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ASPECTS OF DEVELOPMENT AND TRADE IN THE COMMONWEALTH CARIBBEAN

(Preliminary Draft)

by

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SECRETARIAT NOTE

The secretariat of the Commission is pleased to present this report prepared by Mr. Alister McIntyre, as consultant to ECLA. It is a preliminary document, which will be revised and extended in scope in the near future. It is submitted to the eleventh session of the Commission under the signature of its author, as information which may be useful in discussions related to the work that ECLA will undertake in the Caribbean area.

NOTE

For the sake of brevity - unless otherwise indicated - the term "Commonwealth Caribbean" is used in the text to refer to the territories of Barbados, British Guiana, British Honduras, Jamaica and Trinidad and Tobago.

"Tons" and "dollars" are metric tons and United States dollars, respectively, unless otherwise stated. Conversions to United States dollar units were made at the following rates: Jamaica L 0.3571 Jamaican; Barbados, British Guiana, and Trinidad and Tobago, $ 1.714 W.I.; British Honduras, $1.429 B.H.

A dash (-) indicates that the amount is nil or negligible.

Three dots (...) indicate that data are not available or are not separately reported.

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INTRODUCTION

The territories in the Commonwealth Caribbean are often regarded as being at an intermediate stage of economic development, largely because per capita incomes in the region range generally between $150 and $500. Although this may be taken to mean that the peoples of the Commonwealth Caribbean are better off than some of their counterparts in other developing countries, their quest for higher living standards is no less intense than it is elsewhere. In the words of the Government of Jamaica: "The.....situation is classic demonstration of the race between development and discontent." 1/ The economic development of the Caribbean region can be viewed therefore in the context of rapidly rising expectations, which have been moulded by centuries of contact with countries in Europe and North America.

The urgency of development in the Carribbean is underlined by the severe population pressure which is being experienced by nearly all of the territories in the area. Some parts of the Carribbean are among the most densely populated areas in the world. In most of the island economies, crude densities of population range between 150 and 200 persons per square kilometre. This can be compared with the average for Asia of 64 persons per km^2 - a region which is usually regarded as being heavily populated. The extreme case in the Caribbean is Barbados, where the crude density exceeds 500 persons per km^2. In contrast, the mainland territories of British Guiana and British Honduras are relatively underpopulated, as crude densities there exceed hardly 4 persons per km^2. But in their case, allowance must be made for the large tracts of land which are not suitable for economic use.

High densities of population have been aggravated by rapid rates of population growth. Since the 1920's, rates of natural increase have shown an upward trend, largely because of a substantial decline in mortality. They stand currently at 2 per cent to 3 per cent per annum, and on available evidence are likely to remain at this level, at least for the next few decades.

1/ Government of Jamaica, Five-Year Independence Plan 1963-1968, page 11.

/The rapid

The rapid growth of population poses considerable challenges to output and employment policies in these territories. They imply that these economies must achieve growth rates in output of at least 5 per cent per annum, if significant advances in per capita incomes are to be attained. From the stand point of employment, they mean that the Commonwealth Caribbean has to cope currently with nearly 40 000 new entrants on the labour market each year.

The tasks which confront output and employment policy must be considered against the constraints which are imposed on economic growth by the small size of these territories. All of the economies in this group can be regarded as very small units, whether judged in terms of land area, population, or national product. Most of the territories have a total land area of less than 5,000 km^2, a total population of less than one half million persons, and a Gross Domestic Product of less than $500 million.

Because of their tiny size, the resources of these economies tend to be highly skewed. The Typical Caribbean economy has a land area which is only suited to tropical agriculture; possesses only one or two minerals of any economic significance and often none at all; and is generally short of fuels and hydro-electric power.

From the supply side alone, sustained economic advance in the Commonwealth Caribbean depends on the ability of the territories in the area to draw upon overseas supplies of the wide variety of inputs, that are required in the course of transformation and growth. But no less strategic is the role of foreign trade in overcoming the constraints on demand which result from the small size of domestic markets. External trade thus serves as the main vehicle for economic progress in the area.

During the 1950's, the territories of the Commonwealth Caribbean met most of the tests imposed by their population growth, resource endowment, and size. Jamaica and Trinidad and Tobago were among the fastest growing economies in the world, as their per capita real products expanded at an average annual rate of over 6 per cent between 1953 and 1961. Although the pace of expansion in other territories was less spectacular, in few cases did the average rate of growth in output fail to exceed the annual rate of increase in population.

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The rapid rates of advance in per capita income originated mainly from two sources. First, the growth in the population, especially in the number of working age, was checked by substantial emigration to the United Kingdom. The impact of migration on the population of these territories is reflected in census data for 1960, which show that in nearly every case, net migration was equivalent to over 30 per cent of the natural increase in population which occurred between 1946 and 1960.[2/]

Secondly, they faced very favourable market conditions for their exports. Bauxite and petroleum were traded in buoyant markets, while the United Kingdom provided guaranteed outlets for sugar, citrus, and bananas. In addition, there was a marked expansion in external receipts from tourism.

Despite this unprecedented set of favourable circumstances, unemployment continued to be a chronic problem in all of these economies. For example, the 1960 census revealed that in Jamaica 12 per cent of the labour force was unemployed, in Trinidad and Tobago 10 per cent, in Barbados 11 per cent, in British Guiana 17 per cent, and in British Honduras 14 per cent.

The territories of the Commonwealth Caribbean thus entered the 1960's with an immense challenge in the field of employment. At the same time, most of the external stimuli which were present in the 1950's, are no longer operating with the same force. In respect of migration, the outflow of workers has been restrained by the passage in the United Kingdom of the Commonwealth Immigration Act. The Act was promulgated in 1962, and introduced quotas on the number of migrants, as well as other supplementary restrictions on entry. The limiting effect which this legislation is likely to have on future migration, is evidenced in the Five-Year Independence Plan of the Government of Jamaica, where it is assumed that up to 1975, net migration to all countries will amount to 10,000 persons per annum.[3/] This may be compared with the average annual figure of 18,000 persons, who migrated to the United Kingdom between 1954 and 1963.

2/ G.W. Roberts "Prospects for Population Growth in the West Indies", Social and Economic Studies, Vol. II, No. 4, December 1962, page 350.
3/ Government of Jamaica, Five-Year Independence Plan, op. cit., page 9.

/As far as

As far as exports are concerned, both bauxite and petroleum are expected to register slower rates of advance than they achieved over the past decade. The reduction in international tensions, coupled with increases in production taking place elsewhere in the world, have served to dampen the expansion in world demand for Carribbean bauxite. Similarly, changes in the international market have weakened the demand for the petroleum of Trinidad and Tobago, and this is being reinforced by less favourable trends in the supply of petroleum within the country itself.

In respect of export agriculture, some uncertainty exists as to whether current marketing arrangements will continue for extended periods in their present form. And it may well be that the territories of the Commonwealth Caribbean will have to market their export crops in the future on a more competitive basis than they have done in the past. Finally, a slower rate of expansion is anticipated for tourism.

The changing circumstances facing the Commonwealth Caribbean suggest the need for new leading sectors to emerge, if rapid growth is to be maintained in the future. This imposes special responsibilities on policy makers, especially in the field of foreign trade. Caribbean policy makers will have to devise measures for a smooth adaptation of their economies to the changing external conditions, and for the transformation of their structure.

These considerations dictated the scope of this study. The report attempts a broad, interpretative analysis of recent patterns of growth and trade in some of the main territories of the Commonwealth Caribbean; endeavours to assess their implications for future economic growth; and tries to explore some policy measures that may warrant the consideration of governments.

The study does not purport to be an exhaustive analysis of the prospects for development and trade in the area. For one thing, limitations of time and data prevented the inclusion of a larger number of the territories in the region. For another, the analysis is based largely on information in respect of Jamaica and Trinidad an Tobago, because of the unavailability of sufficient material on the other territories included.

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However, it is felt that the conclusions that have been arrived at possess general significance, owing to similarities in the basic circumstances which face all of these economies.

In general, all that the report seeks to do is to provide a starting-point for more comprehensive analyses of the developmental and trading problems of all of the territories in the region, which may be undertaken at a later date.

The report is divided into two parts. Part I considers some of the lessons of economic growth over the past decade, and discusses the main features of current development programmes in the light of this experience. Part II deals specifically with questions of trade policy. It examines briefly some of the current issues in trade policy; suggests an approach to the question of regional economic integration; and indicates in broad terms some of the possibilities for intensifying economic relations between Latin America and the Caribbean.

I. DEVELOPMENT IN THE COMMONWEALTH CARIBBEAN

1. Observations about Recent Patterns of Growth and Trade

1. Over the decade 1953-1962, substantial economic progress was achieved by nearly all of the major territories in the Commonwealth Caribbean. British Guiana was probably the only territory where the average annual rate of growth of the Gross Domestic Product (in current prices) failed to exceed 6 per cent (Table 1). In Jamaica and Trinidad and Tobago, which were the fastest growing territories in the area, the Gross Domestic Product (at constant 1960 prices) expanded between 1953 and 1961 at average annual rates of 7.8 per cent and 9.6 per cent respectively. On a per capita basis, real product in both countries grew at rates of over 6 per cent per annum.(See Appendix, Table I).

2. After 1957 there was a pronounced tendency for the Domestic Product to grow more slowly. On the basis of current prices, the average annual rate of growth in Jamaica between 1958 and 1962, was just over one-third of the figure achieved between 1954 and 1957; while in Trinidad and Tobago, the average rate of growth had slipped by some 5 percentage points. This trend was substantiated by the movements in real product, where the average rate of growth in Jamaica fell from 11.5 per cent in 1954-57 to 4.1 per cent in 1958-61; and in Trinidad and Tobago, from 11.1 per cent to 8.1 per cent.

3. Preliminary data suggest that the real growth rate in both countries declined further in 1962 and 1963. In Jamaica the Gross Domestic Product at current prices increased by only 3.4 per cent in 1962. There was some improvement in the economy in 1963, as a result of the rise in the price of sugar. But, judging from the available data on manufacturing and agricultural production, the rate of growth of the economy as a whole did not recover appreciably, taking into account the drop in production of bauxite, its principal export product, and the slowdown in tourism and construction activity.[4/] In Trinidad and Tobago, the Gross Domestic

4/ See Government of Jamaica, Economic Survey Jamaica, 1963. page 2.

/Table 1

Table 1

COMMONWEALTH CARIBBEAN: Gross Domestic Product at Factor Cost, 1953-1962
(US dollars at current prices)

Years	Jamaica		Trinidad and Tobago		Barbados		British Guiana		British Honduras	
	Total (Million dollars)	Per capita	Total (Million dollars)	Per capita	Total (Million dollars)	Per capita	Total (Million dollars)	Per capita	Total (Million dollars)	Per capita
1953	298.8	206.5	223.7	329.9	41.0	185.5	103.9	226.4	...	...
1954	335.2	228.0	238.2	341.3	41.2	183.1	113.1	240.1	14.8	192.2
1955	382.0	256.9	276.1	382.9	47.5	207.4	113.1	232.7	15.8	197.5
1956	443.9	295.8	322.2	433.6	48.7	213.6	122.3	244.6	17.8	217.1
1957	537.4	353.9	382.0	499.3	59.7	259.6	132.2	256.7	...	...
1958	556.4	359.2	416.7	528.1	56.7	241.3	125.2	235.3	20.9	240.2
1959	594.0	374.5	462.7	566.3	59.7	250.8	128.2	233.1	21.4	237.8
1960	646.3	400.0	499.8	592.2	62.1	267.7	141.7	249.9	...	...
1961	684.1	417.4	550.4	631.9	68.1	293.5	...	...	...	...
1962	707.1	425.2	586.8	651.3	71.5	308.2	...	...	...	...
					Average annual rates of growth					
1954-1962 a/	10.2	7.3	11.4	7.9	6.7	6.1	4.7	1.6	7.7	4.9
1954-1957	15.9	11.7	14.4	11.0	10.3	9.1	6.3	3.3	...	...
1958-1962	5.6	3.8	9.0	5.5	3.8	4.6	...	...	...	...

Sources: Official economic reports and published estimates of national accounts; United Nations Yearbook of National Accounts Statistics, 1963.

a/ For British Honduras 1955-1959; for British Guiana 1954-1960.

/Produc

Product in current prices increased in 1963 by 4 per cent, which was the lowest rate of growth which the economy had experienced since 1954.[5/]

4. Although complete information is not available on Barbados, British Guiana and British Honduras, it appears that they experienced trends very similar to Jamaica and Trinidad and Tobago. On the whole, up to 1957, growth rates in the former territories were higher than those recorded in subsequent years. However, the general pace of advance was much less spectacular than in Jamaica and Trinidad and Tobago. This applies particularly to Barbados and British Guiana, where the economies wavered between alternating periods of growth and stagnation.

5. The rapid rates of advance which were achieved up to the middle of the 1950's, were associated with a set of special factors, which are unlikely to recur in the future with the same force. Prominent among these were booming international markets for bauxite and petroleum; and the existence of assured outlets for sugar, citrus, and bananas. The leading role which these industries played in the growth of the respective economies is reflected in Table 2, which shows that the share of primary production in total output was hardly less predominant at the end of the period than it was at the beginning.

a) Bauxite and Alumina

6. In the case of bauxite and alumina, data for that industry show that it played a major role in the expansion of the economies of Jamaica, and British Guiana. Its contribution to economic growth in Jamaica was particularly dramatic; as in 1952 bauxite was only being produced in insignificant quantities, while by 1962 output had grown to over 7.6 million tons. On one estimate, the direct and indirect effects of the industry's expansion accounted for at least 20 per cent of the growth in total real Domestic Product, which took place between 1950 and 1960.[6/]

7. The contribution of the bauxite industry to growth in British Guiana did not really come from increases in physical output. Between 1954 and 1962, annual production stagnated around 3 million tons per annum (Table 3).

5/ Government of Trinidad and Tobago. House of Representatives, Budget Speech, 1964, page 8.

6/ C. O'Loughlin "Long-Term Growth of the Economy of Jamaica", Social and Economic Studies, Vol. 12 No. 3, September 1963.

Table 2

COMMONWEALTH CARIBBEAN: Gross Domestic Product Originating in Main Sectors

Sectors	Jamaica		Trinidad and Tobago		Barbados		British Guiana		British Honduras	
	1953	1962	1953	1962	1956	1962	1953	1960	1954	1959
				Million US dollars in current prices						
Agriculture	63.3	88.5	39.1	60.6	14.6	20.4	31.0	36.1	6.2	8.0
Mining	7.0	61.9	72.1	172.6	0.3	0.6	11.7	19.0	-	-
Manufacturing	41.2	94.4	29.6	77.1	7.6	7.1	15.7	20.0	0.6	0.8
Construction	28.8	76.4	4.7	32.2	3.3	7.0	6.4	10.9	1.4	2.7
Government	19.3	59.1	23.7	58.6	5.1	8.2	10.4	17.4	1.9	3.4
Other	139.2	326.8	56.2	185.7	17.8	28.4	28.7	38.4	4.7	6.6
Total	298.8	707.1	225.4	586.8	48.7	71.5	103.9	141.7	14.8	21.4
				Percentage contributions						
Agriculture	21	13	17	10	30	29	30	25	42	37
Mining	2	9	32	29	1	1	11	13	-	-
Manufacturing	14	13	13	13	16	10	15	14	4	4
Construction	10	11	2	5	7	10	6	8	9	13
Government	6	8	11	10	10	11	10	12	13	16
Other	47	46	25	32	37	40	28	27	32	31
Total	100	100	100	100	100	100	100	100	100	100

Sources: Official economic reports and published estimates of national accounts; United Nations Yearbook of National Accounts Statistics, 1963.

TABLE 3

COMMONWEALTH CARIBBEAN: PRODUCTION OF BAUXITE, 1954, 1957, 1959-1962

(Thousands of metric tons)

	1954	1957	1959	1960	1961	1962
British Guiana	3 373	2 989	2 325	3 422	3 253	2 592
Jamaica	2 098	4 709	5 264	5 872	6 649	7 640
Total	5 471	7 698	7 589	9 294	9 902	10 232

Source: United Nations, Statistical Yearbook, 1963

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One of the reasons for the sluggishness of output was the inadequacy of transport facilities for getting the ore to centres of disposal. The contribution of the industry arose largely from increases in local payments, because of the negotiation of more favourable tax and wage agreements, and from investment in processing plants. The construction of an alumina plant was completed in 1961.

8. Most of these developments reflected the boom conditions which existed in the world market for aluminium. Up to the middle of the 1950's, world demand for aluminium tended to outstrip world supply, and this led to a considerable increase in capacity at every stage of the productive process. The growth of world demand was accentuated by the international tensions in the postwar years, which encouraged the stockpiling of strategic materials. As these tensions eased in the late 1950's, the aluminium industry found itself with spare capacity on hand, as demand grew more slowly than had been anticipated.

9. The effects of the easing of international tensions on the bauxite industry in the Caribbean was particularly evident in respect of the American companies operating in the area; because some uncertainty arose as to whether the Government of the United States would continue its purchases for bauxite from them.

10. The change in international condition might have been partly responsible for the slowing-down of the rate of expansion of the bauxite industry in Jamaica. After 1957, the incremental contribution of the industry to the growth of the Jamaican economy, tended to diminish. Appendix Table III shows that local expenditure by the industry stagnated between 1958 and 1961, but there was a higher level of local outlays in 1961 and 1962. Over the same period, employment in the industry showed a declining trend, and by 1963, the industry was employing over a thousand less persons than it did in 1958.

11. The diminishing influence of the industry can also be ascertained from data on production and investment. In the case of output, whereas the average annual rate of increase in production between 1955 and 1957 was of the order of 30 per cent, between 1958 and 1962, the figure dropped

/to under

to under 11 per cent. Variations in capital formation were even more striking. Investment in the mining sector fell sharply from an annual average of over 31 million dollars in 1956 to 1957, to an average of just over 4.5 million per annum between 1959 and 1962 (Appendix Table IV).

