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NOTE ON TECHNICAL GROUP TO THE CARIBBEAN BASIN INITIATIVE

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TECHNICAL GROUP TO THE CARIBBEAN BASIN INITIATIVE

Following a meeting of Foreign Ministers of the U.S.A., Canada, Mexico and Venezuela on 11 July 1981 in Nassau, Bahamas, "to discuss an initiative to stimulate the economic and social development of the Caribbean Basin Area", the Caribbean Basin Initiative was born.

As a response to the Initiative, Caribbean Ministers, in a series of meetings between 1 September and 8 October, decided to convene a Technical Group to explore the possible components of the CBI and to make proposals to guide their negotiating positions. The persons selected in their technical capacity to form the Technical Group are listed at Annex I. The Principles and Elements enunciated by the Ministers to guide the Group are at Annex II.

Three formal meetings of the Technical Group were convened as follows:

Barbados: 15-16 October 1981 to define the task and allocate work;
Barbados: 14-16 December 1981 to present individual country inputs;
Jamaica : 11-12 March 1982 to finalize the Technicians' Report.

During the period January to March 1982, a small informal working group met in Trinidad to prepare a draft paper for the approval of the final meeting of the Technical Group in Kingston. The final report was submitted to the Seventh Meeting of the Standing Committee of CARICOM Ministers Responsible for Foreign Affairs, held at Belmopan, Belize from 30 March to 1 April 1982.

The Report of the Technical Group comprises six elements as follows:

1. Executive Summary
2. Introduction
3. Official Development Assistance
4. Private Investment
5. Trade
6. Institutional Arrangements

It also contains annexes on:

(a) Guidelines for the Technical Committee;

(b) Regional projects requiring Financial Assistance;

(c) Listing of members of the Technical Committee; and

(d) Statistical Appendix.

The report focuses on the five year period 1982-1986 and tries to identify those resources and mechanisms needed to achieve the development targets which participating countries[1/] have identified for themselves. While having individual country inputs on which calculations were based, the report does not for the most part, identify individual needs among CARICOM countries.[2/] In the case of Haiti and the Dominican Republic needs are made more explicit. The report therefore presents overall orders of magnitude derived from a summation of the national inputs, and policies which it is generally agreed should guide trade and investment.

Divergencies of opinion between the CARICOM and non-CARICOM members of the Technical Group were noticeable by their absence. This fact underlined the similarity of the problems of Caribbean states and also of shared perceptions as to how they should be solved. No reservations therefore were registered in the report by any participating country.

During the discussions, differences in emphasis emerged on certain questions, such as the role of the private and public sectors respectively.

1/ Of CDCC countries inputs were not received from Cuba and Suriname. In general the growth rates assumed are minimal from 3% - 5%, a figure which it realizes will not significantly reduce unemployment.

2/ At the outset it was proposed that each country designate a local working group to liaise with the regional Technical Group. The national groups were expected to provide information regarding country projections for the five-year period, identify financing gaps, developmental potential in the various sectors, and those policies and provisions needed to meet their developmental goals.

In cases where countries were unable to provide national groups, members of the Technical Group were designated to prepare country positions. The CDCC representative prepared a paper for Belize.

But the general consensus emerged that in the Caribbean context there was a need for both sectors, irrespective of what perceptions may exist outside of the region.

A brief summary of the main elements of the report is outlined below.

External Resource Flows

It is estimated by the Technical Group that for the five year period 1982-1986 Caribbean countries will need a minimum of US$9.6 billion in official and private capital inflows to achieve their minimum desirable growth targets. It is estimated that given current trends 74% of this or US$7.1 billion will need to be provided by official development assistance with the remaining 26% (US$2.5 billion) being provided by private external capital. Of the amount to be met by official flows, US$4.7 billion still needs to be found. It will be allocated to finance the public investment programme (79%), support balance of payments (14%), technical assistance (6%), and regional projects (1%).

With regard to private capital flows, aside from identifying the overall figure of US$2.5 billion, proposals were also made as to the terms under which such flows should be provided, including:

(a) support to indigenous private sector organizations;
(b) support for indigenous private sector investment programmes, such as those in the CARICOM regional industrial programme;
(c) modification by donor countries of their tax regimes in order to encourage investment flows to the region.

