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# THE IMPACT OF THE CARIBBEAN BASIN INITIATIVE PROGRAM ON THE ECONOMIC GROWTH & DEVELOPMENT IN THE ENGLISH SPEAKING CARIBBEAN REGION

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## ABSTRACT

*The purpose of this paper is to examine the impact of the Caribbean Basin Initiative (CBI) Program on the English-speaking Caribbean countries and assess the impact on foreign direct investment (FDI), economic development and growth in the region. Export and import data between the United States and the CBI region were examined for the period 1994-2009 to determine the direction of trade. The Gross Domestic Product (GDP) of the CBI countries for the same periods was examined to determine if any economic growth and development had occurred. Over the period of this study, the data indicate that the Caribbean Islands, with the exception of Trinidad and Tobago, experienced negative balance of trade and deficit balance of payments. The results indicated that the CBI impact on the English-speaking Caribbean countries did not meet expectations as relate to economic development and growth.*

**Keywords:** Caribbean Basin Initiative, English-speaking Caribbean countries, Economic Growth & Development

## INTRODUCTION

The U.S. Congress enacted the Caribbean Basin Initiative (CBI) in 1984 to assist countries in Central America and the Caribbean Islands. The act was a linchpin in the U.S. effort to stabilize the Caribbean Basin during the 1980's. The principal economic objectives were to stimulate foreign and domestic investment, to diversify local economies, and to augment export earnings by eliminating U.S. customs duties on most items manufactured or assembled in the region. The CBI, first proposed in 1982, is a broad United States foreign policy designed program to promote economic development and political stability. The CBI is not limited to the Commonwealth Caribbean nations but extends to the entire Caribbean Basin, also including selected countries of Central America, northern South America, and the non-English-speaking Caribbean. The CBI consists of trade, economic assistance, and investment incentive measures to generate economic growth in the region through increased private sector foreign direct investment (FDI) and economic development (Lunger, 1987; Newfarmer, 1985).

The most significant aspect of the program is the Caribbean Basin Economic Recovery Act (CBERA) of 1983. The CBERA provide Caribbean Basin countries with duty-free access to the United States market for most categories of exported products until September 30, 1995. It also includes special tax provisions for the tourist sector, as well as measures to support the economic development of Puerto Rico and the United States Virgin Islands. In addition to the CBERA, other CBI measures include increased United States economic assistance, a wide range of government and private sector investment promotion programs, support from multilateral developing institutions and their donor nations, and Caribbean Basin country self-help efforts. The CBI

resulted from a series of 1981 meetings involving United States, Canadian, and Caribbean Basin officials. In a July 1981 meeting in Nassau, the United States special trade representative and the United States Secretary of State met with the foreign ministers of Canada, Mexico, and Venezuela. Each agreed to support a multilateral action program for the region, within which each country and dependent territory would develop its own programs. Multilateral and bilateral meetings were held between the members of the so-called Nassau group and representatives of the Caribbean Basin countries (Lunger, 1987; Newfarmer, 1985).

The CBI package announced by President Ronald Reagan in a February 1982 address before the Organization of American States (OAS) consisted of foreign assistance, a free trade arrangement, and tax incentives for United States investors. The foreign aid portion of the CBI, which proposed an additional U.S. \$350 million for the Caribbean region for fiscal year 1982, was passed by the 97th Congress and became law in September 1982 (Two-thirds of this total was slated for Central America, with the remainder earmarked for the Caribbean.) (Zorn & Mayerson, 1983). The trade portion, contained in the CBERA, was passed by the 98th Congress in July 1983 and signed into law in August 1983 (Clasen, 1983). The CBERA also contained a tax benefit allowing United States citizens and companies to make deductions for expenses from conventions and business meetings held in CBI countries. The investment tax incentive portion of the package was left out of the legislation's final version. Also, a number of products were excluded from the eligibility list of duty-free exports (Newfarmer, 1985; Shingetomi, K., Rule, K., & Osler, D., 2009).

Twenty countries (20) and dependent territories were designated to receive benefits on January 1, 1984: Antigua and Barbuda, Barbados, Belize, British Virgin Islands, Costa Rica, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Haiti, Honduras, Jamaica, Montserrat, Netherlands Antilles, Panama, St. Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, and Trinidad and Tobago. The Bahamas was designated on March 14, 1985. On April 11, 1986, Aruba was designated retroactively to January 1, 1986, upon becoming independent of the Netherlands Antilles. Guyana was designated effective November 24, 1988, and Nicaragua was designated effective November 13, 1990. This brought the total number of beneficiary countries to twenty-four. Anguilla, Cayman Islands, Suriname, and Turks and Caicos Islands have also been identified by Congress as potentially eligible for benefits, but have not yet requested beneficiary status (Shingetomi, K., Rule, K., & Osler, D., 2009). The English speaking Caribbean countries which are targeted in this study are as follows (by sub-region): (1) Leeward Islands: Antigua/Barbuda, St. Kitts/Nevis and Bahamas; (2) Windward Islands: Dominica, Grenada, St Lucia and St. Vincent; and (3) Greater Antilles: Barbados, Guyana, Jamaica and Trinidad & Tobago.

