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THE FOREIGN TRADE AND TRADE POLICY OF THE ENGLISH-SPEAKING CARIBBEAN COUNTRIES

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I. GROWTH PATTERN OF TRADE, 1950-1969

1. Introduction

Within the relative diversity of the countries in the geographical area of Latin America, those of the Caribbean form a group of which certain characteristics are common, and which have developed in a different socio-economic environment from the rest. The Caribbean countries obtained their political independence in comparatively recent years,[1/] and it is only since then that they have enjoyed complete autonomy in the conduct of their trade relations, although for some years previously they had been gradually securing some measure of self-government in matters of internal policy and administration. Independence brought with it membership of the British Commonwealth, but this did not imply any substantive changes in the system of preferential trade relations established at the economic conference in Ottawa in 1932.

Thus, the growth pattern of the Caribbean countries' trade, alike before and after their independence, has emerged within the institutional framework created by the agreements that shape the British Commonwealth: in other words, the developing countries' role is essentially that of suppliers of primary commodities, in favour of which certain tariff and non-tariff concessions are granted, while in their turn they are required to grant preferential treatment to imports of industrial goods from the developed countries. Although the general economic policy of the Caribbean countries is directed towards tackling some of the problems common to all the developing countries (industrial development incentives, expansion and diversification of exports, higher growth rates for the domestic product, etc.), the measures and policies adopted have been such that the trade relations system inherited from the recent colonial past is left virtually intact. It must be recognized, however, that the course of certain international events is forcing the Caribbean countries to face, at relatively short notice, the inevitable necessity of introducing substantive changes in the system in question, both in order to avert possible clashes with

1/ Jamaica and Trinidad and Tobago, in mid-1962; Barbados and Guyana, towards the end of 1966.

/policies aimed

policies aimed at speeding up economic development, and in order to make a full contribution to the establishment of fairer play in trade between the developed and the developign countries.

2. Growth pattern of exports

The over-all annual growth rate of the Caribbean countries' aggregate exports averaged 8 per cent in 1950-1969. A breakdown by individual countries, however, reveals a very marked difference between the rate attained by Barbados, which was only 4 per cent per annum, and the more satisfactory pace achieved by the other three countries. Similarly, the growth pattern of exports falls into two widely differing phases: in the case of Guyana, Jamaica and Trinidad and Tobago, the rate of increase was highest from 1950-1952 to 1960-1962, and declined sharply in the seven subsequent years, whereas for Barbados it was very low in the earlier period and improved in the later, when it slightly exceeded the figures for the other three countries (see table 1).

Table 1

CARIBBEAN COUNTRIES: AVERAGE VALUE OF TOTAL EXPORTS, 1950-1969

Country	Millions of dollars			Percentage rates of increase		
	1950-1952	1960-1962	1967-1969	1960-1962 / 1950-1952	1967-1969 / 1960-1962	1967-1969 / 1950-1952
Barbados	20	26	39	2.6	5.9	4.0
Guyana	37	86	115	8.8	4.2	6.9
Jamaica	49	176	237	13.7	4.3	9.7
Trinidad and Tobago	121	326	458	10.4	5.0	8.1
Total 4 countries	227	614	849	10.5	4.7	8.0

Sources: Handbook of International Trade and Development Statistics United Nations publication, Sales N°.: E/F 69.II.D.15; United Nations, Monthly Bulletin of Statistics.

/A salient

A salient feature in this group of countries is the high rate of growth attained by Jamaica's exports during the 1950s. At the beginning of the decade Jamaica started exporting bauxite and alumina, production of which expanded rapidly in the years that followed. While output of bauxite amounted to 1.2 million tons in 1953, by 1960 it had reached 5.8 million tons, and by 1969, 8 million. Such rapid development not only gave great dynamic impetus to the export sector, but considerably altered the composition of exports, more than 90 per cent of which had formerly consisted of agricultural products. It also resulted in a change in the relative importance of external markets, since the country's high degree of dependence on the United Kingdom was lessened, and exports to Canada and the United States increased.

The favourable growth rate of exports from Trinidad and Tobago was also linked to one particular item - in this case, petroleum and petroleum products. It was attributable both to the expansion of domestic production and, more especially, to the practice of importing crude petroleum from Colombia and Venezuela for processing in local refineries. The difficulty of obtaining supplies from the Middle East during the Suez Canal crisis in 1956 created a very favourable opportunity for the expansion of exports from Trinidad and Tobago, as is apparent from the annual increase of 10.4 per cent recorded for the country's total exports in the 1950s. The slackening of this rate in the later years of the period under review reflects the more strenuous competition prevailing in the world market for petroleum products, which has even obliged some of the leading world exporters to regulate the expansion of production.

Exports growth in Guyana, although selightly slower than in the two countries mentioned above, was also mainly concentrated in the earlier part of the period, and was due to increases in production of rice, sugar and bauxite. The negotiation of a regional rice agreement in 1956, under the terms of which Guyana became the principal supplier of rice in the Caribbean area, gave a considerable fillip to its rice exports at first, but in more recent years import requirements in some of the Caribbean countries and territories were reduced by the expansion of domestic production, so that the exports in question were partly diverted to other markets. During the

/period 1962-

period 1962-1969, exports of rice, sugar and bauxite increased a good deal more slowly, with the result that the growth rate of total exports was lower than in the preceding ten years.

Of the Caribbean countries, Barbados showed the most sluggish export growth rate. From 1950-1952 to 1960-1962, this rate was only 2.6 per cent per annum, in sharp contrast with the position in the other three countries. The fact that sugar represents so high a proportion of Barbados' total exports (over 60 per cent in recent years) largely accounts for the unsatisfactory development of the country's external sector, since in the period mentioned there was no sign of an upward trend in sugar production. Between 1962 and 1969 total exports increased much faster, mainly by virtue of a vigorous upswing in re-exports and the emergence of certain new exports lines. Some contribution was also made by the expansion of sugar exports resulting from the opening-up of the United States market, to which producers in the Caribbean area had not previously had access. The United States's allocation of import quotas for sugar from the Caribbean countries not only enlarged these countries's export market but raised the average value of sugar exports, because price levels in the United States market were higher as a general rule than the prices quoted under the British Commonwealth's Sugar Agreement.

Broadly speaking, the conclusion may be reached that the growth pattern of total exports was a little more favourable in the Caribbean countries than in many others in the Latin American region, partly because of the preferential treatment accorded to the Caribbean countries in the United Kingdom market, and partly too because world demand for bauxite and petroleum products increased faster than demand for most agricultural commodities.

A glance at the composition of exports by staple products will show that their expansion was in fact essentially based on a few traditional items, and that only in recent years have a few new export lines begun to develop. The latter would seem to be the first fruits of certain export promotion measures which have been adopted, and which will be discussed later.

The position of the Caribbean countries as regards the degree to which exports are concentrated in a few products is much the same as that of other countries in the Latin American area (see table 2).

/Table 2

Table 2

LATIN AMERICA: COMMODITY EXPORTS CONCENTRATION INDEXES a/

Increase	1960	1966	Decrease	1960	1966
Guyana	54.3	55.4	Barbados	86.2	74.0
Cuba	76.6	86.4	Trinidad and Tobago	78.4	74.4
Ecuador	64.4	65.0	Jamaica	56.0	53.6
Panama	56.1	59.2	Colombia	74.3	66.4
Dominican Republic	54.1	59.8	Venezuela	72.5	70.2
Honduras	51.1	53.1	El Salvador	71.2	50.0
Nicaragua	46.0	51.7	Guatemala	69.4	49.6
Argentina	30.0	32.2	Costa Rica	60.9	46.2
			Brazil	58.0	46.3
			Mexico	27.2	24.3

Source: UNCTAD, Handbook of International Trade and Development Statistics (United Nations publication, Sales No: E/F.69.II.D.15), page 143.

a/ The commodity concentration index is equal to 100 if only one commodity is exported and its value decreases with the degree of diversification of exports. The formula used for calculation can be consulted in the source quoted.

/The variations

The variations in the commodity exports concentration indexes are fairly small in most cases, probably because of the shortness of the period taken as the base for comparison and occasional fluctuations in the share of certain commodities. At all events, it should be pointed out that, of the Caribbean countries, only in Barbados was there a relatively sharp drop in the concentration index, while the variations observed in the other three countries are only slight.

In the first place, it should be mentioned that, in Barbados, total exports have grown faster than exports of national products, that is, the share of re-exports has increased in recent years (see table 3). Indeed, the proportion of re-exports in total exports increased from 14 per cent in 1958-1960 to 28 per cent in 1966-1968. Unrefined sugar and molasses are the major national exports, though their share in the total has declined in recent years. In this connexion, it should be noted that sugar production in Barbados has undergone fairly wide fluctuations and has shown no definite growth tendency, so that the greater value of exports of those products in 1966-1968 (and even more so in the years immediately prior to 1966) is due principally to the greater unit value of exports to the United States, following the re-allocation to the Caribbean and other Latin American countries of the quota that was previously granted to Cuba. It is also interesting to note that the participation of Barbados in the British Commonwealth sugar agreement and its access to the United States market helped to prevent its sugar exports from suffering the effects of the sharp drop in sugar prices in the free trade area.

In recent years, Barbados has been able to develop some new exports; although these represent only a slight proportion of the total, they signify the beginning of a greater diversification of exports. Particular mention may be made of crustacea and molluscs, lard and margarine, and some textile manufactures.

/Table 3

Table 3

BARBADOS: TOTAL EXPORTS, BY MAJOR COMMODITIES

SITC Sections	Millions of dollars		Percentage of total	
	1958-1960	1966-1968	1958-1960	1966-1968
<u>Over-all total</u>	<u>24.9</u>	<u>39.6</u>	-	-
National exports	21.4	28.7	100.0	100.0
Section 0	19.5	24.7	91.1	86.1
Crustacea and molluscs	...	2.8	...	9.7
Raw sugar	16.4	18.6	76.6	64.1
Molasses	2.4	1.9	11.2	6.6
Lard and margarine	...	0.6	...	2.1
Section 1	1.3	1.8	6.1	6.3
Rum	1.3	1.7	6.1	5.9
Section 2	-	0.2	-	0.6
Section 3	-	0.3	-	0.9
Section 4	-	0.1	-	0.3
Section 5	0.5	0.3	2.3	0.9
Section 6	-	0.4	-	1.4
Section 7	-	0.3	-	0.9
Section 8	-	0.8	-	2.8

<u>Source</u>: United Nations, <u>Yearbook of International Trade Statistics</u>, various issues.

/Guyana's exports

Guyana's exports are somewhat more diversified than Barbados', although in any case only three commodities (rice, sugar and bauxite) represent an average of 83 per cent of the total value of exports. The figures in table 3 show that rice exports grew fairly rapidly between the periods 1958-1960 and 1966-1968, while sugar exports remained at approximately the same level. In fact, the production of both rice and sugar reached a high rate of growth in the early 1950s, but while rice output continued to increase in the 1960s, the production of sugar suffered some setbacks, failing to rise above the figures recorded in previous years. Thus, the opening up of the United States market to Guyana's sugar exports (and the higher prices obtained on that market) served only to counteract the effects of the smaller volume of exports registered in the last few years. The value of sugar exports in 1966-1968 was thus approximately equal to their value in 1958-1960, but as in the same period the export value of other products increased, the share of sugar in the total value of exports declined from 49 to 28 per cent (see table 4).

The production of bauxite contributed most to the expansion of Guayana's export. The average value of these exports tripled in the course of the period concerned and their share in total exports rose from 23 to 42 per cent, ousting sugar from its places as the country's principal export item. The expansion of bauxite production and exports was due to the tariff and tax concessions accorded to foreign companies engaged in this activity. In the extractive industries sector, exports of manganese ore were initiated and diamond exports increased.

The changes in the respective share of the three most important commodities in Guyana's total exports, while not diminishing their proportion as a whole (83 per cent in 1958-1960 and 1966-1968), at least altered the structure of exports in favour of bauxite and other mining products, world demand for which, in general, has been more dynamic and has fluctuated less than demand for most agricultural commodities.

