

ECLA/POS 72/6

Date: 20 June 1972

ECONOMIC COMMISSION FOR LATIN AMERICA
Office for the Caribbean

ECLA AND THE CARIBBEAN :

Some thoughts on
Strategy for the Future

THE SITUATION IN PERSPECTIVE



P R E F A C E

This paper is the second under the general title "ECLA and the Caribbean". Its purpose is to set out the range of factors that must be taken into account in considering wider integration of the Caribbean countries beyond the present CARIFTA arrangements, and the participation of the Caribbean countries in the overall Latin American integration process. As the title indicates, it is intended to put this dual problem in perspective.

The rapid progress made by the CARIFTA has so impressed its observers, that there is a tendency to underestimate the problems within CARIFTA itself, and the even more delicate problems of relations in an enlarged CARIFTA. The purpose will therefore have been served if this paper induces a better appreciation of the Caribbean situation. Detailed analyses of the structures of the Caribbean economies, and the existing and potential linkages within the area and with continental Latin America, are required to follow on the first approximations that are indicated at various parts of the paper.

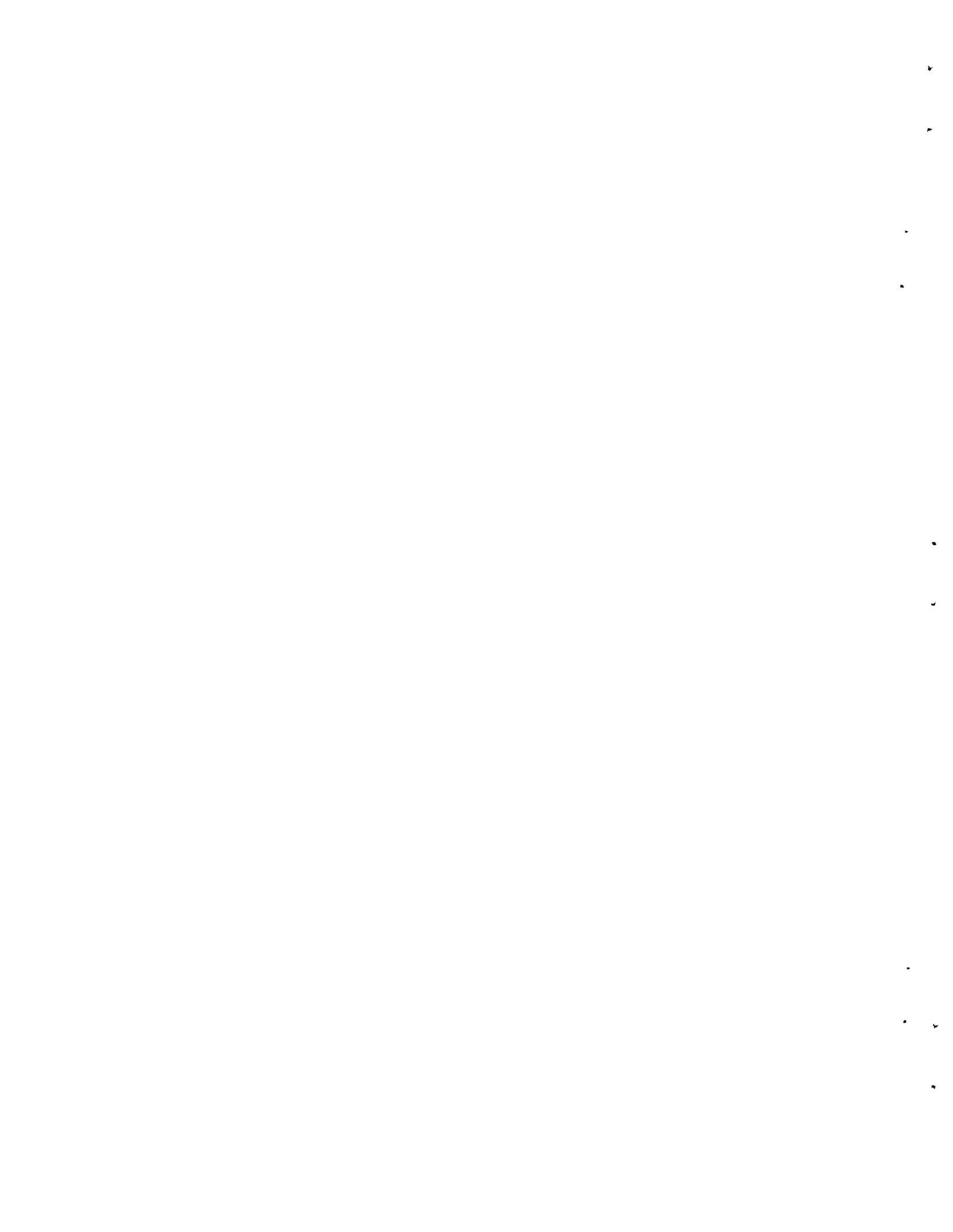
In many respects the situation does not readily lend itself to some of the orthodox methods of analysis. The required detailed examination must of necessity be carried out on the basis of intimate knowledge of the Caribbean and its peoples, if there is to be proper identification of what is possible and rational, for strengthening the process of economic co-operation within the Caribbean.

