

CMO

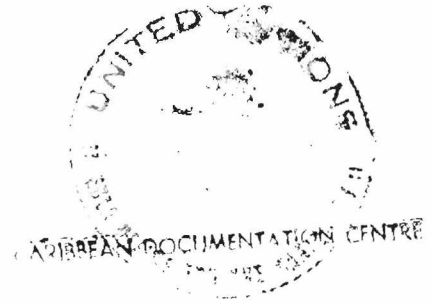
POS/INT 74/4

Distribution: Restricted

Date: 1 May 1974

M

ECONOMIC COMMISSION FOR LATIN AMERICA
Office for the Caribbean



(N O T E S)

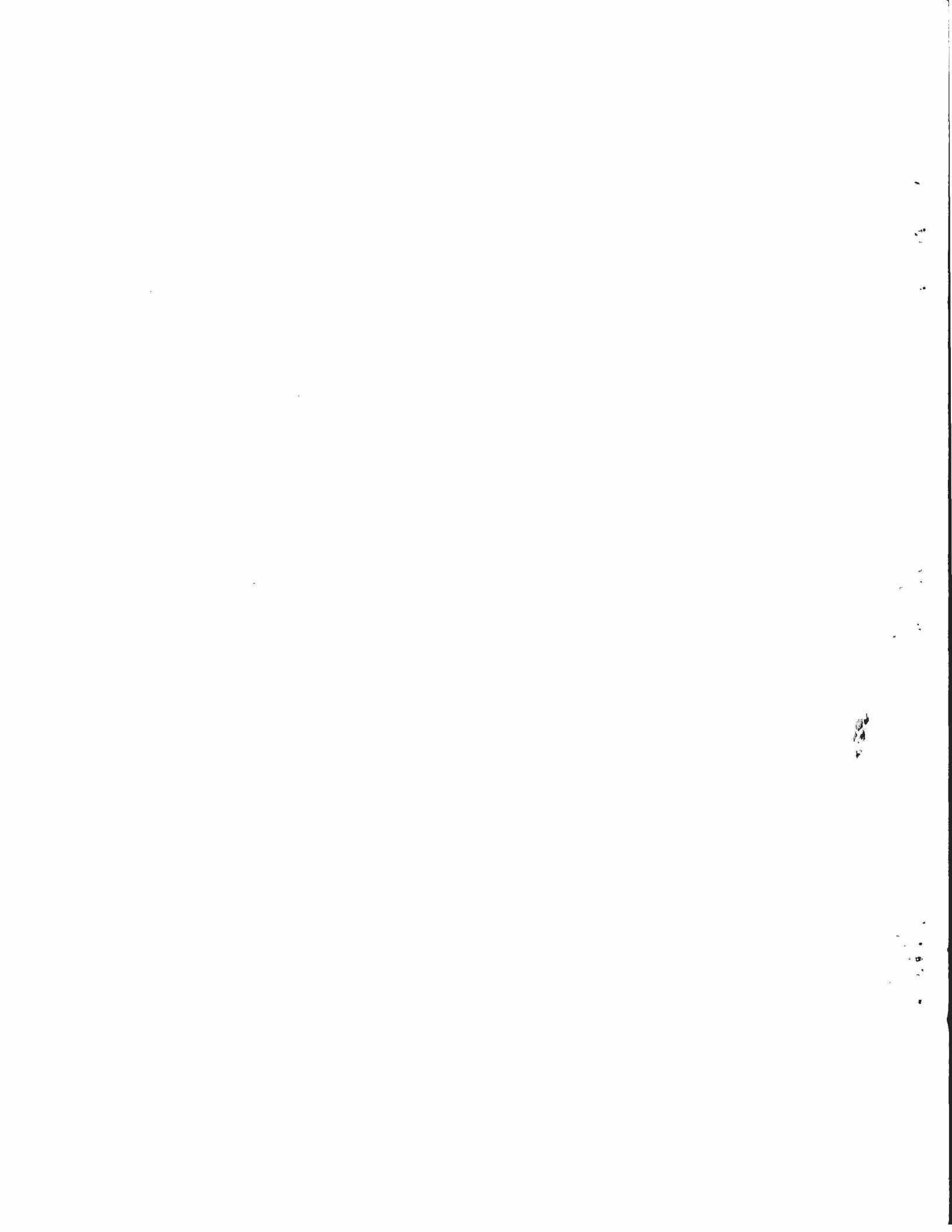
ON

CARIFTA/CARICOM MEETINGS

(Barbados, 22-26 April 1974)