12. To some extent, the fluctuations which took place in the expansion of local expenditure, production and investment, can be associated with the newness of the industry. It must be allowed that the growth rates of these variables would tend to be extremely high in the early years of establishment, and that they would slow down, once the foundations of the industry were laid. This means, that apart from changes in the world market, Jamaica cannot rely on the newness of bauxite for generating rapid growth in future years.

13. The long-term future of the bauxite industry in the Caribbean is intimately bound to developments in world demand and supply of aluminium, and to the efforts which are made locally for achieving a more intensive utilization of existing resources. In respect of the former, although it is expected that aluminium will continue to have a higher income-elasticity of demand than other traditional metals, substantial increases in world production are anticipated, especially in Africa.

14. Guinea is being geared to become a substantial producer of bauxite and alumina. Since 1960, a consortium has been formed to produce alumina at a rate of 480,000 tons annually, and bauxite at a level of 1.2 million tons a year. In addition, a concession has been granted to a Canadian concern to engage in bauxite and alumina production aimed at levels of 1.5 million tons of bauxite, and 220,000 tons of alumina. In Ghana, the Volta River project is expected to add a sizeable increment to the world supply of aluminium.

15. On the demand side, the apparent aim of the European Economic Community (EEC) to achieve a high degree of self-sufficiency in aluminium, may slow down the rate of growth of exports of third countries. Specifically, Jamaican exports may be significantly affected if sometime in the future, Britain and the Scandinavian countries enter the EEC. Norway and Britain are both important buyers of Jamaican bauxite. Norway buys her

/requirements

requirements directly in the form of alumina, while Britain purchases hers indirectly in the form of Canadian aluminium, which is partly processed from Jamaican bauxite.[7/]

16. As far as local efforts towards greater utilization of resources are concerned, one important development has been the entry of a fourth company, Alcoa Minerals of Jamaica Ltd., into bauxite mining in Jamaica. This will no doubt boost investment and exports, at least over the next few years. But the central problem of utilization, is to extend the stage of processing, which will augment local incomes, and may provide important linkages for a programme of accelerated industrialisation. In this connection, the construction of an alumina plant in British Guiana assumes special significance, and so does the interest of that government in exploring the possibilities for the production of aluminium.

17. Jamaica faces two sets of difficulties in developing the processing of bauxite. At the alumina stage, only one company, the Aluminium Company of Canada, is engaged in processing. The other three companies, which are American-owned, do not engage in alumina production, presumably because of the uncertainty surrounding the U.S. tariff on alumina, which is currently suspended, but supposedly can be reimposed. The advantages of the local production of alumina to the American companies, in the absence of tariff uncertainty, is indicated by the decision of the Aluminum Company of America, to set up an alumina plant in the U.S. Virgin Islands, which will presumably draw bauxite from Caribbean sources. Conceivably alumina plants in the Caribbean may also supply aluminium smelters in other Latin American countries, with which the U.S. parent companies are associated. The Mexican aluminium complex may be a case in point, since it is located near to the Atlantic Coast.

18. As far as the manufacture of aluminium is concerned, Jamaica does not have sufficiently adequate supplies of hydro-electric power to make local production feasible. However, some advantage may be gained, if part of Jamaica's output of bauxite and alumina could be processed in a neighbouring country. Insofar as this reduces the cost of imported aluminium to Jamaican industry, this may assist the growth of light manufacturing in the island.

7/ Jamaica exports about one-third (in value) of her alumina to Norway, while Britain buys some 30 per cent of total Canadian export of aluminium.

/19. The point

19. The point that is being made here is that Jamaica has an important interest in the developments which are taking place in the rest of the Caribbean and Latin America, with respect to alumina and aluminium. And it may be to her advantage to explore the possibilities of a coordinated approach to the development of production in this part of the hemisphere, so that she can maximise her potential for producing alumina, and secure supplies of aluminium from more advantageous sources of supply. This point will be returned to later.

b) Petroleum

20. Petroleum has been the prime generator of economic growth in Trinidad and Tobago over the past decade. This industry dominates the economy, accounting currently for some 30 per cent of Gross Domestic Product, over one-third of fixed investment, and over 80 per cent of visible exports. The boom in world prices for petroleum which arose from the Suez Crisis, sparked off substantial increases in investment and exports. Although the end of the crisis brought a downward adjustment in prices, continued tension in other parts of the Middle East encouraged the industry to maintain, and in some years increase, the pace of expansion in capital formation and export sales (Appendix Tables V and VII). Since 1962 however, there has been a slowing-down in the growth of exports, which probably indicates the greater ease and certainty with which world supply is now able to accomodate to demand. It lends also some credence to the view that the petroleum industry of Trinidad and Tobago may be entering a new phase of slower growth.

21. This impression is confirmed by a closer examination of production trends in the territory itself. Table 4 illustrates the rapid expansion which took place in the production of both crude and refined petroleum. Between 1953 and 1963, the output of crude oil grew from 22 million barrels to 49 million barrels, or by an average annual rate of 8 per cent. Most of this increase came from marine wells, which in 1958 yielded less than 5 per cent of total output, but by 1962 had contributed around 30 per cent. Land production has tended to decline, despite the expenditure of

Table 4

TRINIDAD AND TOBAGO: Production of Crude Petroleum and Refined Products, 1953-1963
(Thousands of barrels)

	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	Average annual rate of growth
Crude Petroleum	22,336	23,630	24,896	25,185	34,063	37,355	40,919	42,358	45,768	48,876	48,678	8.1
Refined products	34,370	34,294	37,631	42,042	44,804	54,907	65,954	74,754	93,162	105,372	115,202	12.8
Aviation gasoline of 100 octane	408	367	382	482	381	482	450	691	744	687	626	4.4
Aviation gasoline of other grades	1,299	1,375	1,559	1,789	2,582	2,895	3,443	3,460	3,082	11,737	10,697	23.5
Gasoline for motors	6,838	7,140	7,701	8,114	8,734	10,528	11,033	10,323	12,597	12,894	15,604	8.6
White gasoline and vaporized oils	3,251	2,997	2,188	2,133	2,258	2,043	1,701	1,077	1,204	309	300	-21.0
Combustible oil	782	636	860	785	1,009	1,089	1,144	1,399	2,715	1,784	1,567	7.2
Gas and diesel oil	5,348	5,706	7,470	9,009	8,244	12,477	12,950	13,316	16,472	17,502	20,065	14.1
Lubricating oils and grease	1	2	2	2	3	2	2	2	1	2	2	-
Fuel oils	16,443	16,071	17,468	19,728	21,592	25,391	35,232	44,487	56,346	60,457	66,342	15.0

Source: Government of Trinidad and Tobago, Central Statistical Office, The National Income of Trinidad and Tobago 1951 to 1961; Quarterly Economic Report, October-December 1963.

considerable sums on land exploration. The growth in the importance of marine production has significant implications for employment and government revenue. Because it is more capital intensive than land production, it requires less labour per unit of output, and higher depletion allowances. It should also be mentioned that the outlook for further growth in marine production is one of cautious optimism, since earlier forecasts of the prospects for expanding output have turned out to be disappointing.

22. Of even greater significance than the growth of marine production, has been the shift towards the production of refined products, which was based increasignly on imported supplies of crude oil. Between 1953 and and 1963, the output of refined products grew at an average annual rate of nearly 13 per cent, with most of this increase taking place after 1955. During the same period, imports of crude oil rose from 44 per cent to 57 per cent of total supplies of crude petroleum (Appendix Table VIII).

23. From the supply side,therefore, developments in the petroleum industry seem to signify a less predominant role for this sector in the future expansion of the economy. This must be coupled with current trends in international trade, where as observed earlier, the situation has changed from one of a sellers' to that of a buyers' market. As a high-cost producer of petroleum, Trinidad and Tobago may encounter difficulties in the future, in retaining her share of world trade in oil. Exports to the Caribbean may also be affected by the establishment of refining plants in Jamaica and Antigua.

c) Export Agriculture

24. Sugar, citrus, and bananas, are the principal agricultural export products of the region. One or more of these crops, were the main contributors to the expansion of agricultural output which occurred in all of these territories over the past decade. (Table 5.) The contribution of sugar and citrus to economic growth in British Honduras was particularly significant, since forestry production, the main activity of that economy, was then showing a downward trend.[8/]

8/ United Nations, A Development Plan for British Honduras, Part One-General Report, (TAO/BRHO/1) New York, 17 June 1963, pp. 2-15

Table 5

COMMONWEALTH CARIBBEAN: PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES

(Thousands of metric tons)

	1954	1957/58[a]	1959/60[a]	1960/61[a]	1961/62[a]
Sugar	972	1 007	1 162	1 217	1 163
Barbados	182	155	156	162	161
Jamaica	369	338	431	447	441
Trinidad and Tobago	176	191	221	250	204
British Guiana	243	311	340	330	331
British Honduras	2	12	14	28	26
Oranges	72	61	92	98	—
Jamaica	68	41	58	52	58
Trinidad and Tobago	4	12	17	13	...
British Honduras	-	8	17	33	...
Grapefruit	53	65	70	70	—
Jamaica	25	25	24	25	28
Trinidad and Tobago	20	33	36	36	...
British Honduras	8	7	10	9	...
Bananas	267	258	258	258	266
Jamaica	264	254	254	254	263
Trinidad and Tobago	3	4	4	4	3
Cocoa	10.9	10.7	10.7	8.5	9.2
Jamaica	2.7	2.5	3.5	2.2	2.2
Trinidad and Tobago	8.2	8.2	7.2	6.3	7.0
Coffee	6.0	—	4.8	4.4	5.4
Jamaica	3.8	2.5	2.8	2.2	2.7
Trinidad	1.8	2.2	2.0	1.8	1.8
British Guiana	0.4	...	...	0.4	0.9
Rice (Paddy)[b]	168	109	184	217	215
British Guiana	154	97[c]	176	214	210
Jamaica	14	12	8	3	5

Sources: United Nations, Statistical Yearbook; Food and Agricultural Organization, Yearbook of Production, 1963.

a/ Crop years; for sugar, years are 1958, 1960, 1961 and 1962.

b/ Figures for rice production in British Honduras and Trinidad and Tobago are not available.

c/ Crop year, 1957

25. The expansion of sugar, citrus, and banana production, has been largely associated with the favourable marketing arrangements, which the Commonwealth Caribbean enjoyed in the United Kingdom. Since 1953 sugar has been marketed under the Commonwealth Sugar Agreement. The Agreement limits the total exports of the area to some 900,000 long tons. About two-thirds of this overall quota is sold to the United Kingdom at annually negotiated prices. These prices are apparently fixed on the basis of a weighted index of production costs in Commonwealth exporting countries. Except for the period of the Suez Crisis, and the upturn in sugar prices which took place in 1962 and 1963, the negotiated Commonwealth price has been at least 40 dollars per ton above open-market prices.

26. Under the terms of the Agreement, the remaining one-third of the quota may be marketed in the United Kingdom and Canada at world prices plus preference. But within recent years, a sizeable proportion of the quota has been sold to the United States at premium prices.

27. Exports of citrus from the Commonwealth Caribbean to the United Kingdom, benefit formally from three types of protection. First, they are eligible for tariff preferences. Second, Britain has maintained quantitative restrictions against competing supplies from the United States and other 'dollar account' countries. Third, specified quantities of orange juice can be marketed under bulk purchase arrangements with the Ministry of Health.

28. In practice, quantitative restrictions have been the main source of protection. Although fresh citrus fruit is eligible for a preference of 10 per cent, the bulk of Caribbean exports consists of juices, in respect of which the tariff preferences are almost negligible. In addition, advantage has not always been taken of the bulk purchase contract, because of the higher prices which have been offered in certain years by private importing firms.

29. As far as bananas are concerned, the United Kingdom extends a tariff preference of 21 dollars per long ton, which at 1962 prices was equivalent to about 13 per cent. Quantitative restrictions are also applied against imports from all Latin American sources of supply, with the exception of Brazil. At present, the annual import quota for bananas from the dollar

/area

area stands at 4,000 tons. The quota is virtually absorbed by the Dominican Republic, thus leaving South and Central American suppliers out of the market.

30. It is difficult to assess the future of the sugar, citrus, and banana industries. In the case of sugar, prices reached record levels in the latter part of 1962 and in 1963, owing to the failure of the Cuban crop and poor harvests in Europe. Citrus prices rose sharply also, because of frost damage to the Florida and Spanish citrus industries.

31. The sharp rise in external demand for Caribbean sugar and citrus induced local producers to plan increases in capacity. In Jamaica alone, plans are in train to increase sugar production to 600,000 tons by 1966, and this is being assisted by a special government scheme of fiscal incentives.[9/] Similarly, a scheme is well advanced for constructing additional processing facilities for citrus juices.

32. These plans for expansion must also be considered against longer term trends for the two crops in question. In the case of sugar, it is almost impossible to predict what the balance between world demand and supply will be, say in 1970. It should be noted, however, that production in Europe had increased substantially in 1964. In Cuba, on the other hand, the government is consciously working towards the elimination of current deficiencies in production.

33. Accordingly, the basic factor which must enter into the planning of long-term expansion in sugar is the likely behaviour of demand in the United Kingdom. Assuming that the countries of the Commonwealth Caribbean continue to market their sugar under existing arrangements, the rate of growth of their exports will be closely tied to the rate of expansion of British import demand. It is true that in some past years the Commonwealth Caribbean has managed to export more than their negotiated price quota to Britain, because of shortfalls in other Commonwealth producing countries. But it is difficult to allow for this in a systematic way in gauging future demand.

9/ Government of Jamaica, Economic Survey 1963, page 30.

34. It is also the case that since 1961 the Commonwealth Caribbean has managed to secure a small quota in the American market. However, this is unlikely to affect the future rate of growth of exports significantly, since the amendments which were made to the United States Sugar Act in 1962, allocate only some 14.8 per cent of the growth in American demand to foreign suppliers.[10/] Moreover, there is some uncertainty as to whether the arrangements for sugar procurement are likely to continue for very much longer in their present form. If a more competitive system of sugar procurement is introduced, this may not be particularly favourable to the Commonwealth Caribbean, in view of their presumed competitive disadvantage vis-à-vis other major suppliers.

35. As far as growth prospects in the United Kingdom itself are concerned, current indicators are not particularly favourable. Since 1956 per capita consumption has remained practically unchanged, while population growth rates give no cause for undue optimism about the future. In general, it is doubtful whether the United Kingdom import demand will grow in the future at a rate of more than 3 per cent per annum, which was the average rate for the period 1953 to 1961. And there is an additional factor which suggests that such a growth rate may not be achieved.

36. Up to the present about 18 per cent of the total supplies of sugar (imports plus domestic production) entering the British market, is re-exported to other Commonwealth countries, notably in Africa. Recently however, sugar production has been introduced in several African countries such as Nigeria, Ghana and the Sudan, where it is expected to reach levels sufficient to satisfy domestic requirements, and leave a small surplus for export. Since Africa is one of the few regions in the world where sugar consumption is growing rapidly,[11/] it would appear that these developments are likely to remove one of the most dynamic elements of the United Kingdom demand.

37. In regard to citrus, it is similarly difficult to predict the longer term balance between world demand and supply; for it cannot be easily assumed that shorfalls in output will persist in some of the main producing areas. Indeed, current projections suggest that the world supply of grapefruit

10/ FAO, Commodity Survey 1963, page 94.
11/ Ibid, page 95.

/will tend

will tend to keep in step with increases in world demand; while in the case of oranges, it is expected that a world export surplus of 0.5 to 1.4 million tons may develop by 1970.[12/]

38. The outlook for citrus juices is much more favourable, especially in Western European markets. There, the spread of household refrigerators has been a major factor in the expansion of demand for frozen concentrated juices. However, growth prospects in the countries of the European Economic Community seem more promising than those in respect of the United Kingdom. And in the former markets, the Commonwealth Caribbean faces a tariff disadvantage vis-a-vis suppliers such as Italy, Greece, and Algeria. They will also have to compete on an equal basis with other countries such as the United States, against which, by their own judgement, they suffer a cost disadvantage.

39. In general, it is doubtful whether the Caribbean can anticipate much benefit from the growth in demand for citrus and citrus products within the EEC, notwithstanding the contractual arrangements under which Jamaican oranges and orange juice are now being sold in Western Germany. Insofar as the contract negotiated with this country in 1963 arose from the short-term uncertainty surrounding world supply, it ought not to be counted as a permanent element of long-run demand.

40. With respect to bananas, prospects for both the short and the long run are only moderately good. In recent years imports into the United Kingdom have been expanding at a relatively slow pace, and the volume of imports in 1959-61 was merely 15 per cent higher than in 1934-38.[13/] At the same time prices over the past five years have tended to show a downward trend. The average 'green-boat' price of Jamaican bananas fell from 207.14 dollars per ton in 1958 to 174.72 dollars in 1963, or by about 16 per cent.[14/]

41. As far as the future is concerned, it is not expected that demand for bananas in the United Kingdom will rise by more than 3 per cent per annum.

12/ FAO, Trade in Agricultural Commodities in the United Nations Development Decade, CCP 64/6 (1-111) Vol. 1 Parts 1, II and III, pages 11-48 to 11-49.

13/ GATT, Trade in Tropical Products (Geneva, 1963) Table 4, page 67.

14/ Government of Jamaica, Economic Survey, issues from 1958 to 1963.

/The best

The best prospects for growth are in the European Economic Community, where the Commonwealth Caribbean faces a trade disadvantage against associated overseas suppliers; and in unsheltered markets such as Japan, where they will have to compete on an equal basis with other producing countries.

42. So far the analysis of the prospects for sugar, citrus, and bananas, has been based on the assumption that current marketing arrangements will remain intact. Here a note of caution must be introduced, concerning the prospects for the continuance of existing levels of protection in the British market. At the recent United Nations Conference on Trade and Development, the United Kingdom expressed willingness, in principle, to extend preferences to all developing countries on a non-discriminatory basis. The increasing interest of the United Kingdom in multilateral policies is evidenced in the recent changes which have been made in the citrus arrangements.

