Options

Given these trends, it is clear that the Caribbean must bolster its world-market competitiveness—the standards for which are sharply rising. The consensus seems to be that doing so must begin with domestic and regional policies to raise productivity. The corresponding approach to trade policy, however, is the subject of considerable debate that centers on five perspectives.

The first perspective claims that, both as individual countries and through the regional vehicle of the Caribbean Common Market (CARICOM), the Caribbean already possesses all the access to international markets it needs. Such access is based on Lomé, the Caribbean Basin Initiative (CBI), and the Caribbean-Canadian Trade Agreement (CARIBCAN). From this viewpoint, the problem is how to exploit the accessible markets by focusing on product niches. Unfortunately, though, market access under these schemes is largely illusory. The reason is that they restrict and exclude many Caribbean products, particularly in the most vital market: the US. In addition, protectionism, especially under CBI, has impeded the flow of export-oriented capital to the shores of the Caribbean. CBI did foster the expansion of a few non-traditional exports, such as apparel, electronics, fruits, and winter vegetables, but the region’s anticipated export take-off did not occur, due mainly to the insecure foreign-market access of many of its products.

According to a second perspective, CARICOM needs to establish a common regional tariff and a single market for the region’s producers. Yet this argument assumes CARICOM could negotiate access to export markets without getting entangled in reciprocal trade agreements. Given the likelihood of such entanglements, it is unclear what CARICOM would have to concede in exchange for guaranteed market access. The argument also overlooks the limitations on the development of large specialized firms imposed by CARICOM’s small market size.

A third perspective proposes the widening of CARICOM to include some subset of additional countries in the Caribbean Basin, especially the Dominican Republic, Haiti, and Suriname. This approach would scarcely solve the problem of market size or reduce dependence on extraregional markets. Nevertheless, it could be useful in strengthening the Caribbean’s collective negotiating leverage.

A fourth perspective stresses the importance of North-South cooperation, particularly with Latin America. Yet this option continues to be frustrated by the economic plight of the South, whose revival hinges substantially on the policies of the North. Furthermore, economic cooperation and integration with South America have always been inhibited by the Caribbean’s special arrangements with the North. Insofar as these arrangements are dissolving, scope is broadened for links with Latin America. Still, significantly strengthened links with Latin America cannot occur until it undergoes substantial economic recovery.

From the standpoint of a fifth perspective, the Caribbean needs to forge ties with the Far East. Such ties could indeed be fruitful as sources of capital and tourism. It is doubtful, however, that the Caribbean could be a successful exporter to Asia, a possibility that lies well beyond the immediate objective of becoming a regionally competitive exporter.

A Caribbean Megabloc

The restructuring of the world economy is articulating a new spatial system of production in which export manufacturing based on cheap, unskilled labor is fast receding. This trend is facilitated by telecommunications that permit the integration of management with technology transfer; that is, management operations can stay at home as production activities become divided among various locales worldwide. In this setting, transnational firms increasingly locate their production activities on the basis of access to large protected markets. As a consequence, the ability of Third World zones to create or attach themselves to market blocs is essential in their competitive quest to attract capital. The locational attraction is enhanced by the possession of skilled labor at a reasonable cost.

An example of the logic of megablocs is Canada’s free-trade agreement with the US. Canadian policymakers came to realize that the inflow of foreign investment is linked to access to a large protected market. They decided that, while a free-trade agreement would give US investors a decided edge in Canada’s service, financial, and agricultural sectors, it would also enhance Canada’s competitive edge in its key spheres of manufacturing, such as steel and automobile parts. Canadian policymakers, then, are prepared to lose some degree of ownership and control of certain economic sectors in exchange for a benefit: improved access to the US market for other economic sectors that are internationally competitive and where gains are associated with returns to scale. Hence, Canada’s free-trade decision is based on the security of access to the US market.

The Caribbean’s interests are similar to Canada’s, especially given the region’s apprehension about the possible impact of a US-Mexico free-trade agreement, which threatens to marginalize the Caribbean from transnational flows of capital and commerce. Still, while the Caribbean has demonstrated substantial interest in join-
ing such a megabloc, it is unclear whether Canada and Mexico would favor extending a free-trade agreement further south. President George Bush's Enterprise for the Americas Initiative, however, would create such an extension.