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THE SITUATION IN PERSPECTIVE

THE NEED FOR A STRATEGY

1. Since the 1950's ECLA has promoted the concept of the economic integration of the countries of Latin America. ^{1/} But ECLA has not been alone in this, for it has been the earnest hope of many Latin American leaders for at least the last two decades, that in time there would be created a common market comprising all the countries of the region.
2. It was therefore not unnatural that in assigning the policies and priorities for ECLA's activities in the Caribbean, it was decided that prime attention would be given to the promotion of economic co-operation. ^{2/} This decision took into account not only the heterogeneous situation in the sub-region, but also ECLA's long-standing commitment to the cause of integration throughout the whole Latin American region.
3. In the priorities that were set, it was envisaged that there would be two elements: integration of the countries of the Caribbean, and integration of the Caribbean countries with the rest of the Latin American region. It was emphasized that the first task would be to give attention to the newly independent countries that so far had not been included in the scope of ECLA's work. But beyond that, it was not articulated in advance how integration within the Caribbean could proceed, nor how the integration of the Caribbean with the rest of Latin America might be attempted.
4. It was generally accepted, not only by ECLA but also through independent examination, that given the relative size and nature of the Caribbean countries, an essential first step would be to bring them together so they could present themselves as a unit to the wider Caribbean and Latin America. ^{3/} The promotion of an integration process among the English-speaking Caribbean countries was predicated on this.

^{1/} Reference can be made to the Latin American Economic Bulletin and other ECLA documents.

^{2/} See ECLA/POS 72/3, Pp. 2-4.

^{3/} For examples, see studies conducted by CODECA and also the findings of the Seminar on Political and Economic Relations of the Caribbean Region and Latin America, UWI, March 1967.

5. The task of achieving a meaningful degree of economic integration within the Caribbean is not an easy one. The Caribbean contains a diversity of cultures, relationships and traditions that do not exist anywhere else in the Latin American region. The events of three hundred years have resulted in a polyglot group of countries very barely in touch with one another, although each is closely linked to some distant metropolitan country. ^{4/} For practical purposes the economies of most of the Caribbean countries are extensions of some sector of the economy of the relevant metropolitan power; and the scope for economic and political decision-making is largely determined by the type of relationship with the metropolitan centres. The integration process in the Caribbean therefore, is not simply a bringing of various economies into greater harmony, but also involves some fundamental restructuring of the whole economic framework, to achieve for these countries individually and collectively, a higher level of self-sustenance and the generation of growth from within. ^{5/}

6. The first step in the integration process was made with the establishment of CARIFTA, and within that the East Caribbean Common Market. Subsequently, the Caribbean Development Bank (CDB) was set up to provide financial assistance to facilitate development in member countries. ^{6/} The question now is how to proceed from there. On the one hand there is the possibility of approaching the task through extending the CARIFTA integration process to embrace all the countries

^{4/} Illustrations are the routings of the cable telegraphic links, and the transport patterns. Telephone calls from one island to another can in some instances be made directly, but in others must be routed through Miami, London or Paris.

^{5/} The situation pertaining to the English-speaking Caribbean was analysed in The Dynamics of West Indian Economic Integration by Brewster and Thomas, UWI, 1967. The progress that has so far been achieved with CARIFTA is described in document E/CN.12/886/Rev.1 (ECLA/POS 70/21).

With regard to the wider Caribbean, see Preiswerk (Ed.) Regionalism and the Commonwealth Caribbean, UWI, 1969.

^{6/} It should be noted that membership in CARIFTA and the CDB is not co-terminus; the Bank at present has a wider membership.

of the Caribbean; on the other, efforts may be concentrated on measures to stimulate the assimilation of the Caribbean countries individually and collectively, into the broader economic relations of the Latin American region. There is no firm basis on which it can be asserted that the one must precede the other. Equally, the possibility of attempting both approaches in some measure, simultaneously, cannot be ruled out. Inherent in both these approaches is an implication of some formalization of relationships among the various countries and groups of countries. In the first case it comes down to an increase in the membership of CARIFTA, and in the second case the negotiation of some type of agreement or agreements to meet the needs of some clearly defined common interests.

7. An attempt to mix the two approaches on a formalized basis would involve very complex negotiations. But it may well prove successful to encourage progress on both these aspects below the formalized level, by promoting economic contacts and commercial links among the countries. Even so there has to be an economic basis for such a pragmatic compromise, and this indicates a need for the closest examination and analysis.

8. For countries of comparable size at a relatively similar level of development, integration poses many problems. ^{7/} But the range of problems multiply the greater the disparity in size and economic strength, and it is difficult to conceive of a more disparate situation than exists in the Caribbean. Consequently, the problems for integration are greatly multiplied and intensified.

9. Numerous attempts have been made by the metropolitan countries during the course of the last century to create some larger or more homogeneous grouping out of the many small entities and they have all ended in failure. In the majority of cases the attempt was to create some kind of political unit; and in other cases the attempt was to

^{7/} It is generally accepted that the conditions propitious for integration are: geographical proximity, similarity of historical and cultural backgrounds, economic complementarity, comparability in size and strength of economies, easy communication. The Caribbean situation does not really meet any of these requirements.

promote economic harmonization. ^{8/} None succeeded. All those efforts shared the common characteristic that the "solution" was devised outside the Caribbean.