/Table 4

Table 4

GUYANA: TOTAL EXPORTS, BY MAJOR COMMODITIES

SITC Sections	Millions of dollars		Percentage of total	
	1958-1960	1966-1968	1958-1960	1966-1968
Total	63.6	109.9		
National exports	62.7	106.8	100.0	100.0
Section 0	39.8	50.4	63.5	47.2
Crustacea and molluscs	...	4.0	...	3.7
Rice	6.4	14.0	10.2	13.1
Raw sugar	30.8	29.7	49.1	27.8
Molasses	...	2.1	...	2.0
Section 1	2.0	2.5	3.2	2.3
Rum	1.9	2.5	3.0	2.3
Section 2	17.7	49.6	28.2	46.4
Wood	1.6	1.7	2.6	1.6
Bauxite	14.6	45.0	23.3	42.1
Manganese	-	2.5	-	2.3
Section 3	-	-	-	-
Section 4	-	-	-	-
Section 5	0.7	0.8	1.1	0.7
Section 6	1.8	3.2	2.9	3.0
Diamonds	1.8	2.9	2.9	2.7
Section 7	0.3	-	0.5	-
Section 8	0.2	0.2	0.3	0.2

Source: United Nations, Yearbook of International Trade Statistics, various issues.

/As stated

As stated previously, exports grew more rapidly in Jamaica than in any other Caribbean country, particularly in the 1950s. They are also more diversified, even though only three products - sugar, bananas and bauxite (including alumina) - supply the bulk of Jamaica's export earnings. Between 1958-1960 and 1966-1968, the value of exports of these three products increased in varying amounts, the largest increments being in bauxite and alumina; however, the share of sugar in the total decreased from 27 to 20 per cent, and that of bananas from 10 to 8 per cent. This was due, as indicated by the above figures, not to a decline in export values but rather to the faster growth of bauxite and alumina exports, which together accounted for about 48 per cent of total exports. The expansion of these exports has been stimulated by the various concessions accorded to the companies controlling production and by the favourable trend of external demand. Preferential arrangements with the United Kingdom have guaranteed the access of agricultural products (sugar, bananas and citrus fruit) to that market at relatively stable prices. The unit sales value of bananas was raised by exporting them in cartons instead of stems. In contrast, coffee and cocoa exports were affected by a decline in production (see table 5).

The exports which have become most important in recent years are fuels, clothing and footwear, some chemical products and cement, all of which, although they represent fairly small proportions of the total value, have contributed to the diversification of Jamaica's exports.

Exports from Trinidad and Tobago consist mainly of petroleum and petroleum products, the share of agricultural products being the smallest in this group of countries. The growth of exports of petroleum and petroleum products is atributable partly to the development of domestic production, but mainly to imports of crude for local refining. In fact, while domestic production of crude petroleum increased by 79 per cent between 1958 and 1968, imports of crude rose 241 per cent. The expansion of refining was favoured by the unstable conditions that have affected producers in the Middle East in certain years, and probably also by the more liberal treatment of foreign investment than in other Latin American countries (see table 6).

/Table 5

Table 5

JAMAICA: TOTAL EXPORTS, BY MAJOR COMMODITIES

SITC Section	Millions of dollars		Percentage of total	
	1958-1960	1966-1968	1958-1960	1966-1968
Total	144.5	229.3	-	-
National exports	138.0	220.7	100.0	100.0
Section 0	59.9	79.0	43.4	35.8
Raw sugar	37.6	44.4	27.3	20.1
Molasses	...	3.1	...	1.4
Bananas	13.7	17.5	9.9	7.9
Canned fruit	1.8	3.2	1.3	1.4
Fruit juices	2.3	2.9	1.7	1.3
Coffee	1.0	0.7	0.7	0.3
Cocoa	1.7	0.9	1.2	0.4
Section 1	5.4	6.8	3.9	3.1
Rum	3.5	2.9	2.5	1.3
Section 2	66.8	109.1	48.4	49.4
Bauxite	32.2	49.9	23.4	22.6
Alumina	32.8	57.6	23.8	26.1
Section 3	-	7.1	-	3.2
Section 4	-	-	-	-
Section 5	1.6	5.2	1.2	2.4
Section 6	1.5	3.2	1.1	1.4
Section 7	-	-	-	-
Section 8	2.4	10.0	1.7	4.5
Clothing	...	7.8	...	3.5

Source: United Nations, Yearbook of International Trade Statistics (various issues).

/Table 6

Table 6

TRINIDAD AND TOBAGO: TOTAL EXPORTS, BY MAJOR COMMODITY

SITC Section	Millions of dollars		Percentage of total	
	1958-1960	1966-1968	1958-1960	1966-1968
Total	265.5	444.6	-	-
National exports	257.5	439.4	100.0	100.0
Section 0	31.4	34.5	12.2	7.9
Raw sugar	19.5	22.2	7.6	5.1
Molasses	-	1.6	-	0.4
Coffee	1.2	2.0	0.5	0.5
Cocoa	6.2	3.3	2.4	0.8
Fruit	3.3	3.7	1.3	0.8
Section 1	1.9	1.8	0.7	0.4
Rum	1.7	1.2	0.7	0.3
Section 2	2.7	2.8	1.0	0.6
Natural asphalt	1.2	1.9	0.5	0.4
Section 3	213.4	348.3	82.9	79.3
Section 4	0.2	0.2	-	-
Section 5	3.2	39.7	1.2	9.0
Ammonium compounds	-	15.6	-	3.6
Tar destillates	3.2	15.1	1.2	3.4
Ammonium sulphate	-	4.9	-	1.1
Section 6	3.0	4.6	1.2	1.0
Section 7	0.1	2.5	-	0.6
Section 8	1.5	4.4	0.6	1.0
Clothing	-	2.3	-	0.5

Source: United Nations, Yearbook of International Trade Statistics (various issues).

/Concurrently with

Concurrently with the expansion of oil production and refining, Trinidad and Tobago has developed the production and export of some petrochemical products, which in 1966-1968 already represented 9 per cent of total exports. These coupled with the increases recorded in exports of other manufactures, give Trinidad and Tobago's exporting sector a somewhat different character from that of other Caribbean countries, both because of the high proportion of petroleum products and because of the volume of manufactured products, whose share in total exports is larger than in any other Caribbean country.

The relatively small share of agricultural products, however, bears no relation to the importance of their production at the levels of personal income and domestic economic activity. Both oil production and refining and the petrochemical industry are highly capital-intensive activities employing a relatively small amount of manpower; hence, their rapid expansion has done little or nothing to solve the serious unemployment problem affecting about 20 per cent of the labour force. The sluggish growth of agricultural exports (which constitute the biggest source of employment) has not helped either to solve the unemployment problem.

/3. Trend

3. Trend of imports

In every Caribbean country, the growth of imports between 1950-1952 and 1967-1969 followed roughly the same pattern as that of exports. As can be seen from table 7, in three of the countries (Guyana, Jamaica and Trinidad and Tobago) the fastest-growing period was from 1950-1952 to 1960-1962, after which the rate of expansion showed a tendency to decline. Barbados' period of rapid growth, on the contrary, was between 1960-1962 and 1967-1969. Moreover, whereas Barbados' total imports grew considerably faster than its exports, the growth rate of imports was slightly lower than that of exports in the other three countries.

Table 7

CARIBBEAN COUNTRIES: AVERAGE VALUE OF TOTAL IMPORTS
(Millions of dollars)

	1950-52	1960-62	1967-69	1960-62 / 1950-52	1967-69 / 1960-62	1967-69 / 1950-52
Barbados	28	49	87	5.8	8.5	6.9
Guyana	40	82	120	7.5	5.6	6.6
Jamaica	84	217	392	10.0	8.8	9.5
Trinidad and Tobago	123	329	438	10.4	4.2	7.8
Total	275	677	1 037	9.4	6.3	6.3

Source: Handbook of International Trade and Development Statistics (United Nations publication, Sales No. : E/F.69.II.D.15); United Nations, Monthly Bulletin of Statistics.

/An important

An important aspect of the general trend of imports in these countries is the extent of the changes in composition in terms of major categories of products. First of all, imports of food, beverages and tobacco are relatively high, particularly in Barbados, which has the region's least diversified agricultural sector. In Barbados as in Guyana and Jamaica, nonetheless, these imports expanded more slowly than those of other products and consequently accounted for a smaller percentage of the total during the later years. Such was not the case in Trinidad and Tobago, where this particular group of products continued to make up around a quarter of the country's total imports. Although the reference periods for estimating the changes in the composition of imports are not very wide apart and therefore cannot be expected to indicate any major modification, it would nevertheless seem fair to conclude that the import substitution policy for food products - one of the principal objectives of all the Caribbean countries' economic policy - has had fairly meagre results.

Though they only make up a small percentage of the total, imports of crude materials and animal and vegetable oils and fats (sections 2 and 4 of SITC) have declined in relative importance throughout the Caribbean, except in Trinidad and Tobago.

Barbados and Guyana showed a tendency to increase the percentage of fuels and lubricants in their total imports, unlike Jamaica where the growth rate was much slower and represented a relative decline - partly because of the domestic production of petroleum which has developed in recent years into an export product. Petroleum imports serve a different purpose in Trinidad and Tobago, being used not to satisfy domestic demand - as in the other countries - but to expand the capacity of local refineries to export petroleum products. The increase in these imports, from 32 per cent of the total in 1958-1960 to 51 per cent in 1966-1968, is clearly indicative of the growth of one of this country's industrial activities but does not have the same significance for countries where petroleum is for domestic consumption. It has therefore been left out of the present calculations, so as not to give a false picture of the percentage shares of all the other groups of products (see table 8).

/Table 8

Table 8

CARIBBEAN COUNTRIES: TOTAL IMPORTS, BY SITC SECTION

	Millions of dollars		Percentage of the total	
	1958-1960	1966-1968	1958-1960	1966-1968
Barbados				
Total	44.9	79.2	100.0	100.0
Foods, beverages and tobacco (sections 0 and 1)	13.8	20.8	30.7	26.3
Crude materials, oils and fats (sections 2 and 4)	2.6	3.4	5.8	4.3
Fuels and lubricants (section 3)	2.3	7.6	5.1	9.6
Chemicals (section 5)	3.4	6.0	7.6	7.6
Various manufactured goods (sections 6 and 8)	13.8	23.9	30.7	30.1
Machinery and transport equipment (section 7)	7.6	15.1	16.9	19.1
Other goods (section 9)	1.5	2.5	3.3	3.2
Guyana				
Total	72.9	118.8	100.0	100.0
Sections 0 and 1	14.5	19.9	19.9	16.7
Sections 2 and 4	1.4	2.0	1.9	1.6
Section 3	5.6	10.1	7.7	8.5
Section 5	5.6	11.1	7.7	9.3
Sections 6 and 8	26.2	38.4	35.9	32.3
Section 7	19.4	36.6	26.6	30.8
Section 9	0.3	0.6	0.4	0.5
Jamaica				
Total	196.7	353.5	100.0	100.0
Sections 0 and 1	44.3	71.7	22.5	20.3
Sections 2 and 4	8.9	12.1	4.5	3.4
Section 3	17.5	27.3	8.9	7.7
Section 5	16.1	28.5	8.2	8.1
Section 6 and 8	66.0	121.2	33.6	34.3
Section 7	43.7	91.8	22.2	26.0
Section 9	0.3	0.6	0.2	0.2
Trinidad and Tobago				
Total	265.5	428.7		
Fuels (section 3)	86.0	218.8		
Total, excluding section 3	179.5	209.9	100.0	100.0
Sections 0 and 1	43.1	52.0	24.0	24.8
Sections 2 and 4	5.7	8.5	3.2	4.1
Section 5	12.5	20.2	7.0	9.6
Sections 6 and 8	68.7	72.4	38.3	34.5
Section 7	47.3	54.0	26.3	25.7
Section 9	2.1	2.6	1.2	1.2

Source: United Nations, Yearbook of International Trade Statistics (several issues).