Prepared by

Mr. S. St. A. Clarke



BACKGROUND

The Caribbean Free Trade Association (CARIFTA) has existed side by side with the Caribbean Community and Common Market (CARICOM) since the latter was established on 1 August 1973. Inevitably, a wide range of subjects have simultaneously been under consideration in both Ministerial Councils, so the transitional arrangements have had to provide for decisions in both forums to be taken with the minimum of time-lapse between the one and the other. This consideration dictated that the meetings of CARIFTA and CARICOM be scheduled close together. Savings in travel cost, time and manpower influenced the timing of meetings of the Working Parties; the idea being to have these meetings immediately before the sessions of the Councils for which the Officials need to be present. The separate notes on all the inter-governmental meetings over the period 22-26 April 1974 are therefore presented together.

Formulation of a strategy for the industry sector originated with the evaluation by the CARICOM Secretariat that the combination of frequent exchange rates revisions, the energy "crisis", and general commodity shortages (particularly of food items), presented a new and difficult situation for the Caribbean countries. This gave impetus to the idea of preparing a regional Perspective Plan. The Standing Committee of Ministers of Agriculture then took decisions regarding regional short and medium term measures for the agriculture sector. Consideration of a similar approach for the industry sector was taken up by the Working Party at level of Officials on 22 April 1974.

Sugar is a special case. The traditional situation has been that production and marketing was almost wholly a private sector activity. The Commonwealth Sugar Agreement (CSA), for example, was concluded between West Indian sugar producers and the UK Ministry of Agriculture and Food; and not between the Governments on both sides. Accession of the UK to the EEC, and concern of Caribbean Governments at the internal economic and social dislocations that

could follow termination of the USA, has resulted in these Governments becoming increasingly involved in matters relating to sugar. One outcome has been their decision to establish a Study Group to examine and make recommendations on the long-term prospects of the sugar industry. This was the third meeting of the study group.

As is usually the case, the meetings of the Ministerial Councils are preceded by a preparatory meeting of Officials, who consider the Council agenda and make appropriate recommendations. The note on the 17th CARIFTA Council Meeting treats this preparatory meeting as part of the overall deliberations.

N O T E

Meeting of Working Party on Industrial Planning
(Monday 22 April 1974)

The purpose was to formulate a development programme for the industry sector. The approach was to:-

- (i) identify the elements necessary to an overall regional strategy; and
- (ii) attempt to draw up an "emergency action programme".

The main parameters for co-ordinated industrial development were already laid down in articles 45 and 46 of the Common Market Treaty. With the object of maximising complementarity between the industry sectors of the member states, the focus would be on: greater utilization of indigenous raw materials, creation of production linkages (both national and regional), minimising of product differentiation to permit for economies of scale and industrial efficiency. Most of the discussion centered on the need to relate regional demand more closely to regional resources, and to combine the resources of the region into a comprehensive industrial effort. While there was discussion of various projects that should go into the realization of such a programme, the criteria for identifying and mounting regional projects did not emerge. Most of the emphasis therefore was on national projects in the industry sector, financing of the projects, and measures for their harmonization.

The second part of the exercise, to prepare a co-ordinated emergency programme, was mainly an assessment of the regional demand supply situation for textiles, leather and leather products, timber, cement, glass, paper and fertilizers. The assessment was in terms of plant production capacity both operational and planned as against regional demand. Recommendations were made that would result in balancing of capacities at different production stages of processing in textiles (spinning, weaving), utilize area starch and co-ordinate sea island cotton production as a fully integrated industry. The general view was that leather and leather products should be considered eligible for a "regional protective regime". As for building products,

the conclusion was that Jamaica should expand its soft wood programme to satisfy the regional demand, and hard wood supplies be co-ordinated; while cement producers should provide clinker on long-term contract where bulk or bagged cement is uncertain. Of special interest is the conclusion that the proposed Guyana plant for producing sheet glass should be considered as a regional project, although as yet there are not clear criteria for determining what should be regional projects. Paper, fertilizers and food-processing were areas that still required investigations.

