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OFFICE OF THE UNITED STATES
TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON
20506

APPAREL IMPORTS FROM CBI BENEFICIARIES

-- In 1985, apparel imports from the 21 CBI countries totalled about $590 million, or 5 percent of U.S. imports of these products. Clothing constitutes over 90 percent of textile imports from the CBI countries.

-- Overall, clothing was about 9 percent of total U.S. imports from CBI beneficiaries in 1985. For many of the countries, these exports form a substantial portion of their overall exports to the United States -- for six (Antigua, Belize, Dominican Republic, Haiti, St. Lucia, and St. Vincent) they constituted at least one-fifth of total U.S. imports from them. In almost all cases clothing is the more important export.

-- The largest shippers of these goods, accounting for 80 percent of the 1985 total, were Costa Rica ($95 million), Dominican Republic ($208 million), Haiti ($115 million), and Jamaica ($54 million).

-- By volume, CBI clothing imports were 308 million "square yards equivalent," or about 6 percent of our apparel imports. These imports from the 21 CBI countries rose 27 percent in 1984 and at the same rate in 1985.

-- Of these imports, $528 million -- 90 percent -- entered under item 807 of the tariff schedules (which provides for paying duty only on the value added when goods are assembled abroad from U.S. components). 807 clothing imports from the 21 CBI countries rose 18 percent in 1984 and 33 percent in 1985.

-- Major 807 exporters in 1985 were: Costa Rica ($86 million), Dominican Republic ($191 million), Haiti ($110 million), and Jamaica ($39 million). These four accounted for 81 percent of item 807 clothing imports from CBI countries in 1985.

-- U.S. investors increasingly look to CBI beneficiaries as bases for 807 operations -- that is, apparel manufacturing plants wholly or partly owned by U.S. clothing firms, or subcontracts let to non-U.S. facilities.

-- Based on a recent survey, the Commerce Department estimates that in the 18 months prior to June 1985, new U.S. investment in 807 apparel manufacturing in the CBI countries totalled $28 million, out of an estimated total of $166 million for new investments of all kinds from all sources in these countries.

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U.S SPECIAL PROGRAM OF ACCESS FOR CBI APPAREL IMPORTS: QUESTIONS AND ANSWERS

What is the purpose of the new program?

We have two goals. The first is to assist the CBI countries develop their economies by guaranteeing market access for their clothing exports to the United States. Caribbean leaders have requested greater opportunity to sell their products in the United States because of the jobs it will provide for their citizens and the contributions it will make to their economies.

Our second goal is to help the U.S. industry by making the highest levels of access available only to CBI clothing exports made from material manufactured and cut in the United States. U.S. clothing manufacturers, which already are investing in the Caribbean, will have greater opportunities to do so because of guaranteed access.

Textile products were excluded by law from the CBI. Does this new program mean that there has been a change in law or U.S. policy?

Textile products were excluded from the tariff reductions of the CBI and this will not change. At the time he announced the original program, however, President Reagan stated his intention to provide more liberal quota treatment for CBI textile imports. The new program outlines how this will be done.

What changes will the new program make?

There will be three major changes. First, for each category of clothing imports, as well as other "made-up" textile goods (such as bed linens) from a participating CBI country, there will be levels of guaranteed access, or trigger points, each year. The CBI country will therefore know in advance the allowed level for individual items.

Second, for clothing made from U.S.-manufactured and U.S.-cut fabrics, there will be separate, higher guaranteed access levels.

Third, to help U.S. fiber and fabric manufacturers, the clothing will have to be made from fabric that is produced and cut in the United States.

How will the access levels be set?

After receiving a statement of interest from a CBI country, the access levels for individual apparel products will be set in consultation with representatives of the beneficiary government.

These access levels will apply to imports in a given year. If the CBI country anticipates that imports of a specific product will exceed the agreed level for that year, it may request an increase. This procedure applies both to the standard access levels and to those for imports made from U.S.-manufactured and U.S-cut material.

What protection will there be for domestic U.S. textile and apparel producers?

A main element of the U.S. textile import program is to prevent import surges that would harm the domestic industry. The program's trigger mechanisms for CBI imports will help ensure that such surges do not occur. As with the other parts of the textile import program, consultations with U.S. producers are an important element in setting quota levels. In this special program, we will take industry views into consideration in determining the trigger points for individual products from CBI countries.

In addition, the program offers substantial benefits to the industry. The highest access levels go to goods using U.S.-made and U.S.-cut clothing fabric, a condition that will help U.S. manufacturers. For the many U.S. clothing manufacturers already importing clothing to remain competitive, the program adds the possibility of manufacturing in an area close to U.S. markets, the Caribbean, in combination with the guaranteed access levels.