The purpose of this study is to examine the impact of the Caribbean Basin Initiative (CBI) Program on the English-speaking Caribbean countries in terms of economic development, and growth in the region.

## **REVIEW OF THE LITERATURE**

The incoming Reagan administration in 1981 identified the Caribbean Basin as one of the most important regions in the world to the United States, and proposed a long-term economic program for the Caribbean designed to realize economic development and secure United States presence in the area (Sutton 1995). While the United States presence in the area was achieved, it did very little to advance the economic development of the region in any meaningful way. One reason for this is that the program was designed to reflect the political and security interests of the United States rather than those of Caribbean Basin countries. The CBI program did not provide

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enough in the way of economic assistance. The trade concessions were minimal at best and the development incentives were compromised by an ideology that the private sector could be more successful than the public sector to achieve growth.

In addition, the program was not a matter of negotiation but rather that of imposition. In the best traditions of U.S. policies in the region, it was decided unilaterally in Washington and supported by reluctant allies, which included not only the countries of the region collectively, but also Britain and Canada. The effects of this on the policies of the metropolitan powers and the regional integration movement were examined by Leys, Hyett, and Moore, with a comparison of the Canadian aid program with the CBI program being particularly useful (Bakan, Cox & Leys, 1993).

A primary economic objective of the CBI is to assist Caribbean Basin countries earn their own way towards growth and economic development by providing aid to encourage private sector activities, by allowing one-way duty free exports to the U.S. and through the stimulation of private investments both at a national and foreign levels (Griffith, 1990). The one-way duty free trading with the United States only conferred marginal benefits on very small beneficiary CARICOM countries was definitely at variance with conventional economic theory which stated that when a very small country and a very large country integrate their economies by eliminating tariffs, the small country will appropriate maximum gains from the trade (Kenen, 1985). It is important to note that the free trade between the United States and the Caribbean countries, does not meet all the assumptions required for the application of the model. Conversely, from the available trade data, it is evident that the United States has gained more from the CBI agreement than the CARICOM countries (Zorn & Mayerson, 1983).

Another objective of the CBI program was to assist Caribbean Basin countries in stabilizing their economies through increased foreign direct investment which should diversify local economies and to augment export earnings through the elimination of tariffs (Woodward & Rolfe, 1993). Although the program has been in operation for almost three decades, the consensus by the CARICOM countries heads of governments is that the program had fallen extremely short of prior expectations. The political leadership strongly contended that the CBI program has been modest at best and have provided several reasons to support their arguments. The political leader of Dominica indicated in 1987, that the removal of US Congress of investment incentives from the original legislation discouraged US investors from locating in the CARICOM region thus depleting the effectiveness of the program foreign direct investment.

A member of the Jamaican political leadership argued that inconsistent and arbitrary rulings by the US Customs have negatively affected exports from CARICOM countries and resulted in the loss, due to non delivery of millions of dollars in orders from the region. Also, the restrictions imposed on the principal exports from the region were alluded to by CBI countries in order to explain and criticize the modest performance by the CBI program (Griffith, 1990). The major products excluded from duty-free entry were textiles and most leather goods. After the establishment of the CBI, direct investment in nontraditional products grew considerably. To evaluate the CBI, the U.S. Department of Commerce collected information on employment, location of ownership, value of investment, a company's markets, and product type from 642 companies.

The database encompasses local and nonlocal investments in agriculture, tourism, and manufacturing. It included new plant openings as well as plant expansions. Of the total 642 reported observations, only nonlocal (foreign) investments were analyzed in that study. Moreover, tourism-related and agricultural investments were excluded, leaving just manufacturing plants. Finally, only new plant investments were considered; expansions of existing facilities were omitted

leaving 187 observations (Woodard & Rolf, 1993). In response to the claims by the CARICOM political leadership, United States argued the CBI program was not designed to promote the chief exports of the region and that the Caribbean governments should adopt the necessary policy changes to improve the local, business climate (Good, 1988).