Whatever the obstacles, there are compelling reasons why a free-trade agreement should include the Caribbean and South America as well. First, the US needs to invite international competition in order to improve its productivity, and, in the face of other protected megablocs, regional competition would be an obvious alternative. Second, insofar as massive populations will become engulfed by megablocs in Europe and the Pacific Rim, the Americas need to form a protected hemispheric market. Third, the US has a stake in picking up the economic pieces in Latin America and the Caribbean as a means of building a prosperous zone of interdependent trade.

**Challenges for Diplomacy**

What, then, are the prospects for Caribbean trade? They are favorable if Caribbean leaders confront head-on the ramifications of the new global economic order for trade diplomacy. Since achieving independence in the 1960s, the Caribbean has pursued a course of trade diplomacy based on "non-reciprocity" between developed and developing countries. This principle of favored treatment for Caribbean trade is reflected in the General System of Preferences, Lomé, CBI, and CARIBCAN. Yet the moment has arrived to raise questions concerning the supposed advantages of nonreciprocity.

Recognition of the dim future of nonreciprocal, privileged trade arrangements has caused many less-developed countries to seek some form of reciprocal bargaining. Such countries are liberalizing their import policies under structural adjustment programs in order to increase their access to export markets. In view of the Caribbean's small size and limited development, reciprocal bargaining should be handled with caution. It should proceed piecemeal, carefully considering the timing of negotiations and the economic sectors to be included. Nonetheless, caution should not be carried too far; the key is not to lose the benefits of belonging to a free-trade scheme.

The most important ingredient may be a regional platform of negotiations. Such a platform is absent under CBI—one reason for the policy's failure. A regional platform should be structured so that it enhances the Caribbean's collective bargaining power. In any case, negotiations must go hand-in-hand with a strategy of achieving economic competitiveness in potential fields of regional strength. Extern al financial and technical assistance must be part of the package.

The Caribbean's traditional concepts of sovereignty and independence are facing basic challenges. The region might well be inclined to view reciprocal negotiations as a threat to its autonomy. This was precisely the response of the Central American Common Market to the recommendation by the Economic Commission for Latin America and the Caribbean that it enter into a free-trade bloc with the US. Yet, if the Caribbean proves unable to secure a foothold in a restructured world order, the long-range consequences for the region's development could be disastrous.

Inasmuch as the success of a free-trade agreement depends on the concessions negotiated, Caribbean diplomats must secure the support of those US interests that stand to gain from such an agreement. On this score there is room for cautious optimism. Past bargaining and negotiating successes indicate a respectable Caribbean capacity for diplomacy, and thus for renegotiating the Caribbean's position in the changing world order.
A CBI Report Card

by Carmen Diana Deere

Is a dollar's worth of garment exports as beneficial to a country's economy as a dollar's worth of sugar exports? The experience of many countries under the Caribbean Basin Initiative (CBI) suggests not. Since the 1984 enactment of CBI, some Caribbean Basin countries have indeed experienced rapid export growth and significant export diversification. Yet most of the region's countries have not made such advances; and of those that have, export growth and diversification have failed to generate substantial per capita growth of their economies. Why has CBI yielded such disappointing results?

An Assessment

In 1984-89 Caribbean Basin exports to the US fell, due largely to a sharp drop in petroleum exports to the US. If petroleum-exporting countries are excluded, the region's exports to the US registered a modest 4.1% annual increase. This increase, however, was just half the growth rate of world exports to the US; thus, in spite of CBI, the Caribbean Basin became proportionately less important among the world's exporters to the US. To be sure, the export performance of CBI beneficiary countries has been quite varied. Some of the region's countries—Costa Rica, the Dominican Republic, Jamaica, and islands of the Eastern Caribbean—have seen spectacular upturns in their exports to the US.

Can the modest rise in the Caribbean Basin's nonpetroleum exports to the US and the diversification of regional exports be attributed to CBI?

And has the growth of nontraditional exports contributed to regional economic recovery?

More significant than export growth has been the extent of export diversification. Regarding the latter, in 1983-89 manufacturing leaped, while mining plunged, as percentages of Caribbean Basin exports to the US. Manufacturing exports surged in absolute as well as relative terms, led by garments—a rubric excluded from duty-free treatment under CBI's supporting trade legislation, the Caribbean Basin Economic Recovery Act (CBERA).

Can the modest rise in the area's nonpetroleum exports to the US and the more pronounced diversification of its exports be attributed to CBI? The answer is no. In 1984-89 Caribbean Basin exports subject to duty-free treatment under CBI doubled (from 6.7% to 13.6%) as a share of the area's total exports to the US. Nonetheless, considering only those items that would not otherwise have entered the US duty-free, such exports actually dropped (from 5.9% to 5.0%) as a share of the total. In other words, CBI's duty-free provisions have had a negligible impact on the composition of Caribbean Basin exports to the US.

