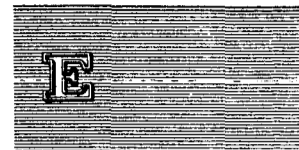


**UNITED NATIONS**

**ECONOMIC  
AND  
SOCIAL COUNCIL**



Distr.  
GENERAL

E/CEPAL/G.1293  
CLAC/WG/83/1  
16 March 1984

ORIGINAL: ENGLISH

---

E C L A

Economic Commission for Latin America

Subregional Headquarters for the Caribbean

CARIBBEAN/LATIN AMERICAN CO-OPERATION

84-1-94



CONTENTS

	<u>Page</u>
I. INTRODUCTION .....	1
A. Mandate and description of previous activities .....	1
B. Main characteristics of the two subregions .....	2
1. The Caribbean .....	3
2. Latin America .....	6
II. BASIS FOR CO-OPERATION .....	8
A. General discussion: Constraints .....	8
B. Current world economic situation .....	9
1. Impact on the Caribbean countries .....	11
2. Impact on the Latin American countries .....	12
C. Inherent advantages/complementarities for Caribbean/Latin American co-operation .....	13
1. Geographical location and proximity between the two subregions .....	14
2. Similar states of development .....	15
3. Necessity to diversify existing economic relations .....	15
4. Scarcity of foreign exchange and economic security .....	16
5. Trade between the Caribbean and Latin America .....	17
III. CO-OPERATION ACTIVITIES .....	22
A. Existing integration schemes and trade arrangements .....	22
1. In the Caribbean .....	22
2. In Latin America .....	24
B. Current co-operation activities between Caribbean and Latin American countries .....	26
1. Multilateral co-operation .....	27
2. Bilateral or multi-bilateral co-operation .....	28
3. Institutional co-operation .....	31
4. Private-sector co-operation .....	32
Notes .....	33
Annex - SOME PRELIMINARY PROPOSALS FOR ACTION .....	35



## I. INTRODUCTION

### A. Mandate and description of previous activities

At the sixteenth session of the Economic Commission for Latin America (ECLA), held in Port of Spain, Trinidad, from 6-14 May 1975, resolution 358 (XVI) recognized the "special historical, geographical, and cultural identity" of the Caribbean and so established the Caribbean Development and Co-operation Committee (CDCC). Operative paragraph 3 of that resolution also requested the Executive Secretary to promote activities designed to strengthen co-operation between the Caribbean and Latin America.

Subsequent meetings of ECLA also recognized the work of the various integration movements in the region and enjoined the Secretariat to provide them with support. These determinations were embodied in resolutions 365 (XVII) and 402 (XVIII).

Resolution 440 (XIX), entitled "Technical and Economic Co-operation between the countries of the Caribbean area and the other countries in the region", was adopted at the nineteenth session of ECLA, held in Montevideo, Uruguay, in May 1981. The resolution, the text of which is appended, requests the Secretariat to collaborate with Caribbean regional integration institutions to prepare a programme of work to promote technical and economic co-operation between the Caribbean and Latin America. The resolution further requests that the programmes identify the main obstacles to co-operation, and potential areas of complementarity. It lays emphasis on the need to promote co-operation with regional integration movements in the Caribbean area and to collaborate with them in the preparation of joint mutual co-operation projects.

Since the resolution was adopted, the following basic studies have been undertaken by the ECLA Subregional Offices in Brazil, Colombia, Mexico and Trinidad and Tobago, as well as at ECLA headquarters in Santiago, Chile:

1. Economic Relations of Central America and Mexico and the Caribbean (E/CEPAL/G.1197);
2. Caribbean/Latin American Relations (CEPAL/CARIB 82/16);
3. Economic Relations of Colombia and Venezuela and the Caribbean;
4. Economic Relations and Co-operation between Brazil and the Caribbean (E/CEPAL/BRAS/INT 9);
5. Co-operation in the trade field between the Caribbean and Latin America.

Internal meetings with the participation of the various offices have been conducted to formulate a programme of activities in accordance with the terms of the resolution.

/In the

In the light of the basic studies prepared by the ECLA Subregional Offices, this report has been prepared with a view to making proposals for the future work programme in the area of Caribbean/Latin American relations.

The second part of the report contains a brief discussion of some of the constraints on greater Caribbean/Latin American co-operation. It also seeks to identify those areas in which untapped potential for co-operation exists.

Part III of the report lists some of the existing major co-operation activities between the two groups of countries and identifies measures which will increase the linkages between the various institutions in both areas.

Finally, a list of ideas for potential projects which would advance co-operation between the Caribbean and Latin America is included in annex A.

#### B. Main characteristics of the two subregions

It is important to delineate the geographical and political space which will be considered as the Caribbean in this report. Analysis will focus on the eighteen (18) members of the Caribbean Development and Co-operation Committee (CDCC). These eighteen nations and associated States are grouped in the following manner:

- The seven (7) members of the Organization of Eastern Caribbean States (OECS),<sup>1/</sup> i.e., Antigua and Barbuda, Dominica, Grenada, Montserrat, Saint Christopher/Nevis, Saint Lucia and St. Vincent and the Grenadines, which also constitute the Eastern Caribbean Common Market (ECCM);
- The Caribbean Community and Common Market (CARICOM) <sup>2/</sup> which comprises the seven (7) members of the OECS along with Belize and Barbados, Guyana, Jamaica and Trinidad and Tobago;
- The Caribbean Development and Co-operation Committee (CDCC) <sup>3/</sup> as a whole -which in addition to the CARICOM countries (the twelve (12) mentioned) includes Bahamas (which is a member of the Caribbean Community but not of the Common Market)- plus Cuba, Dominican Republic, Haiti, the Netherlands Antilles and Suriname.

Excluded from this analysis are other Caribbean States and territories which are still not independent or are associated with or incorporated into other nations.

The present report covers a total of 17 Latin American countries.

These are the 11 ALADI (or LAIA) countries, five of which are the signatories to the Andean Pact (Bolivia, Colombia, Ecuador, Peru and Venezuela); Argentina, Brazil, Chile, Mexico, Paraguay and Uruguay; and the five members of CACM (Guatemala, Honduras, Nicaragua, El Salvador and Costa Rica) and Panama.

/1. The

## 1. The Caribbean

The high concentration of population and income in several small countries is a striking feature of the Caribbean (see table 1). Very high density of population, especially in the smaller island-States, and very high per capita incomes are associated with the "traditional" income-generating activities for the region, such as tourism and oil-refining.

There are marked differences within the Caribbean itself. At least four (4) official languages are spoken. The countries on the mainland -Belize, Guyana and Suriname- have very low population densities with small populations concentrated on the coastal strip and with a large, unexploited and in some instances unexplored hinterland. On the other hand, the medium-sized islands of Trinidad, Jamaica and Barbados have a relatively high per capita gross domestic product (GDP) and population density, while larger island-States like the Dominican Republic and Haiti have lower population density and incomes. The figures show that high per capita incomes are associated with the service and extracting sectors: oil-refining and tourism in the Bahamas, Netherlands Antilles and Barbados; bauxite production and processing in Jamaica, Suriname and Guyana. In the case of Trinidad, while processing is important historically, it is the extraction of oil that explains the high levels of income. Agriculture as a percentage of GDP has been consistently declining in the region and normally the smaller per capita GDP figures belong to countries still largely dependent on agriculture -mostly sugar, coffee, bananas and citrus fruits. Of the total GDP of CDCC countries, the CARICOM countries share more than 25%, and of these the smaller OECS account for about 1.5%. This "size" difference is also apparent in their demographic figures: CARICOM countries have 18.5% of the total CDCC population and, within CARICOM, OECS has 2.1% of the population of the CDCC subregion.

The very high degree of openness of the Caribbean economies, as compared to a larger measure of autonomous activities in Latin America, can be seen when the ratios of merchandise imports and exports to GDP are compared between the two subregions (see table 2). It should be noted that the exports-to-GDP ratio for Latin America averaged 11% in 1980, while in the CDCC subregion exports represented 61% of the total GDP for the same year. In the case of CARICOM countries, the corresponding ratio for 1980 is almost 73%. Not only are Caribbean countries more highly dependent on the external market as an outlet for their production, they are also heavily dependent on imports to satisfy their consumption needs. While the ratio of imports to GDP for Latin America is almost 12% for the CDCC countries imports amount to 75% of GDP. This dependence on trade is even higher in the case of the OECS member countries.

The trade gap suggested as regards the Caribbean by a higher import than export coefficient, as compared to the approximate balance achieved by Latin America, is explained by its higher net earnings from services and unrequited transfers.

Table 1

## CDCC: POPULATION, AREA, POPULATION DENSITY AND GROSS DOMESTIC PRODUCT, 1970-1980

	OECS		CARICOM		CDCC	
	1970	1980	1970	1980	1970	1980
1. Number of countries and territories	7	7	12	12	18	18
2. Population (thousands)	483	577	4 460	5 124	22 900	27 704
3. Area (km <sup>2</sup> )		2 860		257 340		626 510
Density (inhab/km <sup>2</sup> )	169	202	17	20	37	44
4. Gross domestic product (millions of dollars at current prices)	166	370	2 844	8 247	11 034	30 262
Per capita GDP (dls/inhab)	345	641	638	1 610	481	1 092
GDP maximum (millions of dollars at current prices)	42	85	1 405	6 386	5 660	12 926
	(Antigua)	(Saint Lucia)	(Jamaica)	(Trinidad)	(Cuba)	(Cuba)
GDP minimum (millions of dollars at current prices)	5.9	10.2	5.9	10.2	5.9	10.2
	(Montserrat)	(Montserrat)	(Montserrat)	(Montserrat)	(Montserrat)	(Montserrat)
GDP per capita maximum	630	1 034	808	5 818	3 660	5 818
	(Antigua)	(Antigua)	(Trinidad)	(Trinidad)	(Bahamas)	(Trinidad)
GDP per capita minimum	199	368	199	368	89	244
	(St. Vincent)	(St. Vincent)	(St. Vincent)	(St. Vincent)	(Haiti)	(Haiti)

Source: Estimates and calculations made on the basis of national statistics by the ECLa Office for the Caribbean.



Table 2

## LATIN AMERICA AND THE CARIBBEAN: EXTERNAL OPENNESS OR DEPENDENCE OF NATIONAL ECONOMIES

	1970				1980			
	GDP (millions of dollars)	Total trade (millions of dollars)	Exports/ GDP (%)	Imports/ GDP (%)	GDP (millions of dollars)	Total trade (millions of dollars)	Exports/ GDP (%)	Imports/ GDP (%)
Latin America (17)	181 264	27 123	7.7	7.3	773 676	176 865	11.2	11.7
CDCC (18)	11 034	7 923	29.8	42.0	30 262	41 354	61.4	75.3
CARICOM (12)	2 844	2 543	37.1	52.3	8 247	11 852	72.6	71.1
OECS (7)	166	242	22.8	80.1	370	577	37.0	11.8

Source: ECLA/CDCC Statistical Data Bank, and national sources.

## 2. Latin America

All Latin American countries have Spanish as their official language, with the exception of Brazil, where Portuguese is spoken. Furthermore, they are all located on the Central and South American mainland and all but Panama are members of integration schemes. Panama maintains significant commercial ties with the other Central American countries.

In terms of population, by far the biggest country is Brazil, with a population of approximately 120 million inhabitants. Mexico has a population about half the size of Brazil's, and the inhabitants of Argentina and Colombia number approximately 28 and 27 million, respectively. The size of the population and the area of the countries are quite strongly related: Brazil is the largest country, followed by Argentina, Mexico, Peru and Colombia. In general, Latin American countries are far bigger than the countries located in the Caribbean (see table 3).

There is also a close relation between these two indicators and the level of the GDP. The biggest countries generally have the highest GDP, but in this ranking, Venezuela appears in fourth place, mainly due to its oil exports.

