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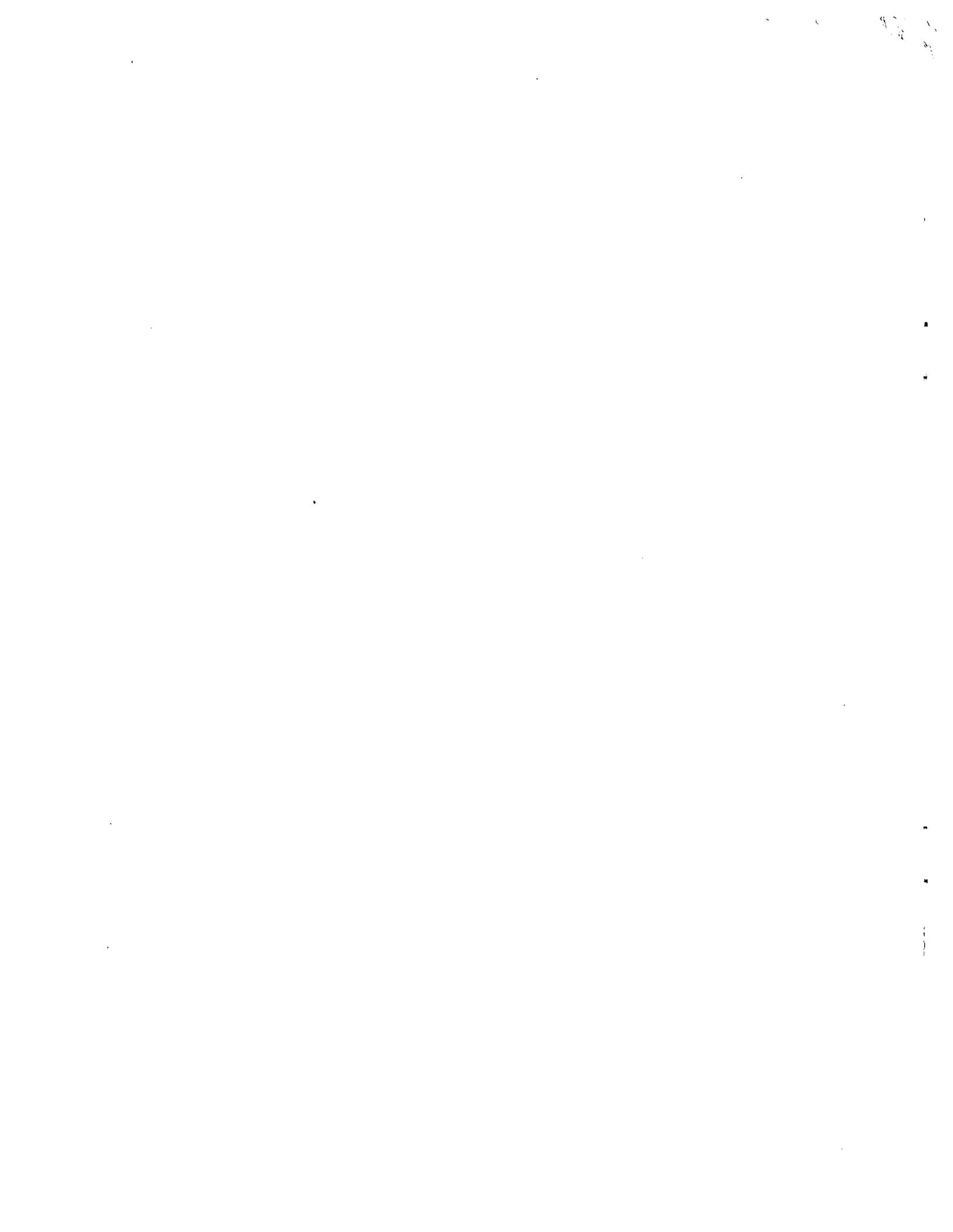
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**Date: 24 July 1972**

