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Economic Commission for Latin America

ECONOMIC RELATIONS OF CENTRAL AMERICA AND MEXICO WITH THE CARIBBEAN */

*/ This document is a revised version of CEPAL/MEX/1058.

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/PRESENTATION

PRESENTATION

The Secretariat of the Economic Commission for Latin America (CEPAL), at its nineteenth session held in Montevideo, Uruguay, in May 1981, received the mandate to give preferential attention, within its programme of work, to a study of "technical and economic co-operation between the countries of the Caribbean area and the other countries of the region".1/

In accordance with this request, studies are being carried out on the economic and commercial relations between Latin America and the countries and territories of the Caribbean with the following main objectives: (i) to find out more about the development of relations between the continental countries and those of the Caribbean; (ii) to assess this development, identifying the achievements and main obstacles, and to point out the possible and potential areas of complementary action, and (iii) to carry out studies and activities aimed at promoting a programme of technical and economic co-operation on the short, medium and long term.

The main objective of this work is to gather information on economic relations between the Caribbean and Mesoamerica during the 1970s and to facilitate future work which will make it possible to comply with CEPAL resolution 440 (XIX). This report thus presents the principal characteristics of the Caribbean market 2/ and comments on the problems which have arisen in the development of economic flows between this subregion and Mexico, the five countries of the Central American Common Market and Panama.3/ However, this research is mainly based on the trade relations between the countries of both subregions, as a first step towards later studies. Each study of the seven countries includes an analysis of trade, a brief description of the contractual basis of co-operation -when it exists- and an evaluation of mercantile and economic relations. Finally, this document includes four annexes, the first three of which refer to the foreign trade of Mexico, the countries of the Central American Common Market (CACM) and Panama, broken down by products, origin and destination, and the last annex outlines the terms of access to the principal markets of the Caribbean.

1/ Resolution 440 (XIX), adopted on 15 May 1981.

2/ This group of countries and territories will be referred to in this report under the generic title "the Caribbean".

3/ The research pertaining to Colombia and Venezuela will be the subject of a separate document.

/I. SOME

I. SOME CHARACTERISTICS OF THE MARKETS OF CENTRAL AMERICA, MEXICO AND THE CARIBBEAN 4/

This analysis includes the following countries and territories of the Caribbean: the English-speaking ones -Antigua, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts/Neves/Anguilla, Saint Lucia, Saint Vincent and the Grenadines, and Trinidad and Tobago, all of which are members of the Caribbean Community (CARICOM) except the Bahamas; as well as Cuba, and the Dominican Republic, which are Spanish-speaking; Haiti, which is French-speaking, and the Netherlands Antilles and Suriname, whose official language is Dutch.5/

There are great differences among these 18 Caribbean countries and territories in the size of their economies, their structures, the trends in their foreign trade and its degree of dependence, and their political, social and cultural structures, as a result of ties with the colonial centres, which in most cases were prolonged in all facets until recently (see the map of the Caribbean). All of them together occupy a surface area of approximately 623 000 square kilometers, but Guyana, Suriname, Cuba and the Dominican Republic account for 86% of the total area (34%, 26%, 18% and 8%, respectively). Their population, slightly over 29 million, represents 7% of that of Latin America.6/ The most populated areas are Cuba (38%), Dominican Republic (20%) and Haiti (19%). At the other extreme are Montserrat (102 square kilometers and 11 000 inhabitants), and St. Kitts/Neves/ Anguilla (357 square kilometers and 50 000 inhabitants).

The per capita gross domestic product -which gives some idea of the size of the market- is also very dissimilar in the region and amounted on the average in 1979 to some US$ 1 190. In Netherlands Antilles, Bahamas, Suriname, Barbados and Trinidad and Tobago, the GDP fluctuated between US$ 2 400 and US$ 3 500 per capita (see table 1). At an intermediate level are Cuba, Dominican Republic, Antigua, Belize and Jamaica, whose per capita gross domestic product ranges from US$ 1 000 to US$ 1 400. This figure is between US$ 500 and US$ 800 in Grenada, Guyana, St. Kitts/Neves/Anguilla, Saint Lucia and St. Vincent and the Grenadines. At the extreme are Dominica (US$ 410) and Haiti (US$ 260).

During the period 1970-1978, the economy of most of the Caribbean countries stagnated or declined. Thus, the per capita GDP of the members of CARICOM grew only 0.7% per year, with the exception of Barbados, Belize and Trinidad and Tobago which had higher rates; in the Bahamas the GDP declined in real terms (6.4%) and in the Netherlands Antilles it came to a standstill. Only Cuba, Suriname and the Dominican Republic reached average rates higher than 4% annually.

In the Caribbean there was a concentration on certain activities. In the Netherlands Antilles, Trinidad and Tobago and the Bahamas, the economic structure is based on oil refining. In addition to tropical agricultural products, in Guyana, Jamaica and Suriname bauxite is mined, the Dominican Republic produces nickel and Grenada and St. Vincent produce spices. Cuba, in addition to having a

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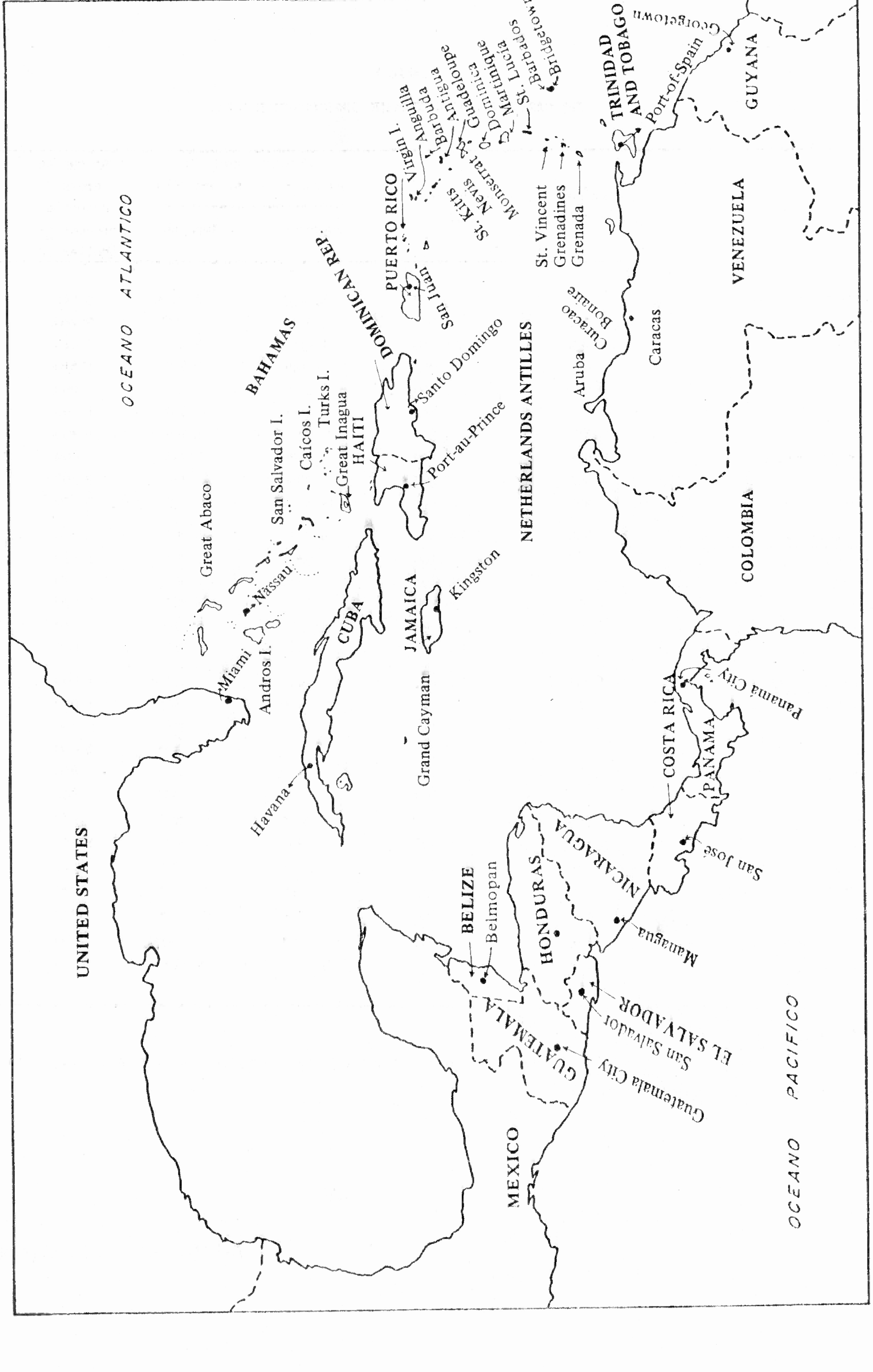
4/ The study does not include, inter alia, Puerto Rico, Bermuda, Guadeloupe, Martinique, the Virgin Islands, Grand Cayman Island and the Turks and Caicos Islands. It should also be noted that the quantitative and qualitative data contained in it are current for the month of August 1981.

5/ In other words, 58% of the Caribbean population speaks Spanish, 21% English, 19% French and 3% Dutch.

6/ If this group of 18 countries and territories is added to the continental Caribbean countries (Mexico, Central America, Colombia and Venezuela), the total estimated population is 156 million inhabitants, according to 1979 data, or 44% of the total population of Latin America.

/Map


THE CARIBBEAN
OCEANO ATLANTICO
UNITED STATES
Miami
Andros I.
Nassau
Great Abaco
BAHAMAS
San Salvador I.
Caícos I.
Turks I.
Great Inagua
HAITI
DOMINICAN REP.
Santo Domingo
Port-au-Prince
PUERTO RICO
San Juan
Virgin I.
Anguilla
Barbuda
Antigua
Guadeloupe
Dominica
Martinique
St. Lucia
Barbados
Bridgetown
St. Kitts
Nevis
Monserrat
St. Vincent
Grenadines
Grenada
TRINIDAD AND TOBAGO
Port-of-Spain
Georgetown
GUYANA
VENEZUELA
Caracas
Curaçao
Bonaire
Aruba
NETHERLANDS ANTILLES
COLOMBIA
CUBA
Havana
JAMAICA
Kingston
Grand Cayman
COSTA RICA
PANAMA
Panamá City
San José
NICARAGUA
Managua
HONDURAS
BELIZE
Belmopan
EL SALVADOR
San Salvador
GUATEMALA
Guatemala City
MEXICO
OCEANO PACIFICO

/Table 1

Table 1

THE CARIBBEAN: MAIN ECONOMIC INDICATORS IN 1979

	Population a/ (thousands)	Surface area (km^2)	Foreign trade b/ (millions of dollars FOB)		Per capita gross domestic product a/ (dollars)	Growth a/ per capita GDP 1970-1978 (percentage)
			Exports	Imports		
Netherlands Antilles	260	993	3 089*	2 991*	3 540	0.3
Bahamas	231	13 939	170	556	2 780	-6.4
Colombia	26 122	1 141 736	4 062	3 248	1 010	3.6
Cuba	9 865	110 922	3 500	3 687	1 410	4.7
Haiti	4 963	27 750	138	230	260	2.2
Mexico	67 621	1 972 547	9 416	11 632	1 590	1.3
Panama	1 858	75 650	334	1 105	1 350	0.5
Dominican Republic	5 286	48 422	868	1 094	990	4.2
Suriname	402	163 265	444	370	2 360	4.7
Venezuela	14 401	916 490	14 199	10 837	3 130	3.1
Central American Common Market	19 564	423 470	4 393	4 825	890	2.6
Costa Rica	2 163	51 100	930	1 271	1 810	3.3
El Salvador	4 424	21 393	874	983	670	2.2
Guatemala	6 825	108 889	1 222	1 403	1 020	3.3
Honduras	3 565	112 088	751	779	530	0.4
Nicaragua	2 587	130 000	616	389	660	1.7
Caribbean Community	5 113	257 482	...	...	1 600	0.7
Antigua/Barbuda/Redonda	74	440	15*	46*	1 070	-3.1
Barbados	253	430	131	379	2 400	2.1
Belize	131	22 965	60*	80*	1 030	5.0
Dominica	79	751	16*	28*	410	-3.4
Grenada	108	344	18*	33*	630	-1.3
Guyana	843	214 969	305*	268*	570	-0.2
Jamaica	2 184	10 991	815	883	1 240	-1.4
Montserrat	11	102	1*	10*	...	...
St. Kitts/Nevis/Anguilla	50	357	16*	25*	780	1.5
St. Lucia	122	616	27*	83*	780	2.3
St. Vincent/Grenadines	106	389	16*	36*	490	-1.8
Trinidad and Tobago	1 152	5 128	1 621	1 142	3 390	2.4

a/ World Bank, Atlas 1980.

b/ International Monetary Fund, Balance of Payments Yearbook, except for * which correspond to 1978 according to the Europe Yearbook, 1980, a World Survey, London 1980.

/different socio-economic

different socio-economic system and belonging to the Council for Mutual Economic Assistance (CMEA), has made the sugar industry (derived from sugar and machinery) and construction the basis of its development. In the rest of the islands, the economy is held together by the tropical agricultural activity (sugar, coffee, bananas, cotton) and fishing, basically oriented towards exports.

Another indicator of the market potential is offered by the total amount of exchange (imports plus exports). In 1979, the Dominican Republic was the top market (US$ 2 000 million), followed by Jamaica (US$ 1 700 million). In Barbados and Guyana total trade amounted to about US$ 500 million and in Haiti US$ 370 million; in all the other islands the total value fluctuated between US$ 40 million and 140 million. For the countries and territories which produce, refine and export oil and metals, this indicator is less important because of its specialization; thus, in the Netherlands Antilles the value of exchange reached a total of US$ 6 080 million in 1979, in Trinidad and Tobago US$ 2 760 million, in Suriname, US$ 810 million and in the Bahamas, US$ 730 million.

As for Mesoamerica,7/ the conditions show greater contrasts, not only in Mexico and in the countries of the Central American Isthmus, but also as a whole. The population of Mexico, with 67 million inhabitants (1979), was three times that of the Central American Isthmus (21 million), and the surface area of the former is four times greater than that of the entire latter group.

The per capita product of Mexico, compared with an estimated average of US$ 1 430 for the Mesoamerican countries, only exceeded the average by 11%, while Costa Rica did so by 27%. The greatest contrasts may be seen among the countries of the Central American Isthmus: the per capita product of Honduras is 63% lower than the average, those of El Salvador and Nicaragua 54% lower and that of Guatemala 29% lower. The per capita product of Panama is approximately equivalent to the average.

During the 1970s, the economies of the Mesoamerican countries experienced an irregular growth rate, since the region was affected both by the crisis in the industrialized countries and by domestic events. Thus, the Mexican economy stagnated in the mid-1970s, in Panama the lowest rates of increase were seen between 1975 and 1977, and the countries of the Common Market, in addition to feeling the effects of the recession in the central economies after 1975, began to suffer the consequences of a political crisis in some countries beginning in 1978, which spread to the entire region, with different effects, and which was reflected in a stagnation of the economic activity.8/

In these countries' opportunities for foreign trade, Mexico stands out; its trade in 1979 amounted to US$ 21 000 million (18% oil), followed by Guatemala (US$ 2 200 million), Costa Rica (US$ 2 200 million), El Salvador (US$ 1 800 million), Honduras and Panama (almost US$ 1 500 million each) and finally Nicaragua (US% 1 000 million).

Comparing some indicators for the group of Mesoamerican countries with those of the Caribbean, certain disparities stand out because of Mexico's share in the first group. For example, the population of Mesoamerica is almost 90 million

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7/ The term Mesoamerica refers to Central America (which includes the five Common Market countries and Panama), and Mexico.

8/ See CEPAL, Istmo Centroamericano: El carácter de la crisis económica actual, los desafíos que plantea y la cooperación internacional que demanda (E/CEPAL/G.1184), August 1981.

/compared to

compared to approximately 26 million in the Caribbean. The total trade of Mesoamerica -excluding oil- is almost double that of the Caribbean countries, or US$ 28 000 million and US$ 16 000 million respectively.9/ In the total gross domestic product, although that of Mesoamerica is 4.1 times greater than that of the Caribbean, the per capita amounts are more similar, as in 1979, as already pointed out, it was estimated at US$ 1 430 for the first group and US$ 1 190 for the second.

A weak and irregular flow of trade has thus developed between the two regions which faces various obstacles to its expansion. Among the greatest stumbling blocks are those related to supply, demand and transport. Also important is the unawareness on both sides of the possibilities for trade, as well as the institutional functioning, regulations, exchange measures, etc. These obstacles create a vicious circle, where the lack of a trade tradition keeps it at low volumes. This impedes the operation of regular transport routes, which in turn is a stumbling block for the expansion of commercial trade and maintains the status quo.

In addition, in the analysis of the economic relations between the two groups of countries, their special characteristics of institutional insertion in international trade should be kept in mind. Thus, all the countries and territories of the Caribbean are members of the General Agreement on Tariffs and Trade (GATT) 10/ and, on the other hand, the countries of Central America are not, except for Nicaragua. They cannot, therefore, concede each other most-favoured-nation treatment, and the only alternative is to grant tariff concessions for some specific articles in bilateral agreements, which are not consolidated in the GATT agreement. The rest of the goods traded are subject to a tariff surcharge upon entry into the Caribbean countries.

On the other hand, the English-speaking Caribbean countries -except the Bahamas- have made integrating commitments with the Caribbean Community, which has fairly high common external tariff, and this limits the imports of consumer items which compete with domestic products, exactly those which the Central American countries have the greatest possibility of exporting.

Furthermore, all the members of CARICOM, as well as the Bahamas and Suriname, belong to the African-Caribbean-Pacific system (ACP countries) of the European Community. By virtue of the second Lomé Convention,11/ nearly 100% of the imports by the European Community, originating in the ACP countries and subject to tariff duties, are exempted.12/ Unlike the first Lomé Convention (Lomé I), the new one establishes a non-reciprocal contractual system of preferences in favour of the ACP countries. Besides this preferential access to the European market, they

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9/ If the trade of oil and its derivatives is included, total trade amounts to US$ 32 000 million in Mesoamerica and US$ 23 000 million in the Caribbean.

10/ Although Cuba was a founding member of GATT in 1947, it ceased granting this preference after 1959.

11/ These are in force for five years; the first Lomé Convention lasted from 1 March 1975 to 28 February 1980, and the second will terminate on 28 February 1985.

12/ However, since the tariff preferences established by virtue of the Lomé Convention are higher than those of the General System of Preferences of the European Community, the reductions in duties under the most-favoured-nation clause, as a result of the multinational negotiations of the Tokyo Round, will reduce the preferential margins of the ACP countries by one-fifth for their agricultural products and by nearly one-third for industrial products.

/benefit from

benefit from improvements in the system of stabilization of their income from agricultural exports (STABEX) and the creation of a new system of aid for mineral products, called MINEX. Lomé Convention II also includes provisions on industrial co-operation, financial and technical assistance, promotion of foreign trade and other measures designed to favour the industiral development of the ACP countries.

Finally, the Central American countries form a free trade zone under a common external tariff, which limits to a certain extent the access of Caribbean products, as CARICOM limits these countries' access to the Caribbean.

The existence in various countries of regional integration schemes facilitates their gradual convergence towards goals of common interest. However, although the processes of integration have led to a high level of interdependence among the Central American countries and to a lesser extent among those of the Caribbean Community, the economic ties between these two subregions have been modest, which has kept them from taking full advantage of the potential of this geographic area where countries and territories of diverse levels of development live together.

A programme to raise the level of economic collaboration between the countries and territories of the Caribbean and Mesoamerica should contemplate the search for new and broader forms of economic, financial, scientific-technical and cultural co-operation without weakening the formal integration processes which exist in the area. The first steps have already been taken in this direction, an example of which are the joint initiatives in fields such as the creation of the Multinational Caribbean Shipping Association (NAMUCAR), the Banana Producers and Exporters Union (UPEB), the Multinational Banana Marketing Association (COMUNBAR) and the Latin American Multinational Fertilizer Marketing Association (MULTIFERT). The Latin American Economic System (SELA) was also formed, which has more specific functions designed to strengthen economic integration and co-operation within Latin America.

The geographic proximity of the Caribbean countries and territories determines the geo-political unity which may be called upon to play a role of singular importance in the future development of Latin American relations. However, the rapprochement and convergence of the various economies which belong to the area will require a more profound, concerted effort than is presently being made; the first step in this effort would consist of carrying out research to shed light on the possibility of achieving higher levels of co-operation in various fields or economic sectors, such as tourism and joint investments.

/II. COMMERCIAL

II. COMMERCIAL AND ECONOMIC RELATIONS BETWEEN MEXICO AND THE CARIBBEAN

In current relations between Mexico and the Caribbean, trade predominates. It is, however, very erratic, generally very small in amount, and consequently the relative participation of the region in Mexican foreign trade is very low. During the 1970s, the Caribbean represented only 0.9% of total Mexican exports and a similar percentage of total imports. Furthermore, 86% of the total trade flow (imports plus exports) is concentrated in the Netherlands Antilles, Cuba, the Bahamas and the Dominican Republic in decreasing order, and there is almost no trade with the Caribbean Community, Haiti and Suriname. In the structure of imports, hydrocarbons and primary products and inputs predominate, while manufactured products represent almost half of exports.

The economic ties with the Caribbean are carried out outside of a contractual framework, with the notable exception of Cuba. The few agreements for economic co-operation which have been signed have not had much effect up to now. In the special case of Cuba, the contractual framework agreed on with Mexico has been being perfected over the past three years, by expanding the number of agreements, conventions, working groups, etc., in order to strengthen the ties between the two nations.

Almost all the banking facilities granted by Mexico to the entrepreneurs of some Caribbean countries have been used, although their amounts were not very large. The credits offered by the programme of energy co-operation between Mexico and Venezuela of August 1980 to Barbados, Jamaica and the Dominican Republic, and destined for long-term investment projects, have not yet been used, since the first shipments of oil just began in early 1981.

In these small achievements in commercial and economic relations, it should be noted that the ties between Mexico and the Caribbean are generally still at an exploratory stage, which began in the late 1970s.

A. Commercial trade

Trade between Mexico and the Caribbean has been erratic and of small significance, and its trends have fluctuated through time. Between 1970 and 1976 total trade (imports plus exports) increased steadily -although due to the low initial levels it did not reach high figures- basically as a result of the facilitation of oil trade with the Netherlands Antilles, which had an impact on the volume of both exports and imports. In addition, exports of merchandise increased to Cuba and the Dominican Republic. In this period, the greater growth of imports compared with external sales meant that for almost all years Mexico had a deficit in its trade balance with the Caribbean, except in 1975.

In 1977 and 1978, commercial trade dropped considerably -almost 56% in the aggregate imports-exports-, and in this total the reduction of almost 70% in imports had greater weight, since exports decreased by 34%. This turnabout was due to the suspension of shipments of crude oil from Mexico to the Netherlands Antilles -and the resulting decreased in imports of derivatives- although, on the other hand, trade increased with Cuba and the Dominican Republic. This change in the trend of exports and imports meant that in 1977-1978 Mexico's positive trade balances were US$ 45 million and US$ 14 million respectively.

In 1979, and to a greater extent in 1980, commercial trade was reactivated, basically due to the increases in sales of crude oil to the Bahamas and manufacture

/to the

to the Netherlands Antilles, to which were added purchases of sugar from Cuba in 1980. This latter factor meant that the Mexican trade balance again showed a deficit (US$ 65 million), despite the increase in exports.13/

The composition of commercial trade reveals a certain asymmetry, since while more than 46% of Mexican purchases are primary products, almost 44% of its sales are manufactures. The share of hydrocarbons in exports and imports is 22% and 36% respectively, of each total.