Still, the promotional activities of the US Department of Commerce deserve some of the credit for the expansion of the region's manufacturing exports. The reason is that such activities have raised the Caribbean Basin's economic profile. This raised profile, in turn, has encouraged new investment in the region, particularly in its free-trade zones.

Yet the fundamental question remains: has the growth of nontraditional exports contributed to economic recovery in the region? Again, the answer is no. The Inter-American Development Bank reports that most of the Caribbean Basin's economies performed somewhat better during the CBI years than during the early 1980s. Their recovery, however, has been paltry and uneven. In 1984-89 GDP per capita dropped in El Salvador, Guatemala, Haiti, and Trinidad and Tobago. Meanwhile GDP per capita grew just minimally (0.3% to 1.3% per year) in successful exporting countries such as Costa Rica, the Dominican Republic, and Jamaica. Possibly most striking of all is that the only country in the region to experience robust growth in GDP per capita was Barbados: the very economy whose exports to the US fell most rapidly in the CBI period.
**The Missing Linkages**

Of course, economic stagnation or decline can be variously attributed to political turmoil, the price of oil, the debt crisis, and austerity programs. Why, though, have even brilliant export performances been associated with so little economic growth?

The key factor is the composition of nontraditional exports. The potential impact of an export commodity on national economic growth essentially depends on how much value-added it generates domestically through two channels: first, "backward linkages," or business demand for local raw materials and other locally produced inputs such as services and manufactured goods; and second, "forward linkages," or worker demand for locally produced services and goods.

Export commodities that rely on imported inputs and capital goods have very low value-added content. In contrast, those that are produced with local raw materials and other local inputs have high value-added content, and hence promote greater investment and employment in domestic industries. Similarly, if the value-added content of an export product consists solely of labor costs, and if wages are extremely low, then even expanding employment leads to minimal worker-based demand for services and goods produced by domestic industries. Thus economies that compete internationally on the basis of low wages—such as the economies of the Caribbean Basin—do little to spark the development of local businesses.

In sum, production based on the combination of imported inputs and low wages cannot foster significant growth and development in national economies. Unfortunately this combination is encouraged by CBI policy.

For instance, among the fastest growing exports of the Caribbean Basin are those that enter the US under Tariff Code Items 806.3 and 807 (now HTS subheadings 9802.00.60 and 9802.00.80). These provisions allow partial duty-free treatment of products consisting of US-made components that are assembled overseas or of US metal products that are assembled and/or processed overseas and returned to the US for additional processing. In 1985-89 such exports doubled (from 12% to 24%) as a share of total Caribbean Basin exports to the US. The problem, however, is that these products have low value-added content; less than one-third of the final value of exports corresponds to local value-added. As a result they contribute minimally to the region’s economic growth and development.

Exemplifying this problem is the Dominican Republic. The country ranks as the Caribbean Basin’s largest exporter of 806-807 products to the US, and has undergone impressive export growth under CBI. Nevertheless, the country’s GDP per capita has remained stagnant, since the new export products are characterized by low value-added and are inefficient generators of foreign exchange. The 1980-88 value of the Dominican Republic’s free-trade exports surged nearly fivefold, while the value of such exports captured by the Central Bank as foreign exchange—what corresponds to domestic value-added—plummeted by nearly half.

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**US Merchandise Imports from the Caribbean Basin**

<table>
<thead>
<tr>
<th></th>
<th>1984</th>
<th>1989</th>
<th>Average Annual Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Caribbean</td>
<td>$297,162</td>
<td>$180,456</td>
<td>-9.5%</td>
</tr>
<tr>
<td>Central Caribbean</td>
<td>$1,811,632</td>
<td>$2,578,588</td>
<td>7.3%</td>
</tr>
<tr>
<td>Oil Producing Countries</td>
<td>$4,538,755</td>
<td>$1,601,502</td>
<td>-18.8%</td>
</tr>
<tr>
<td>Central America</td>
<td>$2,001,687</td>
<td>$2,276,893</td>
<td>2.6%</td>
</tr>
<tr>
<td>CARIBBEAN BASIN TOTAL</td>
<td>$8,649,235</td>
<td>$6,637,440</td>
<td>-5.2%</td>
</tr>
</tbody>
</table>

Thousands of dollars

Source: US International Trade Commission
This evidence suggests that even a major rise in the free-trade export of assembled goods may not compensate for the loss of foreign exchange from traditional exports such as sugar, as has occurred in the Dominican Republic. Estimates rate the value-added component of traditional exports at about 90% but that of garments assembled from US-made and cut cloth at about 25%. So, to maintain the same level of value-added content and to generate the same level of net foreign exchange, a $1-million drop in the Dominican Republic’s sugar exports would require a $3.6-million rise in garment exports.