### THEORETICAL FOUNDATION

The impact of trade on the economies of nations has often been aligned to the market model, which suggests that the best economic results are experienced by nations that adopt a policy of free flow of export and imports without trade restrictions. While linking trade to economic development, Grossman and Helpman (1990) concluded that nations practicing a free trade policy grew at a faster rate than those that did not practice such a policy. The researchers also concluded that developing nations stood to gain more from unrestricted trade, as in some instances developing nations do not possess the necessary resources to properly and effectively conduct the developmental research that is required for new product development. Grossman and Helpman (1990) confirmed the earlier research of Heller and Porter (1978) and Balassa (1978), which established that increased exports will successfully accelerate the economic growth and financial stability of the nations since exports are the main component of national outputs.

In order to quantify exports as a viable component of economic development, Tyler (1981) established that 17.5 percent increase in exports resulted in an incremental increase of one percent in GDP and that nations that do not conform to free trade policies will result in increased exports and economic growth being hampered. Thus, finding can be represented by the following equation:

$$17.5\% \Delta \text{ Exports} = 1\% \text{ GDP} \quad (1)$$

Feder (1982), in an attempt to quantification, even separated the export from the non-export components of output and used the simple equation:

$$Y = N + X \quad (2)$$

Where the GDP (Y), was equal to N + X, and N represented the non export sector and X the export sector. Therefore, it is fair to assume that regional integration and its export promotion policies are critical factors in advancing economic growth and development. Equation 2 may be rewritten as follows

$$\text{GDP} = \text{Non Exports} + \text{Exports} \quad (3)$$

The balance of trade (BOT) is the difference between the monetary value of [exports](#) and [imports](#) in an economy over a certain period. It is the relationship between a nation's imports and exports. A positive or favorable balance of trade is known as a trade surplus if it consists of exporting more than is imported; a negative or unfavorable balance is referred to as a trade deficit or, informally, a trade gap. The balance of trade is sometimes divided into a goods and a services balance. The [balance of trade](#) is the difference between a nation's exports of goods and services and its imports of goods and services, if all financial transfers, investments and other components are ignored. A nation is said to have a trade deficit if it is importing more than it exports. BOT may be expressed by the equation:

$$\text{BOT} = \text{EX} - \text{IM} \quad (4)$$

Where BOT is the Balance of Trade; EX represents country's total exports; and IM represents country's total imports.

### HYPOTHESIS:

The following hypotheses were developed and tested in this study:

*Hypothesis 1: Duty free exports to the United States had an effect on economic growth, of the CBI countries' as measured by the GDP*

*Null 1: Duty free exports to the United States had no effect on economic growth, of the CBI countries' as measured by the GDP*

*Hypothesis 2: **BOT** with the United States had an effect on economic development, of the CBI countries' as measured by the GDP*

*Null 2: **BOT** with the United States had no effect on economic development, of the CBI countries' as measured by the GDP*

### RESEARCH METHOD

#### *Sample and Data Collection*

The sample included in this study consisted of **ten** Caribbean Basin countries: The English speaking Caribbean countries which are targeted in this study are as follows (by sub-region): (1) Leeward Islands: Antigua/Barbuda, St. Kitts/Nevis and Bahamas; (2) Windward Islands: Dominica, Grenada, St Lucia and St. Vincent; and (3) Greater Antilles: Barbados, Guyana, Jamaica and Trinidad & Tobago.

Export and import data, between the United States and the CBI region, as related to the CBI program, were first isolated from trade with other countries and then examined for the period 1994-2009. Data on trade balance, including imports and exports, were obtained from the International Monetary Funds (IFM) and the Direction of Trade Year Book for years 1994 to 2009.

#### *Measurement of Variables*

Gross domestic product (GDP) and trade balance, including imports and exports, for the CBI countries were measured as follows:

1. Gross domestic product (GDP): Gross domestic product data were calculated from the change in exports based on the formula introduced by Tyler (1981):  $17.5\% \Delta \text{Exports} = 1\% \text{GDP}$ .

2. Trade Balance data: Export and import data were required for the calculation of trade balance (BOT) of the CBI countries. Trade balance was measured based on the equation:

$$\text{BOT} = \text{EX} - \text{IM}.$$

### ***Statistical Tools and Data Analysis***

The Scientific Package of Social Sciences (SPSS) software was utilized to conduct the regression analysis. In order to ascertain the reliability of the constructs, Cronbach Alpha was calculated. Both the Greater Antillies and Leeward Islands Cronbach Alpha was 0.769 or 75% reliability. The Windward Islands Cronbach Alpha was -01.828. Factor Analysis was introduced to the data and the Descriptive Statistics were calculated, namely, Mean (m), Standard Deviation (s) and Dispersion ( $s^2$ ) or (Variance).