The ECLA interventions were on the points care must be taken that the short-term plans should not be incompatible with the content of the long-term perspective plans; that the consideration of the industry sector separate from the agriculture sectors posed special problems for linkages between the two sectors not only for agro-industries food range which was more obvious, but for the possibilities that industry sector demands create a market for agricultural production (starch was a case in point, linked to textiles); that some kind of inventory of resources is necessary, taking note of the related technologies; and that considerable emphasis needs to be given to implementation, as the policies and projects decided need to be incorporated into national plans if they are to be realised.

The Working Party is only in the early stages of formulating a general strategy. The pattern still is to deal with whole industry sub-sectors. Until considerations get down to the commodity level, the approaches to import displacement/replacement will remain general and mainly exhortative. The big bottle-neck is lack of sufficient specific information.

S. St. A. Clarke

28 April 1974
Port of Spain

N O T E

Meeting on the long-term Development of the Sugar Industry
(23 April 1974)

This was the third meeting of the Working Party of CARICOM Sugar producing countries, and the first in which ECLA participated. It was immediately apparent that though the terms of reference extends to the consideration of a programme for the long-term development of the sugar industry, most of the emphasis in discussion was on the allocation of supplies to various markets in 1974.

Much time was taken up with individual delegations reporting on the latest revised estimates of sugar production for 1974, and the commitments that had already been made to purchasers overseas. The common factor was the general tendency to divert supplies from the Commonwealth Sugar Agreement Negotiated Price Quota (NPQ) to the more remunerative markets. The NPQ stands at 725,000 tons. In January the estimate was that about 600,000 tons would be supplied under that quota. By March this estimate had fallen to 521,000 tons, and at this meeting the indicated figure was 481,000 tons. In 1973 Guyana and Jamaica made up the shortfalls on the NPQ; but Guyana made it clear in this meeting that she would not be taking up any shortfalls on NPQ in 1974. Jamaica's commitments for 1974 already exceed supplies available from the 1973/74 crop, and it will be necessary to draw on the 1974/75 crop.

There was much discussion whether the decision of Commonwealth Caribbean countries not to fully supply the NPQ would affect Britain's attitude in the negotiations on sugar in the EEC. No clear conclusion was reached. It was however decided that sugar producers should examine the implications of the possible extension of the Commonwealth Sugar Agreement for one year (i.e. from end 1974 to the end of 1975) as part of the re-negotiation of some aspects of U.K. entry to the EEC to which the U.K. government is committed.

Another element given much attention was the provision of sugar supplies to the CARIFTA/CARICOM non-producers of sugar. ^{1/} Traditionally Trinidad provided nearly all these supplies, approximately 12,000 to 14,000 tons wash grey. The principle adopted is that CARICOM requirements get first priority. In 1974 the commitment to supply would be roughly equally apportioned between Barbados, Guyana and Trinidad/Tobago. As regards price, Trinidad charged CARICOM buyers the same as sugar is sold for on her domestic market, i.e. TT\$4.50 per ton (f.a.s.). Guyana supplies the Associated States at the NPQ price plus the cost of bagging the sugar (i.e. £83 per ton plus), - while Barbados sells to them at £85 per ton f.o.b. The meeting adopted the recommendation to Governments that firm import and pricing arrangements should be worked out with the purchasing CARIFTA/CARICOM countries.

The main ECLA contribution was during this discussion of the intra-regional trade in sugar to make the points that the arrangements to be worked out should take account not only of "wash grey" requirements, but should take in also requirements for refined and castor sugar that presently are being imported from metropolitan countries. Also, there was a need to programme production for the refining operations.

Finally, there was some discussion of the role of Governments, Cane-farmers' organizations, the West Indies Sugar Producers Association (WISA), and the Labour Unions in the development of sugar industry. The only thing that emerged was the general view that the functions of WISA could be performed by the CARICOM Secretariat; and that this was dictated by the Governments having become very involved in sugar. The decision was that WISA should be phased out.

S. St. A. Clarke
30 April 1974

1. The CARIFTA/CARICOM purchasers of sugar in 1974 are: Antigua, Dominica, Grenada, Montserrat, St. Lucia, St. Vincent.

N O T E

17th Meeting of CARIFTA Council of Ministers
(Barbados, 24-26 April 1974)

This meeting was preceded by a meeting of Senior Government Officials, who had the task of examining the agenda and making specific recommendations on the decisions that should be taken by the Council. The majority of the recommendations made by the Officials were adopted, in some cases without further debate in Council.

