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ECONOMIC COMMISSION FOR LATIN AMERICA
Office for the Caribbean

VARIOUS NOTES ON CARICOM MEETINGS

21 APRIL 1976 THROUGH 13 MAY 1976



F O R E W O R D

This is a consolidation of notes on a series of recent Caricom meetings, and not a paper in the normal sense. The notes cover the following meetings:

Grenada

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| April 21 | Meeting of Caricom Officials |
| April 22 | Meeting of Caricom Council with Joint Consultative Group |
| April 23-24 | Eighth Meeting of Caricom Council of Ministers |

Guyana

- | | |
|-------------|--|
| April 28 | Preparatory Meeting of Transportation Officials |
| April 29-30 | Inaugural Meeting of Standing Committee of Ministers responsible for Transport |

St. Kitts

- | | |
|-----------|---|
| May 9 | Meeting of Finance Officials |
| May 10-11 | Meeting of Standing Committee of Ministers responsible for Finance |
| May 12-13 | Sixth Meeting of Board of Governors of the Caribbean Development Bank |

Where a Ministerial meeting is preceded by a meeting of officials, the pattern has been adopted of commenting on both together, rather than prepare separate sets of notes.

Meeting of CARICOM Council
with
Joint Consultative Group
(Grenada - 22 April 1976)

From time to time the CARICOM Council of Ministers meet with private sector interest groups to discuss aspects of the integration programme. On previous occasions submissions were made by the Caribbean Congress of Labour (CCL), the Caribbean Consumers Council (CCC), and the Caribbean Association of Industry and Commerce (CAIC). Most of the submissions at this meeting were made by the CAIC, covering such diverse subjects as: regional protection, trade in agricultural commodities, the basic materials and process lists, trade administration throughout the CARICOM region, legislation regarding standards, harmonization of Company law, movements of skilled personnel in the region, currency and payments, the industrialization programme in the LDC's and the Regional Food Plan. The following summarizes the main views and policy options that emerged.

The CAIC had recommended in considering regional protection, that separate devices be adopted according to the state of the product being imported. For primary raw materials the technique should be the surplus/deficit procedure as used for the Oils & Fats Protocol so that there would be imports from outside the region only after regional supplies have been taken up. For intermediate goods for further processing, quantitative restrictions should apply; and for finished goods the tariff mechanism should be used up to the point where regional production becomes large enough to meet market requirement and thereafter quantitative restrictions should be applied. There was

not a definite decision that these recommendations would be implemented. In fact not much progress has been made with devising the regime for a common protective policy - the delay being attributable to non-provision so far of requested technical assistance from the international agencies.

Specific recommendations made by the CAIC affecting trade in agricultural commodities include: (a) immediate evaluation of the AMP in collaboration with private sector representatives; (b) assignment of higher priority to the marketing of perishable produce; (c) elimination of processed products e.g. pork products from the AMP list; (d) establishment of a regional authority to administer certifications for health required for some agricultural products, (which in certain instances have been unnecessarily restraining on the trade in those goods). From the CARICOM side it was pointed out that the Review Working Party on the AMP has been giving attention to more systematic methods of price determination; and will next take up the problems of perishable goods.

Harmonization of legislation, both as regards company law, and as regards industrial standards were included among the CAIC recommendations. These include the adoption of common terminology, assistance to LDC's with testing facilities, and uniform administrative practices regarding trade marks, patents, etc. Regarding the process of industrialization throughout the region, the recommendations included adoption of measures to facilitate easier movement of skilled personnel, and the introduction of permanent machinery to facilitate financial transactions within the common market - particularly the harmonization of monetary and exchange policies in place of the present arrangements which inhibit the movement of currency and capital from one CARICOM country to another.