The trade data was then analyzed to determine whether there were any increases in CBI exports to the United States. If increased trade occurred as a direct result of the elimination of tariffs and trade restrictions between United States and the CBI countries then the CBI program would have achieved its intent. The CBI countries export data to the United States was compared with the import data to determine the balance of trade amounts. It is important that the dollar amounts of CBI exports be greater than the CBI imports from the United States which will result in positive balance of trade. The gross domestic product (GDP) of the CBI countries that was generated for the same periods was examined to determine if any economic growth and development had occurred.

Increases in the CBI countries GDP as direct result of increases in exports to the United States will indicate growth and a stabilization of the CBI economies. The data was then subject to analysis utilizing SPSS software to calculate Mean, Standard Deviation (STD), Dispersion, and Analysis of Variance (ANOVA) for regression for each of the Caribbean regions participating in the CBI program. The export data of the CBI countries will be examined to determine and tabulate any increases in exports as these increase will only result from sustained both foreign and local direct investments in creating these exports. The continued increase in exports will result in an improving economy and increased economic development.

## **GROSS DOMESTIC PRODUCT, EXPORT AND IMPORT DATA CBI COUNTRIES**

### ***Export Data***

The export data between the English speaking CBI countries and the United States of America for the period 1994 to 2009 are tabulated in *Table 1*. The data shows that overall the CBI region exports to the U.S. increased each year, from 1994 to 2008 by \$8.759 billion, except for the period 2008 to 2009 where there was a massive decrease in exports to the U.S. by \$3.920 billion.

The down turn of the U.S. economy was attributed as the reason for this decrease in exports to the U.S. The only segment of the CBI Region which did not experience decreased levels of exports to the U.S., was the Leeward Island region, which did experience increased exports in 2008 to 2009 of \$219 million dollars.

This continued increase of exports by the Leeward Islands group was mainly due to the Bahamas which has continued growth in exports to the U.S. The largest exporter from the CBI Region was Trinidad & Tobago who had increased exports to the U.S. from 1994 to 2008 of \$8.272 billion dollars mainly due to petroleum products and ethanol exports to the U.S. From 1994 to 2009, Jamaica experienced decline in exports to the U.S. which was attributed to the advent of the

North American Free Trade Agreement (NAFTA) between the U.S., Canada, and Mexico. With the implementation of NAFTA in 1994, many manufacturing companies moved their operations from Jamaica to Mexico in order to receive the 100% duty free status for their exports to the U.S. (Michaely, 1977; Newfarmer, 1985).

<b>Caribbean Basin Initiative Regions</b>															
<b>Year</b>	<b>Leeward Islands</b>				<b>Windward Islands</b>					<b>Greater Antilles</b>					<b>Region</b>
	<b>Total</b>	<b>Ant</b>	<b>St K</b>	<b>Bah</b>	<b>Total</b>	<b>Dom</b>	<b>Gre</b>	<b>St L</b>	<b>St V</b>	<b>Total</b>	<b>Bar</b>	<b>Jam</b>	<b>Guy</b>	<b>T&amp;T</b>	
1994	247	5	22	220	49	7	8	28	6	2,144	36	790	119	1199	2,440
1995	198	3	24	171	57	7	6	36	8	2,130	52	895	129	1054	2,385
1996	212	9	25	178	43	9	4	23	7	2,168	43	890	129	1106	2,423
1997	217	5	32	180	57	10	7	35	5	2,181	43	780	131	1227	2,455
1998	191	2	35	154	48	7	13	23	5	2,061	37	798	155	1071	2,300
1999	241	2	39	200	79	23	20	28	8	2,341	60	728	146	1407	2,661
2000	319	2	39	278	68	8	27	24	9	3,223	41	669	160	2353	3,610
2001	376	4	44	328	85	6	25	31	23	3,287	41	495	161	2590	3,748
2002	533	4	51	478	53	9	7	20	17	3,255	36	421	134	2664	3,841
2003	562	14	48	500	32	6	8	14	4	5,414	45	524	136	4709	6,008
2004	716	5	44	667	28	4	5	15	4	6,783	38	341	138	6266	7,527
2005	787	5	56	726	60	4	6	34	16	8,919	33	411	133	8342	9,766
2006	538	6	57	475	42	3	5	32	2	9,560	35	562	141	8822	10,140
2007	593	9	61	523	48	2	9	36	1	10,318	40	789	147	9342	10,959
2008	693	5	61	627	39	3	8	27	1	10,467	42	784	170	9471	11,199
2009	912	10	57	845	29	3	6	19	1	6,338	34	501	179	5624	7,279

Source: Export data obtained from the International Monetary Fund (IMF) Direction of Trade Yearbook

### **Import Data**

The import data between the English-speaking CBI countries and the U.S. is presented in *Table 2*. The CBI region did increase its imports from the U.S. for the period 1994 to 2008 by \$6.464 billion dollars. For the period 2008 to 2009, there was a decrease in CBI imports by \$2.089 billion dollars. The Greater Antilles, more than any of the other sub-regions, experienced the largest total imports from U.S. in the amount of \$3.774 billion dollars from 1994 to 2008.