/4. Direction

4. Direction of trade

To a large extent, the distribution of the Caribbean countries' trade among the major areas or countries of the world is the result of the traditional links they had with the United Kingdom prior to becoming independent. As members of the British Commonwealth, the Caribbean countries have free access to or preferential treatment in the United Kingdom market for their major exports and, in return, grant preferential treatment to imports from the United Kingdom. However, while the preferences granted by the United Kingdom are confined to agricultural products, those granted by the Caribbean countries apply to all imports. Because of this, the United Kingdom has held a dominant share in the foreign trade of the Caribbean countries, its relative share depending in each case on the proportion of agricultural exports in total exports. During the 1960s, however, there was a steady decline in the United Kingdom's share in the imports and exports of each of the Caribbean countries. With respect to exports, this decline was mainly attributable to the fact that the growth of exports was for the most part accounted for by mining products which either do not enjoy preferences or are exported to the country of origin of the company controlling production. With respect to imports, the decline is an indication that the preferential tariff has not always been the determining factor as regards origin, for its effects have been cancelled out or offset by other tariff concessions, for example special concessions covering imports of equipment, machinery and supplies for the installation of new industries or the expansion of existing industries.

In brief, it can be said that the most salient trend in Caribbean trade during the 1960s (as regards the origin and destination of imports and exports) has been the gradual erosion of the dominant position of the United Kingdom and the growth in the share of trade with the United States, which in some cases has taken over the United Kingdom's position as major trade partner. Moreover, the decline in the United Kingdom's position has been due not to changes in its preferential trade with the Caribbean countries, but to the fact that their exports are growing and to the inflow of foreign investment (mainly from the United States) attracted by the concessions they offer.

/Not surprisingly

Not surprisingly, Barbados' exports are the most concentrated in the United Kingdom market, owing to the large share of sugar exports and the preferential regime established under the British Commonwealth Sugar Agreement. In 1958-1960 the United Kingdom absorbed 60 per cent of Barbados' total exports, followed by Canada with 16 per cent. By 1966-1968, developments in the world sugar market had changed the distribution of exports, with the United Kingdom's share standing at 43 per cent of the total (although in absolute values exports to the United Kingdom remained unchanged) and Canada falling to third place with only 8 per cent. The decline in the share of these two countries, and the rise of the United States to the second most important market for Barbados' exports is attributable to the fact that Barbados (and other Caribbean countries) was given a United States sugar quota when all trade with Cuba was prohibited. Access to the United States market also meant that the sugar exports not covered by the British Commonwealth Sugar Agreement, which had formerly had to be sold either to the United Kingdom or to Canada or to any other country at world free market prices, could be sold to the United States at prices much higher than those prevailing in the free market. Nevertheless, despite these changes in the relative share of the United Kingdom, the United States and Canada, total exports from Barbados continue to be concentrated virtually exclusively in these three countries, probably because they are so little diversified.2/ Although its exports to developing countries increased in absolute terms (virtually all to other Caribbean countries and territories), the share of such exports in the total declined slightly between 1958-1960 and 1966-1968 (see table 9).

2/ These three countries absorbed 80 per cent of total exports in 1958-1960 and 64 per cent in 1966-1968, but in the latter period the proportion of exports not classified by destination was much higher (18 per cent).

/Table 9

Table 9

CARIBBEAN COUNTRIES: TOTAL EXPORTS BY MAJOR AREAS AND COUNTRIES OF DESTINATION, 1958-1960 AND 1966-1968

	Millions of dollars		Percentage of the total	
	1958-1960	1966-1968	1958-1960	1966-1968
Barbados				
Total	25	40	100	100
Developed areas	20	26	80	65
Developing areas	5	7	20	18
Soviet areas	-	-	-	-
Unclassified a/	-	7	-	18
United States	1	5	4	13
Canada	4	3	16	8
EEC countries	-	-	-	-
EFTA countries	15	17	60	43
United Kingdom	15	17	60	43
Japan	-	-	-	-
Latin America b/	-	-	-	-
Guyana				
Total	63	110	100	100
Developed areas	53	86	84	78
Developing areas	9	18	14	16
Soviet areas	-	-	-	-
Unclassified a/	1	5	2	4
United States	7	26	11	24
Canada	18	22	29	20
EEC countries	2	4	3	4
EFTA countries	26	32	41	29
United Kingdom	26	25	41	23
Japan	-	-	-	-
Latin America b/	-	-	-	-
Jamaica				
Total	139	222	100	100
Developed areas	134	204	96	92
Developing areas	5	14	4	6
Soviet areas	-	-	-	-
Unclassified a/	-	3	-	1
United States	40	86	29	39
Canada	32	32	23	14
EEC countries	3	4	2	2
EFTA countries	58	80	42	36
United Kingdom	47	57	34	26
Japan	-	-	-	-
Latin America b/				
Trinidad and Tobago				
Total	258	444	100	100
Developed areas	170	335	66	75
Developing areas	53	74	21	17
Soviet areas	-	-	-	-
Unclassified a/	35	35	13	8
United States	47	188	18	42
Canada	13	18	5	4
EEC countries	23	26	9	6
EFTA countries	87	90	34	20
United Kingdom	77	54	30	12
Japan	-	-	-	-
Latin America b/	12	9	5	2

Source: International Monetary Fund and International Bank for Reconstruction and Development, Direction of Trade. A Supplement to International Financial Statistics, Annual 1958-1962 and Annual 1964-1968.

a/ Includes exports under the entry "Special Categories" and also exports that could not be assigned to any area; the forme includes must by ships bunkers, as noted in the above-mentioned source.

b/ Includes nineteen Latin American republics, not including Cuba which the source places among the Soviet countries.

/The country

The country distribution of Guyana's exports shows similar trends to that of Barbados. The United Kingdom (which absorbed 41 per cent of the total in 1958-1960) and Canada (29 per cent in 1958-1960) were relegated to second and third place, respectively, as a result of the sharp upswing in exports to the United States during the 1960s. In 1966-1968 the United States absorbed 24 per cent of total exports, while the United Kingdom and Canada accounted for 23 and 20 per cent respectively. The rise of the United States to Guyana's major export market was due to some extent to the access to it of some of Guyana's sugar exports but mainly to the expansion of production and exports of bauxite. This was also a contributory factor to the increase in exports to other countries (Norway and Sweden in EFTA and Netherlands and Italy in the EEC) which, while not of great significance, did at least constitute a break-through into new markets for Guyana's exports. The share of exports to developing countries, mainly Caribbean countries, rose from 14 per cent in 1958-1960 to 6 per cent in 1966-1968 and was composed mainly of rice exports, Guyana having become a major rice supplier under an agreement between a number of Caribbean countries and territories.

The United States was already Jamaica's major export market in 1958-1960 (accounting for 29 per cent of total exports) and its share rose steadily to reach 39 per cent in 1966-1968. The reasons for this were similar to those in Barbados and Guyana, namely access to the United States market for part of its sugar exports and increased production and exports of bauxite and alumina. Another contributory factor, although of less importance, was the increase in Jamaica's exports of textile manufactures. During the same period the United Kingdom's share of exports fell from 34 to 26 per cent and Canada's from 23 to 14 per cent. Exports to other European countries (chiefly the other members of EFTA) increased their share in the total, rising from 8 per cent in 1958-1960 to 10 per cent in 1966-1968. Exports to the EEC countries, however, remained at negligible levels. Lastly, it should be noted that the proportion of Jamaica's exports going to developing countries was the lowest of the Caribbean countries.

/Although the

Although the structure of Trinidad and Tobago's exports is fundamentally different from that of the other Caribbean countries, because of the large share taken up by petroleum and petroleum products, the country distribution of its exports changed in similar fashion. The value of its exports to the United States rose from 47 to 188 million dollars between 1958-1960 and 1966-1968 (18 and 42 per cent of the total, respectively) making the United States its most important export market. Most of the increment was attributable to petroleum products and the products of petrochemical industry (chiefly fertilizers) and to certain manufactures produced by subsidiaries of United States companies. As in the other Caribbean countries, but much more markedly so, the share of the United Kingdom in Trinidad and Tobago's exports fell, from 30 to 12 per cent, this being the only case in which exports to the United Kingdom fell in absolute terms. Petroleum and petroleum products do not receive preferential treatment in the United Kingdom, and hence Trinidad and Tobago does not have the same degree of market access to the United Kingdom as the other Caribbean countries, whose exports are composed mainly of agricultural commodities. Sugar, Trinidad and Tobago's major agricultural export, accounted for only 5 per cent of total exports in 1966-1968.

The decline in exports to the United Kingdom was, however, offset by the increase in exports to other members of EFTA, whose share in total exports increased from 4 to 8 per cent.

Trinidad and Tobago is the only Caribbean country whose exports to the EEC countries are of any significance, although they have fluctuated rather substantially. Although in value they rose slightly during the period considered, their share fell from 9 to 6 per cent. Exports to Canada followed a similar trend; being mainly composed of sugar, they were partially diverted to the United States market. Although sugar exports to Canada do not receive preferential treatment, in 1967 Canada agreed to return part of the import duties applied to Caribbean importers but, owing to the low price of sugar in the free market, this was not sufficient to counteract the high price on the United States market.

/A feature

A feature common to all the Caribbean countries is the absence of export flows to the socialist countries. Similarly, export trade to Japan has been only very occasional and in virtually insignificant amounts. The situation is not the same, however, with the Latin American countries. Trinidad and Tobago is the only country with a steady export trade with certain Latin American countries, an average value of 12 million dollars in 1958-1960 which fell to 9 million in 1966-1968. The major market was Brazil, followed by Argentina and Venezuela. In recent years, Jamaica has exported some low-value items to Honduras.

With respect to imports, the most striking feature, as noted above, is the growing importance of imports from the United States. The most marked increase, in both absolute and relative terms, has been in imports by Guyana and Jamaica, where the expansion of bauxite and alumina production was financed by fresh United States investment. In Barbados and Trinidad and Tobago the rate of growth of imports from the United States was comparatively lower but still sufficient to raise the United States share in total imports (see table 10).

The growth of imports from the United States was accompanied by a decline in the share of imports from the United Kingdom, although only in the case of Trinidad and Tobago was there a decline in the value of United Kingdom imports. Considering that all the Caribbean countries have a fairly high margin of preference in favour of the United Kingdom, this decline in the United Kingdom's share demonstrates that preferential tariff concessions may be of only relative value if they are offset by other factors, for example differences in price, quality or the other cost components of imports, or tariff exemptions on imports of machinery, equipment and supplies for the installation of new import-saving or export-oriented industries. In all the Caribbean countries, the incentives offered to foreign investment have played an important role in the expansion of certain primary and manufacturing activities and in the promotion of the tourist industry, and this in turn stimulated a greater flow of imports from the countries (principally the United States and Canada) supplying the investment.

/Table 10

Table 10

CARIBBEAN COUNTRIES: TOTAL IMPORTS BY MAJOR AREAS AND COUNTRY OF ORIGIN, 1958-1960 AND 1966-1968

	Millions of dollars		Percentage of the total	
	1958-1960	1966-1968	1958-1960	1966-1980
Barbados				
Total	45	79	100	100
Developed areas	35	62	78	78
Developing areas	9	17	20	22
Soviet areas	-	-	-	-
Unclassified	-	-	-	-
United States	5	10	11	13
Canada	6	7	13	9
EEC countries	4	7	9	9
EFTA countries	18	24	40	30
United Kingdom	17	23	38	29
Japan	1	1	2	1
Latin America	1	7	2	9
Guyana				
Total	73	119	100	100
Developed areas	60	98	82	82
Developing areas	12	19	16	16
Soviet areas	1	1	1	1
Unclassified	-	1	-	1
United States	12	30	16	25
Canada	6	12	8	10
EEC countries	7	13	10	11
EFTA countries	31	36	42	30
United Kingdom	31	35	42	29
Japan	1	4	1	3
Latin America	-	-	-	-
Jamaica				
Total	196	351	100	100
Developed areas	167	306	85	87
Developing areas	26	41	13	12
Soviet areas	1	-	-	-
Unclassified	2	3	1	1
United States	44	133	22	38
Canada	21	37	11	11
EEC countries	24	34	12	10
EFTA countries	72	80	37	23
United Kingdom	71	73	36	21
Japan	4	9	2	3
Latin America	4	23	2	7
Trinidad and Tobago				
Total	264	429	100	100
Developed areas	158	190	60	44
Developing areas	94	233	36	54
Soviet areas	1	-	-	-
Unclassified	11	6	4	1
United States	36	64	14	15
Canada	16	22	6	5
EEC countries	19	16	7	4
EFTA countries	86	71	33	17
United Kingdom	83	66	31	15
Japan	-	6	-	1
Latin America	65	179	25	42

Source: As for table 9.