Intra-regional and Extra-regional Trade

Eleven sub-items were dealt with under the heading "intra-regional and extra-regional trade". Two related to the special protective regime for industries located in the CARIFTA LDCs: ^{1/} expiration of the arrangement for beer (Grenada, St. Kitts-Nevis-Anguilla) and petroleum (Antigua) on 30 April 1974; and the treatment to be accorded to industries to be located in the LDCs that are listed in the EIU report. The decisions were that the Article 39 treatment should continue until CARICOM Council could take decision under Article 56; and that a decision be adopted on the interpretation and application of Article 56 incorporating the substance of paragraph 5 of the Georgetown Accord. The latter was on ECIA recommendation.

No substantial progress was reported on the Process List so the Council decided that July be the deadline for concluding the exercise. Similarly, the Ministers decided CARICOM Council should finalise consideration of amendments to the Basic Materials List at its fourth meeting.

Greater attention was paid to the measures for allocation of commodities during periods of scarcity, the marketing of rice in the region, establishment of standards and prices commissions, and centralised bulk purchasing. The corresponding decisions were that

^{1/} Article 39 of the CARIFTA Agreement and Article 56 of the Common Market Treaty.

allocations of commodities be made on historical proportional basis; that though the bilateral rice agreements all lapsed at the end of 1971 a multi-lateral agreement could not immediately be negotiated; that the regional Standards Commission be comprised of technical heads of the national bodies; that legal and constitutional difficulties would prevent a regional prices commission from conducting independent investigations in member states, so member governments should consider the issues in more detail; that while the principle of bulk-purchase of commodities abroad for the group was acceptable only bulk-ordering was presently implementable.

Signing and Ratification of Regional Agreements

The situation in summary is that all the LDCs excepting Antigua and St. Kitts-Nevis-Anguilla had signed the Caribbean Community and Common Market Treaty; all CARIFTA/CARICOM countries except St. Kitts-Nevis-Anguilla had signed and ratified the Agreement on Harmonization of Fiscal Incentives to Industry and national legislations would be enacted by the end of May 1974; all countries had already signed the Agreement establishing the Caribbean Investment Corporation, of which seven had also passed the necessary national legislation and paid the first instalment of contributions; and that six countries had already promulgated the national Orders to give effect to the Agreement on the Avoidance of Double Taxation between the MDCs as a group and the LDCs as a group. In addition, the Agreement governing intra-LDC double taxation had already been formulated and adopted by the ECCM Council. ^{2/}

Trade and Development in Agriculture

Since the time of the last Oils and Fats Conference some producers had written to purchasers requesting price increases. The purchasing countries while agreeing to higher prices, protested the by-passing of the machinery for determining area prices and market allocations. As no clear conclusion was reached the next Oils and Fats Conference will need to undertake a full examination.

^{2/} An agreement governing double taxation arrangements among the LDCs is still in process of negotiation.

As regards the agriculture preventative services, the budget for the Pesticide Control Unit was approved, and the animal and plant quarantine agencies were requested to examine a range of problems deriving from expansion of intra-regional trade.

The Council endorsed the findings of the Standing Committee of Ministers of Agriculture particularly the decisions regarding the establishment of the selected regional agriculture projects; the enquiry regarding creation of a Regional Agricultural Corporation; and the operational re-orientation of the Regional Research Centre. And it was noted that on the operational side the full CIDA three-member team was in the field, as also was the full UNDP team, the latter since 1 April 1974. Also that the first task of the CIDA team was to assist the LDCs in meeting their obligations under the Guaranteed Market Scheme, and that the UNDP was ready to undertake phase I of the Agriculture Rationalization Scheme.

The report of the Working Party on the Long-term development of the Sugar Industry was discussed at length, mainly in the context of sugar negotiations with the EEC in the light of forecasted shortfalls on the NPQ. No clear conclusion was reached on how this might affect the quota in the EEC. It was however noted that the EEC had not yet decided on its sugar policy.

Regional Industrial Development

The report of the meeting of Industrial Planners was the main working paper. The Ministers decided that the short-term measures for balancing of supplies to demand for textiles, building materials, fertilizers and glass should be within the time frame up to September 1975. For those items presently in short supplies (e.g. cement), the producer governments are to communicate their production plans immediately through the CARICOM Secretariat. The Council did not go on to discuss long-term measures for industry which they felt would be better examined in the context of the perspective plan.