For the period 2008 to 2009 the Greater Antilles actually had a decrease in imports from the U.S. by \$1.549 billion dollars. The Leeward Islands imports from the U.S. also increased substantially during the period, 1994 to 2009, by \$2.345 billion dollars. This sub-region also experienced a decrease in imports for the period 2008 to 2009 by \$0.375 billion dollars.

<b>Total CBI Countries individual Imports from the United States</b>															
<b>Caribbean Basin Initiative Regions</b>															
Year	Leeward Islands				Windward Islands					Greater Antilles				Region	
	Total	Ant	St K	Bah	Total	Dom	Gre	St La	St V	Total	Bar	Jam	Guy	T&T	CBI
1994	803	59	58	686	169	26	24	81	38	1878	161	1066	110	541	2850
1995	816	97	58	661	175	25	27	81	42	2452	201	1421	141	689	3443
1996	859	82	52	725	199	34	36	84	45	2655	362	1491	137	665	3713
1997	951	85	56	810	222	38	41	89	54	2947	281	1417	143	1106	4120
1998	973	96	62	815	490	52	56	93	289	2714	281	1304	146	983	4177
1999	1009	95	69	845	306	40	65	99	102	2562	300	1305	147	810	3877
2000	1273	137	83	1053	265	37	80	104	44	2932	309	1360	159	1104	4470
2001	1184	96	66	1022	220	31	60	89	40	2924	286	1407	141	1090	4328
2002	1127	82	70	975	240	45	57	98	40	2835	269	1420	128	1018	4202
2003	1292	127	81	1084	270	34	68	121	47	2952	302	1469	117	1064	4514
2004	1389	125	82	1182	254	36	70	103	45	3121	348	1460	136	1207	4764
2005	2085	190	126	1769	323	61	82	135	45	3694	393	1687	175	1439	6102
2006	2652	194	170	2288	354	68	76	152	58	4272	443	2035	179	1615	7278
2007	2916	240	203	2473	402	84	83	166	69	4742	457	2318	188	1779	8060
2008	3148	183	205	2760	514	105	85	241	83	5652	498	2644	259	2251	9314
2009	2773	157	161	2455	349	77	59	136	77	4103	405	1448	261	1989	7225

**Source: Import data obtained from the International Monetary Fund (IMF) Direction of Trade Yearbook**

## Balance of Trade

The Balance of Trade of the English-speaking Caribbean countries with the U.S. were calculated and tabulated in Table 3. With the exception of Trinidad & Tobago which had positive balance of trade for each year of the period 1984 to 2009 and Guyana who had positive balance of trade figures for only seven years for the period, all the other countries experienced negative balance of trade. This means that they imported more goods from the U.S. than they actually were able to export. Therefore, with a negative balance of trade, it would have been highly impossible for the CBI countries, with the exception of Trinidad and Tobago, to have achieved economic development and growth (Michaely, 1977).

Gross Domestic Product (GDP) did not indicate a positive significant correlation with any of the sub-regions. The only significant correlation was the Greater Antilles with a significant negative correlation with imports from the U.S. This result was very surprising as the GDP was calculated from the CBI countries exports to the U.S based on the basis which Tyler (1981) established that 17.5 percent increase in exports resulted in an incremental increase of one percent in GDP. As relates to the Leeward Islands sub-region, there was significant correlation between exports and imports of 0.765. Also there was a significant positive correlation between exports and imports of 0.975. Surprisingly, the correlation between balance of trade and exports was significantly negative in the amount of -0.607. As balance of trade was calculated as the net of exports and imports for the sub-region, it was expected that there would be a positive correlation between balance and trade and the exports data. As relates to the Greater Antilles, there were significant positive correlations between balance of trade and imports and exports of 0.776 and 0.939 respectively.

