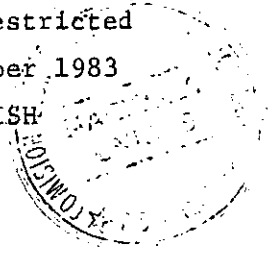


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CARIBBEAN/LATIN AMERICAN CO-OPERATION

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

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 have also recognized the work of the various integration movements in the region and mandated the Secretariat to provide them with support. These concepts 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 annexed, 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 requested that the programmes identify the main obstacles to co-operation, and potential areas of complementarity. It laid emphasis on the need to promote co-operation with the 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, 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 as follows:

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

Using the basic studies prepared by the ECLA Sub-regional 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 elements which constrain 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 both groups of countries and identifies measures which will increase the linkages between the various institutions in both areas.

Finally, a list of potential project ideas which would advance co-operation between the Caribbean and Latin America is included at Annex A.

B. Main characteristics of the two sub-regions

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 CDCC. These eighteen (18) nations and associated states are grouped in the following manner:-

- The seven (7) members of the Organization of Eastern Caribbean States (OECS) 1/, Antigua and Barbuda, Dominica, Grenada;

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

Montserrat, St. Kitts/Nevis, St. Lucia and St. Vincent and the Grenadines also constitute the Eastern the Eastern Caribbean C ommon Market (ECCM).

- The Caribbean Community and Common Market (CARICOM)^{2/} 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)^{3/} as a whole which in addition to the CARICOM members (the twelve (12) mentioned plus Bahamas (which is a member of the Caribbean Community but not 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 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 form the Andean Pact (Bolivia, Colombia, Ecuador, Peru and Venezuela) and Argentina, Brazil, Chile, Mexico, Paraguay and Uruguay; and the five members of the CACM (Guatemala, Honduras, Nicaragua, El Salvador and Costa Rica) and Panama.

(i) The Caribbean

The high concentration of population and income in several small countries is a striking feature of the Caribbean (See Table I).

^{2/} The CARICOM Treaty which was signed in July 1973 superceded the Caribbean Free Trade Association (CARIFTA) which was established in 1965.

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

Table I

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 ('000)	483	577	4,460	5,124	22,900	27,704
3. Area (km ²)	2,860		257,340		626,510	
Density (inhab/km ²)	169	202	17	20	37	44
4. Gross Domestic Product (US\$million Curr.)	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 (US\$m. Curr.)	42 (Antigua)	85 (St. Lucia)	1,405 (Jamaica)	6,386 (Trinidad)	5,660 (Cuba)	12,926 (Cuba)
GDP Minimum (US\$m. Curr.)	5.9 (Montserrat)	10.2 (Montserrat)	5.9 (Montserrat)	10.2 (Montserrat)	5.9 (Montserrat)	10.2 (Montserrat)
GDP Per Capita Max.	630 (Antigua)	1,034 (Antigua)	808 (Trinidad)	5,818 (Trinidad)	3,660 (Bahamas)	5,818 (Trinidad)
GDP Per Capita Min.	199 (St. Vincent)	368 (St. Vincent)	199 (St. Vincent)	368 (St. Vincent)	89 (Haiti)	244 (Haiti)

Source: On the basis of national statistics, estimates and calculations made by ECLA Office for the Caribbean.

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 or 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 size 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. 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 for 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. Of the total GDP of CDCC countries, the CARICOM countries share more than 25 percent, and of these the smaller OECS represent about 1.5 percent. This "size" difference is also apparent in its demographic figures: CARICOM countries have 18.5 percent of the total CDCC population and, within CARICOM, OECS has 2.1 percent of the population in the CDCC sub-region.

The very high degree of openness of the Caribbean economies, as compared to a larger measure of self-sustaining activities in Latin America can be seen when the ratio of merchandise imports and exports to GDP are compared between the two sub-regions. (See Table II). It should be noted that exports to GDP ratio for Latin America averaged 11 percent in 1980 while in the CDCC sub-region exports represent 61 percent of total GDP for the same year. In the case of CARICOM countries, it is almost 73 percent for the same year. Not only are Caribbean countries more highly dependent on the external market as an outlet for their production, they are also highly dependent on imports to satisfy their consumption needs. While the ratio of imports to GDP for Latin America is almost 12 percent, for the CDCC countries imports amount to 75 percent of GDP. This dependence on trade is even higher in the case of the OECS member countries.

Table II

Latin America and the Caribbean: External Openness or Dependency of National Economies

	1970				1980			
	GDP (US\$m)	Total Trade (US\$m)	Exports/ GDP (%)	Imports/ GDP (%)	GDP (US\$m)	Total Trade (US\$m)	Exports/ GDP (%)	Imports/ GDP (%)
ca (17)	181.264	27.123	7.7	7.3	773.676	176.865	11.2	11.7
	11.034	7.923	29.8	42.0	30.262	41.354	61.4	75.3
)	2.844	2.543	37.1	52.3	8.247	11.852	72.6	71.1
	166	242	22.8	80.1	370	577	37.0	11.8

LA/CDGC Statistical Data Bank and national sources.

The trade gap suggested for the Caribbean by a higher import than export co-efficient, as compared to the approximate balance for Latin America, is explained by its higher net earnings from services and unrequited transfers; and

(ii) 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 with the exception of 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 and the number of inhabitants in Argentina and Colombia are 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 III).

There is also a close relation between both these indicators and the level of 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 well as countries like Paraguay, Bolivia and Uruguay. Nevertheless, the GDP of Latin American countries generally exceed, by several times, those of the Caribbean region. Exceptions to this rule are, on the one sub-region, countries like Honduras, Nicaragua and Panama and on the other, Cuba, the Dominican Republic, Trinidad and Tobago and Jamaica.

Table III
Countries of Latin America: Population, Area
Gross Domestic Product and External Trade,
1978

	Popula- tion (^{'000})	Area (km ²)	Gross Domestic Product (millions of US\$)	GDP per Capita (US\$)	Exports Year 1980, millions of US dollars	Imports
ALADI	207 047	19 358 447	458 516	1 544	78 092	83 853
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	13 073	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	108 390	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>19 556 817</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: Junta del Acuerdo de Cartagena, Statistical Papers.