Most of these items are currently under study by some specific working party. In fact work is already advanced on a first draft for a uniform company law. Also, some firm proposals for the establishment of a Regional Advisory Standards Council have emerged including provision for participation of the CAIC, CCL and CCC in the Regional Advisory Standards Council. There was general acceptance of the recommendations on industrialization, including measures for the harmonization of exchange control policies and practice. The delaying factor is that not all the Associated States have declared Sterling a foreign currency. Other aspects like stability of exchange rates are being considered by the CARICOM Standing Committee of Ministers of Finance.

Very detailed recommendations were also made by the CAIC on the Basic Materials List and the newly drafted Process List, particularly the provisions for area origin treatment. There was general acceptance that: (a) the "wholly produced" condition would apply to natural produce (e.g. fruits, nuts, vegetables, spices, dairy products etc.); (b) the requirement of production from certain regional materials would apply for the range of agro-industry products where there was adequate regional supply of the materials; (c) where processing involves use of some imported inputs (e.g. non-regional vegetable oil) a value-added requirement would operate; (d) for the broad category of manufactures the "BTN jump" principle would be the criteria. In the majority of cases the CAIC recommendations for particular items corresponded with the findings of the Working Party of Officials on the Process List. Where there is a difference of view, the Officials have been asked to look again at the item.

S. St. A. Clarke
17 May 1976

Meetings of CARICOM Officials
and
Eighth Council of Ministers
(Grenada 21-24 April 1976)

Aside from reviewing developments within the Common Market since the Seventh Council meeting, attention was given to specific areas of (a) Trade, customs and commercial policy, (b) External CARICOM relations, and (c) Agriculture, industry, trade intelligence and statistics.

The review of developments took the now accepted form of a series of reports by the CARICOM Secretariat, with elaborations and clarifications as required. In summary the main points were:

- (i) All the twelve CARICOM states had been designated as "eligibles" for the USA GSP scheme which came into operation on 1 January 1976; however, under the export limitation provision 1/ of the USA Trade Act Barbados has been debarred from GSP treatment in respect of molasses and wrought hafnium, Guyana and Jamaica were debarred in respect of sugar, and Trinidad/Tobago in respect of bitters.
- (ii) Both the Lomé Convention and the Part IV Regulations governing non-independent countries came into force 1 April 1976, although discussions were continuing with the EEC on the principle of retroactivity in the pricing of sugar, 2/ and on erosion

1/ Making countries which exported to USA in excess of US\$25m, or above 50% of USA imports of any article, ineligible for GSP treatment for those articles.

2/ Caribbean countries supply sugar in the first part of the year and consequently lose the benefit of price adjustments made each mid-year - they are pressing for these adjustments to apply from January in each year.

of the traditional market for bananas in the UK. 3/

- (iii) Introduction of the new CARICOM single line common external tariff on 1 January 1976, abolishing the granting of reciprocal tariff preferences to Commonwealth countries.
- (iv) Progress with finalization of the Process List - to revise origin criteria within CARICOM.
- (v) Progress with the regional food plan including establishment of the Food Corporation.
- (vi) The new pricing arrangements proposed for the AMP.
- (vii) Re-organization of regional shipping services, and the inauguration of the Standing Committee of Transportation Ministers to deal not only with shipping but also with air transport.
- (viii) The signing of Agreements between the Caribbean Tourism Centre with the Government of Barbados and with the OAS, making it the Executing Agency for all tourism technical assistance from the OAS to the Caribbean.
- (ix) The development of planning procedures and scheduling arrangements for a definitive action programme for the cotton/textile industry (covering production of sea-island cotton and production and processing of medium staples).
- (x) Establishment of interim balance of payments support arrangements. 4/
- (xi) Co-operation in specific functional projects (e.g. training of labour officers, adult education, Co-operatives development, harmonization of legislation etc.).

3/ UK government is under pressure to increase the import quota for bananas from dollar sources above its present level of 4000 tons.

4/ Adapted from the ECLA proposals for Safety Net.

In the majority of cases this last group (xi) related to ongoing work of other institutions of the Community i.e. the Standing Committees of Ministers responsible for Education, Health, Labour, Agriculture, Industry, Finance, Transport and External Affairs for which the CARICOM Council acts as the synthesiser.