43. In March of 1964 the United Kingdom removed the quantitative restrictions previously applied against imports of frozen concentrated orange juice from the dollar area. In order to protect their position in the British market, the Citrus Growers' Association of Jamaica and Trinidad and Tobago signed a ten-year agreement with the Florida Citrus Industry, and a firm of distributors in the United Kingdom. Under this arrangement, frozen orange juice concentrate from Jamaica and Trinidad and Tobago will be marketed in Britain without quantitative limitations, and will have priority of sale over supplies from Florida. Although the agreement provides some safeguards in the short run, it must be noted that it has been negotiated only for a specified period, and involves the commitment of only one competing source of supply, and a single firm of distributors.

44. As far as sugar is concerned, there is no immediate danger of loss of protection in the British market, since the Commonwealth Sugar Agreement is scheduled to run until 1971. But it must be noted that recent developments have tended to vitiate the rationale for a special procurement policy in respect of Commonwealth sugar. Originally, there were at least two objectives underlying the United Kindom's interest in providing a guaranteed market for sugar from the Commonwealth. One of them was that of securing supplies of sugar for sterling, at a time when there was a

/worldwide

worldwide dollar problem. The general return to currency convertibility in 1959 evidenced an easing of the dollar crisis; and it can be doubted whether the United Kingdom still regards dollar-saving as a major factor in her sugar policy.

45. The other objective was that of pursuing an independent procurement policy for sugar. Inter-Allied arrangements for the joint procurement of sugar after the First World War had not worked well from Britain's point of view.[15/] And the United Kingdom became interested in reducing her reliance on sources of supply such as Cuba, where she had to compete with other importing countries which had prior claims on those supplies.

46. The suspension of special sugar arrangements between the United States and Cuba may ordinarily increase the supplies of sugar which are available for trading on the open market. Insofar as this takes place, it may reduce the future commitment of the United Kingdom to a policy of differential purchasing.

47. Granted the uncertainties which surround the outlook for the leading industries of the past decade, it is important to assess the steps which these economies have taken towards diversification in that period; since on these may rest some of the possibilities for future growth. This leads to a consideration of the changes which took place in the other sectors of these economies.

d) Local Agriculture

48. The movement towards diversification made little headway in respect of the production of food for the local market. Although firm data are not available on production trends in the territories concerned, there is a general belief that little if any advance was achieved in the output of local foodstuffs. Indeed, in the case of some crops, notably ground provisions, it is said that production registered a downward trend. Poultry was one of the few products where there was any general evidence of significant increases in output. Otherwise, the only other signs of impressive

15/ V.P. Timoshenko and B. C. Swerling, The World's Sugar: Progress and Policies (Stanford University Press, 1957), Chapter 8 (contributed by R. J. Hammond, Official Historian at the Ministry of Food).

/advance

advance were recorded in Trinidad and Tobago, where in 1963 there were substantial increases in the production of several vegetables.[16/] On the whole most of the territories continued throughout the period, to devote about one-fifth of their total import expenditures to the purchase of overseas supplies of foodstuffs.[17/]

49. The deficiency in local food production arises from difficulties on both the supply and demand side. Production is almost entirely in the hands of the 'peasant sectors', where producers have to cope with tiny and fragmented plots of often poor land, obsolete techniques and capital equipment, and inadequate transportation and distribution facilities. The last two combine to frustrate the planning of production on the basis of ascertainable levels of demand. Some evidence on the importance of demand certainty has been provided by Trinidad and Tobago, where the increase in the output of vegetables which took place in 1963 has been partly ascribed to the programme of guaranteed prices, which was introduced in 1961.

50. The future growth of local agriculture will depend very much on the extent to which farmers can be assisted in overcoming the disadvantages outlined above. Some of the governments recognise that one important source for improvement lies in the modification of land tenure systems, so that land of better quality can be devoted to food production, and that the average size of farms can be increased in order to reduce the disadvantages of small-scale production. Yet another recognised source of improvement is that of marketing, involving better storage, transport, and refrigeration facilities, and guaranteed prices. These may have to be accompanied by general programmes of rural development, so that enterprising farmers are discouraged from migrating to the urban areas, or abroad. In Jamaica, migration to the urban areas and to the United Kingdom was held to be partly responsible for the decline in the output of local food which occurred there.[18/]

16/ Government of Trinidad and Tobago, House of Representatives, Budget Speech 1964, page 9.

17/ Imports of food account for only 2 per cent of total imports in Trinidad and Tobago. But this is somewhat misleading, because of the predominance of crude oil in the total import bill.

18/ Government of Jamaica, Five-Year Independence Plan, op. cit. page 17.

/e) Manifacturing

e) Manufacturing

51. Of even greater significance to diversification were the developments which took place in the manufacturing sectors. Industrial development made most headway in Jamaica, and Trinidad and Tobago, where the growth of the manufacturing sector kept in step with the general advance of the economy, and in some years even out-paced it. In each case the sector accounts currently for about 13 per cent of the total Gross Domestic Product.

52. To some extent the expansion of the sector was due to the growth of export agriculture, which boosted the value added in food processing, notably in the sugar, rum, and citrus industries. But much the greatest progress was made with newer industries such as textiles, garments, footwear and chemicals.

53. In Jamaica, industries other than food, beverages, and tobacco accounted in 1962 for 48 per cent of the value added in manufacturing, compared with 35 per cent in 1953.[19] In Trinidad and Tobago, real output in the food, drink, and tobacco industries grew at an average annual rate of 4 per cent between 1951 and 1961; while textile and garments grew at 10.4 per cent per annum, building materials at 11.6 per cent, and other producer goods at 13.1 per cent.[20]

54. The pattern of industrial development in these two territories, followed slightly different courses, although in both cases development tended to be based on export sales. Jamaica appeared to follow the traditional path of labour-surplus economies, with the bulk of her exports of manufactures consisting of textiles and garments, which went to markets in the advanced countries, notably the United States. On the other hand, chemicals were the fastest growing industry in Trinidad and Tobago, and intraregional markets were the most important outlet for the manufactures of that country.

55. Some of these trends are reflected in Table 6, which shows exports of manufactures by the individual territories, according to SITC groups.

19/ Ibid. page 15.
20/ Government of Trinidad and Tobago, Draft Second Five-Year Plan, 1964-1968, pages 26-27.

/Table 6

Table 6

COMMONWEALTH CARIBBEAN: EXPORTS OF MANUFACTURED GOODS (SITC SECTIONS 5 to 8)
1955, 1957, 1959-1962

(Thousands of US dollars)

	1955	1957	1959	1960	1961	1962
Section 5: Chemicals						
Barbados	151	145	174	171	189	168
British Guiana	389	578	678	771	732	...
Jamaica	1 417	1 341	1 554	1 736	1 899	2 235
Trinidad and Tobago	1 946	1 631	2 132	5 678	6 163	8 783
Total	3 903	3 695	4 538	8 356	8 983	
Section 6: Manufactured goods classified chiefly by material						
Barbados	67	74	95	85	152	165
British Guiana	829	828	1 819	2 827	3 072	...
Jamaica	512	1 084	1 190	1 630	2 344	3 439
Trinidad and Tobago	2 231	2 723	3 236	3 031	1 778	2 563
Total	3 639	4 709	6 340	7 573	7 346	
Section 7: Machinery and transport equipment						
Barbados	-	6	1	7	62	21
British Guiana	-	26	-	347	149	...
Jamaica	3	-	-	-	140	64
Trinidad and Tobago	117	112	98	126	10	17
Total	120	144	99	480	361	-
Section 8: Miscellaneous manufactured goods						
Barbados	33	76	81	118	130	194
British Guiana	118	156	211	213	233	...
Jamaica	454	736	1 899	4 066	5 477	7 676
Trinidad and Tobago	689	1 027	1 566	1 537	1 679	2 029
Total	1 294	1 995	3 757	5 934	7 519	
Total Sections 5 to 8						
Barbados	251	301	351	381	533	548
British Guiana	1 336	1 588	2 708	4 158	4 186	...
Jamaica	2 386	3 161	4 643	7 432	9 860	13 414
Trinidad and Tobago	4 983	5 493	7 032	10 372	9 630	13 392
Total	8 956	10 543	14 734	22 343	24 209	...

Sources : United Nations, Yearbook of International Trade Statistics 1963; Official trade reports.

/The table

The Table shows that Jamaica registered the fastest rate of advance in the overseas sale of manufactures, with her exports rising from 2.4 million dollars in 1955 to 13.4 million in 1962. Much of this increase took place after 1959, when exports of miscellaneous manufactured goods (largely clothing) increased from 1.8 million dollars in that year to 7.7 million in 1962.

56. By 1962, the absolute value of Trinidad and Tobago's exports of manufactures was roughly equivalent to that of Jamaica. But Trinidad and Tobago had started from a larger base, since the total value of her exports of manufactured goods was nearly 5 million dollars in 1955. Here again, the period after 1959 witnessed an acceleration in the rate of expansion of exports. Chemicals (mainly fertilizers) were the predominant contributor to the growth in export sales, as the total value of exports in this group expanded from 2.1 million dollars in 1959 to 8.8 million in 1962.

57. Barbados presented an interesting case. Although her export trade in manufactures is minute, the total value of these exports more than doubled between 1955 and 1962. Like Jamaica, the bulk of Barbados' exports of manufactures consisted of clothing, but like Trinidad and Tobago, these exports went almost exclusively to markets in the Eastern Caribbean. In the case of British Guiana, diamonds, a resource-based product, provided the predominant support for the expansion of exports.

58. Two recent developments in Jamaica's trade in manufactures, point to the problems which confront these economies in accelerating the growth of their industrial exports. In 1963 the Government of the United States imposed restrictions on imports of cotton textiles from Jamaica, and negotiated subsequently a bilateral agreement, which permits Jamaica to expand her exports to the American market by 5 per cent per annum.[21] In addition, there was a substantial fall in Jamaica's sales of manufactures to Trinidad and Tobago, which was due to the commencement of new manufacturing enterprises in the latter country. For example, exports of tin

21/ Government of Jamaica, Economic Survey 1963, op. cit., page 51. It appears that exports of textiles from Trinidad and Tobago to the United States will also be subject to similar restrictions. On this latter point, see United Nations, World Economic Survey 1963, Part I, page 195, footnote 35.

/cans to

cans to Trinidad and Tobago fell from 1.5 million dollars in 1962 to 0.06 million in 1963. The first development points to the need for stable marketing arrangements in respect of manufactures, while the second indicates the importance of avoiding uncoordinated intraregional competition in the promotion of industrialization.

59. It appears therefore that accessibility to markets will be a crucial factor in the future expansion of manufacturing industry. Despite the progress which has been made with industrial development, it cannot be overlooked that the five territories being considered in this report are spending together nearly 200 million dollars per annum on imports of light manufactures, which constitutes over one-quarter of their total import expenditure. The possibility of further import substitution, especially on a regional basis, thus seems to merit serious consideration.

60. Up to the present, all of the territories in the area have pursued their programmes of industrialization on the basis of liberal import policies, consisting of relatively low tariffs and the limited use of quantitative restrictions. For the most part, encouragements to industry have been confined to fiscal incentives such as tax holidays, accelerated depreciation allowances, and exemptions from import duties for overseas purchases of raw materials and capital equipment. No arrangements exist for giving special treatment to Caribbean manufactures in the intraregional market, nor has there been any coordination of plans and policies in relation to industrial development.

f) Construction and Services

61. The construction sector made also a significant contribution to widening the base of these economies. In all of the territories, the average rate of expansion of this sector was higher than that of the total Domestic Product. Although the average rate of advance tended to decline after 1957 (especially in Jamaica), in some of those latter years, construction continued to be an important element in Fixed Capital Formation (Appendix tables IV to VI).

62. The growth of the sector was somewhat associated with the expansion of the leading industries, particularly bauxite and petroleum; so that it

/tended to

tended to follow the fluctuations in the growth of output which occurred in the export sector. However, the expansion of construction was also fed by an increase in residential and commercial building. Between 1957 and 1961, there was an upsurge of residential construction in the urban areas, which was partly influenced by new public programmes of expenditure and fiscal incentives. During these years a sizeable portion of the backlog in demand for urban middle income housing was cleared; and there is some evidence that the housing boom has begun to taper off.

63. In Jamaica, investment in housing expanded from 11.8 million dollars in 1956 to reach a peak of over 24 million in 1961. But in 1962 the figure dropped to some 20 million dollars, only to fall further to 15 million in 1963. As far as Trinidad and Tobago was concerned, the absolute value of investment expenditure on housing continued to rise up to 1962 (at least in current prices), but expenditure in that year grew at a slower rate than it had done in the three previous years.[22/]

64. With respect to services, their place in the expansion and diversification of these economies cannot be ignored. Tourism is one of the central activities in this sector, and it played a notable role in the expansion of the economies of Jamaica and Barbados. In Jamaica alone, the number of tourist beds available increased from 2,500 in 1953 to 7,471 in the 1962/63 winter season. And tourist arrivals rose from 74,892 in 1950 to a peak of 226,945 in 1960.[23/]

65. Since 1960, however, the total number of tourist arrivals in Jamaica has declined, and this was matched by a fall in tourist expenditure from 38.1 million dollars in that year to 34.8 million in 1962 (Table 7). Arrivals and expenditure continued to increase in Barbados, but the industry there is of a much smaller magnitude than that of Jamaica. The decline of the tourist industry in Jamaica has been ascribed to unsettled political conditions in neighbouring countries, and increasing competition from other resort areas in the Caribbean.

22/ Fixed capital formation in housing was 9.4 million dollars in 1956, 9.7 million in 1958, 11.3 million in 1959, 13.2 million in 1960, 15.5 million in 1961, and 17.2 million in 1962. Cf. Central Statistical Office, The National Income of Trinidad and Tobago 1952 to 1962, page 22.

23/ Government of Jamaica, Five-Year Independence Plan, op.cit., page 20.

Table 7

JAMAICA AND BARBADOS: INDICATORS OF TOURIST ACTIVITY, 1957-1962

	1957	1958	1959	1960	1961	1962
	Total number of visitors (thousands)					
Jamaica	160,7	169,4	191,3	226,9	224,5	206,8
Barbados	23.8	24.9	30.2	35.5	37.1	44.3
	Estimated expenditure by tourists (Millions of US dollars)					
Jamaica	..	28.5	32.1	38.1	37.7	34.8
Barbados	6.1	6.4	7.2	7.6	9.4	11.1

Sources: International Union of Official Travel Organization, International Travel Statistics, various issues, Government of Jamaica, Economic Survey, 1957-1962; Government of Barbados, Development Plan, 1960-65.

66. A more fundamental problem which is faced by all of the resort areas in the Caribbean, is that of developing tourist facilities which cater to a wider range of income groups. For the most part, tourist development has been based on the provision of high-rate luxury hotel accommodation. This type of development carries several disadvantages. First, given the geographical location of the Caribbean, the bulk of high-income tourists tend to originate from North America, especially the United States. Thus the fortunes of the industry have been intimately bound to economic conditions in that country. This is borne out by the experience of Jamaica during the 1957/58 winter season, when there was a recession in the United States.[24/] Insofar, therefore, as the development of cheaper facilities will lead to greater diversification in the geographical pattern of demand, this may make for a more stable pattern of growth.

67. Secondly, it has been observed that high-income tourists are notoriously fickle.[25/] One Caribbean island may be the fashion this year, another the next, the Mediterranean the following year, and so on. On the other hand, budgetary constraints alone ensure that lower-income tourists will exhibit a much less capricious pattern of travel preferences. In general, the institutional nature of low-rate tourism suggests that it may be easier for tourist areas to tap this source of demand, through the provision of cheap arrangements for group travel and accommodation, and credit facilities.

68. Finally, high rate tourism is not particularly economical, as unused resources of white sand beach become increasingly scarce. The maximisation of income per unit of beach land may therefore require the provision of less luxurious accommodation which can cater to a larger number of persons.

24/ Government of Jamaica, Economic Survey 1957, page 4.
25/ C. O'Loughlin, "Problems in the Economic Development of Antigua", Social and Economic Studies, Vol. 10 No. 3, September 1961, page 262.

69. Some of the governments recognize the desirability of giving greater emphasis to medium and low rate tourism. For instance, this is evidenced in the plans for the development of the Negril area in Jamaica. But a full recognition of the potentials for such development may necessitate some coordination of promotional work between the islands in the area, as well as cooperation in the provision of recreation, transport, and credit facilities.

70. Leaving aside tourism, there were also significant increases in the output of other services, such as transport, banking and finance, and distribution. The growth of these services was particularly marked in Jamaica and Trinidad and Tobago, where their expansion was facilitated by increased availabilities of credit. In particular, the supply of consumer credit was increased by the entry of branches of overseas finance houses into the field of hire-purchase. By 1961 however, some of these companies were judged to be in an over-extended position. The decline in their liquidity led to substantial cut-backs in the volume of consumer credit, and this process was furthered in Jamaica by the introduction of restrictive legislation by the government.[26/] Taking figures for the month of December, the total value of hire-purchase credit in Jamaica fell from 30.6 million dollars in 1960 to 25 million in 1961, 15.2 million in 1962, and 11.0 million in 1963. The tightening of credit was at least one of the reasons why commercial and financial activities in Jamaica and Trinidad and Tobago have experienced a levelling-off since 1962.[27/]

g) The Public Sector

71. By 1962, therefore, most of the major sectors of these economies had begun to exhaust the stimuli which had kept them moving since the early fifties, notwithstanding the sustained increase in activity which had taken place in the public sector. Current revenues showed signs of buoyancy, particularly in Jamaica and Trinidad and Tobago, where they nearly trebled between 1953 and 1963 (table 8). The expansion of bauxite and petroleum in the respective territories was largely responsible for these increases.

26/ Bank of Jamaica, Annual Report 1961, especially pages 21-22.
27/ Ibid., and Annual Reports for 1962 and 1963.