II. BASIS FOR CO-OPERATION

A. General discussion and 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 inter-action 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 inter-action 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, the focus has over time not been as powerful or as sustained towards co-operation between the two groups.

Moreover, the linkages of cultural exchange, technical and economic co-operation and trade, 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 which has determined the pattern of inter-action 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. Historical factors have also conditioned the mass of Caribbean people to look to Europe, Africa and India for their cultural and ethnic linkages. Over time, these elements have solidified, as institutions and habits have grown and as linguistic and cultural factors have evolved to sustain them.

Latin America from its Iberian background has had its own unique historical inputs to condition its outlook, and its perception of the Caribbean. Until the 1960's, 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 for the remainder, Cuba, the Dominican Republic and Haiti, the view was still conditioned by the dominant presence of the United States of America. Since the 1960's, Latin American countries have had to make re-evaluations and from time to time make assessments as to 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 increasing 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. As an example of this, a particularly significant act such as the opening of all Latin American markets to Caribbean goods might not automatically improve the adverse trade balance of the Caribbean countries against Latin America since the Caribbean faces a difficulty in producing enough to service its existing markets. At the same time, the Caribbean has significant access to the major international capital markets. The disjuncture in the productive chain between access to capital and to markets occurs by a seeming inability of indigenous 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 pre-occupied with access to large markets to stimulate its huge productive potential and access to capital to realize 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, the task must clearly be perceived as a long term one, which must combine a series of elements such as: 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 as observers at first, in the cultural and other institutions of the other group. While it will take time to broaden the perception of both 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 in parallel, the implementation of some demonstrably successful and relevant co-operation activities might serve as a practical indication that it is a worthwhile 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 in the process specialized themselves in manufacturing using agricultural and mineral raw material production of the periphery. This system has remained virtually intact, buttressed by a flow of hard and soft technological innovation 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 distribution of international incomes. Latin America and Caribbean countries have both been at the forefront in generating ideas and devising mechanisms to break out of this system. They have been leaders in the movement for industrialization, technology transfer, human resource development, monetary reform and increased south-south trade.

The present long economic recession in the industrialized countries has had a dramatic impact on Latin American and Caribbean countries provoking negative annual growth rates of per capita GDP (which in 1982 was shared by all Latin American countries for which data were available) severe balance of payments problems and increased unemployment rates. Unlike in 1974-1975, in recent years the economic recession has been accompanied by very high real interest rates, a sharp increase of

the value of the US dollar against the majority of the other convertible currencies and a slowdown of capital inflows in the Latin American and to a lesser extent the Caribbean countries. The main common factors for both Latin American and Caribbean countries has 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 excess world supply of agricultural products. The decline in the demand for crude oils and derivatives, and in oil prices in 1982, provoked payments problems in the oil-exporting countries, including the oil-processing countries in the Caribbean, thus extending these adverse conditions to the oil-producing countries as well.

The impacts of the adverse evolution of the world economy on the Latin American and Caribbean countries has been different in timing and intensity, according to such factors 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 and upon the level of dependence on imported energy.

In the Caribbean countries, the impact has been more concentrated on the balance of payments in goods and services, through higher input costs; primarily of oil, oil products and food combined with a decrease in export earnings, mainly due to the fall in export prices and in tourist arrivals. Except for some countries, mainly Jamaica and Guyana, the impact on net payments of interest and on the movement of capital has been less dramatic than in the Latin American countries, due 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 the national currencies of the majority of these countries against the US dollar (which thus increased its real value against the majority of other convertible currencies ^{4/}), permitted the reduction in inflation rates

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

in the industrialized countries to be passed on to the Caribbean countries as import costs for food 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 service and capital inflows. The availability of long-term finance for the Latin American countries decreased dramatically in the second half of 1982. It was mainly due to the 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 intraregional trade which in Latin America is relatively more important than in the Caribbean. It has to be noted that during 1982, all the Latin American countries, except for Colombia and Paraguay, had to apply to one or more of the special IMF programmes

(i) Impact on the Caribbean Countries

By reason of their historical origins, skewed resource endowment, and miniscule internal markets, 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 percent between 1976 and 1979 to 1.3 percent in 1980-1981 and 0.1 percent in 1982 translated itself into stagnant trade with traumatic effect on small trade dependent countries. GATT has reported that trade volume declined 2 percent in 1982 to about its 1979 level while the value decline was 6 percent. It noted that the respective volume change in 1981 and 1982 for the principal commodity groupings were: agricultural products +4 percent and +1.6 percent manufactures +3 percent and -1 percent and minerals -9 percent and -7 percent.

Mineral dependent Caribbean economies were perhaps the worst affected. In 1982, bauxite output declined by 30 percent in Jamaica and 26 percent in Guyana, plunged from an average output of over 500 thousand tonnes in 1979-1980 in the Dominican Republic to 152 thousand tonnes in 1982, fell drastically in Haiti where a transnational corporation wound up operations at the end of 1982, and ceased altogether in Suriname. The off-shore oil business was also severely affected. Transshipment declined drastically in the

Netherlands Antilles, refinery throughput fell to 30 percent of rated capacity at the end of 1982 in Trinidad, the Antigua refinery was closed, and plans to add a refinery to the transshipment facilities in St. Lucia were shelved.

Traditional agricultural staple exports faced difficult markets. While 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 cost. 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 US dollar made for reduced hard currency receipts from agricultural exports.

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

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

Most Caribbean countries derive a substantial portion of their revenues from import and export taxes. Consequently stagnating trade impacts on their revenue position and therefore on the performance of the public sector which underpins many productive activities with infrastructure. However, the major consequence of depressed trade is on their payments position with a consequent erosion of reserves, devaluation, contraction of imports including productive inputs and internal wage pressures. In 1982, Barbados, Guyana, Haiti and Jamaica sought accommodation from the International Monetary Fund (IMF) under the Common 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 the IMF for long-term support; and

(ii) Impact on the Latin American countries

Economic growth in Latin America stagnated in 1981 and 1982. In both years per capita GDP declined, although in 1981 there was a modest increase in GDP (1.5 percent). 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 increased concentration of exports in hydrocarbons. Internal economic policies failed to adjust the Latin American economies to the worsening world economic condition.