The growth of free-trade zones in the Dominican Republic has meant thousands of new jobs, especially for young women. Yet wages are extremely low—often barely covering the basic food basket of workers and their families. With such a high portion of wages spent on food, employment in free-trade zones creates marginal forward linkages with the rest of the economy.

Most assembly plants throughout the Caribbean Basin are low-cost investments, with minimal capital and job-training requirements. A consequence is that the plants are particularly “footloose”; thus they cannot be viewed as long-lasting investments or employment sources. Consider the case of Barbados, which prior to CBI was one of the Caribbean Basin’s main exporters of manufactured products. As free-trade zones proliferated in the area, the major corporations operating in Barbados closed their electronics and garment-assembly factories in search of cheaper labor. In 1988 semiskilled labor in Barbados earned $2.16 an hour, compared to $0.55 an hour for similar labor in the Dominican Republic. As factories closed, Barbadian exports to the US plunged. Only the expansion of the island’s tourism industry enabled it to withstand these difficulties.

A final consideration is that free-trade zones are anything but “free” for the host countries. Caribbean Basin governments must provide the infrastructure to attract investors; as a result, substantial local resources are diverted from urgent social investments, such as education and health. Moreover, since incentive schemes for free-trade zones usually include generous tax exemptions for new investors, neither do these zones produce badly needed fiscal revenues.

Consider an Alternative

The evidence indicates that the CBI export-promotion scheme is incapable of promoting significant growth and development in Caribbean Basin economies. Rather than assembly industries, the region’s governments should promote new export industries with strong domestic linkages, such as industries that rely on local raw materials and that are oriented to domestic as well as export markets.

Yet Caribbean Basin governments cannot alter their approach unless the US government revises its own economic policy. Ironically the August 1990 enactment of CBI-II made CBERA a permanent program and granted new duty-free status to just one category of exports: articles assembled or processed wholly from US-produced components or ingredients. Put differently, CBI-II continues to encourage the expansion of those industries that contribute least to the Caribbean Basin’s economic growth and development.
Real-World Economics

by Lisa R. Peattie

The Informal Economy: Studies in Advanced and Less Developed Countries

What is the informal economy? A natural question, you might say, when encountering a book on the topic. Alejandro Portes, Manuel Castells, and Lauren A. Benton have uncovered enough interesting research along with enough muddled conceptualization to show that the question is silly and deserves the many silly answers it has been getting. As Portes and Castells put it, "The informal economy is a common-sense notion whose moving boundaries cannot be captured by a strict definition without closing the debate prematurely" (p. 11).

Conceptual clarity is not everything. This "notion" has thrived on its "moving boundaries"; generated a vast literature, much of it polemic; and constituted the banner of policy proposals, including Hernando DeSoto's "otro sendero," which proposes to lead Peru to Adam Smith capitalism.

Lisa R. Peattie is Professor Emeritus and senior lecturer in the Department of Urban Studies and Planning, Massachusetts Institute of Technology. She is the author of Planning: Rethinking Ciudad Guayana (The University of Michigan Press, 1987).

The concept of "informal economy" has generated a vast literature, much of it polemic; and constituted the banner of policy proposals, including Hernando DeSoto's "otro sendero," which proposes to lead Peru to Adam Smith capitalism.

The idea of an "informal sector" was first put forth by the International Labor Organization (ILO) in the context of a study of unemployment problems in Kenya. Looking about them, ILO economists soon realized that both regular employment and its counterpart problem of unemployment were the privilege of the few, and that most Kenyans were making a living in a variety of small unregistered firms and individual hustles. Christening this uncharted world of economic activity the "informal sector" gave ILO analysts a way to talk about it, even if they in fact knew very little about what was actually going on.

Before ILO did its re-naming, the economic activities so christened did not, of course, go unnoticed. Economist W. Arthur Lewis, writing on "development with unlimited supplies of labor," saw that the surplus worker was more likely to be shining the visiting economist's shoes or unloading a truck than sitting on his hands. The ILO analysis simply recognized the possibility that low-status economic activities were not a repository of tradition or a labor reserve for the modern firms, but rather an active part of the larger economy.