/Imports from

Imports from the EEC countries account for a larger share of the total than exports to them, in Barbados and Guyana they grew at a rate comparable with that of total imports, while in Jamaica and Trinidad and Tobago they grew much more slowly, especially in Trinidad and Tobago where their absolute value slightly declined.

The trend of imports from Latin America was more favourable than that of exports to it. While Trinidad and Tobago was the only Caribbean country exporting to other Latin American countries, with the share of such exports falling from 5 per cent in 1958-1960 to 2 per cent in 1966-1968, imports from the Latin American countries increased substantially in Barbados Barbados, Jamaica and Trinidad and Tobago. In the case of Trinidad and Tobago, this increase was virtually all due to increased purchases of crude petroleum from Venezuela and Colombia and is related to the expansion of plants refining petroleum for export. The scale of the increase in Trinidad and Tobago's imports of petroleum from these countries can be judged by the fact that their share in total imports rose from 25 per cent in 1958-1960 to 42 per cent in 1966-1968. Over the same period, the share of imports from Latin American countries in the total increased 2 to 9 per cent in Barbados and from 2 to 7 per cent in Jamaica, this being due in both cases, as in Trinidad and Tobago, to increased imports from Venezuela.

The formation of the Caribbean Free-Trade Association (CARIFTA) as a result of the agreement that entered into force on 1 May 1968, boosted reciprocal trade among the Caribbean countries. The application of the first two sections of the automatic liberalization programme established in the agreement (a 20 per cent reduction in tariffs in May 1969, and a further 20 per cent in May 1970) has certainly been an important factor in the growth of intra-Caribbean trade. Between 1967 and 1969, imports from other Caribbean countries had risen by 50 per cent in Barbados, 31 per cent in Jamaica, 23 per cent in Trinidad and Tobago and 14 per cent in Guyana. In absolute terms, however, reciprocal trade among the Caribbean countries is still at an insignificant level and future growth will be hampered by the lack of diversification.

/II. TRADE

II. TRADE POLICY

The general lines of the trade policy of the countries of the Caribbean may be difined in the light of certain characteristics and objectives that are common to all these countries. In the first place, the countries consider it necessary to maintain their position within the British Commonwealth system of preferences, which guarantees free access to the United Kingdom market for their chief agricultural export products, though this also means the granting of tariff concessions on imports from the United Kingdom. In the second place, they try to keep their economies open, within the limits compatible with the need to ensure a minimum degree of protection for domestic industry in order to speed up the economic growth rate. Lastly, a process of economic co-operation and subregional integration has been initiated as a key factor in overcoming the obstacles to economic development caused by the relatively small size of the domestic markets.

These basic features of trade policy provide a general framework for examining its development in recent years; such policy will also be related to those aspects of international trade and external financing that are of interest to all developing countries.

1. Participation by the Caribbean countries in the British Commonwealth system of preferences

In all the English-speaking countries of the Caribbean there is a two-tier tariff system under which there are two sets of duties for every item or sub-item: one applicable to the members of the British Commonwealth, and another, higher duty, applicable to all other countries. This system was established as a result, not of negotiations between countries, but of the colonial relationship these countries had with the United Kingdom up to a few years ago. The changes that the Caribbean countries have introduced in their tariff systems in the years following the achievement of their independence have not generally interfered with the margins of preference established previously in favour of the United Kingdom and other developed countries of the British Commonwealth.

/The counterpart

The counterpart to preferential treatment by the countries of the Caribbean for imports from the British Commonwealth is to be found in the preferential arrangements in the United Kingdom and Canada for products exported by the Caribbean countries. It should be made clear that, while the Caribbean countries extend preferences to nearly all the developed countries of the British Commonwealth, the system is not entirely reciprocal, since the preferences they enjoy on return are granted almost exclusively by the United Kingdom and Canada.

Although the British preferential arrangements are the result of a long-standing process, their current features were formalized at the economic conference held in Ottawa in 1932. When the General Agreement on Tariffs and Trade (GATT) was negotiated in 1947, it was stipulated in article 1 that most-favoured-nation treatment should not require the elimination of any preferences in force between two or more of the territories listed in Annex A (that is, dependent territories of the United Kingdom of Great Britain and Northern Ireland, apart from the other countries of the British Commonwealth). However, they United Kingdom made no tariff concessions on behalf of its dependent territories.

From the moment they acquired their independence, the four countries of the Caribbean became Contracting Parties of GATT, by virtue of article XXVI.3/ This meant that these countries did not need to enter into negotiations with the other contracting parties in respect of tariff concessions, as is explicitly established in article XXXIII, so that they had greater freedom to introduce substantive changes in their system

3/ "If any of the customs territories, in respect of which a contracting party has accepted this Agreement, possesses or acquires full autonomy in the conduct of its external commercial relations and of the other matters provided for in this Agreement, such territory shall, upon sponsorship through a declaration by the responsible contracting party establishing the above-mentioned fact, be deemed to be a contracting party". GATT, Basic Instrument and Selected Documents, vol. IV, Geneva, March 1969.

/of tariffs

of tariffs and their trade policy in general, as they had not consolidated their system of duties as a result of negotiations. They were also able to subscribe to section A of article XVIII which permits the developing countries to modify or withdraw concessions when this is considered necessary to protect nascent industries. In the case of this article, however, it must be understood that the withdrawal or modification refers to negotiated concessions; but since the United Kingdom did not concessions on behalf of the territories that are today independent countries of the Caribbean, the GATT restrictions relate to the margins of preference between the countries of the British Commonwealth that already exist. That is to say, the countries of the Caribbean may unilaterally modify their tariffs provided that such modifications do not alter the margin of preference that existed when the General Agreement entered into force.

Even in this case, it must be stressed that the provisions of the General Agreement have been fairly flexibly applied to developing countries; thus, the reason why the Caribbean countries have not suggested the need for a complete overhaul of the system of reciprocal preferences with some Commonwealth countries is that they set more value on the preference they receive from the United Kingdom and Canada for their main exports of primary commodities than on the preferences they grant for manufactures imported from those countries. It must be recognized, moreover, that this need has not arisen, because, the Caribbean countries, being free to establish their tariffs levels (which have not been laid down in negotiations with the Contracting Parties), the only requirement they have had to meet in changing them is to maintain the margin of preference existing prior to the introduction of changes. By way of illustration, the following changes were made in the customs tariffs for some products in Jamaica:

SITC Items	Duties in force (percentages *ad valorem*): 31 December 1964		4 July 1967	
	Preferential	General	Preferential	General
013-02	10	25	12.5	30.5
013-09.9	10	25	12.5	30.5
053-01.	25	40	33.0	53.0
053-02.	25	40	33.0	53.0
053-03.9	10	15	12.5	18.5
053-04.	20	30	26.5	40.0
541-01.	20	30	24.5	36.5
541-04.9	10	15	12.5	18.5
721.04.1	20	30	36.5	48.5
811-01.	15	25	18.5	30.5
812-01.	20	30	24.5	36.5
812-04.	15	20	18.5	24.5
821-01.	30	35	36.5	42.5

Source: Jamaica, Customs Tariff of Import Duties (Kingston, The Government Printer, December 1964); The Jamaica Gazette Supplement, vol. XC, N° 80, July 7, 1967.

It should be noted in this respect that the changes in the rate of duty *ad valorem* referred to above have meant an increase in the absolute margin of preference accorded for imports from British Commonwealth countries. Such changes would appear to contravene the provisions in paragraph 4 of article I of the General Agreement, as can be seen from the "Notes and supplementary provisions" contained in annex I to the Agreement:

> "The term 'margin of preference' means the absolute difference between the most-favoured-nation rate of duty and the preferential rate of duty for the like product, and not the proportionate relation between those rates. As examples: (1) If the most-favoured-nation rate were 36 per cent *ad valorem* and the preferential rate were 24 per cent *ad valorem*, the margin of preference would be 12 per cent *ad valorem*, and not one-third of the most-favoured-nation rate".4/

4/ GATT, Basic Instrument and Selected Documents, vol IV, *op. cit.*, p. 62.

Turning again to the above examples, it will be noted that in raising the ad valorem rate Jamaica has not kept strictly to the rule established in the General Agreement, since it has tried to maintain the proportionate relation between the preferential rate of duty and the general rate of duty, and not the absolute difference between them. Thus, for example, a product for which there had formerly been a preferential rate of duty of 20 per cent ad valorem and a general rate of 30 per cent ad valorem, enjoyed an absolute margin of preference of 10 per cent ad valorem; if those rates are raised to 26.5 and 40 per cent ad valorem, respectively, the same proportionate relation is maintained, but the absolute margin of preference will have increased to 13.5 per cent ad valorem.

The reason why Jamaica has followed this practice in modifying its tariffs apparently lies in the provisions of the 1925 West Indies-Canada Trade Agreement, which stipulates that the margin of preference will represent a certain percentage of the rate of duty established for imports from third countries.

This does not seem to be common practice in all the Caribbean countries however. In some of the changes introduced in Trinidad and Tobago's customs tariff, the previous absolute margin of preference has been maintained. The following examples illustrate this point:

SITC items	Duties in force (percentages ad valorem):			
	6 April 1962		28 February 1969	
	Preferential	General	Preferential	General
652.02.001	20	30	40	50
653.05	25	35	40	50
653.07	25	35	40	50
721.06.09	20	30	5	15
721.06.01	20	30	35	45
899.08	20	30	30	40

Source: Schedules of Import duties and Exemptions from Duties Imposed under the Customs Ordinance (Trinidad, W.I., Government Printing House, 1962); Combined Trade Classification List and Schedules of Import Duties and Exemptions from Duties Imposed under the Customs Ordinance (Trinidad and Tobago, Government Printery, 1969).

/As can

As can be seen from these examples, tariff adjustments in Trinidad and Tobago generally keep the absolute margin of preference of 10 per cent ad valorem in relation to the general tariff. Although in this way the relative margin of preference shrinks more and more the higher the new tariff rises, the opposite occurs if the change consists of a reduction in the previous tariff levels, i.e., the relative margin of preference increases considerably.

This subject calls for some observations. First, as indicated above, the GATT provisions determine that the margin of preference is the absolute difference between the general and the preferential tariff. According to the West Indies-Canada Trade Agreement, the margin of preference is the relative proportion between the two tariffs. As has just been shown, Trinidad and Tobago adopted the first rule and Jamaica the second. Since both countries are members of GATT, and also members of the British Commonwealth and parties to the above-mentioned Trade Agreement,5/ the question is which of the two rules takes precedence over the other, or whether the countries concerned can choose either one. Secondly, it would be useful to determine which of these rules would be more advantageous from the standpoint of the expansion of reciprocal trade between the Caribbean countries and other developing nations, e.g., the Latin American countries, in view of the interest shown by the Caribbean nations in stepping up trade with these countries and even in joining one of the regional economic integration systems. It is obviously impossible to hazard an answer to this question, because a comparison of the new tariff levels with the old (whether they maintain the absolute or the relative margin of preference) is not in itself an adequate basis for establishing whether they have more

5/ Although this Agreement was signed when the Caribbean countries were still territories dependent on the United Kingdom, at the Commonwealth Caribbean-Canada Conference held in June 1966, it was reaffirmed that the 1925 Agreement continued to be an adequate instrument for trade relations between those countries. See Final Communiqué, Commonwealth Caribbean-Canada Conference, Guyana, 8 July 1966.