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 US dollar, and the increase in interest rates in the international money markets, severely hit the Latin American economies. The purchasing power of exports decreased in the non-oil exporting countries of Latin America in 1981 and in almost all countries in 1982. It has to be noted that the terms of trade of the non-oil exporting countries in Latin America have deteriorated continuously since 1978, mainly due to a sharp increase in import prices, notably oil.

In 1982, the combined effect of decreased export earnings and continuing high real interest rates caused significant balance of payments problems to the Latin American countries, including the exporters of oil, due to a fall in oil prices. This situation became dramatic in the second half of the year, when the availability of new loans decreased dramatically, after the Mexican crisis. In this situation, the Latin American countries could rely on only three forms of adjustments, utilization of international reserves, increased import restrictions and re-negotiation of foreign 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 the IMF.

C. Inherent Advantages/Complementarities for Caribbean/Latin American Co-operation

Latin American and Caribbean countries as we know them both emerged out of European expansionism and the quest for the 'enterprise of the Indies'. Both groups of countries have shared the experience of European colonisation and the processes of decolonisation 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 be summarised.

1. Complementary experiences:

- a) In the processes of decolonisation and the building of new societies seeking to merge a number of disparate cultures;
- b) In the relationships with economic actors and institutions from the metropolitan countries in matters of technology, finance and transnational corporations; and
- c) In the experiences with trade and integration including industry allocation, communication links benefit, sharing.

2. Complementarities of adjacent island and continental land masses:

- a) As tourism markets for each other. Here the contrasts of small islands and continental land masses can make for two-way people flows, as also the differences in language, culture, shopping festivals and art forms;
- b) As markets for commodity trade. Here benefits may be highly unequal if viewed from the contrasts of population, land, size of economy and levels of development. However, to the extent that trade can be marginal, the Caribbean can also provide market outlets for increments of Latin America's output.

Differences in labour cost and skill/resources endowments, and existing production structures can be further bases for specialization and trade;

- c) 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 Europe, Africa and Asia. It can also be a conveniently located market place where outsiders meet to trade;
 - d) For certain types of services, the off-shore locations in the Caribbean can be of use to Latin American countries, e.g. for oil-refining locations, ship repair, financial outposts; and
 - e) With the coming into effect of the Law of the Sea Convention, there seems to be a logical area for mutual developing of the maritime resources such as shipping, fishing, off-shore petroleum and other mineral exploration with the Caribbean islands serving as production centres in a large joint endeavour.
- (i) Geographical location and proximity between the two sub-regions

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 km², about the size of India. The actual landmass distributed over this area totals 626,510 km² and correspondingly the distances between 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 while the shortest distance between the Florida coast and any one country of this group (St. Kitts/Nevis) is about 1,100 miles. While for the Netherlands Antilles the situation is rather similar, 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. (5) While the tourism industry accounts for much of this current infrastructure, traditional links and cultural proximities tend to enhance it. 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 contribute to an explanation of the flow of goods. While trade volume (defined as the volume of export plus the volume of imports, excluding liquid bulk) with North America and Europe accounted for about 81.5 percent of the total, the corresponding level for South and Central America combined is 7.9 percent. 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 which has led to rather intensive links of CDCC countries with North America and Europe while the connections to South and Central America are much less frequent;

(ii) Similar States of Development

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

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

On the other hand, significant differences exist, among the Latin American and Caribbean countries; and the differences in production structures and import-needs offer possibilities for the creation and diversion of trade as well as for the achievement 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 in the

5/ CARIB/INT/83/5: 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, Table 2.

productive sectors. Productive capacities are also related to climate, which varies significantly among the countries 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 to other developing countries. Countries with undeveloped production structures in manufacturing, due to the lack of market size, technical and managerial capabilities and financial resources may find it beneficial to combine their resources with those of other developing countries of the other region. Co-operation in this sense enable productive undertakings which are not viable within the narrow boundaries of the country or even within its own region. The forementioned 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 both regions;

(iii) Necessity to Diversify Existing Economic Relations

The Caribbean, and in a smaller degree the Latin American group, has been only partially successful in diversifying its traditional economic relations. Nevertheless, they maintain a major orientation towards the developed countries and more specifically, towards member countries of the OECD. All these countries were formerly colonies of the Western economies and present economic relations still show the impact of those historical ties. 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 basic or slightly elaborated products to a restricted number of developed countries, while they import from practically the same countries a wide variety of manufactured products and some basic foodstuffs.

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. The demand for basic products systematically grows at a slower pace than the demand for manufactured products. Owing to this difference, terms of trade tend to develop unfavourably for countries which export predominantly basic commodities and import much of their manufactured product necessities. Furthermore, prices of raw materials show violent fluctuations when the 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 substitute imports, but gradually also to incorporate manufactured products in their exports. Especially during the seventies, a few countries in Latin America made significant inroads on the world markets for those products. However, as the world recession has deepened, demand has fallen and access to those markets has become more difficult due to rising protectionism. Those protectionist measures have severely limited the development of the export capacity of Latin American and Caribbean countries.

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 advantage, but by "administered trade", which favours economic blocks.

Developing countries should not expect, in the foreseeable future, any significant 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 both regions should be seen as an alternative to these 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;

(iv) Scarcity of Foreign Exchange and Economic Security

The balance of payments situation of almost all countries of 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 the present circumstances, it seems particularly important that the purchasing power of the countries is maintained to the greatest extent possible within the regions. One means by which the transference of 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 course of the last decade, specially 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 maintain 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 the 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, both regions possess the resources and means to improve the level of economic security, but the achievement of this objective presupposes co-operation between the countries, specially in the fields of complementary production, trade and finance; and

(v) Trade between the Caribbean and Latin America

The importance of Latin America as a buyer of Caribbean merchandise remains slight: only 2.4 percent of CDCC export went to Latin America in 1970 and in 1980 it was only 7.4 percent. Note, nevertheless, that intra-CDCC exports amount only to 6.5 percent of total exports. This lack of importance of Latin America and Caribbean markets as buyers of Caribbean goods is even more dramatic at the CARICOM level: 2 percent of the community's exports went to Latin America in 1970 while only 2.8 percent went in 1980. This situation has as a natural consequence an imbalance of Caribbean - Latin American trade: in 1980 while 6.5 thousand million US dollars were imported from 17 Latin American countries, only 1.6 thousand million were exported by CDCC countries i.e. a Caribbean deficit with Latin America of almost US\$5,000 million (See Table IV).