What benefits will there be for U.S. workers?

Workers in the U.S. fiber and fabric industries will benefit from the requirement that the goods they produce must be used in CBI apparel imports benefitting from the highest levels of access. From earlier experience, we believe that U.S. apparel workers will also benefit. For example, after a U.S. apparel company started an assembly plant in a CBI country, it <u>added</u> workers to its U.S. plant to handle the extra work cutting material for assembly in the Caribbean.

Is there a program in effect now?

Item 807 in the Tariff Schedules of the United States is reserved for goods assembled abroad from components fabricated in the United States. For these goods, import duties are assessed only on the portion of the article's total value that has been added outside the United States.

Under the present "807" program, clothing made from fabric cut in the United States can be made into garments abroad with duty paid only on the value added outside this country. The United States imported $528 million worth of 807 clothing from CBI countries in 1985, principally from Costa Rica, the Dominican Republic, and Haiti.

Will the existing "807" program remain in effect?

Yes, but we assume that the CBI nations will wish to take advantage of this new program.

Which countries are eligible for the new program?

Eligible countries are those that have been or will be designated as CBI beneficiaries under the Caribbean Basin Economic Recovery Act. A list of these countries, as of February 1986, is attached, as well as statistics on U.S. clothing imports from the region.

What products are eligible?

Both clothing and made-up textile products will be eligible. We expect, however, that the CBI countries will be more interested in apparel production.

Textile and clothing imports are normally subject to quotas under the U.S. textile import program and the Multifiber Arrangement (an international agreement on trade in textiles and clothing).

Will the program apply only to goods made in U.S.-owned factories in the CBI region?

No. The goods can be made in foreign-owned factories or in factories jointly owned by U.S. and foreign investors. We expect that many American companies will take advantage of this special program by investing in the region.

How will the U.S. Government be able to enforce the new program?

The U.S. Customs Service, which has responsibility both for assessing import duties and ensuring compliance with the U.S. textile import program, already has in place procedures to administer the present "807" program. Under the new program, we will establish a special certification system with exporting countries to ensure that the Customs Service can determine when U.S.-made and U.S.-cut fabrics are used.

Will these apparel imports be exempt from duties, as many other products are under the existing CBI program?

These apparel imports will be subject to normal duty rates on the value added in the CBI country. Apparel imports that do not use U.S.-made and U.S.-cut fabric will be subject to the normal duties on their full value.

How will a CBI beneficiary country begin taking part in the program?

Representatives of the U.S. Government will hold a meeting shortly in the region to explain the program more fully to CBI leaders. CBI countries must then notify the U.S. Government of their interest in participating in the program. This notification can take place through the U.S. embassy in the CBI capital or through a CBI country embassy in Washington.

What will happen to existing bilateral textile agreements between the United States and CBI countries?

Unless otherwise agreed, there will be no change in the provisions currently in effect under these agreements. The United States has five bilateral textile agreements (Costa Rica, Dominican Republic, Guatemala, Haiti, and Panama) and one consultation agreement (Jamaica) with CBI countries.

COUNTRIES DESIGNATED UNDER THE CARIBBEAN BASIN INITIATIVE
(February 1986)

Antigua and Barbuda

Bahamas

Barbados

Belize

British Virgin Islands

Costa Rica

Dominica

Dominican Republic

El Salvador

Grenada

Guatemala

Haiti

Honduras

Jamaica

Montserrat

Netherlands Antilles

Panama

St. Christopher and Nevis

St. Lucia

St. Vincent and the Grenadines

Trinidad and Tobago

1985 TEXTILE AND APPAREL IMPORTS FROM CBI COUNTRIES
(in millions of dollars, MFA products only)

	Total	Apparel	807 Apparel
Antigua & Barbuda	5.5	5.5	5.5
Bahamas	neg.	neg.	0.0
Barbados	24.8	24.7	24.5
Belize	14.4	14.4	14.3
British Virgin I.	neg.	neg.	neg.
Costa Rica	96.0	94.7	86.4
Dominica	0.1	0.1	0.1
Dominican Republic	221.9	207.7	191.4
El Salvador	17.8	10.1	8.8
Grenada	0.2	0.2	0.2
Guatemala	15.8	11.2	8.7
Haiti	121.7	115.3	110.3
Honduras	25.8	25.8	23.5
Jamaica	54.3	54.3	39.4
Montserrat	0.2	0.2	0.2
Neth. Antilles	0.1	0.1	0.1
Panama	15.1	14.6	3.7
St. Christopher	0.0	0.0	0.0
St. Lucia	8.1	8.1	7.4
St. Vincent	3.4	3.4	3.4
Trinidad and Tobago	neg.	neg.	0.0
Total, CBI	625.2	590.4	527.9

neg.: negligible

Source: U.S. Department of Commerce

WHITE HOUSE BRIEFING ON HAITI
TO U.S. CEOs

JUNE 13, 1986

10:30 AM

INDIAN TREATY ROOM

THE WHITE HOUSE
WASHINGTON, D.C.

