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TRADE ISSUES IN THE ANGLOPHONE CARIBBEAN

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PREFACE

Dennis John Gayle is an associate professor in the Department of Marketing and Environment at Florida International University. He specializes on Caribbean economic affairs. This paper was written for the *Latin American and Caribbean Contemporary Record*, edited by James M. Malloy and Eduardo Gamarra. It is distributed in cooperation with the Florida-Caribbean Institute of the State of Florida.

Richard Tardanico
Editor
Occasional Papers Series Dialogues

TRADE ISSUES IN THE ANGLOPHONE CARIBBEAN

INTRODUCTION

In analyzing the policy environment for trade, as an initial step, it is important to consider those aspects of the subregion's political economy, as well as the "international trade regime," which directly affect commercial policy formulation, choice, and implementation. The Anglophone Caribbean includes at least five subgroups: (a) tourism-dependent agrarian microstates and ministates; (b) agrarian ministates with some light manufacturing industry; (c) ministates largely oriented towards tourism and offshore banking; (d) island states with tourism, agricultural, manufacturing, and extractive industries; and (e) mainland states with agricultural, manufacturing, and extractive industries. Manufacturing is typically low-wage and labor-intensive, whereas extractive industry is capital-intensive. The succeeding sections of this paper first address the scope as well as the most recent results of the Reagan administration's Caribbean Basin Initiative, the European Economic Community's Lomé Convention series, and Canada's CARIBCAN. Subsequently, they summarily examine current trade issues from the perspectives of CARICOM's "More Developed Countries" (MDCs), as well as the micro- and ministates grouped together within the Organization of Eastern Caribbean States (OECS). Finally, they review immediately relevant international trade reform proposals, and Anglophone Caribbean attitudes towards the Uruguay Round.

THE SUBREGIONAL POLICY ENVIRONMENT FOR TRADE

In Derek Walcott's poem "Sea-Chantey," an apprentice washes his cheeks with salt water and sunlight, celebrating the ambiguous romantic diversity of the insular Caribbean. Indeed, the Anglophone Caribbean is doubly institutionalized, as the inclusive Caribbean Common Market (CARICOM) and a subset constituted by the member countries of the OECS. By 1983, CARICOM's population amounted to 5.3 million, with 43 percent in Jamaica, 20 percent in Trinidad-Tobago, 15 percent in Guyana, and 5 percent in Barbados. The remaining 17 percent resided within the OECS states. Across the subregion, production and trade remain highly concentrated, with the islands of Jamaica and Trinidad-Tobago accounting for approximately 75 percent of both.

Taken together, the tourism and sugar industries provide (indirectly as well as directly) much of the subregion's employment, income, and foreign exchange earning potentials. Banana rather than sugar production fulfills this role in the case of the Windward Islands. A 1989-1991 CARICOM Program for Agricultural Development will attempt to promote agricultural export diversification as well as import substitution. In 1984, manufactures contributed only 11.2 percent of Trinidad-Tobago's gross domestic product (GDP), 11.6 percent of Barbadian GDP, and 15.2 percent of Jamaican GDP.[1] It remains an accurate observation that commercial rather than industrial entrepreneurs predominate, and relatively high import propensities persist. Yet contemporary CARICOM leaders continue to reject political unification for the foreseeable future, although most accept that some form of political integration is imperative, if individual governments are to cope effectively with the economic policy environment.[2]

By 1983, intraregional trade had declined to 6.07 percent of imports, less than the level recorded at the time that CARICOM was established in 1973.[3] In 1986, such trade fell by 23 percent, to a record low of $432 million. During the first six months of 1988, however, intraregional trade expanded by 7.2 percent. The value of imports by the four MDCs (Barbados, Guyana, Jamaica, and Trinidad-Tobago) expanded by 11.6 percent, from $101.4 million to $113.2 million, whereas OECS imports declined from $52.4 million to $51.7 million. Barbados was the largest single contributor to regional trade, with $36.8 million in CARICOM imports. During 1987, local economies achieved an average 4 percent growth rate. Sectoral performance varied. For instance, sugar production declined by approximately 11 percent to a level of some 670,000 tons.[4] On the other hand, the number of stopover tourists increased by 10 percent, and visitor expenditure amounted to some $6.7 billion, or 17 percent more (at current prices) than during the previous year.[5] Some 326,000 Caribbean workers are directly or indirectly dependent upon tourism for their livelihood.

In turn, banana production expanded by 1 percent overall to reach 237,000 metric tons.[6] Although purchase prices fell in the major export market, Britain, the effects of sterling appreciation against the U.S. dollar expanded export proceeds. For example, Jamaica's 1987 banana export earnings rose by 83 percent to $20.3 million. The following table details the external trade results of nine (out of twelve) Anglophone Caribbean countries, during 1981-1986. It documents a consistent pattern of negative merchandise trade as well as current account balances, widely fluctuating unit export values, and extraordinarily high trade: gross domestic product ratios. It also indicates the extreme cross-sectional and cross-temporal range of GDP levels within the Community, from a zenith of $6.5 billion in Trinidad-Tobago (1981) to a nadir of $63.6 million in Dominica (1983). Such factors continue to exacerbate the problem of regional policy consensus.

