

RULES BENT FOR JAMAICA, HELPING U.S. INDUSTRY

By Jeff Gerth, Special To the New York Times

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President Reagan's expressed wish to transform Jamaica into an economic showplace of the Caribbean has prompted three Federal agencies to waive laws and bend rules, thereby providing more than \$100 million to bolster the Jamaican operations of leading American aluminum companies.

The President has designated Jamaica, under Prime Minister Edward P.G. Seaga, as the centerpiece of his Caribbean Basin Initiative and as the testing ground for what he describes as the "magic of the marketplace." It is an important theme in both Mr. Reagan's foreign and domestic policy.

The assistance to the aluminum companies, pushed through in the name of helping Jamaica and pleasing the President, underscores the close relationship between the Administration's foreign policy and American business. It also illustrates the extent to which the Federal bureaucracy responds to Presidential directives, especially when the President has publicly and repeatedly voiced enthusiasm for a project.

Businessmen's Findings

At Mr. Reagan's request, David Rockefeller, then chairman of the Chase Manhattan Bank, organized a group of businessmen to help revitalize Jamaica through private investment. But that group, the United States Business Committee on Jamaica, has already concluded that "pure private investment in the more traditional sense will not do the trick by itself, especially in the short run."

The effort to help Jamaica by generating American investment has yet to pay off there, but the Federal assistance to corporations has already stirred questions in Congress.

In one case under investigation by a Congressional committee, the General Services Administration, at President Reagan's direction, organized the purchase of \$67 million worth of Jamaican bauxite for the United States strategic stockpile. The Administration waived Federal laws calling for competitive bidding and use of Americanflag vessels.

"I follow the directives of the President," said Roy Markon, G.S.A. commissioner for the Federal Property Resources Service, defending the noncompetitive acquisition. "He said buy Jamaican bauxite, and the best way to do that is a negotiated deal."

The bauxite is be mined by the Reynolds Metals Company and the Kaiser Aluminum and Chemical Corporation and shipped, processed and stored by Reynolds, enabling those companies to increase their business and lower their overhead at a time when worldwide demand for bauxite and aluminum is depressed.

To accomplish the deal, the Federal Emergency Management Agency was required to rearrange its priorities for stockpile purchases since, according to Government officials, bauxite was not considered a top priority.

In another case, the Overseas Private Investment Corporation, an independent Federal agency in the executive branch, has tentatively agreed to guarantee a \$50 million loan and grant insurance against political risk such as war or expropriation to Kaiser, Reynolds and the Anaconda Aluminum Company to help those companies expand a jointly owned bauxite venture, known as Alpart. Top OPIC officials acknowledged in interviews that the assistance exceeded the agency's limit on insurance to one country, but they said the agency would alter its procedures because of political pressure and Presidential interest. 'We Can Bend the Rules'

"The President says we want to help the Caribbean and Jamaica, so we can bend the rules, " said Robert L. Jordan, vice president of OPIC for public and Congressional affairs.

As part of his effort, President Reagan is to meet Wednesday with chief executive officers of American companies that have investments in Jamaica and other Caribbean countries.

President Reagan and other top Administration officials were lobbied for aid to the aluminum industry by Jamaican leaders and the Rockefeller group. More members of the group come from the aluminum industry than from any other industry.

In addition to the investigation by the House Committee on Merchant Marine and Fisheries, some Government and private foreign policy experts have questioned the effect on United States policy making of the Rockefeller group's joint involvement with the Administration, Jamaica and business interests.

Last fall Myer Rashish, then Under Secretary of State for Economic Affairs, concerned about the "limited impact" of efforts to help Jamaica and the State Department's heavy reliance on Mr. Rockefeller as an intermediary with the Jamaican Government, called for a study, according to State Department officials and documents. Mr. Rashish resigned earlier this year, and the Jamaican study has not been completed. Relations With Jamaica

Mr. Rockefeller, now retired from the Chase Manhattan Bank, originally agreed to be interviewed about his committee's activities but canceled the appointment, citing personal reasons. Nancy S. Truitt, the committee's executive director, did not return several phone calls.

Under President Reagan and Mr. Seaga, who was elected Jamaica's Prime Minister about the same time as Mr. Reagan won the United States election, Jamaican-American relations have been close. Mr. Seaga replaced a Socialist, Michael Manley, and gained favor with President Reagan because of his conservative philosophy, oriented toward

private enterprise. Mr. Seaga was the first foreign leader to visit President Reagan in Washington. The Seaga visit last year led to the creation of Mr. Rockefeller's committee and hope for Jamaican revitalization through private investment.