Most of the discussion under the group of items relating to Trade, Customs and Commercial Policy were in the nature of negotiations on outstanding points to conclude the Process List. Council decided that (a) the Process List should be introduced 1 January 1977; (b) it would incorporate separate criteria for different groups of items; (c) special transition arrangements would be incorporated to accommodate the LDCs; and (d) there would be a short Reserve List for those items which are highly revenue sensitive; (e) the Basic Materials List that has operated since CARIFTA would be abolished.

Introduction of the Process List is regarded as crucial to deepening of the industrialization process in CARICOM. The basic origin criterion is the BTN jump which defines a measure of processing. However where it was felt that the BTN jump was not suitable^{5/} other specific requirements would be made to apply. In summary, the new system for determining Common Market origin would be composed of the following elements -

- (a) the 'wholly produced', requirement covering natural produce and certain other products as obtains under the existing system;
- (b) a general criterion based upon the degree of processing carried out described as the BTN jump;

^{5/} For example where it would not achieve a desirable level of processing within the Common Market, and where achievement of the BTN jump would prove beyond the capacity of present enterprises.

- (c) The requirement of manufacture from materials 'wholly' of regional origin;
- (d) the requirement that certain of the materials used in and essential to the manufacture must be of regional origin;
- (e) the performance of certain specified manufacturing processes;
- (f) the utilisation of materials in a certain state of "rawness" intended to ensure that manufacture within the Common Market begins at a sufficiently early stage in the production process;
- (g) a certain level of local/regional contribution measured by a percentage rule i.e. local value added without advantage of a basic materials list for a specified period (1 or 2 years) after which the BTN jump applies.

So far there has been no progress with the preparatory work for the Regime of Regional Quantitative Restrictions,^{6/} because of lack of promised technical support; consequently Council decided to establish a small group of regional experts to undertake the task.

The main points considered under external CARICOM relationships were the development of working arrangements within the ACP group and with the EEC, Canada/West Indies relations, and UNCTAD IV. Concern with ACP/EEC matters related mainly to the treatment of sugar and bananas and the decision was taken to have further consultations within the ACP group. Regarding renegotiations of the Canada/West Indies Agreement, the general consensus was that there had already been several deferrals, and a firm timetable should be arrived at with the Canadians. Regarding UNCTAD IV the decision was that CARICOM delegations would harmonize their views in advance,

^{6/} To replace the various national quantitative restriction systems, and to complement the common external tariff.

particularly on matters relating to Balance of Payments, Code of Conduct for the transfer of Technology, and the Integrated Programme for Commodities. Important practical decisions were that the selection of delegates from the CARICOM countries would be so made that taken collectively there would be maximization of expertise over the range of items; and that a senior member of the CARICOM secretariat assist the governments at UNCTAD IV.

There was some preliminary discussion of the features proposed for the extension of the IMF Financing Facility and the particular interests of CARICOM countries. Regarding Debt Relief, which was felt would be the main issue, Council decided CARICOM should press for (a) cancellation of official debt for the poorer countries, (b) general rescheduling of debt on more concessionary terms for all developing countries, (c) giving the IMF precise responsibilities for arranging the re-financing and re-scheduling of the private debt of developing countries whenever requested by a debtor country to do so.

The Council took note of (a) progress at the Paris Conference on International Economic Co-operation; and (b) the discussions between the Governing Board of the Cartagena Agreement and the CARICOM secretariat, regarding possibilities for exchange of information, mutual technical assistance, exchanges of personnel, and joint conduct of special Seminars and Workshops.

The group of items in the general category agriculture, industry, trade intelligence and statistics did not generate much discussion. Council requested speeding up of work on the Food Plan, concurred with the decisions reached at the fourteenth meeting on the Agricultural Marketing Protocol (AMP), and requested all CARICOM countries to report as a matter of urgency on the action they could take to relieve surpluses of carrots in St. Vincent and sweet potatoes in Antigua. Council also approved the market allocations and price decisions of

the fourth Oils and Fats Conference, and accepted the report of the Oils and Fats Review Committee.