The distribution of commercial trade by countries and territories in the period 1970-1980 showed the preponderance of Cuba and the Netherlands Antilles, although their importance in exports and imports was different. In the first, during the period of reference, Cuba absorbed 31% of exports; it was followed by the Netherlands Antilles with 29%. The Netherlands Antilles was in first place in imports (62%); followed by Cuba with 20% -where sugar sales predominated in 1980. The members of CARICOM absorbed about 12% of imports and exports. During the period Mexico accumulated a total unfavourable balance of US$ 114 million, or one-fifth of its exports to the area, but the accumulated balances of trade varied according to the country. It accumulated negative balances with the Netherlands Antilles (US$ 255 million) and in its trade with CARICOM (US$ 29 million), since the total deficits with Belize (US$ 17 million), Guyana (US$ 9 million), Trinidad and Tobago (US$ 23 million) and the Organization of East Caribbean States (US$ 3 million) were not offset by the surplus with Jamaica (US$ 20 million) and Barbados (US$ 2 million). With the other countries, Mexico obtained favourable trade balances: Dominican Republic (US$ 79 million), Bahamas and Cuba (US$ 41 million each) and Haiti (US$ 7 million).

1. Mexican exports

Exports in current values grew in the period 1970-1980 at an average annual rate of 40%, while that of total sales was 21%. However, the original level was very low (US$ 6 million in 1970), and almost doubled in the last year. The dynamism of Mexican sales was very variable. During the first six years a steady growth was recorded, with an average annual rate of over 78% (minimum of 11% and maximum of 153%). On the contrary, between 1975 and 1979 the trajectory changed direction, and showed an average decrease of about 14% annually. In 1980 exports expanded by 98%, growing from US$ 47 million to US$ 94 million (see table 2).

During the period 1970-1980, three-fourths of Mexican exports to the Caribbean were concentrated in three countries: Cuba, with 31%, was in first place, followed by the Netherlands Antilles with 29%. The Dominican Republic, although its purchases showed a growing rate, only accounted for 14% of the total. The members of CARICOM have until now constituted a relatively small market (11% on the average) for Mexico, although the position of the countries has changed since 1970, when Jamaica and Trinidad and Tobago respectively absorbed 44% and 19%, while in 1980 sales were concentrated on Belize and Jamaica (58% and 32% respectively).

The trends in trade have been related to various goods and to their destination. Between 1972 and 1978 the sale of manufactures to the Dominican Republic, the Bahamas and Cuba, as well as primary products to this latter country, were the main sources of commerce. From 1974 to 1977, crude oil became one of these,

13/ See Annex 1, which shows the foreign trade of Mexico with the Caribbean for major products, according to country of origin and destination, and the contractual framework in which the economic relations are developing.

/Table 2

Table 2

MEXICO: EXPORTS TO THE CARIBBEAN

(Millions of dollars FOB)

Countries and territories	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979a/	1980a/
Total	6.1	9.6	21.8	24.2	61.1	87.6	79.2	71.3	52.5	47.3	93.8
Netherlands Antilles b/	0.5	0.4	0.6	0.7	19.8	43.4	40.1	12.0	2.5	16.1	29.3c/
Bahamas	2.1	4.0	1.8	4.3	12.5	3.1	7.0	8.8	3.0	0.9	15.7
Cuba	0.1	0.1	11.8	7.2	14.7	30.0	18.9	34.3	22.4	7.4	26.7
Haiti	0.5	0.8	1.0	0.7	0.6	0.5	0.3	0.3	1.2	0.8	0.7
Dominican Republic	1.2	1.9	4.3	7.2	8.7	6.6	7.2	9.0	12.2	12.5	9.8
Suriname	0.1	0.2	0.3	0.3	0.5	0.3	0.4	0.4	0.5	0.5	0.5
CARICOM	1.6	2.2	2.1	3.8	4.3	3.6	5.3	6.6	10.7	9.1	11.1
Barbados	-	0.1	0.2	0.4	0.1	-	0.1	0.3	0.4	0.4	0.3
Belize	0.1	0.1	0.3	1.5	1.8	0.7	2.2	2.0	4.6	5.1	6.5
Guyana	0.2	0.4	0.2	0.4	0.2	0.3	0.6	0.3	0.7	-	-
Jamaica	0.7	1.1	0.9	1.0	1.7	1.8	1.7	1.7	3.9	2.6	3.6
Trinidad and Tobago	0.3	0.5	0.5	0.7	0.5	0.7	0.7	1.5	0.9	0.7	0.6
Organization of East Caribbean States d/	0.2	-	-	-	-	-	-	0.8	0.2	0.3	0.1

Source: To 1977, Anuarios de Comercio Exterior, and for the period 1978-1980, CEPAL, on the basis of official figures.

a/ Preliminary figures.

b/ Including Aruba and Curaçao.

c/ Petróleos Mexicanos, in 1980, showed a total amount of direct sales of hydrocarbons of US$6.4 million, while the Mexican Foreign Trade Institute estimated this flow at US$437.5 million.

d/ Including Antigua/Barbuda/Redonda, Dominica, Grenada, Montserrat, St. Kitts/Nevis/Anguilla, St. Vincent/Grenadines and St. Lucia.

/sent to

sent to the Netherlands Antilles for refining. Finally, after 1979, exports of crude oil to the Bahamas and manufactures to the Netherlands Antilles began to play an important role.

The composition of Mexican imports from 1977 to 1980 14/ showed a preponderance of sales of manufactures which absorbed almost 44% of total exports to that region, followed in importance by primary products (28%), hydrocarbons (22%) and capital goods (7%) (see table 3).

Cuba was the main purchaser of primary products, acquiring 76% of the exports to the Caribbean of this type of product; the Dominican Republic, the Netherlands Antilles and Cuba were the main recipients of manufactured products (30%, 23% and 16% respectively); the Netherlands Antilles received 42% of the shipments of Mexican crude oil to the region, followed by the Bahamas (36%); finally Cuba and the Dominican Republic were the main receivers of the few sales of capital goods (51% and 35% respectively).

2. Mexican imports

During the period 1970-1980, Mexican purchases from the countries of the Caribbean were also characterized by their small volume and irregular pattern. Imports reached an average annual value of US$ 61 million; but if 1980 is excluded, when the imported total doubled that of the previous year (US$ 72 million in 1979 and US$ 158 million in 1980), the average annual value only amounted to US$ 51 million. In the period 1970-1976 imports increased considerably from US$ 11 million to US$ 127 million, a trend which reversed itself in the following two years to reach a total of US$ 26 million in 1977 and 39 million in 1978. In 1979, the growth again accelerated, almost doubling, and in 1980 it expanded again by more than two times (see table 4).

Mexican imports from the Caribbean showed a high degree of concentration according to their origin, much higher than that recorded by the sales to this region. In the 1970s, 82% of imports were supplied by the Netherlands Antilles (62%) and Cuba (20%). This concentration increased, except for 1980 -which interrupted the trend of the rest of the period- as in the period 1970-1979 the Netherlands Antilles alone had a 79% share, with the CARICOM countries far behind with 14%.

In 1980 purchases from Cuba amounted to US$ 120 million, equivalent to 76% of total Mexican purchases from the Caribbean, while the share of the Netherlands Antilles dropped to 8%.

By type of product and on the basis of the information available for the last four years, imports of primary products predominated (47%) due to the high volume of sugar purchases from Cuba in 1980, and the relative weight of oil derivatives dropped (36%), whose relative importance appears to have been greater in the period 1970-1976. On the other hand, purchases of manufactured products represented 17% of the total imported from the Caribbean, and capital goods only 1% (see table 5).

During 1977-1980 imports showed a relative specialization by origin. Thus, an 89% of the purchases of primary products and inputs were from Cuba and 83% of the purchases of oil derivatives from the Netherlands Antilles. In the case of manufactures the concentration was lower, as although the products from CARICOM represented more than 63%, purchases from Cuba and the Bahamas were also of relative importance (18% each).

14/ Although the global statistical information covers the period 1970-1980, the details refer only to the period 1977-1980.

/Table 3

Table 3

MEXICO: DISTRIBUTION OF EXPORTS BY PLACE OF DESTINATION AND DEGREE OF PROCESSING, 1970 TO 1980

(Percentages)

Type of product	Total Caribbean	CARICOM	Cuba	Haiti	Dominican Republic	Bahamas	Netherlands Antilles
Export structure by origin	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Primary and inputs	28.0	9.4	64.3	5.5	1.4	-	20.3
Manufactures	43.7	62.2	21.2	80.9	82.9	34.5	41.9
Hydrocarbons	21.8	23.2	4.5	1.7	1.2	65.5	37.6
Capital goods	6.5	5.3	9.9	11.8	14.4	-	0.2
Buyers' share by type of product	100.0	13.4	33.4	1.1	15.8	11.9	24.5
Primary and inputs	100.0	4.5	76.7	0.2	0.8	-	17.7
Manufactures	100.0	19.1	16.1	2.0	29.9	9.4	23.5
Hydrocarbons	100.0	14.3	6.9	-	0.9	35.7	42.2
Capital goods	100.0	10.9	51.2	2.0	35.1	-	0.7

Source: CEPAL, on the basis of a sample by products and purchasers covering 90% of the total exported.

/Table 4

Table 4

MEXICO: IMPORTS FROM THE CARIBBEAN

(Millions of dollars CIF)

Countries and territories	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979 a/	1980 a/
Total	10.6	21.3	22.9	57.9	67.5	65.7	127.3	26.3	38.8	71.7	158.2
Netherlands Antilles b/	9.8	20.3	22.4	47.5	52.8	55.9	114.5	21.0	22.2	35.4	12.2
Bahamas	0.4	0.6	0.1	1.0	10.4	2.8	3.9	1.3	1.5	1.4	5.8
Cuba	-	-	-	0.3	1.2	1.5	1.1	2.6	2.0	3.9	120.0
Haiti	-	-	-	-	-	-	-	-	-	-	0.8
Dominican Republic	-	-	-	-	0.1	-	1.3	-	-	0.1	-
Suriname	-	-	-	-	0.3	-	-	-	-	-	-
CARICOM	0.4	0.4	0.3	9.1	2.8	5.5	6.4	1.4	13.1	30.9	19.4
Barbados	-	-	0.1	-	-	-	-	-	0.1	-	0.1
Belize	0.2	0.3	0.2	3.4	2.5	2.7	2.5	0.3	3.6	11.6	14.2
Guyana	0.1	-	-	-	0.1	1.2	1.0	1.1	2.2	1.9	4.9
Jamaica	-	0.1	-	-	0.1	-	-	-	-	0.1	0.2
Trinidad and Tobago	-	-	-	1.3	-	1.6	2.9	-	7.2	17.3	-
Organization of East Caribbean States c/	-	0.1	-	4.4	-	-	-	-	-	-	-

Source: To 1977, Anuarios de Comercio Exterior, and for the period 1978 to 1980, CEPAL, on the basis of official figures.

a/ Preliminary figures.
b/ Including Aruba and Curaçao.
c/ Including Antigua/Barbuda/Redonda, Dominica, Grenada, Montserrat, St. Kitts/Nevis/Anguilla, St. Vincent/Grenadines and St. Lucia.

/Table 5

Table 5

MEXICO: MANUFACTURING ORIGIN OF IMPORTS FROM SOME CARIBBEAN COUNTRIES, 1977 TO 1980

(Percentages)

Goods	Total Caribbean	CARICOM	Cuba	Haiti	Dominican Republic	Bahamas	Netherlands Antilles
Imports structure by origin	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Primary and inputs	46.6	18.2	92.8	2.9	23.9	-	4.8
Manufactures	16.9	50.6	7.0	4.4	65.1	98.5	-
Hydrocarbons	35.5	28.4	-	-	-	-	95.2
Capital goods	1.0	2.8	0.2	92.8	11.0	1.5	-
Suppliers share by type of product	100.0	21.1	44.4	0.3	-	3.1	31.0
Primary and inputs	100.0	8.2	88.5	-	-	-	3.2
Manufactures	100.0	63.3	18.3	0.1	0.1	18.1	-
Hydrocarbons	100.0	16.9	-	-	-	-	83.1
Capital goods	100.0	57.9	9.8	27.3	0.4	4.6	-

Source: CEPAL, on the basis of a sample by products and by suppliers which covers 98% of the total imported.

/B. Contractual

B. Contractual framework

Mexico has established diplomatic relations with each one of the independent Caribbean countries, and although it has signed two trade agreements it maintains formal bilateral relations of some kind with almost all the most important countries and multilateral arrangements with CARICOM. These ties are for financial, economic and industrial, scientific and technical, cultural, tourist, sports and air transport co-operation (see table 6).15/

1. Trade agreements

Mexico has signed trade agreements 16/ only with Jamaica in 1975 and the Bahamas in 1981.

The agreement with Jamaica is a general one, since in it the contracting parties concede each other most-favoured-nation treatment. It also stipulates the establishment of a joint bilateral commission, a supreme governmental organ -as in any type of agreement- charged with overseeing the operation of the agreement and extending it, if it deems necessary, to other fields which may not be in the area of trade, such as industrial, scientific and technical, financial, economic co-operation, etc. The joint commission met in August 1977 and in May 1979, and the next meeting is planned for early 1982. As a result of these meetings, in 1978 Mexico reduced the tariff on Jamaican rum from 100% to 40% and allowed it to be imported without the required previous license. The tariff barrier on concentrated coffee liqueur also dropped from 75% to 35%. In addition, Jamaica asked that the preferential treatment be extended to its bottled liqueurs and tobacco. On the other hand, Mexico submitted for Jamaican consideration a list of manufactured products which included, *inter alia*, hormones, medications, construction materials, polyacids and their derivatives.

The agreement just signed with the Bahamas is more restrictive than the one with Jamaica, since it limits the areas of reciprocal interest: hydrocarbons, leather articles, pharmaceutical products, preserved fruits and other canned products.

Finally, although there is no formal trade agreement with Cuba, a working group has been established on foreign trade which functions under the General Collaboration Agreement and whose powers are very similar to those of a joint commission. This group, which met in January 1978 and October 1980, carried out follow-up work on the trade agreements for the exchange of products agreed upon during the last visits of the presidents of both countries, the trends and prospects of trade in general, the exchange of information on the products which each country will submit for the consideration of the other and the criteria and norms for negotiation preliminary to the signing of a trade agreement on reciprocal preferential treatment.

15/ For more detail on the contractual framework, see Annex 1 on Mexico.

16/ It signed the Treaty of Friendship, Trade and Navigation with the Dominican Republic in 1890, which was modified in 1934 and is still in force, although its letter and spirit do not correspond well with the present reality. During 1977, Mexico studied the possibility of signing a trade agreement with Haiti, and prepared a draft, but the project was not carried out.

/Table 6

Table 6

OUTSTANDING ASPECTS OF RELATIONS BETWEEN MEXICO AND THE CARIBBEAN a/

	Bahamas	Barbados	CARICOM	Cuba	Jamaica	Dominican Republic	Trinidad and Toba[go]
Trade agreements	February 1981				July 1975	1890, modified 1934	
Financial agreements				1972: first line of credit for 48 million pesos 1973: second line of credit for 110 million pesos 1976: third and fourth lines of credit for 400 and 50 million pesos respectively 1978: Fifth line of credit for 400 million pesos	1975: Agreement on revolving credit for 2 million dollars 1978: line of credit for 5 million dollars	1974: three lines of credit for a total of 2.5 million dollars 1979: open line of credit	
Energy co-operation programme		1 000 bdp			10 000 bdp	14 000 bdp	
Co-operation agreements	February 1981: Technological assistance and tourist exchange agreement		July 1974: agreement establishing the Mexico-Caribbean Community Joint Commission	September 1964: Basic Scientific and Technical Co-operation Agreement March 1973: Co-operation Agreement between the Mexican Foreign Trade Institute and the Cuban Chamber of commerce September 1974: Basic Agreement on Scientific and Technological Co-operation between CONACYT and CNCE September 1974: Cultural and Educational Co-operation Agreement August 1975: Economic and Industrial Co-operation Agreement August 1975: Agreement on economic and technical co-operation in the sugar industry August 1975: Agreement on the supplying of Cuban minerals to Mexico August 1975: Tourist co-operation agreement	July 1974: Scientific and Technical Co-operation Agreement Nov. 1974: Agreement to install and industrial complex designed to produce bauxite, alumina and aluminium January 1975: Co-operation agreement between the Mexican Foreign Trade Institute and the Jamaican National Corporation June 1977: Establishment of the Jamaica-Mexico Entrepreneurial Committee	August 1970: Cultural Exchange Agreement September 1971: Establishment of the Mexican-Dominican Entrepreneurial Committee. April 1974: Co-operation Agreement between the Mexican Foreign Trade Institute and the Dominican Export Promotion Center November 1980: Agreement to establish a Programme of Technical Co-operation	August 1975: Agreement on Scientific, Technological Education and Cultural Co-operation

/(Cont.)

Table 6 (cont.)

	Bahamas	Barbados	CARICOM	Cuba	Jamaica	Dominican Republic	Trinidad and Tobago
Co-operation agreements (continued)				August 1975: Agreement on joint research on tobacco-growing July 1976: Marine fishing agreement January 1978: General Co-operation Agreement May 1979: Agreement on economic and scientific-technical collaboration in sugar production January 1980: Technical Socio-Labour Co-operation Agreement July 1980: Establishment of a Cuban-Mexican Entrepreneurial Committee August 1980: Tourist Co-operation Agreement August 1980: Agreement on the investigation of tropical diseases and crops December 1980: Oil-Prospecting Agreement June 1981: Planning Co-operation Agreement August 1981: Agroindustrial Co-operation Agreement			
Transport				July 1971: Air Transport Agreement	June 1975: Maritime Co-operation Agreement July 1975: Air Transport Agreement		

/(Concl.)

Table 6 (concluded)

	Bahamas	Barbados	CARICOM	Cuba	Jamaica	Dominican Republic	Trinidad and Tobago
Joint Commissions			October 1980: First Inter-governmental Meeting in Bridgetown (Barbados)	a) Inter-governmental Commission January 1978: First Meeting in Mexico August 1980: Second Meeting in Havana b) Cuba-Mexico Entrepreneurial Committee July 1981: First Meeting in Mexico	a) Inter-governmental Commission August 1977: First Meeting in Kingston May 1979: Second Meeting in Mexico b) Jamaica-Mexico entrepreneurial Committee June 1977: First Meeting in Kingston July 1978: Second Meeting in Mexico June 1979: Third Meeting in Kingston April 1980: Fourth Meeting in Mexico July 1981: Fifth Meeting in Kingston	a) Inter-governmental Commission Second semester 1981: First Meeting on Cultural Affairs b) Dominican Republic-Mexico-Entrepreneurial Committee September 1971: First Meeting in Mexico February 1974: Second Meeting in Santo Domingo May 1979: Third Meeting in Mexico	
Working Group				Foreign trade January 1978: First Meeting October 1980: Second Meeting Scientific and Technical Co-operation January 1978: First Meeting Economic, Industrial and Financial Co-operation January 1978: First Meeting June 1980: Second Meeting Sugar industry December 1979: First Meeting June 1980: Second Meeting Construction industry June 1980: First Meeting Fertilizers September 1979: First Meeting June 1980: Second Meeting Metal products and Machinery June 1980: First Meeting			

a/ With the countries and territories not mentioned in this table, there are no formal economic relations of any type.

2. Financial agreements

Mexico has granted lines of credit to Cuba, Jamaica and the Dominican Republic. In the case of Cuba, the National Foreign Trade Bank (BANCOMEXT) offered four lines of credit on various occasions, and the Bank of Mexico, one; all were designed to finance specific sales of Mexican products. The total amount of financial aid received by Cuba from 1970 to 1980 reached US$ 67 million.

In 1978, BANCOMEXT offered the Bank of Jamaica a line of credit for US$ 5 million, intended to facilitate exports of manufactured Mexican products, which grew to US$ 10 million in 1981.

With respect to the Dominican Republic, the central banks of both countries signed a reciprocal credit agreement in 1973 within the Multilateral System of Reciprocal Balances and Credits of LAFTA.17/ Later, in 1979, to promote Mexican exports, BANCOMEXT granted an open line of credit to the Central Bank of the Dominican Republic, for US$ 2 million.

3. The programme of energy co-operation

In San José, Costa Rica, in August 1980, Mexico and Venezuela agreed on a programme of energy co-operation for the countries of Central America and some of the Caribbean countries (Barbados, Jamaica and the Dominican Republic) as a concrete measure of economic regional co-operation to contribute to alleviating the pressing needs of the net oil-importing countries. Through this programme the two suppliers will, in equal shares, provide for the domestic oil consumption of each one of the beneficiary countries. Through their official financing bodies, Mexico and Venezuela will grant credits to the beneficiary countries for 30% of their respective petroleum bills for a term of 5 years and at an annual rate of interest of 4%. If the receiver countries desire to finance priority development projects with these funds -in particular energy projects- it will require the approval of the Mexican Intersecretarial Committee composed of staff members of the Secretariats of Foreign Relations, Housing and Public Credit, Industrial Patrimony and Development, and the Bank of Mexico. In the case of approval, the Bank will rewrite the credit, which may be reimbursed during a period of up to 20 years and at an annual interest rate of 2%. The period of force of this energy agreement was extended for one year in August 1981, but without increasing the number of beneficiary countries.

Mexico committed itself to sell daily, under these financing terms, 1 000 barrels to Barbados, 10 000 to Jamaica and 14 000 to the Dominican Republic. However, due to delays in the ratification of the agreement and in the signing of the sales agreements, as well as the need to adapt their refineries to the heavy crude oil from Mexico, it was only in February 1981 that the first direct shipment of crude oil to Jamaica took place, and in May to the Dominican Republic.18/

17/ The Multilateral System of Reciprocal Balances and Credits of LAFTA, better known as the "Santo Domingo Agreement", was signed by the 11 member countries of LAFTA during the Fifth Meeting of the Council of Financial and Monetary Policy of this organization which was held in the Dominican Republic in September 1959. In February 1973 the Dominican Republic was included in this multilateral payments agreement.

18/ By the end of the first year the programme was in force (31 July 1981), Petróleos Mexicanos (PEMEX) had sold to Jamaica a crude oil mixture (Maya e Istmo) for a total of US$ 58.5 million (1 693 barrels) and to the Dominican Republic for US$ 50.9 million (1 483 barrels).

/Mexico furnishes

Mexico furnishes oil to Haiti outside of the programme of energy co-operation, but under the same preferential terms of credit.

Mexico also exported crude oil to the Netherlands Antilles, Belize and Bermuda, and liquid gas to Cuba, but these trade operations did not form part of the joint Mexican-Venezuelan energy agreement.

4. Co-operation agreements

Mexico has signed bilateral co-operation agreements -of varying degrees of complexity- with the Bahamas, Cuba, Jamaica, the Dominican Republic and Trinidad and Tobago, and one multilateral agreement with the Caribbean Community.

Cuba has been the principal signer of co-operation agreements with Mexico, with Jamaica far behind. The Bahamas, Trinidad and Tobago and CARICOM have only signed one agreement each.

The agreements cover certain particular areas of the economy and have been mainly signed between firms and government institutes, although they have also been signed between private entrepreneurs.

(a) Bilateral agreements

A large number of co-operation agreements are related to commercial trade. Thus, the Mexican Foreign Trade Institute (IMCE) signed agreements with official Cuban bodies (1973), the Dominican Republic (1974) and Jamaica (1975). In addition, the Mexican Entrepreneurial Council for International Affairs (CEMAI), largely composed of entrepreneurs, established bilateral committees with the Dominican Republic (1971), Jamaica (1977) and Cuba (1980).