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

Table IV

Caribbean - Latin American Trade, 1970-1980

	<u>Millions of US Dlns.</u>	
	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 deficit between the two areas has therefore reached US\$4,900 million in 1980 from US\$704 million in 1970. This again is a reflection of the oil trade between some CDCC and Latin American countries, basically between the Netherlands Antilles and Venezuela. The trade deficit of CARICOM vis-à-vis Latin America remained almost constant, less than US\$200 million like the OECS Latin American deficit which oscillates around US\$10 million.

Tables V and VI show Caribbean imports and exports vis-à-vis 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 underway both by an ITC/CDB project, based in Barbados, and the CDCC Secretariat at the ECLA Subregional Office 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 production to satisfy the demand of large markets, be it regional like 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 investments through joint ventures or otherwise to develop the level of production necessary to launch trade.

Basic manufactures and semi-manufactures also appear to have a potential for Caribbean/Latin American trade given on the one hand the dynamism of these productive subsectors in most Latin American countries and, on the other hand, the 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 semi-manufactures to be used as inputs to those industries which focus on the final stages of the production process.

Table V

I. Caribbean Imports from Selected Latin American Countries - 1980

(US\$ '000)

Origin Destination	CACM	ALADI	Venezuela	Colombia	Mexico	Brazil	Argentina
<u>ECS</u>	<u>3,681.1</u>	<u>5,921.8</u>	<u>1,064.7</u>	<u>1,526.7</u>	<u>308.2</u>	<u>1,596.6</u>	<u>349.0</u>
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	-
St. Kitts/Nevis	499.6	404.98	-	...	6.4	115.9	...
St. Lucia	1,414.1	2,084.1	457.4	578.2	133.7	423.3	109.0
St. Vincent	701.9	1,211.3	55.3	778.5	40.9	216.3	-
<u>ARICOM</u>	<u>47,101.1</u>	<u>322,085.5</u>	<u>234,578.3</u>	<u>23,335.5</u>	<u>18,686.0</u>	<u>33,098.3</u>	<u>11,109.5</u>
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
<u>DCC</u>	<u>85,861.1</u>	<u>6373,765.5</u>	<u>5415,708.3</u>	<u>72,534.5</u>	<u>101,454</u>	<u>132,622.3</u>	<u>83,049.5</u>
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 Rep.	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 Ant.	6,500.0	5389,000.0	4793,700.0	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: On the basis of data from CARICOM, A Digest of Trade Statistics 1970-1980 and United Nations Yearbook of Trade Statistics.

Table VI

II. Caribbean Exports to Selected Latin American Countries - 1980

(US\$ '000)

Destination	Origin						
	CACM	ALADI	Venezuela	Colombia	Mexico	Brazil	Argentina
1. <u>OECS</u>	-	445.6	141.5	-	0.8	140.0	70.0
Antigua	-	-	-	-	-	-	-
Dominica	-	-	-	-	-	-	-
Grenada	-	304.1	-	-	-	140.0	70.0
Montserrat	-	-	-	-	-	-	-
St. Kitts/Nevis	-	0.8	-	-	0.8	-	-
St. Lucia	-	140.7	140.7	-	-	-	-
St. Vincent	-	-	-	-	-	-	-
2. <u>CARICOM</u>	<u>86,203.9</u>	<u>85,086.3</u>	<u>33,957.1</u>	<u>2,255.7</u>	<u>9,329.2</u>	<u>18,775.6</u>	<u>9,870.0</u>
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. <u>CDCC</u>	<u>240,163.9</u>	<u>1340,606.3</u>	<u>249,157.1</u>	<u>139,355.2</u>	<u>136,523.3</u>	<u>129,748.7</u>	<u>179,722.8</u>
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
Dom. Rep.	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 Ant.	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

Sources: On the basis of data from CARICOM, A Digest of Trade Statistics 1970-1980 and United Nations Yearbook of Trade Statistics.

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; but 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 benefitting 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.

III. CO-OPERATION ACTIVITIES

A. Existing integration schemes
and trade arrangements

(i) 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) are in the process of establishing a Common External Tariff. This common tariff, together with the freeing of trade within the integration scheme, aims at creating an effective and harmonized tariff preference for regional production and exchange.

In principle, imports from Latin American countries confront 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 Heads of Government decision at their meeting in December 1975 opened the possibility for Community members to undertake bilateral commercial negotiations with non-member countries, although the same decision binds the CARICOM countries to 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 and Brazil. Additionally they also participate as a group in the Lomé negotiations and engage in regular consultations regarding the Generalized System of Preferences (GSP), Caribbean Basin Initiative (CBI), and

the UNCTAD deliberations. Intra-CARICOM trade recently has been negatively affected by the severe economic problems which are now affecting all the member countries. It is therefore understandable that the countries are most concerned about re-establishing favourable trading conditions within the integration group rather than allowing 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 undertakings with other developing countries may open up new markets and productive opportunities.

b) The Lomé Convention

At present 13 Caribbean countries and territories^{6/} are participants of the Lomé II Convention which grants 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 of origin and safeguards. 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 export earnings to the EEC in relation to a number of products (STABEX).

This non-reciprocal preferential system affects trade potential with Latin America 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.

^{6/} The Caribbean members of the ACP group of nations are:

Antigua and Barbuda, Bahamas, Barbados,
Belize, Dominica, Guyana, Grenada,
Jamaica, St. Kitts/Nevis, Saint Lucia,
St. Vincent and the Grenadines and
Trinidad and Tobago, Suriname.

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 to the EEC market.

While the Lomé Convention confers unquestionable benefits to 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.