The Central American economies are rather small, as are also countries like Paraguay, Bolivia and Uruguay. Nevertheless, the GDPs of Latin American countries are generally several times bigger than those of the Caribbean region. Exceptions to this rule are, in the one subregion, countries like Honduras, Nicaragua and Panama, and in the other, Cuba, the Dominican Republic, Trinidad and Tobago and Jamaica.

Table 3

## LATIN AMERICAN COUNTRIES: POPULATION, AREA, GROSS DOMESTIC PRODUCT AND EXTERNAL TRADE, 1978

	Popula- tion (thousands)	Area (km <sup>2</sup> )	Gross domestic product (millions of dollars)	Per capita GDP (dollars)	1980 (millions of dollars)	Imports
					Exports	
<u>ALADI</u>	<u>297 047</u>	<u>19 358 447</u>	<u>458 516</u>	<u>1 544</u>	<u>78 092</u>	<u>83 853</u>
Argentina	26 386	2 766 889	68 357	2 591	8 021	10 536
Bolivia	5 291	1 098 580	4 050	765	1 033	833
Brazil	119 461	8 511 968	193 282	1 618	20 131	25 609
Colombia	25 618	1 138 910	23 444	915	3 945	4 661
Chile	10 734	756 950	10 151	946	4 693	5 123
Ecuador	7 544	283 560	7 559	1 002	2 481	2 251
Mexico	65 442	2 022 060	93 240	1 425	14 594	17 792
Paraguay	2 893	406 750	2 560	885	310	614
Peru	16 820	1 285 220	11 058	657	3 309	2 573
Uruguay	2 885	177 510	4 993	1 731	1 059	1 603
Venezuela	13 973	910 050	39 822	2 850	18 516	12 258
<u>Central American Common Market</u>	<u>19 468</u>	<u>422 720</u>	<u>16 651</u>	<u>855</u>	<u>4 787</u>	<u>5 701</u>
Costa Rica	2 111	50 700	3 523	1 669	963	1 528
El Salvador	4 524	21 040	3 096	684	966	966
Guatemala	6 836	108 890	6 071	888	1 502	1 528
Honduras	3 439	112 090	1 819	529	806	1 019
Nicaragua	2 558	130 000	2 142	837	550	660
Panama	1 808	75 650	2 306	1 275	350	1 449
<u>Total</u>	<u>318 323</u>	<u>19 856 817</u>	<u>477 473</u>		<u>83 229</u>	<u>91 003</u>

Source: UNCTAD, Handbook of International Trade and Development Statistics, Supplement 1981. For external trade figures: ALADI Secretariat, Statistical Papers; Central American Common Market Secretariat, Series Estadísticas Seleccionadas de Centroamérica y Panamá; Venezuela: Board of the Cartagena Agreement, Statistical Papers.

## II. BASIS FOR CO-OPERATION

### A. General discussion: Constraints

At a time of growing isolationism, stagnating trade and consequently, declining standards of living in the developed and developing countries alike, the need to explore new ways and areas in which economic co-operation and exchange might be encouraged becomes urgent.

While it is now generally accepted that increased economic interaction among the countries of the North and between them and the countries of the South is a precondition for global growth, the same arguments hold true for increasing interaction within the developing countries of the South. In this region, while great emphasis has been placed on co-operation within the Caribbean and within Latin America, over time the impetus towards co-operation between the two groups has not been as powerful or as sustained.

Moreover, the cultural exchange, technical and economic co-operation and trade linkages which would on the face of it be expected to develop automatically as a result of close geographic proximity have not evolved. For it is not geography that has determined the pattern of interaction between the Caribbean and Latin America, but history. Historical factors have conditioned the Caribbean countries to look north for their constitutional models, and for their trade and economic relations; and many of the current barriers to trade are a legacy of the trade rivalries of former colonial powers. Similarly, historical factors have conditioned the mass of the Caribbean peoples to look to Europe, Africa and India for their cultural and ethnic linkages. In the course of time, these elements have solidified, as institutions and habits have grown and as linguistic and cultural factors have evolved to sustain them.

Latin America has derived from its Iberian background its own unique historical inputs to condition its outlook, and its perception of the Caribbean. Until the 1960s, the Latin American view of the Caribbean was coloured by the presence of the metropolitan countries: the United States of America, the United Kingdom, France and the Kingdom of the Netherlands. And even in the case of the countries not under such direct influence -Cuba, the Dominican Republic and Haiti- the image formed was still conditioned by the dominant presence of the United States of America. Since the 1960s, Latin American countries have had to make reappraisals and, from time to time, assessments of how much of their attention might justifiably be expended on the Caribbean, as the additional small States with limited markets emerged to independence.

The task of raising the level of co-operation is made more difficult because benefits have not been so obvious as to stimulate any large-scale action either institutionally or in the economic sectors. For instance, a particularly significant measure such as the opening of all Latin American markets to Caribbean goods might not automatically improve the Caribbean countries' adverse trade balance with Latin America since the Caribbean has difficulty in producing enough to serve its existing markets. At the same time, the Caribbean has significant access to the major international capital markets. The disjuncture in the

/production chain

production chain between access to capital and to markets occurs through a seeming inability of local entrepreneurs to develop a broad enough range of viable enterprises, using local factors and in particular services, to satisfy external markets.

Conversely, Latin America is concerned with access to large markets to stimulate its huge production potential, and access to capital with which to exploit this productive capacity.

In view of these differing needs, it is no wonder that neither group has placed the other high on its agenda of economic priorities.

It is therefore against a backlog of inherited patterns, accumulated customs, culture and institutions, as well as different immediate economic prospects and priorities, that the task of intensifying the process of Caribbean/Latin American co-operation must be seen.

Notwithstanding the progress that has already been made, this task must clearly be perceived as a long-term effort, which must combine a series of elements such as the following: cultural exchange; the generation and exchange of mutually beneficial ideas in trade, transport, science and technology, agriculture; the reduction of language barriers; the translation and exchange of literature of mutual interest; and increased participation, even if as observers at first, in the cultural and other institutions of the other group. While it will take time to broaden the perception of the two groups of countries and to change centuries of ingrained habit, there are seemingly no short cuts to that objective. At the same time, and proceeding along parallel courses, the implementation of some demonstrably successful and relevant co-operation activities might serve as a practical indication that it is a worth-while and beneficial objective for both groups of countries.

#### B. Current world economic situation

The international division of labour which solidified in the nineteenth century assigned distinct roles to the countries of the centre and periphery. Broadly, the metropolises provided enterprise and capital, organized the system of commerce and finance, and themselves, in the process, specialized in manufacturing, using agricultural and mineral raw materials produced by the periphery. This system has remained virtually intact, buttressed by a flow of hard and soft technological innovations all originating in the centre, although with some recent increase in the participation of the more advanced countries of Latin America. Only since World War II have countries of the periphery consciously sought to alter this pattern of production and trade, with its consequent unequal international distribution of incomes. Latin America and Caribbean countries have both been in the forefront in generating ideas and devising mechanisms whereby to break away from this system. They have been leaders in the movements for industrialization, technology transfer, human resource development, monetary reform and increased South-South trade.

/The present

The present long economic recession in the industrialized countries has had a dramatic impact on the Latin American and Caribbean countries, causing negative annual growth rates of the per capita GDP (a situation which in 1982 was shared in by all Latin American countries for which data were available), severe balance-of-payments problems and increased unemployment rates. In contrast to conditions in 1974-1975, in recent years the economic recession has been accompanied by very high real interest rates, a sharp increase in the value of the United States dollar as against the majority of the other convertible currencies, and a slowdown of capital inflows into the Latin American and to a lesser extent the Caribbean countries. The main common factors for both Latin American and Caribbean countries have been the sharp reduction in commodity prices, due to the decrease in consumer demand, the effects of the high interest rates on inventories and the existence of an excess world supply of agricultural products. The decline in demand for crude oils and petroleum products, and in petroleum prices in 1982, gave rise to payments problems in the petroleum-exporting countries, including the petroleum-processing countries in the Caribbean, and thus extended these adverse conditions to the petroleum-producing countries as well.

The impact of the adverse evolution of the world economy on the Latin American and on the Caribbean countries has been different in timing and intensity, according to such determinants as the degree of openness of their economies, export diversification by products and markets, foreign debt levels, the management of fiscal and exchange rate policies and extra-economic factors, as well as the level of dependence on imported energy.

In the Caribbean countries, the impact has been concentrated principally on the balance of trade in goods and services, through higher import costs -primarily of petroleum, petroleum products and food- combined with a decrease in export earnings, chiefly due to the fall in export prices and in tourist inflows. Except for some countries, mainly Jamaica and Guyana, the effect on net payments of interest and on the movement of capital has been less dramatic than in the Latin American countries, thanks to their relatively lower foreign debt levels.

A positive factor for the Caribbean countries has been the fact that the open character of their economies and the maintenance of the nominal value of most of these countries' national currencies against the United States dollar (which thus increased their real value against the majority of other convertible currencies <sup>4/</sup>), permitted the reduction in inflation rates in the industrialized countries to be passed on to the Caribbean countries as costs of food imports fell. This was not the case in the Latin American countries.

In the Latin American countries, the world economic and financial crisis affected the volume and unit value of exports, but principally it had a dramatic impact on foreign debt servicing and capital inflows. The availability of long-term finance for the Latin American countries drastically decreased in the second half of 1982. It was mainly due to these latter factors that in recent years the Latin American countries were forced to adopt austerity programmes, devalue their currencies and apply severe import restrictions. These policies have a strong negative effect on intra-regional trade, which in Latin America is relatively more important than in the Caribbean. It must be noted that during 1982 all the Latin American countries, except for Colombia and Paraguay, had to apply for recourse to one or more of the special IMF programmes.

/1. Impact

1. Impact on the Caribbean countries

By reason of their historical origins, skewed resource endowment, and minuscule internal markets, the Caribbean countries without exception have extremely open economies. Most of them depend on the Western world for markets, supplies of essential capital and consumer goods, finance and technology. Real growth in OECD countries, which declined from an average of 4% between 1976 and 1979 to 1.3% in 1980-1981 and 0.1% in 1982, was reflected in trade stagnation, with a traumatic effect on small trade-dependent countries. GATT has reported that the volume of trade declined by 2% in 1982 to about its 1979 level, while the decrease in value was 6%. It noted that the respective volume changes in 1981 and 1982 for the principal commodity groupings were: agricultural products, +4% and +1.6%; manufactures, +3% and -1%; and minerals -9% and -7%.

Mineral-dependent Caribbean economies were perhaps the worst affected. In 1982, bauxite output declined by 30% in Jamaica and 26% in Guyana, plunged from an average output of over 500 000 tons in 1979-1980 in the Dominican Republic to 152 000 tons in 1982, fell drastically in Haiti, where a transnational corporation wound up operations at the end of 1982, and ceased altogether in Suriname. Off-shore petroleum activities were also severely affected. Re-export operations plummeted in the Netherlands Antilles, refinery throughput fell to 30% of rated capacity at the end of 1982 in Trinidad, the Antigua refinery was closed, and plans to add a refinery to the re-export facilities in Saint Lucia were shelved.

Traditional agricultural staple exports faced difficult markets. While it was true that many small Caribbean producers could not fill their negotiated quotas for sugar, in most cases even the guaranteed price left little margin over costs. In the extreme case of Trinidad's sugar production, costs were four times the guaranteed price. Weak agricultural prices and appreciating currencies linked to the dollar made for reduced hard currency receipts from agricultural exports.

Non-traditional exports to extra-regional markets also met with problems on account of the depressed world economy and increased protectionism.

Reduced international travel severely affected most Caribbean countries, for which tourism is a major source of foreign exchange. In 1981 Barbados and the Bahamas experienced a 7% decline in the numbers of visitors. While there was a marked recovery in 1982 for the Bahamas, Jamaica and smaller destinations such as Saint Lucia, the depressed state of tourism persisted in Barbados, where the industry contributed 12% of the GDP in 1980, and in Grenada, where it typically accounts for one-third of foreign exchange receipts. The full impact of reduced tourist travel was felt in the Netherlands Antilles only in 1983, following the payments crisis in Venezuela, its principal market.