Co-operation agreements have been signed with the Bahamas, Cuba, Jamaica, the Dominican Republic and Trinidad and Tobago (see table 6). For Cuba, the main areas have been agriculture (especially the sugar and tobacco industries), iron and steel (non-ferrous metals), the machinery industries (related to the production and refining of sugar), oil exploration, the petrochemical industry, fishing, tourism, education, social security and economic planning. With Jamaica, the main sectors for collaboration have been oil, bauxite, tourism and crafts. For Trinidad and Tobago, co-operation was limited to the transfer of technology in certain areas, particularly fertilizers and the sugar industry. In the Dominican Republic, co-operation was sought in oil exploration and mining. Finally, Mexico provided the Bahamas with technical assistance in the tourism sector.

(b) Multilateral co-operation agreement

Although it is not a formal co-operation agreement, Mexico and the Caribbean Community signed an agreement in July 1974 for the establishment of a joint intergovernmental commission. This commission, whose objectives are to promote economic, commercial, cultural and technological co-operation, met for the first time in October 1980 to exchange information on commerce (lists of products), finance, and industrial, energy, agricultural, tourist, educational, cultural, scientific and technical co-operation. At this meeting, the Mexican delegation submitted a draft Basic Convention on Scientific and Technical Co-operation which would serve as a framework for co-operation between Mexico and CARICOM. This draft will be discussed during the second meeting of the joint commission, which will take place in 1982. An Intergovernmental Working Committee on Trade was also established, which will function until the joint commission meets again -to study the possibility of signing a multilateral agreement of the preferential type and with tariff reduction.

/C. Assessment

C. Assessment of economic relations and their prospects

In the following pages the situation of the contractual framework and the evolution of commercial trade between Mexico and the Caribbean will be evaluated separately.

Before entering into detail, it should be pointed out that only in the mid-1970s did Mexico show signs of interest in establishing economic relations with the Caribbean, a rapprochement which was marked by two landmarks coinciding with presidential visits. However, the first effects of these rapprochements were hardly felt until the beginning of the 1980s. This prolonged maturation period was probably due to some extent to the fact that in the period 1970-1977 the Mexican development model went through an acute crisis, in addition to that experienced by the industrialized countries with market economies. Thus, in 1979 Mexico assumed a more concrete posture in its economic relations with the Caribbean area 19/ and centred its attention, because of their potential, on Cuba, the Dominican Republic and the members of CARICOM.

The attitude of the private sector has not been very dynamic, as it prefers to direct its trade flows towards traditional markets through the already known channels. In this respect, approximately two-thirds of Mexico's total trade is with the United States.

Some of the actions undertaken by Mexico recently could become the backbone of their economic relations with the Caribbean in the next few years. An outstanding example is the development of the energy co-operation programme which would promote the expansion of exports to certain Caribbean islands and which would also provide other Mexican goods with access to the same markets. However, in this case Mexico would have to seek new import categories to slow down the growing surplus in its commercial balance which would result with these countries.

Finally, although the economic policy of Mexico in recent years has not encouraged the search for new markets -except in the case of hydrocarbons- it is possible that once this expansive stage created by the oil boom has passed, greater attention will be paid to increasing exports, and especially manufactures.

1. The contractual framework

The contractual framework of current economic relations between Mexico and the Caribbean is limited, except in the case of Cuba. It has been influenced by the fact that up until 1980 the bilateral margin of manoeuvre of Mexico was limited to a certain extent by LAFTA, to which it belonged. On this point, it should be noted that Mexico was able to get round this difficulty in part by signing a trade agreement with Jamaica in 1975.20/ Its margin of manoeuvre was substantially

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19/ Declaration of the Secretary of Foreign Relations of Mexico in March 1979, as well as the programme of energy co-operation in August 1980 and the joint programme of economic aid to the Caribbean and Central America with Canada, United States and Venezuela in 1981.

20/ In the 1970s, Mexico granted tariff preferences to certain Central American countries: Guatemala (1973), El Salvador (1979), Costa Rica (1980). The National Exporting and Promotional Enterprise (IMPEXNAL) was established as a mechanism of economic co-operation, which returned from 50% to 75% of the import taxes on the products included on the negotiated lists.

/extended by

extended by its adherence to the Latin American Integration Association (ALADI), which replaced LAFTA. The statutes of ALADI allow its signers to make agreements with third countries and areas of economic integration in Latin America known as "limited scope" agreements (Articles 25 and 26) without being required to extend them to member countries of ALADI. According to the new Montevideo Treaty of 1980, these limited scope agreements may be commercial,21/ for economic complementation,22/ agricultural, for promotion of trade, or other types. These possibilities will allow Mexico to expand its horizon of co-operation within the Caribbean more easily. It will thus be able to sign trade agreements and promote reciprocal trade through the elimination or lowering of tariffs and non-tariff restrictions for the products included in this agreement, and can carry out certain industrial planning or other more general measures of economic co-operation.

Today, within the Caribbean area, Mexico has established formal contacts with the CARICOM authorities and with the Government of Cuba 23/ to study the feasibility of signing short-term, limited scope agreements as authorized by ALADI, taking into account, of course, the degree of relative economic development of these countries.

In addition, prior to 1980, Mexico was able to formalize some economic co-operation agreements and give financial facilities to promote its exports to certain Caribbean countries and territories.

Although in some circumstances trade flows are established spontaneously without a legal framework, such a framework becomes necessary when it is a question of establishing new trade ties with countries which do not have a mercantile tradition.

(a) Trade agreements and joint commissions

The operation of the legal framework in economic and comercial relations has been postponed because of the delay in forming joint commissions due to Mexico's generally slow pace in ratifying all the signed agreements. The ratification by the Mexican Congress of the trade agreement with Jamaica (signed in July 1975) took one year and legally entered into force in October 1976. For this reason the first meeting of the joint commission, provided for in the agreement, could not be held before the third quarter of 1977. This situation was repeated with the other agreements and their joint commissions. The convention with CARICOM entered into force in September 1975, or 16 months after its signing, but the joint commission did not meet until October 1980.

The intergovernmental meetings have up until now consisted of gatherings in which reciprocal needs are expressed. In them, there is a review of the development of commercial trade and of previous decisions, the offer of possible export products is presented, it is agreed to create a working group to analyse a concrete topic, etc., and often, by common agreement, subsequent meetings are set up.

21/ Corresponding to the former industrial complementation agreements of LAFTA.

22/ The intention here is to take full advantage of the productive factors and facilitate competition in the markets which have signed the agreement, between the products agreed upon, by a reduction of tariffs or by multisectoral industrial planning.

23/ Since 1977 Cuba has been proposing the need to receive a preferential tariff treatment from Mexico for certain products (67 in total), while Mexico has been saying since 1980 that the agreement which would be most appropriate to the possibilities for negotiation is the so-called economic complementation agreement (Article 11 of ALADI). See Acta final de la primera reunión ordinaria del grupo de trabajo sobre comercio exterior México-Cuba, Havana, Cuba, 30 October 1980.

/As up

As up until now there have been few meetings of joint committees, with much time between them (one with CARICOM and two with Cuba and Jamaica, respectively), there have been few practical results. Possible sectors for co-operation and commercial trade have only been outlined in which each party would be interested, but without arriving at concrete commitments.

In addition, often the agreements are made between high-level representatives, but their execution is held back because the responsibility of carrying them out is distributed among the different bodies of the public sector related to the economic branches which are the subject of the agreements. In this case, the materialization of the commitments is delayed and, on occasion, they are not carried out or their scope is reduced, as has happened in the case of Cuban-Mexican relations. Also influential is the fact that the representatives of the private sector -principal actors in the economic activity of Mexico- only attend meetings as observers and have little power to sign agreements.

To overcome this obstacle to trade, some bilateral business committees have been created, whose debates have put a greater emphasis on the practical aspects of trade for the purpose of achieving concrete results as soon as possible. Also, thanks to these meetings, personal contacts between businessmen have been improved and the range of activities dealt with has been extended: co-investments and industrial incentives; commercial trade; tourism; financing of exports and imports, and air and sea transport. Finally, the lists of products being exchanged are very specific.

(b) Financial agreements

In the past decade, Mexico loaned the Caribbean financial assistance in the amount of US$ 67 million. The use of the lines of credit granted by Mexico has varied considerably according to the receiving country. Thus, the credit line of US$ 5 million conceded to Jamaica was used in its entirety and a new one was offered in 1981 for US$ 10 million.

With Cuba, the first four credit lines (US$ 60 million) were used entirely to cover specific purchases of Mexican products; this was influenced by the chronic shortage of convertible currency in Cuba. At the end of 1981 negotiations were begun for the granting of a fifth line of credit (US$ 17.5 million). The terms under which these financial facilities were granted were fairly favourable to Cuba and Jamaica in terms of interest rates.

The Dominican Republic did not use the line of credit granted it (US$ 2.5 million), due partly to the applicability of the convention on compensation of payment signed under the auspices of the Santo Domingo Agreement between the central banks of the signatory countries which required these countries to channel all operations through them.

With respect to CARICOM, Mexico is prepared to sign financial agreements at the bilateral level when requested by the member countries of the integration system.

(c) Co-operation agreements

Co-operation between the Caribbean region and Mexico has basically occurred in the governmental sphere and in the university research institutes. It has been directed towards a wide range of activities such as agriculture, tourism, oil and its refining, iron and steel, fishing, housing construction, education, health and social security. In the great majority of cases there have been exchanges of scholarship holders and technical missions. However, these conventions are very recent, as they date from the second half of the past decade, and only recently have they began to have some concrete effects.

/With Cuba,

With Cuba, in the framework of the Basic Convention on Scientific and Technical Co-operation, which is the most important agreement signed by Mexico with any Latin American country, there has been an exchange of information, and technicians in these areas: agricultural, industrial, construction, fishing, oil and petrochemical, transport, basic health research and urban administration. The two countries have also granted a reciprocal number of scholarships.

The specific agreement in the area of Economic and Technical Co-operation in the Sugar Industry and its Derivatives has made it possible since 1979 to carry out a programme of work, which previously had not been achieved, between the National Sugar Industry Commission and the corresponding Cuban organizations. This programme is an integral one,24/ and within it Mexico has proposed to carry out pilot studies in the Quesería and Tamazula mills, with Cuban machinery, equipment and components, and has proposed to share technology in order to obtain furfural and lysine. For its part Cuba offered a bagasse mill, two storage centres (to be installed in Sinaloa and Oaxaca), four KTP-2 harvesters for trying out in the Mexican sugarcane plantations and technology for separating soot with spray. Progress until now has been slow, given the complexity of the programme and the problems presented by the adaptation of Mexican sugarcane plant to new techniques.

In the area of fishing, Mexican Fish Products participates in an exchange programme of technology between fishermen and technicians of the two countries. In May 1981, this group signed a contract to buy six shiploads of ferrocement and 100 launches of fibreglass made in Cuba.25/ In addition, the Veracruz shipyards have offered to give maintenance and repair service to Cuban boats, and Cuba will soon send two ships there.

The joint project of JALUMEX, between Jamaica and Mexico, has been postponed sine die due to the unfavourable results of an economic feasibility study. Currently Mexico is building its own aluminium refinery.

With the Dominican Republic a coinvestment was made called "Ciclismo Dominicano", which uses the technology of the Mexican firm Bicicletas Cóndor.

Mexican advisory assistance has been used in the area of construction in the Sports Palace in Santo Domingo, and in the renovation of two hotels in Havana. A Mexican building consortium is also participating in the building of a PETROJAM oil refinery in Jamaica.

In conclusion, the advances in the area of economic, technical and scientific co-operation are still limited -but not insignificant- and are mostly connected with Cuba. It is probable that there are still ample possibilities for Mexico to transfer appropriate technology for the technical capacities and market of the great majority of the Caribbean islands, in activities such as pottery, construction of furniture (wicker and wood), footwear, clothing, leather products and jewelry, etc.

In addition, with respect to the possibilities for coinvestment in the Caribbean, there should be a study, firstly, of small projects or those which are investigating new and renewable sources of energy and are receiving the benefits of the programme of energy co-operation between Mexico and Venezuela. Also, part

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24/ The transfer of technologies, the development of an information programme, the economic and industrial integration between the two sugar industries, the development of joint research and other programmes are contemplated.

25/ Three ships are 12.6 m in length, and the rest 15.9 m. The launches are 6.7 m in length, with a 35 CV diesel engine.

/of these

of these projects financed through oil facilities 26/ could have widespread effects in channelling part of the purchases of some capital goods, tools and rolling stock to Mexico for executing these projects, in which some Mexican construction firms could also participate.

2. Commercial trade

(a) Mexican exports to the Caribbean

The erratic and marginal trade with the Caribbean has obstructed the formation of a commercial tradition, the result of stable exchange flows; thus, a certain Mexican trade infrastructure has been established only in Cuba and the Dominican Republic. In these countries, the Mexican Institute of Foreign Trade (IMCE) has a representative and, in the latter country, it offers storage warehouses for Mexican imports. The representatives in Havana, San Juan and Santo Domingo are almost the only channel for information and promotion available to Mexico in the area.

Another factor preventing reciprocal trade has been the lack of promotion of the potential principal articles and the few direct contacts with possible Caribbean importers to find out the needs of their markets. To compensate for the lack of international fairs or expositions, and to promote the presence of Mexican products at certain events, the IMCE has carried out some trade missions in Jamaica, the Dominican Republic and Cuba.27/

In relation to agricultural primary products, Mexican exportable supply has diminished in recent years, and in some periods it has even been necessary to supplement its domestic requirements with imports. In addition, other tropical products of which Mexico has a surplus compete with those produced in the islands.

Although there are some categories of Mexican supply of manufactured goods which interest the Caribbean countries -as may be seen from examining the lists presented at the meetings of the joint commissions or the entrepreneurial committees-, Mexico has faced difficulties in entering the Caribbean markets because of its apparent lack of price competitiveness. This is very relevant in the Caribbean markets, which have a low per capita income and where the price of the product is the principal access factor. Moreover, given the sustained growth of Mexican domestic demand, a great number of national businessmen prefer to direct themselves to this protected market rather than struggling to reduce costs and compete abroad. This may be observed mainly in the traditional sectors which are exactly those which could have greater access to the Caribbean, as their supply coincides with the demand of a large part of the Caribbean population: food industries, clothing, footwear, wood, furniture, leather manufactures and metallic products.

In this area, the prospects are not very bright, if the current domestic conditions prevail and new markets for exports are not found, since after the oil boom 28/ exportable supply has decreased vertically, and there is an increasing

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26/ It is estimated that the credits granted by Mexico to Jamaica and the Dominican Republic, measured in prices of US$ 32 per barrel, total an annual amount of some US$ 35 and 49 millions respectively, figures which double with Venezuela's contribution.

27/ See Annex 4 on the terms of access to certain Caribbean markets.

28/ From 1976 to 1980 the share of hydrocarbons in total exports rose from 16% to 64%, while the share of manufactures dropped from 12% to 7%.

tendency to depend on exports of crude oil to obtain foreign exchange. Along with this has come an inflationary process of some intensity which has reduced even further the competitiveness of the external sales of Mexican manufactures.

In the case of exchange between Cuba and Mexico, the differences in political and economic systems imply certain specific limitations. Thus, there is first the economic integration of Cuba with the socialist countries which are members of the Council for Mutual Economic Assistance (CMEA), towards which the bulk of demand is directed. In addition, the passage of time also contributes to decreasing United States fixed assets in Cuba, whose spare parts were partly obtained in Mexico. Also, during some years of the past decade, the depressive situation of the world sugar market acted as a limiting factor -a product on which 80% of Cuban exports depend- which restricted the availability of convertible currency. However, the stimulating factor in this exchange has been the para-State Mexican enterprises, which have signed the largest and broadest contracts with Cuba, of both exports and imports, while the private sector has remained behind.

(b) Mexican demand for Caribbean products

The relative degree of industrialization reached by Mexico is higher than that of the countries and territories of the Caribbean, and thus its external demand is different. The large majority of the products it imports from that region are of primary origin, such as non-ferrous minerals (chronium and nickel), or imports (petrochemical products, cement), which are easily incorporated into the productive chain. The insufficient production of sugar to cover domestic consumption has also recently forced Mexico to import large quantities of this product. The purchases of primary derivatives of oil, which until the mid-1970s were preponderant, decreased with the increase in domestic refining. The trade with Cuba in machinery and equipment and parts for the sugar industry is still only beginning. The rest of the imports amount to only small volumes of manufactures.

In the case of Cuba, one of the elements which has most limited the expansion of its sales to Mexico has been the lack of correspondence between the external demand of the latter country and the exportable supply of Cuba. However, it should be noted that the insufficient Mexican production of sugar already mentioned makes it possible to increase Cuban sales of sugar and, as a counterpart, the purchase of manufactured Mexican products by Cuba.

From 1977 to 1980 the foreign trade of Mexico was liberalized, due to the elimination of the import licence for a large number of products and, in other cases, through the replacement of this licence by a tariff. The tariffs varied a great deal: agricultural machinery, wheat, aluminium and tin, inter alia, did not pay duty, while certain luxury items were taxed at 50% and 75%, especially those which compete with products produced domestically. Machinery and industrial inputs are subject to duties which fluctuate between 2% and 15%. However, beginning early 1981, because of growing balance-of-payments difficulties, import licences were reintroduced gradually for a large number of products.

The import licence -when necessary- must be obtained before the arrival of the merchandise at customs. This requires a detailed list of the merchandise and a bill of sale stamped by the Mexican Consul in the place of origin of the products. Efforts are being made to reduce the delay in the delivery of the import licence. Meanwhile authorizations are being issued which are valid for six months to one year and which cover certain generic types of goods rather than specific items.

To expedite the delivery of certain goods, there are deposit warehouses in various locations of the territory which are managed by private companies under customs supervision. The import duties are charged only when the goods are taken

/out for

out for distribution to the Mexican market. Cuba is making use of this system by using warehouses to store primary nickel and chromite to supply the partial orders of small industries directly.

(c) Transport

One important obstacle to trade has been the irregularity of maritime transport. The enterprise Naviera Mexicana (NAVIMEX) ran a monthly service from Veracruz and Tampico to Santo Domingo, San Juan, Port-au-Prince and La Guaira for one year, beginning in July 1973. The lack of cargo put an end to the service. A similar case occurred with the promotional route of the Naviera Multinacional del Caribe (NAMUCAR) between Mexico and Jamaica. Therefore, it was not possible to maintain regular lines between the ports of the Caribbean, either because there is no cargo or there is very little volume.29/ This situation has meant that Mexican cargo is sent preferentially to the United States Gulf ports -by land or sea- where the transfer is made to the Caribbean.

Transport of goods between Cuba and Mexico is carried on by Cubana de Flete (CUFLET). The entrusting of the transport procedures to staff members of the Cuban Embassy in Mexico City -there is no specialized maritime office in the Mexican exit port- has produced delays in the dispatch of shipments. In addition, CUFLET needs to have sufficient goods to fill a ship and send it to Mexico, which extends the waiting period. The risks of this delay are aggravated when the products are perishable. This way of operating produces serious problems for Mexican businessmen due to the delay in the payment for their goods, whose letter of credit is liquidated only when the merchandise enters Cuban warehouses. These irregularities discourage the promotion of a sustained flow of trade.30/

With respect to air transport, Mexico presently maintains direct communication only with Cuba.

29/ NAMUCAR requires a minimum cargo equivalent to US$ 50 000 in freight to make the trip.

30/ See Acta final del Grupo de Trabajo sobre Comercio Exterior Cuba-México, October 1980.

/III. THE

III. THE CENTRAL AMERICAN COMMON MARKET AND ITS RELATIONS WITH THE CARIBBEAN

A. Contractual framework

Trade by Central American countries is largely governed by instruments signed in the framework of the regional integration process 31/ which began in the early 1960s, and is mainly based on the development of an extended market, supported by a free market system, and a common external tariff, still in effect, which sought to accomplish two principal objectives: to protect domestic industry and at the same time to be a source of income for the public treasury. Thus, the protection level of the goods capable of being produced in the region was raised, among which are durable and non-durable consumer goods and construction material. However, for raw materials, intermediate commodities and capital goods not produced in the region, the customs protection was low and in some cases, such as agricultural machinery, was free of customs duties.32/

However, the uniform tariff established mechanisms for external trade policy for the exchange of tariff concessions and other preferential clauses to third countries, as long as consultations have been held, and the "Central American exception clause" is maintained. This allows all member countries of the Central American Common Market (CACM) to sign bilateral trade agreements with Panama and Mexico and for Costa Rica to sign an agreement recently with the Dominican Republic.

In addition to the common external tariff, and for the purpose of establishing a joint defence policy for balances of payments, a Protocol to the General Integration Treaty was signed in 1968 in San José, Costa Rica, through which a general tax was introduced, called economic stabilization, which placed a tariff on merchandise from third countries 33/ of 30% of the value of the payment of the corresponding import duties. This rate also applied to firms which had a right to exemption or lower import duties by virtue of national development laws or the Convention on Fiscal Incentives to Industrial Development. In addition, some merchandise could be taxed with a consumer tax of 10% or 20%. Although the effective period of the stabilization tax was established for five years, it remains in force.

31/ Including, inter alia, the Central American Convention on Import Tax Comparison (1959); the General Treaty on Central American Economic Integration (1960); the Central American Convention on Tax Incentives to Industrial Development (1962) and the Uniform Customs Code (1963).

32/ Nominal import tariffs varied from an average of 114% of CIF value for non-durable consumer goods to 8% for transport equipment and raw materials for industry. See CEPAL, Economic Relations between Mexico and Central America (CEPAL/MEX/77/13/Rev.1), Mexico, July 1977, pp. 6 and 7.

33/ However, there is a list of essential goods which are exempt from the payment of the economic stabilization tax, exceptions which may be granted by the executive power of each State.

/In 1976

In 1976 work was began on formulating a new convention on the tariff and customs system, the draft of which was submitted to the governments for study in August 1981. This document was designed as a development instrument rather than for fiscal purposes or defense of the balance of payments. The new Central American import tariff 34/ would tax goods not produced in the area with a minimum tariff of 5%; for inputs and raw materials which compete with domestic ones, the duties would vary between 10% and 30%, and for consumer goods which compete with those produced in the CACM a protectionist tariff of some 35% to 100% would be assigned. Finally, there are a small number of goods free of import duty. In addition, in this convention it is stipulated that the countries shall not sign, unilaterally with third parties, agreements of preferential system or most-favoured-nation status, which might affect the Common Tariff System. They may sign agreements with developing countries or groups of countries whose economic development is similar to that of the Central American countries, on the condition that the benefits reciprocally granted do not exceed those which are conceded by the CACM countries to one another. However, before signing, the favourable report of the Central American Tariff and Customs Council is required (article 42).

In addition to this general framework, Honduras and Nicaragua have passed some provisions or carried out institutional changes which have had an impact on the terms of access to their markets.

In 1970, due to the armed conflict with El Salvador (1969), Honduras suspended free trade with the other CACM countries, and the common tariff was applied uniformly to all imports to Honduras, independently of their origin. Honduras also established customs duties which were lower for external purchases of given essential products, raw materials, intermediate articles and capital goods. In special cases the tariff was modified for the purpose of protecting certain branches of national industry. This set of actions -which are still in force- 35/ contributed to the fact that the average level of Honduran tariffs was the lowest in Central America. In the area of external trade policy, some changes were made in the customs tariff in order to negotiate certain bilateral preferences, a practice which the Caribbean markets could take advantage of in order to strengthen ties with Honduras.

In addition, after the change of government in Nicaragua 36/ the organization of the institutions of this country related to foreign trade was substantially modified. The new foreign trade authorities immediately established State

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34/ The basis of the new common tariff is a revised version of the Central American Uniform Tariff Nomenclature (NAUCA II), based on the Brussels Tariff Nomenclature (NAB).

35/ Decree No. 97 of 30 December 1970 and Agreement No. 23 which regulates it.