Latin American economic thought has tended to combine the basically "dualist" approach of traditional economics with a Marxist or neo-Marxist structuralism. Dependency theory saw the proliferation of small firms—particularly in commerce and services—as a pathological consequence of the control of capitalism by the great powers, especially the US; according to the dependistas, economic growth in the periphery made for the repatriation of profits to the center, leaving the economy of the periphery undercapitalized and organizationally stunted. To the traditional and neo-Marxists, the "informal" economy was a symptom of the diseased economy. More generally they saw the contrast between "formal" and "informal" as one aspect of the inherently uneven development of capitalism: the entrepreneurship of "informal" enterprises merely contributed to super-exploitation by large firms at the top of the system.

ILO's formulation made a whole new set of economic activities a respectable topic for study. The first empirical research to appear was a group of studies attempting to measure the informal sector statistically and to develop tables...
showing its contribution to employment and production. It soon became clear, however, that there were problems in counting activities that by definition were unregistered and that fell within a poorly defined category to boot.

The quantitative approach soon gave way to qualitative studies of particular industries or clusters of firms, often focusing on the relationship between formal and informal activities. At this point the identification of the “informal” with underdevelopment began to give way. The discovery of exploitative relationships between large firms and their informal subcontractors in the Third World encountered a growing literature on “informalization” as a way of economic restructuring in the US and Europe. Meanwhile the lingering suspicion that there might be some development potential among the Third World’s small entrepreneurs met the discovery of a thriving pattern of small-firm “flexible specialization” in the Red Belt of Italy. So, we have a fuzzy concept, a diversity of phenomena to which it might apply, and significant intellectual interest. Portes, Castells, and Benton realize the thing to do is to plunge into the phenomenal world to which the various “informal sector” arguments refer, rather than haggle over definitions or argue a theory of the poorly defined. Time enough to make sense of it all later.

Let me mention that in 1973, preparing to go to Bogotá with some Ford Foundation money to do an exploratory study of the informal sector, I wrote a memorandum to myself called “All That Funny Stuff.” In that memorandum I promised to remember that a concept lumping together housemaids and low-paid factory workers, or an unlicensed vendor of shoelaces and a drug dealer with a fleet of planes and a senator in his pocket, could not make much sense. Nevertheless, I told myself, there is a world out there that gave rise to this idea; let us collect its stories and try to make some sense of them. That is just what the editors of *The Informal Economy* have tried to do.

**Clearly there is no “informal sector,” but rather a great variety of informal sectors: economic activities outside the officially regulated channels. What ought the state to do? And what should be labor’s strategy?**

### Comparing Cases

The 15 case studies that make up the collection cover an extraordinary range. Geographically they include Malaysia, Colombia, Italy, Spain, Great Britain, and the US. Informal activities in the capitalist economies of Miami, Madrid, and New York can be compared to informal earnings and outlays in the Soviet Union. There are accounts of the role of cocaine in the economy of Bolivia, how neoconservative economic strategy in Great Britain leads to “informalization,” and the dynamics of small firms in Italy and Spain. Clearly there is no such thing as “the informal sector,” but rather a great variety of informal sectors: economic activities outside the officially sponsored or officially regulated spheres.

The diversity of informal sectors can extend even to a single locality. Alex Stepick’s chapter on “Miami’s Two Informal Sectors” shows how two ethnic enclaves have developed along sharply different lines. The resourceful (and US-government supported) Cuban refugees have produced a prosperous small-business sector tied to the larger economy. Meanwhile the Haitians, excluded from good jobs by racial and ethnic prejudice and from US government support by their illegal status (and prejudice), have learned to survive at the bottom of the system through self-employment and casual labor.

The nature of the informal economy thus depends on the specific context. According to T. G. McGee and his colleagues, “The mix of international, national, and microlevel processes is somewhat different in every case” (p. 265) The boundaries shift with the regulatory activity of the state. As Portes and his co-editors write, “What is informal and perhaps persecuted in one setting may be perfectly legal in another; the same activity may shift its relative location across the formal-informal cleavage many times; and, finally, the very notion of informality may become irrelevant in those cases in which state regulation of economic relations is nil” (p. 298) Juan Carlos Fortuna...
and Suzana Prates observe that the activity of the state, in turn, reflects shifts in the international economic order, the “level of development and the benefits achieved in the political arena by the working class” (p. 81), and social divisions and social prejudices.