Table 3															
CBI Balance of Trade Data with the United States of America															
Caribbean Basin Initiative Regions															
Year	Leeward Islands				Windward Islands					Greater Antilles				Region	
	Total	Ant	St K	Bah	Total	Dom	Gre	St Lu	St V	Total	Bar	Jam	Guy	T&T	CBI
1994	(542)	(54)	(22)	(466)	(120)	(19)	(16)	(53)	(32)	266	(125)	(276)	9	658	(396)
1995	(590)	(94)	(6)	(490)	(118)	(18)	(21)	(45)	(34)	(332)	(149)	(526)	(12)	365	(1,040)
1996	(629)	(73)	(9)	(547)	(156)	(25)	(32)	(61)	(38)	(487)	(319)	(601)	(8)	441	(1,272)
1997	(723)	(80)	(13)	(630)	(165)	(28)	(34)	(54)	(49)	(766)	(238)	(637)	(12)	121	(1,654)
1998	(780)	(94)	(25)	(661)	(442)	(45)	(43)	(70)	(284)	(653)	(244)	(506)	9	88	(1,875)
1999	(747)	(93)	(9)	(645)	(227)	(17)	(45)	(71)	(94)	(221)	(240)	(577)	(1)	597	(1,195)
2000	(952)	(135)	(42)	(775)	(197)	(29)	(53)	(80)	(35)	3,291	(268)	(691)	1	4,249	2,142
2001	(811)	(92)	(25)	(694)	(135)	(25)	(35)	(58)	(17)	363	(245)	(912)	20	1,500	(583)
2002	(609)	(78)	(34)	(497)	(187)	(36)	(50)	(78)	(23)	420	(233)	(999)	6	1,646	(376)
2003	(733)	(113)	(36)	(584)	(238)	(28)	(60)	(107)	(43)	2,462	(257)	(945)	19	3,645	1,491
2004	(679)	(120)	(44)	(515)	(226)	(32)	(65)	(88)	(41)	3,632	(310)	(1,119)	2	5,059	2,727
2005	(1,321)	(185)	(93)	(1,043)	(263)	(57)	(76)	(101)	(29)	5,225	(360)	(1,276)	(42)	6,903	3,641
2006	(2,136)	(188)	(135)	(1,813)	(312)	(65)	(71)	(120)	(56)	5,288	(408)	(1,473)	(38)	7,207	2,840
2007	(2,344)	(231)	(163)	(1,950)	(354)	(82)	(74)	(130)	(68)	5,576	(417)	(1,529)	(41)	7,563	2,878
2008	(2,474)	(178)	(163)	(2,133)	(102)	(102)	(77)	(214)	(82)	4,815	(456)	(1,860)	(89)	7,220	2,239
2009	(1,884)	(147)	(127)	(1,610)	(320)	(74)	(53)	(117)	(76)	2,253	(371)	(947)	(82)	3,653	49

Source: Balance of Trade data calculated as the Net of Exports and Imports with the USA

### Gross Domestic Product (GDP)

The Gross Domestic Product for each CBI country was calculated on the basis which Tyler (1981) established that 17.5 percent increase in exports resulted in an incremental increase of one percent in GDP. This finding can be represented by the following equation:

$$17.5\% \Delta \text{ Exports} = 1\% \text{ GDP}$$

The calculated GDP amounts for each country is posted in Table 4 where it is very visible that each of the English-speaking Caribbean sub-region either experienced little growth, zero growth or negative growth during the period from 1994 to 2009. The Greater Antilles sub-region experienced the largest growth during the period mainly due to Trinidad & Tobago increased export of petroleum products and natural gas to the U.S. However the level of growth by the country Trinidad & Tobago was not consistent and in years 2008 and 2009 experienced large decreases in the gross domestic product.