The philosophic ties and hope remain. President Reagan visited Mr. Seaga in Jamaica earlier this month. He told reporters before he went that Jamaica was "where the whole Caribbean initiative began." While he was there, he praised Mr. Rockefeller's committee. The Caribbean Basin Initiative, announced in February, is a package of private sector-oriented aid, trade and investment incentives that awaits Congressional approval. P.U. FIRST & LAST ADD JAMAICA Documents and Interviews

More than a year after the formation of the Rockefeller group, the reality of Jamaican revitalization and American business investment and the efforts of the Rockefeller committee have yet to match the rhetoric, an examination based on documents and interviews with Jamaican and American officials discloses. Specifically, the examination finds little progress, as shown by these developments:

- In the 12 months ended March 31, 1982, according to Mr. Seaga, only 18 new American investments totaling \$10 million had started in Jamaica, despite his goal of attracting \$638 million in foreign investment in three years. Six other investments, totaling \$32 million, have been approved but are not yet in operation.
- Jamaica's unemployment has remained basically flat over the last year, at about 250,000 people - a rate of 26 percent - and the new American investments have created only 1,000 jobs at most, according to Jamaican figures. Per capita income remained steady while the rate of inflation declined significantly.
- Most of the American business investments so far have not involved the 25 companies that are members of the Rockefeller committee such as the Exxon Corporation, Chase Manhattan Bank, Eastern Airlines, the Atlantic Richfield Company and Bank of America. Furthermore, large investments planned by committee members require Government assistance. Access to High Officials

Whatever its success, the Rockefeller committee, although not a Government agency, has enjoyed unusual Government support and frequent access to President Reagan and other senior officials, according to Government documents. In Jamaica, the committee is provided office space and an administrative staff by the Jamaican Government, and Secretary of State Alexander M. Haig Jr. has assigned a State Department official to act as liaison with the committee, documents also show.

During one of the committee's meetings with President Reagan, a gathering last July 2 in the Cabinet Room, the President was asked to authorize the purchase of Jamaican bauxite, according to several persons who participated in the meeting. The arrangements and briefing papers within the White House for that meeting were handled exclusively by the office of Michael K. Deaver, White House deputy chief of staff, including Joseph W.

Canzeri, then his assistant, according to several of the participants. Administration officials say it is quite unusual for the National Security Council not to brief a meeting that pertains to foreign policy.

Mr. Deaver declined to respond to questions about the meeting. Mr. Canzeri, who resigned earlier this year following disclosure of a low-interest loan he had received from Laurance S. Rockefeller, said that David Rockefeller "may have called me up and requested the meeting." Mr. Canzeri added that it was "probably very possible" that he had scheduled the meeting for the President. Military Needs Cited

Last November, while on vacation at his California ranch, President Reagan cited military needs in officially directing the purchase of 1.6 million tons of Jamaican bauxite.

The United States maintains a stockpile of more than 100 crucial or strategic materials for defense needs or for use during national emergencies. The purchase of Jamaican bauxite is the only acquisition specifically directed by Presidential order in more than 20 years, according to G.S.A. officials.

Some Administration officials say bauxite, the ore from which aluminum is obtained, was not a crucial need because the 1981 stockpiling goal for Jamaican bauxite was based on political risk calculations that were made during the administration of Mr. Manley, Mr. Seaga's predecessor, and that are no longer valid. Paul K. Krueger, the assistant associate director for resource preparedness at the Federal Emergency Management Agency, which coordinates stockpile priorities, said in an interview that he would rank bauxite "seventh or eighth" on a list of 13 needed materials.

Under the Strategic and Critical Materials Stockpiling Act of 1979, competitive bidding in stockpile acquisitions can be waived only by the President, who must explain his reasons to Congress. G.S.A. Letter to Congress

A few days after President Reagan announced the stockpile purchase, the General Services Administration, the chief procurement agency for the purchase, sent a letter to Congress saying the acquisition would not be competitive because the President had directed a government-to-government negotiation for "foreign policy" reasons.

Roger Campbell, a spokesman for Reynolds Metals, said his company's participation was "an accommodation to the Jamaican Government" and that the Reynolds price quotations were "close to cost."

Late last year Representative Walter B. Jones, Democrat of North Carolina, chairman of the House Merchant Marine and Fisheries Committee, asked the G.S.A. why American-flag vessels were precluded from bidding on the bauxite purchase, since the Cargo Preference Act of 1954 requires Federal agencies to use such vessels when available. The Reynolds ships are registered in Panama.

Reynolds and the General Services Administration said other carriers did not qualify because their ships would not "properly interface" with the "unloading facilities at the Reynolds installation at Gregory," according to G.S.A. documents.

The House committee plans to hold hearings next month on the bauxite acquisition to see whether it was necessary, why competitive practices were not followed and why American ships were precluded, according to Edmund Welch, committee counsel. Plant Expansion Sought

President Reagan's interest in bauxite includes the contemplated expansion of Alpart, the jointly owned plant in Jamaica.

Alpart applied last year to the Overseas Private Investment Corporation for insurance against political risk. In the early 1970's, OPIC's board of directors adopted a rule limiting the agency's insurance coverage in any one country to 10 percent of the agency's total exposure. A Senate committee report in 1973 criticized OPIC, asserting that it had bowed to political pressure and imprudently insured aluminum companies in Jamaica.

Although OPIC's coverage in Jamaica is already over the 10 percent limit, according to OPIC officials, the agency has agreed to a \$50 million loan guarantee for Alpart. The agency, according to OPIC and company officials, has also tentatively agreed to extend insurance coverage for some of the expansion, which is expected to cost more than \$100 million.

Craig A. Nalen, president and chief executive officer of OPIC, said in a telephone interview that OPIC's Jamaica exposure was 11 percent but that "we are going to bend a little when there's political pressure." He added that OPIC also had to be "prudent." Mr. Nalen went on to say that he had discussed the Jamaican bauxite insurance issue with President Reagan while they were in Jamaica earlier this month.

He said Mr. Reagan was "heartened to know that the Alpart expansion" was going ahead and that OPIC was "making available partial insurance."

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