CARIFTA is different from all previous attempts at integration in the important respect that CARIFTA is a "solution" devised by the people of the Caribbean themselves. ECLA's efforts in this programme have so far been geared to stimulating and assisting the integration process in the Caribbean at the level of policy formulation.

10. Inevitably CARIFTA has been tailored to suit the interests of the countries that devised it. Its scope is presently limited to most of the English-speaking countries and territories of the sub-region; to the liberalization of trade and promoting intra-area trade in agricultural products; and to the harmonization of various aspects of production policies. Even so, there are within CARIFTA serious stresses deriving from the wide disparities in sizes of markets, levels of development and the extent to which individual member countries are endowed with natural resources. It is worth noting too, that CARIFTA brings together the majority of the smallest countries in the Caribbean measured variously by area and population.

11. A question which naturally arises is whether CARIFTA is in fact a suitable vehicle for the wider integration of the Caribbean sub-region. If examination should suggest that it is not, then the problem would be to determine the modifications to CARIFTA or the alternative formula. From the other aspect of assimilation with Latin America, perhaps through convergence of the CARIFTA and the other sub-regional groups, the areas of common interest need to be identified. Whatever the

^{8/} Administrators have always thought the West Indian islands too small for each to have its separate machinery of government, and there have been repeated attempts to group the islands for purposes of government and administration e.g. Leeward Islands Federation (1869: Antigua, Dominica, Montserrat, St. Kitts, Nevis, Virgin Islands); Windward Islands Federation (1876: Grenada, St. Lucia, St. Vincent, Tobago, Barbados - and again 1885 excluding Barbados); West Indies Federation 1958-1962.

Attempts at economic harmonizations were for example: The Regional Economic Council and the Caribbean Commission. Both are now defunct.

strategy might be, however, the cardinal principle has to be observed that the solutions must come from within the Caribbean itself, if there is to be the chance to succeed.

ENLARGING OF CARIFTA

General Political and Legal Considerations

12. Whenever the subject of integrating the Caribbean countries with the Latin American region arises, the ready suggestion most often advanced is that steps should be taken to enlarge the membership of CARIFTA. Too often this seems to ignore the very practical consideration that the pace at which membership of an integration group may expand is dependent on the decision-making processes of the governments. That is, expansion through the accession of new members cannot be achieved at a rate faster than that at which the governments of both the integration group and non-members of the integration group are prepared formally to undertake new commitments and obligations. This however does not preclude the Commission from laying some groundwork that could facilitate the widening of the economic co-operation process. It is therefore necessary to examine briefly what this involves and how it may be approached.

13. In its present form CARIFTA comprises the bulk of the English-speaking Caribbean, with four fully independent countries, ^{9/} seven semi-independent countries ^{10/} and one colony. ^{11/} They do not conform to the normally desired pattern for an integration scheme of being roughly equal in size and economic strength; in fact as Table 1 shows, they vary quite considerably in area, population, density and wealth. Neither are they contiguous countries sharing a land mass. The main

^{9/} Barbados, Guyana, Jamaica, Trinidad-Tobago.

^{10/} Antigua, Dominica, Grenada, St. Kitts-Nevis-Anguilla, St. Lucia, St. Vincent and Belize (British Honduras).

^{11/} Montserrat. It should be noted that several colonies and semi-independent British Caribbean territories, which though not CARIFTA members participate in the Caribbean Development Bank; these are: Bahamas, Cayman Islands, Turks and Caicos Islands, British Virgin Islands.

Table 1

Some Comparative data for CARIFTA Countries

Countries	Area (sq.miles)	Population (1969) (000)	GDP Factor Cost (1969) US\$M	Population Density Persons per sq.ml.	Per Capita GDP US\$
Antigua	108	63	19.5 ^E	583	310
Dominica	290	74	18.1	255	244
Grenada	133	105	21.4 ^E	789	203
St. Kitts-Nevis- Anguilla	153	56	14.6 ^E	366	261
St. Lucia	238	110	24.5 ^E	462	222
St. Vincent	150	95	16.9 ^E	633	178
Montserrat	39	15	4.9 ^E	372	326
Total ECCM	1,111	518	119.9	466	231
Belize (Br.Honduras)	8,866	119 ^{1/}	41.9 ^{1/}	14	352 ^{1/}
Total CARIFTA LDC's	9,977	637	161.8	64	254
Barbados	166	254	118.5	1,530	466
Guyana	83,000	742	222.9	9	300
Jamaica	4,411	1,954	1,030.5	443	527
Trinidad-Tobago	1,980	1,040	793.0	525	763
Total CARIFTA	99,534	4,627	2,326.7	46	503

^{1/} 1968 actual data.

E Estimates. N.B. (i) Estimate for St. Kitts-Nevis-Anguilla excludes Anguilla.

(ii) Estimates for Grenada includes estimate of Government sector at the same level as 1967.

factors holding them together have been similar historical experience, political and legal traditions and institutions, and economic orientation; and it is on these nebulous bases that the attempt is being made to generate viable and close economic co-operation.

14. The extent to which individual members of the CARIFTA group can undertake wider international commitments and obligations is not uniform, but varies depending on the constitutional situation. The independent countries are fully free to negotiate any relationships with other countries they consider desirable. The semi-independent members however do not have full control over external relations, which is still largely administered by the metropolitan government. ^{12/} In the case of the colony (Montserrat), full control remains with the United Kingdom Government. It follows therefore that the UK would be involved in any serious negotiations by some members of the CARIFTA group with third countries.