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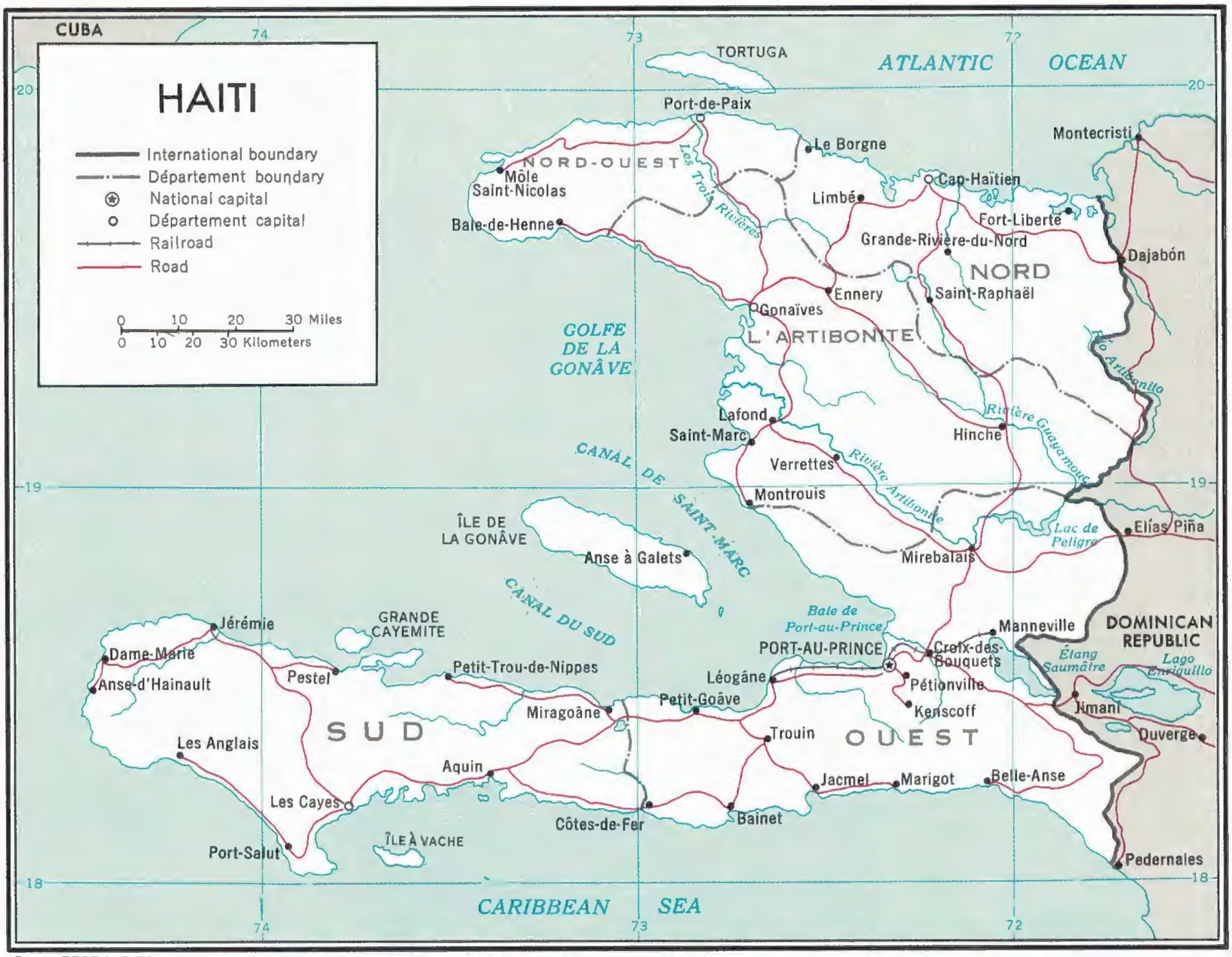

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A

HAITI--Political Situation

Jean-Claude Duvalier's flight into exile on February 7, 1986 opened new opportunities for freedom and progress for the impoverished Haitian people after nearly three decades of dictatorship. The fall of the Duvalier regime culminated several years of gradual economic decline and increasing corruption and three months of rising unrest sparked by the shooting deaths of three students in the provincial town of Gonaives in November 1985. Unarmed and with relatively little violence (none targeted at Americans or their property), Haitians across the country rose up in an intermittent and widening series of demonstrations and riots. Duvalier used increasingly repressive tactics in a vain effort to hold on to power. The dramatic events of the last week of his regime--Duvalier's departure was erroneously reported, kicking off country-wide unrest which ended with his flight to France aboard a U.S. Air Force C-141 Aircraft--marked the beginning of a new era.