Most Caribbean countries derive a substantial portion of their government revenues from import and export duties. Consequently, stagnating trade has an adverse effect on their revenue position and therefore on the performance of the public sector, which underpins many productive activities with infrastructure. However, the major impact of depressed trade is on these countries' payments position, with the consequent erosion of reserves, devaluation, contraction of imports -including productive inputs- and internal wage pressures. In 1982,

/Barbados, Guyana,

Barbados, Guyana, Haiti and Jamaica sought accommodation from the International Monetary Fund (IMF) under the Compensatory Financing Facility (CFF), while Barbados and Haiti had stand-by agreements and the Dominican Republic utilized the Buffer Stock Financing Facility (BSFF). Jamaica is currently applying an Economic Recovery Programme with a three-year Extended Fund Facility (EFF) begun in April 1981. The poor performance of bauxite in 1982 forced it to seek and obtain a waiver in April 1983. Guyana, where the payments position is extremely critical, has not to date reached agreement with IMF for long-term support.

## 2. Impact on the Latin American countries

Economic growth in Latin America stagnated in 1981 and 1982. In both years the per capita GDP declined, although in 1981 it showed a modest increase (1.5%). In 1982 the per capita GDP decreased in every country of the region.

At the same time, there was a growing vulnerability to external factors, due to the increase in foreign debt and, in the case of Mexico, the more intensive concentration of exports in hydrocarbons. Internal economic policies failed to adjust the Latin American economies to the worsening world economic conditions.

The stagnation in world trade caused by the economic recession in the industrialized countries, increased protectionism, the decrease in commodity prices, the appreciation of the dollar, and the rise in interest rates in the international money markets hit the Latin American economies very hard. The purchasing power of exports diminished in the non-petroleum-exporting countries of Latin America in 1981 and in almost all countries in 1982. It should be noted that the terms of trade of the non-petroleum-exporting countries in Latin America have deteriorated continuously since 1978, mainly owing to a sharp increase in import prices, particularly for petroleum.

In 1982, the combined effect of decreased export earnings and continuing high real interest rates created significant balance-of-payments problems for the Latin American countries, including the petroleum exporters on account of the fall in oil prices. This situation became dramatic in the second half of the year, when the availability of new loans drastically decreased after the Mexican crisis. In these circumstances, the Latin American countries could rely on only three forms of adjustment: utilization of international reserves, increased import restrictions and renegotiation of external debt payments.

In 1982 almost all countries devalued their currencies, increased foreign exchange restrictions and started negotiations with private banks to reschedule debt payments. In 1982, all Latin American countries except Colombia and Paraguay negotiated special credit facilities with IMF.

/C. Inherent



C. Inherent advantages/complementarities for Caribbean/Latin American co-operation

Latin American and Caribbean countries have both emerged out of European expansionism and the pursuit of the "West Indies venture". Both groups of countries have shared the experience of European colonization and the processes of decolonization, and today grapple with the problems of unequal exchange inherent in the centre-periphery relationship. However, whereas in Latin America immigrant European populations are juxtaposed with large native peoples and cultures, in the Caribbean the native populations have almost disappeared. The immigrant populations are in most countries the descendants of persons brought in under structured labour relationships (slavery, indentureships), and are largely of non-European stock.

Against this background areas of co-operation may arise from:

- a) Complementary experiences
  - i) In the processes of decolonization and the building of new societies seeking to merge a number of disparate cultures;
  - ii) In relationships with economic actors and institutions from the metropolitan countries in respect of technology, finance and transnational corporations; and
  - iii) In trade and integration experiences, including industry allocation, communication links, benefit-sharing.
- b) Complementarities of adjacent island and continental land masses
  - i) As tourism markets for each other. Here the contrasts between small islands and continental land masses can make for two-way flows of people, as can also the differences in language, culture, shopping, festivals and art forms;
  - ii) As markets for commodity trade. Here benefits may be highly unequal if viewed from the standpoint of the contrasts in population, land, size of economy and levels of development. However, the Caribbean can also provide market outlets for increments in Latin America's output. Differences in labour costs and skill and/or resource endowments, and in existing production structures, can be further bases for specialization and trade;
  - iii) The Caribbean is ideally placed geographically, and with its diverse heritage of peoples and languages, to act as a buffer, broker and intermediary between the Spanish-speaking peoples of Latin America and the English-speaking peoples of North America as well as of Europe, Africa and Asia. It can also be a conveniently located marketplace where outsiders meet to trade;

/iv) For

- iv) For certain types of services, off-shore locations in the Caribbean can be of use to Latin American countries, e.g., for oil-refining locations, ship repairs, financial outposts; and
- v) With the coming into effect of the Law of the Sea Convention, there seems to be a logical area for mutual development of maritime resources -such as shipping, fishing, off-shore petroleum and other mineral exploration-, with the Caribbean islands serving as production centres in a large-scale joint venture.

1. Geographical location and proximity between the two subregions

The Caribbean countries are spread out over a large area which is peripheral to the South-Eastern and South-Central United States, incorporates Belize at the juncture between Mexico and Central America and is anchored in the South American continent with Guyana and Suriname. An envelope curve enclosing the CDCC member countries would comprise an area of approximately 3.3 million km<sup>2</sup>, about the size of India. The actual landmass distributed over this area totals 626 510 km<sup>2</sup> and correspondingly the distances between the Caribbean countries themselves and to any one point outside this region vary greatly. However, all but two of the 18 CDCC countries -namely the Bahamas and Cuba- are geographically closer to the South American continent than to North America. This is especially true for the English-speaking countries of the Eastern Caribbean, the majority of which are situated within a 200-mile perimeter of the South American mainland, whereas the shortest distance between the Florida coast and any country of this group (Saint Christopher/Nevis) is about 1 100 miles. While for the Netherlands Antilles the situation is rather similar, the region's geographical proximity to South America is enhanced by the fact that Aruba, Bonaire and Curaçao are all within a 50-mile distance from the Venezuelan coast.

Despite this relative proximity to South America, CDCC countries exchange persons and goods predominantly with North America and Europe. Of a total of 1 338 direct air connections servicing CDCC countries, 1 169 go to North America and Europe while 169 go to South and Central America.<sup>5/</sup> While the tourism industry accounts for much of this current infrastructure, traditional links and cultural affinities operate in its favour. Even the countries on the mainland -Belize, Guyana and Suriname- are still isolated from their Latin American hinterland. Road and rail connections are either weak, deficient or non-existent.

These factors also help to explain the flow of goods. While the volume of trade (defined as export volumes plus import volumes, excluding liquid bulk) with North America and Europe accounted for about 81.5% of the total, the corresponding trade with South and Central America combined represents 7.9%. This extra-regional trade is serviced mainly by tramp shipping operations and about 8 liner conferences. Both adjust quickly to the prevailing demand patterns of trade, a fact which has led to fairly intensive links of CDCC countries with North America and Europe, while connections to South and Central America are much less frequent.

/2. Similar

## 2. Similar states of development

All Caribbean and Latin American countries are members of the Group of 77 developing countries, and some of them both in the Caribbean and in Latin America may be qualified as relatively less developed, at least with reference to their structures of production.

The developing countries are becoming aware of the limited and contradictory benefits which can be obtained from an almost exclusive orientation towards the developed countries as markets for their export products and sources of import requirements, technology and finance.

On the other hand, significant differences exist between the Latin American and Caribbean countries; and the dissimilarities in production structures and import needs offer possibilities for the creation and diversion of trade as well as for the concerting of production agreements and the exchange of technologies. Great differences exist in natural resource endowments, which constitute an important basis for increasing trade and co-operation among the productive sectors. Production capacities are also related to climate, which varies considerably from one country to another and even within certain countries.

A few countries, specifically in the Latin American region, have set up a diversified structure of manufacturing industries, adapting imported technologies and developing domestic ones. These technologies, often of an "intermediate" character, are particularly suitable for application in other developing countries. Countries with undeveloped production structures in manufacturing, due to inadequacy of market size, technical and managerial capabilities and financial resources, may find it beneficial to combine their resources with those of developing countries in the other region. Co-operation in this sense makes productive undertakings feasible which are not viable within the narrow boundaries of the country or even within its own region. The aforementioned theoretical considerations and criteria should provide the basis for a thorough investigation and analysis of the opportunities for increasing economic and technical co-operation between the two regions.

## 3. Necessity to diversify existing economic relations

The Caribbean, and in a smaller degree the Latin American group, have been only partially successful in diversifying their traditional economic relations. The major orientation of the Caribbean countries is still towards the developed countries and more specifically, towards countries members of the OECD. All of them were formerly colonies of the Western economies and present economic relations still reflect the strength of those historical ties. The Latin American countries in general may have advanced somewhat more in diversifying their economic output. Nevertheless, the character and orientation of these products have changed only marginally, and this is true for most countries in both regions. They still depend on the export of a few primary or slightly processed products to a restricted number of developed countries, while they import from practically the same countries a wide variety of manufactures and some basic foodstuffs.

/It is

It is now more or less generally accepted in the developing world that this state of affairs is not always beneficial to them. The arguments against this narrow dependence are varied and have a long history of theoretical formulation and practical evaluation behind them. Demand for basic products systematically grows at a slower pace than demand for manufactures. Owing to this difference, the terms of trade tend to develop unfavourably for countries which export predominantly primary commodities and import a large proportion of their requirements of manufactured products. Furthermore, prices of raw materials exhibit violent fluctuations when conjunctural variations in demand are confronted with a supply which is essentially inelastic.

Most countries have been making efforts in the last three decades to promote industrial activities, first with an eye to import substitution, but gradually also to the incorporation of manufactures in their exports. Especially during the 1970s, a few countries in Latin America made significant incursions into the world markets for such products. However, as the world recession has deepened, demand has fallen and access to those markets has become more difficult because of rising protectionism. The protectionist measures in question have severely limited the development of the Latin American and Caribbean countries' export capacity.

At present, it is very difficult to foresee the future development of the world economy but most observers agree that recovery will be slow and that structural problems will continue to affect the developed economies for many years. Access to those markets will therefore remain restricted. There is, furthermore, a distinct tendency to reorganize world trade, no longer according to the principle of comparative advantages, but through "managed trade", which favours economic blocs.

Developing countries should not expect, in the foreseeable future, any meaningful change in the basic attitude of the developed countries towards their aspirations and claims. The latest UNCTAD Conference held in Belgrade produced no concrete proposals in the field of trade, a clear indication of the prospective state of affairs.

The proposed intensification of trade and commercial co-operation between the two regions should be seen as an alternative to such developments. Moreover, present trade levels between the Caribbean and Latin America, which are very low, constitute another important argument in favour of increased co-operation.

#### 4. Scarcity of foreign exchange and economic security

The balance-of-payments situation of almost all countries in both regions has deteriorated drastically in the last few years. However, even before this recent crisis, most countries were already struggling with chronic balance-of-payments problems which were in part alleviated by foreign creditors and concessional loans. Foreign exchange reserves are now at an extremely low level throughout both regions and are in some cases negative. Lack of hard currency is restricting trade; even intra-regional trade has suffered the negative impact of the foreign exchange scarcity.

/In present

In present circumstances, it seems particularly essential that the import capacity of the countries should be maintained to the greatest extent possible within the regions. One means by which the necessity for foreign exchange can be greatly diminished or even eliminated is to channel trade through multiregional payments systems.

The topic of economic security has been gaining importance in the course of the last decade, especially since the first oil crisis. Since no countries are completely self-sufficient, all have to import certain volumes of inputs and finished products which for various reasons are not being produced locally. They may be needed to guarantee the production process (e.g., petroleum) or to keep up certain consumption habits (e.g., wheat in countries with a tropical climate). The present scarcity of foreign exchange reserves could jeopardize these "economic security" objectives. It may even be possible that in the future certain strategic commodities become scarce in an absolute sense and therefore cannot be obtained at any "payable" price. The developed countries have already been preparing themselves for the latter possibility through stockpiling of strategic commodities and through the arrangement of long-term supply agreements with producer countries.