Trade

The basic pillar of this sector is for unrestricted and non-reciprocal access to the U.S. market. It is proposed that this regime should remain in force for fifteen years with provision for review after twelve years. This duration was felt necessary in order to provide investors with a reasonable period of secure markets, given the fact that lead times in getting investment to the stage of efficient production would be long.

It was recognized that some products were not likely to receive unemcumbered access to the U.S. market because of their particular market sensitivity, such as rum, sugar, textiles. In such cases, details were given regarding the derogations away from free access that could be tolerated.

Proposals were also made regarding the rules which would define products as originating in the region, and assistance that should be given to CBI countries to help them to circumvent non-tariff barriers. A process of regular consultation on trade matters was also recommended.

Proposals were also made for the tourism sector, seeking assistance in market research, product development and liberalized duty-free purchase allowances for the region.

Whereas the trade provisions outlined above relate mainly to the U.S., proposals were also made to Canada and Mexico/Venezuela. Non-reciprocal duty-free access was also requested from Canada, which goes beyond the current Canada/CARICOM trade agreement. The need for special treatment for sensitive products was also recognized.

Mexico/Venezuela presently account for about 1% of total trade. The lack of adequate market intelligence and transportation were some barriers to improved trade. They were also invited to extend trade concessions to Caribbean countries similar to those extended to the relatively less developed members of the Latin American Integration Association.

Institutional Arrangements

It was recognised that the C.B.I. agreement would have multilateral and bilateral elements. The Technical Group proposed that the essential principles of the agreement be negotiated multilaterally and at a high ministerial level, although individual agreements between each donor and recipient would be necessary. It was also recognized that some of the details would need to be tailored to the needs and policies of each country; for example, the mix between public and private sector investment.

It was also recognized that there was a need to monitor the performance of the agreement both at the technical and political levels. It was therefore proposed that the technical group remain in force to advise the Committee of Ministers from time to time.

Detailed monitoring of the trade aspects should be entrusted to the CARICOM Secretariat, with appropriate arrangements to facilitate non-CARICOM participants. With regard to financial flows detailed monitoring would be entrusted to the CGCED/CDB with appropriate arrangements to be made for non-CDB members, where necessary.

Some Random Reflections

The basic objective for which the Technical Group was constituted has not been achieved. They have provided a negotiating mandate for the Caribbean countries which set out the orders of magnitude needed and provides the necessary argumentation and figures to justify the requests. But because of timing, skillful and persuasive consultations by the donor side at the bilateral level, and perhaps consequently a change of perception by Caribbean Governments between July 1981 and March 1982 about the need for a multilateral approach, no formal negotiations have taken place.

Nevertheless, the work of the team is not wasted. Aside from the benefit derived by the participants and their respective institutions, the document provides a framework within which Caribbean Foreign Economic Policy could be conducted in future. It is a first attempt even by CARICOM, not to mention a group wider than CARICOM, to reflect jointly and in such macro-economic detail upon the future needs of the region. Whether the document is accepted by Governments or not, or whether it is ever declassified, it will condition future action and move it towards greater harmony. Despite the fact that the report was not used as a negotiating brief it will nevertheless provide a realistic benchmark by which the final outcome of the American congressional process will be judged and it will condition the future orientation of requests for technical and financial assistance from whatever source.

The fact that the Technical Group met in response to one specific initiative should not be allowed to minimize the importance of the exercise. The fact that the study did not apply to all CDCC states, while being a valid cause for dismay by that organization, should not cause it to denigrate the steps that have been taken towards wider Caribbean participation in detailed macro-economic evaluation and prescription.

The CDCC might wish to reflect upon the possibility of using the annual Economic Survey as the basis for convening, perhaps, an ad hoc working group of macro-economic planners from all CDCC states to deliberate together at regular intervals in the future, whenever it becomes politically feasible to do so.