36/ In order to promote exports, the Nicaraguan Centre for Export Promotion (EXPORTEMOS) was established in 1972, which carried out two research missions in 1972 and 1978 in some Caribbean countries, where it found an interest in certain categories of exports (frozen vegetables, sausages, textiles, wood and its derivatives, chemical products, leather and its derivatives, and pharmaceutical products). However, no trade agreement was signed. In the former system there was a free exchange rate until the last quarter of 1978, when some increasingly severe restrictive measures were adopted. These measures initially consisted of a relatively liberal control of exchange. However, in the first months of 1979 the prior deposit was established, equivalent to the total value of most imports, and in April, when the córdoba was devalued, differential rates were established for purchase and sale of foreign currency, with multiple rates for purchases.

/enterprises for

enterprises for the principal agricultural products. The powers of these bodies were extended with time; at the beginning they only acted as marketers, charging a commission, but they currently practically manage exports, combining in some cases the productive activity and the exporting activity (sea products, sugar, meat).37/ This allowed the State to control 75% of exports, leaving the rest in the hands of the private sector, mainly the external sales of manufactures both to CACM and to third countries. In addition, control of imports was established. The State allocated foreign currency at the official exchange rate and assigned priorities in accordance with their importance for the economic activity. However, for purchases paid for with foreign currency acquired in the parallel market,38/ there are no restrictions, although an import licence is required.

B. Openness towards the Caribbean markets

There is currently only one trade agreement between a Central American country (Costa Rica) and a Caribbean country (Dominican Republic). In industrial, economic and scientific and technical co-operation agreements, only Nicaragua has signed a multiple one with Cuba,39/ of a very special type, with commercial aspects as well as broad economic aid. However, all the members of CACM are interested in strengthening formal trade ties with certain countries and territories of the Caribbean.

This novel manifestation of the unilateral external trade policy of the Central American countries -very different from the integration patterns- is rooted in the growing abnormality which characterized the functioning of CACM and the problems which most of the countries are facing.

Among the main economic problems, there are the large differences which exist between the official exchange rate and the parallel rates in Costa Rica and Nicaragua. In addition, foreign reserves have reached a very low level in Costa Rica and Nicaragua, and as a result trade flows have declined. All the countries have generalized the establishment of exchange controls.40/ Credit limitations in Costa Rica, both domestic and external, and the problems of productive maladjustment in Nicaragua have diminished exportable supply, thus reducing the possibility of materializing the previous commitments to intra-regional supply. Honduras, Costa Rica and Nicaragua have imposed licences on merchandise imports, whatever their origin. Honduras, as a measure for defending its trade balance, placed a 10% tax on almost all imports from the common market. In addition, some difficulties restrict the free land passage of merchandise in El Salvador and Nicaragua. Finally, at the regional level the diversity of the national systems of external marketing was expanded.

37/ Some of the most important State enterprises are: Nicaraguan Coffee Enterprise (ENCAFE), Nicaraguan Cotton Enterprise (ENAL), Nicaraguan Sugar Enterprise (ENAZUCAR), Nicaraguan Meat Enterprise (ENCAR) and Nicaraguan Sea Enterprise (ENMAR).

38/ The ratio of the dollar quotation on the parallel market to the official exchange rate was approximately 3 to 1 in August 1981.

39/ The co-operation agreement signed in April 1981 amounts to the equivalent of US$ 64 million. Co-operation in the biennium 1981-1982 will place emphasis on the basic spheres of infrastructure and on the services sector, which will receive co-operation equivalent to 38 million córdobas (see Cuba: Noticias económicas, No. 118, July 1981).

40/ Honduras was the last CACM country to impose this measure (20 September 1981).

/This accumulation

This accumulation of difficulties -which became worse at late 1980 and continued in 1981- has led the official and entrepreneurial sectors of each country to seek new markets with similar price and quality terms as those prevailing in the common market, in order to stimulate their trade outside of Central America.41/ By this move they are seeking different outlets for productive surpluses which are difficult to place in the common market, and in this way they are trying to overcome the obstacles of an unfavourable conjunctural situation.

Costa Rica took the lead in this trend by signing a trade agreement with the Dominican Republic in May 1981. This was a limited agreement for free exchange of a list of articles which would be approved at the first meeting of the joint commission;42/ and these products will be subject to a gradual system of tariff reduction. In the beginning each operation will be paid in dollars, but later formulas will be sought to channel them through the respective central banks.

In order to obtain better information on the Caribbean markets, the National Export Promotion Centre of Guatemala (GUATEXPRO) opened a representative office in Santo Domingo.

The Central American countries also plan to send some preferential trade missions to the Dominican Republic, the Netherlands Antilles, the Bahamas and, to a lesser extent, Jamaica and Trinidad and Tobago.

In May 1981, GUATEXPRO organized an exploratory mission to the Bahamas, Haiti, the Dominican Republic and Curaçao, inter alia, which served to establish contacts and exchange samples of products. During this visit, US$ 1 million worth of merchandise was sold, according to GUATEXPRO estimates, and the prospects for exporting for 1982 will total approximately US$ 25 million.43/ At the same time, the opportunity was taken to establish ministerial commissions with the Dominican Republic and Haiti, aimed at establishing bilateral trade agreements on the basis of preferential tariff treatment for some products of mutual interest. The Foreign Trade Office of Honduras, in co-operation with representatives of the Chambers of Commerce and Industries, is organizing a trade mission to some Caribbean countries for 1982. There are similar concerns in Nicaragua and El Salvador to make their products known in the Caribbean area and sign trade agreements.

C. Central American trade with the Caribbean

1. Total trade 44/

Trade between the group of Central American countries and the Caribbean area in the 1970s was rare, unstable and at very low levels. During this period, the average annual share of CACM exports to the Caribbean in relation to their total external sales barely exceeded 1%, and the average share of imports was less than 3%.

41/ Additionally, various members of CACM have initiated contacts with Colombia and Venezuela and have strengthened their commercial and economic ties with Mexico.

42/ The trade agreement must be ratified by both Congresses, in order for the joint commission to be formed.

43/ In 1979 and 1980 the average of exports to these prospective markets amounted to US$ 7 million.

44/ For further details, see Annex 2 on destination, origin and structure of foreign trade of each CACM country with the Caribbean.

/Total trade

Total trade -imports plus exports- has been growing steadily from some US$ 23 million in 1970 to more than US$ 260 million in 1980. In this period various sharp increases occurred, in 1974, 1976, 1977 and 1979. The most important markets were the Netherlands Antilles, Trinidad and Tobago and the Dominican Republic, which represented more than 80% of total trade.

Until 1975, CACM accumulated a favourable trade balance with the Caribbean, equivalent to US$ 53 million. But in 1976 the first negative balance appeared (US$ 62 million), which gradually increased to reach a maximum of US$ 215 million in 1979 and US$ 188 million in 1980. The accumulated balance of commercial trade in the period 1970-1980 showed a negative total of US$ 621 million, equivalent to 1.7 times the amount of total Central American exports to the Caribbean. The majority of CACM countries had unfavourable balances: Guatemala (US$ 352 million), Costa Rica (US$ 226 million), Nicaragua (US$ 51 million) and El Salvador (US$ 3 million). Honduras was the only country which managed to maintain a positive trade balance (US$ 13 million), although with a decreasing trend.45/

This dynamic increase in Central American purchases from the Caribbean -at an average rate of 2.9 times greater than that of total imports- was basically due to the increase in the value and volume of purchases of hydrocarbons from the Netherlands Antilles, Trinidad and Tobago and, sporadically, the Bahamas. Exports grew at a much more gradual rate and their elasticity of increase was slightly lower than that of total sales (0.93).

The accumulated results of Central American trade flows with the Caribbean varied greatly by country. CACM accumulated unfavourable balances with only three of these markets, but these were very high: Netherlands Antilles, US$ 644 million, Trinidad and Tobago, US$ 171 million and Bahamas, US$ 67 million. With the rest of the area the balances were favourable to CACM, the most important being with the Dominican Republic (US$ 150 million), followed by Jamaica (US$ 37 million) and Belize (US$ 28 million). With Barbados and Haiti there was a surplus of US$ 14 million each, and with the rest, the positive balances were lower: Cuba (US$ 10 million), Suriname (US$ 3 million) and Guyana (US$ 2 million).

2. Central American exports to the Caribbean

During the period 1970-1980 the current value of Central American exports to the Caribbean increased at an average annual rate of somewhat over 13%, and its dynamism varied widely through time (see tables 7 and 8).

Honduras exported more than half of the total of Central American sales to the Caribbean (56%), followed by Guatemala and Costa Rica, which had a relatively similar share (19% and 18%, respectively) while that of Nicaragua and El Salvador scarcely reached 5% and 3%.

The proportion of sales to the Caribbean in comparison to the total exports of each one of the Central American countries varied considerably. In El Salvador, Nicaragua and Guatemala the average percentage was very low (0.2%, 0.4% and 0.8%, respectively, see table 9); in Costa Rica it reached 1%. Honduras obtained the highest percentage of all the CACM countries (4.7%), a figure equivalent to half that of its exports to the Central American Common Market (8.2%).

45/ In Guatemala, the trade deficit represented 5 times the amount of their exports to the area; in Costa Rica the share was 3.6 times and in Nicaragua 3 times. In Honduras the favourable trade balance amounted to 7% of its sales to the Caribbean.

/Table 7

Table 7

CENTRAL AMERICAN COMMON MARKET: TOTAL EXPORTS OF GOODS

(Millions of dollars FOB)

Countries and territories	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979 a/	1980 a/ b/
Total	13.1	15.4	21.0	29.9	46.2	39.1	33.1	40.1	40.4	43.8	35.7
Netherlands Antilles c/	0.5	0.8	1.0	0.8	1.3	1.8	0.9	1.7	2.3	0.9	5.9
Bahamas	0.1	-	-	0.1	0.1	0.1	0.3	-	-	0.3	-
Cuba	-	-	-	-	-	-	-	0.5	6.4	4.3	1.1
Haiti	0.6	0.3	0.4	2.0	2.9	0.7	0.7	4.2	0.6	1.3	1.7
Dominican Republic	6.1	5.7	8.5	13.9	24.6	18.9	15.7	19.1	15.1	14.8	11.1
Suriname	-	-	-	-	-						
CARICOM	5.8	8.4	11.1	13.1	17.3	17.3	15.2	13.8	15.4	21.6	15.4
Barbados	0.4	0.7	0.8	1.5	2.0	1.5	2.0	0.8	1.3	2.2	0.7
Belize	1.1	1.7	2.3	2.4	2.9	3.6	3.1	2.4	2.6	4.0	2.9
Guyana	-	-	-	-	-	-	-	0.1	0.1	0.6	1.2
Jamaica	3.6	5.0	6.5	7.2	9.8	10.3	6.4	3.5	3.9	7.6	1.5
Trinidad and Tobago	0.7	1.0	1.5	2.0	2.6	1.9	3.7	5.7	6.7	6.0	7.4
Organization of East Caribbean States d/	-	-	-	-	-	-	-	1.3	0.8	1.2	1.7

Source: CEPAL, on the basis of national data.

a/ Preliminary figures.
b/ Not including El Salvador, for lack of information.
c/ Including Aruba and Curaçao.
d/ Include Antigua/Barbuda/Redonda, Dominica, Grenada, Montserrat, St. Kitts/Nevis, St. Vincent/Grenadines and St. Lucia.

/Table 8

Table 8

CENTRAL AMERICAN COMMON MARKET: TRADE WITH THE CARIBBEAN

(Millions of dollars)

Country	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979a/	1980 a/b/
Exports FOB	13.1	15.4	21.0	29.9	46.2	39.1	33.1	40.1	40.4	43.8	35.7
Costa Rica	0.5	0.6	0.7	0.6	1.9	1.4	2.0	8.0	15.7	17.0	14.7
El Salvador	0.2	0.3	0.3	0.4	0.4	1.0	2.0	1.9	1.7	1.9	...
Guatemala	1.9	2.3	3.8	6.5	9.2	9.4	6.1	6.9	5.4	7.5	9.3
Honduras	9.0	10.7	14.9	21.5	33.0	25.6	19.7	21.6	16.0	16.0	11.3
Nicaragua	1.5	1.4	1.3	1.0	1.8	1.7	3.3	1.7	1.7	1.3	0.5
Imports CIF	10.1	13.8	8.2	17.8	30.7	30.8	94.6	153.1	136.4	258.7	224.1
Costa Rica	2.2	2.9	2.7	3.9	8.0	8.7	19.3	62.5	25.3	123.3	31.1
El Salvador	1.0	0.8	1.2	0.5	1.0	1.5	1.8	1.6	2.2	1.6	...
Guatemala	1.3	2.5	1.7	4.3	5.3	14.0	33.3	44.7	70.0	99.0	143.6
Honduras	2.7	4.6	0.7	6.2	10.2	2.0	33.8	31.4	29.0	30.6	37.0
Nicaragua	3.0	3.0	2.1	3.0	6.2	4.7	6.3	13.0	10.4	4.1	12.4

Source: CEPAL, on the basis of national data.

a/ Preliminary figures.
b/ Not including El Salvador.

/Table 9

Table 9

CENTRAL AMERICAN COMMON MARKET: SHARE OF TRADE WITH CARIBBEAN COUNTRIES IN TOTAL TRADE

(Percentages)

Country	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	Average 1970-1980
Exports	1.2	1.4	1.6	1.8	2.2	1.7	1.1	1.0	1.1	1.0	1.0a/	1.2b/
Costa Rica	0.2	0.3	0.2	0.2	0.4	0.3	0.3	1.0	1.8	1.8	1.5	1.0
El Salvador	0.1	0.1	0.1	0.1	0.1	0.2	0.3	0.2	0.3	0.2	...	0.2c/
Guatemala	0.7	0.8	1.2	1.5	1.6	1.5	0.8	0.6	0.5	0.6	0.6	0.8
Honduras	5.5	6.1	7.7	8.7	13.0	8.7	5.0	4.2	2.7	2.4	1.5	4.7
Nicaragua	0.8	0.7	0.5	0.4	0.5	0.5	0.6	0.3	0.3	0.2	0.1	0.4
Imports	0.8	1.1	0.6	1.0	1.0	1.0	2.9	3.5	2.8	5.2	4.5a/	2.9b/
Costa Rica	0.7	0.8	0.7	0.9	1.1	1.3	2.5	6.1	2.2	8.8	2.0	3.3
El Salvador	0.5	0.3	0.4	0.1	0.2	0.3	0.3	0.2	0.2	0.2	...	0.2c/
Guatemala	0.5	0.8	0.5	1.0	0.8	1.9	4.0	4.2	5.3	7.0	9.3	4.7
Honduras	1.2	2.4	0.4	2.4	2.7	0.5	7.5	5.4	4.1	3.7	3.7	3.6
Nicaragua	1.5	1.4	1.0	0.9	1.1	0.9	1.2	1.7	1.8	1.1	1.4	1.3

Source: CEPAL, on the basis of national data.

a/ Excluding El Salvador.

b/ Excluding El Salvador in 1980, for lack of information.

c/ To 1979 only.

/Central American

Central American exports were directed primarily to the Dominican Republic (43% of the total exported in the period), Jamaica (18%), Trinidad and Tobago (11%) and Belize (8%). In the composition of these sales to the Caribbean, the economic structure of the Central American countries where the agricultural sector predominates is reflected; exports of primary goods absorbed three-fifths of the total, followed by manufactures (28%) and finally hydrocarbons (10%). Among the first, there were exports of wood, meat, rice, beans and sea products. A large part of the external sales of manufactures consisted of products whose raw material was agricultural in origin.

During the period there was a greater incorporation of manufactures into exports to the Caribbean. In Guatemala, while sales of primary goods hardly grew at all, industries grew by more than 9 times. Something similar occurred in Honduras, where the sales of primary goods doubled, while those of finished products multiplied by 10 times. The main exporter of manufactures was Guatemala (slightly over half the total for Central America) followed by Costa Rica (21%). (See table 10.)

(a) Costa Rica

The relative participation of the Caribbean in the total exports of Costa Rica grew from 0.2% in 1970 to a maximum of 1.8% in 1978 and 1979 then falling in the following year.

Between 1970 and 1980 a total value of slightly over US$ 63 million was exported to the Caribbean. The Dominican Republic was the largest buyer (35%), before Cuba (19%), the Netherlands Antilles (14%) and Trinidad and Tobago (10%); these four buyers together constituted almost 78% of the total of merchandise sold. The participation of the rest of the area was very low; the Bahamas, Barbados and the Organization of Eastern Caribbean States together scarcely reached less than 3%.

Exports of primary products and inputs constituted 37% of the total sold;46/ in this result, exports of beef (63%) play a preponderant role, followed by rice (19%), three-ply wood (8%) and beans (4%). External sales of manufactured goods accounted for 49%, and those of hydrocarbons 14%. In this latter case it should be pointed out that these were sales made in 1980 to a Curaçao refinery of surplus products of Mexican heavy crude oil refining -basically bunker C- which were difficult to place in the Costa Rican market.

Cuba was the greatest purchaser of primary agricultural products (81%), followed by the Dominican Republic. In the sales of manufactures, the highest were those made to the Dominican Republic, Trinidad and Tobago and Belize which represented, respectively, 57%, 17% and 11% of the total.

Between 1970 and 1979, exports grew at an annual average rate of 76%, from US$ 0.5 million to US$ 17 million, basically as a result of the dynamism of sales to the Dominican Republic and Cuba. However, when the former reduced their purchases in the following year, the total sold dropped in 1980.

(b) El Salvador

Salvadorian exports to the Caribbean were marginal in the foreign trade of this country, since on average they represented barely 0.2% during the entire 1970s and accumulated a total of slightly over US$ 10 million. Belize was the principal buyer (US$ 3 million), followed by the Dominican Republic (US$ 2.7 million) and Trinidad and Tobago (US$ 1.9 million); these three buyers represented 76% of the total sales to this area. The individual share of the rest of the countries and territories was very low.

46/ Calculation based on a sample of products by country which covered 94% of total exports of Costa Rica for the period 1970-1980.

/Table 10

Table 10

CENTRAL AMERICAN COMMON MARKET: DISTRIBUTION OF EXPORTS TO THE CARIBBEAN BY COUNTRY OF ORIGIN AND DEGREE OF PROCESSING, 1970 TO 1980

(Percentages)

Type of product	CACM	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua
Structure of total imports by country and type of product	100.0	12.4	3.3	19.4	60.0	5.0
Raw materials and inputs	61.6	4.5	0.1	4.8	47.8	4.5
Manufactures	28.0	6.0	3.1	14.3	4.1	0.5
Hydrocarbons	10.2	1.7	-	0.3	8.2	-
Capital goods	0.2	0.1	-	-	-	-
Structure of export by country of origin	100.0	100.0	100.0	100.0	100.0	100.0
Raw materials and inputs	61.6	36.6	3.2	24.5	79.5	90.3
Manufactures	28.0	48.9	95.5	73.7	6.8	9.7
Hydrocarbons	10.2	13.7	0.8	1.6	13.7	-
Capital goods	0.2	0.8	0.5	0.2	-	-
Share of exports by type of products	100.0	12.4	3.3	19.4	60.0	5.0
Raw materials and inputs	100.0	7.3	0.2	7.7	77.4	7.3
Manufactures	100.0	21.5	11.1	51.0	14.7	1.7
Hydrocarbons	100.0	16.5	0.3	3.1	80.1	-
Capital goods	100.0	69.7	9.8	20.4	-	-

Source: CEPAL, on the basis of national data.

/External sales

External sales of manufactured products amounted to 96% of the total exported, and sales of raw materials and inputs totalled 3%.47/ The Dominican Republic, Trinidad and Tobago and Belize were the main customers for finished goods, with slightly over one-fourth each.

Exports grew at an average annual rate of 31%, slightly over 1.5 times the annual average of total external sales. However, for a broader perspective of the scope of trade, it should be noted that the average level during the period scarcely reached US$ 1 million, despite its growth in recent years, and the average annual value per destination totalled US$ 305 000 with Belize, US$ 270 000 with the Dominican Republic and US$ 192 000 with Trinidad and Tobago.

Among the main exported products were insecticides, medicine, corks, cotton cloth (towels), locks and meat.

(c) Guatemala

The relative share of the Caribbean countries and territories in Guatemala's exports grew from 0.7% in 1970 to a maximum of 1.6% in 1974, then decreasing and remaining at 0.6% from 1977 to 1980. Its sales to the Caribbean in the period 1970-1980 slightly exceeded US$ 68 million. The Dominican Republic was the principal market (46%), followed by Belize (20%), Jamaica (16%) and Haiti (12%), which together represented 94% of the total exported to this area.

External sales of manufactured products represented 74% of total Guatemalan exports; the most important were medicines (56%), and the rest included a large variety of products, among which were glass bottles (6%), picks and shovels (5%), electric batteries (4%) and instant coffee (3%). Sales of raw materials accounted for 25%, among which wood (46%), meat (30%) and unprocessed tobacco (18%) predominated. Exports of hydrocarbons totalled slightly less than 2%. The Dominican Republic was the best customer of finished goods (51%), followed by Haiti (13%) and Belize (12%).48/ In purchases of primary products and inputs, Jamaica (36%) and Belize (23%) stood out. Belize was also the principal buyer of refined hydrocarbons.

Exports to the Caribbean grew until 1975 at an average annual rate of 40%, increasing from slightly under US$ 2 million in 1970 to US$ 9.4 million in 1975, as a result of the increase in sales to Haiti, the Dominican Republic, Belize and Jamaica. The decrease in the following years was mainly due to the reduction in sales to Belize, Haiti and Jamaica, a situation which continued until 1980. A larger amount of Dominican and Jamaican purchases in this last year helped total exports to recover, reaching US$ 9.2 million.

(d) Honduras

Honduran exports to the Caribbean countries, which in the first half of the 1970s had grown consistently and dynamically (from US$ 9 million to US$ 33 million) to reach a relative share of 13% in 1974, reversed this trend by reducing the value exported and recording an unstable behaviour until they finally dropped in 1980 to US$ 11 million (1.5% of total sales abroad).

47/ Based on a sample of the years 1970, 1973 and 1975 to 1979, which covers 90% of exports from El Salvador to the Caribbean.

48/ Structure based on a sample of products by country which covered 93% of Guatemalan exports in 1970-1980.

/The composition

The composition of exports during the period 1970-1980 showed a great preponderance (80%) of primary products 49/ -basically wood and its subproducts and beef-, compared with oil derivatives (14%) and manufactures (7%). The primary products were sent to the Dominican Republic (41%) and Jamaica (2.6%); the manufactures to CARICOM (48%) and the Dominican Republic (42%) and the bulk of the oil derivatives to the Dominican Republic (83%), with the rest divided among the members of CARICOM (14%) and Haiti (3%).

It should be noted that fuel oil was only exported until 1975 and that due to the considerable rises in the international prices of hydrocarbons in this period their absolute value and their relative share in total exports rose considerably. After 1976, the Honduran refinery was dedicated to covering the domestic market exclusively.

The low degree of diversification of Honduran exports to the Caribbean area, both by place of destination and by products sent, influenced their fluctuating behaviour. Thus, during the period 1973-1975, in which oil derivatives were sold, the total exported grew rapidly, and when these sales were discontinued, there were signs of slackness. These effects had ups and downs which affected other primary goods (meat, fishing products and wood in its subproducts). The total value of exports from 1970 to 1980 nearly reached US$ 290 million and was the highest in the entire CACM.

Exports by geographical destination also showed sharp fluctuations. The Dominican Republic lost ground in the second half of the decade, and after having absorbed more than 60% of the sales to the region in 1974 barely reached 18% in 1980. The share of the CARICOM members fluctuated between a minimum of 37% in 1975 to a maximum of 81% in 1980.

(e) Nicaragua

The Caribbean has had a marginal share in the foreign trade of Nicaragua. Exports during the period 1970-1980 were, on average, US$ 1.6 million per year, or 0.4% of total sales.