Latin American and Caribbean countries should give due attention to this problem area and seek common approaches to ensure their collective economic security. Taken together, the two regions possess the resources and means to improve the level of economic security, but the attainment of this objective presupposes co-operation between the countries, especially in the fields of complementary production, trade and finance.

##### 5. Trade between the Caribbean and Latin America

The importance of Latin America as a buyer of Caribbean merchandise is still slight: only 2.4% of CDCC exports went to Latin America in 1970 and in 1980 only 7.4%. It should be noted, nevertheless, that intra-CDCC exports amount only to 6.5% of total exports. This insignificance of Latin American and Caribbean markets as buyers of Caribbean goods is even more striking at the CARICOM level: 2% of the community's exports went to Latin America in 1970 and only 2.8% in 1980. The natural consequence of this situation is an imbalance in Caribbean-Latin American trade: in 1980, while US\$ 6.5 billion was the value of imports from 17 Latin American countries, that of exports from CDCC countries was only US\$ 1.6 billion. That is, the Caribbean deficit with Latin America amounted to almost US\$ 5 billion (see table 4).

Actually, the increase in energy costs also affects the expansion of intra-subregional and intra-regional trade. The operation of a Caribbean petroleum facility by Trinidad and Tobago and the flows of Venezuelan petroleum to the Caribbean explain, on the one hand, the above-mentioned increase in intra-CARICOM imports and, on the other, the shift of CDCC imports toward the Latin American continent from almost 18 to 25%.

/Table 4

Table 4  
CARIBBEAN-LATIN AMERICAN TRADE, 1970-1980

	Millions of dollars	
	1970	1980
1. Imports from Latin America		
OECS	10.5	9.6
CARICOM	195.9	369.2
CDCC	779.4	6 459.6
2. Exports to Latin America		
OECS	0.2	0.4
CARICOM	22.1	171.3
CDCC	75.1	1 580.8
3. Commodity trade balance		
OECS	-10.3	-9.2
CARICOM	-173.8	-197.9
CDCC	-704.3	-4 878.9

Source: CARICOM, A Digest of Trade Statistics, 1970-1980, and United Nations, Yearbook of Trade Statistics.

/The trade

The trade deficit between the two areas therefore rose US\$ 4.9 billion in 1980 from US\$ 704 million in 1970. This again is a reflection of the petroleum trade between some CDCC and Latin American countries, chiefly between the Netherlands Antilles and Venezuela. The trade deficit of CARICOM vis-à-vis Latin America remained almost constant at less than US\$ 200 million, like the OECS-Latin American deficit, which hovers around US\$ 10 million.

Tables 5 and 6 show Caribbean imports and exports from and to selected Latin American countries.

In the light of these characteristics and the importance attached to new production for export markets, detailed export supply surveys have recently been undertaken in the Caribbean. It is expected that the analysis of these surveys now being carried out both under an ITC/CDB project, based in Barbados, and by the CDCC Secretariat at the ECLA Subregional Headquarters in Port of Spain will permit the identification of selected goods or product lines with potential for export to world markets.

It is obvious already from these surveys that there is not at present a sufficient level of output to satisfy the demand of large markets, whether regional like those of Latin American neighbouring countries, or the "traditional" markets of Europe and North America. It is thus evident that an increase in trade, i.e., a closer commercial relationship between the Caribbean and other areas, in this case Latin America, can be facilitated by investment through joint ventures or otherwise to develop the level of production necessary to launch trade.

Basic manufactures and semi-manufactures also appear to offer potential opportunities for Caribbean/Latin American trade, given on the one hand the dynamism of these subsectors of production in most Latin American countries and, on the other hand, the relative weight of these imports, especially in CARICOM and OECS countries.

As industrial strategies in the Caribbean come to fruition, there is likely to be increased demand for capital goods and plant, as well as for semi-manufactures to be used as inputs by those industries which focus on the final stages of the production process.

For such trade to be diverted to Latin America, not only will the goods themselves need to be price-competitive, but also attendant service costs, such as finance and transport, will need to be attractive enough to induce purchasers to switch from familiar sources of supply.

In the final analysis, though, it is not so much a question of what Latin America can sell to the Caribbean, as of what the Caribbean can sell to Latin America. As stated elsewhere, it is in the tertiary service sector that the potential seems to be greatest.

From the Latin American point of view, one argument favouring investment in the Caribbean is the possibility of benefiting from the favourable treatment that Caribbean goods receive in the major industrial markets where Latin American exports sometimes face difficulties due to protectionist and other restrictions.

/Table 5

Table 5

## CARIBBEAN IMPORTS FROM SELECTED LATIN AMERICAN COUNTRIES, 1980

(Thousands of dollars)

Origin Destination	CACM	ALADI	Venezuela	Colombia	Mexico	Brazil	Argentina
OECS	3 681.1	5 921.8	1 064.7	1 526.7	308.2	1 596.6	349.0
Antigua	105.1	677.1	99.3	-	15.8	271.2	-
Dominica	517.8	351.1	124.8	-	12.2	104.8	-
Grenada	267.8	1 090.7	296.3	170.0	93.7	463.8	240.0
Montserrat	174.8	102.5	30.6	-	5.5	1.8	-
Saint Christopher/Nevis	499.6	404.98	-	...	6.4	115.9	...
Saint Lucia	1 414.1	2 084.1	457.4	578.2	133.7	423.3	109.0
Saint Vincent	701.9	1 211.3	55.3	778.5	40.9	216.3	-
CARICOM	47 101.1	322 085.5	234 578.3	23 335.5	18 686.0	33 098.3	11 109.5
Barbados	1 383.7	33 814.8	23 660.0	727.4	935.9	7 020.4	4 091.4
Belize	5 264.7	10 573.5	26.9	1 301.4	8 665.9	304.5	269.1
Guyana	1 105.3	6 025.4	5 999.8	1 780.0	722.3	3 890.1	1 700
Jamaica	12 944.1	211 378.9	199 264.1	2 000.0	5 577.0	1 454.8	1 400.0
Trinidad and Tobago	22 722.2	54 371.1	9 962.6	16 000.0	2 476.7	18 831.9	3 300.0
CDCC	85 861.1	6 373 765.5	5 415 708.3	72 534.5	101 454	132 622.3	83 049.5
Bahamas	3 000.0	135 500.0	98 300.0	7 479.0	15 780.0	46 634	-
Cuba	14 400.0	155 600.0	-	-	26 757.0	-	59 700.0
Dominican Republic	11 300.0	346 000.0	289 100.0	5 900	10 212.0	11 600	900.0
Haiti	2 970.0	9 790.0	30.0	230.0	714.0	5 160.0	3 020.0
Netherlands Antilles	6 500.0	5 389 000.0	4 793 700.0	30 900	29 305.0	26 200.0	7 800.0
Suriname	590.0	15 790.0	-	4 690.0	-	9 930.0	520.0

Source: Based on data from CARICOM, A Digest of Trade Statistics, 1970-1980, and United Nations, Yearbook of Trade Statistics.



Table 6

CARIBBEAN EXPORTS TO SELECTED LATIN AMERICAN COUNTRIES, 1980  
(Thousands of dollars)

Origin Destination	CACM	ALADI	Venezuela	Colombia	Mexico	Brazil	Argentina
1. OECS	-	445.6	141.5	-	0.8	140.0	70.0
Antigua	-	-	-	-	-	-	-
Dominica	-	-	-	-	-	-	-
Grenada	-	304.1	-	-	-	140.0	70.0
Montserrat	-	-	-	-	-	-	-
Saint Christopher/Nevis	-	0.8	-	-	0.8	-	-
Saint Lucia	-	140.7	140.7	-	-	-	-
Saint Vincent	-	-	-	-	-	-	-
2. CARICOM	86 203.9	85 086.3	33 957.1	2 255.7	9 329.3	18 775.6	9 870.0
Barbados	0.54	518.0	511.1	4.5	1.5	1.0	-
Belize	90.8	214.9	-	51.2	167.9	-	-
Guyana	-	33 434.5	18 264.3	600.0	8 915.0	2 975.3	1 600.0
Jamaica	281.1	15 083.7	13 298.2	-	244.1	1.9	-
Trinidad and Tobago	85 831.5	35 389.6	1 574.8	1 600.0	-	15 657.4	8 200.0
3. CDCC	240 163.9	1 340 606.3	249 157.1	139 355.2	136 523.3	129 748.7	179 722.8
Bahamas	300.0	86 900	-	-	754.0	2 273.1	70 712.8
Cuba	200.0	368 700.0	400	-	114 700.0	-	200.0
Dominican Republic	800.0	63 900.0	63 000.0	600.0	-	-	-
Haiti	360.0	3 490.0	730.0	350.0	40.0	10.0	20.0
Netherlands Antilles	152 300.0	686 800.0	129 500.0	131 600.0	11 700	89 100.0	98 900.0
Suriname	-	45 730.0	21 570.0	4 550.0	-	19 590.0	20.0

Source: Based on data from CARICOM, A Digest of Trade Statistics, 1970-1980, and United Nations, Yearbook of Trade Statistics.

### III. CO-OPERATION ACTIVITIES

#### A. Existing integration schemes and trade arrangements

##### 1. In the Caribbean

###### a) The CARICOM integration scheme

The four major countries of the CARICOM (Barbados, Guyana, Jamaica, and Trinidad and Tobago) have adopted a Common External Tariff which applies to imports from all countries outside the CARICOM. The member countries of the Eastern Caribbean Common Market (ECCM), too, established and are operating a Common External Tariff. This common tariff, together with the liberalization of trade within the integration scheme, aims at creating an effective and harmonized preferential tariff for regional production and exchange.

In principle, imports from Latin American countries are confronted with the same type of entrance conditions as imports coming from any other non-CARICOM State. The annex to the Chaguaramas Agreement, which is the legal basis for the CARICOM Common Market, does not seem to make any exceptions to this general rule. However, the decision adopted at the meeting of Heads of Government in December 1975 permits Caribbean Community members to enter into bilateral trade negotiations with non-member countries, although the same decision binds the CARICOM countries to hold consultations with other member countries before concluding such trade and other economic agreements, in order to ensure that intra-CARICOM trade is not negatively affected.

In the past CARICOM has negotiated collective agreements with Mexico. In addition, its members participate as a group in the Lomé negotiations and engage in regular consultations regarding the Generalized System of Preferences (GSP), the Caribbean Basin Initiative (CBI) and the deliberation of UNCTAD. Intra-CARICOM trade has been adversely affected of late by the severe economic problems which are now besetting all the member countries. It is therefore understandable that the countries are more concerned about re-establishing favourable trading conditions within the integration group than disposed to allow more competition from extra-CARICOM imports. While this may be reasonable in the short-run, it should also be considered that in the long run trade agreements and productive joint ventures with other developing countries may open up new markets and production opportunities.

###### b) The Convention of Lomé

At present 13 Caribbean countries and territories <sup>6/</sup> are participants in Lomé Convention II, an extensive trade and aid programme organized under the aegis of the European Economic Community (EEC). Lomé members receive non-reciprocal trade benefits in the form of duty-free access for most of their exports to the EEC, subject to provisions in the form of rules as to origin and safeguards.

/A special

A special arrangement for sugar provides for specified amounts of that product to be imported at negotiated prices, which are generally above the world market price. The Convention also embraces an industrial co-operation programme which seeks to promote the industrial processing of agricultural products, a financial co-operation programme for the execution of specific development projects; and a scheme to compensate for fluctuations in earnings on exports to EEC in relation to a number of products (STABEX).

This non-reciprocal preferential system affects Caribbean/Latin American trade potential in several ways. The most obvious of these is that it will prove more attractive to Caribbean exporters to sell their goods in the Community market, rather than in Latin America. A considerable proportion of the financial co-operation is also used to finance imports from the EEC. The STABEX system again favours exporting to the Community market, as by doing so a more stable export income can be obtained. The industrial co-operation programme promotes the active involvement of community enterprise and preferential export trade with the EEC market.

While the Convention of Lomé confers unquestionable benefits on those Caribbean countries which are participants in the scheme, it also tends to maintain traditional trade links with the Community countries and by the same token might inhibit the development of product diversification.