**ECONOMIC COMMISSION FOR LATIN AMERICA  
Office for the Caribbean**

**NOTE ON  
TENTH MEETING  
OF THE  
CARIFTA COUNCIL OF MINISTERS**

**(DOMINICA, 10-13 JULY 1972)**



Note on  
Tenth Meeting of the CARIFTA Council of Ministers  
(Dominica, 10-13 July 1972)

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It had been the general feeling for some months that this meeting of the Council could be crucial, both for the future of CARIFTA and the reassessment of wider trade policies. Consequently, not only was a longer period allotted for the Council meeting, but also for the Officials' meeting which was convened some three weeks before Council instead of on the two preceding days as has been the practice.

2. The CARIFTA Secretariat placed emphasis on four points of the twelve item agenda:

- (i) The present and future position of the less developed countries of CARIFTA within the Regional Integration Movement;
- (ii) The relationship between the CARIFTA countries and the enlarged European Economic Community;
- (iii) The CARIFTA common external tariff;
- (iv) Finalisation of the Scheme for Harmonization of Fiscal Incentives to Industry.

Of these, the Governments considered (i) and (ii) to be of paramount importance. In addition to the various working papers, the Council had available the report from the meeting of Officials, which contained recommendations on each of the agenda items. It was evident from the recommendations that if any progress was to be made on the main items, some decisions of a political nature would need to be taken.

3. The Ministers met in closed session during the first day, and for the rest of the time in working sessions. The LDC's (ECCM group) pursued the argumentation they had worked out during the previous two days i.e. they (a) were not prepared to undertake further obligations in "deepening" the integration process unless specific steps were taken to improve their position in CARIFTA, in particular to further the process of industrialization in their territories; and (b) could not afford to take any action that might be prejudicial to their listing

under Part IV of the Treaty of Rome unless it was clearly an improvement on their position. The LDC's made it clear that their positions on all the other items were dependent on the action sought for improving their situation.

4. The specific demands of the LDC's were that:

- (i) MDC's should give a commitment for the next 15 years not to establish any industry identified as suitable for location in the LDC's;
- (ii) special tax exemption privileges should be legislated for nationals of MDC's in their countries in respect of any investments they may make in the LDC's;
- (iii) MDC's should direct investors (both private sector and institutional) to place investments in the LDC's;
- (iv) more liberal qualification for area tariff treatment should be granted to products from the LDC's;
- (v) investment consortia should be established, possibly through the Caribbean Development Bank.

CARIFTA's Secretary-General pointed out that the possibilities for establishing industrial activities in the LDC's were very dependent on implementation of the special measures provided for LDC's in the "deepening" of the integration process. Given the present levels of development in the LDC's, without the special measures, there was scarcely any scope for deepening the production processes.

5. The MDC's took the view that a list of special industrial activities would need to be drawn up before they could consider some aspects of the requests since broad categories like "footwear", "electronics", or "cosmetics" could never be acceptable. It was the view of the MDC's that it would in fact need to be a list of specific industry processes. As regards giving directions to investors, they contended that on the one hand private entrepreneurs were free to decide on the ventures they would make, and on the other, institutional investors like pension funds etc. were by their nature restrained from involvement in ventures that bore a high risk element.

6. The outcome of the discussions is reflected in the resolution at ..... Annex I, which was one of the main products of the meeting. The other ..... is the resolution at Annex II which specifies the measure of common

agreement reached on the subject of relationship between CARIFTA countries and the enlarged EEC. This resolution reaffirms the joint CARIFTA approach, and adds the elements that (a) the minimum degree of reciprocity possible should be given the enlarged EEC, (b) the EEC relationship should not be such as to prejudice the "deepening" of the sub-regional integrational process, and (c) a special regional committee of experts would be entrusted the task of formulating the approach for negotiations with the enlarged EEC.