/in itself

in itself an adequate basis for establishing whether they have more restrictive or less restrictive effects on trade with countries which are not accorded a preferential treatment. At first sight, it might be thought that if the tariff changes consist of increases in the rates applicable to specific products (as has happened most frequently) and such changes are designed to maintain the absolute margin of preference, the reduction in the relative margin of preference would make products from "third countries" more competitive than those obtained from the preference area. In all probability, however, this reduction in the relative margin of preference would do nothing to improve their competitive position; on the contrary, it might even worsen it, owing to the greater efficiency and productivity of manufacturing in developed countries than in developing nations. This question would have to be examined in relation to each product for which the customs duties are modified, and it would also be necessary to analyse the relative levels of productivity and the competitive position of preference and non-preference suppliers.

In any case, it would seem reasonable to conclude that so long as the Caribbean countries' tariff policy is to grant preferential treatment to imports from British Commonwealth countries, the discrimination against Latin America products which this treatment involves constitutes a bigger obstacle to the expansion of trade between the Caribbean countries and others in the Latin American region. Given the somewhat similar structure of exports from the Caribbean and other Latin American countries, the best chances of expanding reciprocal trade lie in manufactures and semi-manufactures and, to a lesser degree, some primary products. The preferential treatment extended to Commonwealth countries, however, is reducing the area for an expansion of trade between the two groups of countries.

/2. Preferential

2. Preferential arrangements in favour of the Caribbean countries

Obviously, the maintenance of the preferences granted by the Caribbean countries is contingent upon the preferential treatment they in their turn receive in the markets of the United Kingdom and Canada. There is, of course, no strict equivalence between the concessions they accord and those they are accorded, since the former cover their whole range of imports, while the latter are applicable only to a small number of agricultural products, the importance of which varies considerably in the four countries of the area. Viewed in the light of the concepts now governing trade relations between developed and developing countries, in particular the idea that the developed countries should not demand strict reciprocity in respect of the trade concessions they grant to countries in process of development, the position of the Caribbean countries seems to be in direct opposition to these principles, i.e., they give more in the way of concessions than they receive. The explanation apparently is that the preferential arrangements between the Caribbean countries and some of the members of the British Commonwealth date back to the time when the former were dependent territories of the United Kingdom, and since they became politically independent it has not been deemed opportune to raise the question of renegotiating the system, presumably because this would also imply renegotiating the preferential terms accorded to their export products. In the Caribbean countries themselves there has been no lack of advocates for the revision of the system, but interests linked to the export sector have carried the day, on the widely-asserted ground that the production costs of export activities are too high for them to survive without the support implicit in the guaranteed markets and preferential treatment accorded by the United Kingdom and Canada. The view has been expressed that even if the United Kingdom were to join the European Economic Community, a step which would entail a drastic overhauling of its preferential links

/with the

with the Commonwealth countries, it would be essential that the existing preferential arrangements with the Caribbean countries should be maintained.6/

An account of the products subject to these arrangements and the preferential treatment they receive is given below.

(a) Sugar

The Commonwealth Sugar Agreement is the instrument regulating the United Kingdom's imports of sugar from the Commonwealth countries. The following are among its essential features: (i) it establishes import quotas in favour of each of the member countries; (ii) it fixes that part of the quota which is to be purchased duty-free at a periodically negotiated price; (iii) it provides that the difference between each country's total quota and the part of the quota to which the negotiated price applies, shall be purchasable at the world (free market) price and subject to the preferential duty; (iv) in its present form, it is of indefinite duration, but it will be revised every three years as from 1971; (v) if the United Kingdom joins the European Economic Community, its commitments under the Agreement will not be of a contractual nature after 31 December 1974, and in that event it will consult with the other parties as to ways and means of honouring them. It is also stipulated in the 1968 International Sugar Agreement, article 35, that sales to the United Kingdom under the British Commonwealth Agreement, up to the amount covered by the quotas subject to the negotiated price, shall not be reckoned as part of the export quota established by the International Agreement.

Accordingly, the preferential treatment enjoyed by the Caribbean countries exporting sugar to the United Kingdom combines the following advantages: (i) they can rely on a safe market for most of their production, thanks to the allocation of import quotas; (ii) they are guaranteed a price (fixed by negotiation between the parties) which has generally been higher than the world price; (iii) the negotiated price and total exemption from customs duties are

6/ The following statement, inter alia, may usefully be mentioned in this connexion: "The continued reliance of the economy on sugar and citrus production requiring preferential shelter in metropolitan markets is a sign of structural weakness. However, in view of the long historical basis of such preferential links, it would be utopian to advocate an instantaneous discarding of such links. In the context of British entry into the EEC it is highly essential that continued protection for our sugar and citrus be maintained". Government of Trinidad and Tobago, see "Draft Third Five-Year Plan, 1969-1973", (Government Printery, 1968).

/applicable to

applicable to approximately 80 per cent of the quotas fixed for the Caribbean countries; (iv) only the remaining 20 per cent of the quota is subject to the preferential duty and has to be marketed at world prices. The preferential margin is approximately 10 per cent ad valorem, but as the duties are of the specific type, the ad valorem equivalent fluctuates in accordance with prices.

The preferential treatment granted by Canada to the British Commonwealth countries is governed by the West Indies-Canada Trade Agreement of 1925. Canada purchases its sugar imports at world market prices and also accords them a preferential margin of approximately 10 per cent ad valorem. Furthermore, by virtue of a decision adopted by Canada in 1967, it was agreed that part of the preferential duty applicable to sugar imports should be refund to the Caribbean exporters.

Given such preferential treatment (especially in the United Kingdom market), it is not surprising that up to 1960 the Caribbean countries' sugar exports were concentrated entirely in the markets of the United Kingdom and Canada. As from 1961, however, the changes introduced by the United States in its sugar legislation gave the Caribbean countries access to its market, from which they had formerly been debarred, and a flow of exports was established which for some of them has reached significant figures. The annual volume of exports shipped to the United States by Guyana and Jamaica fluctuates between 15 and 30 per cent of their total sales abroad; the corresponding proportions for Trinidad and Tobago show more erratic fluctuations, varying between 5 and 20 per cent; while they are lowest in the case of Barbados, where they range from 2 to 7 per cent of the total. In other words, the opening-up of the United States market is having a redistributive effect on the Caribbean countries' total sugar exports, inasmuch as it offers higher prices for sugar.

(b) Bananas

The United Kingdom's system of preferences for banana imports operates through quantitative restrictions applicable to all non-members of the British Commonwealth, in addition to a specific customs duty (equivalent in ad valorem terms to about 15 per cent). Imports from Commonwealth countries are not subject to restrictions or duty. The system of

/quantitative restrictions

quantitative restrictions allocates an annual quota of 4,000 tons to countries in the dollar area, which includes the Latin American countries that export bananas. This quota represents little more than 1 per cent of the United Kingdom's total imports. Approximately 90 per cent of the total is of Commonwealth origin, coming almost entirely from Jamaica and the Windward Islands.

Bananas from British Commonwealth countries also have free access to Canada's market. A specific duty (equivalent to about 7 per cent <u>ad valorem</u>) is applicable to imports from other sources, but this preferential margin has not sufficed to encourage imports from the Caribbean countries, although probably the reason is in part that all their exportable production is earmarked for the United Kingdom. Consequently, Canada imports almost all its bananas from Latin American countries.

The geographical distribution of world trade in bananas is partly influenced by the preferential agreements existing between specific developed and developing countries, and partly by the special characteristics of production, transport and distribution in the consumer markets. But, as pointed out with reference to Canada, the existence of preferential customs treatment has not sufficed to generate a flow of imports from the countries enjoying it. Although the United Kingdom establishes a higher preferential margin, its imports from countries against which discriminatory tariff treatment is in force are in reality restricted by the existence of an over-all quota. These facts seem to bear out the argument commonly advanced by the Caribbean countries to the effect that their production costs are very high, and that in default of quantitative restrictions, therefore, they would be unable to face the competition put up by producers in other areas. A similar situation is observable in other markets where preferential systems are also in operation (chiefly France and Italy): i.e., the tariff preference has to be accompanied by some type of restriction (permits, quotas, etc.). But where bananas are concerned the strong influence exerted by the marketing system must not be overlooked. In most of the exporter countries production and/or export transport and distributions activities are controlled by one or two big international consortia through their subsidiaries or affiliated branches in the countries in question.

/(c) <u>Citrus</u>

(c) Citrus fruit

The preferential treatment granted by the United Kingdom for products falling in this group covers both total exemption from duties and charges for imports from British Commonwealth countries and the application of quantitative restrictions to those coming from the dollar area. The preferential tariff margin (i.e., the duty on non-preferential imports) ranges from 3 to 18 per cent ad valorem (approximately equivalent to the respective specific duties) according to the product and the season. The quantitative restrictions on imports from the dollar area mainly apply to tinned juices, oranges and grapefruit.

Canada's preferential tariff on fresh fruit is less discriminatory, since the total exemption granted to Commonwealth countries is also accorded to countries receiving most-favoured-nation treatment, which means that only the remainder have to pay the existing duties and charges. As regards imports of lemon juice, the preferential tariff of 10 per cent ad valorem is again also applied to countries with which Canada has most-favoured-nation agreement, while the normal tariff is 25 per cent ad valorem. Finally, imports of orange and grapefruit juice from Commonwealth countries are duty free, whereas the tariff is 7.5 per cent ad valorem for countries receiving the most-favoured-nation treatment and 25 per cent ad valorem for the others.

Of the Caribbean countries, Jamaica and Trinidad and Tobago are the main exporters of citrus fruit, though in fact these products only make up a fairly small share of their total exports. Considering the origin of the United Kingdom's imports, however, this share is more significant than it seems since, in terms of volume, that country purchased less than 1 per cent of all its citrus fruit for 1966-1968 from Caribbean countries. The same applies to Canada.

(d) Other products

The United Kingdom and Canada ceased granting imported cocoa beans preferential treatment during the Kennedy Round negotiations, thereby eliminating altogether the duties and charges on imports from countries receiving most-favoured-nation treatment and consequently introducing a single tariff for both the latter and the Commonwealth countries.

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In the United Kingdom, the tariff preference was also removed from cocoa products. As for coffee beans, Canada lifted the existing duty while the United Kingdom reduced a general tariff from 4 to 2 per cent _ad valorem_, so that the margin of preference in favour of (duty-free) imports from the British Commonwealth is now 2 per cent _ad valorem_. Jamaica and Trinidad and Tobago are the main Caribbean exporters of coffee and cocoa beans but, here again, their share of total exports is very small - less than 1 per cent in each country.

As regards mineral products, the exportation of bauxite and crude petroleum products is an extremely important activity in Jamaica, Guyana and Trinidad and Tobago. Recently, bauxite has represented 40 per cent of Guyana's total exports and bauxite and aluminium around 50 per cent of Jamaica's. Although the United Kingdom imports these products duty-free, Jamaica's and Guyana's exports go almost entirely to the United States and Canada owing to the fact that their bauxite and aluminium production is controlled by subsidiaries or branches of United States and Canadian enterprises.

Exports of crude petroleum and petroleum products provide Trinidad and Tobago with most of its external revenue - between 75 and 80 per cent of the total in recent years. The United Kingdom does not offer any tariff preferences on imports of these products but applies a single specific duty to all heavy and light crude oils, whatever their origin. In recent years, between 6 and 7 per cent of Trinidad and Tobago's total exports of petroleum and petroleum products, went to the United Kingdom compared with around 5 per cent to Canada and approximately 50 per cent to the United States.

This short summary of the kind of preferential treatment that the Caribbean countries receive from the United Kingdom and Canada shows it to be mainly restricted to two agricultural products (sugar and bananas) which constitute a large share of the exports of Barbados, Guyana and Jamaica and somewhat less of those of Trinidad and Tobago. It would be wrong, however, to imagine that the problem of the preferences granted to the Caribbean countries by the United Kingdom can be easily solved merely because only two products are really affected. In addition to

/its importance

its importance as a source of external income for three of the four Caribbean countries, the production of sugar and bananas provides employment for a large part of the labour force; consequently, any change in the volume of these exports could accentuate the serious unemployment situation facing those countries. Moreover, the problem has to be viewed in relation to other aspects of international trade policy, such as the probable introduction of a general system of preferences in favour of all developing countries, the possible entry of the United Kingdom into the European Economic Community and the prospect of a general expansion of trade with other countries of Latin America.