In any event, not all the consequences of the Lomé arrangements should be considered negative for Latin American/Caribbean co-operation. Advantage might be taken of the liberal access to the Community markets granted to goods imported from the Caribbean. Joint Latin American/Caribbean enterprises could be set up in the Caribbean which could combine complementary resources of both regions for export to the EEC markets, providing they were still able to meet the EEC origin criteria.

c) The Caribbean Basin Initiative

The centrepiece of the Caribbean Basin Initiative, the recently-passed Caribbean Basin Economic Recovery Act, is an offer of duty-free access to the United States market for products originating in beneficiary countries. Products will qualify as thus originating if they are imported directly from a beneficiary country, if they meet the value-added criterion of 35% - a figure which may be compounded by other beneficiary countries, including Puerto Rico and the United States Virgin Islands- and if they meet the requisite of a substantial degree of processing. Products excluded from duty-free treatment are textile goods and articles of apparel subject to textile agreements, footwear, handbags, luggage, flat goods, work gloves and leather wearing apparel, tuna, petroleum, watches and watch parts. Special conditions also surround sugar and beef products. Safeguard mechanisms are built into the Act to monitor and control its effects on sensitive areas of United States industry and labour. While the Act does not require reciprocity with regard to tariffs there are a number of conditions which need to be fulfilled before a country can qualify as a beneficiary.

/While the

While the provisions outlined above relate specifically to the United States and are not laid down by the other CBI donor countries, Mexico, Venezuela, Colombia and Canada contribute in other ways. Mexico's principal contribution to the region, amounting to US\$ 300 million per year, is made through the joint Mexican-Venezuelan petroleum facility (San José Agreement). Mexico furthermore grants trade preferences to Central American and CARICOM countries in the form of a 50% to 75% import duty rebate on some of the most important exports of those countries. Venezuela meets half the cost of the Oil Facility from its account and traditionally has given noteworthy financial assistance to the region through bilateral and multilateral channels. Colombia has also been extending credit lines to Caribbean countries and Canada has significantly raised the level of its bilateral assistance.

In its present form, the Initiative would make the United States market very attractive for Caribbean and Central American exports. Exports could furthermore benefit from increased United States private investment in the region. The local content requirement (35% value added) can be accumulated from among all beneficiary countries, Puerto Rico and or the United States Virgin Islands.<sup>7/</sup> This particular aspect of the Act opens up possibilities for Caribbean-Latin American co-operation, particularly with Central America. Latin American countries might also contribute, inter alia, equity capital, technological and managerial know-how, and transport facilities.

d) The United States Generalized System of Preferences (GSP)

Most Caribbean and Latin American countries are beneficiaries of the generalized trade preferences system, which started operating in 1976 and whose legal validity expires in January 1985. At present, the United States offers in principle duty-free access to its market for approximately 3 000 products from a total of 140 developing countries and territories. Since the programme's implementation in 1976, the value of imports receiving GSP treatment has risen from US\$ 3 billion to US\$ 8.4 billion in 1982.

2. In Latin America

a) Latin American Integration Association (ALADI)

Some major differences distinguish ALADI from its predecessor, the Latin American Free Trade Association (LAFTA). While LAFTA was basically a multilateral integration scheme, the Latin American Integration Association (ALADI) has again turned its attention towards the possibilities offered by partial agreements for advancing integration among its member countries. So far, the only multilateral mechanism which has been envisaged is one of Regional Tariff Preferences.<sup>8/</sup> Negotiations on this mechanism have not yet started, but it is of interest to note that the Treaty explicitly stated <sup>9/</sup> that the "member countries can establish association agreements or multilateral linkage régimes which aim at convergence with other countries and economic integration areas of Latin America, including the possibility of concerting with the said countries or areas the establishment of a Latin American Tariff Preference mechanism".

/Present circumstances

Present circumstances do not seem favourable for the immediate establishment of such a Latin American Tariff Preference mechanism, or even for a Preference system within the narrower context of the ALADI countries. Convergence between LAFTA/ALADI and the Central American Common Market (CACM) has been sought for many years, but without results so far.

There are no legal obstacles to the negotiation of multilateral agreements between ALADI and an integration scheme such as CARICOM. Practical obstacles, however, are formidable, not the least being the fact that the most absorbing concern of both integration schemes is the necessity of their own internal consolidation. Therefore, at present it does not appear to be practicable to suggest that the two schemes should start global and multilateral negotiations.

"Partial agreements" do not require the participation of all the member countries. Today some 40 "partial agreements" have been negotiated which, with only one exception, are bilateral agreements. Article 25 of the Montevideo Treaty explicitly allows its member countries to negotiate "partial agreements" with other countries and integration areas of Latin America. The agreed concessions do not have to be extended to other member countries of ALADI, with the exception of the relatively less developed member countries. Only where the concessions invalidate concessions previously granted to member countries will consultations need to be held with the countries in question to find a mutually satisfactory solution. Article 27 specifies that "partial agreements" can also be negotiated with other developing countries and integration areas outside Latin America, provided the concessions are not greater than those negotiated within ALADI.

A closer study of the above articles and the general legal context of the ALADI Treaty will probably indicate that no insurmountable legal obstacles exist to impede the negotiation of bilateral trade agreements between ALADI members and Caribbean countries. Such agreements have already been concluded with Mexico and Venezuela.<sup>10/</sup> While the legal framework probably needs some further clarification, the ALADI member countries apparently now feel themselves free to enter into trade negotiations with non-member countries. For the moment such negotiations will in practice have a restricted character, that is, be specific to a few goods or areas where mutual interests can be clearly identified.

b) The Andean integration scheme

The Cartagena Agreement, which is the legal basis for the Andean Pact, refers in the text of its Article 68 to the possibility of member countries negotiating trade agreements with non-member countries. It requires member countries to hold consultations with the Commission of the Agreement (Comisión del Acuerdo), before entering into any tariff commitments with non-member countries. In a recent document issued by the Board of the Cartagena Agreement (Junta del Acuerdo),<sup>11/</sup> it is indicated that the countries should preferably negotiate as a group, in order to avoid increased extra-area imports which would compete with or displace the Andean Pact countries' supply. This last condition would need to be fulfilled by individual country negotiations before they could obtain common approval. Finally, the document states that for member countries the Andean Pact Agreement takes precedence over the ALADI legal framework, since a consensus would be necessary before individual countries could finalize negotiations with non-members.

/c) The

c) The Central American Common Market (CACM)

This integration scheme is also principally based on the development of an enlarged market area, shaped by a free-trade régime which operates within the area and is protected by a common external tariff. The tariff régime also establishes a common external trade policy which considers the possibility of exchanging tariff concessions and other preferences with third countries. Inter alia, this policy binds the negotiating country to hold prior consultations with the other member countries and to observe the Central American exception clause.

So far, all Central American countries have signed trade agreements with Panama and Mexico, while few commercial agreements exist between a Central American and a Caribbean country. In May 1981, Costa Rica signed an agreement with the Dominican Republic which envisages a gradual liberalization of trade for a limited list of products. In 1982 Cuba signed a bilateral agreement with Nicaragua. However, Central American countries have shown interest in establishing and intensifying commercial ties with the Caribbean: an interest which is partially motivated by the increasing difficulties they encounter in their reciprocal trade and by the pressing need to reactivate their exports.

B. Current co-operation activities between Caribbean and Latin American countries 12/

In spite of the slow development of co-operation links between Caribbean and Latin American countries, for several historical and structural reasons that have been mentioned in previous sections, there are quite a number of significant technical and economic co-operation activities currently under way between the two groups of countries. To a large extent these agreements are being implemented through official intergovernmental arrangements at a bilateral level. Most of them are put into effect by countries like Mexico, Brazil, Colombia, Venezuela and, to a lesser extent, Central American countries, and are of a very general nature. They provide a broad institutional framework which will need to be translated into specific activities in fields of mutual interest by the bilateral mechanisms contemplated in the general agreement, such as mixed commissions or working groups.

There are co-operation links between Caribbean and Latin American countries which are established through institutions of a governmental or semi-governmental character, and related to specific sectors or subsectors.

Institutional co-operation is not, however, confined to government agencies in the public sector. Significant links are also being forged by non-governmental institutions such as universities and/or research centres in both geographical areas.

Finally, private sector agents of different kinds are also carrying out co-operation activities between the two subregions.

/1. Multilateral

1. Multilateral co-operation

The sustained growth and deepening of co-operation between Caribbean and Latin American countries could greatly benefit from increased awareness and co-ordination among the existing institutions which are available throughout the region. Indeed, one of the region's major assets from the point of view of a potential intensification of co-operative links is to be found in the high organizational level attained by the manifold multilateral arrangements that characterize its institutional profile.

Several co-operative activities and understandings between Caribbean and Latin American countries are also concerted within the framework of intergovernmental organizations differing in scope and nature, such as the Latin American Economic System (SELA), the Organization of American States (OAS), the Inter-American Development Bank (IDB) and the Latin American Centre for Monetary Studies (CEMLA); or in the context of collective action groups in the international community, such as the Latin American Group.

Particular importance should be attached to the Caribbean Development and Co-operation Committee (CDCC), a permanent intergovernmental subsidiary organ of ECLA. The programme of work of CDCC includes, inter alia, the promotion of social and economic development among its member countries; stimulation of better co-ordination within the Caribbean; and promotion of co-operation between member countries of the CDCC and other countries members of ECLA, as well as with economic integration groupings in Latin America, such as the Latin American Integration Association (ALADI), the Central American Common Market (CACM), the Andean Group and other subregional organizations.

Most of these economic integration groupings are attempting to adapt traditional integration concepts to their own economic conditions and requirements. In this perspective they have resorted more and more to flexible and manageable preferential trade objectives and targets, complementing the purely commercial approach originally adopted with concomitant co-operative activities and instruments in other key sectors, such as transport, energy, money and finance.

While initial contacts have been made, there has not been a regular system of contact between subregional integration organizations such as CACM, ALADI, CARICOM and OECS. It would seem opportune for such contacts to be promoted and a beginning could be made on an informal basis with a very general agenda. Contacts might also be increased between existing Latin American and Caribbean trade information networks. The existing ITC (International Trade Centre) Latin American trade information network and the CARICOM/ITC trade information system now being implemented at the intergovernmental level, and the Chambers of Commerce and associations like the Caribbean Association of Industry and Commerce (CAIC) in the private sector, could be brought into touch and might initiate action that could lead not only to trade and commercial relations but also to the exploration of possibilities for joint ventures in production, particularly in relation to export opportunities.

/A special

A special case of multilateral co-operation involving Caribbean and Latin American countries is the programme that was agreed upon under the San José Agreement of August 1980, whereby Mexico and Venezuela agreed to carry out a co-operation programme in the field of energy with Barbados, Jamaica and the Dominican Republic. Under this programme the two suppliers provide petroleum for the domestic consumption of each of the beneficiary countries and through their official financing bodies, Mexico and Venezuela grant credits to the beneficiary countries for 30% of their respective petroleum bills, the terms of the loan being dependent upon the use to which these funds are put.

The Treaty for Amazon Co-operation signed in 1978 by countries having territories in the Amazon region (Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru, Suriname and Venezuela), complemented by the Declaration of Belem in October 1980, constitutes another case of a multilateral framework suitable for co-operation among some Caribbean and Latin American countries.

## 2. Bilateral or multi-bilateral co-operation

A number of Latin American countries have established bilateral agreements with Caribbean countries and in recent years the level of such interaction has risen significantly, particularly in the case of Brazil, Venezuela, Colombia and Mexico. The promotion of further co-operation calls for increased knowledge and information on all sides, and particularly for specific efforts to identify and evaluate potential areas of co-operation in economic and other spheres.

Mexico has signed bilateral co-operation agreements of varying degrees of complexity with the Bahamas, Cuba, the Dominican Republic, Guyana, Jamaica and Trinidad and Tobago, and a multi-bilateral agreement with the Caribbean Community (CARICOM).