However, not all consequences of the Lomé arrangements should be considered negative beforehand for Latin American/Caribbean co-operation. Advantage might be taken from the liberal access conditions to the Community markets for goods imported from the Caribbean. Joint Latin American/Caribbean enterprises could be set up in the Caribbean which 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 centre piece 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 originating if they are imported directly from a beneficiary country, if they meet the value added criterion of 35 percent, a figure which may be cumulated from other beneficiary countries including Puerto Rico and the U.S. Virgin Islands, and if they meet the condition of substantial transformation. Products excluded from duty free treatment are textile and apparel articles 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 the effects of the bill 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. The Act also includes a complementary package of tax measures to act as incentives for direct United States (US) investment in the Basin countries and an emergency economic aid programme to reduce the foreign exchange shortage faced by many countries in the region.

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

In its present form, the initiative would make the US market very attractive for Caribbean and Central American exports. Exports could furthermore benefit from increased US private investment in the region. The local content requirement (35 percent value added) can be cumulated from among all beneficiary countries, Puerto Rico or the US Virgin Islands^{7/}. This particular aspect of the Act

^{7/} Imports from the customs territory of the US other than Puerto Rico may also be included for this purpose provided they do not exceed 15 percent of the final appraised value of the article.

opens 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 generalized system of preferences of the USA

Most Caribbean and Latin American countries are beneficiaries of the above-named trade preference system, which started operating in 1976 and whose legal validity expires January 1985. At present, the US offers in principle duty-free access to its market on 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 \$8.4 billion in 1982.

(ii) In Latin America

a) Latin American Integration Association (ALADI)

The ALADI has some major differences with its predecessor 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 the integration among its member countries. So far, the only multilateral mechanism which has been foreseen is a Regional Tariff Preference^{8/}. Negotiations on the latter mechanism have still not started but it is of interest to note that it is explicitly stated^{9/} that the member countries can establish association agreements or multilateral relations which seek the convergence with other countries and integration areas of Latin America,

^{8/} Article 5 of Chapter II of the Treaty of Montevideo of 1980.

^{9/} Article 24 of Chapter IV of the above Treaty.

including the possibility of concluding with said countries or areas the establishment of a Latin American Tariff Preference".

Present circumstances seem not to be favourable for the immediate establishment of such a Latin American Tariff Preference, or even for a Preference within the narrower context of the ALADI countries. A convergence between the 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 the ALADI and an integration scheme such as CARICOM. However, practical obstacles are formidable, not the least being the fact that both integration schemes are still absorbed by the necessity to consolidate themselves internally. Therefore, at present it does not appear to be a practical proposal to suggest that both schemes should start global and multilateral negotiations.

"Partial agreements" do not require the participation of all the member countries. At present, 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 the 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 carried out with those countries, 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 the 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 already exist with Mexico and Venezuela^{10/} 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 text of the Cartagena Agreement, which is the legal basis for the Andean Integration Scheme, refers in its Article 68 to the possibility of member countries negotiating commercial agreements with non-member countries. It requires member countries to have consultations with the Commission of the Scheme (Comisión del Acuerdo), before entering into any commitments of a tariff nature with non-member countries. In a recent document of the Andean Pact Board (Junta del Acuerdo)^{11/} it is indicated that the countries should preferably negotiate as a group, in order to avoid increased extraregional imports to compete or displace Andean regional supply.

^{10/} Mexico signed commercial 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 thinking of negotiating commercial agreements with Caribbean countries, basing itself 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 (related to bauxite exploitation) and Jamaica.

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

The latter condition would need to be fulfilled by individual country negotiations before they could obtain common approval. Finally, the document indicates that for member countries the Andean Pact Agreement is more binding than the ALADI legal framework, since a consensus would be necessary before individual countries could finalize negotiations with non-members.

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 commercial policy which considers the possibility of exchanging tariff concessions and other preferences with third countries. Among others, this policy binds the negotiating country to have previous 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 motivated partially by the increasing difficulties they encounter in trading among themselves 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

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

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 these agreements are carried out by countries like Mexico, Brazil, Colombia, Venezuela and to a lesser extent by Central American countries, and have 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 mechanism contemplated in the general agreement such as mixed commissions or working groups.

Co-operation links between institutions of a governmental or semi-governmental nature, and which relate to specific sectors or subsectors, can also be found between Caribbean and Latin American countries.

Institutional co-operation is not however only restricted to governmental 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 both sub-regions.

(i) Multilateral co-operation

A 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 major assets of the region from the point of view of a potential intensification of co-operative links is to be found in the high organizational level attained and by the manifold multilateral arrangements that characterize the institutional profile of the region.

Several co-operative activities and understandings between Caribbean and Latin American countries also take

place within the framework of intergovernmental organizations of different 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 within 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 the 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, by means of concomitant co-operative actions 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 could begin 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 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 together and might initiate actions that could lead not only to trade and commercial relations but also the exploration of possibilities for joint ventures in production, particularly in relation to export opportunities.

A special case of multilateral co-operation involving Caribbean and Latin American countries is the programme that was agreed upon under the San José Accord of August 1980, whereby Mexico and Venezuela agreed to carry out a programme of energy co-operation with Barbados, Jamaica and the Dominican Republic. Under this programme the two suppliers provide oil 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 percent 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, constituted another case of a multilateral framework suitable for co-operation by some Caribbean and Latin American countries.

(ii) 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 increased 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, Dominican Republic, Guyana, Jamaica and Trinidad and Tobago, and a multi-lateral 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 to promote economic, commercial, cultural and technological co-operation, and met for the first time in October 1980 to exchange information related to commerce, 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 scientific co-operation agreements have been signed and are currently in force with countries such as Guyana, Saint Lucia (1981), St. Kitts/Nevis (1981) and Dominica (1981). Negotiations in connection with a technical and scientific co-operation agreement with Trinidad and Tobago have been underway 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 include a compensation scheme to cover the cost of transport 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 is 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. They 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 such as the Fishing Agreement with Trinidad and Tobago (May 1972); a series of agreements with the Dominican Republic on technical co-operation (1974) the support of agricultural activities between institutions of both countries (1979); and the expansion of bilateral co-operation (1980). In 1978 Venezuela and Suriname signed bilateral agreements on economic co-operation, on scientific and technical co-operation and 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 the CDB.