The specific decisions taken on plant quarantine and its protective restrictions, pesticides control, and animal quarantine were that, (i) the Caribbean Plant Protection Commission should be reactivated and for this FAO assistance should be sought; (ii) the Universities of Guyana and the West Indies along with the East Caribbean Institute of Agriculture and Forestry (ECIAF) should introduce training in plant protection; (iii) pesticides control problems be referred to the Standing Committee of Ministers of Agriculture; (iv) the CARICOM Veterinarians be required to re-examine the restriction on exports of beef from Belize to other CARICOM countries, particularly in terms of the significant role Belize is accorded in livestock production under the Regional Food Plan.

The main point under trade intelligence was the planned CARICOM marketing study tour to Europe, later in the year, which was approved by Council. Under statistics, Council noted that only a part of the Regional Statistical Services project would be implemented in 1976, and that the Committee of Statisticians had agreed to commence work this mid-year for the 1980 census.

S. St. A. Clarke

27 May 1976.

Inaugural Meeting of CARICOM
Committee of Ministers responsible
for Transport^{1/}
(Guyana 29-30 April 1976)

The Ministerial Meeting was preceded by a preparatory meeting of Officials. The outcomes of the deliberations of both meetings are taken together in this note. An important aspect which needs to be appreciated, is the scope of responsibility of this Ministerial Committee, as contrasted with the now defunct Regional Shipping Council (RSC) which it supersedes. Where the RSC had responsibility primarily for policies of operating the inter-governmental shipping line WISCO (West Indies Shipping Corporation), supplemented by ad hoc tasks in other matters relating to maritime transport (e.g. relations with Shipping Conferences, revisions of freight rates etc.), the new body has been entrusted with developing regional policies in all aspects of maritime and air transport.

The agenda fell broadly into three parts:

- (i) the responsibilities and functioning of the Ministerial body;
- (ii) activities in maritime transportation; and
- (iii) civil aviation matters.

The first group of items included adoption of the Rules of Procedure, and the Heads of Government Conference policy directives relating to transport, together with a review of the situation in transport. For the latter, the transport section (Volume V) in the World Bank Report

^{1/} Establishment of this Committee as a CARICOM institution is in direct implementation of ECLA Office for the Caribbean recommendations. [See Paper POS/INT 73/6 later submitted to CARICOM⁷].

on the Caribbean integration process was used as the reference text.

The Rules of Procedure adopted, follow the general pattern set by the other Institutions of the Community, except that allowance has been made for separate ministerial representation on maritime transport and air transport, to accommodate situations where these subjects are handled by different ministries at national level. The Terms of Reference prepared by the Special Working Party and authorized by the Heads of Government, was accepted. The review of the World Bank paper did not bring forward any new recommendations on maritime transport beyond those in previous reports prepared by ECLA and considered by the Governments, the main points being the need to change the type of vessels and to plan seaport facilities on a regional basis rather than as isolated national endeavours. The World Bank recommendations on air transport within CARICOM included measures for improving the intra-regional feeder service, rationalization in the operations of national airlines, and the standardization of Civil Aviation legislation.

Maritime Transportation

The second group of items, all relating specifically to maritime transport, covered review of the regional arrangements for co-operation in shipping, the proposed programme for UNDP/UNCTAD/IMCO technical assistance, consideration of studies in progress within the CARICOM Secretariat on shipping statistics, cargo flow, small vessel shipping, relations with freight conference, re-organization of WISCO and financing of its investment programme for new ships. These discussions centred mainly on the investment programme whereby WISCO would be equipped with four new cargo vessels, two for the "trunk route" serving Jamaica, Barbados, Trinidad & Tobago and Guyana; and two for the route through the eastern Caribbean islands. The main feature of this programme is that the proceeds of sale of the previous vessels would be held as equity in the new corporation allocated among the governments, and the contributions formerly made as subsidy would

constitute further equity participation. This would provide the assets base for "commercializing" WISCO operations. These aspects are reflected in the new Agreement for WISCO signed by the governments. Consistent with this, the initial funds for purchase of vessels would be financed by CDB loan, and the new accounting procedures would include loan repayments, depreciation of equipment etc.