The National Governing Council which assumed power in the wake of Duvalier's departure was initially composed of six members--four army officers and two civilians. Lt. Gen. Henri Namphy, the Council's President, is the widely-respected Chief of Staff of the Armed Forces, known to Haitians as honest and concerned about the welfare of the people. Other members were targets of criticism on various grounds. This and several other factors--public unease about the continued presence in their midst of former security officials, uncertainty about the path the Council will follow to elections and desire for rapid improvement in living conditions and employment opportunities--have combined over the succeeding four months to produce periodic unrest. There has been one major change in Council composition. Several cabinet members have changed, and the Council has also replaced discredited lesser officials. At the same time, it has arrested and begun legal action against former officials accused of human rights abuses.

The National Governing Council has had to grapple with manifold problems which have stretched its limited human and material resources. These challenges have not, however, diverted it from fundamental commitments it made to the Haitian people when it came to power: To build democracy, to ensure full respect for human rights and civil liberties and to strive for a better life for all Haitians. Notable actions include allowing full press and freedom of association and the return of Haitians exiled abroad for political reasons. Civic life in all its aspects has flowered in Haiti since February 7.

Convinced that the National Governing Council is sincere in its commitments and actively seeking to make them a reality, the U.S.Government has moved to provide additional assistance to Haiti. Significant additional food aid has already been delivered and the administration is seeking additional balance of payments assistance from the economic support fund. The administration also seeks additional security assistance to provide training and equipment the Haitian Armed Forces need to protect the Haitian people and the transition to democracy in a professional manner. Our commitment to help Haiti is founded in the Council's progressive policies and will continue as long as they are pursued.

It is difficult to predict how long the transition to an elected government in Haiti will take or how many hurdles will have to be overcome en route. There are groups in Haiti which are ill-served by the Council's forward-looking policy and which are working to derail the democratic transition. The USG will work with the Council to prevent this from happening. Patience and understanding are required in judging events in Haiti--information which reaches the outside is usually grimmer than reality because of Haiti's persistent image problems. The Haitian people are decent and friendly to the United States and deserve our help in improving their own situation. Their political development will be difficult and marked by setbacks as well as progress. Further unrest is probable. But their will is to build a free and prosperous country, an aspiration we share for them.

B

HAITI--Economic Update

The Haitian economy, the poorest in the Western Hemisphere, is currently going through a slump brought on by economic and political factors of the past year. In FY 1985, GDP growth was slightly below two percent; in FY 1986, GDP growth will barely be positive in real terms. Although the assembly sector suffered in 1985 because of the soft computer industry in the United States, the major impact on the economy has been political instability in the period leading up to and just after the departure of Haiti's President-for-Life, Jean-Claude Duvalier.

The sector most severely impacted by both political and economic events of the past year has been the assembly sector. Legislation (H.R. 1562) before Congress to limit textile imports put a damper throughout 1985 on investments in that sub-sector, while the soft computer market in the United States had a major impact in reducing contracts between American firms and Haitian firms in the area of electronics. There has been further erosion in this area due to strikes and public demonstrations following February 7. The primary concern has been for timely delivery of assembled products, rather than for the safety of investments. At no time has Haitian or American industry been the target of public demonstrations. The reduction in employment in the assembly sector seems to have had a sobering effect on workers' demands, and the relative quiet of the past two months shows signs of continuing. In addition, the sustained growth of the U.S. economy, combined with President Reagan's bold new initiative for category 807 textiles (apparel made from cloth both produced and cut in the United States) hold out the promise of rapid expansion of this sector.

Growth in other areas of the economy is uneven. Growth in industry oriented towards the local economy has been sluggish. Agricultural production, where approximately 65 percent of the work force is employed, is expected to increase this year relative to 1985, due primarily to favorable climatic conditions. Agricultural exports remain an important source of foreign exchange earnings. In addition, the U.S. AID's agribusiness initiative and the newly formed agricultural producers association (APA) are placing more emphasis on investment in export-oriented agriculture, particularly in fruit and truck farming.