In the Soviet case, Gregory Grossman sees the informal sector as generated by factors such as the ubiquitous presence of socialist property broadly regarded as “up for grabs,” the prohibition of most productive activity on private account, and the ineffectiveness of formal mechanisms. Grossman writes that the “Soviet informal sector is not so much the fringe of the formal economy as a complex intertwinment with it that is at once symbiotic and parasitic” (p. 152). Elsewhere, informalization is seen as an employer strategy for reducing wages in an economy of scarcity. Regarding the Italian “Red Belt,” Vittorio Capecci emphasizes the development of an entrepreneurial culture and informal economy of growth within a uniquely supportive political climate, with communist local governments providing technical education and other services.

New Categories, New Strategies

Confronting these diverse and fascinating phenomena, it seems obvious that the definitions and discussions of “the” informal sector miss the mark. The issue, rather, is the emergence of a kind of real-world economics. Instead of “the economy” there are institutions. Instead of “industries” and “sectors” there are entrepreneurs and firms. Instead of “labor” and “labor markets” there are employers and workers with particular purposes and characteristics, all in intricate interaction. The household appears not as merely responding to economic conditions, but as coordinating and modulating economic activities. Social roles constituted by gender, age, ethnicity, citizenship, and race get built into economic structures. Politics fails to take total command, even in the socialist world, but on the other hand, nowhere is the economy independent of politics. For instance, tightly intertwined with politics and the state is the thoroughly illegal drug industry.

We have learned to ask: what ought the state to do? What should be its policy toward, for example, “informal” firms? But the comparison in this volume between the situations in Spain and in the Italian Red Belt suggests another sort of question: what are the interests of the state under specific conditions, and what is the state likely to do in various situations? Will not the centralizing state necessarily tend to ally itself with large corporate entities and foreign investors? In this real-world economics the national state is another actor to be observed and understood.

Moreover, there is ample material for discussions of labor strategy. It is not just that “informalization” so frequently occurs as the consequence of employer attempts to cut wages and shift responsibility for social welfare to the worker family. There are also wider consequences for class structure. According to Bryan Roberts, “The diverse jobs held by household members also mean that Guadalajara’s low-income population is not clearly differentiated along class lines. A person’s job position is unlikely to remain constant during his or her working life. Life history and life cycle, rather than class or formal and informal employment, are thus the differentiating factors within Guadalajara’s low-income population” (p. 34).

In such an economy, should labor’s strategy be to fight against “informalization” and to extend regulation and social benefits to those now outside the formal system? Or should labor recognize, as the editors suggest, that informalization is here to stay and that the neo-Marxist image of proletarianization is an illusion? They also suggest that “the task is how to redefine the struggle for equality in terms other than wage levels, working hours, and benefits attached to conventional employment.” A new Social Contract in which governments would guarantee minimum living standards and security to people and not as workers, would do away with the most socially wrenching consequences of decentralization and informality” (p. 310).

When I was doing my exploration of informal activities in Bogotá, I saw people struggling with these issues in the context of their daily work, as entrepreneurs, workers, bureaucrats, and political organizers. Some informal firms had been integrated into the old-line unions and parties; they were thoroughly conservative small businessmen. Under the organizing strategy of the “mass line,” thousands of street vendors marched against regulations intended to restrict their access to the major thoroughfares. I remember especially my discussion with a member of the Confederación Sindical de Trabajadores Colombianos (CSTC) on the matter of the “informals.” He said that he personally did not think of them as “lumpen”; indeed, CSTC was sponsoring a union that would join workers in large commercial enterprises with street vendors. Of course, he asserted, the “workers” are the spinal column of the Revolution; the “informals” can simply make a contribution. Yet he paused for a moment and said, “But you know, they are so much more radical. In a system like this, as soon as someone gets a regular job, they become so conservative.”

In studies of the “informal economy” we are finding not only real-world economics but also real-world politics with all its ambiguities and unpredictabilities. The study of real-world institutions, ever fuzzy and fascinating, will in the end serve as a better grounding for action than the deceptive clarity of economic modeling and academic theorizing.
Strategic Choices

With Open Arms: Cuban Migration to the United States
by Félix Roberto Massud-Piloto.

Félix Roberto Massud-Piloto has written a compelling and unsettling history of the politics of US immigration policies towards Cuba, Haiti, and Central America. He explores the interplay of ideology and geopolitics in the making of US immigration policies, and how that interplay unfolds in terms of the naked pursuit of power and interests by the US and, to a lesser extent, by a reactive Cuba.