External Economic Relations

The items considered under this heading were: the report of the Working Party of Officials on relations with the EEC; the present situation regarding the Mexico/CARICOM Agreement; the proposed Canada/West Indies Conference; and submission of the Caribbean Community and Common Market Treaty to the GATT.

The four main points that emerged in the discussions on relations with the EEC were: the problems arising from the non-independent status of the Associated States which might inhibit conclusion of a single agreement of CARICOM countries with the EEC; the presentations made at Brussels regarding Establishment, Services and payments; present thinking among the Associates regarding industrial co-operation with the EEC; and whether Caribbean countries should press for a special EDF allocation for regional projects.

The basic issue regarding the non-independent CARICOM countries is that being listed under Part IV of the Treaty of Rome they can pursue their interests only through the mediation of the U.K. Since the independent CARICOM countries cannot agree that the U.K. should conduct separate negotiations for the Associated States on matters that are of mutual interest to all CARICOM members, steps must be taken to have the necessary powers effectively delegated to the Associated States. If this is not achieved, the main areas that would cause difficulty are: the trade regime; establishment, services and payments; institutional arrangements.

The substance of the presentations to the EEC on Establishment and Services is that the general exception of discrimination among third countries applying only to participants in regional agreements is too restricted. Where an Associate decides to promote industry by offering incentives or where it is necessary to limit the number of firms in any sector, general non-discriminatory treatment cannot be guaranteed. At least the exception should be extended to include all third developing countries.

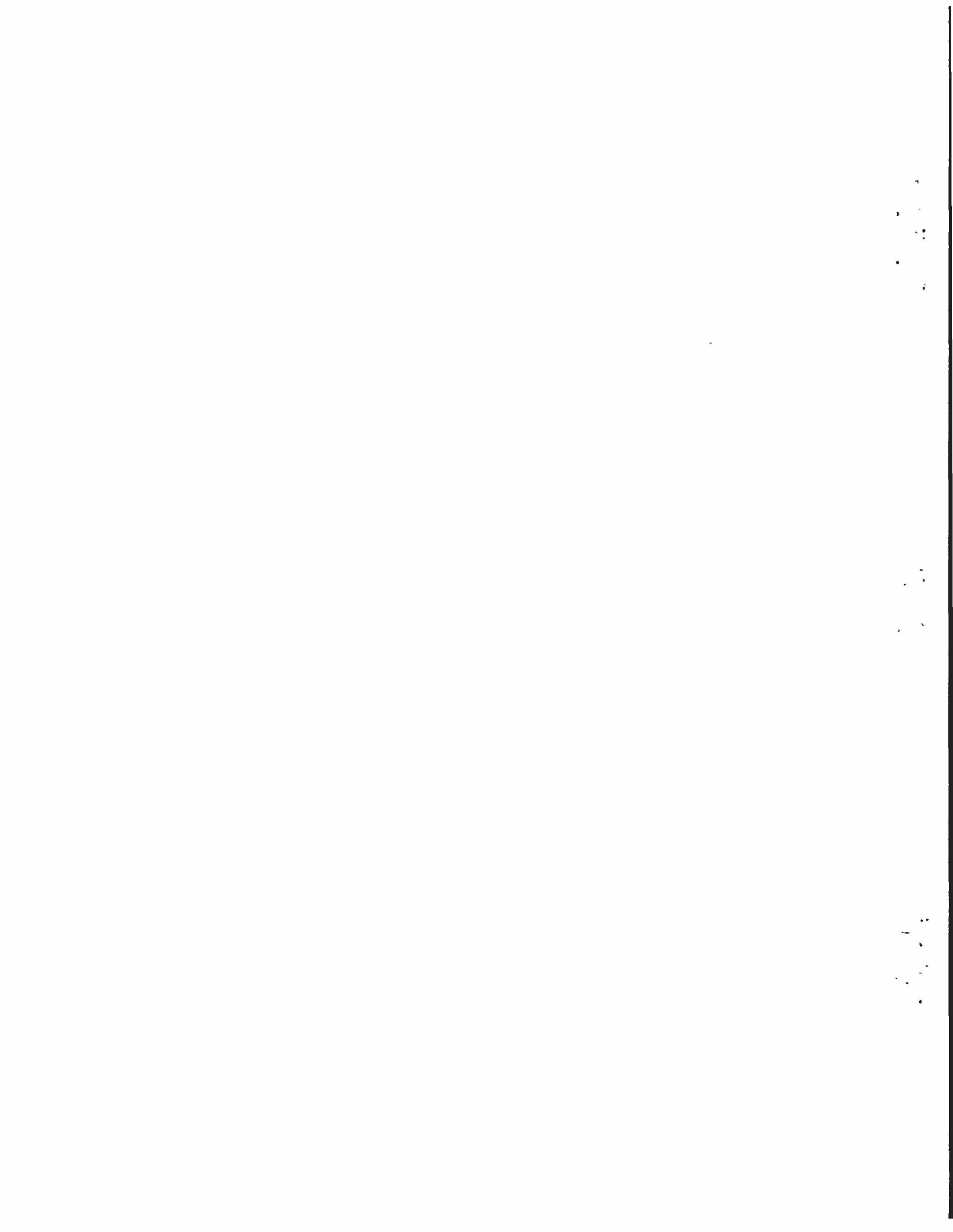
The issue relating to Payments (both on current and on capital accounts) is that it should not be vaguely general, but should derive directly from the items covered in any agreement with the EEC. The proposals relating to "industrial co-operation" aim at achieving a more equitable division of labour vis-a-vis the EEC by: the EEC adopting a stand-still policy in respect of development of industries suitable for establishment in the Associates; co-operation with the Associates in actively establishing those industries; and the EEC instituting the commercial measures that would promote exportation of the products of those industries. As regards the EDF the main point is opposition from French-speaking African States that the making of allocations to the Associates would cut into their allocations.