A large number of the Mexican co-operation agreements are related to trade. Thus, the Mexican Foreign Trade Institute (IMCE) signed agreements with Cuba (1973), the Dominican Republic (1974) and Jamaica (1975). In addition, the Mexican Entrepreneurial Council for International Affairs (CEMAI), largely composed of entrepreneurs, established bilateral committees with the Dominican Republic (1971), Jamaica (1977) and Cuba (1980).

In July 1974 Mexico and the Caribbean Community signed an agreement for the establishment of a joint intergovernmental commission which aims at promoting economic, commercial, cultural and technological co-operation, and which met for the first time in October 1980 to exchange information related to trade, finance, industry, energy, agriculture, tourism, education and cultural, scientific and technical co-operation.

Colombia has entered into two different types of agreements with countries and territories in the Caribbean, i.e., technical and scientific co-operation agreements and cultural agreements.

/Technical and



Technical and scientific co-operation agreements have been signed and are currently in force with Saint Lucia (1981), Saint Christopher/Nevis (1981) and Dominica (1981). Negotiations in connection with a technical and scientific co-operation agreement with Trinidad and Tobago have been under way since 1979.

A bilateral agreement between Colombia and Guyana, called the Agreement on Co-operation in the Amazon Region, was signed at Georgetown in August 1981 and is part of the overall Amazon Treaty. In addition, Colombia has granted credit lines for financing exports to selected Caribbean countries. A credit line of up to US\$ 5 million was approved in 1981 for financing exports of Colombian goods to Jamaica, and a similar credit line was also approved in 1983 regarding exports to Barbados. Export promotion of Colombian goods also includes a compensation scheme to cover the cost of transshipment and secondary transport of merchandise to ports of entry in Central American countries and in Guyana, Suriname and the Netherlands Antilles.

In the case of Venezuela, co-operation activities with the Caribbean have been re-oriented and intensified since the 1970s and are currently based on two instruments: the Programme of Co-operation with the Caribbean -PROCA- and the Special Fund for the Caribbean. The latter is administered by the Venezuela Investment Fund and takes the form of deposits in the Central Bank or similar institution of the appropriate Caribbean countries or territories for financing development programmes and particularly energy-related projects. These deposits may also be used to purchase goods and services originating in Venezuela or for financing pre-investment studies.

Bilateral co-operation agreements have been signed between Venezuela and several Caribbean countries. They include a Fishing Agreement with Trinidad and Tobago (May 1972), and a series of agreements with the Dominican Republic on technical co-operation (1974); support of agricultural activities as agreed upon between institutions in the two countries (1979); and the expansion of bilateral co-operation (1980). In 1978 Venezuela and Suriname signed bilateral agreements on economic co-operation and on scientific and technical co-operation, together with a specific agreement on bauxite.

As regards multilateral financial co-operation, Venezuela has provided assistance to the island countries of the Caribbean through the Caribbean Development Bank (CDB). Mexico, Colombia and Brazil are also contributors to CDB.

Brazil/Caribbean relations in non-trade areas are limited, although they have increased in recent years. Brazil has also been strengthening its relations with its neighbours, Guyana and Suriname, and with Trinidad and Tobago, through the creation of Mixed Commissions, official visits and the signing of agreements on co-operation. Brazil has established Fishing Treaties with Trinidad and Tobago and Barbados, and signed the Treaty for Amazonian Co-operation with Guyana and Suriname, among other countries.

/Brazil has

Brazil has also contributed to the Caribbean Development Fund, which is administered by the Inter-American Development Bank, on behalf of Guyana and the Dominican Republic.

In 1982 Brazil and Guyana subscribed to a Treaty of Friendship, established a Commission on Co-operation and signed agreements, such as the Basic Agreement on Technical Co-operation; the Basic Agreement on Scientific and Technological Co-operation;<sup>13/</sup> the Protocol for the Development of Co-operation Programmes in the Energy and Mining Fields;<sup>14/</sup> and Memoranda of Understanding on Co-operation in Agriculture and Agro-industry.<sup>15/</sup>

Brazil and Guyana intend to link their road systems. In January 1982 they signed an agreement for the construction of an international bridge near Belfim across the Takutu River, which separates Brazil from Guyana, and a Memorandum of Understanding on the future linking of the Brazilian and Guyanese highway networks. It was agreed that Guyana will provide the required land and right-of-way for the construction of warehousing and entrepot facilities and promote the movement of people and goods to and from each country.

In May 1983 Brazil and Suriname established a broad programme of co-operation including, inter alia, an increase in bilateral trade through exports of alumina and rice from Suriname and sales of Brazilian goods and services to Suriname; Brazilian participation in the development of Suriname's hydroelectric potential; implementation of projects in the fields of mineral research and hydro-geological mapping, through the Companhia de Pesquisa de Recursos Minerais (CPRM); and identification of technical co-operation projects in food technology and in agricultural research.

Relations between Brazil and Trinidad and Tobago have been increasing through co-operation between State enterprises from both sides (BRASPETRO/TRINTOC) as well as between the Companhia Vale do Rio Doce (CVRD) and SCOTT, and through the creation of a joint Mixed Commission.

Relations between the Caribbean countries and those of the Central American Common Market centre for all practical purposes upon trade. In trading with the Caribbean, Central America has two basic types of relationships -one with the countries which supply it with hydrocarbons (Netherlands Antilles, Trinidad and Tobago and the Bahamas), where it has a consistent trade deficit, and another in general merchandise with the Dominican Republic and the CARICOM countries.

Broader forms of economic, technical and cultural co-operation between Caribbean and Central American countries can facilitate the formal integration processes by widening the market and thus creating expanded production possibilities. The first steps have already been taken in this direction, examples of which are the joint initiatives in fields such as the Multinational Caribbean Shipping Association (NAMUCAR), the Latin American Group of Sugar Producers and Exporters (GEPLACEA) and the Latin American Multinational Fertilizer Marketing Association (MULTIFERT).

### 3. Institutional co-operation

#### a) Government institutions

As far as institutional co-operation is concerned, mention should be made of the agreement that was reached in January 1982, between the Institute for Applied Science and Technology (IAST) of Guyana, and the Brazilian National Council for Scientific and Technological Development (CNPq). Co-operation also exists in the field of food technology, implemented mainly through the Foundation for the Administrative Development of Sao Paulo (FUNDAP), the Institute of Food Technology of Brazil (ITAL), and IAST of Guyana.

As regards Brazil and Suriname, co-operation activities are carried out by the telecommunications administration of both countries, especially in the fields of public telephone and rural telephone services. A protocol on co-operation has been signed between TELESUR (Suriname) and the Brazilian Ministry of Communications.

Close co-operation also exists between BRASPETRO (a subsidiary of the Brazilian State Enterprise (PETROBRAS)) and the Trinidad and Tobago Oil Company (TRINTOC) in exploration for oil and natural gas in Trinidad and Tobago. Similarly, the Brazilian State enterprise INTERBRAS (also a subsidiary of PETROBRAS) has carried out feasibility studies in Trinidad and Tobago for soya bean processing and for the installation of a pulp and paper processing plant. Co-operation in a joint fishing venture is also taking place between LEAL SANTOS of Brazil and the National Fisheries Company of Trinidad and Tobago.

Since 1979 the National Sugar Industry Commission of Mexico and corresponding Cuban organizations have entered into an agreement in the area of economic and technical co-operation in the sugar industry and processing of sugar products. The programme is an integrated one, under which Mexico has proposed to carry out pilot studies using Cuban machinery, equipment and components, and to share technology.

In the area of fishing Mexico participates in a programme on exchange of technology between fishermen and technicians of the two countries. In May 1981, a group called Productos Pesqueros Mexicanos contracted to buy six ferrocement and 100 fibreglass launches made in Cuba. In addition, the Veracruz shipyards have offered to provide maintenance and repair service to Cuban boats.

In the case of Colombia there is also an important initiative in respect of co-operation with Caribbean countries which is being implemented by the National Training Centre (SENA). Through this institution Colombia has provided technical training services to the Netherlands Antilles.

In 1974 Venezuela and the Dominican Republic signed a Basic Agreement for Technical Co-operation which operates through complementary agreements on specific technical and scientific co-operation programmes and projects. A co-operation programme was also agreed upon in 1980 to support institutions in the Dominican Republic in fields like electrical energy, mining and agricultural research.

/The Venezuelan

The Venezuelan Institute of External Trade (ICE) and the Dominican Centre for Export Promotion (CEDOPEX) have also developed a joint programme which includes trade information, and support activities for the private sectors of both countries.

b) Non-governmental institutions

An interesting case of co-operation between non-governmental institutions is the arrangement existing between universities and academic centres in the field of international relations, known as RIAL.<sup>16/</sup> RIAL operates as a co-operative network for carrying out joint activities which coalesce around one or more participating members. Prestigious universities and academic centres throughout Latin America, as well as the Institute of International Relations in Trinidad and Tobago, are active members of the network.

Another instance of Caribbean/Latin American co-operation in the academic sphere is afforded by the University of Suriname, which carries out joint activities both with the University of Rio Grande do Norte, in Brazil, on the conservation of sea-turtles, and with the Brazilian CNPq, for the exchange of information.

The Brazilian Instituto Rio Branco, for the training of officials in the diplomatic service, and the University of the West Indies have agreed to carry out a programme for the training of Caribbean officials in collaboration with the United Nations Institute for Training and Research (UNITAR).

Institutional co-operation among universities of Latin American and Caribbean countries is also being carried out within the framework of the Association of Caribbean Universities and Research Institutes in the wider Caribbean area (UNICA).

CDCC countries have initiated contacts with the Latin American Faculty of Social Sciences (FLACSO) for the establishment of a graduate programme in applied social anthropology for students from the Caribbean subregion. In addition, some Caribbean countries also participate in activities that are organized by the Latin American Council for the Social Sciences (CLACSO).

4. Private-sector co-operation

Private-sector links exist between the two subregions. These have different characteristics. On the one hand there are links between non-governmental private-sector organizations such as associations of industry and commerce, tourism operators and travel agents. An example of this is the Exporters Association of Venezuela (AVEX) which has initiated a programme of co-operation with Caribbean countries in respect of export promotion and maritime transport. A commercial office of AVEX was installed, to this effect, in Saint Lucia in 1981. On the other hand there are commercial or entrepreneurial undertakings that link the two areas.

In the Dominican Republic a joint enterprise called Ciclismo Dominicano has been established, which uses the technology of the Mexican firm Bicicletas C6ndor.

/Mexican advisory

Mexican advisory assistance has been used in the area of construction in the Palacio de los Deportes in Santo Domingo, and in the renovation of two hotels in Havana. A Mexican building consortium is also providing technical assistance to the PETROJAM oil refinery in Jamaica.

Other types of commercial relationships are the corporate ties which, sometimes established outside the region, link up the two subregions; cases in point are afforded by the transnational oil companies, the pharmaceutical companies and food and beverages industries. The implications of these linkages in both subregions are not fully understood and should be analysed. This seems to be an area where joint studies and analyses could be mutually beneficial.

#### Notes

1/ The OECS Treaty was signed in 1981. Prior to that, as from 1966 these countries were grouped as the West Indies Associated States (WISA) and formed the Eastern Caribbean Common Market (ECCM).

2/ The CARICOM Treaty, which was signed in July 1973, superseded the Caribbean Free Trade Association (CARIFTA), which had been established in 1965.

3/ The CDCC, as a subsidiary body of ECLA, was formed in 1975.

4/ It should also be noted, however, that there was a loss of earnings where export prices were expressed in sterling.

5/ See A Review of the Development of the Transport System in the Caribbean with reference to the Establishment of Regional Institutions and the Involvement of Aid Donors, CARIB/INT/83/5, table 2.

6/ The Caribbean members of the African, Caribbean and Pacific (ACP) group of nations are: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Guyana, Grenada, Jamaica, Saint Christopher/Nevis, Saint Lucia, Saint Vincent and the Grenadines, Trinidad and Tobago and Suriname.

7/ Imports from the customs territory of the United States other than Puerto Rico may also be included for this purpose provided they do not exceed 15% of the final appraised value of the article.