Brazil/Caribbean relations on non-trade areas are limited although they have increased in recent years. It has also been strengthening its relations with 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 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 of Co-operation and signed agreements, such as the Basic Agreement on Technical Co-operation; the Basic

Agreement on Scientific and Technological Co-operation^{13/}, the Protocol for the Development of Programmes of Co-operation in the Energy and Mining Fields^{14/}, and memoranda of understanding on co-operation in agriculture and agro-industry^{15/}.

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 entrepôt 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 of 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 the hydroelectric potential of Suriname; implementation of projects in the fields of mineral research and hydro-geological mapping through the "Companhia de Pesquisa de Recursos Minerais" (CPRM) and the identification of technical co-operation projects in food-technology and in agricultural research.

^{13/} Scientific and Technological co-operation agreements are carried out 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 company for processing food and the development of cattle ranching in Guyana for the export of beef.

Relations between Brazil and Trinidad and Tobago have been increasing through co-operation between state enterprises from both sides (BRASPETRO/TRINTOC) and Companhia Vale do Rio Doce (CURD/ISCOTT) 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 around 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 there is virtually no counterpart market for its exports, 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).

(iii) Institutional Co-operation

(a) Governmental 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 (FUNDAP) of Sao Paulo and the Institute of Food Technology (ITAL) of Brazil 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 services and rural telephone. 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 the 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 its derivatives. The programme is an integrated one, whereby 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 an exchange programme of technology between fishermen and technicians of the two countries. In May 1981, this group contracted to buy six shiploads of ferrocement and 100 launches of fibreglass made in Cuba. In addition, the Veracruz shipyards have offered to give maintenance and repair service to Cuban boats.

In the case of Colombia there is also an important initiative in respect to 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 for specific technical and scientific co-operation programmes and projects. A co-operation programme was also agreed in 1980 to support institutions in

the Dominican Republic in fields like electrical energy, mining and agricultural research. The Venezuelan Institute of External Trade (ICE) and the Dominican Centre for Export Promotion (CEDOPEL) 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^{16/}. 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 case of Caribbean/Latin American co-operation in the academic sphere is the University of Suriname which carries out joint activities with both the University of Rio Grande de Norte, in Brazil, on the preservation of sea-turtles, and 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).

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

Institutional co-operation among Universities of Latin American and Caribbean countries is also being carried out within the framework of UNICA which is an association of Universities in the wider Caribbean Sea.

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).

(iv) 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 (AVEV) which has initiated a programme of co-operation with Caribbean countries in respect of export promotion and maritime transport. A commercial office of AVEV was installed, to this effect, in Saint Lucia in 1981. On the other hand there are commercial or entrepreneurial undertakings that link both regions.

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

Mexican advisory assistance has been used in the area of construction in the Sports Palace in Santo Domingo, and in the renovation of two hotels in Havana. A Mexican building consortium is also providing technical assistance to the PETROBRAS oil refinery in Jamaica.

Another area of commercial relationships are the corporate linkages which, sometimes established outside the region, link the two subregions such cases occur with the transnational oil companies, the pharmaceutical companies and food and beverages

industries. Consequences 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.

SOME PRELIMINARY PROPOSALS FOR FUTURE ACTION

On the basis of the foregoing analysis and taking into account the potential that the two groups of countries have for strengthening and multiplying their co-operation links, specific proposals need be made in order to realise this potential. Some preliminary proposals are presented below and are intended to assist in the preparation of a future programme of work. They are subject to the approval and amplification of Governments. It should be stressed also that a basic criterion for the identification of these proposals has been their capacity to stimulate the direct involvement of various agents either at the multilateral or bilateral levels, and specialized institutions in the public or private sectors.

A. Trade

(i) 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 the multilateral reciprocal payments systems are often first considered.

Latin America can supply the Caribbean countries with a whole range of raw materials and manufactured products which it presently obtains from the developed countries. The Caribbean has an exportable supply in such important products as crude oil and its derivatives, some minerals such as bauxite, nickel and asphalt, and perhaps some light manufactured products. Both groups of countries have experienced difficulties in selling one or more of these products in the developed country markets 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 analyzed which might make a useful contribution to alleviating 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 widen the possibilities. Several countries of the region have already experienced such arrangements (Mexico, Cuba, Brazil, Trinidad and Tobago) 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 contributed to the sustenance of intra-regional trade, while permitting savings of foreign exchange to the member countries. Trade between the regions might benefit if the aforementioned payments systems could be inter-connected. Individual countries or groups of countries might also explore the possibility of becoming members of the payments systems in the other region. Ways should also be explored to increase the funding of existing reciprocal payments arrangements.

(ii) Trade Information

Countries generally are not adequately informed about trading opportunities in the other regions. The UNCTAD/GATT International Trade Center co-operates with the individual countries in both regions in the establishment and the improvement of the national information systems while at the same time endeavouring to inter-connect those national systems. The Secretariats of the Integration Schemes of the regions also operate sub-regional trade information systems.

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

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

(iii) Trade Promotion

Activities which can be developed in this field resemble those proposed for trade information. Many countries in the region have a great deal of experience with trade promotion systems and activities (Brazil, Colombia, 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 and by exchanging exports.

Understandings should be reached to avoid trade barriers. In these discussions, the Secretariats of the Integration Schemes can play a useful role.

(iv) Joint Marketing Activities and Joint Defense of Basic Products Exports

Caribbean and Latin American countries are already involved in both fields, generally under the aegis of the 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 fora where these interests are being negotiated.

Joint marketing has proved to be difficult in practice, but its need has increased in the present adverse economic situation which has negatively affected demand and price levels of basic products. For 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 should be further explored to co-ordinate marketing and production decisions. Joint marketing could also be considered for certain manufactured products. Trading companies could be set up among several countries to take care of the international marketing operations which probably cannot be undertaken effectively on the individual country level.

Caribbean countries generally have easy access to the markets of EEC industrialized countries. They enjoy tariff preferences especially in the United States and the United States. However, lack of exportable supply, limits the potential of Caribbean countries.