7. Following advice of ECLA and the CARIFTA Secretariat, the Council was disposed to consider the issue in terms of the specific commodities for which some special treatment must be negotiated to compensate for the loss of preferences, with a view to minimising the extent of social and economic dislocation. Against this should be set the issue of reciprocal treatment to the enlarged EEC. This approach is different from the generalised solutions proposed by the UK (Part IV Association for dependent territories and Yaounde for the independent countries).

The question however arises, whether such negotiation can be conducted simultaneously with re-negotiation of the Yaounde Convention. This is yet to be clarified. The UK pressure on the independent Commonwealth Caribbean countries that they should participate in the re-negotiation of the Yaounde Convention must also be borne in mind.

8. It is probable that there may not be further appreciable progress in the next few months towards a CARIFTA-wide common external tariff, given the decision by the ECCM group that they are not disposed to participate in negotiations until their c.e.t. is operative, and certain preparatory studies are done by the ECCM Secretariat. However, analysis of some technical aspects will continue at the level of Comptrollers of Customs and Government Statisticians. The central issue now seems to be whether a fully integrated tariff or a semi-integrated tariff should be proposed to the Council. The Officials also need to consider whether the levels of tariffs submitted earlier this year, offers adequate protection to domestic industry.

9. As regards the Harmonization of Fiscal Incentives to Industry, all the CARIFTA countries, except Antigua, have accepted the framework that has resulted from the negotiations of the past two years. The

immediate next step is the actual measurement of local value added in existing industries, using the parameters on which the Governments have decided. The most notable aspect has been the acceptance by the Governments of several earlier ECLA proposals. Consequently, the computation to determine the local element in total sales should inter alia be deduction of wages and salaries of non-citizens (rather than non-residents), exclusion of items on the basic materials list, and deduction of the element of protection.

10. The recommendations made by the Officials on the other eight items of the agenda were adopted with few amendments.

Implications for ECLA

11. ECLA assistance is required on all the items of study decided by the Council:

- (a) For the item, "position of the LDC's in CARIFTA", a Task Force has been set up (para 6 of the resolution) requiring ECLA participation, with September 1972 as the target date for completion of work;
- (b) For the item, "relation of CARIFTA countries to the enlarged EEC", the Council has specifically requested "Mr. Clarke of ECLA" and "Mr. McIntyre of the University of the West Indies" to work in co-operation with technical officers of governments and the CARIFTA and ECCM Secretariats;
- (c) There is the expectation that ECLA will continue to give substantive assistance with the CARIFTA c.e.t. exercise;
- (d) The ECLA has been specifically asked to co-ordinate the work on the measurement of local value added.

12. It should be noted regarding (d) that a clear text of the present scheme for the harmonization of fiscal incentives does not yet exist. This is clearly an ECLA task to supplement the document E/CN.12/845. (It would be recalled ECLA had a similar task in 1967 to prepare the final consolidated text of the CARIFTA Agreement.)

S. St. A. Clarke  
Port of Spain  
24 July 1972

RESOLUTION ON INDUSTRIAL DEVELOPMENT POLICY  
IN THE CARIFTA REGION, WITH SPECIAL REFER-  
ENCE TO THE LOCATION OF INDUSTRIES IN THE  
LDC'S

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COUNCIL;

Noting the number of special instruments already adopted to enable the Less Developed Countries of CARIFTA to share equitably in the gains from regional economic integration (such as the Caribbean Development Bank, the inclusion of all countries in the Oils and Fats Agreement and other improvements in this Agreement in favour of the Less Developed Countries, the Agricultural Marketing Protocol, the decision that the MDC's should guarantee markets at negotiated prices for increasing volumes of certain agricultural products produced in the LDC's, intra-regional technical assistance being provided by the MDC's to the LDC's);

Reaffirming its understanding that in Annex A to the CARIFTA Agreement Commonwealth Caribbean Heads of Governments accepted the principle that industrial development in the Less Developed Countries was to be a concomitant feature of the growth of the Free Trade Area;

Concerned that, notwithstanding the devices and instruments adopted, no significant industrial development has so far taken place in the LDC's;