Table 8

COMMONWEALTH CARIBBEAN: FINANCE OF CENTRAL GOVERNMENT

(Millions of U.S. dollars)

	Current revenue	Current expenditure	Surplus on current account	Capital expenditure
Jamaica[a]				
1953/54	40.6	36.4	4.2	7.8
1958/59	80.1	69.4	10.6	22.4
1959/60	87.1	73.9	13.2	30.0
1960/61	95.8	79.0	16.8	30.0
1961/62	103.3	88.5	14.8	30.2
1962/63	112.3	100.0	12.3	34.2
1963/64	118.5	106.4	11.2	35.6
Trinidad and Tobago				
1953	39.7	38.0	1.8	1.1
1959	76.7	62.5	14.2	22.3
1960	86.8	70.1	16.7	22.5
1961	84.9	83.3	1.6	30.7
1962	96.6	90.9	5.7	35.4
1963	108.9	106.4	2.5	36.9
British Guiana				
1953	18.8	18.3	0.5	...
1957	26.7	25.1	1.6	...
1958	28.6	27.1	1.5	11.6
1959	28.4	26.6	1.8	11.1
1960	32.8	29.6	3.2	9.2
1961	34.8	32.7	2.1	...
Barbados				
1953/54[a]	8.7	7.5	1.2	0.8
1957/58[a]	11.7	11.3	0.4	4.1
1959	13.9	12.1	1.8	5.4
1960	12.7	12.3	0.4	5.9
1961	14.4	13.8	0.6	5.8
British Honduras				
1953	2.8	2.6	0.2	1.2
1957	1.6	3.9	-2.3	1.4
1959	4.5	4.7	-0.6	2.5
1960	4.2	4.9	-0.7	1.7
1961	4.8	5.1	-0.3	1.7

Sources: Official revenues and expenditure accounts of various countries and territories.

a/ Fiscal years.

In Jamaica, the upward jump of revenues between the fiscal years 1953/54 and 1958/59 arose mainly from the negotiation of more favourable tax arrangements with the bauxite companies in 1957. The rather similar movement which took place in Trinidad and Tobago, between 1953 and 1959, mirrored the upsurge in petroleum production which was then taking place.

72. More generally, receipts from income taxation became responsible for a larger proportion of total revenue. In the 1953/54 fiscal year income tax accounted for just over 23 per cent of total revenue in Jamaica, while in 1961/62 it represented nearly 37 per cent. In Trinidad and Tobago, the comparable proportions were 37 per cent in 1953 and 38 per cent in 1962. Contributory factors to these increases were upward revisions in the rates of taxation both in respect of individuals and companies, and the introduction of more efficient systems of tax collection. In particular, the establishment of the "pay as you earn" (PAYE) system of tax collection in respect of individuals, helped to reduce the incidence of evasion.

73. One noteworthy trend, at least in Trinidad and Tobago, has been the tendency for collections from individuals to rise faster than those from companies. Collections from individuals rose from 2.9 million dollars in 1953 to 8.5 million in 1962, while those from non-oil companies increased from 3.7 million to 8.8 million. While this may be partly a reflection of improvements in administration, it may also be an indication of the dampening influence which is exerted by fiscal incentives to industry on the growth of government revenue.[28/]

74. Of even greater significance were the developments which took place in respect of public expenditure. On the basis of available information, it would appear that total expenditure in all of the territories more than doubled between 1953 and 1962. Part of the expansion was due to the increase in capital outlays, which mirrored the development conciousness of the respective governments. But the more substantial trend was the mounting pressure of current expenditure on budgetary resources. This was especially evident in Trinidad and Tobago, where the rate of increase in

28/ There may of course be other explanations; for example, it may be a reflection of a shift from profits to wages and salaries.

/current

current expenditure showed signs of accelerating between 1960 and 1963, when public expenditure on current account rose by over 50 per cent.

75. The upward drift of current expenditure was partly associated with rising outlays on education, health, and other social services, revealing the budgetary implications of fast rates of population growth. In Jamaica current expenditure on education, public health, and social welfare, absorbed some 47 per cent of total recurrent expenditure in fiscal year 1961/62, compared with 36 per cent in 1953/54. But another important influence on current expenditure was the wage and salary increases which took place within the public sectors, and indeed within these economies as a whole.

h) Wages, Prices and Employment

76. Systematic data are lacking on the pattern of wage increases in these economies; but the general pressure towards mechanisation in sectors such as agriculture and construction, suggests that wages were moving out of line with other factor prices. In Jamaica, it is believed that between 1956 and 1960, total wages and salaries increased 40-50 per cent more than the increase for total national income. This may imply that wage payments have expanded more rapidly than real output. Otherwise, the only continuous data that are available relate to Trinidad and Tobago. There money wages have been rising faster than retail prices since 1953, and the relative rate of increase in wages has tended to accelerate since 1959. Between 1960 and 1963 money wages increased by nearly 30 per cent, at a time when the level of retail prices had only risen by some 8 per cent (Appendix table X).

77. Because of the openess of these economies, the upward drift of wage costs might not have had any appreciable effects on domestic price

/levels

levels.[29] For the most part, these economies experienced only moderate increases in prices over the period, and in few years did the level of retail prices rise by more than 2 per cent to 3 per cent per annum (Appendix table IX). At the same time employment grew slowly, relative to the backlog of unemployment and the annual increments of the labour force.

78. Data for Jamaica show that the decline in unemployment which took place between 1957 and 1960, was matched by a roughly equivalent outflow

29/ On the whole, theoretical reasoning suggests that in small, open economies, with automatic monetary mechanisms, increases in wage costs may tend to have a greater effect on employment than on the level of internal prices. Because of their heavy dependence on foreign trade, international prices exercise a more predominant influence on domestic prices than movements in local money costs. In a sense, local price levels are exogenously determined. Since these economies are unimportant buyers and sellers of internationally-traded goods, they are price-takers in the international market, and exert little if any influence on their export and import prices.

Given these features of domestic price formation, there are in principle, at least three ways in which increases in wage costs may have adverse effects on employment. First, is the redistribution effect. Since increases in money wages tend to be translated into increases in real wages, they may lead to a redistribution of real income away from entrepeneurs to wage earners. Insofar as this reduces saving and the profitability of investment, capital formation will be checked, and so also will be the expansion of employment.

Second, is the substitution effect. As was noted previously, a rise in wage costs will ordinarily encourage entrepeneurs to substitute machines for labour. And third, is the balance of payments effect. This arises partly from the substitution effect, because machines are usually imported. But there may also be pressure on the balance of payments because of the redistribution effect, if the marginal import content of expenditure by households is higher than that of entrepeneurs. In any event, insofar as an increase in import expenditure involves (because of the automatic operation of the monetary mechanism) a reduction in the internal supply of money, this will also tend to check domestic expenditure and employment. For a lucid analysis of these problems, see William G. Demas, The Economics of Development in Small Countries with Special Reference to the Caribbean, Keith Callard Lectures, McGill University, Canada, 1963 (forthcoming).

/of workers

of workers to the United Kingdom.[30/] In Trinidad and Tobago, the rate of unemployment in 1960 was higher than it was in 1946, [31/] and there was an absolute decline in employment within large establishments in the private sector between 1960 and 1962.[32/] In British Guiana, there was no perceptible change in the rate of unemployment between 1956 and 1960,[33/] while the numbers of registered unemployed in Barbados have tended, if anything, to increase. [34/]

79. The data presented in the preceding paragraph must be qualified by reference to the conceptual difficulties involved in attaining accurate measures of unemployment in developing areas. It must also be pointed out that some progress has been made with the employment situation in the Caribbean, in the sense that there have been improvements in the quality of employment, owing to the faster rate of growth of high productivity jobs. On the whole, however, there is no clear evidence that the problems of unemployment and underemployment were any less challenging in 1963 than they were in 1953.

i) Foreign Trade and the Balance of Payments

80. The leading role which foreign trade has played in the growth of these economies was underlined previously in the discussion of developments in individual sectors. In nearly every case both exports and imports grew faster than the Gross Domestic Product, thus increasing the orientation of these economies towards foreign trade.

81. The influence of the mining industries was very evident in the changes which took place in the commodity composition of trade. Appendix table XI shows that, taking the five territories as a whole, the share of crude materials in total exports rose from 19 per cent in 1954 to nearly 24 per cent in 1961. This was almost wholly due to the expansion of bauxite exports in Jamaica, where the share of crude materials in total exports ...

30/ Compare figures on unemployment quoted in the Government of Jamaica's Five-Year Independence Plan 1963-1968, page 33, with those on migration shown in the annual Economic Surveys, 1957-1960.

31/ J. Harewood, "Employment in Trinidad and Tobago", Research Papers, No. 1 Office of the Prime Minister, December 1963.

32/ Government of Trinidad and Tobago, Draft Second Five-Year Plan, op.cit., page 156.

33/ A. Kundu, "The Economy of British Guiana 1960-1975", Social and Economic Studies, Vol. 12 No. 3, September 1963.

34/ United Nations, Statistical Yearbook, 1963, page 60.

/increased

increased dramatically from 21 per cent in 1954 to 51 per cent in 1962. No less dramatic was the role of petroleum in the export trade of Trinidad and Tobago, where by 1962 it accounted for 85 per cent of total exports, and 46 per cent of total imports.

82. Nonetheless, agricultural products continued to occupy an important place in the trade of the region. In Jamaica and Trinidad and Tobago, the expansion of mining, and to a much lesser extent, of manufacturing, served to reduce the share of food, beverages, and tobacco in total exports. Comparing 1954 with 1962, the share of those commodity groups in Jamaica's exports fell from 76 per cent to 42 per cent, while in the case of Trinidad and Tobago, their share declined from 21 per cent to 14 per cent. In Barbados and British Guiana, the growth of manufacturing seemed also to have effected a slight reduction in the dependence of those economies on agricultural exports. But in British Honduras, export agriculture raised its share in total exports from 25 per cent to 69 per cent, between 1954 and 1962.

83. As far as imports were concerned, there was general evidence of a reduction in the shares of food and light manufactures in total imports. But as observed earlier, all of these economies are still heavily dependent on overseas supplies of these commodities. Apart from this, increases in the levels of expenditure on intermediate and capital goods (Appendix table XII) reflected the economic expansion which was then taking place.

84. The influence of the leading industries was also evident in the changes which took place in the geographical pattern of trade. In Jamaica, Trinidad and Tobago, and British Guiana, the dollar area replaced the sterling area as the mayor outlet for exports, mirroring the predominance of mining products in their respective export trades. In Barbados, the sterling area more or less retained its leading place, because of the continuing importance of sugar and sugar products, and the reliance of her tiny trade in manufactures on markets in the Commonwealth Caribbean. The only

/territory

territory where the sterling area advanced its position was British Honduras, owing to the increase in sales of sugar and citrus to the British market, coupled with the decline in exports of forestry products to the United States (Appendix table XIII).

85. On the import side, there was some widening in the geographical spread of trade. Although the sterling area retained generally its place as leading supplier, both the dollar area and the European Economic Community managed to increase their share of trade with the region.

86. On the whole, therefore, the period witnessed a reduction in the geographical concentration of both exports and imports. This can supposedly be counted as a contribution towards the strenghtening of the bargaining power of the territories in regard to commercial negotiations.

87. A note of caution must be entered concerning the interpretation of the data that are available on the balance of payments. In the case of economies with important mining sectors, namely, Jamaica, British Guiana and Trinidad and Tobago, payments and receipts for the exports and imports of the mining companies do not give rise to foreign exchange transactions within the countries themselves. The companies usually effect settlements through their overseas offices, and transfers of foreign exchange are only made to cover tax payments, and expenditure on local inputs.

88. Again, up to the present, Barbados, British Guiana, and Trinidad and Tobago, do not possess independent currencies; as they share a common currency with other Commonwealth territories in the Eastern Caribbean.[35/] Thus, estimates of the foreign exchange assets of those territories include a computed share of the joint sterling assets of the British Caribbean Currency Board. For either or both of these reasons, data in respect of the balance of payments give only a rough guide to the actual flows of foreign exchange which take place between these economies and the rest of the world.

89. Bearing these qualifications in mind, the available evidence suggests that these economies emerged from this period of growth with a healthy

35/ A Central Bank was established in Trinidad and Tobago in 1964, and a national currency unit was being introduced in 1965.

/external position

external position. The automatic operation of the monetary mechanism ensured that none of them were faced with a shortage of foreign exchange. And indeed, most (if not all) of them managed to accumulate reserves over the period as a whole. Tables XIV to XVI of the appendix give some essential data on the balance of payments of Jamaica, Trinidad and Tobago, and British Honduras.

90. Such concern as was expressed about the balance of payments is related more to the problem which may arise in the future as these economies advance towards more autonomous monetary management, than to any actual difficulties which were experienced with the financing of external payments.[36/] In this connection, the slowing-down in the growth of bauxite, petroleum and tourism; the effect of the Commonwealth Immigration Act on the receipt of transfers; the persistence of high levels of expenditure on food and light manufactures; and the rising outward flow of investment income are all matters which will warrant the future attention of the authorities in maintaining external balance.

j) Summary

91. The experience of the past decade can be summarised in terms of some of the issues which it has thrown up for policy makers. First, it has evoked the question as to how rapid rates of growth can be sustained. Once populations become accustomed to regular and substantial increases in incomes, it is difficult for them to accommodate to leaner times. This is evidenced in the pressure for wage increase which took place during the post-1957 phase of slower growth.

92. Earlier analysis of the prospects for the leading sectors in the past period suggests that the possibilities for rapid growth in the future will depend upon the progress which is made with agricultural diversification, especially in respect of local food production, and with the development of manufacturing. The latter is especially important for Jamaica and Trinidad and Tobago, because of their unfavourable land population ratios. This leads to a second major issue. Given the small size of these economies, and their continuing dependence on foreign trade, how can trade policies be modified to support an accelerated programme of diversification, and in the light of changing commercial relationships with the British Commonwealth? These issues will be first considered in terms of the official plans of these governments for future development.

36/ See Bank of Jamaica, Annual Reports, 1961 to 1963.

/2. Current

2. Current Approaches to Future Development

93. Jamaica and Trinidad and Tobago are the only countries which have published development programmes for the period beyond 1965. However, reference will be made here to the programme which was outlined for British Honduras by a United Nations technical assistance mission,[36/] and to a survey which was made of the economic potential and capital needs of Barbados.[37/]

94. The five-year plans of Jamaica and Trinidad and Tobago cover the period up to 1968. Both plans envisage slower rates of growth than in the 1950's, and real Domestic Product has been projected to grow at about 5 per cent per annum. The plan suggested by the United Nations technical assistance experts for British Honduras covers the period up to 1970, and recommends an overall growth target of 7 per cent per annum, which is comparable to the achievement of the economy in the period 1954-1959. As far as Barbados is concerned, the projections of capital needs are based on an annual growth rate of about 3.5 per cent between 1965 and 1973, which is somewhat lower than the estimated rate of growth over the past three years.

95. The Five Year Independence Plan of the Government of Jamaica, envisages a much less significant role for exports than they played in the past decade. Exports have been projected to grow at 3 per cent per annum, or by a slower rate than the Gross Domestic Product. The target for exports has been predicated on a growth rate of 3 per cent per annum for bauxite, no increase for alumina, and a 1 per cent growth rate for sugar. However, it is hoped that citrus and bananas will provide the main support for an annual growth rate of 5.4 per cent in export agriculture. Some increase is also anticipated in the export of manufactures, but the specific target has not been clearly stated. Tourism has been projected as growing more slowly than the economy as a whole.

36/ United Nations, A Development Plan for British Honduras, op. cit.
37/ Department of Technical Cooperation, A Survey of Economic Potential and Capital Needs of the Leeward Islands, Windward Islands, and Barbados, 1963, pp. 119-127.

96. As far as other sectors are concerned, the main thrust is expected to come from domestic agriculture, with an annual growth rate of 3.1 per cent; livestock and fishing (5.6 per cent); manufacturing (7.3 per cent), and domestic-oriented services (5.5 per cent). Details of some of the projected changes in the structure of the economy are contained in Table 9.

97. The targets for bauxite and sugar may require upward revision, in view of current developments in respect of these industries, and they seem more appropriate to planning for the post-1968 period. On the other hand, the projection for domestic agriculture seems optimistic, in the light of the current and past performance of this sub-sector. In addition, to the extent that the plan reflects the foundations which are being laid for growth beyond 1968, the emphasis on citrus and bananas may warrant review, in the light of the uncertainty surrouning existing marketing arrangements.

98. In general, a case can be made out for assigning a more important role to exports of manufactures than is allowed in the Jamaican plan. Given a continuance of the uncertain outlook for most of Jamaica's major primary products, it may well be that growth in the 1970's will depend on the foundations which are laid during the current plan period, for a more even balance between primary production and manufacturing.

99. A greater emphasis on exports of manufactures may also be justified on the grounds of the balance of payments. The Plan has assigned a major role to the foreign financing of capital formation, especially by the public sector. And it is hoped that external grants and soft loans will finance about one-third of total public outlays (Appendix table XVII).