3. Implications of the general system of preferences

In the course of negotiations on the introduction of a world-wide system of general preferences in favour of manufactured and semi-manufactured exports of developing countries, a number of problems have arisen as a result of the maintenance of special preference arrangements between groups of developing nations and certain developed countries, such as the British Commonwealth and the EEC. The working hypothesis on which these negotiations were based involved the granting of generalized preferential treatment to all products included in chapters 25 to 99 of the Brussels Tariff Nomenclature (BTN), except for specific products placed on a negative list; conversely, all products included in chapters 1 to 24 of the BTN were to be excluded from any preferential treatment, except for those appearing on a positive list. As regards the British preference system and the concessions the United Kingdom grants Caribbean countries, along with other developing Commonwealth countries, the main implications are as follows:

(a) The duty-free concessions granted to all developing countries participating in the preference system with respect to manufactures and semi-manufactures contained in chapters 25 to 99 of the BTN (with the agreed exceptions) would mean better market opportunities for the exports of Caribbean countries and therefore make up for any possible

/loss that

loss that might otherwise result from their sharing with other countries the preferences they currently enjoy with the United Kingdom. This extension of the preference system could supply the "equivalent benefits" that the Caribbean countries, and others in a similar position, have stipulated as a requisite for the elimination of the special preference treatment they currently receive (see the declarations of representatives of these countries in several international organizations, including ECLA).7/ Moreover, the extension of the preference system could means greater incentives for new exports or for stepping up existing exports than could derive from a system of preferences affecting only a single market.

(b) At present the Caribbean's exports of manufactures and semi-manufactures are minimal, and the few that exist in any case include products contained in the list of exceptions submitted by some of the principal developed countries (textiles, footwear). It must therefore be expected that the prejudice - if any - suffered by the Caribbean countries as a result of the extension of the preference area would be very slight in the short term, while, in the long term, the chances of increasing the volume of these exports would in fact be much better.

(c) From the point of view of the Caribbean countries, there are more immediate definite advantages to be gained from the positive list of products in chapters 1 to 24 of the BTN to which the preference system will be extended, as it includes tariff reduction or duty-free arrangements that could stimulate new outlets for exports to the United States, EEC and other developed countries. It would be noted that, in making their offers, both the United Kingdom and Canada have stressed that the

7/ See ECLA, Official Records of the Economic and Social Council, Forty-third Session, document E/CN.12/784/Rev.1 para. 405.

developing countries of the British Commonwealth must be granted preferential access to other markets to compensate for their having to share with other countries the preferences they currently enjoy vis-à-vis the United Kingdom and Canada.[8/] The United Kingdom has, furthermore, made the extension of the preferential tariff treatment to other developing countries conditional upon "the consent of countries in the Commonwealth preferent area with trade agreement rights to margins of preference on certain products to waive these rights to the extent required to enable preferences on these products to be extended to non-Commonwealth developing countries". As regards products in BTN chapters 1 to 24, this stiupalation would apply to bananas and citrus fruit and to certain other less important products included by the United Kingdom in its

8/ The relevant paragraphs read as follows: "Canada's offer has been drawn up on the basis of the following assumptions, qualifications and conditions: ... That to the extent Commonwealth developing countries will have to share their present tariff preferential access to the Canadian market, they will be compensated by improved access to the markets of other preference-giving countries". "One of the considerations that the United Kingdom will bear in mind in determining any modifications to the preferential tariff treatment now proposed will be the extent to which Commonwealth developing countries and territories receive new advantages in the markets of other donor countries in compensation for sharing their existing preferential advantages in the U.K. market." (UNCTAD, "Substantive Documentation on the Generalized Scheme of Preferences", TD/B/AC.5/34/Add.4, p.2 and Add.3, p.2).

/positive list

positive list and exported by Caribbean countries. It is not altogether clear, however, whether the concept of compensation in the form of access to other markets should be interpreted in a narrow sense, as restricted to products whose preferential access to the United Kingdom market is shared, or in a wider sense, to the effect that duty-free entry or tariff concessions should be granted by other countries even on products not at present benefiting from such preferential access. The Caribbean countries (as well as others with preferential access to certain markets) clearly seem to receive compensation when the preference area is enlarged, whether in the same products or others.

As members of the Latin American Group, the Caribbean countries participated in the UNCTAD Special Committee on Preferences where they adopted a position that was completely in agreement with the objectives and aspiration of the rest of the group with regard to the general system of preferences. At the end of the Committee's meeting, it was precisely one of the Caribbean countries that was called upon to speak for the whole Latin American Group on the conclusions reached regarding the establishment of the system of preferences and to state the limitations that the revised submissions of the developed countries still implied for certain Latin American exports.9/

9/ See UNCTAD, "Statement by the representative of Jamaica on behalf of the Latin American countries members of the Group of 77", Report of the Special Committee of Preferences on the second part of its fourth session" (TD/B/329/Add.6). The complete document TD/B329 with its addenda 1 to 6 comprises the report on all the sessions, the conclusions reached with regard to the establishment of the system of preferences and a summary of the debates.

4. Issues related to the United Kingdom's entry into the European Economic Community

The resumption of negotiations for expanding the European Economic Community through the entry of the United Kingdom and other European countries is compelling the Caribbean countries to consider, on the one hand, the nature of the arrangements or agreements adopted in relation to the United Kingdom system of preference and, on the other hand, whether some or all of the developing Commonwealth countries may choose to negotiated agreements for association with the expanded Community.

According to the terms in which the negotiations have been resumed, a prerequisite for the United Kingdom's entry into the Community is its acceptance of the instruments of EEC policy, such as the Common External Tariff and the common agricultural policy. In the first place, this would mean replacing - within the agreed period of transition - the existing system of four different tariff columns 10/ by the EEC Common External Tariff. Secondly, it would entail the adoption of the system of domestic support prices and fixed and/or variable levies on imports of agricultural products from third countries. All this would affect the United Kingdom's economy (domestic prices, balance-of-payments position, etc.) and bring about substantial changes in the direction of import and export flows.

It is interesting to examine here the different treatment accorded by the United Kingdom and EEC to imports from the Caribbean countries.

Sugar. The characteristics of the Commonwealth Sugar Agreement were described earlier in this study. It was stated that if the United Kingdom were to join the Community, its obligations under this Agreement would cease to be binding after 31 December 1974, in which case it would consult the other contracting parties as to how the provisions of the Agreement

10/ The United Kingdom tariff system currently envisages for different types of treatment: (1) that applicable to Commonwealth countries; (2) that applicable to the European Free Trade Association; (3) that applicable to the area of free trade with Ireland; and (4) the general treatment applicable to all other countries.

/would continue

would continue to be complied with. In other words, the Agreement would have to be negotiated on new bases, in line with the obligations accepted by the United Kingdom in connexion with the common agricultural policy. In the Community, sugar is one of the commodities which has been subject to the common organization of markets since 1 July 1968, in accordance with Regulation No. 1009 of December 1967, which was amended by Regulation No. 2485/69 of December 1969. In compliance with these regulations, every year the Commission of EEC fixes the basic target price (which serves as a guide to producers), the intervention price (which represents the basic guarantee to producers) and the threshold price (which is used as a basic for fixing the variable levies in order to equalize the price of imports from third countries with the basic target price).11/ The regulation of the sugar market within the Community therefore constitutes a highly protectionist policy which not only guarantees complete self-sufficiency but also encourages the production of surpluses. These surpluses are sold on the world market through the concession of subsidies paid by the European Agricultural Guidance and Guarantee Fund (AGGF).

The United Kingdom's entry into the Community would therefore involve substantial changes in the conditions for obtaining its sugar supplies. Within the transitional period established, the United Kingdom would gradually have to adopt the regulations of the expanded common market, replacing its imports from Commonwealth nations by imports from EEC countries. A first effect of this gradual process of substitution would obviously be to push up the cost of these imports, in view of the higher prices prevailing in the common market compared with those of supplies from third countries. Since for the present, at least, EEC's production surpluses are smaller than the total volume of United Kingdom imports, it must be assumed that the need to import sugar from third countries would continue and that these imports would be subject to the variable levies established by the Community regulation on sugar.

11/ For a detailed description of the regulations adopted for products subject to the common agricultural policy, see "Las relaciones entre América Latina y la CEE" (E/CN.12/L.48/Add.1/A).

/For the

For the Caribbean countries exporting sugar to the United Kingdom, the situation presents several alternative possibilities. One is that by 31 December 1974 (when the United Kingdom's contractual obligations under the Commonwealth Sugar Agreement cease) they would lose all the advantages of preferential access and their exports would be subject to the arrangements contemplated during the period of transition, after which they would be governed by the regulations of the common agricultural policy. Another possibility is that, in view of the need to maintain a certain volume of imports from third countries, a special system be established in favour of the United Kingdom which would cover sugar imports from developing Commonwealth countries. In addition to the Caribbean countries, such an arrangement would probably cover other countries in the same area and in Africa and Asia. Although it would mean the curtailment of exports favoured by this special treatment, at least it would not involve, as in the case of the first possibility, a complete loss of the advantages they are currently enjoying in the form of import quotas and a guaranteed price which is higher than the world market price.

The negotiation of a special arrangement covering the United Kingdom's sugar imports from developing Commonwealth countries, which would replace the Sugar Agreement currently in force for these imports, would seem to be the most feasible possibility of solving the problems deriving from the United Kingdom's entry into the Community, particularly as neither the possibility of continuing the Agreement in its present form nor that of completely eliminating the preferential ties between the United Kingdom and certain developing countries is any more likely to be accepted. Moreover, although at no time has the nature of the arrangements to be negotiated with developing countries linked with the United Kingdom's preferential system been expressly stated, it has always been understood that at least some of those countries would be eligible for some type of agreement of association with the expanded Community. Whether it is a case of special arrangements for specific products or an agreement of association, the fact remains that this would add several more links to the already long chain of discriminatory agreements that have characterized EEC's trade policy in the last few years.

/Bananas. As

Bananas. As indicated above, nearly all the United Kingdom's banana imports come from Caribbean Commonwealth countries. Although these imports are exempt from the specific duty payable on imports from countries which are not members of the Commonwealth, it was also made clear that the decisive factor determining the origin of these imports is not the margin of preference in relation to third countries, but the existence of quantitative restrictions which exclude imports from other sources, except for a small over-all quota of 4,000 tons annually which is authorized from countries in the dollar area.

Therefore, the United Kingdom's entry into the Community gives rise to somewhat different problems from those examined in the case of sugar. Bananas are not among the commodities covered by the common agricultural policy (even though one of the EEC countries proposed that they be included among them), but banana imports are subject to a common external tariff of 20 per cent ad valorem (the highest tariff for any of the group of tropical products), from which imports from the Associated African States and Madagascar are exempt. Within the context of this general system for EEC banana imports, however, some of the member countries have regulations in force which enable them to establish preferences in favour of certain supplier countries. Thus, through the quota system and the concession of licences, France imports nearly all its bananas from Guadeloupe and Martinique (French overseas provinces) and some countries in the franc area. Italy controls banana imports through a State monopoly and accords fiscal preferential treatment to those from Somalia. Lastly, the Federal Republic of Germany has a free tariff quota which has enabled it to continue importing the bulk of its bananas from Latin American countries.

The adoption of the common external tariff by the United Kingdom would therefore mean that banana imports would cost more, unless - as in the case of some of the present members of EEC - some special arrangement is concluded covering all or part of these imports. This, of course, would involve conflicting interests with the Associated African States (which have free access to EEC), on the one hand, and with Latin American exporters (which have a share in the free tariff quota of the Federal Republic of Germany), on the other. Moreover, any special arrangement in favour of United Kingdom imports, while not intensifying the discrimination against Latin American

/bananas (since

bananas (since they are already practically excluded from the United Kingdom market), would have at least the effect of increasing the circle of interests favouring maintenance of trade discrimination between developing countries and, therefore, of postponing a solution to the problem of access for tropical products to the markets of developed countries.