In Nicaraguan sales to the Caribbean countries, primary products had the greatest weight (90% of the total), with meat (80%), wood and its derivatives and to a lesser extent tobacco, predominating; manufactures accounted for 10%. It should be emphasized that in recent years there has been a change in the geographical destination of sales. The Jamaican share in total exports, which in 1970 was 73% and in 1974 was 61%, fell to 13% in 1980, and showed an average of 36% for the decade. However, the relative importance of the Netherlands Antilles and the Dominican Republic (19% each) grew during the decade, as did that of Haiti (13% on average).

3. Central American imports from the Caribbean

The current value of Central American imports from the Caribbean grew at an annual average of 59%, from US$ 10 million in 1970 to almost US$ 259 million in 1979 (see table 11), while total imports expanded 18%. This trend was markedly influenced by the increases in volume and price of petroleum purchases, since these rose considerably in some years, 50/ while in others they showed some drops of less absolute importance.

49/ Based on a sample of products by country which covered 98% of the total exports of Honduras to the Caribbean in the period 1970-1980.

50/ The most pronounced rises were recorded in 1973 (105%), 1974 (68%), 1976 (171%), 1977 (61%) and 1978 (88%).

/Table 11

Table 11

CENTRAL AMERICAN COMMON MARKET: TOTAL IMPORTS OF GOODS

(Millions of dollars CIF)

Countries and territories	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979a/	1980 a/ b/
Total	10.1	13.8	8.2	17.8	30.7	30.8	94.6	153.1	136.4	258.7	224.1
Netherlands Antilles c/	8.4	10.9	5.6	10.8	21.8	21.6	43.9	112.0	85.6	177.7	163.8
Bahamas	-	-	-	-	0.1	1.5	7.2	4.7	7.3	34.4	12.5
Cuba	-	-	-	2.2	-	-	-	-	-	0.2	0.2
Haiti	-	-	-	-	-	-	0.2	0.1	1.0	0.2	0.2
Dominican Republic	-	0.1	0.1	0.1	0.1	0.1	0.3	0.2	0.3	0.5	1.7
Suriname	-	-	-	-	-	-	-	-	-	-	-
CARICOM	1.7	2.8	2.5	4.7	8.6	7.6	43.0	36.1	42.2	45.7	45.7
Barbados	-	-	-	-	-	-	-	-	-	-	-
Belize	0.1	-	-	-	0.1	0.4	0.1	0.1	0.2	0.2	0.2
Guyana	-	-	-	-	-	-	-	-	-	-	-
Jamaica	1.3	1.6	1.7	2.0	2.7	3.2	3.0	3.3	5.3	2.9	1.7
Trinidad and Tobago	0.3	1.2	0.8	2.7	5.8	4.0	39.9	32.7	36.7	42.6	43.5
Organization of East Caribbean States d/	-	-	-	-	-	-	-	-	-	-	0.3

Source: CEPAL, on the basis of national data.

a/ Preliminary figures.
b/ Not including El Salvador, for lack of information.
c/ Including Aruba and Curaçao.
d/ Including Antigua/Barbuda/Redonda, Dominica, Grenada, Montserrat, St.Kitts/Nevis/Anguillas, St. Vincent/Grenadines and St. Lucia.

/Central American

Central American purchases from the Caribbean represented less than 3% of total imports, a proportion which exceeded that of exports to that area compared with total sales (see table 8). For each one of the countries this weight varied from a minimum of 0.2% for El Salvador to a maximum of 4.7% for Guatemala. In Nicaragua, Costa Rica and Honduras the average proportion in the 1970s was 1.3%, 3.3% and 3.6%, respectively.

In this period Guatemala was the main customer for Caribbean merchandise (43%), followed by Costa Rica (30%), Honduras (19%), Nicaragua (7%) and, finally, El Salvador, with less than 2%. (See table 8.)

The main suppliers were the Netherlands Antilles (68% of the total imported in the period), Trinidad and Tobago (21%) and the Bahamas (7%).

In the import flow, oil derivatives predominated 51/ (98%). In Costa Rica, Guatemala, Honduras and Nicaragua, the saturation of the oil-refining capacity in the face of the growing demand for hydrocarbons and the availability of ports on the Atlantic coast, which facilitates direct flows with the large Caribbean refineries, led to greater importation by the region. On the other hand, in El Salvador, the importation of oil products dropped as a result of the greater refining capacity and lesser consumption of energy, since a large part of the generation of commercial energy is hydraulic and geothermic in origin. (See table 12.)

(a) Costa Rica

The relative weight of Costa Rican purchases from the Caribbean compared with their total imports fluctuated between less than 1% in 1970 and 1975 and 6.1% and 8.8% in 1977 and 1979. These sharp variations were the result of urgent purchases of petroleum derivatives for lack of storage capacity in the years.52/

Costa Rica imported an accumulated amount of US$ 289 million from the Caribbean. The Netherlands Antilles dominated the Costa Rican market as principal supplier (92%), followed by Trinidad and Tobago (6%).

Although detailed information is not available for the entire period, data obtained for 1979 and 1980 show that almost all the imports from the Netherlands Antilles and Trinidad and Tobago (96% of the total imported from the Caribbean) corresponded to oil derivatives: gasoline, fuel oil, diesel, liquid gas, lubricating oils and greases. Although Costa Rica continued to import hydrocarbons from both, the rise in oil prices during the past decade boosted the relative importance of these two sellers, since in the period 1970-1973 they represented 88% of the total trade with the Caribbean, a proportion which increased to 98% in 1974-1976 and 99% in 1977-1980.

51/ For lack of statistical information for these years, the structural study of the group of Central American countries has been limited to the biennium 1979-1980. In the country analyses, for each case different periods will be studied.

52/ The capacity of the Puerto Limón refinery (400 000 tons annually) is the lowest in the subregion, despite the fact that Costa Rica is the second largest consumer of oil in CACM. The production is insufficient to supply the domestic demand, and the storage capacity for finished products is low. Thus, in a very fluctuating situation of international prices as in the years 1977 and 1979, the dates of purchase played a primary role. The fast turnover of inventories obliged Costa Rica to resort to the free market to negotiate direct purchases for immediate delivery at a much higher price.

/Table 12

Table 12

CENTRAL AMERICAN COMMON MARKET: DISTRIBUTION OF IMPORTS FROM THE CARIBBEAN BY COUNTRY OF DESTINATION AND DEGREE OF PROCESSING 1979 TO 1980

(Percentages)

Type of product	CACM[a]	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua
Structure of imports by country of destination	100.0	100.0	100.0[b]	100.0	100.0	100.0
Raw materials and inputs	0.2	0.1	1.4	0.3	-	0.5
Manufactures	1.7	1.0	33.5	2.0	2.0	2.6
Hydrocarbons	98.0	98.7	61.4	97.6	97.6	96.9
Capital goods	0.1	0.2	3.8	..	0.4	..
Structure of imports by type of product	100.0	32.1	-	50.4	14.1	3.4
Raw materials and inputs	100.0	16.0	-	73.1	2.7	8.3
Manufactures	100.0	18.2	-	60.1	16.5	5.2
Hydrocarbons	100.0	32.4	-	50.4	14.0	3.2
Capital goods	100.0	47.5	-	22.2	30.3	-

Source: CEPAL, on the basis of national data.

a/ Excluding El Salvador, for lack of detailed information in those years.

b/ Corresponding to the years 1975-1976 and 1978.

/The share

The share of imports of manufactures did not represent more than 1% of the total imported from the Caribbean; most important were purchases of fertilizer and fire bricks in the Dominican Republic, aluminium and calcium salts in Jamaica and various products from Puerto Rico.

(b) El Salvador

Purchases made by El Salvador in the Caribbean countries grew at a lower rate than that of total imports (0.65 times) and their accumulated value during the 1970s barely exceeded US$ 13 million. The main suppliers were the Netherlands Antilles (US$ 9.3 million) and Jamaica (US$ 3.3 million), where more than 95% of the Caribbean flows were concentrated.

Imports of hydrocarbons (61%) predominated, followed by manufactures (34%), capital goods (4%) and raw materials (1%).53/

More than two-thirds of the imports from the Netherlands Antilles and Jamaica were lubricating greases and oils and naphtha. The manufactures from the Antilles mainly consisted of rolling stock (automobiles, trucks and buses).

(c) Guatemala

Imports accumulated during the period 1970-1980 from the Caribbean amounted to US$ 420 million. Their relative share in the total imported, after various fluctuations in the period 1970-1974 and after having represented a small percentage, grew continuously after 1975 (1.9%) until 1980 (9.3%).

The Netherlands Antilles were the main supplier (71%), followed by the Bahamas (16%) and Trinidad and Tobago (10%); these three suppliers represented 98% of the total imported.

In the composition of these imports the most important were purchases of hydrocarbons (98%).54/ The imports of petroleum derivatives (gasoline, kerosene, diesel oil and diesel) began to be important around 1976 when the installed capacity of the Escuintla refinery was saturated; due to the growing domestic demand for derivatives, these purchases were increased during the second half of the past decade, to which was added to rise in the prices on the international market.

Almost all the imports from the Netherlands Antilles, the Bahamas and Trinidad and Tobago (US$ 411 million) were oil products, including special greases and oil.

(d) Honduras

Honduran imports from the Caribbean, which until 1975 were very unstable, were almost 18 times greater in 1976, totalling about US$ 34 million, an absolute level which was exceeded only in 1980 (US$ 37 million).

This movement is associated with the fact that, after 1976, Trinidad and Tobago partially replaced Venezuela as oil supplier. This also implied that imports showed a high degree of concentration, both in products acquired (98% of total purchases were hydrocarbons) and in origin of goods, since 93% of the oil came from Trinidad and Tobago.

53/ Sample of the years 1975, 1976 and 1978, covering 96% of total imports.

54/ The sample of products used covers 99% of Caribbean exports exported to Guatemala in 1978-1980.

/(e) Nicaragua

(e) Nicaragua

In the period, Caribbean imports totalled US$ 68 million and consisted mainly of oil derivatives (97%). The dependence on these products meant that their trend reflected the sizeable changes in international oil prices during the past decade. Thus, between 1973 and 1974 -when the first of these large increases occurred- the value of imports doubled from US$ 3.0 million to US$ 6.2 million. The same occurred in 1977 when the imported value rose to US$ 13 million compared to US$ 6.3 million in 1976.

The Netherlands Antilles was the main seller with a total of US$ 57 million (84%) divided between gasoline (42%), gas-oil (12%), oils and benzenes (11%), diesel oil (8%), oils and lubricants and kerosene. Jamaica was in second place, with US$ 6.2 million worth of sales and Trinidad and Tobago, which also leads in hydrocarbons, in third (US$ 6.3 million).

D. Evaluation of relations between Central America and the Caribbean

Economic relations between the Caribbean countries and those of the Central American Common Market centre, to all practical purposes, around trade unlike their relations with Mexico, with which a number of Caribbean countries have entered into agreements in other areas of co-operation.

In trading with the Caribbean, Central America has two basic types of relationship -one with the countries which supply it with hydrocarbons (Netherlands Antilles, Trinidad and Tobago and the Bahamas), where there is virtually no counterpart market for its imports, and another with the Dominican Republic and other member countries of CARICOM, in which the situation tends to be the reverse and Central American exports prevail.

The disproportionate weight of purchases of hydrocarbons in total imports from the Caribbean distorts the trade picture. This is illustrated by the fact that once Central American petroleum purchases have been discounted, the value of imports during the period 1970-1980 drops from US$ 980 million (not quite 3% of total Central American imports) to less than US$ 90 million 55/ (not much more than 0.2% of the total purchases). Moreover, the imports other than hydrocarbons are very concentrated in respect of origin, in that 75% of them are supplied by two countries -Jamaica (53%), and the Netherlands Antilles; although their growth rate is not so high -they grow at an annual average rate of 22% by comparison with 48% for total imports, including petroleum- it is not prone to ups and downs. Finally, the balance of trade would favour Central America if purchases of liquid fuels were excluded (instead of a cumulative deficit of US$ 620 million, a positive balance of some US$ 280 million would result).

With regard to exports, mention should be made of the greater degree of diversification found in those from Mexico (although the extent to which they have been processed industrially is relatively lower) since they include a wider range of manufactures, such as processed foodstuffs, instant coffee, medicines, glass containers and tools, in addition to other products of agricultural and forest origin. It is also indicative that the sustained increase in the flow of exports

55/ Between 1970 and 1980 these imports rose from slightly more than US$ 3 million to some US$ 12 million for the CACM countries as a whole.

/in some

in some Central American countries in recent years seems to be due to the current economic situation, such as the fact that they are emerging from the difficulties encountered in their traditional export markets and that the CACM is expected to lose some of its dynamism, rather than to steady trends.

There are obstacles to the increase and diversification of the reciprocal foreign trade of all the members of CACM which they all have in common and which are related primarily to supply, demand and transport and to other factors which differ from country to country. Moreover, these obstacles are interrelated and self-generating. Thus, the absence of a mercantile tradition has an effect on the volumes of trade and hence on the scarcity of maritime transport, etc.

1. The exportable supply of Central America

Despite the fact that the majority of the countries of both subregions have achieved similar degrees of economic development, which means that a large share of their exportable supply is similar, there is some potential to export certain primary commodities and a few manufactures which can compete with those from the industrialized countries. It must, however, be taken into consideration, in the case of primary commodities, that the bulk of the Central American supply is destined for traditional markets, with only the remnant sent to other destinations. Moreover, some countries have experienced obstacles in exporting raw materials. For example, in Nicaragua, the exportable supply was reduced even further because of the hostilities in 1979.56/ In Costa Rica, the prices paid to farmers do not provide sufficient incentives for a dynamic and sustained development of some export crops which are not grown on a temporary and merely speculative basis.

Exports of manufactures have been destined preferentially to the regional markets owing to the high degree of protection afforded by the common external tariff since the regional market is considered as an extension of the national markets. In many cases, this has resulted in the absence of competitiveness where manufactures are concerned, in respect both of prices and of quality. It should, however, be pointed out that Guatemala has to some extent succeeded in diversifying and promoting some of its exports, thanks in part to the adoption of some incentives.57/ Moreover, the Central American Agreement on Tax Incentives for Industrial Development and the System governing Central American Integration Industries provide that the enterprises belonging to such industries must give preference to exports within the CACM, with only what is left being exported to third countries.

56/ The annual production of cotton, which, together with coffee, is the main export product, fell by 30% in 1979 and by 60% in 1980. The production of meat, the main product sold to the Caribbean area, also dropped, by 7% in 1979 and 17% in 1980, because of the enormous decline in the number of cattle during the civil war. Finally, the production of fish was also affected because of the deterioration of and decrease in the fishing fleet.

57/ For example, Decree-Law 30-79 on Incentives to Export Enterprises and establishment of the National Centre for the Promotion of Exports (GUATEXPRO).

/The restrictions

The restrictions on the exportable supply of manufactures have been intensified owing to conjunctural problems in two countries. In Costa Rica, the fluctuations of the colón, which in practice amounted to a devaluation, made the prices of Costa Rican merchandise competitive during most of 1981, but the economic recession which the country has experienced has limited its exporting capacity since domestic and foreign credit for industry, agriculture and commerce is scarce. 58/ Furthermore, the industrial sector, which had a limited productive capacity in any case, is now in the midst of a recession, and the lack of international liquidity is impeding imports of raw materials and inputs.

In Nicaragua, the manufacturing sector, in addition to suffering the destruction of some of its fixed assets in the war (a loss which has still not been compensated), has an insufficent supply of inputs and spare parts, and the private enterprises in it are less active.

In some countries there has only recently been an attempt to overcome the exportable supply limitation through action taken by the public sector. In Honduras, no export promotion law has as yet been promulgated, nor has a foreign trade institute been created. The lack of institutional infrastructure to some extent encourages the dispersion of responsibilities for foreign trade promotion among private and public enterprises. In some cases there are however some incentives for and benefits from promoting production and exports, such as the tariff exemptions and the rediscount line of the Central Bank of Honduras for non-traditional exports to any destination although the practical consequences of this facility are marginal since only a small amount of credit is involved. Finally, there is no detailed record of the exportable Honduran supply.

In Costa Rica the current economic recession has not favoured the use of tax certificates (CATs). 59/ Moreover, the procedures are rather slow. Thus, the trade agreements signed with the Dominican Republic in May had yet to be ratified by the Congress three months later, and the Mixed Commission had not been able to meet nor had the list of commodities to be negotiated been drawn up. Moreover, there are some contradictions in the export incentives policy in that there have been some partial reforms in the Export Promotion Law but the clause restricting the composition of the capital (at least 60% must be of national origin for a producer to be able to enjoy the benefits provided) has not been changed; the exporting enterprise rather than the commodity exported is still described and, finally, no export insurance has as yet been introduced.

58/ In addition to the lack of domestic and external financing, there was a slow increase in virtually all sectors of activity (particularly manufacturing, the basic sectors and banking) and agricultural production and commerce declined. For the second consecutive year, economic growth fell in 1980, and another decrease is envisaged for 1981.

59/ CATs (12% to 15% on the value FOB) may be issued only against the return to the Central Bank of the foreign currency derived from exports (which is now retained by private exporters) and this foreign currency may not be recovered for a year. The fact that the Export Promotion Fund had no resources available to pay the export certificates amounting from 4% to 10% over the amount of the CAT, made it necessary to suspend the application of this measure.

/In Nicaragua

In Nicaragua an attempt was recently made to promote external sales by establishing the Nicaraguan Export Promotion Enterprise. The climate of speculation and economic adjustment which now prevails in the country is having an impact on productive activity and on the participation of the private sector, however.

Finally, in El Salvador neither the State nor private initiative are following any commercial policy vis-à-vis the Caribbean. Moreover, the socio-economic problems of recent years have affected imports to non-traditional third-party countries.

It should be pointed out that, in general, the entrepreneurs of the CACM countries have not developed a keen sense of the export situation outside their usual markets,60/ especially insofar as the Caribbean is concerned. The public sector in Guatemala has associated the private sector in some of its recent activities, such as, for example, the mission to the Caribbean which has just been completed. In Costa Rica, to cope with what was felt to be a somewhat apathetic attitude on the part of the public sector, in July 1981 some 500 exporters created the Costa Rican Exporters' Corporation, which will strive to be self-financing.

The situation in which the Central American private sector finds itself is in contrast with the dynamic position adopted by the branches of transnational corporations established in Central America, whose production capacity was planned on the basis of the fact that the demand cannot be met by the production of the CACM. This is true of the companies producing medicine and electric dry cells in Costa Rica and Guatemala, which export their products to all the Caribbean islands.

2. Central American demand

Since the war, the domestic demand of the Central American countries has been expanding tremendously. Because of the level of development of their economies and of the way in which it is structured, this demand could be satisfied only by relying increasingly on imports. Therefore, the degree to which the subregion was opened to the exterior grew until these countries had become some of the most open countries in the world as regards international and Latin American trade.

At the same time, a change took place in the structure of imports, and inputs and capital goods were becoming increasingly important. Purchases of consumer goods -especially durables- also rose dramatically, however. The greater relative weight acquired by petroleum products over the past decade mainly due to spectacular rises in their prices is also noteworthy.61/ In the past four years, imports of intermediate goods, excluding petroleum, represented 39% of total imports; consumer goods, 25% (of which durables constituted one-third); capital goods, 23% and energy resources, 14%.

60/ It should be pointed out that Central American exports of manufactures now represent close to 15% of the gross value of industrial production -one of the highest ratios in Latin America- and that only one fifth of that amount is exported to third-party countries, with the rest being sent to the CACM.

61/ See CEPAL, Centroamérica: Evolución Económica de la Postguerra (CEPAL/MEX/ODE/34), Mexico, December 1979, pp. 20 and 21.

/In spite

In spite of the size of the Central American demand, the possibilities of purchasing in the Caribbean are restricted to a few products. Actually, the orientation of the demand towards final goods and industrial inputs is not consonant with the exportable supply of the large majority of Caribbean countries and territories, in which primary commodities strongly predominate since the degree of industrialization of these countries is relatively lower than in the Central American countries. On the other hand, petroleum products have been imported under the shelter provided by the relationship between branches of international oil companies,62/ which is not governed by the trade policies of the individual countries. Finally, the absence of a commercial tradition is reflected in the lack of a financial apparatus which smoothly regulates transactions between the two subregions, so that Central American importers cannot obtain the credits they are accustomed to receiving from their traditional suppliers.

3. Communications

Shortcomings in communication of all kinds (post, telephone and transport) have affected the trade between Central America and the Caribbean in different degrees. The low volume of trade has meant that although the Dominican Republic is the biggest customer of the CACM in the Caribbean area, goods are shipped to it from the CACM countries through Gulf ports in the United States, where they are transshiped to their final destination. Shipments from Guatemala to Haiti and the Dominican Republic, which pass through Kingston, Jamaica, in transit, are an exception to this rule; but although the route is shorter, the voyage from the port of origin to the port of destination takes some 10 days. Transport to the rest of the Caribbean is even more difficult because of the lack of links in the transit ports. This situation has been growing worse for a number of years because the Caribbean Multinational Navigation Enterprise (NAMUCAR) suspended one of its promotional routes between the main ports of Central America and the Caribbean.

In Nicaragua and El Salvador the situation is even worse. Nicaragua has no port facilities on the Caribbean sea, and its shipment are usually made through Limôn, Costa Rica. Its trade with Cuba is, however, conducted directly and regularly from the port of Bluefields on the Gulf coast. In the case of El Salvador, which has no coast on the Atlantic, it is very difficult to set up regular channels of maritime transport, and merchandise must be shipped in transit through the Panama Canal.

The freight rates on exports shipped in these ways are higher and in addition a surcharge is imposed for the small volumes exported, and these costs redound to the final cost of the product. In the case of El Salvador, shipping costs related to trade with the Caribbean are higher than they are for the rest of the Central American countries.63/

62/ In the case of Costa Rica, the RECOPE refinery is State-owned, but the country obtains petroleum products from Caribbean transnational oil companies.

63/ The fact that Belize is the first Caribbean market for exports from El Salvador shows the importance of maritime transport in the establishment of trade links.

/Air communications

Air communications are better. Guatemala, Honduras and Nicaragua are served by weekly flights to and from Santo Domingo, Belize City and Havana, respectively. Costa Rica is directly connected with Santo Domingo and the island of San Andrés, with which there are a number of flights a week. Finally, El Salvador has no direct air routes.

E. Prospects for economic relations

On the basis of the present situation, it may be said that economic relations between Central America and the Caribbean behave differently depending on the countries between which trade is conducted. Thus, in those where trade has been based primarily on the purchase of petroleum products, trade may decline in the short run as a consequence of the energy co-operation programme conducted jointly by Mexico and Venezuela. This would not, however, have much of an effect on the exports of Central America since, as has already been mentioned, purchases of hydrocarbons have virtually no commercial counterpart. The outlook is more favourable with regard to the other Caribbean partners.

It must be borne in mind that the economic recession in the Caribbean has affected the productive capacity and hence the exportable supply. At the same time, throughout the entire subregion interest in exploring new markets, including those of the Caribbean, has increased. This openness could become the cornerstone of growing trade relations between Central America and that subregion. Entry into these new markets would, however, require sustained promotional activities, including a full-scale effort to determine which commodity groups are suitable for trade and to formulate market profiles, conduct more frequent trade missions, organize exhibits and fairs and establish commercial representation.64/

At the same time, when a certain volume of trade is built up, thought might also be given to the possibility of suscribing to a reciprocal compensation and credit agreement between the Central American Clearing House and each of the central banks of the Caribbean countries; Mexico and Venezuela might wish to provide credits for this machinery to give it some liquidity.

Finally, since transport is one of the greatest obstacles to trade, it would seem to be necessary for the CACM countries and the main Caribbean countries to agree on measures in that connexion.

The action noted in the paragraphs above could be provided for in a commercial agreement which would assign priorities to each measure to be taken.