15. Outside the membership of CARIFTA, there are the Caribbean countries for which some comparative data are provided in Table 2. More proximate in terms of geography are the French Overseas Departments, Martinique and Guadeloupe, ^{13/} that are administered as integral parts of France. The constitutional machinery provides that each Department

^{12/} The constitutional provisions for the West Indies Associated States were each negotiated individually. However, the various provisions affecting external relations are very similar. The delegation of authority in external affairs as it affects negotiation of trade agreements is as follows: "..... authority to negotiate and conclude trade agreements with other countries, whether bilateral or multilateral, relating solely to the treatment of goods. (Agreements relating to establishment matters i.e. those affecting the rights of persons and companies of the contracting parties, will continue to be dealt with in commercial treaties negotiated by Her Majesty's Government. Her Majesty's Government will, however, be prepared, in appropriate circumstances to delegate ad hoc authority to conclude individual trade agreements in which establishment matters are included."

^{13/} The French Overseas Department, Guadeloupe, consists of the twin islands of the same name together with its outlying islands which include nearby La Desirade, Marie Galante and the Saintes group along with the more distant St. Bartholomew.

Table 2

Basic data on Main non-CARIFTA Caribbean Countries *

Countries	Area Sq.miles	Population (1969) (000)	GDP Factor Cost (1969) US\$M	Population Density	Per Capita GDP US\$
Cuba	44,218	8,250	323.1 ^{4/}	187	402 ^{7/}
Haiti	10,714	4,768 ^{1/}	404.0 ^{3/}	445	85
Dominican Republic	18,816	4,174 ^{1/}	1,107.8	222	265
Puerto Rico	3,435	2,804	4,468.0	816	1,593
Guadeloupe	687	323 ^{1/}	152.5 ^{2/}	470	462 ^{2/}
Martinique	425	332 ^{1/}	176.1 ^{2/}	781	525 ^{2/}
Netherlands Antilles	384	218 ^{1/}	254.0	568	1,165
Surinam	63,037	389 ^{1/}	143.1 ^{5/}	6	412 ^{6/}
Bahamas	5,382	177 ^{3/}	258.4 ^{8/}	33	1,460
Total	147,098	21,435	3,265.8	146	152

Source: UN Statistical Year Book 1970
UN Population and Vital Statistics

* Other non-CARIFTA Caribbean territories are: Turks & Caicos Islands, Cayman Islands, British Virgin Islands, U.S. Virgin Islands.

^{1/} As on 1 July 1969.

^{2/} Data for 1967.

Source: Foreign Economic Trend, Dept. of Commerce -
US Government Publication.

^{3/} Data for 1968.

^{4/} Data for 1966.

^{5/} Data for 1965.

^{6/} Population data used was 347,000 on 31 March 1966.

^{7/} Population data used was 8,033,000 on 30 June 1967.

^{8/} GNP for 1968.

sends a Deputy and two Senators to the Assembly of the French Union. The Prefect (Governor) and some other officials are appointed by the Central Government but legislative power is in the hands of an elected Assembly. As Departments of France they participate in the arrangements of the European Economic Community (EEC) negotiated under the Treaty of Rome.

16. The Netherlands Antilles ^{14/} (Aruba, Bonaire, Curacao, Saba, San Martin) and Surinam, are constitutionally integral parts of the Kingdom of the Netherlands. They are both self-governing overseas territories of the Netherlands with autonomy in domestic affairs. Defence and foreign affairs are however administered by the parent country. Both participate in the arrangements of the European Common Market.

17. Without going into detailed analysis of the legal situations, it can be established that the negotiation of a formal relationship with CARIFTA would involve the government of in the one case France, and in the other, the Netherlands. In both cases, these Caribbean territories would need to consider compatibility of CARIFTA association in the light of relations with their metropolitan centres and with the obligations that derive from their ECM participation. The CARIFTA countries at present do not participate in any of the forms of association that are conducted by the EEC countries. ^{15/}

^{14/} Netherlands Antilles with an area of 384 square miles and a population of 218 thousands is comprised of:

	Area <u>Sq. Miles</u>	Population <u>(000)</u>
Curacao	171	143
Aruba	75	61
Bonaire	111	7
Others, of which		
St. Martin (Dutch part)	14	7
Saba	5	
St. Eustatius	8	
	<u>384</u>	<u>218</u>

^{15/} It is not improbable that the relationship of CARIFTA countries to the EEC would change on the accession of the United Kingdom. If the CARIFTA countries were to be accorded some type of association with the EEC, then in trade terms at least it may become easier to have a basis for exchange with the French and the Dutch Caribbean territories.

18. The situation regarding the Bahamas is unique in many respects. An English-speaking territory with autonomy in internal affairs and currently considering full sovereignty, it participates in the economic co-operation programme through its membership in the CDB, but so far has taken no decision in respect of CARIFTA. It has the highest per capita GNP among English-speaking Caribbean countries, comparable with Puerto Rico. (See Table 2.) However, its economy is somewhat unbalanced being overwhelmingly dependent on tourism, and having a fiscal regime which makes it one of the international "tax havens". It is conceivable that membership in CARIFTA would involve, inter alia, reform of its fiscal structure; on the other hand, the present economic structure of the Bahamas would seem to indicate that CARIFTA membership is of low priority in that Government's policies.