<b>GDP Calculations Based on CBI Countries individual Exports to the United States.</b>														
<b>Caribbean Basin Initiative Regions</b>														
	<b>Leeward Islands</b>				<b>Windward Islands</b>					<b>Greater Antilles</b>				
<b>Year</b>	<b>Total</b>	<b>Ant</b>	<b>St K</b>	<b>Bahs</b>	<b>Total</b>	<b>Dom</b>	<b>Gre</b>	<b>St L</b>	<b>St V</b>	<b>Total</b>	<b>Bar</b>	<b>Jam</b>	<b>Guy</b>	<b>T&amp;T</b>
1994	(2.80)	(0.01)	(2.80)	0.10	0.50	0.00	(0.10)	0.50	0.10	(0.80)	0.90	6.00	0.60	(8.30)
1995	0.80	0.30	0.40	0.10	(0.80)	0.10	(0.10)	(0.70)	(0.10)	2.20	(0.50)	(0.30)	0.00	3.00
1996	0.30	(0.20)	0.10	0.40	0.90	0.10	0.20	0.70	(0.10)	0.70	0.00	(6.30)	0.10	6.90
1997	(1.50)	(0.20)	(1.50)	0.20	(0.60)	(0.20)	0.30	(0.70)	0.00	(6.80)	(0.30)	1.00	1.40	(8.90)
1998	2.90	0.00	2.60	0.20	1.80	0.90	0.40	0.30	0.20	16.00	1.30	(4.00)	(0.50)	19.20
1999	4.50	0.00	4.50	0.00	(0.60)	(0.90)	0.40	(0.20)	0.10	50.40	(1.10)	(3.40)	0.80	54.10
2000	3.30	0.10	2.90	0.30	1.00	(0.10)	(0.10)	0.40	0.80	3.70	0.00	(9.90)	0.10	13.50
2001	9.00	0.00	8.60	0.40	(1.70)	0.20	(1.00)	(0.60)	(0.30)	(1.80)	(0.30)	(4.20)	(1.50)	4.20
2002	1.70	0.60	1.30	(0.20)	(1.10)	(0.20)	0.10	(0.30)	(0.70)	123.40	0.50	5.90	0.10	116.90
2003	8.80	(0.50)	9.50	(0.20)	(0.20)	(0.10)	(0.20)	0.10	0.00	78.20	(0.40)	(10.50)	0.10	89.00
2004	4.10	0.00	3.40	0.70	1.90	0.00	0.10	1.10	0.70	122.00	(0.30)	4.00	(0.30)	118.60
2005	(14.10)	0.10	(14.30)	0.10	(1.10)	(0.10)	(0.10)	(0.10)	(0.80)	36.60	0.10	8.60	0.50	27.40
2006	3.10	0.20	2.70	0.20	0.20	(0.10)	0.20	0.20	(0.10)	43.30	0.30	13.00	0.30	29.70
2007	5.70	(0.20)	5.90	0.00	(0.50)	0.10	(0.10)	(0.50)	0.00	8.50	0.10	(0.30)	1.30	7.40
2008	12.60	0.30	12.50	(0.20)	(0.60)	0.00	(0.10)	(0.50)	0.00	(236.00)	(0.50)	(16.20)	0.50	(219.80)
2009	52.10	(0.60)	(48.30)	(3.30)	(1.70)	(0.20)	(0.30)	(1.10)	(0.10)	(362.10)	(1.90)	(28.60)	(10.20)	(321.40)

**Source: GDP data obtained from the International Monetary Fund (IMF) Direction of Trade Yearbook**

The other countries in the English-speaking Caribbean region experienced, on average from 1984 to 2009, negative growth. These below par GDP figures clearly indicate that the CBI Program did not have a positive impact on the English-speaking Caribbean countries.

## **FINDINGS OF THIS STUDY**

### ***Descriptive Statistics and Correlations***

Table 5 shows the descriptive statistics and correlations. There was a significant correlation between exports to and imports from the U.S. of 0.897. The most astonishing of the correlation results was that gross domestic product, in all three sub-regions, was not positively significantly associated with exports from the CBI region, although the gross domestic product was actually calculated from exports to the U.S. For both the Leeward Island (0.765) and Greater Antilles (0.776) sub-regions, there was significant association between exports and imports. This result is in keeping with the reality that additional raw materials may have to be imported in order to sustain the increased levels of exports.

**Table 5**

<b>Descriptive Statistics &amp; Correlations</b>							
<b>Windward Islands</b>							
	Mean	STD	Dispersion	1	2	3	4
Imports	297.00	103.71	10,756.67	1	-0.257	-0.583	0.001
Exports	51.06	16.47	271.40	-0.257	1	0.26	0.294
BOT	(222.63)	95.97	9,209.58	*-0.583	0.26	1	0.173
GDP	(0.84)	1.10	1.20	0.001	-0.294	-0.173	1
* Correlation is significant at the 0.05 level (2-tailed)							
<b>Leeward Islands</b>							
	Mean	STD	Dispersion	1	2	3	4
Imports	1,578.13	834.43	696,267.85	1	0.765	0.437	0.437
Exports	458.44	238.38	56,823.33	**0.765	1	0.464	0.464
BOT	(1,122.13)	682.41	465,683.45	**0.976	*-0.607	1	0.381
GDP	5.66	13.74	188.71	0.437	0.464	-0.381	1
** Correlation is significant at the 0.01 level (2-tailed)							
* Correlation is significant at the 0.05 level (2-tailed)							
<b>Greater Antilles</b>							
	Mean	STD	Dispersion	1	2	3	4
Imports	3,277.19	971.73	944,253.36	1	0.897	0.776	0.519
Exports	5,036.81	3,231.58	10,443,076.98	**0.897	1	**0.939	0.254
BOT	1,945.75	2,393.22	5,727,492.40	**0.776	**0.939	1	0.128
GDP	(7.66)	123.36	15,216.89	*-0.519	-0.254	-0.128	1
** Correlation is significant at the 0.01 level (2-tailed)							
* Correlation is significant at the 0.05 level (2-tailed)							

## HYPOTHESES TESTING

Finally, the results of the Analysis of Variance (ANOVA) as tabulated in *table 6*, show the F ratio for the subregions to be as follows: for the Leeward Islands sub-region, F-ratio = 1.948; for the Windward Islands subregion F-ratio = 0.555; and for the Greater Antilles subregion, F-ratio = 3.959. These results are not significant, indicating that BOT and exports had no effect on GDP.