Regarding future WISCO operations and size of cargoes, some delegations expressed concern about the adoption of policies by some CARICOM governments which at least superficially seem to run counter to WISCO interests. Most significant were the roles seen for NAMUCAR and the recently established Jamaican Shipping Line Ltd, as against WISCO activities. Pertinent to this discussion were specific requests and decisions regarding extensions of WISCO routes - viz:

- (i) extension of WISCO's service to Belize;^{2/}
- (ii) inclusion of the port of Castries, St. Lucia, in WISCO's "trunk route" itinerary;
- (iii) the WISCO decision to extend its service beyond Georgetown, Guyana, to call at Paramaribo, Surinam.

The "understandings" which emerged from the exchanges were that:

- (a) NAMUCAR would serve Cuba, Mexico, Nicaragua, Costa Rica, Colombia, Venezuela and Jamaica (using an anti-clockwise itinerary);
- (b) NAMUCAR and WISCO would converge at Kingston, Jamaica, with WISCO acting as NAMUCAR's agent to the eastern Caribbean^{3/}, the services thereby complementing each other;

^{2/} So far Belize cargoes have been handled by WISCO sub-contract to Kirkcornell line.

^{3/} WISCO and NAMUCAR have concluded an agreement for trans-shipment of Central American cargoes to the Eastern Caribbean, at Kingston.

- (c) the Jamaica Shipping Line was being geared to handle extra-CARICOM bulk cargo trade mainly bauxite (although possibilities are being studied for Jamaica liner cargo to Europe).

The discussion of relationships between national shipping lines and the regional line (WISCO) was not conclusive. Other elements that emerged were: the establishment by Guyana of its own shipping facilities for transporting rice (an item that WISCO had included in its expectations), and Trinidad & Tobago plans for its own shipping facilities (which it was assumed would be directed to the movement of petroleum and petroleum products).

The discussion on training of seafarers also pinpointed an area in which national activities seem to be going ahead of regional co-operation. Guyana, Jamaica and Trinidad & Tobago already have some limited facilities for training seamen. Jamaica has been discussing with UNDP the establishment of a maritime school. Trinidad & Tobago has been engaged in formulating a project for a school of navigation. Also, some previous discussions within CARICOM had been triggered by the LDC's who wanted "a maritime school" located in one of the LDC's. There was some confusion, as the LDC's proposals seem to have been in terms of training seamen, while the Jamaica and Trinidad & Tobago initiations are in terms of training deck officers and engineers; but unfortunately, this did not clearly emerge. The discussion was inconclusive and the whole matter of maritime training was sent back for further study.

The items dealing with machinery for collection of port statistics and studies of cargo flow^{4/} generated very little discussion. The proposals were accepted that:

- (i) the Ship Visit Report (SVR) be completed by each trading vessel visiting each CARICOM port;

^{4/} These are in implementation of ECLA Office for the Caribbean proposals in the paper ECLA/POS 74/4 which was followed by a pilot study at the port of Port of Spain.

- (ii) minor modifications can be made to the standard SVR form to satisfy peculiar national requirements;
- (iii) the comprehensive scheme of data collection be instituted in all ports by January 1977.

Similarly, there was acceptance that the region should accord to the UNCTAD Code of Conduct for Liner Conferences, and that work should continue into the possibilities for establishing Shipper's Councils, one having already been established in Jamaica. Regarding UNDP/UNCTAD/IMCO technical assistance to support specific studies in the CARICOM Secretariat, a delay in concluding the agreement was reported.