19. There remain the important Caribbean countries of Cuba, Dominican Republic, Haiti and Puerto Rico. None of these are yet participating in any of the formal sub-regional integration schemes of the Latin American region. The existing political alignments pose difficulties for a Cuba-CARIFTA association, so that this possibility can be postponed for the present. As regards Puerto Rico, the particular relationship to the United States would seem to preclude its participation in the integration programme. ^{16/} This leaves the Dominican Republic and Haiti as the countries without such major inhibiting factors in considering the possibilities for formal association with CARIFTA.

20. For some years the Dominican Republic has been considering the possibility of aligning itself with the integration processes in Latin America. Two notable studies were done on the possibilities of association with the Latin American Free Trade Area, and with the Central American Common Market. ^{17/} To complete examination of the range of

^{16/} For all practical purposes Puerto Rico falls within the customs boundary of the United States. The same observations would apply to the U.S. Virgin Islands.

^{17/} La Republica Dominicana y la Integracion Economica de America Latina by Ramon Tamames, under the auspices of the Instituto para la Integracion de America Latina (INTAL).

La Republica Dominicana ante el Process de Integraction Economica en Latino America by Bernardo Vega under the auspices of the Banco Central de la Republica Dominicana.

alternatives, a study group was set up in 1970 with the task of assessing the likely impact on agriculture, industry and trade that might result from (a) membership of CARIFTA, and (b) some looser form of association with CARIFTA. ^{18/}

Some Basic Economic Comparisons

21. In terms of any negotiation that may take place, it is a reasonable assumption that the two French Overseas Departments would be treated together in working out arrangements with the CARIFTA group. The data in Tables 1 and 3 reveal that the two French Departments taken together compare with Guyana in population and with Barbados in per capita income; and that while the Netherlands Antilles compares with Barbados in population, it has a per capita income far higher than that of any of the CARIFTA countries. There is the important qualification to bear in mind when considering the totals for the departments and the Netherlands Antilles, that they are not integrated economic units, each with a single land mass. Instead the reality in both cases is that they cover many small islands, separated in some instances by hundreds of miles of sea, with widely varying conditions among the islands. Consequently, while in these statistical terms they may be grouped with the more developed countries in CARIFTA, closer examination of the situation would be very necessary.

22. A direct comparison of Surinam with the CARIFTA countries is somewhat easier, as Surinam is a single economic entity with a population just over half that of Guyana's enjoying a higher income level. It would be noted however that the level of trade conducted by the Netherlands Antilles is very much higher than that of the other countries being considered, or of any individual CARIFTA country. This is largely due to the fact that the primary economic activity in these islands is petroleum refining based on imported crude.

^{18/} At the time of initiation of these studies, the Director, ECLA Office for the Caribbean and the Secretary-General, Commonwealth Caribbean Regional Secretariat were invited by the President to visit the Dominican Republic, to meet with public and private sector groups, explain the provisions and operations of the CARIFTA Agreement, and to assist with setting up the studies.

Table 3

Comparative data for CARIFTA and some non-CARIFTA Caribbean Countries

1969

Countries	Population (000)	GDP Factor Cost US\$M	Per Capita GDP US\$	Total	
				Imports US\$M	Exports US\$M
All CARIFTA	4,627	2,326.7	503	1,257.7	966.7
Dominican Republic	4,174 ^{1/}	1,107.8	265	210.0	184.0
Haiti	4,768 ^{1/}	404.0 ^{2/}	85	39.0	37.0
French Departments (Guadeloupe & Martinique)	655 ^{1/}	328.6 ^{3/}	502 ^{3/}	232.0	71.0
Netherlands Antilles	218 ^{1/}	254.0	1,165	691.0	625.0
Surinam	389 ^{1/}	143.1 ^{4/}	368	100.0 ^{2/}	116.0 ^{2/}
Bahamas	177 ^{2/}	258.4 ^{5/}	1,460	296.2	53.2

^{1/} As on 1 July 1969.

^{2/} Data for 1968.

^{3/} Data for 1967.

^{4/} GDP for 1968 and population as at July 1968.

^{5/} Estimated GNP for 1968.

Source: UN Statistical Year Book 1970
UN Population and Vital Statistics Series

23. The data in Table 3 also show that the accession of the Dominican Republic to CARIFTA would result in an almost doubling in the size of the market by increasing the population from roughly $4\frac{1}{2}$ million to about $8\frac{1}{2}$ million; however, the value of external trade conducted by the CARIFTA group of countries is some five times that of the Dominican Republic. With regard to wealth, the per capita income of CARIFTA as a whole is much greater than that of the Dominican Republic; but this has to be modified to take account of the relatively higher levels in the larger CARIFTA countries, in contrast to the lower levels of the smaller islands. ^{19/} It would be noted that the GDP per capita level of US\$265 for the Dominican Republic falls within the range of per capita incomes that is characteristic of the West Indies Associated States i.e. US\$178 to US\$326.