The next step for the CARICOM/Mexico Agreement is the formal signing and this will be arranged in consultation with Mexico's Foreign Minister. The situation with preparations for the Canada/West Indies negotiations is that some countries have not yet forwarded material for the brief being prepared in the CARICOM Secretariat. As for the GATT, the only question is the timing of the submission of the Caribbean Community and Common Market Treaty.

This left only the disposal of legal and administrative matters, the latter mainly budgetary. The legal items could not be dealt with as the legal officers had not completed their deliberations. The budgetary proposals were accepted without amendment.

S. St. A. Clarke

1 May 1967
Port of Spain



N O T E

Third Meeting of CARICOM Council of Ministers
(Barbados - 26 April 1974)

The Caribbean Common Market Council of Ministers met to consider an agenda of twenty-nine items^{1/} twenty of which also appeared on the agenda for the 17th meeting of the CARIFTA Council of Ministers. This situation is directly attributable to the temporary co-existence of the two institutions, CARIFTA and CARICOM. The 17th meeting is the last scheduled meeting of CARIFTA. The decisions reached on these twenty items in the CARIFTA Council meeting were taken over and adopted in the CARICOM Council without further discussion.

The remaining nine items related mainly to implementation of the Common External Tariff (CET); and included proposals for suspension of the general rate of duty on matches, ^{2/} introduction of quantitative restrictions on certain commodities where Jamaica can assure supplies to the common market, ^{3/} amendment of some rates of duties in the Common External Tariff as a balance of payments measure. ^{4/}

The related decisions were that there should be a temporary suspension of the general rate of duty on matches, pending the stepping-up of production in Trinidad; a team of experts should examine the demand/supply situations and the feasibility of implementing an area quantitative restrictions for the various items; and that Jamaica alone should increase her current national customs duties by the extent of the consumption duties on the products, to be reviewed after one year.

^{1/} It should be noted that until 1 May 1974 CARICOM is a four-member group: Barbados, Guyana, Jamaica, Trinidad/Tobago.