Recognising that the CARIFTA Agreement has accepted the principle of the establishment of regional integrated industries in the Region (See Annex A of the CARIFTA Agreement);

Conscious of the fact that the promotion of industrial development in the Region and particularly in the LDC's, is a regional responsibility;

Mindful of the importance of adequate infrastructure and public utilities, and vocational, technical and managerial training, and adequate intra-regional transport facilities to the industrial development of the LDC's;

Convinced that every effort should be made to ensure that industrialisation should take firm root immediately in the LDC's;

RESOLVES

- (1) All industries established in the Region should make maximum use of regional raw materials.
- (2) Industries already located in the Region should be encouraged to develop "linked" industries in the LDC's and the using industries should undertake to utilise the inputs thus produced.
- (3) Where an existing industry in an MDC seeks to expand capacity in order to take advantage of growing demand in other countries of the Region and where there are no significant constraints, the authorities of the MDC concerned should, where possible, give encouragement to the location of such expanded capacity in the LDC's.
- (4) In the interests of achieving economies of large-scale production it is undesirable to encourage excessive duplication of existing production facilities producing identical products or an excessive degree of product differentiation among MDC's. However, the LDC's should be encouraged to undertake such production where it could

be demonstrated that the growing regional market could accommodate such production. In this connection the provisions of Article 39 or any amendments thereto of the CARIFTA Agreement ought to be applied in the interest of safeguarding the market for this product in the LDC's.

- (5) In view of the fact that new industrial production in most lines of manufacturing activity to be located in the LDC's could without difficulty be absorbed in the growing regional market, the establishment of similar industries in the LDC's and MDC's is not mutually exclusive. Nevertheless, it remains of the utmost importance that the MDC's should assist in the promotion of new industries in the LDC's along the following lines:

- (a) In the strategy for regional industrial development the MDC's should pay due regard to such manufacturing activities as are identified as suitable for establishment in the LDC's by project and other studies;
- (b) the MDC's should make available to the LDC's the facilities which they already have for research as well as their industrial and other technical institutions in order to promote and accelerate industrial development in the LDC's;
- (c) the public authorities in the MDC's should encourage enterprises operating in the MDC's to establish joint ventures to set up industries identified as being suitable for location in the LDC's;
- (d) CARIFTA Governments should immediately call upon the Caribbean Development Bank to review its financing policies and practices in relation to industrial development in the LDC's