The government of Haiti is currently following a stabilization program based on recommendations of the International Monetary Fund. The focus of the program is on keeping budgetary expenditures in line with revenues in spite of widespread popular expectations of wage increases and public works projects to create jobs. A balanced budget will also have a salutary effect on inflation and the balance of payments. The inflation rate is somewhat higher than the 8 to 9 percent indicated by the consumer price index. The balance of payments gap in 1986, based on the assumption that imports will be sufficient to maintain real per capita income ($379 annually) at current levels, is estimated to be close to $86 million. A parallel foreign exchange market has been in existence since 1980 in Haiti. The dollar currently commands a premium of 15-20 percent on the parallel market although the official rate of five gourdes to the dollar has remained unchanged since 1919. Firms that export and thus generate foreign exchange are unaffected by the parallel market.

The Haitian economy faces long engrained structural problems. If the government is successful in carrying out reforms designed to make the economy more responsive to market forces, the outlook for the economy is promising, particularly for export.

C

HAITI--Update on Investment Climate

With improvement in political stability in recent weeks and a sobering realization among workers that unrealistic wage demands result in the closing of factories and the loss of jobs, both Haitian and foreign businessmen are showing growing confidence in Haiti as a place to invest. The investment climate in Haiti has suffered due to political events leading up to and following the February 7 departure of the dictator Jean-Claude Duvalier. Public demonstrations and the use of force by the Haitian police have drawn media headlines that undermined confidence among foreign businessmen in the stability of the country. Workers' strikes resulting in the closing of factories, customs, and the port after Duvalier's departure further exacerbated the bad climate.

It is important to note that foreign investment was never the target of demonstrators. The primary concern among foreign businessmen was in timely delivery of assembled products due to problems in customs, the port, or the airport. Although these were serious problems, they did not undermine Haiti's attractiveness in the long-term as a place for foreign investment. The policy of the National Governing Council (CNG), as enunciated by President Namphy and by the Ministers of Finance, is to encourage and facilitate private foreign investment. The government of Haiti realizes that domestic resources and foreign assistance are too limited to meet the needs of the economy, and that job creation to reduce fifty percent unemployment and sustained economic growth depend in large measure on Haiti's success in attracting private foreign investment.

The basic laws governing investment in Haiti are very attractive to foreign investors. In January 1985, Haiti adopted a progressive new industrial investment code. The key features of this code are:

-- Generous tax exemptions on new investments

-- Tax reductions for worker training

-- No distinction between foreign and domestic investors

-- Trademark and license protection

-- No restrictions on repatriation of profits

-- Exoneration from customs duties of raw materials, equipment and component parts for all export industries

-- Attractive schedule for accelerated depreciation of equipment and capital expenses

Haiti also signed a bilateral investment agreement with the United States in December, 1983. The main features of this agreement are: (1) Protection and encouragement of investment on the basis of reciprocity, and (2) Third-party arbitration in case of conflict. This agreement is currently before the U.S. Senate for ratification. The Government of Haiti has already ratified and published this agreement in its official register. There have been no cases of expropriation in Haiti in several decades and the embassy does not anticipate that expropriation will become an issue in the future.

US/AID is presently assisting in the establishment of a private sector export and investment promotion entity. Within the context of the CBI, the Haitian Industrial Development Center will provide institutional support for private sector exporters including research and information services, a one-stop industrial reception facility, and promotional activities to create increased investor interest in Haiti. The Center will act as an operational entity with linkage established by government decree to a private/public sector policy reform body. This process will facilitate government changes necessary to improve the investment climate.

D

HAITI--Labor Issues

Haiti lacks a tradition of free trade unionism. Unions were prohibited under the Francois Duvalier regime. President Jean-Claude Duvalier endorsed the concept of free trade unionism while limiting unions' freedom to operate. Labor/management relations under the Duvaliers were artificially calm and heavily skewed to management--workers could be fired at will, and with massive unemployment, strikes or protest were unknown. There was little incentive to improve working conditions or permit worker organizations.

The Caribbean Basin Initiative negotiations in 1982 began a process of change as the government of Haiti conceded certain rights including the right to organize in unions and to seek international affiliation. The moderate Federation of Union Workers, which began quietly forming in 1980, slowly expanded and began receiving limited assistance from the AFL-CIO'S American Institute for Free Labor Development (AIFLD). The situation remained basically static, however, until the departure of Jean-Claude Duvalier on February 7, 1986.