It is too soon to evaluate the CBI since the proposals put to Congress are likely to be substantially changed before they are approved. But the nature of the presentation of the initiative has tended to make groups react in a partisan manner and without a sufficient level of detachment. The CBI is neither a panacea nor a curse. The outcome is likely to be a relatively balanced package of measures that should marginally improve economic growth prospects for the region.

The original emphasis on private sector resource flows has been muted partly because the Caribbean has made a cogent case for public sector development programmes and particularly for improved and expanded infra-structure. No doubt there has also been a recognition by officials of a new administration that the private sector mechanisms in the region are not strong enough to be entrusted completely with that task, and that neither are foreign investors falling over themselves to invest in the Caribbean.

In so far as trade is concerned, the initial euphoria evident in certain circles at reports of a one-way free trade area has been sobered by a realization that derogations therefrom would need to be made in such sensitive areas as sugar, rum and textiles; and moreover, that the quantity of exports of almost all other products was not limited by access but by production.

The administrative arrangements proposed for the CBI are unsatisfactory but reflect the political and institutional realities extant at this time. Efforts to champion the cause of CDCC on this matter have turned out to be counter-productive.

The original proposal was designed to relate to the Caribbean "Basin" with donors and recipients drawn therefrom, with the exception of Canada. In reality the only major recipient from Central America is El Salvador which was earmarked to receive a major portion of that in military assistance. Recent congressional activities seem to indicate that a reduction in funds earmarked for that country could redound to the benefit of the OECS.

Likewise, on the donor side, efforts by the United States to expand the original "Nassau four" served only to include Colombia. Specific offers for the CBI, however, have only been made by the U.S. so far. It is therefore not at this stage useful to speculate on the long term effect that the participation of the Latin American states will have on Caribbean/ Latin American relations.

MEMBERS OF THE TECHNICAL COMMITTEE

The following persons comprised the Technical Group[1/] on the Caribbean Basin Initiative appointed by the Extraordinary Session of the Standing Committee of Ministers Responsible for Foreign Affairs, held in Jamaica on 4-5 September 1981:

Frank Rampersad - Chairman
President-Designate
National Institute of Higher Education
TRINIDAD AND TOBAGO

Yves Blanchard
Director, External Co-operation
Ministry of Planning
HAITI

Anthony Boatswain
Economist
Ministry of Planning
GRENADA

Headley Brown
Chief Technical Director
National Planning Agency
JAMAICA

Fitzgerald Francis
UN Economic Advisor
OECS Secretariat

Maritza Guerrero
Sub-Director
Research Department
Central Board of the
DOMINICAN REPUBLIC

Trevor Harker
Regional Economic Advisor
Economic Commission for Latin America
Port-of-Spain
TRINIDAD

1/ No nominations to the Technical Group were made by Suriname and the Netherlands Antilles.

Hugh Heyliger
Director
Planning and Development
ST. KITTS-NEVIS

Swinburne Lestrade
Director-Designate
Economic Affairs Division
OECS Secretariat .

Eric Pierre
Inter-American Development Bank
HAITI

Isidoro Santana
National Planning Office
DOMINICAN REPUBLIC

Eladio Sanchez
Economic Advisor
Centre for Export Promotion
DOMINICAN REPUBLIC

Delisle Worrell
Research Director
Central Bank of
BARBADOS

Byron Blake
Director, Sectoral Policy and Planning
CARICOM Secretariat

Jasper Scotland
Director, Trade, Economics and Statistics
CARICOM Secretariat

Rupert Mullings
Director, Economics and Programming
Caribbean Development Bank

GUIDELINES FOR TECHNICAL COMMITTEE

At their Extraordinary Session in Kingston, 4-5 September 1981, the Caribbean Community (CARICOM) Foreign Ministers agreed that the following Guidelines were to inform the Report of the Technical Committee on the Caribbean Basin Initiative (CBI):

(i) participation in the programme should be open to all countries in the Region;

(ii) the programme should respect the sovereignty and integrity of States, the integrity of regional institutions and their autonomous character;

(iii) wherever possible, the programme should utilise regional institutions and indigenous resources and expertise;

(iv) the programme should be reflective of national goals and priorities, and the criteria for granting aid should not be based on political or military considerations;

(v) the programme should respect the right of the people of each State to determine for themselves their own path of social and economic development free from all external interference or pressure;