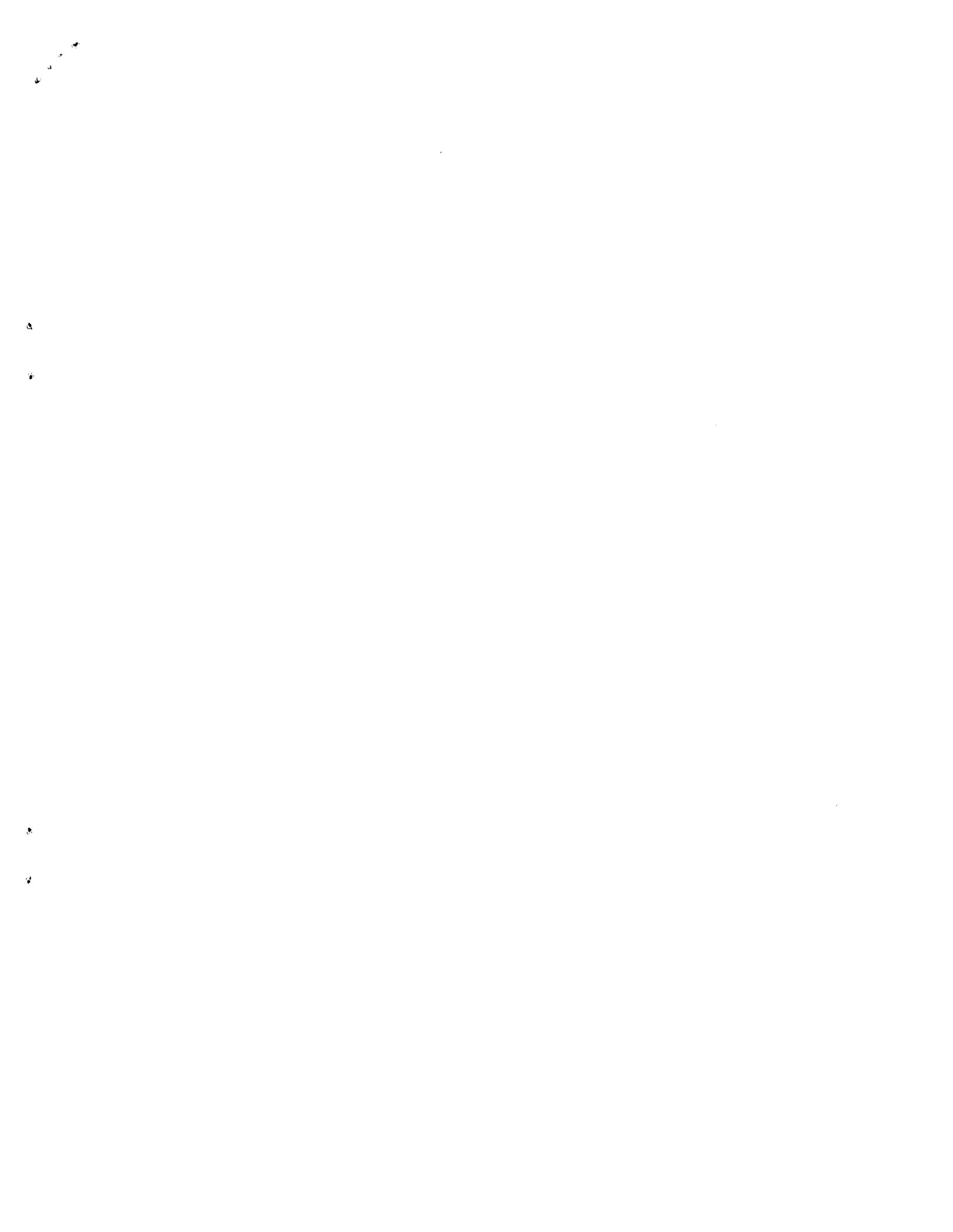
and, where necessary, put itself in a position to enable it to contribute substantially to both the equity and loan financing of industries identified as suitable for location in the LDC's.

- (6)(a) The Council affirms the importance of a policy for the location of industries in the Region and urges need for the implementation of a programme for locating particular industrial activity in the Less Developed Countries.
- (b) The Council recognises the formulation of such a policy and a programme may involve the acceptance of constraints by the More Developed Countries.
- (c) The Council accepts the need for regional agreement on the essential features of that policy and on the criteria for the formulation of that programme as part of a regional strategy for industrial development.
- (d) With a view to reaching such agreement with the least possible delay the Council agrees upon the establishment of a "Location of Industries Task Force" headed by the Secretary General with membership to be drawn from the Commonwealth Caribbean Regional Secretariat, the Secretariat of the East Caribbean Common Market, the Caribbean Development Bank, the Economic Commission for Latin America, UNIDO and the University of the West Indies, to draw up an operational plan to locate in the LDC's industrial activities which are identified as suitable for location in these territories. It should be the aim of the Task Force to report not later than 30th September, 1972.
- (e) The Task Force should take into account:
- (i) The Decision of the Ninth Council of Ministers on Mechanisms for Influencing the Location of Industries;
  - (ii) the recommendation of Officials on Agenda Item 8 (a) of the Tenth Meeting of Council of Ministers - Completion of Consideration of Report on Working Party on Location of Industries;