24. From this very preliminary comparison of the Dominican Republic with the CARIFTA countries it emerges that while the former is comparable with the CARIFTA group on a crude measure of market by size of population, its per capita income and trade are very substantially below the levels for the CARIFTA group as a whole. In fact the statistical magnitudes for income and trade are more comparable to the situation of the West Indies Associated States that are defined as the less developed countries of CARIFTA. Questions of the kind of adjustments that might be required to accommodate the Dominican Republic within the CARIFTA group immediately arise, and indicate the need for much closer analysis.

25. A contrast can be drawn between the Dominican Republic which has been actively examining the alternative possibilities for association with the sub-regional integration groups, and Haiti where no such studies have yet been initiated. Similar comparison of data in Table 3 for Haiti and the CARIFTA group of countries, reveals that while the addition of Haiti to the CARIFTA area would more than double the size of the market, even more critical thought must be given to the difference in levels of development between the CARIFTA countries and Haiti. The estimated per capita GDP for Haiti, US\$85, is barely half that of the countries with the lowest GDP per capita levels among the less developed countries of CARIFTA. It is also the case that Haiti's trade with the rest of the

^{19/} Reference can be made to the basic data in Table 1.

world is very low, and the trade conducted with other Caribbean countries almost negligible. ^{20/}

26. Even on the basis of the most cursory examination it seems evident that special arrangements would need to be worked out for Haiti, in the event of that country's accession to CARIFTA. A first approximation might be that Haiti should be treated along with the LDC's of CARIFTA, despite its relatively large area and population.

27. A free trade area in the Caribbean comprising the CARIFTA group of countries along with the Dominican Republic and Haiti would present a market of $13\frac{1}{2}$ million persons and a per capita GDP of US\$283; this roughly approximates the $14\frac{1}{2}$ million population and US\$303 per capita GDP of the Central American Common Market. However, it would be even more disparate in size and wealth than is already the case in CARIFTA; and to this would be added differences in language, culture, and economic orientation.

28. At various times the opinion has been voiced that an initiative towards the economic integration of the Caribbean area might be made by the establishment of a "Caribbean Economic Co-operation Committee" as a standing body of the Economic Commission for Latin America. From the foregoing it would be evident that membership of such a committee would not be limited only to the countries of the Caribbean themselves, but also would include the related metropolitan countries. In terms of ECLA membership, the Overseas Departments are represented by France, and the Netherlands Antilles and Surinam by the Netherlands. The situation is however different for the West Indies Associated States who as a group

^{20/} See basic data at Table 1. It is worthy of note that the Haitian Secretary of State for Commerce, in discussions with the Jamaica Exporters Association Trade Mission (January 1972), stated that his Government is considering the possibility of entry into CARIFTA, and recognised that many problems would have to be solved before a formal approach could be made.

is an Associate Member of the Commission, and Belize who is also an Associate Member. ^{21/}

CONVERGENCE OF THE LATIN AMERICAN SUB-REGIONAL GROUPS

29. The wider problem of the integration of the Caribbean sub-region with the rest of Latin America, might be viewed in the context of the initiatives aimed at facilitating the convergence of the sub-regional integration groups. This is consistent with the ECLA thesis that action towards better economic harmony in the Latin American region requires the convergence of sub-groups along lines of common interest.

30. The fullest endorsement of this approach may be said to have been achieved when, in 1967, the Presidents of the Americas resolved to create progressively from 1970 to 1985 the Latin American Common Market, and agreed it could be established through perfecting the two integration systems then in existence. The approach adopted was the simultaneous stimulation of a process of convergence of both systems through stages of co-operation, taking into account the interests of countries outside. ^{22/} Late in 1967, the Governments members of the Latin American Free Trade Association (LAFTA) and the Central American Common Market (CACM) authorized the establishment of a Co-ordinating Commission, comprising the executive bodies of both organizations. This Commission was charged with the task of co-ordinating the convergence process that would facilitate formation of the Latin American Common Market. The

^{21/} The indicated membership of an ECLA Caribbean Economic Co-operation Committee might well be: Barbados, Dominican Republic, Guyana, Haiti, Jamaica, Trinidad-Tobago, West Indies Associated States and Montserrat (as a group), British Honduras (Belize), France, Netherlands, the United Kingdom in respect of its other territories still in colonial status; and perhaps also the USA if an effort were made to include Puerto Rico and other US Caribbean territories in the integration process. It is conceivable however that the USA would be included even if Puerto Rico and the US Virgin Islands were not considered.

^{22/} Declaration of the Presidents, Punta del Este, April 1967. The two systems to which reference was made were the LAFTA and the CACM; no other existed at that time. The Caribbean Free Trade Association (CARIFTA) came into effect 1 May 1968. The Cartagena Agreement regulating the operation of the Andean Group came into force in May 1969.

modus operandi envisaged was that the Co-ordinating Commission would promote the process of convergence through its recommendations to the governing bodies of the respective systems; such recommendations should take into account the views of other developing nations of the hemisphere who did not belong to either of the two organizations.

31. The Co-ordinating Commission examined the problem ^{23/} and reached the conclusion that the process of convergence could be approached through three phases - co-operation, association and integration.