(vi) there should be no dimunition in resource flows to the Region as a whole or to individual States. Rather, there should be additional flows within an agreed time-bound programme and with a major portion being in the form of grants;

(vii) ideological pluralism is an irreversible fact of international relations and should not constitute a barrier to programmes of economic co-operation;

(viii) substantial flows of Official Development Assistance (ODA) and other forms of government-to- government assistance are vitally necessary for essential infrastructural development and to create the conditions for investment, both foreign and regional;

(ix) substantial private investment, both foreign and local, is an essential element if development is to proceed at an acceptable rate;

(x) the flow of resources under the programme, whether public or private, should contribute to the maintenance and strengthening of the independence of the countries of the Region;

(xi) the programme should be directed towards strengthening ongoing regional integration and co-operation, and encouraging wider and more intensive co-operation and exchange particularly in the industrial, financial, technical and trade areas in order to get maximum economic and developmental benefits at minimal cost through joint efforts;

(xii) the programme should respect the commitment of individual States to regional objectives and to the goals of the developing countries as a whole;

(xiii) in order to maintain peace, security and stability which are essential to the achievement of the social and economic development of the Region, the principle of non-interference must be respected.

The investment flows should be to both the public and private sectors, both of which have important roles to play in the development process and are mutually supportive. In this regard, it should be noted that neither domestic nor foreign private investment will flow where infrastructure is woefully inadequate.

Flows of both ODA and private investment should be sufficient to create acceptable per capita real growth of income and reduce, to acceptable levels, the current rates of unemployment in the national economies.

The ODA should be primarily on grant terms and considering its inducing effect on private investment, it should flow from very early in the programme on a regular and predictable basis. The ODA should be directed mainly to infra-structure e.g. transportation (including roads), alternative energy sources, health education, training, promotion and marketing, institutional development and related technical assistance, and for post-disaster rehabilitation.

In addition to funds for equity investment induced from the foreign and local private sectors, provision should be made for:

(a) improved credits and other arrangements which could significantly affect the quantum of financial investment flows; and

(b) special bilateral tax arrangements to encourage investors into the Caribbean.

Funds for use as equity investment should be channelled both on a bilateral basis and through regional funding institutions.

Given the need for rapid expansion of production and the limited size of the regional market, a significant proportion of the production under the programme will have to be directed towards external markets, particularly those of the United States Sponsored Group (USSG). To this end, efforts should be made to reduce both tariff and non-tariff barriers including licensing constraints which now serve to restrict such exports and to develop specific support arrangements, including trade information flows, promotion and marketing.

No co-operation programme concerning international trade will be effective or feasible if it is not based on the principle that the countries comprising the USSG remove those existing mechanisms of special protection adversely affecting the basic commodity exports of the Caribbean countries.

Sugar constitutes a major source of export earnings for a number of Caribbean countries. For this reason, sugar from the Caribbean countries should not only continue to receive the most favourable treatment under the United States Generalized System of Preferences (US GSP), but positive steps should be taken to enhance the position of sugar in this market.

Further, consideration should be given to adjusting the basis for determining dollar value quotas on Caribbean exports under TSUS Nos. 806 and 807 by using the value-added in the Caribbean rather than the total value of the final product re-exported to the USA.

Given the susceptibility of the earnings from export crops to fluctuations due to circumstances beyond their control, consideration ought to be given to an institutional arrangement to stabilise the export earnings of Caribbean countries.

While all the Caribbean countries are in tremendous need of assistance the flow and quantum of resources and especially ODA to be made available under the programme should take particular account of the existence in the sub-region of LDC's, MSA's, island-developing states, states subject to climatic hazards and other disadvantages, newly independent states and territories not yet independent, additional ODA and its grant component is a particularly urgent requirement.

The Opening Address of the Rt. Hon. Edward Seaga, Prime Minister of Jamaica at the Extraordinary Session of the CARICOM Foreign Ministers held in Kingston in September 1981 and the Report on Item 7 of the Agenda of the Sixth Meeting of the Standing Committee of Ministers Responsible for Finance provide further elaboration of these elements.