8/ Chapter II, article 5, of the Treaty of Montevideo of 1980.

9/ Chapter IV, article 24, of the above Treaty.

10/ Mexico signed trade agreements with Jamaica in 1975 and with the Bahamas in 1981. Colombia has already signed agreements with El Salvador (September 1982) and Honduras (February 1982) and is now actively considering negotiating trade agreements with Caribbean countries, basing its position on the legal facilities offered by article 25 of the Montevideo Treaty. Venezuela negotiated commercial co-operation agreements with such countries as the Dominican Republic, Suriname (in connection with bauxite exploitation) and Jamaica.

11/ See "Comentarios sobre las relaciones económicas entre el Grupo Andino y los países del Caribe", JUN/di 645, 2 July 1982.

12/ In surveying current co-operation activities and agreements, emphasis has been placed on Mexico, Brazil, Colombia, Venezuela and the Central American countries. Even for these countries, however, the list is not necessarily complete.

13/ Scientific and technological co-operation agreements are in effect between the Brazilian National Council for Technological Development (CNPq) and the Institute of Applied Science and Technology (IAST) of Guyana.

14/ The two countries have agreed to conduct joint projects on charcoal, energy production through the utilization of biomass and biodigestors; technology of fuel alcohol; and energy conservation.

15/ Under the terms of this agreement a bilateral working group will prepare profiles of agro-industrial projects based upon the utilization of Brazilian capital equipment, technology and technical management. Examples of these projects are the manufacture of shoes and other leather goods in Guyana for export to third countries; the establishment of a food-processing company; and the development of cattle-ranching in Guyana for the export of beef.

16/ Programme of Joint Studies on the International Relations of Latin America.

Annex

SOME PRELIMINARY PROPOSALS FOR ACTION

Programmes of economic and technical co-operation between developing countries should adhere to the policies evolved and subscribed to by the 'Group of 77' with the aim of establishing a new international economic order.

Initiatives shared by the Caribbean and Latin American countries should therefore seek to develop new relationships based on mutual co-operation and not on exploitation. Cognisance should be given to the special needs of small island developing States and to the constraints on their development. Development should be seen as a dynamic process and investment should be directed towards the objective of furthering production in greater depth by maximizing the use of domestic resources.

On the basis of the foregoing considerations, and taking into account the potential that the two groups of countries have for strengthening and multiplying their co-operation links, specific proposals need to be made in order to realize this potential. Some preliminary proposals are presented below and are intended to assist in the preparation of specific projects. Since it is recognized that efforts in this area cannot be the sole responsibility of the public sector, a basic criterion utilized in the identification of these proposals has been their capacity to stimulate the direct involvement of various agents at either the multilateral or the bilateral level, and of specialized institutions in the public or private sectors.

A. TRADE

1. Mutual trade settlement arrangements

Inadequate access to traditional markets and foreign exchange scarcity have made countries increasingly interested in different kinds of trade arrangements which may help to alleviate these problems. Among these arrangements, bilateral and trilateral barter trade agreements and multilateral reciprocal payments systems are often the first to be considered.

Latin America can supply the Caribbean countries with a wide range of raw materials and manufactures which the latter at present obtains from the developed countries. The Caribbean has an exportable supply of such important products as crude oil and its derivatives, some minerals such as bauxite, nickel and asphalt, and some light manufactures. Both groups of countries have experienced difficulties in selling one or more of these products in the markets of developed countries while at the same time they are confronted with a scarcity of foreign exchange for covering their import needs. Different forms of trade arrangements can be analysed which might make a useful contribution to the alleviation of these problems. Barter trade arrangements can be more easily negotiated when packages of products are involved, while the inclusion of more than two countries may increase the

possibilities of beneficial exchange. Several countries of the region have already entered into such arrangements (Mexico, Cuba, Brazil, Guyana) and might be willing to make their experience available to others.

Payments systems have been operating for some time in both regions. Their existence has helped to sustain intra-regional trade, while enabling the member countries to save foreign exchange. Trade between the regions might benefit if the aforementioned payments systems could be interconnected. Individual countries or groups of countries might also look into the possibility of becoming members of the payments systems in the other region. Ways should also be explored whereby the funding of existing reciprocal payments arrangements could be increased.

In order to evaluate the possibilities outlined above, studies will need to be carried out to determine:

- a) the range of products produced in the Caribbean for which an export potential to Latin America exists;
- b) the range of products produced in Latin America for which an export potential to the Caribbean exists; and
- c) the most appropriate payments mechanisms which will be necessary to facilitate inter-area trade in these products, given the scarcity of foreign exchange. These mechanisms should include a range of options from the use of hard currencies to barter operations and an indication should be provided of the operating modalities as well as of the relative costs and benefits of each option.

## 2. Trade information

Countries in general are not adequately informed about trading opportunities in the other region. The UNCTAD/GATT International Trade Centre co-operates with the individual countries in both regions in the establishment and improvement of national information systems, which at the same time it is endeavoured to interconnect. The Secretariats of the Integration Schemes of the region also operate or are in the process of developing subregional trade information systems.

Efforts could be made in the future to establish more fluid and organic contacts between the existing trade information systems, in order to make local trade information available to interested countries in the other region. Countries with significant experience in trade information can pass such specific knowledge on to countries which want to establish similar systems or to improve existing ones.

Another important channel for exchanging trade information may be through national and regional Chambers of Commerce and Industry. To facilitate such exchanges, increased contact between the Chambers of Commerce in the two regions should be encouraged. The organization of trade missions and participation in national and regional trade fairs offer yet other means of increasing information on opportunities for inter-area trade.



### 3. Trade promotion

Activities which can be undertaken in this field resemble those proposed for trade information. Many countries in the two regions have a great deal of experience with trade promotion systems and activities (Barbados, Brazil, Colombia, Jamaica, Mexico, Dominican Republic). These countries have already expressed interest in sharing this know-how with other countries. An effective and inexpensive means of organizing this exchange of knowledge is by providing training facilities and exchanging experts.

### 4. Joint marketing activities and joint defence of commodity exports

Caribbean and Latin American countries have already joined forces in marketing activities or the defence of commodity exports, generally under the aegis of UNCTAD or within the context of producers' associations. It is felt that these common efforts can be stepped up, basically through the co-ordination of individual positions and possibly through the joint participation of Caribbean and Latin American countries in the international forums where these interests are being negotiated.

Joint marketing has proved to be difficult in practice, but the need for it has increased in the present adverse economic situation, which has negatively affected demand for commodities and their price levels. In respect of several of these products, Latin America and the Caribbean together account for a fairly high proportion of total world exports, a fact which gives the countries, as a group, an important potential negotiating power. Opportunities of co-ordinating marketing and production decisions should be further explored. Joint marketing could also be considered for certain manufactures. Trading companies could be set up among several countries to take charge of international marketing operations, which frequently cannot be undertaken effectively on the individual country level.

### 5. Investment

Caribbean countries have not been able to exploit to the full the markets available to them, in part because of shortfalls of exportable supplies. At the same time some Latin American countries have found it difficult to improve the terms of access to certain markets.

Caribbean and Latin American countries might therefore find it beneficial to establish joint ventures producing for export to third countries in cases where articles are identified which can meet the original criteria. They might take the form of multinational public sector enterprises or joint ventures of a private-sector or mixed character, and could be structured to use purely Caribbean or a combination of Caribbean and Latin American inputs, besides taking account of experience gained in similar efforts in the past, particularly in relation to differing legal and administrative practices.

## 6. Private-sector co-operation

If Caribbean/Latin American co-operation is to make its full impact on development, the private sectors in the respective areas will need to be made aware of the potential benefits to be derived from mutual co-operation. One obstacle to full private-sector participation is the wide gap in perception which exists between the public and private sectors.

It is proposed that Caribbean private-sector organizations should be made acquainted at an early stage with the proposals being put forward for Caribbean/Latin American co-operation and the initiatives being taken.

Increased economic information from general sources, such as the communication media, as well as research and consultatory studies, should be made available to them or to their respective research or organizational services as soon as it comes to hand, in order to permit the timely adoption of trade and investment decisions.

At the same time it is desirable to induce national private-sector organizations to convene regular regional meetings, as a useful means of exchanging trade and investment information.

### B. SERVICES

#### 1. Tourism

An untapped potential for tourism between the Caribbean and Latin America seems to exist. The potential is not realized because the inhabitants of one area are not adequately informed about the attractions of the other and because of other impediments to the easy movement of people from one area to the other, such as infrequent and indirect transport links and burdensome immigration restrictions.

Close contact should be established with national and regional tourism organizations to ascertain existing travel patterns and devise the steps needed to minimize or remove the constraints on increased tourism between the two areas.

#### 2. Banking

Several Caribbean countries are already important off-shore financial centres, established mainly on the basis of the liberal tax treatment accorded to such activities. Ways should be sought to utilize these facilities to develop expertise and attract new capital to participate in productive activities in the region. Latin American investors could also use the national banking facilities of the Caribbean or other regional financial institutions for their operations in the area.

Travellers' cheques denominated in non-convertible currencies such as the CARICOM travellers' cheque denominated in Trinidad and Tobago dollars and backed by the corresponding central banks is an idea worth being studied by Latin American

countries, since a scheme similar to the Caribbean one might increase the flow of tourists to that region and so redress its unfavourable balance on visible trade with Latin America.

The viability of establishing national branch banking facilities in direct inter-bank links with the other region should also be explored.

### 3. Storage and distribution

Thanks to its geographically strategic location, the Caribbean is in a favourable position to play an enhanced role in the incoming and outgoing trade of Latin America with the rest of the world, particularly the Gulf Coast of Mexico and the United States, the Central American coast and the North Atlantic coast of South America.

As the Panama Canal gave rise to large-scale storage and distribution activities in this area, the Caribbean could develop its historical role -as an entrepôt for large quantities of Latin American products finally destined to outside markets, or vice versa.

There are three possible spin-offs from this idea:

- The use of larger-tonnage vessels on the long leg of the trip to Europe and the north-east seaboard of the United States and Canada, which should entail reduced freight costs;
- An opportunity of introducing Caribbean consumers to new sources of supply;
- The creation of conditions for productive activities in the Caribbean on the basis of Latin American inputs.

In the past, the "service" capacity of the Caribbean has been recognized. Enclave industries and assembly plants utilizing inputs mainly from the United States and Canada were established, which contributed a measure of value added to the processed goods that were re-exported to the original markets. Natural resource inputs from Latin American countries plus the "service" advantage could merge in productive ventures that could have access to world markets and eliminate the constraint on Caribbean production, which is kept at low levels by the insufficient availability of natural raw materials. Means to promote this type of activity in the region are well-known, and might include free zones and ports, and tax-free industrial estates.

### 4. Construction, engineering and consultatory services

The field of construction, engineering and consultatory services provides a potentially lucrative area in which developing countries can co-operate. New modalities will need to be found to enable smaller entities in the region to achieve, through co-operative arrangements, the size and bargaining power necessary to bid in the wider regional markets. At the same time such co-operative ventures would need to assist smaller States in the development of their resources in such a way as to ensure that one set of exploitative arrangements was not exchanged for

another. It is recognized that a significant attraction of many large enterprises is the access they have to credit, and while this is a draw for prospective clients it often entails significant concealed costs.

Some Latin American countries, principally Brazil, and to a lesser extent Mexico and Argentina, are developing their exports of engineering and consultatory services to other developing countries in fields such as construction, energy and mining and agro-industrial projects. The conditions of technology transfer, utilization of local factor inputs, follow-up trade and even finance are normally very competitive. For instance, royalties charged by Latin American enterprises are generally low in comparison to those charged by United States and European firms. Often the technologies used in these activities have been adapted to specific conditions such as the factor endowments of developing countries. Joint Latin American/Caribbean activities can also be undertaken, with the benefits accruing from the transfer of appropriate technologies, and the development of labour-intensive activities which use Caribbean products as inputs and which can operate on relatively small scales. In this category might fall the construction of low-cost housing, or the establishment of agro-based industries, either through the export of appropriate plant or through joint ventures.