100. If the targets for foreign aid are not realised, and assuming that projected levels of import expenditure represent an essential minimum for fulfillment of the plan, equilibrium in the balance of payments may demand some upward adjustment of export receipts. In an uncertain world, it is often deemed advisable to 'hedge one's bets' about foreign aid, by working out a supplementary set of targets for exports, and pursuing the latter consciously. No one ever complains about the over-fulfillment of a plan, and to the extent that a more ambitious target for exports is

/Table 9

Table 9

COMMONWEALTH CARIBBEAN: PROJECTED CHANGES IN THE STRUCTURE OF THE ECONOMY

(Percentages)

	Jamaica		Trinidad & Tobago		British Honduras		Barbados	
	1963	1967	1962	1968	1958	1970	1964	1973
Agriculture[a/]	11.9	11.1	7.9	7.5	39.4	42.3	27.6	22.7
Mining	10.2	9.1	28.8	25.5	-	-		
Manufacturing[b/]	15.3	16.1	13.1	15.1	4.3	3.7	9.8	11.2
Construction	11.2	11.2	6.3	6.3	12.0	11.9	10.2	12.7
Government [c/]	8.8	9.3	14.0	15.1	14.7	13.6	13.3	14.0
Other	42.7	43.2	29.9	30.5	29.6	28.6	39.1	39.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Government of Jamaica, Five Year Independence Plan, 1963-1968, p. 67; Government of Trinidad and Tobago, Draft Second Five Year Plan 1964-1965, p.75; United Nations, A Development Plan for British Honduras, Part One - General Report, Op. cit. p. 100; Department of Technical Cooperation, A Survey of Economic Potential and Capital Needs of the Leeward Islands, Windward Islands and Barbados, p. 124.

a/ Including forestry and fishing.
b/ Including sugar milling.
c/ Including public utilities.

/even only

even only partly achieved, a firmer basis will have been laid for future growth. The Plan gives little attention to export policy. It assumes that existing trading arrangements will be maintained, and mentions that the Latin American region will be investigated for trading opportunities.

101. On the whole, the Jamaican Five-Year Independence Plan stresses the need for social integration and development. Economic services (agriculture, industry, tourism, and transport and communications) are allocated about 46 per cent of total development outlays by the public sector, as compared with some 55 per cent in the previous National Plan. Appendix table XVIII lists the allocations which have been made to major activities in both plans, and shows that industrial development itself receives a smaller proportion of total outlays in the current plan.

102. The basic assumption of the Second Five-Year Plan of the Government of Trinidad and Tobago, is that there will be a slowing-down in the expansion of petroleum. The sector has been projected to grow at 3 per cent per annum, against the rate of 7.5 per cent which was registered between 1957 and 1962.

103. Given the anticipated slowing-down in petroleum, the central strategy of the Plan is that of effecting changes in the structure of production, which will reduce the dependence of the economy on this sector. The major thrust is expected to come from manufacturing, where the target rate of growth has been fixed at 8.7 per cent per annum. It is hoped that exports will provide the main support for the expansion of manufacturing output; and on this premise the rate of growth for exports of manufactures has been set at over 15 per cent per annum.

104. While the strategy for the manufacturing sector is export creation, that for agriculture is import substitution. Here, it is expected that the expansion in production of meat and vegetables for local consumption will out-pace the growth in output of export crops. This constitutes a marked departure from the previous pattern of growth in this sector, and sugar has been projected to grow at 2 per cent per annum, which represents only one-half of the rate of growth for agriculture as a whole.

/105. Otherwise,

105. Otherwise, the only other notable change which has been planned, is an increased share in total output for the service sectors of the economy. The share of the production sectors (i.e. petroleum, manufacturing, agriculture and construction) in the Gross Domestic Product is expected to decline from 56.1 per cent in 1962 to 54.4 per cent in 1968 (table 9).

106. Although the target which has been set for exports of manufactures may appear to be ambitious, it is probably modest in terms of the implications of the plan for the balance of payments. Like Jamaica, the Second Five-Year Plan assumes that foreign aid will finance about one-third of total public outlays. In the previous plan period, foreign aid contributed less than 1.5 per cent to development expenditures by the public sector. As far as export policy is concerned, the Plan assumes the continuance of existing market outlets, and discusses the possibility of a Caribbean economic community in very broad terms.

107. In general, the support which the public sector will give to the development of the economy, is reflected in the proposed increase in development expenditure by 59.5 million dollars, over that of the first plan (Appendix table XIX). Outlays on agriculture and the infrastructure (transport, communications, and electricity) will absorb more than the increase in total expenditure, but this will be offset by reduction in spending on tourism. The decline in expenditure on tourist development will also allow an increase in allocations to industry of some 3.7 million dollars. As the leading sector for the period, manufacturing will get around 6 per cent of additional outlays.

108. Unlike the Jamaican Five-Year Independence Plan, the Second Five-Year Plan of Trinidad and Tobago makes specific projections of employment. It is anticipated that the plans for the expansion of the economy will generate 44,900 additional jobs over the period. A decline in employment is anticipated for petroleum and sugar, but increases are projected for manufacturing, agriculture and services. On the whole, the estimated growth in employment will fall short of the anticipated increase in the labour force by some 4,000 persons. This will leave the rate of unemployment at the level which existed in 1960. It is hoped to provide relief for the unemployed through special schemes of public works.

/109. The

109. The major recommendations contained in the United Nations technical assistance mission's Plan for British Honduras, are for a dramatic increase in the production and export of meat, and for continued growth in sugar and citrus. As far as the former in concerned, the Plan envisages that the stock of cattle can rise from its present level of 20,000 head to a minimum of 100,000 head by 1970. Only very brief treatment is given to the question of export markets. The assumption is made that British Honduras will be able to dispose of her new exports of meat in North America and the Caribbean.

110. In the case of North America , British Honduras will have to compete on an equal basis with other established overseas suppliers, and with domestic producers. In the Caribbean, she will also face competition from Commonwealth suppliers such as Australia and New Zealand, and will encounter import restrictions in favour of domestic supplies, in markets such as Jamaica. These considerations suggest that the prospects for achieving the export target contained in the plan, can be enhanced by the negotiation of special "infant industry" arrangements with some of the markets mentioned.

111. The importance of accelerated export creation in British Honduras is also underlined by the predominant role which is anticipated for external aid. The plan assumes that foreign grants and loans will cover nearly 90 per cent of total public outlays, that is, a total sum of 28.0 million dollars. Of this total 13.3 million has already been pledged by the United Kingdom, under the financial arrangements concerning hurricane reconstruction. But assurances remain to be sought and received for the rest.

112. The survey of economic potential and capital needs in Barbados projected a growth rate of 1 per cent per annum for sugar production, which corresponds roughly to the average for the period 1957-1963. It is expected that the main contribution to growth during 1964-1973, will come from manufacturing, with a growth rate of 5 per cent per annum; construction (6 per cent); and services and professions -including tourism- (5 per cent). Trade policy is not explicity discussed, since it is

/assumed

assumed that the expansion of manufacturing in Barbados will be geared to the customs union which will arise from the proposed Eastern Caribbean Federation. The survey envisaged that Barbados will require external finance for some 82 per cent of capital requirements by the public sector.

113. To summarise, all of the plans recognise that new leading sectors will have to emerge up to 1968. They have also stressed the need for further agricultural diversification in regard to food production for the local market. The heavy reliance which all of them place on foreign aid accentuates the role which external receipts have to play in the fulfillment of overall targets. And in this connection, the importance of export promotion cannot be over-emphasized. However, it would seem that the matter to which they have all given least attention is that of trade policy. In the section which follows, an attempt will be made to sketch some of the issues that may warrant attention.

II: SOME STRATEGIES FOR TRADE POLICY

1. Current Issues of Trade Policy

114. A consideration of the trade policies which may be required for the future development of the Caribbean economies, should begin by recognising the changing nature of trade relations with the Commonwealth, and the structural changes which these economies may have to undergo. On the first point, reference was made in paragraph 42 to the United Kingdom's interest in non-discriminatory policies, in regard to her commercial relations with developing countries. To this must be added a similar interest on the part of Canada. Since the Second World War, Canada has generally tended to favour a multilateral rather than a preferential framework for the conduct of international trade.

115. Indeed, since the war Canada has reduced some of the preferences which she extends to exports from the Commonwealth Caribbean. These reductions were conceded at various negotiating sessions of GATT. At Torquay in 1950, Canada reduced preferences on bananas, cocoa, coffee and grapefruit juice. At Geneva in 1956, she reduced those on orange juice and coffee, and practically abolished one of the sugar preferences. The preference on imports of sugar for use in the manufacture of wine was brought down from 67 cents per 100 lbs. to .008 cents per 100 lbs. Although the reduction in this sugar preference was not of much practical significance, it has been construed as an indication of changing Canadian attitudes towards preferential relations with the Commonwealth Caribbean; for the sugar preferences have symbolised the trading ties between Canada and the West Indies since 1898.

116. It may be prudent, therefore, for the Commonwealth Caribbean to allow for some modifications in existing trading arrangements, in making plans for future economic growth. This does not mean that safeguards should not be secured for existing exports of primary products. The complete loss of existing concessions would undoubtedly have very adverse effects on these economies, especially during the short period. For example it has been estimated that if the British preference on bananas is withdrawn, Jamaica

/would

would face a short-run loss in export receipts of about 5 million dollars per annum, and the Windward Islands some 12 million dollars.[39/]

117. The changing nature of British and Canadian commercial relations imply, however, that the Commonwealth Caribbean should begin thinking of ways in which compensating safeguards can be secured, through schemes for the stabilisation and expansion of export receipts from commodity trade, This will require more than a defensive position in relation to existing preferences. It will demand a positive approach, in cooperation with other developing countries, in finding solutions to current commodity problems.

118. Action of the latter kind may take several forms. The Commonwealth Caribbean may explore the possibility of negotiating a scheme of financial compensation for the loss of preferences in the United Kingdom and Canada, on a basis comparable to the arrangements which exist between the European Economic Community and the former French territories in Africa. The matter may also be tackled on a more multilateral level, involving agreements in relation to individual commodities, between preferential importing countries on the one hand, and both sheltered and unsheltered exporting countries on the other. Such agreements may contain guarantees, for a specific period, of minimum import expenditures and export receipts in regard to importing and exporting countries respectively, possibly on a tapering-off basis. These guarantees may be supported by compensation funds, which can be financed on the basis of shortfalls in import expenditures, and excesses in export receipts.

119. Another course of action may be for sheltered and unsheltered exporters to pool their efforts for securing reductions in transport and marketing costs in respect of particular commodities. In the case of bananas, for example, f.o.b. export prices account in several cases for about one-fifth to one-quarter of final retail prices.[40/] If transport and distribution costs can be reduced, it may be possible for preferential arrangements to be dismantled, without much loss of export income to protected countries.

39/ GATT, Trade in Tropical Products (Geneva, 1963), page 78.
40/ Ibid., page 60.

/120. In any

120. In any event, existing Commonwealth arrangements are not likely to be of much help in the development of new primary production or manufacturing. The British preference on most types of beef exceeds hardly 5 per cent. Moreover, in May 1963 the United Kingdom introduced new measures for controlling imports of meat, so that home production would have a "proper share" in the future growth of demand. These measures are likely to prevent any major expansion in sales of beef to the British market.[41/]

121. As far as manufactures are concerned, exports from the rest of the Commonwealth to the United Kingdom and Canada are eligible for sizeable preferential margins. But one must also take into account the terms on which Commonwealth manufactures are permitted to compete with domestic production in Britain and Canada. For example in the case of goods such as textiles and clothing, exports from the Commonwealth are subject to tariffs of between 10 to 15 per cent, ad valorem. Moreover, it should be noted that on some textile items, the EFTA countries already enjoy higher preferences in the United Kingdom than the Commonwealth members. This will no doubt apply more generally as the transitional period for EFTA draws to a close.

122. Finally, both Britain and Canada have taken non-tariff action to protect their domestic production of textiles from 'market disruption' by Commonwealth competitors. It cannot be ruled out that similar action may have to be taken in the future against other manufacturers, if and when the circumstances warrant. It should be mentioned here that the Commonwealth Preference arrangements were not designed for facilitating inter-Commonwealth competition in manufactures. For the most part, they were intended to foster complementarity between manufacturing and primary production originating from the tropical and temperate zones of the Commonwealth.

123. Given the limitation of current Commonwealth arrangements in respect of the development of new exports, the question arises as to where the

41/ FAO, Trade in Agricultural Commodities in the United Nations Development Decade, op. cit., pp. 11-18.

/Commonwealth

Commonwealth Caribbean should seek markets for these products. Once allowance is made for the trading arrangements which exist in other areas in the world, it may seem advisable to start by looking for markets near to home.

2. Inter-Regional Trade and Economic Cooperation

124. At present, inter-regional trade plays only a secondary (if not minor) role in the total commerce of the region, involving just a few territories, and a small number of commodities. Trinidad and Tobago and British Guiana are the only main territories in the area which dispose of more than 10 per cent of their exports in the Caribbean market. (Appendix table XXI.) In the case of the smaller territories, especially the Windward Islands, trade with the rest of the region tends to assume greater importance. For instance, St. Vincent has built up a sizeable trade in vegetables with other territories in the Eastern Caribbean, and thus sells over 20 per cent of her total export to the regional market. On the import side, the figures for the Windward Islands are somewhat misleading, since a large proportion of their imports from the rest of the area consists of transshipped goods.

125. A closer examination of the currents of inter-regional trade confirms the high degree of territorial and commodity concentration in this trade. In 1961, Trinidad and Tobago and British Guiana supplied together over 80 per cent of the exports which moved between the six countries and territories included in table 10. Jamaica, on the other hand, was the largest importer of regional goods, purchasing nearly one-third of the total value of inter-regional exports. The table reveals also that the trade was dominated by three commodities, petroleum, rice, and fertilizers, whose combined share of the total value of trade was nearly 80 per cent.

126. The low level of inter-regional trade in goods is only one aspect of the relative economic isolation which exists between each Caribbean economy and its neighbours. Inter-regional movements of services and credit are a mere trickle compared with the movements which take place on an extra-regional basis. Transfers of loanable funds, insofar as they

/Table 10

Table 10

TRADE BETWEEN SIX CARIBBEAN ECONOMIES, 1961[a/]

(Thousands of US dollars)

Exporter \ Importer	Puerto Rico	Jamaica	Trinidad and Tobago	British Guiana	British Honduras (Belize)	Barbados	Total
			Network of trade				
Puerto Rico	-	231.0	513.1	199.5	1.3	127.7	1,072.6
Jamaica	83.1	-	1 189.7	196.4	727.3	204.4	2,400.9
Trinidad and Tobago	253.4	7,988.7	-	6,302.7	260.0	3,681.7	18,486.5
British Guiana	8.5	2,553.4	5,347.7	-	2.5	1,443.9	9,356.0
British Honduras	125.2	457.1	3.1	2.1	-	1.8	589.3
Barbados	11.3	59.0	762.9	327.4	5.0	-	1,165.6
Total	481.5	11,289.2	7,816.5	7,028.1	996.1	5,459.5	33,070.9

Main commodities

Commodity	Territory of origin	Thousands of US dollars	Percentage of total trade
Petroleum	Trinidad and Tobago	15,956.5	48.2
Rice	British Guiana	7,344.3	22.2
Fertilizers	Trinidad and Tobago	2,370.8	7.2
Total 3 commodities			77.6

Sources: Official trade reports of individual countries and territories.

a/ Exports, f.o.b. (includes re-exports).

/take

take place on a significant scale, are usually determined by decisions taken in the metropolitan centres, where the Head Offices of the commercial banks and other financial institutions are located. 42/

127. Similar deficiencies exist in respect of transport and communications. Air and shipping services between the Caribbean and the rest of the world are much more regular and adequate than between the territories themselves. It has been alleged that it often takes less time to communicate by letter, telegram, or telephone, between any one of the territories and New Y ork or London, than with neighbouring economies in the area.

128. These deficiencies, nevertheless, can be overcome gradually, if a concerted effort is made to exploit the existing potential for inter-regional trade. Current levels of import expenditure in the Caribbean area offer good export opportunities for producers of meat and light manufactures. As observed earlier, the area as a whole has by no means exhausted the possibilities for regional import substitution in respect of a wide range of foodstuffs and manufactures. Table 11 lists some of these possibilities, on the basis of world exports to the area in 1962.

129. The table shows that the Commonwealth Caribbean together with the French and Dutch Caribbean territories, spent nearly 7.5 million dollars (f.o.b.) on imports of meat, with Jamaica and Trinidad and Tobago alone spending some 3.5 million. This can be compared with the export target for beef of some 1.7 million dollars, which the United Nations' plan has set for British Honduras. Consider also the 36.6 million dollars which were spent on cotton fabrics and clothing, against the Jamaica target of increasing the value added in textile manufacturing by 5.9 million dollars between 1963 and 1967. 43/

42/ A. Bloomfield "Central Banking Arrangements for the West Indies Federation: Issues and Policies", Studies in Federal Economics No.2, University of the West Indies, 1962.

43/ Five-year Independence Plan op. cit. page 67. The value added in textiles and textile goods is nearly 50 per cent value of gross output. See, Government of Jamaica, Department of Statistics, Report on a Survey of Industrial Establishments, 1960, page 109.

/Table 11

Table 11

WORLD EXPORTS OF SELECTED PRODUCTS TO MAIN TERRITORIES IN THE CARIBBEAN, 1962
(Thousands of US dollars)

Selected products	Jamaica	Trinidad and Tobago	Barbados	British Guiana	Surinam	Netherlands Antilles	French Antilles[a]	Others[b]	Total
Meat, fresh	1,143	2,409	251	-	126	1,995	696	847	7,467
Wheat flour	3,766	7,463	731	2,593	155	1,000	4,935	2,392	23,035
Paints	786	1,071	182	471	355	861	501	635	4,862
Cotton fabrics	6,076	3,813	746	1,183	1,088	886	1,973	1,251	17,016
Glassware	600	336	212	118	-	369	513	633	2,781
Metal containers	755	1,461	...	172	...	874	558	349	4,169
Nails, bolts, etc.	279	344	...	130	...	210	213	162	1,338
Hand tools	663	1,224	...	192	185	171	236	312	2,983
Housewares of metal	859	936	225	223	100	238	847	228	3,656
Furniture	962	1,410	171	383	184	914	1,934	783	6,741
Handbags	236	120	...	100	...	259	385	...	1,100
Clothes, not fur	1,885	2,274	1,179	392	409	7,693	4,135	597	18,564
Footwear	1,075	3,740	615	1,229	1,213	1,967	2,450	832	13,121

Source: United Nations, Commodity Trade Statistics, 1962.

a/ Only Guadeloupe and Martinique.
b/ British Honduras, Windward and Leeward Islands.