It might be easier and quicker to establish bilateral relations which benefit from the external commercial policy mechanisms authorized by the General Integration Treaty,65/ as has happened in the case of Panama, Mexico and more recently between th Dominican Republic and Costa Rica. Nevertheless, the results might have greater scope in the medium term if the five Central American countries conducted joint multilateral trade negotiations similar to those they have conducted with the European Community and those they engaged in during the last multilateral negotiations held in GATT.

64/ For more details, see Annex 4 on some conditions governing access to certain Caribbean markets.

65/ Relates to the exchange of tariff concessions and other kinds of preferences with third-party countries.

/Such action

Such action might be fundamental in resolving the transport problems since a consolidated and continuous volume of freight of the same proportion would encourage NAMUCAR to reopen a maritime route between some Central American ports and the Caribbean, or the five countries could charter a vessel in the hope that the governments would shoulder some of the costs.

So far a few categories of goods have been found to be suitable for export to the Caribbean; for example, virtually all the Common Market countries could ship fresh, frozen and canned vegetables and fruits grown in a semi-temperate climate both for consumption by the local population of the Caribbean islands and for the tourist trade for which a full range of foodstuffs is required.

Costa Rica has other lines of export products, including rice and beans, chocolates, sweets and other foodstuffs. Some building materials (cement, glass, nails, etc.) and polyvinyl tubing can also be sold. An area which has not been investigated thoroughly is that of the export of services to the Caribbean area, in the fields of engineering, education and health in particular. It would, however, be necessary for financing from third countries to be available for this kind of activity.66/

The products carried by a Guatemalan mission on its tour through some of the Caribbean countries in May 1981 were generally well received in the Bahamas, the Dominican Republic and Curaçao because they were competitive in price and quality.67/ The products available were not of the sort which can be adapted to the characteristics of its domestic market in Haiti, in terms of quality and price.

In Honduras, an attempt is being made to improve the industrialization of timber -the country's traditional export product- and to promote external sales of doors, windows, furniture, plywood and other goods. Furthermore, the El Cajón hydroelectric power station, which is shortly to be put into operation, will provide energy at a lower price, which could have a favourable repercussion on production costs.

The action undertaken by the CACM countries is, however, bound to be more than mercantile in scope since, in the medium term, they seem to be having difficulties in finding new categories of products which may be purchased in the Caribbean. For example, the economic ties may be extended through joint collaboration between productive and service sectors in taking advantage of the accumulated effect of the demand and in this way solving the problem of small markets. At the same time industrial co-operation could be initiated in specific projects. It would also be feasible to look for some technological and financial complementarity; to go further in certain mining activities, in particular those relating to bauxite, nickel and iron; to exchange experience on farming techniques, improved seeds, farm marketing and the operation of agricultural co-operatives. In addition, it would seem that more effective co-operation can be expected in the research on energy alternatives and in the expansion of the petrochemicals industry.

Finally, in the case of Nicaragua, attention should be drawn to the recent forging of economic links with Cuba which makes it possible to hope for greater commercial rapprochement with this country, particularly where imports of products to back up the Nicaraguan supply are concerned, but above all within a broader perspective of possibilities for economic and social co-operation.

66/ The Federal Republic of Germany financed the dispatch of Costa Rican teachers to the literacy campaign in Nicaragua.

67/ The products accepted include foodstuffs, yarn and towels, textiles, electric batteries, glass containers, hand tools (including picks and shovels), tobacco and a variety of pharmaceuticals and veterinary products.

IV. COMMERCIAL AND ECONOMIC RELATIONS BETWEEN PANAMA AND THE CARIBBEAN

Panama is now seeking natural markets in its vicinity, such as the markets in the Caribbean region, for its export products. During the past decade, trade with this area was marginal in that on average it represented only 1% of total imports and 2.5% of global sales. Moreover, nearly two-thirds of the reciprocal trade was made up of petroleum products.

Commercial relations were not planned but now a commercial agreement providir for preferential tariff treatment for some products of mutual interest is being negotiated.

A. Trade

Between 1970 and 1980, Panama's foreign trade with the Caribbean was much more dynamic than its global trade although sharp fluctuations were experienced from year to year.

The relative share of the Caribbean countries in total Panamanian exports which in the period 1970-1972 was less than 1%, rose to 5% in 1977 and 1978 and then fell to 2.2% in the 1979-1980 biennium. On the other hand, the share of the imports of the Caribbean region in total imports was much more stable -close to 1% of total imports of goods, with a maximum of 3.6% in 1976.

For the period 1970-1979 Panama had a negative trade balance of US$ 15 million, which represented more than a quarter of its total exports to the area.68/ With Trinidad and Tobago, its accumulated negative balance amounted to US$ 40 million, and it also maintained an unfavourable balance of US$ 4.5 million with the Netherlands Antilles and one of 3.9 million with Jamaica. On the other hand, with the remaining countries, Panama has recorded favourable balances, the highest being with the Dominican Republic (US$ 18 million), followed by Suriname (US$ 2.6 million).

1. Exports to the Caribbean

Panamanian exports to the Caribbean totalled nearly US$ 57 million between 1970 and 1980. The Dominican Republic was the main market of destination (36%), followed by the Netherlands Antilles (30%); thus, these two countries together received 66% of the total exports. The relative share of the other countries was considerably smaller -Jamaica, 8.3%; Suriname and Haiti, 4.8% each; Cuba, 3.7% and Trinidad and Tobago, 2.6%. Guyana, Barbados and Belize had shares of less than 1%. No trade whatsoever was recorded with the Organization of Eastern Caribbean States. (See table 13.)

The structure of those Panamanian exports was such that hydrocarbons represented 36% of the total; exports of primary goods and inputs (25% of the total) were led by leathers (65%), rice (18%) and fishery products (6%). The share of sales of manufactures was 38%, with ready-made wearing apparel predominating (US$ 16 million, 80% of the total), followed by paper bags and paperboard (7%), powdered milk, processed foodstuffs and wood manufactures (3% each) and, finally rope and cord (2%).69/

68/ For additional details on the foreign trade of Panama by destination and origin, see Annex 3.

69/ The sample used covers 93% of the total goods exported to all the Caribbean countries in the period 1970-1980.

/Table 13

Table 13

PANAMA: EXPORTS TO THE CARIBBEAN

(Millions of dollars FOB)

Countries and territories	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979 a/	1980 a/
Total	0.4	0.2	0.4	4.7	4.9	4.3	3.4	12.3	12.3	7.3	6.8
Netherlands Antilles b/	0.1	-	-	1.5	1.5	1.6	1.8	2.2	2.9	2.6	3.1
Bahamas	-	-	-	-	-	-	-	-	0.1	0.1	0.5
Cuba	-	-	-	1.0	0.1	0.2	0.3	-	0.1	0.1	0.5
Haiti	-	-	-	0.2	0.8	0.1	-	0.1	1.0	0.3	0.3
Dominican Republic	0.2	0.1	0.2	0.1	-	0.1	0.3	7.6	7.4	3.6	1.4
Suriname	-	-	0.1	0.2	0.2	0.6	0.4	0.5	0.2	0.3	0.3
CARICOM	0.1	0.1	0.1	1.7	2.3	1.7	0.6	1.9	0.7	0.4	0.7
Barbados	-	-	-	0.7	0.4	0.9	0.2	-	-	-	-
Belize	-	-	-	-	-	-	-	-	0.1	0.2	-
Guyana	-	-	-	-	-	0.4	-	-	0.5	-	0.3
Jamaica	0.1	0.1	0.1	1.0	1.9	0.4	0.3	0.6	-	0.1	0.2
Trinidad and Tobago	-	-	-	-	-	-	-	1.2	0.1	0.1	0.1
Organization of Eastern Caribbean States c/	-	-	-	-	-	-	-	-	-	-	-

Source: Statistics and Census Office of Panama.

a/ Preliminary figures.

b/ Includes Aruba and Curaçao.

c/ Includes Antigua/Barbuda/Redonda, Dominica, Grenada, Montserrat, St. Kitts/Nevis, St. Vincent/Grenadines and St. Lucia.

/Looking at

Looking at the three principal markets, we see that the Dominican Republic was the largest purchaser of raw materials (71%) and petroleum products (54%). On the other hand, the Netherlands Antilles was the leading market for exports of manufactures (79%). With respect to capital goods (totalling US$ 260 000), Jamaica was the only purchaser in the area.

Exports to the Caribbean were on the rise from 1971 to 1978, but they dropped abruptly in 1979, falling from US$ 12.3 million to US$ 7.3 million. This drop occurred mainly in the two leading markets (the Dominican Republic reduced its purchases by 51% and the Netherlands Antilles by 11%). This drop resulted from the interruption in purchases of hydrocarbons on the part of the Dominican Republic and from the decline in exports of manufactures to the Netherlands Antilles. In 1980 exports fell again in spite of larger purchases of wearing apparel by the Netherlands Antilles since the Dominican Republic continued to keep its purchases down as a result of the austerity measures it had adopted, which had a particular impact on the kind of merchandise exported by Panama (wearing apparel and leather goods).

2. Imports by Panama from the Caribbean

Panamanian imports amounted to US$ 73 million in the period 1970-1979 (see table 14). Trinidad and Tobago was its main supplier, representing 48% of Caribbean sales; it was followed by the Netherlands Antilles with nearly 26%, and Jamaica with slightly less than 12%; these three countries contributed 95% of the total imports. The remainder of the area exported marginal amounts to Panama; Haiti and the Dominican Republic had a share of 1.8% each, while Barbados, the Bahamas, Belize, Cuba and Guyana had a combined share of 1%. No trade was recorded with the Organization of Eastern Caribbean States. The analysis by origin and products indicates that imports were relatively specialized in that petroleum products predominated in the trade with Trinidad and Tobago, the Netherlands Antilles and Jamaica.

The composition of these imports 70/ was such that refined hydrocarbons led with 90%. Manufactures represented only 8% of the total, with insecticides (24%), medicine (10%), textiles (15%) and inorganic chemicals (11%) prevailing. The large majority of imports of primary materials and inputs (1%) were made up of purchases of molasses and fire-proof bricks. Finally, imports of capital goods had a value of slightly more than US$ 175 000.

B. Evaluation of economic relations

So far Panama has not subscribed to commercial or economic co-operation agreements or bilateral financing arrangements with the Caribbean countries or territories to which this study refers. Progress has, however, been made in the negotiations with Cuba and the Dominican Republic concerning the signing of bilateral reciprocal trade agreements providing for a list of products which will enjoy preferential tariff treatment or free trade facilities.71/ There is also the possibility of an agreement with Jamaica on the same terms.

70/ The sample of products used covers 96% of the total imports from the Caribbean in the period 1970-1979.

71/ These agreements will be signed on the basis of a short list of products in real supply which is now being drawn up.

/Table 14

Table 14

PANAMA: IMPORTS FROM THE CARIBBEAN

(Millions of dollars, CIF)

Countries and territories	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979a/
Total	1.3	1.7	2.1	2.2	4.8	4.1	30.2	6.8	6.4	13.2
Netherlands Antilles b/	0.6	0.9	1.2	1.4	2.8	1.5	6.1	1.3	1.3	1.7
Bahamas	-	-	0.1	-	-	-	-	-	-	-
Cuba	-	-	-	0.2	-	-	-	0.2	0.1	0.3
Haiti	-	-	-	-	0.3	0.1	0.2	0.3	0.2	0.2
Dominican Republic	-	0.1	-	-	0.1	0.4	0.1	0.1	0.2	0.3
Suriname	-	-	-	-	-	-	-	-	-	-
CARICOM	0.7	0.7	0.7	0.6	1.7	2.1	23.8	5.0	4.7	10.7
Barbados	-	-	-	-	-	-	-	-	-	-
Belize	-	-	-	-	-	-	-	0.2	-	-
Guyana	-	-	-	-	0.1	-	0.1	-	-	-
Jamaica	0.4	0.5	0.5	0.5	0.7	1.0	0.9	1.0	1.7	1.4
Trinidad and Tobago	0.3	0.1	0.3	0.1	0.9	1.1	22.9	3.9	3.0	9.4
Organization of Eastern Caribbean States c/	-	-	-	-	-	-	-	-	-	-

Source: Statistics and Census Office of Panama.

a/ Preliminary figures.
b/ Includes Aruba and Curaçao
c/ Includes Antigua/Barbuda/Redonda, Dominica, Grenada, Montserrat, St. Kitts/Nevis, St. Vincent/Grenadines and St. Lucia.

/For two

For two years Panama has been looking for new markets in addition to those in the Central American countries with which it signed bilateral preferential trade agreements.72/ The main factors behind this quest include the constant negative balance of trade with those countries, not only in respect of the trade conducted under the treaties referred to, which favour certain goods, but also with respect to other products, the average deficit during the 1970s amounting to the value of Panamanian exports. In addition, the fact that Panama is still in an incipient stage of industrialization has kept it from taking advantage of the large majority of the bilateral concessions which the Central American Common Market countries granted early in the 1970s; however, it imported virtually all the products in respect of which it had committed itself. In addition, the Central American countries are facing socio-economic problems which make it difficult, in so far as Panama is concerned, not only to pay for merchandise but also to secure free transit for it by land. Moreover, there are difficulties in keeping Panamanian exports competitive in various Central American markets since they have become more expensive as a result of the stable exchange rate of the balboa by camparison with other Central American currencies.

This new situation within the isthmus has led Panamanian authorities to choose some Caribbean islands (the Dominican Republic, San Andrês, Aruba and Curaçao among others) as the subjects of market studies in respect of non-traditional merchandise now being produced in Panama in conditions which are competitive in terms of quality and price.

1. The Panamanian supply

The foreign trade department (DICOMEX) of the Ministry of Commerce and Industries of Panama handles all activities related to foreign trade (negotiations, promotion, investment, commercial policies, market studies, etc.). DICOMEX is not, however, represented in the Caribbean, and its main means of contact are the commercial attachês in Panamanian embassies. The lack of full and detailed information on all these new markets has so far made it impossible to outline a real strategy for the export of non-traditional goods to this region. Nor has anything been done to promote sales of Panamanian products through fairs or exhibitions.

The development of the large majority of industrial activities is still a recent thing. It must be borne in mind that in 1980 the share of the manufacturing sector in the gross domestic product was estimated to be less than 14%. Moreover, the wage structure, under the influence of the comparatively high level of wages in the Canal Zone, has detracted from the real or potential competitiveness with countries of the area with cheap manpower where the manufacture of merchandise

72/ With Costa Rica and Nicaragua in 1960, renegotiated in 1974; with El Salvador and Honduras in 1970 and with Guatemala in 1974. Each treaty also provides that the contracting parties may establish import quotas or controls in respect of certain products included on the list of items traded when there are serious balance-of-payments problems or problems of market disorganization or similar problems in one or both countries, which suggest risks concerning the future of reciprocal trade in view of the problems now faced by the subregion.

/for the

for the local export market is concerned. The increase in the productive capacity due to the establishment of new industries and the expansion of some of the old ones might, however, offer some prospects for export.73/

In this connexion, the granting of tax certificates (CATs) made it possible to promote external sales of some non-traditional products, mainly manufactures.74/

Actually some private entrepreneurs manufacturing wearing apparel and paper and paperboard products took the initiative in promoting the sale of their products, primarily in Aruba and Curaçao to which they began to export in 1974. The number of countries increased later on as did the products available for export; thus in 1977 leather was exported to the Dominican Republic and, more recently, footwear, paintings and lacquers and varnishes have been shipped to the rest of the Caribbean.

Ready-made wearing apparel is the category in which sales have increased most. It includes wearing apparel designed, cut and sewn entirely in Panama (only the material is imported) by some 20 factories, the majority of which use patents or well-known brand names of international manufacturers.75/ Less expensive, lower quality wearing apparel and even cheap garments made for the mass market are also available for export.

Where footwear is concerned, the situation is different since only forms are imported, and the leather is highly competitive and even manages to penetrate the United States market despite the tariff restrictions. This industry is at its peak, and boots and safety shoes are exported.

2. The Panamanian demand

If imports of petroleum products are not taken into consideration, Panamanian purchases from the Caribbean include a higher component of manufactured goods than of inputs and raw materials. This import structure reflects the country's relatively low degree of industrialization which forces it to have recourse to external sources of supply. This is compounded by the relatively high level of per capita income which has resulted in a more complex structure of consumption with a higher content of imported goods than other countries at similar levels of development.

The high degree of openness of the economy is reflected in low tariffs 76/ and the absence of protectionist measures. To protect the few existing industries

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73/ Attention should be drawn to, inter alia, plants manufacturing fertilizers, pesticides and petroleum products (Coclé Province); corrugated cardboard packing materials (Colón); semi-precious gems and lamps and rubber surgeon's gloves and to the increased capacity of plants manufacturing cement, tobacco, vegetable oil, soft drinks, printed matter and fishery products. See CEPAL, Panama: Notas para el Estudio Económico de América Latina, 1980 (CEPAL/MEX/1046/Rev.1), May 1981.

74/ CATs are universally applied, regardless of the country. The rate of return amounts to 10% of the national value added and exports are exempt from the 5% tax on transactions involving moveable goods.

75/ There is no legal obligation for the garments to be tagged "made in Panama".

76/ With rare exceptions, customs duties on products, which are composed of a specific duty and of a value added tax (FOB), are low. In addition, a tax of 7.5% of the value FOB is paid on all products with the exception of foodstuffs and medicines and on which a single tax of 3.5% is paid.

/however, some

however, some products which are similar to those manufactured locally are subject to quotas (footwear), customs barriers (ready-made wearing apparel and agroindustrial goods) or to total prohibition. Except for a few products, whose import is restricted, no import licences are required.

3. Transport

Panamanian exports are affected by irregular maritime transport. Very few of the vessels which pass in transit through the ports of Balboa and Colôn call on Caribbean ports. There is no direct maritime line, and merchandise is almost always sent to Gulf ports in the United States and transshipped from there to the subregion. Consequently, contact with the Caribbean is maintained by air since Panama has regular and frequent connexions with almost all the larger countries in the area. Although air freight makes products more expensive and tends to reduce their competitiveness, it might be possible to establish an export base next to the Colôn duty free area, which could ship freight by air at rates designed to promote trade.

Annex 1

COMMERCIAL AND ECONOMIC RELATIONS BETWEEN MEXICO AND THE CARIBBEAN

1. Exports

(a) Cuba

Exports from Mexico to Cuba, after being virtually non-existent in the first two years of the 1970s, acquired some significance, ranging from a minimum of US$ 7 million in 1973 to a maximum of US$ 34 million in 1977. On the other hand, their share in total exports by Mexico to the Caribbean region fluctuated between 54% in 1972 and 16% in 1979.

The composition of these exports has also fluctuated. Although in the majority of years sales of primary products (especially beans) predominated, in others manufactures of various kinds led the export trade. In the four-year period 1977-1980, 64% of the total export trade of US$ 91 million was made up of primary products; 21% of manufactures; 10% of capital goods and only 5% of petroleum products. Among the primary products sold, beans brought in US$ 44 million, with rice far behind, earning only slightly more than US$ 6 million. Among the large variety of manufactures bought by Cuba, yarn (US$ 7 million) and taps (US$ 3 million) led the field. As for exports of petroleum products, they were composed almost exclusively of greases and lubricating oil (US$ 3.5 million). Shipments of transformers and their parts and pumps played the leading role where capital goods were concerned, each of these groups earning US$ 3 million.

(b) The Netherlands Antilles

During the period 1970-1973 exports from Mexico amounted to just barely half a million dollars, and their share in total sales to the Caribbean area fell from 8.2% in the first year of that period to 2.9% in the last year. In 1974, the value of exports rose to nearly US$ 20 million and more than doubled the following year, remaining at that level during 1976. This upward movement resulted from the shipment of crude oil to Curaçao for processing in refineries there owing to unsufficient refinery capacity in Mexico. During that three-year period, the value of crude represented 96% of the total value of Mexican exports to the Netherlands Antilles. In 1977, when a number of petroleum refineries were put into operation in Mexico, subcontracting in the Caribbean was eliminated with the result that exports fell to US$ 12 million and in 1978, to only US$ 2 million. In 1979, Mexican sales rose again (US$ 16 million in 1979 and US$ 29 million in 1980), representing 32% of Mexico's total sales to the Caribbean.

Purchases from the Netherlands Antilles in the last four years of the decade were made up of manufactures of various kinds (42%), with glass bottles and typewriters predominating, and primary products and inputs (coffee, US$ 7 million) (20%) and petroleum products (fuel oil US$ 5.5 million and gasoline US$ 10 million) (38%).

(c) Dominican Republic

Sales to Mexico in general rose except in 1975 and 1980, but as they have been less dynamic than exports to other Caribbean countries, their share in total exports fell from 30% in 1973 to 10% in 1980.

Manufactures predominate. Over 82% of the accumulated sales in the period 1977-1980 were made up of manufactures and 14% of capital goods. The review by product indicates that in addition to medicines, which constituted 20% of total exports and books (7%), exports consisted in a great diversity of merchandise.

(d) The Caribbean Community (CARICOM)

The value of Mexican exports to CARICOM rose from slightly over US$ 1.5 million in 1970 to US$ 11 million in 1980. Their share in total Mexican exports to the Caribbean, however, fell from 26% to 12% during that period.

During the past decade, the breakdown by country changed in that while in 1970, although values were very low, 90% of the transactions were divided between four countries (Guyana, 15%; Jamaica, 44%; Trinidad and Tobago, 20% and the Organization of Eastern Caribbean States, 14%), in 1980 trade was concentrated on Belize (60%) and Jamaica (33%). Mexican sales to these two countries has been composed primarily of manufactures of various kinds. In the case of Belize, however, sales of hydrocarbons began to become increasingly important as of 1978, representing on average nearly 50% of total exports, and in the period 1977-1980 their value rose to over US$ 7 million. In Jamaica, the leading exports were glass bottles (US$ 2.4 million), synthetic textiles (US$ 2 million) and raw dark tobacco (US$ 1.1 million).

In 1980 Mexican exports to other members of CARICOM were by order of magnitude, as follows: US$ 600 000 to Trinidad and Tobago, US$ 330 000 to Barbados and US$ 86 000 to the Organization of Eastern Caribbean States as a whole.

2. Imports

(a) The Netherlands Antilles

Up to 1979, sales of the Netherlands Antilles to Mexico had the greatest weight in total sales of the Caribbean to Mexico although it varied from between 95% in 1971 to 49% in 1979. In 1980, however, its share fell to 8% because Mexican purchases in the area soared and sales of the Netherlands Antilles had begun to fail in 1977.

Petroleum products played a key role in exports from the Netherlands Antilles to Mexico. In the period 1970-1973, Mexico was forced to increase its purchases from external petroleum refineries to cover national consumer needs, and the Netherlands Antilles became one of its suppliers. This accelerated the growth of sales of Mexico, which grew fivefold, rising from US$ 10 million in 1970 to US$ 48 million in 1973. For their part, exports of petroleum products represented 20% of the shipments of the Netherlands Antilles to Mexico in 1970, 75% in 1971, 50% in 1972 and 59% in 1973. The products with the greatest weight in this period were gasoline (70%) and diesel oil (20%). (See table 1.)

In 1974, thanks to discoveries of petroleum, Mexico became an exporter of crude; however, the lack of capability to refine, forced it to send crude oil abroad to be processed and to import petroleum products it lacked. These subcontracting operations were carried out with Curaçao up to the last quarter of 1976, when a new refinery, which enabled Mexico to meet a larger portion of the national demand for petroleum products, went into operation. Thus, subcontracting abroad was eliminated 1/ and the import of petroleum products was suspended.

1/ Shipments of petroleum for subcontracting and the re-entry of petroleum products are considered by the General Statistics Office of Mexico to be an integral part of the trade with the Netherlands Antilles, which often results in statistical discrepancies between data from different sources.