Citrus fruit. In contrast with the two commodities examined above, exports of citrus fruit account for a smaller share of the Caribbean countries' export earnings, although this is no reason to under estimate the advantages which free access to the United Kingdom market would represent for these countries. From the standpoint of third countries (i.e., countries not covered by preferential arrangements), the tariff treatment for citrus fruit in the United Kingdom and EEC is fairly restrictive; the duties range from 3 to 18 per cent ad valorem in the United Kingdom and from 6 to 20 per cent in EEC, with seasonal variations in both areas. While United Kingdom imports from the Caribbean countries (and other Commonwealth nations) are duty-free throughout the year, EEC has negotiated a number of preferential agreements with other countries, according them a reduction in the common external tariff for each of the products in this group, which also varies according to the season. The first two preferential agreements according tariff concessions for citrus fruit were negotiated with Tunisia and Morocco, which were given an 80 per cent reduction in the common external tariff. More recently preferential agreements were negotiated with Spain and Israel, involving a 60 per cent reduction in the common external tariff. No conclusive results have been obtained in the discussions in GATT on whether or not the agreements with Tunisia and Morocco are compatible with the General Agreement (which were initiated in mid-1969); on the other hand, the waiver requested by EEC to grant preferential treatment to Spain and Israel was rejected by the majority of the members of GATT. EEC announced its intention of seeking an understanding with Spain and Israel with a view to completing the trade arrangements that would enable it to extend some form of preferential treatment to citrus fruit producers in the Mediterranean.

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Therefore, in the negotiations for the United Kingdom's entry into the Community, consideration may be given to the bases for an agreement of broader scope that would include other developing countries exporters of citrus fruit.

Other commodities. Coffee beans and cocoa beans are of little importance among the Caribbean exports in respect of which, as stated previously, the United Kingdom accorded some concessions during the Kennedy Round. Prior to these concessions, Commonwealth exporting countries enjoyed free access to the United Kingdom market, while other exporters had to pay a specific duty equal to approximately 4 per cent *ad valorem* for coffee and 3 per cent for cocoa. The reduction to the equivalent of about 2 per cent *ad valorem* for coffee and the elimination of duties on cocoa mean that the tariff treatment for these products is more favourable in the United Kingdom than in EEC. In the Community, imports of these products from the Associated African States and Madagascar are duty-free, but imports from other sources are subject to the common external tariff of 9.6 per cent *ad valorem* for coffee and 5.4 per cent for cocoa.[12/] Therefore, the United Kingdom's entry into the Community involves the need to consider not only the position of the Caribbean countries but also that of other developing nations (mainly Latin American) exporting coffee and cocoa, which would be affected by the application of the common external tariff in the EEC expanded market.

5. Special preferences and reverse preferences

The General Agreement on Tariffs and Trade, which entered into force in 1947, specified that the general application of most-favoured-nation treatment between member countries did not require the elimination of the system of tariff preferences in force between the United Kingdom and Commonwealth countries. Since then, the United Kingdom preference area has not expanded; on the contrary, in some respects it has shrunk, through

12/ The new Agreement signed by EEC and the Associated African States and Madagascar stipulated a reduction in these duties to 7 per cent for coffee and 4 per cent for cocoa, which came into force on 1 January 1971.

/the equalization

the equalization of the trade treatment applied to various products, without discrimination as to country of origin. The trend in the Community has been very different; since its establishment in 1958, it has been negotiating an extensive system of preferential trade agreements which now cover twenty-eight countries. Some of these preferential agreements include the elements and requirements for the establishment of a customs union or a free trade area among the participants and, therefore, have been approved by GATT. In many other cases, there have been differences of opinion in GATT as to whether or not these agreements are compatible with the regulations governing customs unions and free trade areas, and they have been neither approved nor rejected by GATT. The lack of any decision firmly establishing the compatibility or incompatibility of some of these preferential agreements with GATT principles accounts in large measure for the failure to comply with the recommendation on the gradual elimination of special preferences included in annex A.II.1 of the Final Act of the first session of UNCTAD. In fact, not only have no steps been taken to eliminate the special preferences that had been negotiated up to 1964 within a pre-established period, but, quite the reverse, the spread of these agreements gathered new impetus, so that the representation in GATT of the countries which now have preferential ties with EEC is such that a decision in the matter may possibly be swayed in their favour.

The expansion of EEC with the entry of the United Kingdom and other European countries might well give a new and greater significance to the question of special preferences. First, the preferential market for countries which now have free access to the present EEC area would be considerably expanded; secondly, a certain number of developing countries which have preferential ties with the United Kingdom might be included in the expanded Community, thereby strengthening the group of countries which are interested in maintaining discriminatory treatment against other developing countries.

Under present conditions, it would seem that the solution to the problem of the subsistence of special preference would depend on the attitude assumed by the United States with respect to developing countries which are parties to these arrangements. In the preliminary phase of the

/negotiations for

negotiations for the establishment of a system of general preferences for exports of manufactures and semi-manufactures from developing countries, the United States were prepared to exclude from preferential treatment developing countries that refused to accept the undertaking to eliminate the special preference agreements to which they were parties within a period of five years. The opposition to this approach induced the United States to change its attitude in part along the following lines:

> "The representative of the United States of America announced that his country no longer insisted that special preferences be fully eliminated over a five-year period for countries enjoying such preferences to be eligible to receive generalized preferences from it. His Government had therefore decided to permit countries now receiving special preferences to be included as beneficiaries under the United States' scheme from the outset. He stressed that this announcement did not affect the United States position with regard to reverse preferences which remained unchanged. His Government recognized that implementation of the generalized preference schemes would go a long way toward eliminating existing special preferences, especially in the field of manufactures, and hoped that progress in this field would continue.
>
> However, he said that his country continued to oppose special preferences. If trade under special preferences in items covered by the scheme grew and assumed significant proportions, the United States would then have to declare the beneficiaries of such special preferences ineligible under his country's scheme. Furthermore, if special preferences were maintained by other countries, the United States reserved the right to extend comparable special preferences".[13/]

This statement, while defining the United States' position with regard to special preferences, also reaffirms its opposition to the maintenance of reverse preferences. In actual fact, the tariff concessions

13/ Report of the Special Committee on Preferences on the second part of its fourth session, Trade and Development Board (TD/B/329/Add.4), p.4.

/granted by

granted by developing countries to developed countries with which they maintain preferential ties not only involve an element of reciprocity which is contrary to the principle established in article XXXVI, paragraph 8, of the General Agreement on Tariffs and Trade, but they also constitute discriminatory treatment against all other countries not parties to such arrangements and, in particular, they jeopardize the possibilities of a greater expansion of reciprocal trade between the developing countries themselves. These are not, of course, the only negative aspects of reverse preferences; as has also been mentioned, they tend to encourage the continued existence of predominantly agricultural economies, hindering industrialization in developing countries, and, contrary to what might be expected, the imports favoured by reverse preferences are generally more costly than imports of similar products from other sources.14/ In any case, the point here is that the problem of reverse preferences was not resolved during the negotiations for the establishment of a system of general preferences, but a compromise was reached by virtue of which consultations will proceed with a view to finding adequate solutions before such preferences are put into effect. In the "Agreed conclusions of the Special Committee on Preferences", it is stated that:

> "The Special Committee notes that, consistent with Conference resolution 21 (II), there is agreement with the objective that in principle all developing countries should participate as beneficiaries from the outset. Notes that the attainment of this objective, in relation to the question of reverse preferences, which remains to be resolved, will require further consultations between the parties directly concerned. These consultations should be pursued as a matter of urgency with a view to finding solutions before the implementation of the schemes. The Secretary-General of UNCTAD will assist in these consultations with the agreement of the governments concerned.15/

14/ See "Latin America and the second session of UNCTAD", Economic Bulletin for Latin America, vol. XIII, No. 1, June 1968, and "Economic integration and preferential trade: the Caribbean experience", The World Today, The Royal Institute of International Affairs, London, October 1969.

15/ Report of the Special Committee on Preferences on the second part of its fourth session (TD/B/329), p.8.

/Such consultations

Such consultations could proceed concurrently with the negotiations between EEC and the United Kingdom. It seems reasonable to think that these negotiations would provide an excellent opportunity to review all the problems related to special preferences, reverse preferences and, in general, the liberalization of conditions of access to the markets of developed countries for products of developing countries. Moreover, the intensified activity of the organs of the Trade and Development Board (particularly the Committee on Commodities and the Committee on Manufactures) and of the Agricultural Committee and the Committee on Trade in Industrial Products of GATT over the past two years has yielded an accumulation of studies and research which provide an adequate basis for the Governments, at the policy-making level, to adopt the necessary decisions in order to be able to comply with the various commitments accepted in connexion with world trade.16/

6. Expansion of trade with other Latin American countries

For reasons both political and economic, the Caribbean countries have in recent years displayed a readiness to establish ties with other Latin American countries or extend those already in force. The first move in this direction came early in the 1960s when the United Kingdom began negotiating for entry into EEC. Around the same time two Caribbean countries acquired their independence, whereupon it became obvious that some kind of political framework was needed that would allow them to participate actively in, and identify themselves with, the regional groupings which defend the interests

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16/ The Director-General of GATT, referring in particular to the programme of work adopted by the Contracting Parties of GATT at its twenty-sixth session, said that the Governments now have studies at their disposal on the nature of tariff protection in industrialized countries, including the problems of agricultural protectionism, and proposals concerning questions related to non-tariff restrictions, all of which would facilitate the adoption of decisions for the lowering of trade barriers for developing countries. See "Trade of the developing countries: opportunity and response", address by Mr. Olivier Long, Director-General of GATT, to the Indian Institute of Foreign Trade, New Delhi, on 12 November 1970 (Press release GATT/1070).

/of developing

of developing countries while at the same time investigating the possibilities of establishing new trade relations so as to offset the gradual disappearance of the preferential treatment they had been receiving from the United Kingdom. Recent years have therefore seen Barbados, Jamaica and Trinidad and Tobago becoming members of the Economic Commission for Latin America (ECLA), the Organization of American States (OAS) and the Inter-American Development Bank (IDB) and thus taking part in all the region's economic co-operation agencies. Similarly, these three countries, along with Guyana in the capacity of observer, acquired membership of the Special Committee on Latin American Co-ordination (CECLA) which in the past few years has been defining a joint Latin American position and promoting a united approach towards problems involving the interests of developing countries.

At the same time, the Caribbean countries have been taking steps to develop and strengthen subregional co-operation, with the establishment of the Caribbean Free Trade Association, the East Caribbean Common Market and the Caribbean Development Bank.

This move towards greater economic co-operation between Caribbean countries and the rest of Latin America has so far mainly taken the form of participation in regional organizations and in a number of joint activities sponsored by specific United Nations agencies, particularly UNCTAD. There has, however, been little or no attempt to establish any practical system of trade co-operation, except for the trade missions which certain Latin American countries have sent to the Caribbean. There can be no denying that an extension of trade links between these two groups of countries is bound to come up against rather serious difficulties. Even recently, Caribbean exports to other Latin American countries barely accounted for 1.3 per cent of the value of their total export between 1966 and 1968 and, although imports from those countries represent a much larger share (21.5 per cent during the period indicated), this is largely attributable to the considerable volume of crude petroleum which Trinidad and Tobago imports from Venezuela and Colombia for refining and re-export to developed countries.

/The fact

The fact that so little is exported to other Latin American countries is very much an indication of how competitive the market is for most of the products involved (sugar, bananas, citrus fruit, coffee, etc.), which are also exported by other Latin American countries and in which there is a fairly high degree of self-sufficiency. Even in those rare cases where Latin American countries purchase some of these products, the Caribbean exporters find more attractive markets in the United Kingdom and Canada, either because they receive tariff preferences or because they benefit from traditional outlets inherited from their recent colonial past. Although it is true to say that the United Kingdom has lost some of its paramount importance as a market for Caribbean products in recent years, this is largely due to the appearance of new exports such as bauxite and aluminium, controlled by private foreign investors (mostly from the United States), and to the opening up of the United States market as an outlet for part of its sugar exports.