With Open Arms emphasizes three themes. The main theme is that US ideological and strategic considerations, rather than humanitarian objectives, explain its "open arms" immigration policies towards Cubans and restrictive policies towards Haitians and Central Americans. Thus, Massud claims that US immigration policies towards Cuba are linked to a strategy of undercutting the island's communist regime by encouraging population flight from a communist country to a "free" country, thereby draining it of vital human resources (such as physicians, teachers, and technicians). By way of contrast, the author emphasizes that restrictive immigration policies towards Haitians and Central Americans are due to a different strategic assessment. This assessment holds that an "open arms" policy would either undercut friendly governments or not significantly contribute to attaining US objectives in Haiti and Central America. Immigration policy thus is subsumed under the ideological and strategic objectives of containment of communism and seemingly has no independent status as an issue in US politics.

The second theme is that the anticommunist ideology behind US immigration policy has actually undercut US interests and caused great suffering among Cubans. Massud writes that US anticommunism exaggerated and distorted the nature of the Cuban revolution and caused US policymakers to overreact. This overreaction, he argues, damaged US interests by forcing the revolutionaries to align with the USSR, as well as by leading to the exodus of Cuba's opposition elites.

The third theme of the book is the unintended domestic political consequences of US immigration policies. Massud finds that the "open arms" policy towards Cubans and the restrictive policy towards Haitians have exacerbated ethnic and racial tensions in South Florida, as black leaders and Haitian migrant leaders in the US see racism behind the divergent treatment of predominantly white Cuban and black Haitian refugees.

As for policy recommendations, the author argues that Cuba and the US share an interest in non-ideological bilateral immigration agreements. According to Massud, Cuba needs a permanent outlet for political and labor migration. By the same token, the US needs to avoid the erratic mass migrations of the past, which exacerbate domestic ethnic and racial conflicts. Massud proposes that the US implement hemispheric migration policy that will ease regional foreign-policy tensions. Furthermore, he contends that it is possible and essential for the US to adopt a "single, non-ideological and humanitarian standard for guaranteeing refugee status" (p. 131).

Despite its provocative insights, With Open Arms leaves some key issues unresolved. For example, is the US state as monolithic in its approach to immigration policy as the analysis suggests? The reader is left wondering about possible contradictions within the US state and how these affect immigration policies. The principal weakness, however, is Massud's seeming acceptance of the ideological framework he criticizes. His portrayal of Cuban migration as fundamentally responding to political events that are largely dictated by external political forces ignores the motives of the refugees themselves. He does not address variation in the impact of US migration policy on classes, ethnic groups, and political sectors in Cuba. Neither does he address what the Cuban state has done to mediate these pressures and how it has failed or succeeded. Along the same lines, Massud does not analyze how economic contradictions in Cuban socialism influence migration choices.

Nonetheless, Massud's contribution is significant. His provocative analysis could serve as a spark for additional research on US immigration policy, as well as on US-Cuban relations in general.

Gastón A. Fernández
St. Olaf College

Making Policy

Latin America in the International Political System

Foremost among this volume's many strengths is its framework for analyzing Latin America's foreign policy. In employing a systems perspective, the book comprehensively examines the actors, influences, decisionmaking processes, policies, and relationships that shape the role of the region in international affairs.

To his credit, G. Pope Atkins wisely limits obtrusive systems terminology and esoteric debate, while refraining from deterministic or teleological reasoning. Atkins uses the systems approach to identify and explain tendencies—rather than allegedly "inevitable" system-generated behavior and events—in the region.
The volume's examination of the actors who influence Latin America's role in international affairs includes hemispheric and non-hemispheric states, along with nonstate actors. Its analysis of Latin American states is particularly valuable in showing that foreign policymaking in the US is vastly different from that process in other countries. In this respect, the book makes the formation of Latin American foreign policies much less enigmatic to readers who are accustomed to analyzing international politics from a US perspective.

Due to their limited resources in the arena of international relations, Latin American states have traditionally favored using international organizations as foreign-policy instruments. In addressing these organizations, Atkins examines various attempts at Latin American integration and association, ranging from the 19th-century movements for Spanish-American union to contemporary arrangements for economic cooperation, such as the Latin American Free Trade Association, the Latin American Association for Integration, the Special Latin American Coordinating Commission, and the Latin American Economic System. He also includes chapters on the inter-American system and Latin American involvement in global and extraregional arrangements, such as the UN, commodity agreements, and the Nonaligned Movement.