Table 1

MEXICO: TRADE IN PETROLEUM WITH THE NETHERLANDS ANTILLES

(Millions of dollars)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980a/
Exports											
Crude oil	-	-	-	-	15.2	42.6	39.4	-	-	-	-
Gasoline	-	-	-	-	-	-	-	9.0	1.1	-	-
Fuel oil	-	-	-	-	-	-	-	-	-	5.5	6.4
Imports											
Gasoline	0.5	8.2	10.5	28.9	37.3	26.6	23.4	6.0	-	-	-
Diesel oil	2.0	5.3	1.4	4.5	3.4	9.7	42.7	3.8	2.5	-	5.3
Fuel oil	-	-	-	-	1.2	10.2	22.5	5.4	13.2	30.3	-
Butane	-	1.9	0.3	0.7	0.3	2.1	2.4	0.7	-	-	-
Propane	-	0.1	0.1	0.1	-	-	-	-	-	-	-
Liquid gas	-	0.8	0.2	2.6	4.6	0.7	1.0	1.4	-	-	-

Source: Anuarios de Comercio Exterior de México, various years up to 1977 and CEPAL, on the basis of data for 1978-1980 supplied by Petróleos Mexicanos.

During the period 1973-1976, imports from the Netherlands Antilles rose from US$ 48 million to US$ 115 million. The amount refunded for the manufacturing of petroleum products by subcontracting averaged 63% of total imports, with sales of gasoline (49%), diesel oil (32%) and fuel oil (19%) predominating.

When Mexico again became self-sufficient in refining, purchases from the Netherlands Antilles declined, as noted above. Thus, in 1977, they were 80% lower than they had been the previous year, falling from US$ 115 million to US$ 21 million, the level at which they remained the following year, recovering in 1979 (US$ 35 million) and falling again in 1980 (US$ 12 million).

In these years, imports were made up primarily of petroleum products, with sales of fuel oil (55% of total sales between 1977 and 1980), gas oil (13%), gasoline (7%) and lubricating oils (7%) predominating.

(b) Cuba

To all intents and purposes Mexico began to buy from Cuba in 1972. From that year up to 1979, their average value was only US$ 1.6 million, with a minimum of US$ 25 000 in 1972 and a maximum of nearly US$ 4 million in 1979. In 1980, the imported value leapt up to US$ 120 million.

Mexican imports from Cuba represented only 1% of total purchases in the Caribbean in the period 1970-1976. In 1977 and 1978, when total imports to the Caribbean area fell, Cuba increased its share to 7%. Finally, in 1980, when Cuba became the region's main importer to Mexico, the percentage composition of imports by country changed dramatically, with 76% of total imports attributed to it.

From 1973 to 1979, the imports of greatest weight were primary commodities and semi-finished goods of mineral origin, which represented 84% of the total purchases. Within these imports, the most important categories were matte (speiss) and nickel plating which represented 38% of these imports of these kinds (US$ 4 million); chromium ore, 52% (US$ 5.5 million); nickel oxide, 7% (US$ 700 000) and other ores used in metallurgy, 3% (US$ 360 000). In 1980, sugar and cement were added to these imports.

(c) The Caribbean Community

During the 1970s, the members of CARICOM had a share of 13% of total annual imports by Mexico from the Caribbean (US$ 8.2 million). Mexican purchases were irregular and their value was low (except in the case of odd purchases here and there) since they usually were dictated by circumstances and came primarily from Belize (26%), Guyana (25%) and Trinidad and Tobago (39%).

The shipments from Belize, which are made up of a variety of manufactures, are usually dispatched to the Mexican border. Their value fluctuated between a maximum of US$ 14.2 million in 1973 and US$ 202 000 in 1970. Since these goods are purchased to supplement the consumption of the population of the border areas of Mexico with Belize, no particular group of commodities predominated.

Mexican imports from Guyana were insignificant during the first five years of the 1970s, but as of 1975, they showed a tendency to increase (US$ 1.2 million), reaching US$ 5 million in 1980. Nearly all these imports consist in consignments of calcinated bauxite.

Purchases by Mexico from Trinidad and Tobago have been highly erratic, in that they were recorded in only 4 of the past 11 years and their value varied enormously -US$ 1.3 million in 1973, US$ 1.6 million in 1975, US$ 7 million in 1978 and US$ 17 million in 1979. In the latter year, imports (57% of the value of goods purchased during the period 1970-1980) consisted in an occasional purchase of fuel oil, and the remaining 25% was made up of very small amounts of various manufactures.

3. Financial agreements

Mexico has extended lines of credit to Cuba, Jamaica and the Dominican Republic with the objective of making it easier for them to purchase goods of Mexican origin.

(a) Cuba

The National Foreign Commerce Bank of Mexico (BANCOMEXT) and the National Bank of Cuba signed a correspondentship agreement in November 1971. In 1972 and 1973, BANCOMEXT extended two lines of credit, the first for 48 million Mexican pesos to finance the export of 30 000 tons of corrugated steel bars, and the second for 110 million pesos to purchase 100 000 tons of maize and 14 000 tons of black beans from the Compañía Nacional de Subsistencias Populares (CONASUPO).

In August 1975, BANCOMEXT extended a third line of 400 million pesos for exports of beans, pumps for deep wells, a lime mill, loose parts and pieces for railway cars and electric engines. This credit is intended to cover 100% of a transaction at an interest rate of 6% for a one-year period, 7% for periods up to two years and 8% for longer periods. The unused portion of this credit was cancelled when the Mexican peso was devalued in 1976. In September 1978, BANCOMEXT extended a new line of credit valued at 400 million pesos, all of which was used.

In addition, the Bank of Mexico granted Cuba a line of credit totalling 50 million pesos to encourage purchases of Mexican products.

(b) Jamaica

In 1975, BANCOMEXT and the Bank of Jamaica signed a revolving credit agreement for US$ 2 million, which was not used. In February 1978, BANCOMEXT again granted a line of credit to the same Bank in the amount of US$ 2 million. This credit was intended to cover 100% of the value FOB of Mexican sales of raw materials for a period not longer than one year and at an interest rate of 6%; in the case of manufactures, if the payment period exceeded one year, only 85% of the purchases was covered at an annual interest rate of 7% for one or two years and 8% for longer periods. Initially, the interest on the loan was paid in advance, but in 1979, at the request of the Jamaican importers, it was paid when it fell due.

This line began to be used immediately, and in June 1978 it was increased to US$ 5 million. This meant that during that year, 64% of the Mexican shipments (totalling US$ 3.9 million) were financed with resources from that loan. In 1979, the Mexican shipments fell to US$ 2.7 million, and the amount of the loan used dropped to 45% of the total exported. The entire credit line was used during 1980 and 1981, and a second loan is sure to be negotiated during the next meeting of the Mixed Trade Commission.

(c) The Dominican Republic

In 1974, BANCOMEXT granted the Reserve Bank of the Dominican Republic two lines of credit amounting to US$ 1 million each; the first was intended to finance Mexican exports of capital goods, and the second was for basic commodities. At the same time, another loan was granted to the People's Bank of the Dominican Republic in the amount of half a million dollars. In 1974 the Bank of Mexico and the Central Bank of the Dominican Republic subscribed to a reciprocal credit agreement amounting to US$ 1.6 million, with an additional line of US$ 500 000 which operated on terms similar to those governing the operations of the Central Banks within LAFTA, i.e., financial transactions were channelled through the Central Banks in the currencies of both countries. During 1979, BANCOMEXT extended an open line of credit to industrialists of the Dominican Republic for the purchase of capital goods and services in Mexico.

4. Bilateral co-operation agreements

(a) Co-operation agreements in the field of foreign trade

Many co-operation agreements refer specifically to foreign trade. These agreements include those entered into by the Mexican Institute of Foreign Commerce (IMCE) with the Chamber of Commerce of Cuba (1973), the Centre for Export Promotion of the Dominican Republic (1974) and the Jamaican National Corporation (1975). All these agreements have a duration of two years, are automatically renewable and are now in force. Their objectives are similar: to promote the development of trade relations and the exchange of information on each market; to provide advisory services for entrepreneurs; to arrange missions, exhibits and fairs; to ensure that annual meetings are held and to recommend the establishment of a bilateral committee of entrepreneurs.

The last objective has been realized over the years since the Mexican Entrepreneurial Council for International Affairs (CEMAI) has signed agreements setting up committees of entrepreneurs with the Dominican Republic (1971), Jamaica (1977) and Cuba (1980), the majority of whose membership consists in private entrepreneurs with some representation from the public sector. These committees have met a number of times (5 times in the case of the Jamaican committee, 3 in the case of the committee with representation from the Dominican Republic and once in the case of the Cuban committee, in 1981, just one year after its establishment), to give as much support as possible to industrial and technical co-operation and to promote trade in merchandise. At the same time, the secretariats of each party exchange information on economic development, foreign trade and their respective legal provisions.

(b) Economic, industrial, scientific and technical co-operation agreements

Co-operation agreements have been signed with the Bahamas, Cuba, Jamaica, the Dominican Republic and Trinidad and Tobago.

(i) Cuba. The first intergovernmental agreement entered into between Cuba and Mexico was signed in Havana in September 1964 under the title Basic Scientific and Technical Co-operation Agreement.

In September 1974, the Scientific and Technical Co-operation Agreement between the National Science and Technology Council (CONACYT) of Mexico and the National Commission on Economic and Scientific-Technical Co-operation (CONCET) of Cuba came into being. This agreement was basically concerned with the agricultural and industrial sectors. In agriculture, co-operation consisted in particular in the exchange of seeds (maize, grass and tropical pulses), irrigation techniques, experiments with the cultivation and storage of coffee and tobacco and general information on production, marketing and quality control; in the industrial field, the main items involved were fertilizers, petroleum and non-ferrous ores.

In August 1975 a number of agreements were signed, notably the Intergovernmental Agreement on Economic and Industrial Co-operation in the Iron and Steel, Mechanical Engineering, Petroleum and Petrochemical Industries. The measures of a general nature were aimed at the formulation of joint industrial development projects, the creation of mixed enterprises, the implementation of joint industrial investment projects and the exchange of information on technology. Economic and technical co-operation agreements were signed with respect to sugar, tobacco, tourism and the stable supply of non-ferrous metals to Mexico.

In July 1976, the country entered into an annual agreement authorizing Cuba to fish in the Mexican 200-mile economic zone.

In January 1978, the General Agreement on Intergovernmental Co-operation to which all the activities arising out of the agreements subscribed to previously and those for which there was a need was signed. Under this agreement, a general mixed intergovernmental commission designed to oversee the activities of the Mixed Commissions on Cultural Co-operation and Education and on Scientific and Technical Co-operation provided for in the basic Co-operation Agreement (resulting from the agreements signed in September 1974) and the mixed commissions of the working group of the Economic and Industrial Co-operation Agreement of August 1975. The Intergovernmental Mixed Commission set up under the General Agreement met in January 1978 and August 1980.

Following the signing of this general co-operation agreement, specific agreements were entered into relating in general to technical co-operation in such areas as the production of sugar and sugar products (May 1979), social and labour matters (January 1980), tourism and joint research into tropical diseases and crops (both in August 1980), joint geological prospecting of the ocean shelf of Cuba in search of petroleum and gas (December 1980) and co-operation in connexion with social and economic development planning (June 1981).

(ii) Jamaica. During 1974, two agreements wer signed; the first -on intergovernmental scientific and technical co-operation (signed in July)- was aimed at the establishment of programmes and projects in areas of mutual interest (petroleum, trade, tourism and handicrafts), and the exchange of technicians and the organization of training programmes. This objective is embodied in a second agreement (signed in November) to invest jointly in the installation of the JALUMEX industrial complex designed to produce bauxite, alumina and aliminium. The first estimates indicated the need for a global investment of US$ 400 million to construct two plants (an alumina processing plant in Jamaica with an annual capacity of 600 000 tons and a port on the south coast and an aluminium refinery with a smelting capacity of 120 000 tons a year). Ownership of each plant would be shared in a proportion of 51% for the host country, 29% for the associated country and 20% for the transnational corporation supplying the technology.

In February 1980, the Government of Mexico made available for subscription by the Jamaican Government up to 10% of the shares in its new project to construct a plant producing 220 000 tons of aluminium a year in Mexican territory. It also offered to put a similar amount of capital into the programmes to enlarge the Jamaican enterprise producing alumina. In addition, it was agreed that Mexico would give preference to Jamaica in the provision at international prices of 420 000 tons of alumina a year to supply its aluminium factory.

(iii) Trinidad and Tobago. In August 1975, a programme of action for the promotion of economic co-operation, whose objective was to broaden relations in matters relating to transfers of technology, industrial complementarity, trade and maritime transport, was signed. Trinidad and Tobago identified the following specific areas as being of interest to it: automobile assembly, fertilizers, hand tools, iron and steel, bagasse planks, sugar milling and the construction of shrimp boats.

(iv) The Dominican Republic. In November 1980, agreement was reached to establish a technical co-operation programme in connexion with land settlement, finance, industry, tourism and the exploitation of petroleum and mines so as to provide a background for sustained co-operation in these sectors in the future.

5. Discrepancies in the information provided

Marked differences were observed among the foreign trade statistics of the Mesoamerican countries in the Caribbean. In this case only the statistics relating to Mexico were analysed, but the differences recur in connexion with the Central American countries.

In the figures in table 2, it may be observed that imports CIF of Mexican goods recorded by some Caribbean countries and territories do not always correspond to those shown for exports FOB consigned by Mexico, even if estimates of freight rates and insurance are taken into account.

One of the main reasons for the discrepancies is that when merchandise must pass in transit through a port which does not belong to the importing country, the port of transshipment is recorded as the final destination.

Table 2

DISCREPANCIES IN STATISTICS FOR MEXICO AND SOME CARIBBEAN COUNTRIES

(Millions of dollars at current market prices, accumulated)

Country	Mexican statistics			Caribbean statistics		
	Exports (FOB)	Imports (CIF)	Trade balance	Exports (FOB)	Imports (CIF)	Trade balance
Bahamas						
1970-1977	43.4	20.4	23.0	16.7	14.5	2.2
Jamaica						
1971-1973	3.0	0.2	2.8	0.2	3.8	-3.6
Dominican Republic						
1970-1973	14.6	-	14.6	0.1	11.0	-10.9
1976-1979	54.1	1.3	52.8	0.1	38.3	-38.2
Trinidad and Tobago						
1970-1975	3.2	2.8	0.4	4.4	4.4	-

Source: CEPAL estimates: (a) for the Bahamas, Department of Statistics, External Trade Statistics; (b) for Jamaica, Department of Statistics, External Trade; (c) for the Dominican Republic, Central Bank of the Dominican Republic (the series was interrupted in 1974 and 1975), and (d) for Trinidad and Tobago, Central Statistics Office, Overseas Trade.

/Annex 2

Annex 2

DESTINATION, ORIGIN AND STRUCTURE OF THE EXTERNAL TRADE OF THE COUNTRIES MEMBERS OF THE CENTRAL AMERICAN COMMON MARKET WITH THE CARIBBEAN

1. Costa Rica

During the period 1970-1980, Costa Rica accumulated a negative trade balance of US$ 227 million, representing 460% of its exports to that area. This imbalance occurred only with respect to the Netherlands Antilles (US$ 259 million) and Trinidad and Tobago (13 million). Its trade balance with the rest of the Caribbean countries was positive, particularly with Puerto Rico (84 million), the Dominican Republic (21 million), and Cuba (12 million). (See tables 1 and 2.)

Following is a brief summary of its main Caribbean buyers.

(i) Dominican Republic. Cumulative sales by Costa Rica to the Dominican Republic amounted to somewhat over US$ 22 million. Manufactures represented 60% of Dominican purchases from Costa Rica and raw materials the other 40%. The main exports were pharmaceutical products (including pharmaceuticals for veterinary use) and rice -over 6 million for each of these items- as well as insecticides (2 million), electric batteries and tools for crafts.

(ii) Cuba. In 1977, Costa Rica began trading regularly with Cuba. Over the past four years, exports, mostly by the public sector, totalled US$ 12 million and was concentrated in four commodities: rice (77%), beans (11%), beef (10%) and office furniture (2%).

(iii) Netherlands Antilles. A substantial part of the global value of exports (US$ 8 million) came from the aforementioned sales of hydrocarbons (5.5 million in 1980), inasmuch as the annual average sold abroad during the remainder of the 1970s was only US$ 283 000.

2. El Salvador

Trade between El Salvador and the Caribbean has been quite marginal; during the 1970s it represented on average only 0.25% of El Salvador's total external trade (imports plus exports), increasing from a little over one million dollars in 1970 to somewhat over 3 million in 1979. Thus, between those two years imports rose from US$ 1.0 million to 1.6 million and external sales from 0.2 million to 1.9 million. (See tables 3 and 4.)

El Salvador accumulated a trade deficit of 3.1 million with all the Caribbean, as a result of the negative trade balances with the Netherlands Antilles (9.0 million) and Jamaica (2.5 million), although it did have a surplus with Belize (2.8 million), the Dominican Republic (2.5 million) and Trinidad and Tobago (1.9 million). There was no trade at all with Cuba, Guyana and the Organization of Eastern Caribbean States.

3. Guatemala

Between 1970 and 1980, Guatemala accumulated a trade deficit with the Caribbean countries and territories as a whole of US$ 351 million, more than five times its total exports to the area. The negative balance with the Netherlands Antilles was almost US$ 300 million; with the Bahamas, 67 million; and with Trinidad and Tobago, the negative balance was US$ 42 million. The balances were favourable,

Table 1

COSTA RICA: TOTAL EXPORTS OF GOODS

(Thousands of dollars FOB)

Countries and territories	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980a/
Total	472	635	715	574	1 914	1 439	1 975	8 002	15 683	16 964	14 680
Netherlands Antilles b/	22	45	46	22	160	223	120	1 078	908	198	5 695
Bahamas	-	-	-	3	-	1	-	-	-	274	11
Cuba	-	-	-	-	-	-	-	461	6 366	4 305	1 098
Haiti	3	13	46	26	12	1	18	1 308	468	572	793
Dominican Republic	277	253	274	263	1 460	540	755	4 020	6 110	5 317	3 104
Suriname	-	-	-	-	12	74	33	488	318	503	437
CARICOM	170	324	349	260	270	600	1 049	647	1 713	5 795	3 542
Barbados	1	2	-	-	6	-	-	-	68	278	383
Belize	79	189	91	125	164	146	255	399	428	430	223
Guyana	-	-	-	-	-	-	2	92	72	612	467
Jamaica	82	120	252	123	81	384	721	71	98	3 754	367
Trinidad and Tobago	8	13	6	12	13	70	70	45	985	721	1 476
Organization of Eastern Caribbean States c/	-	-	-	-	6	-	1	40	62	-	626

Source: Anuarios de Comercio Exterior and Central Bank of Costa Rica.

a/ Preliminary figures.
b/ Includes Aruba and Curaçao.
c/ Includes Antigua/Barbuda/Redonda, Dominica, Grenada, Montserrat, St. Kitts/Nevia/Anguilla, St. Vincent/Grenadines and St. Lucia.

Table 2

COSTA RICA: TOTAL IMPORTS OF GOODS

(Thousands of dollars CIF)

Countries and territories	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980a/
Total	2 171	2 895	2 709	3 867	7 965	3 682	19 298	62 459	24 636	123 304	31 077
Netherlands Antilles b/	1 762	2 251	1 712	3 168	5 793	5 831	15 563	59 483	23 353	120 542	27 883
Bahamas	4	-	-	7	28	1	6	5	54	7	21
Cuba	-	-	-	-	-	-	-	1	11	179	73
Haiti	4	-	-	-	1	-	103	71	-	65	-
Dominican Republic	1	3	2	-	8	29	15	54	5	148	1 034
Suriname	-	-	-	-	-	-	-	-	-	-	-
CARICOM	400	641	995	692	2 135	2 821	3 611	2 845	1 213	2 363	2 066
Barbados	-	-	-	-	-	-	-	-	6	-	-
Belize	12	-	-	9	47	-	3	2	-	21	-
Guyana	-	-	-	-	-	-	-	-	-	-	-
Jamaica	304	233	530	322	433	157	16	135	135	398	86
Trinidad and Tobago	84	408	465	356	1 649	2 663	3 588	2 708	1 070	1 944	1 716
Organization of Eastern Caribbean States c/	-	-	-	5	6	-	4	-	2	-	264

Source: Anuarios de Comercio Exterior and Central Bank of Costa Rica.

a/ Preliminary figures.
b/ Includes Aruba and Curaçao.
c/ Includes Antigua/Barbuda/Redonda, Dominica, Grenada, Montserrat, St. Kitts/Nevis/Anguilla, St. Vincent/Grenadines and St. Lucia.

however, with the Dominican Republic (31 million), Belize (13 million), Haiti (8 million) and Jamaica (3 million); there was a positive balance of US$ 2 million with the remaining countries and territories taken together, with the exception of Cuba, with which it had no trade relations. (See tables 5 and 6.) Guatemalan exports to the main countries of destination will be analysed below.

(i) Dominican Republic. Guatemala sold goods to the Dominican Republic for a total of US$ 31 million; of that amount, 88% represented manufactures and 12%, inputs and raw materials. Among the former it is particularly worth noting the exports of medications and pharmaceutical products (21.7 million), insecticides (1.2 million), shovels and picks (0.6 million) and dry cells (0.5 million). The highest sales of intermediate goods were of wood (2.8 million) and railroad ties (0.6 million).

(ii) Belize. Sales to Belize were quite dynamic up to 1975; after that, they fluctuated, showing a downward trend. Between 1970 and 1980, they were in excess of US$ 13 million and consisted of manufactures (54%), raw materials and inputs (37%) and hydrocarbons (8%). The range of products sold was quite broad, but sales were sporadic. Some of the most important goods that were sold regularly were wood (2.7 million), instant coffee (1.4 million), glass containers and animal feeds (0.5 million each), chicle (1.1 million) and medication (0.3 million).

(iii) Jamaica. Exports to Jamaica were fairly substantial from 1974 up to 1977, when they began to decrease; the cumulative total was US$ 10.6 million. Except for sales of wood (2.3 million) and glass containers (1.6 million), which continued with a certain regularity during this period (1974-1976), other exports were more circumstantial, such as, for example, sugar in 1975 (3.3 million) and cottonseed oil in 1974 (1.1 million).

4. Honduras

Trade was uneven during the period under consideration. (See tables 7 and 8.) Between 1970 and 1975, the balances were favourable to Honduras and followed an upward trend, whereas from 1976 on, the decline of exports vis-à-vis the increased value of imports was reflected in deficits of different magnitudes. Thus, the positive trade balance accumulated by Honduras during the first five-year period dropped to US$ 92 million at the end of 1980. This was a result of the positive balances in trade with the Dominican Republic (US$ 93 million), Puerto Rico (80 million), Barbados and Belize (12 and 9 million respectively). The balance with Trinidad and Tobago and the Netherlands Antilles, however, was highly negative (US$ 115 and 24 million respectively).

(a) Exports

The Dominican Republic (47%) and CARICOM (50%), absorbed 98% of total exports to the subregion.

(i) Dominican Republic. Sales to the Dominican Republic, which had increased from around 5 million in 1970 to almost 20 million in 1974, began to shrink in 1975, and in 1980 amounted to only US$ 2 million. This country was the main market in the Caribbean during the period 1970-1980 and received exports for a value of US$ 94 million.

The composition of external sales also changed throughout the period. Between 1970 and 1972, wood was the main export (90%); from 1973 to 1975, exports of fuel oils increased substantially, mainly because of the sharp rise in the price of hydrocarbons, which brought their share up to 45%, while the share of wood declined to 49%.