Imports too, excluding the crude petroleum purchased from Venezuela and Colombia, remain at a relatively low level. Naturally, the fairly wide margin of preference accorded by the Caribbean countries to imports from the United Kingdom and other countries of the British Commonwealth acts as a virtually insuperable obstacle to imports of Latin American products. As has already been pointed out, the modifications which the Caribbean countries have made to their tariff system since their independents have not affected the absolute or relative margin of preference in favour of Commonwealth countries, so that no real effort has been made to reduce or alternate the trade discrimination against imports from the rest of Latin America. When this discriminatory policy is combined with the greater efficiency and productivity of developed countries, it is easy to appreciate the kind of obstacles that the other Latin American countries would have to overcome in order to sell their products on the Caribbean market.

The competitive nature of most export products and the preferential ties with Commonwealth countries (especially the United Kingdom) are not, however, the only obstacles to an expansion of mutual trade between the Caribbean countries and the rest of Latin America. Other more or less

/significant factors

significant factors include the lack of knowledge of the markets, the poor state of communications and transport, the limited credit and banking facilities and even, in certain cases, the existence of frontier problems or territorial disputes.17/ A solution to many of these problems could be sought bilateral or multilateral negotiations following a certain amount of research and study into the precise nature of the obstacles and the possible ways of dealing with them. The trade negotiations that were embarked upon in GATT a few years ago between thirty-three developing countries (including Jamaica, Trinidad and Tobago and nine other Latin American countries) are a further example of multilateral dealings from which more substantial results could be expected than have been forthcoming so far. The two Caribbean countries participating in them, however, have yet to submit the lists of products on which they would be prepared to negotiate.

7. Main features of trade policy

The following points constitute a very broad summary of the main features of the trade policy of the Caribbean countries over recent years:

(i) maintenance of the present preferential arrangements with the United Kingdom, particularly as regards agricultural exports, both because of the preponderance of these products in their total exports and because they affect the activities that generate most employment;

(ii) diversification of the export markets, so as to soften the potential impact of the United Kingdom's entry into EEC and of possible changes in existing preferential arrangements;

(iii) measures designed to introduce a gradual process of import substitution in respect of certain basic requirements and to promote local production of a number of manufactured goods for domestic consumption and export;

(iv) liberal policy of incentives for foreign investment, both in the primary sector and in industry and tourism;

(v) a policy of economic co-operation and regional integration, mainly through the Caribbean Free Trade Association.

17/ On these points, see also "The relevance of Latin America to the foreign policy of Commonwealth Caribbean States", Journal of Inter-American Studies, vol.XI, No. 2 (April 1969).

/The nature

The nature of the preferential arrangements providing outlets in the United Kingdom for certain basic Caribbean exports have already been discussed, along with some of the problems that might arise from the United Kingdom's entry into EEC. One of the fundamental concerns of the Caribbean countries has been precisely to maintain these special ties, especially in view of the possible impact on their exports of the adoption of the common agricultural policy, on the one hand, and of competition from other suppliers (such as associated African countries), which would have free access to the United Kingdom market, on the other. As the negotiations now stand, however, it is not yet possible to say either what amendments will be made to the Commonwealth preference system or what kind of compensation the Caribbean countries will receive in the enlarged EEC market.

A concern for their future status in the United Kingdom's market and the requirements of their own economic developments have induced the Caribbean countries to give priority to measures that might contribute to a greater diversification of their exports and potential outlets. In the main, they have gone about this in two ways. In the first place, they have drawn up lists of products whose importation is strictly prohibited or subject to individual permits granted in accordance with domestic requirements. Secondly, by granting exemptions from customs duties and other taxes for fairly long periods and repatriation guarantees for foreign capital and profits, they have maintained a liberal attitude towards foreign investment. Recently, however, a major change was brought in the foreign investment policy when the Government of Guyana took steps to acquire a greater share of the bauxite mine in the country by taking over control of 51 per cent of foreign investment in the sector.

(a) Incentives for foreign investment

Legislation providing incentives for foreign investment has been the most widely used instrument in the Caribbean countries to promote the diversification of production and economic growth. Because of differences in the *modus operandi* and scope of the concessions granted, some degree of harmonization is required for further progress in the economic integration of the region. The main concessions are described below.

(i) Income tax. In Barbados, subject to Government approval, an enterprise may opt for exemption from income tax for ten years from the date on which it begins production, or for total exemption for the first seven years, two-thirds exemption for the eighth year and one-third for the ninth year, from a date chosen by the enterprise within three years of its beginning production. In Guyana, the income tax exemption runs for five years from the date of its approval, but it may be extended for a further five years; gold and diamond enterprises, however, are not eligible. In Jamaica there are two alternatives: either total exemption for seven years, or total exemption for four years from a date chosen by the enterprise within three years of its beginning production. In the case of a new product, the exemption may be granted for ten years, and for fifteen years in the case of enterprises located in specially designated areas or whose production is destined for export. In Trinidad and Tobago, manufacturing activities designated as "pioneer industries" are granted an initial exemption for five years, extendible for up to five years if warranted by circumstances. In the case of the cement, fertilizer, and petrochemicals industries, however, exemptions have been granted for ten years in the first instance.

(ii) Dividends. In general, all the countries grant exemptions from income tax on dividends distributed to shareholders during the period that the enterprise is exempted from income tax, with certain regulations governing the date of their distribution.

In addition, all the countries have a fairly complex regime for the treatment of interest paid by enterprises and the depreciation of assets, which supplement the incentives described above.

(iii) Customs duties and charges. In Barbados, all imports of machinery, equipment and construction materials required for the installation of an authorized industry, including supplies for the repair and replacement of equipment, are exempt from customs duties and charges for a period of ten years from the date of authorization. Enterprises producing exclusively for the export market are granted exemptions for an indefinite period and irrespective of the supply of local substitutes.

/In Guyana,

In Guyana, exemptions from customs duties and charges are granted in respect of machinery and equipment directly associated with the establishment and operation of an enterprise, but not for the replacement or repair of equipment. They are granted at the request of the authorized enterprise for a period of up to ten years for mining enterprises and up to five years for other enterprises. In Jamaica, exemptions range between 50 and 100 per cent of customs duties and charges in respect of all the elements required for the construction, alteration, reconstruction or expansion of an industry, but not supplies for the repair or replacement of equipment. Exemptions are not granted, however, for materials available locally provided they are in good supply and comparable with imported materials as regards price and quality. Complete exemptions (100 per cent) are granted for seven years to enterprises that opted for a seven years' exemption from income tax (see point (i) above), or for six years to the enterprises opting for the second alternative. For industries producing new products or exclusively for export, exemptions run from ten to fifteen years, and cover supplies for the repair and replacement of equipment. In Trinidad and Tobago, exemptions are granted initially for five years and may be extended for a further five years in justified cases in respect of all equipment associated with the construction, alteration or expansion of an industry, but not supplies for the repair of equipment.

(iv) Raw materials. Barbados grants exemptions from customs duties and charges on raw and semi-processed materials for industries producing exclusively for export, subject to the availability of suitable local substitutes in good supply. In Guyana, the incentives to industry do not include exemptions covering raw materials, but the Customs Act authorizes the Government to grant exemptions in specified cases. In Jamaica, exemptions are granted on raw materials only to export industries. In Trinidad and Tobago, as in Guyana, the legislation providing incentives to industry does not include exemptions in respect of raw materials imports, but customs regulations provide for exemptions for certain specified industries.

/This brief

This brief outline of the concessions granted to foreign investment illustrates the scope of the various incentives used by the Caribbean countries to stimulate the inflow of foreign capital and the main differences in the approach taken by the individual countries. In 1969, studies were initiated to harmonize the respective legislation, and negotiations are at present well advanced regarding the eventual establishment of a uniform regime for exemptions from income tax and import duties and charges, which would constitute the first two stages of the harmonization programme.

(b) Regulations governing exports

As a general rule, most of the Caribbean countries' exports do not require an export licence, although Jamaica and Trinidad and Tobago require one for a few products (chiefly agricultural products). The foreign exchange earned by exports to countries outside the sterling area is required to be sold to the central bank. In Jamaica and Trinidad and Tobago, some exporters may be authorized to retain a part of their export earnings in a special account in order to facilitate payments abroad in respect of import operations; this is mainly the case of the petroleum companies in Trinidad and Tobago. All the countries prohibit exports to Rhodesia and South Africa, and in August 1968 Jamaica also prohibited exports to the socialist countries of eastern Europe, North Viet-Nam and Cuba.

(c) Regulations governing imports

The regulations on imports are more wide-ranging and are subject to frequent modification. All the products not included in a negative list may be imported under the system of a general open licence. The negative list comprises different products in each country and has been added to over the years as new industries have been established under the protection of industrial promotion legislation and incentives to foreign investment. At present, the major products on the list are coffee, sugar, certain vegetables, meat, cereals, copra, vegetables and animal fats and oils, petroleum products, construction materials, certain

/chemicals, radio

chemicals, radio receivers and household electrical appliances. Licences may be granted to import products included in the list if justified by prevailing conditions in the domestic market. Import licences must be obtained for imports from the socialist countries of eastern Europe and mainland China to Guyana and Jamaica. All the Caribbean countries prohibit imports from Rhodesia and South Africa.

8. Export promotion policies

The preparation and formulation of export promotion policies and programmes are still in the very early stages in all the Caribbean countries. In general, the main export promotion measures are confined to the fiscal and tariff incentives established in the legislation covering industrial development and foreign investment described above. Some of the countries, however, have already taken decisions to make their export promotion policy more consistent and effective. Trinidad and Tobago has set up an Export Promotion Division within the Mininstry of Industry and Commerce which works in close co-operation with the Standards Bureau and the Industrial Research Centre (part of the University of the West Indies), and is responsible for working out the basic direction of export promotion policy. The Government is also encouraging the formation of co-operatives in the artisan-type industries and the establishment of an export company to assist local small-scale manufacturing industries to place their products in external markets. In the other Caribbean countries, a number of measures are being considered for setting up suitable institutional machinery to promote exports of manufactures, as a counterpart to the incentives granted under the legislation covering industrial development and foreign investment.

9. Economic co-operation and regional integration

The agreement establishing the Caribbean Free Trade Association (CARIFTA) came into force on 1 May 1968, the member comprising the four Caribbean States and other territories in the region (Antigua, Dominica, Grenada, St. Kitts-Nevis-Anguilla, St. Lucia, St. Vincent and Montserrat).

/Negotiations have

Negotiations have been completed regarding the admission of British Honduras (Belize) to the free trade area and, studies are being prepared on the possibility of admitting the Dominican Republic, at the request of the Dominican Government.

Under the provisions of the Agreement, the transitional period for the four larger member countries (Barbados, Guyana, Jamaica and Trinidad and Tobago) lasts five years, during which time they are to reduce the tariff levels existing at the time the Agreement entered into force by 20 per cent each year; for the other territories, the transitional period is ten years, with tariffs to be lowered by 50 per cent on 1 May 1973 and completely eliminated on 1 May 1978. On 1 May 1970, the four larger countries had effected two annual reductions of 20 per cent in their tariffs.

The implementation of the Caribbean Free Trade Association Agreement appears to be progressing in accordance with its objectives. Intra-Area trade during the first two years following the entry into force of the Agreement has expanded fairly significantly and, as noted earlier, progress is being made towards harmonizing the fiscal incentives existing in the legislation of the different countries and territories. In this respect, it has been agreed that a country may apply legislation that is more restrictive, but not more liberal, than that included in the arrangements on harmonization, although exceptions would be made for some of the less developed territories in the region.

The East Caribbean Common Market was established within the Caribbean Free Trade Area and comprises only the Caribbean territories (i.e., excluding Barbados, Guyana, Jamaica and Trinidad and Tobago). The member territories of the ECCM have completed negotiations on the adoption of a common external tariff and the harmonization of foreign trade policies.

With respect to financial matters and the promotion of development, the integration process in the Caribbean has recently been broadened with the establishment of the Caribbean Development Bank, which began operations in mid-1970. Canada and the United Kingdom participate in the Bank, as well as the member of CARIFTA, and recently approval was given to the admission of Colombia.

/The establishment

The establishment of this Bank is an extremely positive step towards promoting the development of the Caribbean countries and considerably strengthens the financial co-operation received hitherto from the Inter-American Development Bank by certain countries (Barbados, Jamaica and Trinidad and Tobago).