Air Transportation

The discussions on air transport matters included a review of the present extent of regional co-operation including the report of the Working Party on the Rationalization of Air Transportation in the region, identification of areas for future co-operation, the co-ordination with various other bodies, and joint representation on international bodies. Main emphasis was on intra-regional air services (Leeward Islands Air Transport - LIAT), fares and rates control, and training. The LIAT now jointly owned by the CARICOM governments^{5/} is still to have its legal form decided. So far LIAT has received technical assistance from Air Jamaica and British West Indian Airways^{6/}, an interim loan from Venezuela, and a guarantee of protection on its routes from any new airlines by the Government of Barbados. The main concern was to maintain regular air services to the LDC's but within this were the problems of repaying the Venezuela loan (for which CDB financing is being sought), and re-equipment of the airline. The general decision was that a LIAT project would be formulated and accorded high priority among the projects being submitted to the EDF under the Lome Convention, (an estimated \$15.2m being needed in soft loans

^{5/} 40% by the MDC's and 42.5% by the LDC's - 17.5% of the shares still being unallocated.

^{6/} The national air carriers of Jamaica and Trinidad & Tobago respectively.

to cover re-equipment and consultancy services). The problems relating to rationalization of air freight services and passenger services, were assigned to a Working Party. In addition a Sub-Committee was established to deal with Air Fares and Rates, with the task of keeping those matters continually under review, and submitting periodic reports to the Standing Committee of Ministers supplemented by direct recommendations to governments on matters of urgency.

Regarding joint representation on international bodies the principle was adopted that whichever CARICOM country was serving on the ICAO Council, that country would present the regional view parallel with the particular national position to the extent that this is feasible. In addition it was decided that no step would be taken to join the Latin American Civil Aviation Commission (LACAC) until there was further study, including LACAC decision on Guyana participation. Jamaica and Trinidad & Tobago had been invited to join LACAC but Guyana had not been invited.

The decisions regarding areas for future co-operation included comparative study of current national laws, regulations, procedures and practice, and their standardization. Highest priority was however to be given to the areas already identified for rationalization of passenger and freight transportation in the region. Accord was also reached on the exchange of information of bilateral air transport agreements, with the MDC's providing technical assistance to the LDC's in negotiating bilateral agreements, upon their attaining independence; and that a scheme of intra-regional mutual technical assistance would be instituted for the development and management of airports and airport facilities, and the development of air traffic control systems.

S. St. A. Clarke
27 May 1976

Meetings of Finance Officials, Central Bankers
and Standing Committee of Ministers responsible
for Finance

(St. Kitts Sunday 9 to Tuesday 11 May 1976)

The Finance Officials, Central Bankers and managers of Monetary Authorities met jointly to formulate the body of recommendations that should go to the Ministers, on the items presented in the agenda prepared by the CARICOM Secretariat. Generally, the recommendations were approved at the Ministerial Meeting. This note concentrates on the decisions.

The greatest attention was on the establishment of CARICOM Balance-of-Payments Support mechanisms. The prior decision that an Interim Arrangement should come into effect 1st May 1976 for the remainder of 1976, was delayed because some governments had not yet signed the Interim Arrangement agreement, which provided for the pooling of commitments and the pledging of guarantees. The Permanent Facility decided to take effect from January 1977 was basically an elaboration of the Interim Arrangement. It provides for special drawing rights on allocated quotas totalling \$60m. The Facility (proper designation - Caribbean Common Market Balance-of-Payments Mutual Support Facility) requires participants to accept liability up to the extent of individual quotas, 50% of which is callable as direct transfers of funds as needed, with the further 50% remaining on call. Essentially the whole quota is a form of guarantee against which the Facility can borrow from international institutions, capital markets (regional and extra-regional) or Governments and financial agencies. The Facility in turn would provide loans to participants to alleviate acute balance-of-payments problems, the loan limit being 200% of the individual quota.

Administration of the Facility is entrusted to a Board of Governors consisting of the Governors of the Central Banks, assisted by a Review Committee comprised of appointed Officials of Governments. One Central Bank would be designated as Agent to the Facility to handle transactions; the whole set of arrangements being subject to annual review.