130. The problems of closer economic cooperation in the Caribbean cannot however be ignored. To begin with, the various groups of territories are currently aligned with different trading blocs. The commitment of the Commonwealth Caribbean to Commonwealth preference has already been discussed. The French and Dutch groups are linked with their metropolitan countries, and latterly have become associated overseas territories of the European Economic Community. Puerto Rico and the U.S. Virgin Islands are part of the customs area of the United States.

131. In some cases, however, existing arrangements may not preclude special inter-Caribbean arrangements. The United Kingdom's association with EFTA, provides a precedent for differential trading arrangements between the Commonwealth Caribbean and non-Commonwealth countries. Similarly, the present Convention of Association between the European Economic Community and its overseas associates contains some provision for the latter to enter into special trade agreements with third countries. It should not be assumed, therefore, that the current political and economic ties of the individual territories are an insuperable obstacle to closer cooperation between them.

132. A more fundamental problem is that the region consists of different types of economies, when considered in terms of their incremental comparative advantages in production. Consider, for instance, the territories of the Commonwealth Caribbean. Very generally, they can be classified according to whether they possess comparative advantages in manufacturing or new primary production, or in established primary production or tourism. Jamaica, Trinidad and Tobago, British Honduras and British Guiana fall broadly into the first category, while Barbados the Leeward and the Windward Islands fit more easily into the second.

133. It is easy enough to see how a scheme of regional economic cooperation, involving increased possibilities for import substitution, can assist the growth of exports in the first set of territories. But since the markets for the 'growth' exports (sugar, bananas, and tourism) of the second group of territories lie outside of the region, a scheme of regional integration will not ordinarily confer much direct benefit on their economies.

/134. Apart

134. Apart from this, exporters of primary products and tourist services may need more liberal import policies, than may arise from a scheme of integration which is designed to extend infant industry protection to regional manufactures. In their case, liberal import policies are advantageous in at least two ways. First, they will tend to keep the prices of wage-goods down. This is particularly important in the tourist industry, where consumer goods are both wage-goods and direct inputs into the sector. Second, a tourist area must be able to offer a wide variety of consumer and luxury goods to visitors, since a reputation as an international shopping center increases the attractiveness of the country to foreigners.

135. This is not to say that special arrangements cannot be worked out to ensure that integration will help to promote growth in these islands. One such arrangement may be to adopt a coordinated approach to tourist development. As noted earlier, tiny islands can offer only limited attractions to the tourist. Owing to the capricious nature of tourist demand, it may only be possible to sustain demand by offering a diversified package of attractions. This provides a case for the development of tourism on a regional basis, involving schemes of "island hopping", joint planning and development of recreational facilities, and the coordination of transport and communications.

136. Another such arrangement may be for the first group of territories to agree to give soon room to the exports of the second group, in cases where they are competitive exporters to extra-regional markets. In return, the second group will extend to the first greater access to their market for manufactures. Such an arrangement can be called "export substitutions". From the standpoint of demand, it is probably easiest to arrange if the countries concerned are exporting to sheltered markets in the rest of the world. On the supply side, its feasibility will depend on the extent to which participating governments are able to regulate their production and trade in respect of the commodities concerned. In the context of the Commonwealth Caribbean, sugar offers the best possibility for such an arrangement, since production and trade is already controlled on a regional basis. But it is conceivable that a scheme can be worked out for bananas as well.

/137. Failing

137. Failing either of these possibilities, resort can be had to the provision of migration outlets and/or fiscal transfers. In general, however, all of these special arrangements involve a tight form of economic integration; and experience with previous schemes along these lines suggests that it may be unwise to think of starting with anything but a fairly loose form of economic cooperation.

138. The foregoing remarks can form the basis of an approach to the question of integration. As a first step, the principle may be accepted of promoting the process of closer economic cooperation between as many of the Caribbean countries and territories as may wish to participate. In furtherance of this general aim, regular consultative machinery may be set up to deal with matters of common interest such as:

a) The development of tourism;
b) Transport and communications;
c) Harmonisation of industrial incentives;
d) Inter-regional credit facilities;
e) External trade policy.

139. In this connection, the role of the Central American Economic Cooperation Committee in promoting the integration of that area is deserving of study. The Committee was set up in 1951, and is composed of the Ministers of Economy of the various countries. The objective of the Committee is to further the economic integration of Central America, by promoting investigations, consultations, and coordination in respect of economic policies. For this purpose, specialized subcommittees were set up to deal with trade, statistical coordination, transport, housing, electrical energy, and agriculture.

140. With the assistance of the Secretariat of the United Nations Economic Commission for Latin America, and of other United Nations technical experts, the Central American Economic Cooperation Committee has been the main institution for doing the preparatory work in connection with the Central American Integration Programme. Panama participates in some of the work of the Committee, although she is not a member of the common market.

/141. The

141. The Committee has conducted a wide range of investigations into the economic problems and prospects of the area, and was responsible for drafting all of the major agreements which led up to the General Treaty of Economic Integration, which was signed in 1960. Such preparatory work included the drafting of an agreement for free trade within the area (The Multilateral Treaty on Free Trade and Central American Economic Integration, 1958); the working out of a common customs nomenclature (NAUCA); the drafting of the common external tariff, embodied in the General Treaty of Economic Integration; and the supplementary agreements relating to industrial integration and uniformity of fiscal incentives for industrial development.

142. To the above must be added, the work done towards the establishment of regional institutions such as the Advanced School of Public Administration (ESAPAC), the Central American Institute for Industrial Research and Technology (ICAITI), and the Central American Bank for Economic Integration (BCIE). It is largely due to the Committee's efforts that, in the words of outside observers:"Central America has one of the most advanced movements towards economic integration among sovereign nations to be found anywhere in the less developed world". 44/

143. Even if a committee of economic cooperation in the Caribbean cannot set its original sights beyond mere consultation, a few of the larger territories in the area (say Jamaica, Trinidad and Tobago, and British Guiana), may further the process of integration, by negotiating a free-trade area arrangement between themselves. Such an arrangement may aim initially (i.e., during the transitional period) at giving regional preferential treatment to selected commodities, based largely on the possibility which exist for import substitution on a regional basis. Indeed, if the changes which were proposed by the United Nations' Conference on Trade and Development in respect of the rules of international trade, are implemented early enough, it may even be possible to start with just a limited preferential agreement.

144. One of the main issues which may arise in the negotiation of a scheme of integration, concerns the regional distribution of new industries. It is difficult to propose any hard-and-fast criteria for the distribution of

44/ Committee for Economic Development, Economic Development of Central America (New York, November 1964), page 12. See also, United Nations Economic Commission for Africa, The Significance of Recent Common Market Developments in Latin America, (E/CN.14/64), 2 December 1960.

/industry

industry between participating countries, in the absence of specific feasibility studies of the industries concerned. However, some general guide as to the comparative advantages of the different territories may be sought from their recent patterns of export development (see paragraphs 54 to 57). As was noted above, the growth of exports of manufactures in British Guiana was centred almost wholly on resource-based products. This reflects its more favourable resource endowment compared with the other territories in the area, and lends some support to the view which has been expressed elsewhere, that the long-term comparative advantage of this territory may lie in producing intermediate goods, simple capital goods, and resource-based manufactures.[45/]

145. As far as Jamaica and Trinidad and Tobago are concerned, it was observed that the former territory tended to specialize in labour-intensive manufactures, such as textiles and clothing. On the other hand, Trinidad and Tobago did rather better with less traditional products. Although it is difficult to document the point empirically, there is some evidence to show that Jamaica is more of a labour-surplus economy than Trinidad and Tobago. For one thing, Jamaica has a higher rate of unemployment; in 1960 it was 12.7 per cent, compared to 10.6 per cent in Trinidad and Tobago. In the second place, real wages (at least in manufacturing) are probably lower there.[46/] Thirdly, it appears from recent census figures that the labour force in Trinidad and Tobago has a higher level of educational attainment than that of Jamaica.[47/]

146. One may envision, therefore, a scheme of regional integration which will assist British Guiana in developing exports of resource-based products (wood and forestry products, jewelry and precious stones, aluminium and simple metal manufactures such as houseware and containers); will permit Jamaica to pursue her emphasis on highly labour-intensive manufactures (cotton fabrics, clothing, footwear, handbags and travel goods, toys and sporting equipment); and will give some rein to the possible comparative advantage of Trinidad and Tobago in more skill-intensive products

45/ P. Newman, "The Economic Future of British Guiana", Social and Economic Studies, Vol. 9 No. 33, December 1960.

46/ For example, average weekly earnings in manufacturing in Trinidad and Tobago were 13.3 dollars in 1960, while in Jamaica they were 12.3 dollars in 1961; and it is generally acknowledged that Jamaica has a higher price level.

47/ G. W. Roberts and N. Abdulah, Some observations on the Educational Position of the British Caribbean (mimeographed).

/(chemicals,

(chemicals, tools and light machinery, electrical appliances, radios, television sets, record players, refrigerators).

147. Once the criteria for the regional distribution of industry are settled, it may then be possible to negotiate an agreement which will provide for the designation of "regional industries". In this respect, some guidelines may be provided by the Agreement on the Regime for Central American Integration Industries.[48/] This agreement pursues the broad objective of promoting the establishment of regional-scale industries on an economic basis and avoiding the waste of scarce resources, while attempting at the same time to achieve an adequate balance between the member countries with respect to industrial location. The "integration industries" that are eligible under the Agreement are defined as those comprising one or more plants, which require access to the whole Central American market in order to operate under reasonably economic and competitive conditions even at minimum capacity (Article II).

148. The products of plants designated as integration industries will enjoy free trade within the common market. In contrast, the same products of plants, not so designated, would be granted successive annual reductions of 10 per cent in the applicable Central American common tariff, beginning with the entry into operation of the first plant enjoying the benefits of the agreement. The integration industries are also granted the maximum tax concessions provided under the Central American Agreement on Fiscal Incentives for Industrial Development.

149. The actual designation of integration plants is to be made by special protocols for each industry, which will stipulate: a) the mimimum capacity and location of the plants; b) the quality standards for the products and other requirements deemed convenient for the protection of the consumer; c) regulations regarding the participation of Central American capital; d) the common external tariffs applicable to imports of similar products into the area; and e) any other provisions designed to ensure the attainment of the Agreement's objectives.

48/ An English translation of the text of the Agreement can be found in United Nations, ECLA, Report of the Central American Economic Cooperation Committee, 25 February 1957 to 10 June 1958, (E/CN.12/CCE.151), pp. 43-44.

150. In the context of a foreseeable Caribbean free-trade or preferential agreement, it would appear that different practices may have to be followed. Unlike Central America, there would not be a common external tariff.[49/] This means that in order for each territory to give equivalent protection to regional industries from outside competition, some agreement might have to be reached on the equalisation of relevant duties. Failing this, resort may be had to quantitative restrictions combine with duty free quotas for the products of regional industries. However, in employing these devices the Caribbean territories may have less room for maneuver than Central America, since all of the former territories are members of the GATT. In the case of Central America, Nicaragua is the only country which has acceded to the GATT.

151. A more difficult issue is the question of competition between designated regional industries and existing plants. It may be the case that this problem will assume greater significance in the Caribbean than in Central America, since several of the best possibilities for regional import substitution refer to products which are already being produced in some of the territores. Textiles and clothing are cases in point; so also are paints and metal containers. Serious problems would undoubtedly arise if, for example, Jamaica were to insist on having its textile industry designated as an "integration industry", to the detriment of the textile mill in Trinidad and Tobago. Similarly, the production of metal containers in Jamaica and Trinidad would be adversely affected, if it were decided to assign a new metal container plant to British Guiana, enjoying exclusive preferential treatment in the area.

152. It is clear that in these cases the "integration industry" concept is not applicable. In fact, in Central America, this concept has been applied only to new industries requiring access to the whole or a substantial part of the regional market for one plant to be able to operate economically (e.g., automobile tires, insecticides, caustic soda, synthetic fibers). In the case of light industries, such as textiles, clothing and metal containers, the

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49/ It should be noted that when the Central American agreement was negotiated (1958), there was only provision for free-trade area arrangements.

/domestic

domestic market in some of the larger Caribbean territories is sufficient for at least one plant to operate with a reasonable degree of efficiency. Moreover, in some cases, for example the Jamaican textile and clothing industry, Caribbean producers are able to compete in highly industrialized markets abroad.

153. In such cases there would be no economic justification for granting exclusive free trade or preferential treatment to a given industry in any one country or territory within the free trade zone. The objective, rather, should be to promote import substitution at the regional level, without seriously disrupting production in the participating territories. This could be done through the use of duty-free import quotas, which would permit regional industries to capture that portion of the market which is being supplied from extra-regional sources, and at the same time would protect existing levels of production in the participating countries. The use of measures of this type, however, should be limited to the initial period of formation of the free-trade zone, in order to permit existing industries to adjust themselves to the new competitive conditions. At the end of this period all restrictions on intra-regional trade should be removed. Otherwise, the process of economic integration would be extremely slow and uncertain, with the additional risk of perpetuating inefficient industries now operating in very small markets.

154. If a successful start is made with a limited free trade area, experience of its operation may encourage advances towards a closer form of integration, involving perhaps a larger number of territories. Moreover, the investigations and discussions which will take place within the general committee for economic cooperation, should facilitate the identification of the specific problems of integrating a larger number of territories, and of the bases which exist for closer economic ties.

3. Economic Relations with Latin America

155. Longer-term horizons may indicate the need for intensifying trade relations with Central and South America. The Caribbean area as a whole is by any reckoning a very small market. For example, the total

/population

population and Domestic Product of all of the main Caribbean territories (whether independent, British, French, American, or Dutch, and including the Dominican Republic and Haiti) is only equivalent to one-fifth of the population, and less than one-third of the Gross Domestic Product of Brazil. In the not too distant future, therefore, Caribbean producers (especially manufacturers) will be looking for new markets to conquer. It follows that efforts should be made to prepare the ground for these future requirements.

156. At present, trade between the Caribbean and Latin America is rather minimal. Trinidad and Tobago is the only territory in the area which purchases more than 3 per cent of its imports from the Latin American region (Appendix table XXII). Moreover, her imports from the region consist predominantly of petroleum (Appendix table XXIV). Otherwise, Caribbean imports from Latin America involve only a limited range of foodstuffs and raw materials. Among these are meat and meat preparations from Argentina (and to a much lesser extent, Uruguay); timber from Nicaragua and Honduras; and beans from Chile and Mexico. In addition, Barbados imports some animal feed from Argentina, and Uruguay sells small quantities of leather to Jamaica.

157. Manufactures occupy an insignificant place in Latin American sales to the Caribbean area. The trade figures for 1962 show Venezuela as selling some 4 million dollars of machinery and transport equipment to British Guiana and Jamaica. But there is no previous evidence of any trade between the respective countries in this commodity group. Venezuela has however been building up a small export trade in cement with Barbados and British Guiana; and so has Honduras with British Honduras. As far as other products and countries are concerned, Colombia exports small quantities of cotton yarn and thread to the area, and Mexico has a minute trade in manufactures of silver.

158. On the export side, the only notable development has been the sale of Caribbean bauxite and alumina to Latin America. British Guiana has been selling crude bauxite to Argentina, Colombia, and Mexico, while Jamaica has been exporting alumina to Brazil. In both cases, sales

/represent

represent less than 5 per cent of total exports of the commodities concerned. Here again, Trinidad and Tobago dominates the trade, with the sale of refined petroleum products to Brazil, Colombia, and some of the Central American countries. In addition, Trinidad and Tobago exports small quantities of clothing to the Venezuelan market.

159. The low level of trade between the two regions is partly due to competing production, in respect of primary production and light manufactures. And this has been accentuated by trade barriers on both sides, involving both high tariffs and non-tariff restrictions.[50/] As far as light manufactures are concerned, it may not be easy for either side to ease their current restrictions on imports. This applies particularly to textiles and clothing. In Central America, for example, cotton fabrics and clothing were among the commodities which were accorded slower rates of liberalization in the General Treaty of Economic Integration. A very similar treatment has been extended to textiles in the programme of the Latin American Free Trade Area (LAFTA).

160. Even if trade restrictions were removed, the short-run outlook for Caribbean light manufactures in Latin America may not be very promising. There are, first of all, the marketing problems connected with entry into a new market - getting distributional outlets, catering to new sets of tastes, specifications, and so on. Secondly, there is the problem of transport facilities and costs. The Caribbean is not particularly well located for serving some of the main consuming centres of the region. To take one example, in Central America most of the major consuming centres are located nearer to the Pacific than to the Atlantic Coast, and communications with the Atlantic Coast are relatively underdeveloped. Or, take the case of British Guiana, which although sharing a common frontier with Brazil, is separated by vast distances and poor communications from the large consuming areas in the southern part of that country. Similar problems exist in respect of accessibility to the markets of Argentina, Paraguan, and Uruguay. In time, however, the use of the Panama Canal, improvements in internal transportation in Central and South America, and developments in air transport, may assist in overcoming this problem.

50/ A brief treatment of the pattern of restrictions existing in the individual countries is contained in the IMF Fifteenth Anual Report on Exchange Restrictions, 1964, Washington, D. C., 1964.

/161. From

161. From the Latin American point of view, attention may be paid to the prospects of developing sales of heavy consumer durables and intermediate and capital goods to the Caribbean. In the case of durables, motor vehicles are an obvious opportunity, bearing in mind existing excess capacity in Latin America, and current levels of import expenditure in the Caribbean. As far as other categories are concerned, the Caribbean region, being notoriously short if natural resources, will continue to import an overwhelming proportion of its requirements of metals and heavy machinery. Here again, transport facilities, quality standards and distribution and maintenance services are probably more important barriers to current trade, than trade restrictions. In respect of metals and heavy machinery, duties in the Caribbean on most items are not much more than 5 per cent. And in practice, the bulk of these commodities are imported duty-free, irrespective of source, under the various industrial incentive laws.