In one manifestation of the loosening of constraints which occurred throughout Haitian society after February 7, a rash of strikes broke out in the private and public sectors. Initially, the focus was on removal of "Duvalierists" in the public sector, but it quickly spread to wages and working conditions. Numerous U.S.- and Haitian-owned factories were affected. Workers demanded radical wage increases. These were reduced to mutually acceptable levels after worker/management consultations. The U.S. Government recognized early on the political and economic threat labor unrest posed and began working with both labor and mangement to alleviate the situation.

In the labor area, AIFLD, with USG backing, expanded its support for the moderate Federation of Union Workers. The thrust of the USG effort with AIFLD is to make available to interested workers a moderate trade union federation in Haiti. This effort recognizes the need to channel inchoate labor unrest, the spontaneous development of trade unions which is occurring, and the dangers posed by politicized groups. USG support for AIFLD's work with the federation presupposes the federation's pragmatic and non-political charter. With this characteristic, the federation can contribute to Haiti's political stability and economic development.

On the management side, the U.S. Agency for International Development, working with a private sector task force created by several leading local business and industrial organizations, has undertaken an emergency program aimed at holding current investment in Haiti and attracting new investors. Working with Develoment Associates, a private consulting firm, USAID and the Private Sector Task Force have prepared an initiative to among other things, help private companies develop cooperative relationships with their workforces, whether by unionized collective bargaining or in individual cooperative arrangements which fully air and address both sides' legitimate interests. The program has several other components, including a media/communications program, but initial efforts are directed at countering labor unrest, which constitutes the most serious problem in building a business climate that will foster foreign investment in Haiti.

The thrust of U.S. policy in this area is to encourage the development of a variety of channels for improved labor/management relations. The USG favors neither unionization nor individual cooperative arrangements--this is a matter to be decided between workers and managment--but it does see a need to build institutions and understanding if either approach is to be successful.

The labor situation has improved in recent months. There have been few strikes since mid-April. It appears that workers are beginning to realize that unreasonable demands have already caused some firms to reduce their payrolls and investment and that more disruptions could cause companies to pull out completely and workers to lose their jobs. Both sides share common interests and labor-managment relations in Haiti show every prospect of continued improvement.

E

THE AGENCY FOR INTERNATIONAL DEVELOPMENT IN HAITI

The Agency for International Development has been active in Haiti since 1973, when U.S. assistance programs were resumed after a ten-year absence. In addition to meeting the humanitarian needs of Haiti, a major objective of our current program is to expand Haiti's export manufacturing base and stabilize the country's economy. As part of a continuing commitment to economic development driven by the forces of free enterprise, A.I.D. is carrying out these programs through short and long term intiatives that rely heavily on private sector involvement.

A.I.D. Private Sector Initiatives

Of central concern to A.I.D.'s long-term private sector development strategy in Haiti is employment generation for an able, productive and hard working labor force through the promotion of industrial and agricultural development. The program is also designed to provide critical inputs for local and foreign investors to take advantage of the Caribbean Basin Initiative. Implementation of the Private Sector Development Strategy is presently being accomplished through the development of three project portfolios: Intermediate Credit Institutions, Export and Investment Promotion and Non-Traditional Exports.

Our work with intermediate credit institutions involves assistance to several institutions including the Development Finance Corporation (SOFIHIDES), which provides medium and long term credit for industrial and agro-industrial enterprises. A.I.D. also assists a Haitian-owned private development bank, the Haitian Development Foundation, to enable it to provide credit and technical assistance to micro-enterprises. The Haitian Mortgage Bank (Banque de Credit Immobilier), with a long term capitalization loan from A.I.D., offers housing construction loans for the first time in Haiti.

In export and investment promotion, the A.I.D.-funded Crafts Export Resource Center coordinates linkages among rural crafts producers, designers, local manufacturers, and export market outlets.

Our non-tradtional exports initiative, carried out with the participation of Haitian agribusinessmen, is a program that assists in brokering agribusiness investment projects that will export products such as tropical fruits and winter vegetables. We are also working with the Haitian Private Sector and Westinghouse Corporation to establish a management training and productivity center. These efforts will strengthen the experience and training of Haitian businesspeople and provide training and technical assistance to business in a variety of areas like financial management, quality assurance and labor/management relations.

The Response to the Current Situation

The Emergency Private Sector Task Force is an initiative undertaken by Haitian business organizations to restore international business confidence in the export assembly sector since the fall of the Duvalier regime. The A.I.D. mission in Port-au-Prince has provided this Task Force with techncial assistance in labor relations, development of a business oriented public relations campaign, and intensified efforts to attract U.S. products assembly operations to Haiti. A.I.D. and the Task Force will educate the export assembly industry's management and work force about plant management, positive labor relations, and a number of positive social programs designed to show the private sector's commitment to social and economic development issues. The program will also recommend longer-term measures such as the establishment of a national arbitration process.