- (iii) the other paragraphs of this Resolution.
- (7) In order to facilitate the implementation of all the above-mentioned principles, it would be necessary for appropriate organisations of the Region, assisted where necessary by external technical assistance, to draw up long-term projections of regional direct and indirect demand for agricultural, and industrial products and for service industries as part of a regional Perspective Plan which would be constantly subject to revision and to continuous carry forward in the light of changing circumstances.
- (8) The Governments of the MDC's should encourage their nationals and companies to invest in industries in the LDC's. The Council invites the Committee of Regional Ministers of Finance to give consideration to appropriate fiscal devices designed to achieve this end.
- (9) The Scheme for the Harmonisation of Fiscal Incentives to Industry should permit the LDC's to grant Export Allowances to enterprises exporting to the MDC's as well as to extra-regional markets.
- (10) The origin rules of the CARIFTA Agreement should be relaxed in relation to exports from an LDC to an MDC. So long as the general 50 per cent criterion (qualified by the Basic Materials List) is in use, the percentage applicable to the LDC's should be 35 per cent. When a Process List is introduced the qualifying processes for the LDC's should be made easier than for the MDC's.
- (11) Potential equity participants throughout the region, both private and public, should be brought together immediately by some appropriate regional institution - for example, the Caribbean Development Bank - to appraise them of the industrial development possibilities in the LDC's and to lay the foundation for future discussions about the financing of industries to be located in the LDC's.

MDC  
accept

- (12) An Industrial Promotions Unit should be immediately established in the ECCM Secretariat to actively follow-up the promotion of new industries and the expansion of existing industries in the LDC's. Such a unit would establish contact with public sector and private sector investors from both the LDC's and the MDC's as well as from extra-regional sources, including international financing agencies.
- (13) The public and private sectors of the MDC's, acting together and assisted where necessary by international agencies, should immediately launch a programme of Technical Assistance for Vocational, Technical and Managerial training of personnel from the LDC's.



Sugar | Antigua  
St Kitts - Nevis - Anguilla

Jamaica | Dominica  
St Lucia  
St Vincent  
Grenada

Montserrat  
Guernsey

Carifla - EEC agreement.

→ traditional suppliers relationship eq. drawn  
with France.

Questions (1) Part IV - LDC

(2) Possibility of collective Carifla -  
EEC agreement.

RESOLUTION ADOPTED BY CARIFTA COUNCIL ON ITEM 7 -  
"RELATIONSHIP BETWEEN CARIFTA COUNTRIES AND THE  
ENLARGED EEC"

- (a) Council considers it essential that the CARIFTA countries should seek a group relationship with the enlarged EEC because of the following two fundamental considerations:-
- (i) the need to obtain the best possible terms at minimum cost through joint bargaining based on the collective power of the countries of the Region;
  - (ii) the urgent necessity to preserve the integrity of the present CARIFTA arrangements and to 'deepen' CARIFTA, while continuing to apply special measures and instruments in favour of the LDC's.
- (b) Council reaffirms its recommendations to Governments made at the Sixth Meeting in November 1970 that all the CARIFTA Governments should decide to seek as a group a relationship with the enlarged EEC with special arrangements to safeguard vital export commodities, without prejudice to the status already secured for the respective States consequent on the listing in the Treaty of Brussels of the Associated States, Belize and Montserrat as being eligible for association under Part IV of the Treaty of Rome. (It is the understanding of the Council, pursuant to assurances given by the U.K. Government, that there will be no constitutional impediments to the participation of the Associated States, Belize and Montserrat in negotiations for such a group relationship with the enlarged EEC).

note 1

note 2

- (c) Council agrees on the immediate establishment of a Regional Working Committee under the Secretary-General and including Mr. A. Mc Intyre of U.W.I. and Mr. St. A. Clarke of ECLA, technical personnel from the two Regional Secretariats and from the Member States specially made available for the purpose. The Working Committee will be responsible for recommending to the Council an approach to negotiations with the enlarged European Economic Community in pursuance of the objectives set out in (a) and (b) above taking specially into account the commodities listed under paragraph 91(c) of the Report of the CARIFTA officials (REP 15/72) and any other commodity referred to the Committee for consideration by a Member Government.

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