Table 5

GUATEMALA: TOTAL EXPORTS OF GOODS

(Thousands of dollars FOB)

Countries and territories	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980 a/
Total	1 900	2 304	3 798	6 477	9 227	9 356	6 107	6 860	5 356	7 513	9 236
Netherlands Antilles b/	15	15	12	11	98	73	21	130	247	60	188
Bahamas	14	5	6	13	13	3	229	1	5	-	-
Cuba	-	-	-	-	-	-	-	-	-	-	-
Haiti	52	88	125	1 302	2 407	447	497	2 443	65	431	423
Dominican Republic	760	881	1 624	2 910	2 926	2 609	2 738	3 070	3 496	4 492	5 950
Suriname	-	8	3	11	19	114	71	172	67	78	25
CARICOM	1 059	1 307	2 028	2 230	3 764	6 110	2 551	1 044	1 476	2 452	2 650
Barbados	-	-	-	24	112	6	76	56	180	112	66
Belize	729	1 034	1 520	1 598	1 665	1 868	1 062	607	806	1 785	643
Guyana	-	-	1	10	-	5	5	-	-	-	742
Jamaica	290	272	472	555	1 668	4 028	1 136	340	463	471	921
Trinidad and Tobago	40	1	35	43	319	203	272	41	22	84	186
Organization of Eastern Caribbean States c/	-	-	-	-	-	-	-	-	5	-	92

Source: Anuarios de Comercio Exterior for the period 1970-1977, and Banco de Guatemala for the period 1978-1980.

a/ Preliminary figures.

b/ Includes Aruba and Curaçao.

c/ Includes Antigua/Barbuda/Redonda, Dominica, Grenada, Montserrat, St. Kitts/Nevis/Anguilla, St. Vincent/Grenadines and St. Lucia.

Table 6

GUATEMALA: TOTAL IMPORTS OF GOODS

(Millions of dollars CIF)

Countries and territories	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980a/
Total	1 300	2 483	1 652	4 250	5 301	14 035	33 301	44 733	69 983	99 049	143 637
Netherlands Antilles b/	713	1 949	1 252	1 875	2 677	10 953	20 970	36 516	51 434	50 361	121 098
Bahamas	16	20	19	19	18	1 525	7 183	4 673	7 186	34 419	12 485
Cuba	-	-	-	-	-	-	-	-	-	-	-
Haiti	10	1	16	-	-	-	-	-	339	134	213
Dominican Republic	10	-	-	13	71	4	2	29	130	36	176
Suriname	-	-	-	-	-	-	-	-	-	-	-
CARICOM	551	513	365	2 343	2 535	1 553	5 146	3 515	10 894	14 099	9 665
Barbados	-	-	-	-	-	-	-	-	-	-	-
Belize	26	6	1	6	13	4	39	20	71	40	25
Guyana	-	-	-	-	-	-	-	-	-	-	-
Jamaica	344	422	293	495	461	1 183	772	1 202	1 186	982	218
Trinidad and Tobago	181	85	71	1 842	2 061	366	4 335	2 293	9 624	13 075	9 422
Organization of Eastern Caribbean States c/	-	-	-	-	-	-	-	-	13	2	-

Source: Anuarios de Comercio Exterior for the period 1970-1977, and Banco de Guatemala for the period 1978-1980.

a/ Preliminary figures.

b/ Includes Aruba and Curaçao.

c/ Includes Antigua/Barbuda/Redonda, Dominica, Grenada, Montserrat, St. Kitts/Nevis/Anguilla, St. Vincent/Grenadines and St. Lucia.

Table 7

HONDURAS: TOTAL EXPORTS OF GOODS

(Thousands of dollars FOB)

Countries and territories	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980 a/
Total	8 961	10 721	14 953	21 452	32 963	25 579	19 688	21 609	16 027	16 034	11 333
Netherlands Antilles b/	435	652	304	617	728	300	396	59	391	198	-
Bahamas	36	-	-	36	12	-	8	-	-	-	-
Cuba	-	-	-	-	-	-	-	-	-	-	-
Haiti	206	186	242	442	224	-	90	-	10	22	88
Dominican Republic	4 875	4 342	6 473	10 576	19 875	15 238	9 699	11 560	4 908	4 030	2 018
Suriname	-	-	-	-	-	-	-	-	-	-	-
CARICOM	3 409	5 541	7 434	9 781	12 124	9 541	9 495	9 990	10 718	11 784	9 227
Barbados	389	681	787	1 498	1 854	1 498	1 802	569	1 049	1 762	272
Belize	280	380	637	588	1 068	1 182	1 074	756	602	1 138	2 052
Guyana	-	-	-	-	-	-	-	-	-	-	-
Jamaica	2 151	3 447	4 550	5 844	6 892	5 261	3 974	2 972	3 244	3 269	137
Trinidad and Tobago	589	1 033	1 460	1 851	2 310	1 600	2 645	4 464	5 058	4 463	5 770
Organization of Eastern Caribbean States c/	-	-	-	-	-	-	-	1 229	765	1 152	996

Source: Anuarios de Comercio Exterior and Secretaría de Economía.

a/ Preliminary figures.
b/ Aruba and Curaçao.
c/ Antigua/Barbuda/Redonda, Dominica, Grenada, Montserrat, St. Kitts/Nevis/Anguilla, St. Vincent/Grenadines and St. Lucia.

Table 8

HONDURAS: TOTAL IMPORTS OF GOODS

(Thousands of dollars CIF)

Countries and territories	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980a/
Total	2 675	4 561	656	6 159	10 193	2 020	33 767	31 373	28 985	30 585	36 989
Netherlands Antilles b/	2 403	3 374	-	3 384	8 930	735	1 260	3 288	754	1 806	3 017
Bahamas	6	-	5	5	6	13	2	25	32	17	7
Cuba	-	-	-	2 152	-	-	3	-	-	-	-
Haiti	-	-	-	12	-	-	4	-	680	-	30
Dominican Republic	1	14	58	40	40	86	78	95	84	203	338
Suriname	-	-	-	-	-	-	-	-	-	-	-
CARICOM	265	1 173	593	606	1 217	1 186	32 420	27 965	27 435	28 559	33 597
Barbados	-	3	-	-	-	-	1	-	-	-	-
Belize	20	6	25	6	13	1	7	10	124	7	67
Guyana	-	-	-	-	-	-	-	-	-	-	-
Jamaica	182	541	402	448	499	656	680	657	1 483	1 046	1 405
Trinidad and Tobago	63	623	166	152	705	529	31 732	27 298	25 828	27 506	32 125
Organization of Eastern Caribbean States c/	-	-	-	-	-	-	-	-	-	-	-

Source: Anuario de Comercio Exterior and Secretaría de Economía.

a/ Preliminary figures.
b/ Includes Aruba and Curaçao.
c/ Includes Antigua/Barbuda/Redonda, Dominica, Grenada, Montserrat, St. Kitts/Nevis/Anguilla, St. Vincent/Grenadines and St. Lucia.

Beginning in 1976, the Honduras refinery stopped exporting and confined itself to covering domestic demand, a circumstance which affected the value of exports to the Dominican Republic; also, from 1978 on, sales of wood declined from a peak of almost US$ 11 million in 1977 to 3 million in 1979 and US$ 900 000 in 1980. This last drop was not offset by sales of other products, inasmuch as, although the number of goods purchased by the Dominican Republic increased, their value was quite low.

In 1979, exports of wood by-products initiated in 1976 began to take off (plywood, rosin, wood manufactures). In 1980, a new manufactured product, processed sheep skins, accounted for 46% of exports.

(ii) The Caribbean Community. The share of exports to CARICOM members was more or less stable (between 35% and 80%, approximately) within the total for the area and amounted to US$ 99 million. During the period 1970-1980, Jamaica purchased 42% of Honduras' exports to CARICOM; Trinidad and Tobago, 32%; Barbados, 12%; and Belize, 10%. This distribution changed gradually.

As regards composition, except in the case of Belize, pine wood, either as lumber or in logs, was the main export and in some cases was the only product sold. Exports to Belize, on the other hand, included a wide variety of goods, with manufactures accounting for a substantial proportion (between 70% and 80%), as did petroleum products.

(b) Imports

(i) The Caribbean Community. During the period 1970-1975, imports from members of CARICOM accounted for 16% of total imports from the Caribbean, by contrast with the 90% of the following 5-year period. This was a consequence of changes in the operation of the Honduras refinery which led it to use reconstituted petroleum from Trinidad and Tobago instead of the crude it had been using previously. This change also meant that certain products not produced with the new refining process now had to be imported.

From 1970 to 1974, average imports amounted to US$ 5 million -Jamaica (54.1%) and Trinidad and Tobago (44.4%)- and consisted basically of petroleum products (gasoline, lubricant oils and greases). From 1975 to 1980, Trinidad and Tobago accounted for 96% of imports and Jamaica for the remainder (4%). During the biennium 1979-1980, purchases from Trinidad and Tobago (US$ 60 million) broke down as follows: petroleum products, 54% 1/ and reconstituted petroleum, 46%. In the case of Jamaica, there was some diversification, as lubricant greases and oils only represented around 70% of imports to Honduras (almost US$ 2.5 million), with the remainder represented by manufactures (20%) and capital goods (10%).

(ii) Netherlands Antilles. Imports from the Netherlands Antilles between 1970 and 1980 (US$ 29 million) were also affected by the Honduras refinery's new production process, since although Venezuela was the main supplier of crude (with 95% of imports), the remainder came from these islands and represented approximately one-fourth of the sales to Honduras. Thus, whereas during the period 1970-1974, the average value of imports was US$ 3 million, it dropped to 2 million in 1975-1980. The composition of imports continued to be concentrated in petroleum products, except for the cancellation of crude purchases. For the biennium 1979-1980, out of a total of US$ 5 million, more than 40% was for sales of pitch, resin and asphalt; 12%, for gasoline; 25%, for diesel and gas-oil, and 15%, for lubricant oils and greases.

1/ These exports consisted of the following: gasoline, US$ 8 million; diesel, almost 10 million; lamp oil, 2.2 million and gas-oil and other oils, 0.9 million.

5. Nicaragua

Between 1970 and 1980, exports and imports followed different trends; this was reflected at the end of 1980 in a cumulative negative balance of US$ 51 million, i.e., almost three times the total value of exports to the Caribbean countries during the same period.

When broken down by countries and territories, the trade statistics are uneven. (See tables 9 and 10.) Trade with the Netherlands Antilles, the figures for which were negative throughout the period, showed a cumulative deficit of US$ 54 million. The cumulative results of trade with Haiti and the Dominican Republic were favourable to Nicaragua (around 2 and 3 million, respectively) and trade with the members of CARICOM -with Trinidad and Tobago carrying a great deal of weight- showed a negative balance of US$ 2 million. No commercial transactions were recorded with the rest of the Caribbean, except for Cuba in 1980.

Table 9

NICARAGUA: TOTAL EXPORTS OF GOODS

(Thousands of dollars FOB)

Countries and territories	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980a/
Total	1 464	1 361	1 317	1 071	1 767	1 679	3 309	1 730	1 720	1 285	510
Netherlands Antilles b/	65	73	95	194	261	636	308	352	906	454	-
Bahamas	-	-	-	-	-	-	-	-	-	-	-
Cuba	-	-	-	-	-	-	-	-	-	-	-
Haiti	292	-	144	239	274	215	35	358	-	215	407
Dominican Republic	1	87	26	43	159	120	2 159	129	228	383	1
Suriname	-	-	-	-	-	-	-	-	-	-	-
CARICOM	1 106	1 201	1 052	595	1 073	708	807	891	586	233	102
Barbados	-	-	-	-	-	-	107	115	-	-	-
Belize	2	3	7	13	2	44	5	46	210	39	-
Guyana	-	-	-	-	-	-	-	-	-	-	-
Jamaica	1 071	1 198	1 045	582	1 071	602	399	43	98	33	102
Trinidad and Tobago	33	-	-	-	-	62	296	687	278	161	-
Organization of Eastern Caribbean States c/	-	-	-	-	-	-	-	-	-	-	-

Source: Anuarios de Comercio Exterior.

a/ Preliminary figures.
b/ Includes Aruba and Curaçao.
c/ Includes Antigua/Barbuda/Redonda, Dominica, Grenada, Montserrat, St. Kitts/Nevis/Anguilla, St. Vincent/Grenadines and St. Lucia.

Table 10

NICARAGUA: TOTAL IMPORTS OF GOODS

(Thousands of dollars CIF)

Countries and territories	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980a/
Total	3 011	2 993	2 117	2 973	6 163	4 693	6 339	12 977	10 371	4 096	12 429
Netherlands Antilles b/	2 803	2 712	1 764	2 065	3 934	3 048	4 917	11 439	8 861	3 789	11 804
Bahamas	-	-	-	-	-	-	-	-	-	-	-
Cuba	-	-	-	-	-	-	-	-	-	-	161
Haiti	-	2	-	-	3	-	46	29	19	-	2
Dominican Republic	1	3	37	67	1	27	156	6	1	69	103
Suriname	-	-	-	-	-	-	-	-	-	-	-
CARICOM	207	276	316	341	2 225	1 618	1 220	1 503	1 490	238	359
Barbados	-	-	-	-	-	-	-	-	-	-	11
Belize	1	1	-	-	11	377	-	78	-	-	81
Guyana	-	-	-	-	-	-	-	-	-	-	-
Jamaica	206	209	178	473	833	791	996	981	1 346	209	-
Trinidad and Tobago	-	66	138	368	1 381	490	224	444	144	29	267
Organization of Eastern Caribbean States c/	-	-	-	-	-	-	-	-	-	-	-

Source: Anuarios de Comercio Exterior.

a/ Preliminary figures.

b/ Includes Aruba and Curaçao.

c/ Includes Antigua/Barbuda/Redonda, Dominica, Grenada, Montserrat, St. Kitts/Nevis/Anguilla, St. Vincent/Grenadines and St. Lucia.

Annex 3

DESTINATION, ORIGIN AND STRUCTURE OF THE EXTERNAL TRADE OF PANAMA WITH THE CARIBBEAN

Panamanian exports to the Caribbean multiplied somewhat under 6 times between 1970 and 1980, going over US$ 6 million in 1980, even though they declined by 45% with respect to the boom of 1978 (12.3 million). During the same period, imports increased almost 10 times, amounting to 13 million in 1979, i.e., 56% less than in 1976. Exports to the Caribbean increased 4.5 times more than total sales, while the elasticity of the increase in imports from the Caribbean was 4.3 times more than total purchases.

(a) The Dominican Republic

Panamanian exports to the Dominican Republic began late (1977). The US$ 21 million worth sold up to 1980 consisted mainly of hydrocarbons (50%) and raw materials and inputs (46%), with manufactured goods playing a very minor role (4%). The predominance of petroleum products was due to two purchases of over US$ 10 million that were made in 1977 and 1978. The main inputs were leather, beginning in 1977 (8.6 million), and lead alloys (0.3 million). The main manufactures exported, totalling US$ 1 million, were overlaid wood (US$ 600 000) and apparel (US$ 400 000), as well as sporadic sales of pulses and canned food.

(b) Netherlands Antilles

Panamanian sales to Aruba and Curaçao took on a certain dynamism beginning in 1973. During the period 1970-1980, total sales were US$ 17.2 million and consisted basically of manufactured products (93%), particularly clothing items and accessories, totalling US$ 15.5 million; the remaining 1 million represented purchases of shoes, paints and wood manufactures. Inputs included sacks for containers, paper bags and cardboard.

(c) Jamaica

Sales to Jamaica were very erratic and consisted mainly of hydrocarbons (78% of a cumulative total of US$ 4.7 million), which accounted for the increase in exports between 1973 and 1977. As regards inputs, sales of paper, aluminium rods and ordinary paper totalled US$ 186 000. In 1973 Panama also exported machinery for metalwork for a total value of US$ 260 000.

(d) Other countries

In Suriname, the cumulative total of exports was US$ 2.9 million, with sales consisting mainly of paper bags and cardboard (1.1 million), twine (0.5 million), purebred livestock (US$ 410 000), adhesive paper labels (US$ 360 000), and petroleum (US$ 350 000 in 1975). Sales to Haiti totalled US$ 2.6 million for the period and consisted of rice (1 million), petroleum products (0.9 million), and powdered milk (0.6 million), agricultural products came from the surpluses of the Instituto de Mercadeo Agropecuario. Hydrocarbons totalling US$ 2.2 million were the only export to Barbados. Finally, rice (1.4 million) and clothing (US$ 440 000) were the main exports to Cuba, which imported US$ 2.1 million between 1970 and 1980.

2. Imports

(a) Trinidad and Tobago

Since 1977, Trinidad and Tobago has been the main Caribbean supplier of petroleum products; this country's reserves represented 96% of a cumulative total of US$ 41.8 million. In 1976, US$ 22.8 million worth of gasoline, diesel and fuel oil were imported following a reduction of deliveries by the Colón refinery. In the other years, purchases consisted of special oils and lubricants not produced in Panama. In addition to these products, Panama also imported insecticides (1.3 million), medications and paints.

(b) Netherlands Antilles

During the period 1970-1979, Panamanian purchases from this group of islands were almost entirely from Curaçao (US$ 18.7 million), with only US$ 84 000 worth of goods coming from Aruba in 1970. Petroleum oils and lubricants and liquid gas accounted for 98% of total purchases from Curaçao and, although the value of these items remained relatively stable during the 1970s, their volume must have dropped substantially because of the rise in petroleum prices. Other imports consisted of miscellaneous goods of small value that were purchased sporadically.

(c) Jamaica

Eighty one per cent of total imports from Jamaica (US$ 8.5 million) consisted of petroleum oils and lubricants. Large purchases were also made of inorganic chemical compounds, refractory bricks for industrial use, medications, fertilizers and records.

/Annex 4

Annex 4

ACCESS TO CERTAIN CARIBBEAN MARKETS 1/

1. Dominican Republic

The Dominican market has very special characteristics. On the one hand, as in the case of Puerto Rico, it is a very open market where there is competition both from traditional suppliers (United States, Federal Republic of Germany and Japan, among others), and from newly industrializing countries (NICs) offering very competitive prices: Taiwan, Brazil and South Korea. On the other hand, local industry is highly protected.

The usual legal documentation is required for imports: commercial and consular invoices, bills of lading or air waybills, health certificates, and certifying letters in cases when the Central Bank grants the necessary foreign exchange.2/

The Dominican tariff system establishes *ad valorem* or specific taxes. In addition to these taxes, others are established by special laws, since in the Dominican Republic, the current fiscal income of the central government is based to a large extent on the collection of taxes on external trade. Thus, there is a unified tax (calculated on the basis of the value of goods and ranging from 5% to 100%), a domestic consumption tax (20%) on all goods (with some exceptions), an industrial protection tax (10% on imported products that compete with those produced locally), a 10% tax on sporting goods and, finally, a 4% tax on the sum of all the above-mentioned taxes.

Non-tariff barriers may be classified in four categories: (i) prohibited goods or those the importation of which has been suspended: (ii) goods requiring a prior import permit because they are subject to a quota system; (iii) goods which are paid for with foreign exchange obtained from the Central Bank, and (iv) goods which are paid for with foreign exchange obtained independently on the parallel market. With respect to the use of foreign exchange granted by the Central Bank, it should be noted that authorized imports are subject to a series of exchange restrictions and quantitative restrictions established by the Junta Monetaria to protect the balance of payments.

Licences are required for all products included in the Central Bank list, as well as for some of the products that can be imported with foreign exchange obtained independently. Finally, there is a list of approximately 50 articles the importation of which is prohibited, including furniture, men's and children's footwear, men's and children's apparel, weapons, etc.

Although the Dominican Republic is not linked with any subregional economic integration scheme, since it has adhered to GATT (as have Puerto Rico and all the independent countries of the Caribbean), it must grant to GATT members the preferential concessions that have been negotiated. It does not grant to third countries any reduction of customs duties on certain products for which it normally grants reductions if they come from members of GATT.

1/ Based on information supplied by the Instituto Mexicano de Comercio Exterior (IMCE) and the Centro Nacional de Promoción de las Exportaciones de Guatemala (GUATEXPRO).

2/ In order to make remittances of foreign exchange at the official rate, an exporter must present a letter stating the name of his agent and the commission paid, or stating that he does not have an agent.

2. Cuba

The external trade of Cuba is carried out exclusively by the State. The Ministry of External Trade is the main executive entity responsible for trade; the operational bodies are 34 enterprises specializing in external trade, i.e., importing and exporting. The Chamber of Commerce is an autonomous agency created for the purpose of co-operating in the development and expansion of external trade.

The importing enterprises usually go out to the market once or twice a year and request quotations on a given quantity of products from foreign enterprises with which they are familiar.

The usual basic documents are required for imports, namely: commercial invoices and bills of lading or air waybills, as well as certificates of origin and quality, and packing lists. Consular legalization is required on all these documents.

Import licences are not required. The tariff and customs system is made up of the 1958 Arancel de Aduanas and the subsequent general provisions relating thereto, as well as by Ley de Procedimiento Aduanal 1092 and the 1963 regulations thereto, and all other legal provisions in force that have been enacted by the agencies concerned with exchange matters, plant and animal health, etc. The tariff schedule consists of two columns: one general tariff that is applied to goods from all countries except those to which the conventional tariff applies; the second, for countries covered by the conventional tariff, covering goods from countries with which Cuba has entered into trade treaties, agreements or arrangements.

Customs duties are based on an ad valorem or specific tax or a composite tax (a combination of the two) or an alternative tax, the highest duty applicable as the result of choosing between an ad valorem or a specific tax.

If because of external trade policy considerations, a country does not grant Cuban products facilities similar to those granted by Cuba, subjects them to discrimination, or imposes difficult terms on them, etc., the Cuban Government is empowered to apply compensatory or retaliatory measures to products from those countries.

All exchange operations and transfers of foreign exchange are under State control and are carried out exclusively through the National Bank of Cuba, which is the only adjustment and payment centre of the country.

3. Netherlands Antilles

Most of the taxes are ad valorem and tariffs range from 4.5% to 20% of CIF value. To protect locally produced articles, a tariff of up to 100% may be imposed on certain goods. Capital goods and certain food products, on the other hand, are exempt from taxes.

In 1976, preferential treatment for the European Community was eliminated; consequently, all countries must now pay the sum of the preferential agreement rates plus the general tariff.

Access to the Netherlands Antilles market is quite flexible. Some measures have been taken both to protect the incipient local industry and to control excessive increases in the prices of imported goods. Two types of licences are required: (i) one extremely strict one, which applies to all imports that compete with local goods (fresh eggs, automobile batteries, bread flour, cement tiles, among others) and (ii) one that is easily obtained and is used by the government as a means for controlling imported products (apparel, cigarettes, medications, coffee, cement, automobiles and certain food products).

There are actually no prohibitions on imports, but the licences mentioned under (i) above do in practice serve that purpose.

4. The Caribbean Community

The common tariff system operates at two levels: (i) within CARICOM, with the great majority of products enjoying free trade, and (ii) for third countries, for which a common tariff has been applied since 1 January 1981. Only a few goods are still covered by national tariff schedule. Most customs duties are collected on CIF value. Under the Common External Tariff, raw materials, chemical products and certain essential goods are exempt from taxes or carry a tariff that ranges from 5% to 15%; a large percentage of consumer goods pay a tax of between 20% and 45%; electrical appliances, between 20% and 35%; apparel, furniture, home appliances and luxury articles, between 60% and 70%.

Certain other taxes are still maintained by some countries. Thus, Barbados charges a 5% duty on most products, both national and imported. In Jamaica, most imports are subject to a surtax of 10% to 20% on CIF value, which is added to customs duties; in addition, there is a consumption tax ranging from 10% to 27.5%, depending on the type of goods (construction materials, food and apparel are excluded). Trinidad and Tobago, collects a tax which ranges between 15% and 65% of CIF value, in addition to customs duties.

Restrictions are applied only to imports from third countries.

Prior licences are required in Barbados (a partial list that is periodically revised), in Jamaica (the entire tariff schedule) and in Trinidad and Tobago (certain products). In several cases, it is very difficult to obtain licences to import goods similar to those produced locally, and this, in fact, may be viewed as a prohibition.

Except for Barbados, the CARICOM countries apply controls on foreign exchange, which is granted automatically with approval of an import licence.