The Permanent Mixed Committee for Investment Promotion, which was created in 1984 by Presidential decree in response to U.S. urging and temporarily disbanded following the end of Duvalier's regime, has been reconstituted. This is a joint Government of Haiti/private sector body, supported by A.I.D. technical assistance, that identifies and articulates needed policy reforms and assures their effective implementation.

Because of the presence of radical labor unions and the high risk that other unions may become radicalized, the State Department has requested the assistance of the American Institute for Free Labor Development (AIFLD). Responsible labor union development is essential if Haiti is to maintain its competitive standing among Caribbean Basin countries. While some businesspeople believe that unions will fail because of the high level of unemployment and abysmally low standard of living in Haiti, the prospects of a successful organizational effort by the far left has such profound implications for Haiti's future that the risk should not be taken. Furthermore, free labor unions constitute a strong, legitimate element of a pluralistic society which we are encouraging in Haiti.

Economic Assistance

The total amount of U.S. Bilateral Economic Aid to Haiti was $45.3 million in Fiscal Year 1984, $53.3 million in FY 1985 and current levels are expected to be $50.0 million in FY 1986.

A large amount of these funds go to support private enterprise development, either directly or through policy reform and economic stabilization efforts with the government. The U.S. currently provides approximately 25 percent of all the foreign assistance Haiti receives.

Additionally, the United States is sending approximately $8 million of additional stocks of wheat under our PL 480 program to alleviate food shortfalls brought about by the February political disruptions. This amount is in addition to the $22 million programmed for fiscal year 1986.

We have also urged the major donors to consider providing Haiti with emergency economic assistance. We are reviewing our resources to determine how much more the U.S. can provide, especially in creating jobs.

Other Forms of A.I.D. Assistance

Other assistance that A.I.D. makes available to U.S. investors in the Caribbean includes the Joint Venture Feasibility Fund, a program that is designed to encourage the development of joint ventures between developing country entrepreneurs and U.S. companies by funding activities which are necessary to the joint venture formation process. Co-marketing arrangements, technology transfers, production drawback and other new forms of co-venture are considered suitable for JVFF funding. The program is administered by the International Executive Service Corps. Funding (up to $15,000) is available to foster any viable business activity which brings together potential partners. You may contact the Private Sector Office of A.I.D. at (202) 647-9101 for further information.

A.I.D.'s Bureau for Private Enterprise manages the Revolving Fund, a loan fund, that may also lend directly to businesses that display strong development and employment impacts and substantial developing country private sector participation. Of great importance to this loan program is the amount of money that is leveraged for every dollar of A.I.D. money. A four to one ratio is what is considered to be an acceptable leveraging equation.

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F

WHITE HOUSE BRIEFING--CEO'S INVESTING IN HAITI

THE OVERSEAS PRIVATE INVESTMENT CORPORATION

I. The Overseas Private Investment Corporation. OPIC was created in 1969 under amendments to the Foreign Assistance Act, "to mobilize and facilitate the participation of United States private capital and skills in the economic and social development of less developed friendly countries and areas, thereby complementing the development assistance objectives of the United States..."

Within that broad framework, Congress directed that the Corporation make special efforts to encourage investment flows to the least developed nations, to assist the entry of smaller and mid-sized U.S. businesses into the international marketplace, and to operate its programs on a self-sustaining basis in accordance with the principles of prudent risk management. Congress has explicitly forbidden OPIC from assisting projects which could harm the U.S. economy or U.S. employment (e.g., "runaway" plants); OPIC is also required to analyze every project for its U.S. effects before extending any assistance to a U.S. investor.

II. The Programs. OPIC offers two major programs to U.S. companies contemplating new overseas investments or the expansion of facilities already in place. Both are designed to cope with some of the unique risks involved in doing business abroad.

A. Political Risk Insurance. OPIC offers coverage to U.S. investors against three contingencies: currency inconvertibility, expropriation or takeover; and physical damage resulting from war, revolution, insurrection or civil strife. Contracts are generally written for 12 to 20 years and are backed by the full faith and credit of the United States. Investors may elect to carry all three coverages or any combination thereof. At the present time, OPIC has approximately $10 billion in insurance coverage outstanding worldwide.