Latin American countries enjoy tariff preferences under the GSP, but the bigger countries are being excluded from its benefits for an increasing number of articles. They are also facing increasing non-tariff barriers for some of their major export products. Access to the markets of industrialized countries which in the short run seems to be favourable for the Caribbean countries and in some cases is becoming more difficult for Latin American countries is therefore a variable that might be utilized. Caribbean countries can import Latin American products for their domestic markets and by this way, free domestic production for exports. For this to be profitable, the c.i.f. cost of Latin American products should be less than the export f.o.b. price of Caribbean products. An alternative might be the establishment of joint ventures to use complementary Latin American inputs in the Caribbean countries, provided the local value added will be sufficient to qualify the goods as originating in the Caribbean.

For this purpose, joint state enterprises may be established or joint private sector enterprises, through the exchange of shares.

B. Services

(i) Tourism

Two different sets of tourist flows should be addressed. Firstly, tourist flows between both regions are still at a very low level in part, because the inhabitants of one region are not well-informed about the attractions of the other region. National Tourist offices (mainly governmental) and travel agencies (private sector) could start co-operating through the exchange of tourism information and promotional material. The possibility of promotional events i.e. the hosting of conventions, conferences and meetings of one sub-region in the other's tourist facilities, should be promoted; holiday plans could be agreed between two or more national tourist services and "tourist packages" could be put together by the tourist boards, the travel agents and the several Latin American and Caribbean Air Carriers. For example, those Caribbean or Latin American carriers that touch airports in both regions could offer a discount to regional tourists if they travel to other destinations in their schedule.

Secondly, tourists from outside the Caribbean and Latin America visiting either region could be encouraged through "package tours" and other promotional means to touch more than one destination in both sub-regions. This might be facilitated by unlimited mileage fares on long-haul routes (transatlantic ones for example) that would enable them to visit other destinations in the Caribbean and Latin America upon touching certain "points of entry" to the region.

(ii) Banking

Several Caribbean countries are already important off-shore financial centres, based mainly on the liberal tax treatment given to such activities. Ways could be sought to utilize these facilities to build expertise and attract participation of capital for productive activities in the region, for example, by dispensing favourable treatment to investors and bankers which establish offices in the Caribbean or Latin America with part of their funds being used to fund productive and commercial activities in the host country or if they promote joint Latin American-Caribbean interests. Latin American investors could also use the national banking facilities of the Caribbean or other regional financial institutions for their operations in the area.

A study should also be carried to evaluate the feasibility of establishing a Caribbean-Latin American Bank, especially geared to the promotion of reciprocal trade and joint production projects or enterprises.

The area of related financial and banking services also seems fertile ground for co-operation: insurance, credit instruments, travellers cheques in convertible currencies are areas in which both sub-regions have particular experience that could be fruitfully exchanged and expanded. For example, the CARICOM experience with sub-regional travellers cheques denominated in Trinidad and Tobago dollars and backed by the respective Central Banks is an idea worth studying by Latin American countries as a means of circumventing the constraint of scarce hard currency reserves.

The possibility of expanding financial facilities or giving access to countries from one sub-region to institutions in the other as a way of creating a larger "critical mass" or financial pool might also be evaluated. The current experience of some existing credit facilities, especially in trade, is that due to their relatively small size they cannot sustain large imbalances. This seems to support the idea that, if the financial pool was larger imbalances could be supported for relatively extended periods of time, while allowing balancing with reciprocal flows of the greater number of participants.

(iii) Storage and Distribution

Due to its geographically strategic location, the Caribbean is in a very favourable position to play an important role in the incoming and outgoing trade of Latin America with the rest of the world especially those ports on the Gulf, the Central American Coast and the Northern Atlantic Coast of South America.

As the Panama Canal gave rise to large storage and distribution activities in this area, the Caribbean could regain its historical role - which dates back to the colonial period - as an entrepôt for large quantities of Latin American products finally destined to outside markets, or vice versa. There are three possible spinoffs to this idea:

- The usage of larger tonnage vessels on the long leg of the trip to Europe and the North/Eastern seaboard of the US and Canada, which should entail reduced freight costs.
- Introduce Caribbean consumers to new sources of supply.
- Create conditions for productive activities in the Caribbean on the basis of Latin American intermediate materials.

In the past, this "service" capacity of the Caribbean has been recognized as a comparative advantage: enclave industries and assembly plants are in place mainly utilizing inputs from industrialized nations - namely the US and Canada - which added a measure of value and return the processed goods to the original markets. This is an obvious area of complementarity: natural resource inputs from Latin American countries plus the "service" advantage could merge in productive ventures that, given the special treatment of Caribbean origin goods in the EEC and the US (GSP and CBI) could have easy access to the

world markets. This could be a way to eliminate the constraint of Caribbean production that remains at low levels due to 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 or tax free industrial estates.

(iv) Construction, Engineering and Consultancy Services

Some Latin American countries, principally Brazil and to a lesser extent Mexico and Argentina are developing their exports of engineering and consultancy 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 firms are generally low in comparison to those charged by the United States and European firms. The technologies used in these activities often have been adapted to specific conditions such as the factor endowments of developing countries. Examples of already existing joint undertakings with Caribbean countries can be found in oil prospecting and refining, sugar production, the construction of hotel complexes and energy projects^{1/}. Joint Latin American/Caribbean activities can also be undertaken with benefits to be derived by the transfers of appropriate technologies, the development of labour intensive activities that use Caribbean product inputs which can operate at relatively low scales. Examples which spring to mind might be in the construction of low-cost housing, or the establishment of agro-based industries, either through the export of turnkey plants or through joint ventures.

^{1/} For examples see: (CEPAL: "Economic Relations of Central America and the Caribbean" (E/CEPAL/G.1197); CEPAL: "Economic Relations and Co-operation between Brazil and the Caribbean" (E/CEPAL/BRAZ/INT.9).

The possibilities of increased Latin American co-operation with the Caribbean in the fields of construction, engineering and consultancy services, under special conditions with regard to the transfer of technologies and local inputs, should also be explored ^{2/}.

C. Transport and Transport Related Industries

(i) Transshipment of Dry-bulk Commodities

Based upon the advantageous geographical proximity of the Caribbean to important markets in North, Central and South America as well as 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, St. Lucia and Trinidad and Tobago, provide similar services for petroleum products ^{3/}. In order to provide a full range of services to tranship cargoes as well as participate in their elaboration, some Caribbean countries have established free zones and others constructed refineries and storage facilities.