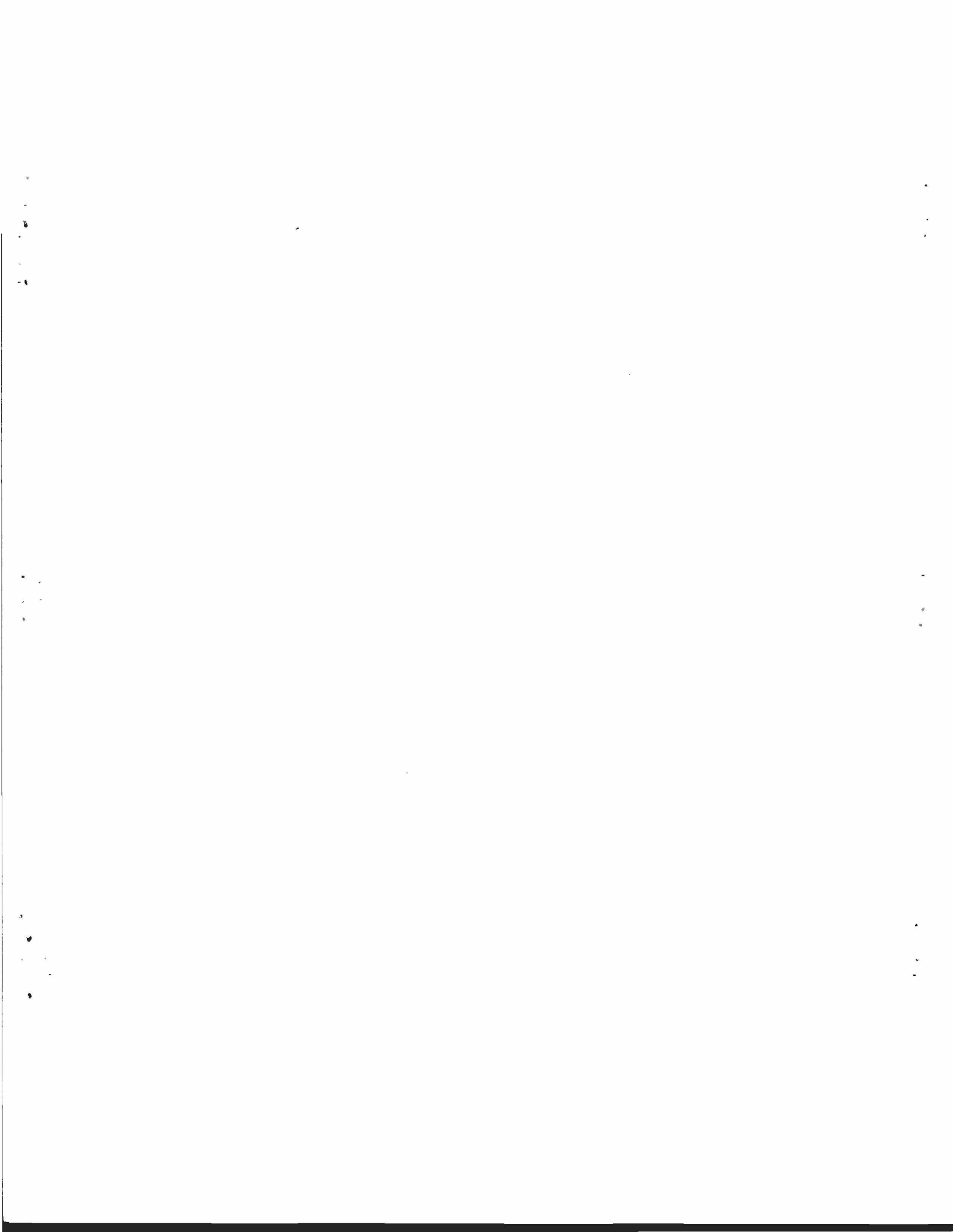
^{2/} This derives from cessation of domestic production and the initial inability of other CARICOM matches producers to take up the demand.

^{3/} Welding electrodes, plastic laminates, refined salt, sulphuric acid, jute sacking.

^{4/} The commodities involved are imported alcoholic liquors and wines.

There were various operational matters also considered, like the obligations of newly acceding countries in terms of previous CARICOM decisions; the establishment of arbitration machinery to deal with disputes; and arrangements for dealing with the non-accession to CARICOM of Antigua and St. Kitts-Nevis-Anguilla. The last mentioned was by far the most important and resulted in the adoption of two resolutions. Antigua has been reconsidering the situation but has not yet taken a final decision regarding accession and requested the continuation of the CARIFTA relationship for three months commencing 1 May 1974. This was granted. The St. Kitts-Nevis-Anguilla situation is different in that the decision to accede to CARICOM was already taken by the Government, but the Agreements were not signed because of constitutional difficulties with the metropolitan country regarding Anguilla. The decision of the CARICOM countries was to recommend that the Agreements be signed before 1 May 1974.

S. St. A. Clarke
30 April 1974



111

2/11/11

1/11/11