Some consideration was given to the alternative of establishing a Stabilization Fund; but the decision was taken that this be a further step that may be implemented at a later date when there is experience in administering the Facility. The essential difference between the Facility and the Fund is that in the case of the Fund participants would be required to take up equity.

At previous meetings various decisions had been taken regarding the legal framework for the establishment of regional business entities designated CARICOM Enterprises. Only two issues were outstanding: (a) liability for taxes, and (b) treatment under national company legislation. The decisions reached were (i) that the normal taxation provisions would apply except where special agreement is concluded by Governments for enterprises wholly owned by governments; and (ii) that the CARICOM enterprise should be treated as a company in the State where its headquarters is located with branches in other member States. The latter decision solves the problem of residence for tax collection purposes. The next step is conclusion of the Agreement for signature by the CARICOM governments.

Other decisions taken by the Ministers related mainly to the completion of ongoing studies, or initiation of new studies on a range of priority items including - exchange rate co-operation, harmonization of exchange control measures, financing arrangements for agricultural trade, creation of a Caribbean travellers cheque, regional training in banking, development of Caribbean Insurance Industry, double taxation agreements, examination of a unit of account for rates of duty in the Common External Tariff (CET), the Special Emergency Fund for the LDC's and listing of priority projects for the EDF (European Development Fund).

ECLA support was sought for (a) the studies under the AMP, mainly as continuation of work formerly undertaken by Mr. Louis Smith, emphasis now to be given to transactions between the Marketing Boards; and (b) assisting the LDC's to prepare public sector 5-year (1977-81) development plans (i.e. projected public sector capital expenditures for that period, and fiscal programme giving projections of fiscal returns, and expenditures over the next five years). The exercise (b) is a pre-requisite required by the donors for the Special Emergency Fund. These plans are to be ready by the end of September 1976. The CDB (Caribbean Development Bank) is to provide the necessary co-ordination of the assistance to be given by ECLA, CRIAT, CARICOM and CDB.

The Special Emergency Fund (\$10m) to be subscribed jointly by the MDC's and the UK, is to deal with Balance of Payments type problems which in the case of the LDC's show up as budgetary deficits. In its operation, therefore, the Emergency Fund would be the counterpart of the Balance of Payments Facility being operated by the MDC's.

Most of the discussion was on the problems that have arisen as the result of frequent variations in the parities between the Caribbean currencies. For example, one effect has been to nullify the uniformity of treatment of extra-regional imports sought under the CARICOM Common External Tariff (CET). The decision taken by the Ministers was that pending adoption of a common unit of account, common intervention currency and stability in exchange parities of the CARICOM currencies, periodic adjustments would be made by individual countries in CET rates to ensure a reasonably uniform level of tariff protection on any given commodity, throughout the common market.

There was also review of various aspects of income tax administration. Progress with the intra-MDC's, and intra-LDC's double taxation agreements had been delayed because of variations in the treatment of Corporations for tax purposes. With revisions of the systems in Barbados and in St. Kitts-Nevis-Anguilla there will be a higher measure of uniformity. In addition, there was a very comprehensive report on tax administration in the LDC's, with many detailed recommendations for implementation adopted by the Ministers.

S. St. A. Clarke
16 May 1976

Sixth Caribbean Development Bank Board of
Governors Meeting
(St. Kitts 12-13 May 1976)

The meeting of the Board of Governors was preceded by meetings of the Board of Directors and the Procedures Committee. The former, after examination of the Financial Statements and Annual Report on the operations of the Bank, formulated recommendations as draft resolutions for adoption by the Governors. These included acceptance of the audited Statements of accounts, approval of the administrative budget for 1976, and the further recommendations that net incomes from the various Funds being operated be held as reserves to the respective Funds.