- (a) During the co-operation phase, it would be necessary to identify those obstacles to the process of the Latin American integration that are not solely due to the existence of tariff barriers, but to a variety of factors such as: infrastructure deficiencies; (incipient) development in many of the industry sectors in most of the countries from a regional point of view; the diversity of economic policies; the disparities of legal and administrative procedures in force; lack of financial and technical resources. Therefore, work and studies would be programmed to permit the gradual co-ordination of policies in the different fields of economic activities, and to harmonize the instruments of the two integration systems; this would provide the basis for the acceptance of measures corresponding to the more advanced phases of association and integration.
- (b) The association phase would presuppose a more advanced stage of liaison between the two bodies, based on acquired experience in previous periods, and in establishing certain legal ties, to serve as a framework for joint action.
- (c) The integration phase would be that of adopting decisions of major economic and political significance, based on treaties and programmes designed to intensify the economic links of the countries belonging to both systems.

32. It is of importance that the Co-ordinating Commission gave some consideration to the sub-regional integration activities which had been initiated since the Punta del Este meeting of Heads of State, by some member countries of LAFTA, and more recently by the Caribbean countries in the establishment of the Caribbean Free Trade Association (CARIFTA). Further, they also gave thought to the situation of countries of the

^{23/} First meeting of the Co-ordinating Commission, Port of Spain, Trinidad, October 1968.

region not belonging to any integration system. In the programme of work, explicit provision was made for (a) taking account of the interest of Latin American countries that do not participate in the LAFTA and the CACM, (b) concluding sub-regional agreements between LAFTA and CACM and other sub-groups and Latin American countries, and (c) the possibility of devising agreements on industrial complementation for accession by all Latin American countries.

33. ECLA expressed the view before the Co-ordinating Commission that, although CARIFTA had been established subsequent to the Declaration of the Presidents, according to the definition of the tasks, it fell within the terms necessary to participate in such negotiations; and that the process of convergence could be enhanced by inclusion of the third sub-group. ^{24/} The hope was expressed that the countries of CARIFTA could develop closer accord with the countries of LAFTA and the countries of the CACM, as part of the general policy to assist economic integration movements and their convergence towards complete regional integration.

34. The assumption must be made that the CARIFTA group, however modified or enlarged, would be taken together, and accorded treatment similar to the Central American group in the process of convergence. Even so, the CARIFTA group in its present composition would be small and its manifest structural disabilities would be more emphasized in competition with the large countries of Latin America which have high economic potential. This is to some extent also true for the CACM, though the situation would be less acute than for the CARIFTA. Some comparative data are shown in Table 4, which bring out the substantial differences in sizes of the sub-groups. It immediately becomes apparent too, that in addition to the variations in the levels of development within each of the sub-groups, there are also variations between the sub-groups. It is fairly clear that the convergence process, if it is to succeed, must offer solutions to the problems that derive from co-ordinating groups of different economic strengths, at different levels of development, and at different stages of integration.

^{24/} The scope of participation in the work of the Co-ordinating Commission was conceived in terms of membership of the OAS. Only three CARIFTA members are also members of the OAS: Barbados, Jamaica and Trinidad-Tobago.

Table 4

Some Comparative data for CARIFTA and other
Latin American Countries

	Population 1969 (000)	GDP Factor Cost (US\$M)	GDP Per Cap. US\$	Imports 1969 US\$M	Exports 1969 US\$M
CARIFTA Total	4,627	2,327	503	1,258	967
CACM:					
Costa Rica	1,685	762	452	244	193
El Salvador	3,390	887	262	215	202
Guatemala	5,014	1,443 ^{2/}	(288)	250	255
Honduras	2,495	607	243	184	166
Nicaragua	1,915	696	363	177	155
Total CACM	14,499	4,395	303	1,070	971
LAFTA					
(a) Andean Group:					
Bolivia	4,804	869	181	167	182
Chile	9,566	5,404	565	907	1,071
Colombia	20,463	6,921	338	686	608
Ecuador	5,890	1,369	232	230	183
Peru	13,172	3,583	272	603	864
Total Andean	53,895	18,146	337	2,593	2,908
(b) Other LAFTA:					
Argentina	23,983 ^{1/}	17,836	744	1,576	1,612
Venezuela	10,035 ^{1/}	9,467 ^{2/}	943	1,564	3,117
Mexico	48,933 ^{1/}	26,160 ^{2/}	535	2,078	1,430
Uruguay	2,852 ^{1/}	1,646 ^{2/}	577	197	200
Paraguay	2,314 ^{1/}	513	222	70	51
Brazil	90,840 ^{1/}	24,960 ^{2/}	275	2,263	2,311
Total LAFTA	232,852	98,728	424	10,341	11,629
Other Latin American:					
Cuba	8,250
Dom. Republic	4,174	1,107.8	265	210	184
Haiti	4,768	404.0 ^{2/}	85	39	37
Panama	1,417	800.0 ^{2/}	565	294	118

^{1/} As on 1/7/69.

^{2/} Data for 1968.

35. It is important to bear in mind too, that the nature of the integration process varies from the one sub-group to the next. Though there has been broad consensus that, for the progressive economic integration of Latin America, sub-regional integration is considered to be a necessary point of departure, there has been no explicit strategy of sub-regionalization. In each case the sub-region has formulated its integration programme according to its own parameters. There was therefore no overt attempt at promoting any measure of uniformity in the instruments and procedures of the various systems. An essential task of the convergence process therefore will be to work towards the minimum of uniformity that the Latin American Common Market would require in its operation.