It should be highlighted that, as yet, no major transshipment centre has been established in the Caribbean for dry-bulk commodities ^{4/}. Since most Caribbean nations have continuing import needs for 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 presently imported individually by those

^{2/} A starting point for such study is the work undertaken under the framework of the CEPAL/IPEA Agreement on the consultancy and engineering industry in the eleven countries of ALADI.

^{3/} Major transshipment centres also exist in Puerto Rico, the Cayman Islands and the Virgin Islands.

^{4/} It is instructive to note that other countries have recognized the advantages of regional transshipment centres for dry-bulk commodities. For example, in 1982 Taiwan established the Kaohsiung Bulk Transshipment Terminal. In a similar manner, 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 their counterparts in Japan to establish a transshipment centre in the latter country for Brazilian cereals and iron ore.

nations. In this sense, large dry-bulk vessels could discharge their cargoes at the transshipment centre into silos, with transport to final destinations effected either in sacs as general cargo on break-bulk vessels or as bulk cargo in small dry-bulk vessels.

A Caribbean dry-bulk transshipment centre could either be on land or afloat. The principal advantages of the latter are 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, less restrictions as to water depth and independence from 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.

(ii) Container Repairs

There are various ways in which countries of this region can participate in containerization that is, they might construct, transport, lease or repair containers. Of these activities, only the latter is not subject to 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. Furthermore, as each case of container damage is more or less unique, the opportunities for mechanization are minimal. As a result, the container repair industry is predominantly labour-intensive in a highly capital-intensive field, thereby centering the individual facility around people and their skills rather than equipment and materials.

The domestic container repair industry reflects domestic container flows and usages, since a certain amount of container damage is unavoidable due to rapid handling rates at terminals and equipment operator error. For example, Overseas Containers Limited (OCL) has found that 39 percent of its containers utilized between developed regions are returned to the United Kingdom damaged, with an average repair cost of US\$140, and that in its service to the

Persian Gulf area 54 percent area damaged with a repair cost of US\$160-175 ^{5/}. Based upon the dynamic outflow of loaded containers from various Latin American ports and, hence, the need to repair damaged units prior to reuse, a number of enterprises have been established in that region.

Based upon the outflow of loaded containers from certain Caribbean countries and as container repair enterprises require low-initial investments and moderately skilled workers, it would appear that appropriate persons from those countries might wish to utilize the Latin American experience in this field to determine the feasibility of establishing such facilities.

(iii) Shipbreaking

Maritime transport has been described as a frontier activity which reflects global economic trends at an early stage. In this sense, due to the rapid escalation of oil prices beginning in 1973, the adoption of energy conservation measures by major consuming nations and the current world economic recession, approximately 100 million dwt of vessels have almost no prospect of finding profitable employment and are, therefore, considered surplus. In response to this situation, many shipowners have temporarily laid up their vessels ^{6/}, while others have sold surplus vessels to shipbreakers in countries such as India, Pakistan, South Korea and Taiwan. For example, during 1982 approximately 28 million dwt of vessels were sold to shipbreakers for scrap ^{7/}. It should be understood that the vessels sold to shipbreakers in 1982 included not only surplus tonnage but also those vessels which had reached the end of their economic lives.

^{5/} CEPAL, An evaluation of the circumstances under which it would be feasible to establish container repair and maintenance enterprises (E/CEPAL L. 257 p.27).

^{6/} Sea trade, May 1983, section entitled Market Review.

^{7/} Fairplay International Shipping Weekly, 4 November 1982, p.9.

The shipbreaking industry is labour-intensive and requires only minimal skills and equipment. Of the many factors to be considered for the successful establishment and operation of a shipbreaking enterprise, some of the more important are proximity of the facility to vessels and scrap users, and wage rates of breakers. As a result, it would appear that various locations should be evaluated for the establishment of a shipbreaking enterprise. Nonetheless, prior to establishing such an enterprise, it is necessary to carefully study the market demand for scrap, needed infrastructure for shipbreaking and the maximum size vessels which might be reduced to scrap at each of the potential locations.

D. Science and Technology

Any proposal for Caribbean/Latin American co-operation in this field 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) ^{8/}. The CCST is the institutional focal point having a functional co-ordinating responsibility for science and technology within the Caribbean sub-region. In addition, the preparatory meetings for the Second Conference of Ministers responsible for the Application of Science and Technology for Development in Latin American and the Caribbean (CASTALAC II) ^{9/} should also be taken into account.

In terms of specific proposals for co-operation, the starting point should be found in the set of priority projects that have been identified in the CCST programme of work. Initially it would appear

^{8/} The Caribbean Council for Science and Technology (CCST) was set up in Kingston, Jamaica on April 1980, according to a decision adopted by the Caribbean countries in March 1977, during the Second Session of the CDCC.

^{9/} CASTALAC II is scheduled to take place in Brazil, in 1985.

that appointments for developing and/or strengthening co-operative links between Governmental as well as non-governmental institutions of Caribbean and Latin American countries, would exist in relation to several such projects.

In particular, the project "Development of Agro-Industries and Employment Opportunities particularly at Rural Level" (CCST Project VI), could offer grounds for technical co-operation with some institutions in the Latin American sub-region. A concrete example would be the Mexican agency dealing with low-cost food supplies, known as CONASUPO. This particular agency has carried out a successful programme for the construction of grain storage facilities which are specifically designed to preserve grains and improve the distribution of these products.

Co operation opportunities can also be found initially, with respect to CCST Projects I ("Assessment of National Science and Technology Capabilities") and IV ("Study of the consequences of the Development of Energy Crops on Food Supplies in the Region"). Several Latin American institutions such as the Mexican CONACYT, the Brazilian CNPq, the Colombian and Costa Rican agricultural technology institutions (CIAT and CATIE respectively) could actively collaborate in the implementation of Project I. The Brazilian experience as regards option on the production of crops for food or fuel could be a basis for co-operation in carrying out Project IV.

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, 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 inter-governmental 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.