Perhaps the most valuable chapter is the conclusion, in which Atkins reviews some of the major theories of Latin American international relations. His discussion of realism, idealism, Marxism, liberal developmentalism, and various formulations of dependency theory, as well as of the policy implications of each perspective, is a fitting capstone for this excellent survey.

Martin J. Collo
Widener University

Revolutionary Mexico


The Mexican revolution has been the subject of regional analyses that have explored variations in the content and objectives of leaders and participants. David LaFrance's book outlines several developments in narrative form: the evolution of the Maderista anti-reelection movement in the state of Puebla in 1909 and 1910; the local revolutionary movement that contributed to the fall of Porfirio Diaz in 1911; the local-level failure of Madero's program of liberal democracy and limited moderate reforms; and the collapse of the Maderista movement in 1913. LaFrance presents the names, dates, and some background information on the principal actors in Puebla politics between 1909 and 1913. The study is well documented with sources from regional and national archives.

The book summarizes the course of events in Puebla in a chaotic four-year period, but the reader may be left unsatisfied. LaFrance documents yet does not adequately explain the nature of the revolutionary movement. He discusses the peasantry, the lower class, radicals, and factory workers who contributed to Diaz's removal from power. Nonetheless, he has little concrete to say about the origins of these groups and their objectives. For example, the successful revolutionary movement of 1911 was basically a rural insurrection involving the peasantry, either landless or landed. LaFrance notes several short-term factors that may have contributed to the peasant insurrection, such as crop failure and high agricultural prices. These factors, however, served merely to ignite long-standing grievances that LaFrance does not systematically explore. Thus the author says too little about changing patterns of land tenure and rural social relations in Puebla during the Porfiriato, which may have contributed to the outbreak of unprecedented rural violence in the state. Nor does LaFrance say enough about workers in Puebla's growing industrial sector.

One fundamental weakness of the book is the author's failure to place the case of Puebla within the context of the growing literature on the Mexican revolution, particularly the more analytical studies. For example, LaFrance could have benefited from a discussion of the conceptual perspectives presented by such authors as John Tutino and Arturo Warman to explain the origins of Puebla's rural movement. Finally, he neither relates the findings of this study to the general literature on the Mexican revolution, nor says much about the literature on the revolution in Puebla.

The book's introduction is extremely disappointing. The audience to which the book is directed probably knows enough about Mexican history so that LaFrance did not have to present a brief overview of its trajectory since the period before the Spanish conquest. Yet the book would have benefited more from a longer discussion of the revolution's origins, the literature on the revolution, and the social conditions in Puebla prior to the revolution.

The Mexican Revolution in Puebla is a sound narrative political history. What it lacks is a significant analytical and conceptual framework. In that light, the book should be viewed as a preliminary study that sets up future research on regional variation within Puebla concerning the social origins and social content of the revolutionary movement.

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Labor Migration Policy
by Marian Goslinga

Government policy toward foreign workers—legal as well as illegal—has been much in the news lately. It is fascinating to see how different countries deal with the issue. Cases such as the Haitians in the Dominican Republic, the Japanese in Brazil, the Mexicans and Central Americans in the US, the Italians in Costa Rica, and the Colombians in Venezuela have posed many of the same dilemmas to the host governments and continue to be a focus of controversy.

The literature listed below deals with government policy, although frequently in a roundabout way. A comprehensive bibliography does not exist, and information must be gathered from a variety of sources.


El Canal de Panamá y los trabajadores antillanos: Panamá 1920, cronología de una lucha. Gerardo Maloney. Panama: Ediciones Formato Dieciséis, 1989. 54 p. [This work proves that the issue of foreign workers is not merely a post-World War II phenomenon.]


Fuerza de trabajo inmigrante japonesa y su desarrollo en el Perú: una exploración bibliográfica. Amelia Morimoto. La Molina, Peru: Taller de Estudios Andinos, Departamento de Ciencias Humanas, Universidad Nacional Agraria, 1979. 85 p. [An older, but still relevant, work dealing with the literature on Japanese labor in Peru.]


Harvest of Confusion: Immigration Reform and California Agriculture. Philip L. Martin. International Migration Review, v. 24 (Spring 1990), p. 69-95. [The author claims recent immigration reforms have not resolved the debate over agriculture's need for alien workers in the US.]


Illegal Aliens: Their Employment and Employers. Barry R. Chiswick. 1988. [Based on data from Immigration and Naturalization Services apprehension reports on illegal aliens in Chicago.]


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