The most significant item on the agenda (at least as regards long-term policy) "Implications of expanding membership of the Bank" was considered both by the Board of Directors and the Procedures Committee, and both recommended deferral for further study. Although only the application from Puerto Rico is now before the Board, the general view was that the question should be dealt with more broadly to take account of the further likely applications from other Caribbean countries. It may be recalled that the original provisions in the Bank's Charter some sixty percent of the votes and the shares to the CARICOM group of countries, as against forty percent for the non-regional members. This balance had to be re-examined at the time of the accession of Venezuela and Colombia to membership of the Bank, when the decision was reached that the balance in control should remain with the borrowing members - the non-regionals (UK and Canada) along with Colombia and Venezuela being non-borrowing members. To accommodate this decision, the share capital and voting blocs were increased, and membership in the Board of Directors and the Board of Governors expanded.

It is already clear that future arrangements for expanded membership will need to accommodate not only non-borrowing members but also borrowing members. Attention would also have to be given to the rules governing the soft loans and operations, access to which has so far been reserved to the LDC's.

The main aspects emerging from the financial reports were: (a) the very large expansion in loan disbursements; and (b) the gradual shift in emphasis from infra-structure projects to income-yielding projects in agriculture and industry which is now becoming perceptible. Regarding (a) loan disbursements in 1975 was some 300% greater than loan disbursements over the period 1970-1974. To a large extent this had been achieved by (a) bringing the conditions for lending more within the capabilities of the LDC's; (b) the greater level of assistance afforded by the CDB to individual governments to establish national financial machinery for handling on-lending operations; (c) the greater measure of uniformity that had been achieved by the CDB in the criteria required by the several donors; and (d) the improved absorptive capacity of the countries themselves.

Statements were made by the Bank's President and its Governors reviewing the economic situation of the borrowing countries and proposing new lines of action for the Bank in the ensuing year. The President's review of the Bank's operations covered (a) the additional resources that had been obtained by increase in paid-up capital, special contributions by Venezuela, Colombia and the Federal Republic of Germany, and replenishments by Canada, the United Kingdom and U.S.A.; (b) the guidelines for direct equity investments in industry enterprises; (c) the emphasis on development rather than mere growth. Regarding the future, he stressed the need for commitment, skills and organization which presently present bottlenecks to policy implementation, particularly as the economic outlook for the Caribbean countries would remain critical for at least another year or more. This would put pressure on the Bank to mobilize further resources which would need to include borrowing of "hard" funds in the capital markets.

Specific proposals for future operations put forward by the participating countries through their Governors include inter-alia:

- (i) CDB not to follow some of the new and more restrictive policies of the World Bank;
- (ii) CDB should establish a pool of managerial expertise;
- (iii) CDB should institute some form of export promotion assistance to the LDC's;
- (iv) loans to LDC's should be on the basis of discounted parity rates between US Dollars and the £ Sterling;
- (v) limitation on the number of different funds in the Bank with different lending criteria required by Donor countries;
- (vi) the CDB should take on the role of financial intermediary so that different sources of funds can be tapped and harmonized into multi-purpose projects;
- (vii) CDB should promote export credit arrangements;
- (viii) CDB should use its creditability to support individual governments' commercial loans raising efforts overseas.

On the whole there was a note of satisfaction on what was achieved during the past year, and general consensus that the various proposals be studied for incorporation, as feasible, into future Bank policy. However the statements also included strong references to destabilization to which some Caribbean countries are now being subjected by the World Bank and some developed countries, and general dissatisfaction that the IDB has not taken the necessary action to give effect to the resolution which would permit the IDB to lend to the CDB for on-lending to all of the latter's member countries. References were also made to the inability at Unctad IV to get suitable concessions from the developed countries, and to dissatisfaction in the implementation of the Lomé Convention.

Finally, the non-borrowing members took the opportunity to outline the assistance they would extend to the CDB by stimulating the private sector in their own countries to enter mutually into programmes with the Caribbean countries, and by supporting CDB initiatives at the level of international institutions.

S. St. A. Clarke
17 May 1976