As a result the Null Hypotheses 1 & 2 should be accepted thereby confirming that the Caribbean Basin Initiative did not have a positive impact on the English Speaking Caribbean Region as it relates to the regions, economic growth and economic development.

<b>Table 6</b>						
<b>Analysis Of Variance (ANOVA)(b)</b>						
<b>Leeward Islands</b>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	652.629	2	326.314	1.948	0.182(a)
	Residual	2178.07	13	167.544		
	Total	2830.699	15			
a. Predictors: BOT, Exports, Imports b. Dependent Variable: GDP c. Countries: Antigua, St Kitts and Bahamas						
<b>Windward Islands</b>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.199	3	0.733	0.555	0.655(a)
	Residual	15.859	12	1.322		
	Total	18.058	15			
a. Predictors: BOT, Exports, Imports b. Dependent Variable: GDP c. Countries: Dominica, Grenada, St Lucia, St Vincent						
<b>Greater Antilles</b>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	113470.801	3	37823.6	3.959	0.360(a)
	Residual	114782.518	12	9565.21		
	Total	228253.319	15			
a. Predictors: BOT, Exports, Imports b. Dependent Variable: GDP c. Countries: Barbados, Jamaica, Guyana, Trinidad						

## CONCLUDING REMARKS

The U.S. Congress enacted the Caribbean Basin Initiative program in 1984 to assist Central America and the Caribbean region. The program was the main strategy of the U.S. effort to stabilize the Caribbean Basin. The principal economic objectives were to stimulate foreign investment, to diversify local economies, and to augment exports to the U.S. and its earnings by eliminating U.S. customs duties on most products manufactured or assembled in the region (Clasen, 1983, Woodward & Rolfe 1993). Although the ultimate impact of the CBI program on the region's economic development is subject to debate, the rise of foreign direct investment occurred in the early stages of the program implementation where foreign investments grew by almost \$2 billion (Woodward & Rolfe, 1993). However, this growth of foreign investments was not continuous, but short lived. By 1986 to 1990, foreign investment inflows declined by 50% to less than \$1 billion (Watson 1991, Woodward & Rolfe 1993). It was clearly indicated by both the Prime Ministers of Jamaica and Trinidad & Tobago, that unless there is sustainable foreign direct investment in the CBI Caribbean Region, the program only had a limited chance of success (Kenen, 1985; Watson, 1985; World Bank, 1985).

Research has indicated that when small countries, like those in the CBI region, and a very large country, like U.S., integrate by the elimination of tariffs, it is expected that the smaller countries will eventually accumulate gains from the trade (Kenen, 1985). Although the CBI program does not meet nor satisfy all the assumptions and requirements of the model as stated by Kenen (1985), it is extremely important to note U.S. seemed to be benefitting more from the

program than the CBI Caribbean countries (Review the Balance of Trade Table 4). In 1987, U.S. exports to the CBI Caribbean region increased by almost 18% over the 1983 data. However, for that same period, imports from the CBI region declined (Griffith, 1990).

The Prime Minister of Dominica, like her counterparts from Jamaica and Trinidad & Tobago, stated that the removal by U.S. Congress of the investment incentives from the original CBI program, discouraged U.S. investors from locating their operations in the CBI Region (Griffith, 1990; Tucker, 1987). In response to these allegations by the Caribbean Prime Ministers, the CBI Ombudsman argued that the intent of the CBI program was not to promote the major exports of the region and that it was the responsibility of the Caribbean governments to take that initiative and adopt the necessary policy changes to achieve that goal, along with improving the Caribbean countries infrastructure, as with little infrastructure, few export oriented investors will take an interest in the region (Tucker, 1987).

The results indicated that it is irrefutable that the CBI Region, with the exception of Trinidad and Tobago (an exporter of petroleum and natural gas products to the U.S.), experienced negative balance of trade with the U.S. The results further indicated that the CBI program impact on the English- speaking Caribbean countries did not meet expectations as relate to economic development and growth. The removal of foreign direct investment from the program by the U.S. Congress resulted in a negative impact on the region's economy development and growth.

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