162. In general, there is no reason why, in time, the Caribbean and Latin America should not contemplate preferential arrangements between themselves, involving exchanges of light manufactures against intermediate and capital goods. In the meanwhile, a start can be made in specific directions. One way is to set up consultative machinery to consider the patterns of development taking place in the different parts of these regions, particularly in respect of the utilization of natural resources such as bauxite. For one thing, this would improve the flow of information concerning the development plans and policies of the two regions, which would facilitate the coordination of efforts, where this is feasible. In furtherance of the same purpose, the Caribbean may seek observer status at some of the meetings being held between Latin American manufacturers, under the respective programmes of integration.

163. Another way is for Caribbean governments to give consideration to Latin American sources of supply in their purchases of materials and equipment for capital works, by inviting tenders from countries in the region. Yet another way is for Latin American governments to agree to abolish any trade restrictions which discriminate specifically against imports from the Caribbean. The Venezuelan Antillean tax is a case in point. Again,

Latin American Governments may give consideration to easing exchange restrictions against tourist expenditure in the Caribbean by their residents, in cases where these may be exerting repressive effects on demand.

164. Finally, both regions may agree to consult more regularly on matters of external policy, in an effort to find common basis for cooperation; recognizing all along, the varying circumstances of their economies. This is especially important in relation to the external marketing of tropical agricultural products. If Latin America and the Caribbean can agree on approaches to the question of the orderly marketing of products such as bananas, a substantial step forward will be made in finding international solutions to some of the problems which beset commodity trade.

STATISTICAL APPENDIX

Table I

JAMAICA AND TRINIDAD AND TOBAGO: Gross Domestic Product 1953-1961

(1960 Prices)

(In Millions of US dollars)

	Jamaica		Trinidad and Tobago	
	Total	Per Capita (dollars)	Total	Per Capita (dollars)
1953	365.7	253	264.6	390
1954	407.2	277	274.2	393
1955	447.8	301	311.9	433
1956	494.3	329	360.0	485
1957	565.7	372	401.5	525
1958	574.3	371	421.3	534
1959	607.4	383	453.6	555
1960	646.3	399	499.8	592
1961	662.3	404	546.8	628
	Average annual rates of growth			
1953-1961	7.8	6.4	9.6	6.2
1954-1957	11.5	10.2	11.1	7.8
1958-1961	4.1	2.1	8.1	4.6

Sources: Jamaica: Five Year Independence Plan 1963-1968 (Government Printer, Kingston 1963); Trinidad and Tobago: Central Statistical Office, The National Income of Trinidad and Tobago 1951-1961.

/Table II

Table II

COMMONWEALTH CARIBBEAN: Total demand and supply of goods and services

(In millions of US dollars)

	Jamaica		Trinidad and Tobago		Barbados		British Guiana	
	1953	1962	1953	1962	1953	1959	1953	1960
1. Consumption expenditure	302.5	638.2	171.1	434.6	23.3	34.2	92.1	117.2
(a) Private	272.5	557.8	141.9	363.0	19.5	30.2	79.4	96.7
(b) Public	30.0	80.4	29.1	71.6	3.8	4.0	12.7	20.5
2. Fixed capital formation	39.5	126.6	46.0	172.3	3.9	11.0	15.7	51.3
3. Changes in stocks	3.1	10.9	4.1	1.6	- 0.9	0.4	- 1.4	1.1
4. Exports of goods and services	87.9	248.4	166.9	407.9	16.5	20.7	49.9	83.1
5. Total demand for goods and services (sum of 1 to 4) = total supply (6 + 7)	432.9	1,024.1	388.1	1,016.5	43.3	66.2	156.2	252.7
6. Gross domestic product at market price	324.3	752.5	238.0	619.4	26.1	39.3	113.8	156.5
7. Imports of goods and services	108.7	271.6	150.1	397.1	16.6	26.9	42.5	96.2

Sources: See table I and table 1 of text.

/Table III

Table III

JAMAICA: Employment and Local Expenditure of Bauxite and Alumina Companies, 1958-1963

(In millions of US dollars)

	1958	1959	1960	1961	1962	1963[a]
Expenditure						
1. Taxes and royalties	12.9	11.5	16.5	17.1	20.4	14.8
2. Wages and salaries	10.4	8.4	9.2	9.5	11.5	11.2
3. Other	12.9	10.9	7.0	7.8	10.9	15.7
4. Total	36.1	30.8	32.8	34.4	42.8	41.8
			Number of Workers			
Employment						
1. Mining	2,565	3,105	3,037	3,338	3,369	3,624
2. Agriculture	2,178	2,119	1,577	1,232	1,421	1,312
3. Construction	2,098	669	69	89	654	826
4. Total	6,841	5,883	4,683	4,659	5,444	5,762

Source: Government of Jamaica, Economic Survey (annual) 1961-1963.

a/ Preliminary figures.

/Table IV

Table IV

JAMAICA: Gross Fixed Capital Formation by Sectors, 1956-1962
(In millions of US dollars)

		1956	1957	1958	1959	1960	1961	1962
1.	Agriculture	9.8	13.7	11.8	12.9	14.0	13.2	10.9
2.	Mining	32.5	30.0	12.9	4.5	5.0	3.6	5.6
3.	Manufacturing	11.5	12.6	15.4	14.0	14.8	14.6	14.0
4.	Electricity and water	1.7	2.0	3.9	5.0	4.8	6.7	6.4
5.	Government	7.8	15.7	13.7	15.7	14.8	15.4	14.3
6.	Housing	11.2	14.8	17.9	21.3	24.1	20.4	15.4
7.	Transport	..	..	..	..	24.6	21.6	18.8
8.	Other Sectors a/	34.2	57.1	57.1	55.7	39.8	39.8	41.7
9.	Total	108.7	145.9	132.7	129.1	142.0	135.3	126.6

Source: Government of Jamaica, Economic Survey, 1961 and 1962.

a/ 1956-1959: includes transport.

/Table V

Table V

TRINIDAD AND TOBAGO: Gross Fixed Capital Formation by Sectors, 1951, 1953 and 1957-1962

(In millions of US dollars)

	1951	1953	1957	1958	1959	1960	1961	1962 p/
1. Oil well drilling	8.5	13.9	18.7	23.6	26.5	31.8	28.2	33.5
2. Other capital formation in petroleum	9.4	4.8	20.2	18.2	33.4	27.5	21.9	29.1
3. Capital formation in rest of private sector	17.6	19.3	42.6	52.9	57.3	69.8	73.2	72.2
4. Capital formation in public sector	5.3	7.9	12.6	19.4	24.4	27.4	27.8	37.5
5. Total fixed capital formation	40.7	46.0	94.1	114.1	141.5	156.5	151.0	172.3

Source: Government of Trinidad and Tobago, The National Income of Trinidad and Tobago, 1952 to 1962.

p/ Preliminary.

/Table VI

Table VI

BRITISH GUIANA: Composition of Gross Fixed Capital Formation, 1957-1960
(In millions of US dollars)

	1957	1958	1959	1960
1. Retained imports of machinery	13.5	15.0	16.1	29.5
2. Domestic production of machinery	0.4	1.6	3.1	4.4
3. Private building and construction	14.4	5.3	4.9	8.2
4. Government building and construction	7.1	9.2	8.1	5.8
5. Capital sunk in plantations and mines	1.5	5.6	2.4	3.4
6. Total fixed capital formation	36.9	36.7	34.6	51.3

Source: Government of British Guiana, Quarterly Statistical Digest, June 1962.

/Table VII

Table VII

TRINIDAD AND TOBAGO: EXPORTS OF CRUDE PETROLEUM AND REFINED PRODUCTS, 1953-1963

(Thousands of barrels)

	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	Average annual rate of growth
Crude petroleum	1,622	3,351	2,826	3,946	3,273	2,100	3,299	5,073	5,492	6,839	7,432	16.4
Refined products	32,930	32,303	35,746	42,517	45,708	50,541	65,908	70,498	96,753	99,523	105,656	12.4
Aviation gasoline of 100 octane	82	346	440	491	381	392	675	769	1,091	869	1,526	14.9
Aviation gasoline of other grades	1,281	1,368	1,550	1,749	2,561	2,723	3,446	3,283	10,469	11,230	9,446	22.2
Gasoline for motor	6,121	6,390	6,719	7,760	7,619	10,230	11,010	9,694	10,619	9,122	10,293	5.3
White gasoline and vaporized oils	3,243	3,015	2,169	2,429	2,119	2,114	1,774	1,209	1,405	631	519	- 16.7
Combustible oil	603	485	682	589	791	780	825	979	1,348	1,373	457	- 2.5
Gas and diesel oil	5,131	5,450	7,909	9,583	10,901	13,517	13,285	13,234	15,937	17,065	19,026	14.0
Lubricating oils and grease	2	1	3	5	8	5	4	6	1	2	8	14.9
Fuel Oils	16,166	15,248	16,275	19,910	21,328	20,780	34,889	41,324	55,884	59,230	64,381	14.8

Source: Central Statistical Office, The National Income of Trinidad and Tobago, 1951 to 1961 and Quarterly Economic Report, October-December, 1963.

Table VIII

TRINIDAD AND TOBAGO: Imports of crude petroleum 1953-1963

(Thousands of barrels)

	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Crude petroleum	16,265	16,439	17,419	19,588	18,289	25,529	31,642	40,218	62,847	64,592	69,863
Total supply of crude petroleum (imports and production)	38,601	40,069	42,315	44,773	52,352	62,884	72,561	82,576	108,615	113,468	118,541
Ratio of imports total supply (percent)	42.1	41.0	41.2	43.7	34.9	40.6	43.6	48.7	57.9	56.9	58.9

Source: Central Statistical Office, The National Income of Trinidad and Tobago, 1951 to 1961 and Quarterly Economic Report, October-December, 1963.

/Table IX

Table IX

COMMONWEALTH CARIBBEAN: Consumer Price Indices 1954-1962

1958 = 100

	1954	1955	1956	1957	1958	1959	1960	1961	1962
Barbados	93	95	95	98	100	102	103	105	107
British Guiana	98	100	98	99	100	103	103	104	108
Jamaica	91	92	92	95	100	103	106	113	115
Trinidad and Tobago	89	93	94	96	100	103	105	106	109

Source: United Nations Statistical Yearbook, 1963.

/Table X

Table X

TRINIDAD AND TOBAGO: Index of prices and wages, 1953-1963

Year	Index of prices		Index of wages[a/] (All industries) (1956 = 100)
	Food	All items	
	January 1956=100		
1953	90.8	93.7	87.4
1954	92.0	94.3	89.9
1955	99.6	99.3	94.8
1956	100.0	100.0	100.0
1957	101.8	102.1	104.5
1958	105.6	105.6	112.8
1959	108.7	109.2	117.2
1960	110.9	111.5	135.1
	September 1960=100		
1961	101.5	101.1	155.9
1962	105.1	104.1	165.6
1963	107.9	108.1	175.6

Source: Central Statistical Office, Economic Trends, and Quarterly Economic Reports various issues.

a/ The index of wages refers to government employees and to workers in establishments with 10 or more employees. The index for 1951-56 refers to the month of February and that of 1957-62 refers to the month of November.

/Table XI

Table XI

COMMONWEALTH CARIBBEAN: Composition of Domestic Exports
1954, 1957, 1960-1962 (Selected SITC Classes)

(In millions of US dollars)

	1954	1957	1960	1961	1962
		0 and 1: Food Beverages and Tobacco			
Total	149.1	178.7	187.2	200.2	..
Barbados	21.5	25.8	19.8	20.7	20.6
British Guiana	31.9	40.6	47.5	52.0	..
British Honduras	1.1	2.0	3.9	5.5	4.0
Jamaica	63.7	73.3	70.1	74.8	73.7
Trinidad and Tobago	30.9	37.0	45.9	47.2	48.7
		2: Crude Materials, Except Fuels			
Total	38.4	87.9	107.7	121.0	..
Barbados	-	-	0.1	0.1	0.1
British Guiana	15.2	19.8	21.2	29.2	..
British Honduras	3.1	3.1	3.1	2.1	1.6
Jamaica	17.4	61.4	78.5	85.0	87.0
Trinidad and Tobago	2.7	3.6	4.8	4.6	4.1
		3: Mineral Fuels, Lubricants			
Total	112.8	183.3	329.2	288.4	288.6
Trinidad and Tobago	112.8	183.3	329.2	288.4	288.6
		5, 6, 7, 8: Manufactured Goods			
Total	7.4	10.6	22.3	24.2	..
Barbados	0.1	0.3	0.4	0.5	0.5
British Guiana	1.3	1.6	4.2	4.2	..
Jamaica	2.2	3.2	7.4	9.9	13.4
Trinidad and Tobago	3.8	5.5	10.4	9.6	13.4
		Total Sections 0-9			
Total	308.7	454.3	534.7	622.8	..
Barbados	21.8	26.3	20.4	21.6	..
British Guiana	48.5	62.5	73.0	85.5	21.4
British Honduras	4.4	5.1	7.1	7.8	5.8
Jamaica	83.9	138.7	156.2	169.8	174.3
Trinidad and Tobago	150.1	221.7	278.0	338.1	338.2

Source: Official Overseas Trade Reports.

/Table XII

Table XII

COMMONWEALTH CARIBBEAN: Composition of Imports, 1954, 1957, 1960-1962
(Main SITC Groups)

(In millions of US dollars)

	1954	1957	1960	1961	1962
0: Food					
Total	69.4	92.2	113.0	115.2	..
Barbados	8.9	11.2	12.8	13.5	14.0
British Guiana	9.4	12.6	14.4	15.0	..
British Honduras	2.4	3.0	3.8	3.7	4.9
Jamaica	22.5	32.2	40.8	40.4	45.4
Trinidad and Tobago	26.2	33.2	41.2	42.6	44.6
1: Beverages and Tobacco					
Total	7.3	10.5	12.7	12.2	—
Barbados	0.7	1.3	1.3	1.1	1.1
British Guiana	1.1	1.3	1.2	1.4	
British Honduras	0.3	0.4	0.5	0.6	1.0
Jamaica	1.9	3.6	4.9	4.5	4.9
Trinidad and Tobago	3.4	3.9	4.8	4.6	4.1
2: Crude Materials, Except Fuels					
Total	8.8	14.1	16.2	14.1	—
Barbados	2.0	2.4	2.6	2.3	2.0
British Guiana	0.3	0.6	0.5	0.5	
British Honduras	-	-	0.1	0.2	0.1
Jamaica	3.8	7.5	7.8	6.3	7.1
Trinidad and Tobago	2.7	3.6	5.2	4.8	5.6
3: Mineral Fuels, Lubricants					
Total	57.5	81.7	127.7	190.9	—
Barbados	1.4	1.8	2.5	2.5	6.5
British Guiana	3.5	5.5	6.5	7.5	
British Honduras	1.0	0.8	0.9	0.8	1.2
Jamaica	10.7	17.0	17.9	21.6	20.6
Trinidad and Tobago	40.9	56.6	99.9	158.5	162.5
4: Animal and Vegetable Oils and Fats					
Total	2.5	3.3	4.4	4.0	—
Barbados	0.6	0.5	0.3	0.2	0.1
British Guiana	0.5	0.7	1.1	0.8	
British Honduras	-	-	-	-	-
Jamaica	0.9	1.4	1.5	1.4	1.1
Trinidad and Tobago	0.5	0.7	1.5	1.6	1.1

/(cont'd)

Table XII (cont'd)
(In millions of US dollars)

	1954	1957	1960	1961	1962
		5: Chemicals			
Total	20.9	34.3	41.1	43.4	—
Barbados	2.3	3.5	3.5	3.8	3.9
British Guiana	2.8	5.2	6.0	7.8	
British Honduras	0.6	0.7	1.1	1.0	1.5
Jamaica	7.7	13.5	17.3	17.4	18.2
Trinidad and Tobago	7.5	11.4	13.3	13.4	13.9
		6: Manufactured Goods, Classified Chiefly by Material			
Total	76.7	126.5	142.3	137.3	—
Barbados	5.9	8.5	10.7	10.2	9.9
British Guiana	9.9	19.2	21.1	19.4	
British Honduras	1.6	2.5	2.7	3.2	4.1
Jamaica	28.5	53.6	55.0	54.2	56.3
Trinidad and Tobago	30.8	42.7	52.8	50.3	54.0
		7: Machinery and Transport Equipment			
Total	56.6	109.3	141.3	125.3	—
Barbados	3.3	6.0	8.9	7.1	7.5
British Guiana	10.1	16.5	26.2	24.5	
British Honduras	1.4	1.9	2.4	4.9	6.2
Jamaica	19.4	44.3	51.8	45.7	50.6
Trinidad and Tobago	22.4	40.6	52.0	43.1	45.8
		8: Miscellaneous Manufactured Articles			
Total	26.7	39.0	55.5	53.4	—
Barbados	2.0	3.1	4.5	4.5	4.9
British Guiana	4.4	7.5	8.8	8.5	
British Honduras	0.7	1.1	1.4	1.4	2.5
Jamaica	9.1	13.4	19.4	19.1	18.2
Trinidad and Tobago	10.5	13.9	21.4	19.9	20.4
		Total All Sections			
Total	328.7	514.4	659.2	700.7	—
Barbados	28.4	39.8	48.6	46.8	51.7
British Guiana	42.1	69.4	86.1	85.8	
British Honduras	8.0	10.6	13.1	15.9	18.2
Jamaica	104.6	186.8	217.0	211.1	222.9
Trinidad and Tobago	145.6	207.8	294.4	341.1	353.8

Source: Official Trade Reports.