36. It is not improbable that work on the identification of obstacles, as in the co-operation phase envisaged by the Co-ordinating Commission, would help to crystallize these various problems. ^{25/} However, the step beyond commitment to the sub-group would be taken with greater caution by the Governments as they must not only consider the initial impact of the wider association, but also because there would be some constraints arising from the treaties and instruments that regulate the relations among the countries members of the sub-group organization. There are questions of a legal nature that would need to be resolved even when solutions may have been found for the technical and economic problems.

37. Within each of the integration sub-groups of Latin America, special provision has had to be made to accommodate its relatively less developed participants. ^{26/} This characteristic of the differences in levels of development would be even more manifest in the Latin American Common Market. In fact ECLA has long since been concerned about the situation

^{25/} See also ECLA/POS 71/1 in which proposals were made for initiating a programme of work.

^{26/} CACM: Honduras
LAFTA: Paraguay, Bolivia, Ecuador
Andean Group: Bolivia, Ecuador
CARIFTA: West Indies Associated States, Montserrat,
British Honduras (Belize).

of the less developed countries of the region vis-a-vis the process of convergence of the LAFTA and the CACM, and has had the subject under study for some time. ^{27/} The pattern is the familiar one that the more developed countries are in a better position to take advantage of the benefits deriving from the establishment of large economic areas; ^{28/} therefore some preferential treatment must be accorded those countries that are less well-placed to promote balanced development of the region.

38. Already it is evident that even if the CARIFTA group is fully consolidated, it could not treat on equal terms with even one of the larger and more advanced countries of the region. In fact the whole CARIFTA group would need to be treated as an LDC for purposes of the wider integration movement, and this has been recognized in ECLA. The question then as to the role that should be played in the Latin American integration process by the economically relatively less developed countries of the region, is very relevant to CARIFTA.

39. In considering the co-ordinated participation of the less developed countries in the gradual process of convergence of LAFTA and the CACM, the "Meeting on the Problems of Regional Integration of the economically relatively less developed countries" ^{29/} gave particular attention to their developmental problems within the context of the integration process. Consideration was also given to special features of the preferential arrangements that operate for such countries in their respective sub-regional integration schemes. It was concluded that the body of policies should be designed to guarantee these countries a fair share of the benefits of the Latin American Market, and promote rates of development which would narrow the gap between their income levels and those of other countries of the region.

^{27/} Reference can be made to ECLA documents E/CN.12/798, E/CN.12/774 and Addenda, and papers in the ST/ECLA/Conf.29 series.

^{28/} Latin American countries which are considered to have reached more advanced stages of development: Argentina, Brazil, Chile, Colombia, Mexico, Peru, and Venezuela.

^{29/} Guatemala, October 1967. The participating countries were: Bolivia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Nicaragua, Panama, Paraguay, Trinidad-Tobago, Uruguay.

40. The findings on trade policy were that relatively less developed countries should have preferential access to the regional market for their products while enjoying a longer phasing period for removal of trade restrictions. Further, the more advanced countries should grant preferential terms to the LDC's as part of the process of harmonizing the treatment of imports from third countries, and of developing a common external tariff. It was considered too, that the LDC's should be permitted to grant to each other trade advantages which do not extend to the other Latin American countries.

41. As regards the stimulation of production and industrialization, the proposal was made that sectoral agreements open to all the countries of the Latin American region should be formulated; and that they should be supplemented by multinational programmes for the expansion and improvement of infrastructure, with emphasis on correcting the general lack of communications and the inadequacy of transport facilities. A series of decisions were reached as a tentative basis for co-ordinated action by the LDC's, aimed at establishing an effective air transport and shipping network, promoting economic co-operation between the countries of the Caribbean Basin, and creating a regional centre for the development of small scale industries.

42. In the examination of financial aspects, attention was drawn to the obstacles that derive from the operating procedures of credit agencies particularly repayment periods, interest and guarantees. Stress was laid on the need for international and regional financial agencies to establish preferential regimes in favour of the LDC's. It was also considered that in the process of harmonization of fiscal incentives more advantageous conditions should be accorded to the LDC's, and that attention should be given to the problems of double taxation.

43. Given a framework of such devices, it would become possible to negotiate a set of relationships to accommodate the Caribbean countries. However, the difficulty of harmonizing the arrangements for the LDC's within CARIFTA with the wider scheme of preferential benefits for LDC's in a Latin American Common Market, should not be minimized. The probability is that the concessions for LDC's within the Latin American

Common Market will have to be at least a two-tier design; that is, the CARIFTA as a group, and within CARIFTA the arrangements for its own LDC's. ^{30/}

44. There is no doubt that the harmonization of policies of CARIFTA with those of the Central American Common Market and those of the Andean group will require careful and detailed attention, particularly in reaching an approximation of the various regimes for incentives to industry. Further, in arriving at some equalization of import duties and charges, the machinery would need to take account of the fact that the general level of customs tariffs in CARIFTA countries is substantially lower than those that obtain throughout the rest of Latin America.

^{30/} In this regard it may be worth noting that the arrangements for LAFTA provided for three groups:

Group A - countries of more advanced development;

Group B - countries of relatively advanced development as regards manufactured goods for current consumption, and whose production of capital goods is incipient or non-existent;

Group C - countries of incipient development as regards manufactured goods for current consumption, and undeveloped as regards capital goods.