The possibilities of increasing Latin American co-operation with the Caribbean through new and innovative models suited to the developmental goals and objectives of relatively small States should be explored.

### C. TRANSPORT AND TRANSPORT-RELATED INDUSTRIES

#### 1. Transshipment of dry-bulk commodities

On the basis of the advantageous geographical proximity of the Caribbean to important markets in North, Central and South America as well as to major trade routes utilizing the Panama Canal, numerous islands already offer transshipment services for container and bulk-liquid cargoes. For example, Curaçao and Jamaica are major transshipment centres for containers, while Aruba, Bahamas, Curaçao, Saint Lucia and Trinidad and Tobago provide similar services for petroleum products.\*/ In order to provide a full range of services not merely to transship cargoes but also to participate in their processing, some Caribbean countries have established free zones and others have constructed refineries and storage facilities.

No major transshipment centre has been established in the Caribbean for dry-bulk commodities.\*\*/ Since most Caribbean nations have continuing import needs for

---

\*/ Major transshipment centres also exist in Puerto Rico, the Cayman Islands and the Virgin Islands.

\*\*/ Other countries have recognized the advantages of regional transshipment centres for dry-bulk commodities. In 1982 Taiwan established the Kaohsiung Bulk Transshipment Terminal and Malta is implementing a project which could establish the island as a transshipment centre for grains. The Government of Brazil has also initiated discussions with its appropriate opposite numbers in Japan with a view to the setting-up of a transshipment centre in the latter country for Brazilian cereals and iron ore.

dry-bulk commodities such as wheat and other cereals as well as fertilizers, it would appear opportune to evaluate the possibility of establishing a centre for transshipment of the principal dry-bulk commodities. Dry-bulk vessels could discharge their cargoes at the transshipment centre into silos, with transport to final destinations effected either in sacks as general cargo on break-bulk vessels or as bulk cargo in small dry-bulk vessels.

A Caribbean dry-bulk transshipment centre could be either on land or afloat. The principal advantage of the latter alternative is that an existing bulk carrier could be converted at a shipyard in this region into a grain terminal and be operational in a much shorter period of time than that required for a land-based centre. Other advantages include mobility, fewer restrictions as to water depth and non-dependence upon land-based services. On the other hand, a land-based transshipment centre can involve the training of local labour for its construction and the expansion of the relevant land-based services.

Before an effective evaluation of the proposal can be carried out it will be necessary to have data on demand for bulk commodities in the Caribbean and a feasibility study on the relative benefits of the various potential sites for the transshipment facility.

## 2. Container repairs

Caribbean countries could participate in the global shift to containerization in various ways. They might construct, transport, lease or repair containers. Of these activities, only the last-named is not subject to the full impact of international competition, since any movement of containers for repair is unremunerative. Container owners, therefore, seek to have their equipment repaired as close as possible to the place where damage occurred, and since each case of container damage is more or less unique, the opportunities for mechanization are minimal. The container repair industry is therefore predominantly labour-intensive in a highly capital-intensive field.

The domestic container repair industry reflects domestic container flows and uses, since a certain amount of container damage is unavoidable, owing to rapid handling rates at terminals and equipment operator error. For example, Overseas Containers Limited (OCL) has found that 39% of its containers utilized for transport between developed regions are returned damaged, with an average repair cost of US\$ 140. In its service to the Persian Gulf area 54% are damaged, with a repair cost of US\$ 160-175. On the basis of the dynamic outflow of loaded container units prior to reuse, a number of enterprises have been established in that region.

In view of the outflow of loaded containers from certain Caribbean countries, interested persons from the region will benefit from the work already done by the Economic Commission for Latin America (ECLA) in organizing workshops to assess the feasibility of establishing container repair facilities.\*/

---

\*/ ECLA, "An evaluation of the circumstances under which it would be feasible to establish container repair and maintenance enterprises" (E/CEPAL/L.257), p. 27.

### 3. Shipbreaking

Maritime transport has been described as a frontier activity which reflects global economic trends at an early stage. Due to the rapid escalation of oil prices beginning in 1973, and the current world economic recession, vessels totalling approximately 100 million dwt have no future prospects of finding profitable employment. Many shipowners have temporarily laid up their vessels,\*/ while others have sold surplus vessels to shipbreakers in countries such as India, Pakistan, South Korea and Taiwan. In 1982 vessels totalling approximately 28 million dwt were sold to shipbreakers for scrap, and included not only surplus tonnage but also obsolete vessels.\*\*/

The shipbreaking industry is labour-intensive, requiring only minimal skills and equipment. Some of the more important factors affecting the viability of shipbreaking enterprises are: proximity of the facility to vessels and scrap users; the prevailing wage rates of breakers; the market demand for scrap; infrastructure needed for shipbreaking; and the maximum-sized vessels which might be reduced to scrap at each of the potential locations. Various Caribbean locations might therefore be evaluated for the establishment of a shipbreaking enterprise in the light of these diverse requirements.

#### D. SCIENCE AND TECHNOLOGY

Any proposal for Caribbean/Latin American co-operation in science and technology should take into account a number of current developments that are taking shape in the Caribbean, particularly in the framework of the work programme of the Caribbean Council for Science and Technology (CCST).\*\*\*/

Efforts could begin with some of the priority projects identified in its work programme, in particular:

a) The project "Development of Agro-Industries and Employment Opportunities particularly at Rural Level" (CCST Project VI). The project could benefit from technical co-operation with the Mexican agency *Compañía Nacional de Subsistencias Populares* (CONASUPO), which deals with low-cost food supplies, and which has carried out a successful programme for the construction of grain storage facilities;

b) "Assessment of National Science and Technology Capabilities" (CCST Project I). Several Latin American institutions, such as the Mexican *Consejo Nacional de Ciencia y Tecnología* (CONACYT), the Brazilian *Conselho Nacional de Petróleo* (CNP), the *Centro Interamericano de Agricultura Tropical* (CIAT) and the *Centro Agronómico Tropical de Investigación y Enseñanza* (CATIE) could actively collaborate in the implementation of this project;

---

\*/ *Sea trade*, May 1983, section entitled "Market Review".

\*\*/ *Fairplay International Shipping Weekly*, 4 November 1982, p. 9.

\*\*\*/ The Caribbean Council for Science and Technology (CCST) was set up in Kingston, Jamaica, in April 1980, on the basis of a mandate given during the Second Session of the CDCC in March 1977.

c) "Study of the Consequences of the Development of Energy Crops on Food supplies in the Region" (CCST Project IV). The Brazilian experience in evaluating the trade-off of producing crops for food or fuel could form a basis for co-operation with that country in this project.

At a more general level, co-operation in science and technology could also be enhanced by the translation and dissemination of relevant technical publications. There are many examples of research and other activities of interest to the Caribbean which are being carried out in Latin America but with which it has had little contact. Accordingly, a greater awareness of the action being taken in science and technology by each area is necessary. This could be achieved through a) better use of the respective information systems; b) exchange of scientists; c) distribution of informative pamphlets; and d) wider dissemination of audio-visual materials to sensitize the mass of the population to technological developments in the two areas.

#### E. EDUCATION AND CULTURE

Two-way relations between the Caribbean and Latin America require the stimulation of institution-building processes within the Caribbean and their subsequent linkages with their Latin American counterparts. Proposals in the area of education and culture must be articulated around two dimensions in order to be of significance. Education and culture must be considered in respect both of the activities of the intellectual élites and of the production of popular culture.

Several initiatives have been launched to strengthen Caribbean institutions of higher education and of scientific research. The Consortium Graduate Faculty of Social Sciences for the English-speaking Caribbean and Suriname, the Caribbean Council for Social and Economic Development (COSED) and the Caribbean Graduate School of Applied Social Anthropology are examples of these efforts. These proposed institutions are currently at various stages of implementation. If the work is pursued, they will assist the Caribbean in entering into closer contact with CLACSO (the Latin American Council for Social Sciences) and FLACSO (the Latin American Faculty for Social Sciences).

The endeavours of existing associations of professionals such as Caribbean historians, statisticians, economists and engineers and their linkages with similar institutions in Latin America should be fostered, and the consultatory services of these bodies systematically requested.

In view of the limited resources normally allocated to the development of higher education and scientific research, priority will have to be given to on-going research and courses. Nevertheless, substantive activities which are required for the development of Caribbean and Latin American relations and which are not within the competence of ECLA will be channelled through the relevant institutions.

Several international organizations of the United Nations family have set up regional institutions for public administration, agriculture, science and culture and labour studies. Concerted participation of the Caribbean in these institutions should be encouraged.

The fostering of popular culture in the Caribbean and Latin America and most particularly the cultivation of indigenous and creole languages is a matter of great urgency to ensure that all development efforts are firmly grounded. In this respect, collaboration between the Caribbean and the countries of Latin America, particularly the Central American and Andean countries, should afford a most rewarding area of activities.

The supplying of the "ethnic markets" in the metropolitan countries, whether in terms of goods or of services, would be greatly enhanced if accompanied by an innovative cultural policy. Latin American countries such as Mexico, Colombia, Peru, El Salvador, as well as the Caribbean as a whole, have relatively large minorities in the industrialized countries subsidizing in their own way the expanding growth of their country of origin (or part thereof). The market for cultural goods (including paintings, books, records, tapes, etc.) should be exploited with greater consistency. In this respect, CARIFESTA is a major event to be underlined. Conversely, participation in festivals in Latin America should be requested by interested Caribbean countries. It is worth noting that a project for creating a Biennial of Plastic Arts in the Caribbean could be revived. Finally it must be stressed that the generation of a market for cultural goods is also a spearhead of tourism promotion.



RESOLUTION 440 (XIX)

TECHNICAL AND ECONOMIC CO-OPERATION BETWEEN THE COUNTRIES OF THE  
CARIBBEAN AREA AND THE OTHER COUNTRIES OF THE REGION

The Economic Commission for Latin America,

Bearing in mind its resolution 365 (XVII) of 5 May 1977 on economic integration and co-operation, which points out that despite the considerable progress made in the integration of the economies of the countries of the region and in linking up their production system, full use has yet to be made of the economic potential of integration,

Also bearing in mind that in its resolution 402 (XVIII) of 26 April 1979 on economic integration, the Secretariat of the Commission is requested to study the integration processes of the region and to strengthen its support to them through the preparation of studies and the provision of advisory services to the governments or Secretariats of the integration processes at their express request,

Taking into account the progress that has been achieved by the subregional integration schemes and the forms of co-operation being worked out in the Caribbean Development and Co-operation Committee,

Mindful of the need to forge closer links of economic and technical co-operation between the countries and groups of countries of the Caribbean area and the other countries and groups of the region,

1. Urges the developing member countries of the Commission and the Secretariats of the relevant groups of countries of the region to intensify their efforts to identify specific possibilities of technical and economic co-operation which may be undertaken between the countries of the Caribbean and the other Latin American countries with a view to developing new links of co-operation and solidarity among them or strengthening those which already exist;

2. Requests the Executive Secretary:

a) in collaboration with the Caribbean institutions charged with promoting co-operation and integration, to prepare a short, medium and long-term programme of work, including the undertaking of studies and operational activities designed to promote, at the request of interested governments, projects in specific areas with a view to mobilizing and strengthening technical and economic co-operation between the countries of the Caribbean area and the other countries of the region;

b) that the programme of work and studies be so oriented as to identify the main obstacles to greater co-operation, the potential areas of complementarities, and mechanisms to foster trade and assist the process of co-operation among the integration and co-operation organizations and with the Latin American countries of the region not members of those organizations;

c) to take appropriate measures to promote co-operation between the Secretariats of intergovernmental organs of the Caribbean area and the rest of the region to facilitate the exchange of scientific and technical information, documentation and experience, as well as the identification of projects which can be undertaken jointly in areas of common interest;

d) to collaborate, at the request of the Secretariats of such integration bodies, in the preparation of joint mutual co-operation projects and in their financing when necessary.

217th meeting  
15 May 1981