/Table XIII

Table XIII

COMMONWEALTH CARIBBEAN: Direction of Exports, 1954, 1958-1962
(In millions of US dollars)

	1954	1958	1959	1960	1961	1962	1963
Trinidad and Tobago							
1. Sterling Area	78.8	88.0	108.4	118.3	121.8	117.9	119.5
United Kingdom	60.3	64.5	83.6	89.2	83.4	80.0	84.8
2. Dollar Area	18.1	60.8	56.7	76.9	107.4	109.4	126.5
United States	7.5	48.7	39.4	56.1	85.1	84.6	100.6
Canada	9.1	9.0	13.7	14.3	16.4	17.1	51.5
3. Rest of World	36.0	65.2	61.1	59.5	78.8	84.9	99.1
4. Total	132.8	248.2	262.3	286.9	346.5	345.8	373.3
Jamaica							
1. Sterling Area	48.9	52.7	48.8	55.0	51.1	55.8	
United Kingdom	46.3	48.5	44.5	49.8	45.3	48.6	
2. Dollar Area	27.8	68.2	68.9	81.3	98.4	105.0	
United States	12.8	41.7	33.6	39.0	61.9	70.2	
Canada	14.7	25.8	32.1	39.2	36.2	32.6	
3. Rest of World	9.2	12.5	11.4	22.4	22.9	20.8	
4. Total	85.9	133.3	129.1	158.7	172.4	181.6	
Barbados							
1. Sterling Area		18.1	20.2	19.3	17.6	...	
United Kingdom		14.5	16.0	14.7	12.8	...	
2. Dollar Area		4.5	6.1	3.4	6.6	...	
United States		1.0	0.9	0.7	1.0	...	
Canada		3.5	4.3	2.7	5.6	...	
3. Rest of World		0.8	1.0	1.2	1.0	...	
4. Total		23.4	27.3	23.9	25.2	...	

/(cont'd)

Table XIII (cont'd)

	1954	1958	1959	1960	1961	1962	1963
				British Guina			
1. Sterling Area		33.0	34.5	39.4	35.3	...	
United Kingdom		27.2	24.9	27.5	21.3	...	
2. Dollar Area		21.5	22.9	30.7	40.8	...	
United States		3.4	5.3	12.2	17.9	...	
Canada		17.9	16.6	18.4	22.3	...	
3. Rest of World		2.5	3.3	4.2	10.8	...	
4. Total		57.0	60.7	74.3	86.9	...	
				British Honduras			
1. Sterling Area		4.1	4.5	5.7	5.8	4.1	
United Kingdom		3.1	3.6	4.2	5.3	3.7	
2. Dollar Area		1.9	2.0	1.8	2.5	3.7	
United States		0.9	1.1	0.8	1.1	2.1	
Canada		0.1	0.1	0.1	0.7	0.6	
3. Rest of World		0.4	0.2	0.4	0.4	0.9	
4. Total		6.4	6.7	7.9	8.7	8.7	

Source: Official overseas trade reports.

Table XIV

JAMAICA: Balance of Payments, 1959-1963
(In millions of US dollars)

	1959	1960	1961	1962	1963[a]
Goods and services					
1. Exports (f.o.b.)	131.3	164.7	177.3	184.0	209.5
2. Imports (c.i.f.)	- 193.8	- 217.3	- 211.4	- 220.1	- 225.7
3. Balance of visible trade	- 62.4	- 52.6	- 33.3	- 36.1	- 16.2
4. Services (net)	2.2	2.8	1.7	- 2.0	- 5.6
(a) Tourism	2.5	33.6	33.6	28.0	28.8
(b) Investment income	- 17.9	- 24.6	- 24.9	- 26.9	- 28.0
(c) Other	- 9.2	- 11.8	- 10.4	- 2.8	6.4
5. Balance of trade	- 60.2	- 49.8	- 31.6	- 38.1	21.8
6. Unilateral transfers[b]	14.6	20.2	19.3	21.8	20.7
7. Capital movements (net)[c]	24.9	18.5	10.1	19.3	...
(a) Long-term					
Private	9.8	2.8	12.9	12.6	...
Official	5.0	6.4	- 3.1	3.9	...
(b) Short-term (private)	10.1	9.2	- 1.4	2.8	...

Source: Government of Jamaica, Economic Survey, 1963.

a/ Preliminary figures.

b/ Principally remittances of emigrants.

c/ Includes banking sector and short term capital of official sector.

/Table XV

Table XV

TRINIDAD AND TOBAGO: Balance of Payments 1954, 1957, 1960-1962
(In millions of US dollars)

	1954	1957	1960	1961	1962[a]
1. Goods and services	- 5.1	- 32.1	- 63.7	- 42.2	- 57.8
(a) Exports	153.4	230.2	286.1	368.4	365.6
(b) Imports	- 145.7	- 208.9	- 297.1	- 344.5	- 359.2
(c) Transportation	3.4	7.2	7.8	6.0	7.0
(d) Foreign travel	- 0.5	-	- 1.0	- 2.4	- 3.0
(e) Investment income	- 18.9	- 65.9	- 58.5	- 71.8	- 69.7
(f) Other	3.2	5.1	- 0.9	2.2	1.4
2. Capital and transfers	33.7	56.2	54.1	34.0	46.8
(a) Transfers	0.1	0.4	1.1	- 1.2	- 0.9
(b) Official long-term capital	11.9	-	-	-	7.1
(c) Private capital	21.7	55.8	53.1	35.2	40.7
(i) Long-term	(23.6)	(58.7)	(57.1)	(38.7)	(44.3)
(ii) Short-term	(- 1.9)	(- 2.9)	(- 4.0)	(- 3.6)	(- 3.6)
3. Errors and omissions	- 12.3	2.7	- 5.6	- 4.5	1.8
4. Monetary movements (increase)	- 4.0	- 21.5	15.1	12.8	9.2
(a) Commercial banks	- 4.0	- 24.1	9.9	13.4	10.1
(b) Currency Board[b]	-	- 2.6	1.4	- 2.4	- 1.6
(c) Central Government	-	5.2	3.8	1.8	0.7

Source: Government of Trinidad and Tobago, Central Statistical Office.

a/ Provisional.

b/ Estimated changes in the share of Trinidad and Tobago in the Sterling Assets of the British Caribbean Currency Board.

/Table XVI

Table XVI

BRITISH HONDURAS: Balance of Payments 1954, 1956, 1958-1960[a]

(In thousands of US dollars)

	1954	1956	1958	1959	1960
A. CURRENT ACCOUNT					
Exports f.o.b.	5,100	6,979	6,360	6,692	7,869
Imports c.i.f.	7,985	11,092	12,957	13,689	13,145
Balance of Trade	- 2,885	- 4,113	- 6,598	- 6,997	5,276
Factor incomes (net)	- 344	- 391	- 397	- 358	- 476
Grants-in-Aid[b]	-	-	456	426	479
Other invisibles and errors and omissions	182	616	1,944	1,738	1,075
Net Invisibles	-162	225	2,003	1,807	1,078
Current Balance	- 3,046	- 3,889	- 4,595	- 5,190	- 4,197
B. CAPITAL ACCOUNT					
Government loans	148	246	409	165	-
Private capital inflow (net)	1,748	1,959	2,241	2,151	2,017
C.D. and W. grants	880	798	1,617	2,410	1,183
Grants-in-Aid[b]	-	-	202	-	395
Other grants	122	941	327	209	127
Net Capital and Grant Inflow	2,899	3,942	4,795	4,936	3,723
C. CHANGE IN ASSETS[c]					
Government and currency fund investment (net)	- 241	11	- 193	- 17	246
Bank balances (net)	389	- 64	- 7	271	229
Net Change in Assets	148	- 53	- 200	254	474

Source: United Nations and Technical Assistance Board, A Development Plan for British Honduras, op. cit., page 26.

a/ Preliminary estimates.

b/ Grants-in-aid to be part of both governments current and capital expenditure.

c/ (-) indicates increase in assets held abroad.

/Table XVII

Table XVII

COMMONWEALTH CARIBBEAN: Financing of Development Expenditure

(In millions of US dollars)

	Jamaica 1963-1968		Trinidad and Tobago 1964-1968		British Honduras 1963-1970	
	(Millions of dollars)	(Percent)	(Millions of dollars)	(Percent)	(Millions of dollars)	(Percent)
1. Public sector savings a/	49.6	19.4	24.3	13.8	1.7	5.3
2. Local loans	49.5	19.4	27.8	15.8	2.1	6.6
3. Other local capital receipts	-	-	3.5	2.0	-	-
4. Foreign loans	71.8	28.1	38.6	21.9	-	-
5. Foreign aid (grants and soft loans) b/	85.0	33.2	82.5	46.7	28.0	88.1
6. Total	255.8	100.0	176.5	100.0	31.8	100.0

Sources: See Table 9 of text.

a/ In Jamaica and British Honduras this item represents revenue surpluses; in Trinidad and Tobago it represents depreciation allocations and surpluses of public utilities.

b/ In British Honduras this item includes $13.3 million of grants and loans which have been pledged by the United Kingdom for hurricane reconstruction.

Table XVIII

JAMAICA: Development Outlays by the Public Sector

	National Plan 1957/1967		Independence Plan 1963/1968	
	$ Million	%	$ Million	%
1. Agriculture[a/]	63.3	28.7	65.4	25.5
2. Industry[b/]	14.8	6.7	7.1	2.8
3. Tourism	9.0	4.1	8.6	3.4
4. Transport and communications	34.6	15.7	34.9	13.6
5. Major social services	54.5	24.7	80.3	31.3
(a) Education	14.2	6.4	19.4	7.6
(b) Health	8.5	3.8	9.3	3.6
(c) Housing	13.3	6.0	23.2	9.0
(d) Water and sewerage	17.9	8.1	26.2	10.2
(e) Social welfare[c/]	0.6	0.3	2.2	0.9
6. Other	44.6	20.2	60.4	23.5
7. Total	220.8	100.0	256.7	100.0

Sources: Government of Jamaica, A National Plan for Jamaica 1957/1967, pp. 66-70, and Five-Year Independence Plan, op. cit.

a/ Includes Land Reform and Marketing.

b/ Includes Mining.

c/ Includes Sports, Art, History.

/Table XIX

Table XIX

TRINIDAD AND TOBAGO: Development Outlays by the Public Sector
(In millions of US dollars)

	Actual Expenditure 1958-1962	Planned Expenditure 1964-1968	Changes between periods
1. Agriculture	2.8	35.5	32.7
2. Industry	2.0	5.8	3.7
3. Tourism	8.9	1.2	- 7.8
4. Infra-Structure	43.9	73.4	29.5
(a) Transport and communications	21.4	33.7	
(b) Electricity	22.6	39.7	
5. Major Social Services	51.8	53.2	1.4
(a) Education	7.8	11.6	
(b) Health	14.2	9.4	
(c) Housing	13.7	23.0	
(d) Water	16.2	9.3	
6. Other	18.0	17.9	- 0.1
7. Total	127.5	187.0	59.5

Source: Draft Second Five-Year Plan 1964-1968, page 88, and Revised Estimates (unpublished)

Table XII

Import Duties in the United Kingdom and Canada on Selected Manufactures a/

(Per cent)

SITC Group	United Kingdom			Canada	
	Commonwealth Preferential	EFTA b/	General	Commonwealth Preferential	General
Textile yarn and thread	10.4	16.8	18.6	6.9	13.6
Cotton fabrics, woven	16.6	14.1	22.7	7.5	17.0
Textile fabrics, woven other than cotton	16.8	14.3	23.2	10.0	18.4
Miscellaneous made-up textile articles	14.6	15.4	25.6	14.2	21.1
Pottery	-	14.9	24.8	10.0	22.0
Furniture	4.1	12.4	20.6	17.7	25.2
Travel goods, handbags, etc.	-	11.0	18.3	11.3	23.8
Clothing, except fur clothing	15.6	15.6	25.9	14.3	21.7
Footwear	7.0	14.7	24.5	13.8	23.4

Source: United Nations World Economic Survey, 1963, Part I, pp. 219-220.

a/ It refers to ad valorem tariffs; rates are the simple arithmetic means of the tariffs on all products within each SITC group in 1962.

b/ European Free Trade Area.

Table XXI

COMMONWEALTH CARIBBEAN: Share of Inter-Regional Trade in Total Trade, Latest Year

(Per cent)

Territory	Year	Exports	Imports
American Group			
Puerto Rico	1962	0.8	1.5
British Commonwealth Group			
Barbados	1961	19.7	13.7
British Guiana	1961	16.1	11.2
British Honduras	1961	7.4	6.4
Grenada	1959	2.7	18.0
Jamaica	1962	3.8	9.1
St. Lucia	1959	12.7	16.4
St. Vincent	1959	21.8	13.8
Trinidad and Tobago	1962	12.6	2.7
French Group			
Guadeloupe	1960	0.3	7.0
Martinique	1960	1.8	8.1
Dutch Group			
Netherlands Antilles	1961	1.8	0.7
Surinam	1960	4.6	0.7

Sources: Official Trade Reports; Caribbean Organization, Annual Report, 1962, (Puerto Rico, 1963).

/Table XXII

Table XXII

COMMONWEALTH CARIBBEAN: Imports from Latin America, Latest Year
(In thousands of US dollars)

	Barbados 1961	British Guiana 1961	British Honduras 1962	Jamaica 1962	Trinidad and Tobago 1962
Argentine	509.2	58.0	12.3	406.0	441.0
Brazil	0.8	43.7	-	206.5	621.8
Chile	8.6	0.7	-	244.1	9.6
Colombia	41.2	4.2	22.4	730.3	11,469.9
Ecuador	-	2.0	-	6.5	
Mexico	7.9	51.0	189.9	441.2	116.0
Paraguay	42.4	4.0	-	6.4	30.6
Peru	7.9	5.7	-	31.2	34.7
Uruguay	-	-	-	147.7	0.8
Total A.L.A.L.C.	618.0	169.3	224.6	2,219.9	12,724.4
Bolivia	-	-	-	-	-
Venezuela	914.9	1,630.2	2.2	3,876.9	65,850.2
Total Mexico/ South America	1,532.9	1,799.5	226.8	6,096.8	78,574.6
Costa Rica	-	-	-	3.6	0.8
El Salvador	-	-	8.5	-	-
Guatemala	4.6	-	55.9	4.7	20.6
Honduras	-	-	116.0	1,556.1	412.5
Nicaragua	218.1	-	2.8	171.2	237.2
Total C. American Common Market	222.7	-	183.2	1,735.6	671.1
Panama	6.0	49.9	49.7	223.8	7.6
Total Latin America	1,761.6	1,849.4	459.7	8,056.2	79,433.3
Imports from Latin America as % of total	3.8	2.1	2.7	3.6	22.4

Sources: Official Trade Reports.

/Table XXIII

Table XXIII

COMMONWEALTH CARIBBEAN: Domestic Exports to Latin America
(In thousands of US dollars)

	Barbados 1961	British Guiana 1961	British Honduras 1962 a/	Jamaica 1962	Trinidad and Tobago 1962
Argentine	-	327.4		0.1	0.9
Brazil	0.1	-		1,926.4	3,785.5
Chile	-	-		0.7	2,265.9
Colombia		56.6	6.3	735.2	42.4
Ecuador	-	-		0.1	-
Mexico	-	130.2	499.7	6.1	0.8
Paraguay	-	-		-	-
Peru	-	-		22.6	2.9
Uruguay	-	-		1.2	5.0
Total A.L.A.L.C.	0.1	514.2	506.0	2,692.4	6,103.4
Bolivia	-	-	-	-	0.9
Venezuela	1.1	420.6	-	7.8	210.2
Total Mexico/ South America	1.2	934.8	506.0	2,700.2	6,314.5
Costa Rica	-	-	499.9	2.0	424.1
El Salvador	-	-	16.6	0.5	-
Guatemala	-	-	64.3	-	404.6
Honduras	-	-	24.2	-	368.3
Nicaragua	-	3.7	3.4	-	113.1
Total C. American Common Market	-	3.7	608.4	2.5	1,310.1
Panama	-	12.6	6.5	52.8	1,856.4
Total Latin America	1.2	951.1	1,120.9	2,755.5	9,481.0
Exports to Latin America as % of total exports	0.5	1.2	19.0	1.6	2.8

Sources: Official Trade Reports.

a/ Total exports.

/Table XXIV

Table XXIV

COMMONWEALTH CARIBBEAN : Composition of Trade with Latin America, Latest Year
(In thousands of US dollars)

	Barbados 1961	British Guiana 1961	British Honduras 1962	Jamaica 1962	Trinidad and Tobago 1962
		A. Imports			
1. Food	554.6	127.8	65.0	1,104.3	638.8
2. Beverages and tobacco	0.2	1.0	1.7	15.9	0.2
3. Crude materials	221.7	2.0	6.5	2,128.7	1,291.7
4. Mineral fuels and lubricants	454.4	38.5	48.9	1,821.9	76,470.7
5. Animal, vegetable oils and fats	0.1	-	-	0.7	23.9
6. Chemicals	13.1	18.0	20.8	29.4	12.1
7. Manufactured goods classified chiefly by material	290.0	353.4	156.0	187.8	261.8
8. Machinery and transport equipment	1.5	1,272.3	13.5	2,746.4	466.6
9. Miscellaneous manufactured goods	1.6	17.2	136.6	16.8	10.3
Total all sections (0-9)	1,761.6	1,849.4	459.7	8,056.2	79,433.3

/(cont'd.)

Table XXIV (cont'd)

	Barbados 1961	British Guiana 1961	British Honduras 1962	Jamaica 1962	Trinidad and Tobago 1962
		B. Domestic Exports			
1. Food	-	92.0	29.8	7.1	113.2
2. Beverages and tobacco	-	-	-	8.1	4.7
3. Crude materials	-	527.4	1.5	2,661.5	10.6
4. Mineral fuels and lubricants	-	-	-	-	8,733.3
5. Animal, vegetable oils and fats	-	-	-	-	-
6. Chemicals	-	0.8	-	7.4	424.9
7. Manufactured goods classified chiefly by material	-	202.3	-	0.1	37.2
8. Machinery and transport equipment	-	128.4	-	-	-
9. Miscellaneous manufactured goods	-	0.1	-	2.4	150.6
Total all Sections (0-9)	1.2	951.1	1,120.9 a/	2,755.5	9,481.0

Sources: Official Trade Reports.

a/ Total exports.