B. Finance Services.

1. Direct Loans. OPIC may lend up to $4 million to a project sponsored by a small to mid-sized business ($120 million in annual gross sales or less). Interest charges are comparable to commercial rates, and loans are generally made for 7 to 12 years.

2. Loan Guaranties. Corporations of any size are eligible for OPIC guaranties which can be as large as $50 million per project. The guaranties are all-purpose, covering commercial as well as political risk.

C. Information Services.

1. Opportunity Bank. A "match-making" data base containing pertinent information on 3,500 U.S. companies interested in overseas investment, and more than 1,500 specific Third World project profiles describing specific opportunities for joint-venture operation.

2. Investor Information Service. Provides information kits covering country's investment laws, incentives, and pertinent business information.

3. Investment Missions. OPIC sponsors several investment missions a year to targeted countries that offer promising opportunities. Participating companies meet key host country officials, U.S. Embassy personnel and prospective joint-venture partners.

III. OPIC In Haiti.

A. Insurance. OPIC currently insures $18.9 million of investment in 24 projects. The OPIC portfolio in Haiti is diversified including agricultural, tourism, banking, construction and light manufacturing projects. OPIC coverages already in place have provided a degree of stability and comfort to U.S. investors in Haiti during this current period of political uncertainty.

B. Finance. OPIC financing commitments for projects in Haiti include 12 direct loans totalling $5.6 million, and one loan guaranty of $750,000.

C. Investment Missions. In response to President Reagan's call for a Caribbean Initiative, OPIC organized investment missions to Haiti in 1981 and again in 1982. More than 30 U.S. companies participated, and to date, almost one-third have gone forward with an investment.

IV. Current Report. An OPIC Missions Officer completed a reconnaissance trip to Haiti the last week of May. The purpose of the visit was to begin planning for an OPIC investment mission. Discussions were held with the U.S. Embassy, the Haitian Government, and both the U.S. and Haitian private sector about the format and timing of the mission. Currently, OPIC anticipates that such a mission would take place in early FY 1987.

An OPIC Insurance Officer participated in the trip, primarily for the purpose of visiting prospective investors and reviewing their coverage needs. OPIC is currently processing insurance applications for six potential projects in Haiti.

G

Haiti--Biographic Information - President Namphy

Lieutenant General Henri Namphy has been Chief of Staff of the Haitian Armed Forces since April 1984. He assumed the presidency of the National Governing Council as Jean-Claude Duvalier flew into exile on February 7, 1986. He has a reputation for being a capable troop commander and military tactician, gained early in his career when he served successively as the the commander of the military departments of the South, North and Northwest from 1963-67. General Namphy served as Inspector General of the Armed Forces of Haiti from 1978-81 and Assistant Chief of Staff for operations and training with a concurrent promotion to Brigadier General from 1981 to 1984 before being promoted to Chief of Staff and Lieutenant General in 1984.

General Namphy was born November 2, 1931, in Port-Au-Prince, Haiti. He is married and has two children from a previous marriage. He speaks fluent French, Creole, Spanish and some English.

Haiti--Biographic Information - Finance Minister Delatour

Leslie Delatour has a reputation for being a pragmatic, dry cut technician. He is very well educated and has varied experience in the economic field. Delatour has a Bachelors and Masters degree from the School of Advanced International Studies at Johns Hopkins, and a Ph.D. in political science and economy from the University of Chicago. Delatour worked for the Inter-American Development Bank and INAREM (The former Haitian Office of Mining Affairs) between his studies. He later served under then-minister of Finance, Marc Bazin, from April to July 1982. He was arrested for questioning about the circulation of anti-Duvalier pamphlets when Bazin and his development-oriented team were fired, but was released after two weeks. From 1982 to 1984, Delatour maintained a private consulting firm in Haiti during which time he wrote the tariffs for textiles and coffee. He joined the World BAnk in 1984 as desk officer for Honduras and El Salvador economic affairs Delatour was appointed to succeed Marcel Leger as Minister of Finance in April 1986.

Delatour was born January 2, 1948, in Port-au-Prince, Haiti. He is married and has two sons. He speaks fluent French, Creole, English and Spanish.

Haiti--Biographic Information - Commerce Minister Celestin

Mario Celestin was born January 20, 1951, in Port-Au-Prince, Haiti. He studied in Canada from 1970 to 1978 and earned degrees in economics and political science. Celestin returned to Haiti in 1979 and began working for the Ministry of Commerce as a Division Director. He was named Secretary of State for Commerce in 1985 where he remained until he was appointed Minister of Commerce in 1986. He is single and speaks fluent French and Creole and some English. He has a reputation for competence and honesty and is a close personal friend of President Namphy.