Anglophone Caribbean Countries: External Trade Results 1981-86 (US $m)

Country	Exports	Imports	Trade Bal	C/A Bal	GDP	Unit Exp Value (1980=100)	Year
Antigua-Barbuda	51.4	125.26	-73.86	-32.70	292.3	...	1981
	49.3	126.71	-77.41	-41.60	199.9	...	1982
	36.5	99.72	-63.22	-9.10	306.3	...	1983
	35.2	119.26	-84.06	-5.80	315.7	...	1984
	28.3	132.99	-104.69	-24.00	338.9	...	1985
	24.7	181.44	-156.74	-75.80	365.9	...	1986
Barbados	162.7	527.10	-364.40	-118.60	947.7	52.6	1981
	208.2	507.00	-298.80	-35.60	990.0	73.5	1982
	272.2	571.50	-299.30	-42.00	1051.2	48.4	1983
	329.7	606.20	-266.50	19.10	1133.8	73.1	1984
	300.5	559.20	-258.70	40.30	1204.4	70.9	1985
	244.4	522.60	-278.20	-5.40	1331.8	...	1986
Dominica	19.7	45.10	-25.48	-12.81	54.7	...	1981
	25.1	43.10	-18.08	-8.24	65.7	...	1982
	27.8	42.80	-15.01	-4.79	63.6	...	1983
	26.1	50.70	-24.62	-3.28	65.7	...	1984
	28.6	52.00	-23.40	-8.66	...	...	1985
	39.4	50.60	-11.24	-3.84	...	...	1986
Grenada	19.0	56.00	-37.07	-12.79	76.3	87.6	1981
	18.6	59.00	-40.42	-17.51	80.4	78.0	1982
	18.9	57.80	-38.98	-18.99	81.4	79.6	1983
	18.2	51.10	-39.92	1.40	85.5	76.2	1984
	22.3	62.10	-39.83	-0.86	90.1	83.1	1985
	27.8	74.40	-46.60	-10.50	95.1	130.4	1986
Guyana	364.4	399.60	-53.20	-184.50	565.1	102.9	1981
	241.4	254.20	-12.70	-142.30	511.1	102.9	1982
	193.3	225.70	-32.40	-157.50	466.2	94.2	1983
	216.9	201.60	15.20	-96.40	...	...	1984
	214.0	209.10	4.90	-96.60	...	...	1985
Jamaica	974.0	1296.70	-322.70	-336.80	2735.1	...	1981
	767.4	1208.90	-441.50	-408.60	2761.6	...	1982
	685.7	1124.20	-438.50	-358.70	1533.7	...	1983
	702.3	1037.00	-334.70	-335.30	1019.4	...	1984
	568.6	1004.20	-435.60	-304.40	869.3	...	1985
	589.5	837.40	-247.90	-40.10	902.3	...	1986
St. Lucia	41.6	117.10	-75.70	-39.80	115.7	107.4	1981
	41.6	107.30	-65.75	-30.80	118.2	116.6	1982
	47.5	97.00	-49.58	-4.91	120.7	123.3	1983
	47.8	107.70	-59.91	-13.40	...	...	1984
	52.0	113.60	-61.63	-12.50	...	...	1985
St. Vincent	29.8	52.90	-23.11	-0.80	62.8	...	1981
	32.1	58.50	-26.40	-10.81	64.5	...	1982
	41.1	63.30	-22.26	-2.60	67.3	...	1983
	53.6	68.90	-15.34	-1.00	...	...	1984
	63.2	71.20	-8.08	3.70	...	...	1985
	68.0	78.30	-10.30	3.80	...	...	1986
Trinidad-Tobago	2612.3	1763.50	848.80	374.50	6521.2	110.3	1981
	2228.6	2486.80	-258.10	-644.90	6784.5	105.6	1982
	2026.5	2233.30	-206.80	-1002.90	6160.0	104.8	1983
	2110.8	1704.90	405.90	-522.50	5504.5	104.1	1984
	2110.7	1354.60	756.10	-90.30	3463.3	98.5	1985
	1363.1	1209.40	153.60	-441.70	2833.6	91.4	1986

Note: Export and import values relate to merchandise trade FOB. Gross domestic product values are based upon 1980 prices.

Source: International Monetary Fund, *International Financial Statistics*, XLL:8 (Washington D.C., August 1988).

Against this background, at the 1987 CARICOM Heads of Government conference in St. Lucia, participants agreed to institute a CARICOM Enterprise Regime, intended to facilitate the movement of capital inputs, finance, and skilled workers, within the context of regional joint ventures.[7] The succeeding year was designated as the Year of Small Business, to be marked by a series of national and regional activities, which would underline the importance of the small business sector in regional trade expansion. It was also agreed that a CARICOM Export Bank would begin operations in January 1988, when all intra-OECS trade barriers would also be eliminated. This was intended to set the stage for the dismantling of all CARICOM trade restrictions by September 30, 1988. At the 1988 Heads of Government conference in Antigua, however, prime ministers decided to exempt twelve OECS product categories (such as jellies and varnishes) for up to three years, while reaffirming the agreement to implement intraregional free trade.[8] This consensus was underlined when Trinidad-Tobago devalued its dollar by 15.3 percent to US $1.00 = TT $4.25 on August 23, 1988 (following an earlier devaluation of 33.3 percent in December 1985), in order to increase its foreign reserves and international competitiveness, and other MDC as well as OECS trading partners resisted the temptation to respond in kind.

Meanwhile, the United States remains the major trading partner of almost every CARICOM country.[9] Conspicuous consumption intimately coexists with mass poverty. Grave infrastructural limitations exist in most countries. In several microstates and ministates, neither air nor seaports possess substantial commercial viability. Electricity generating capacity and water supplies are frequently insufficient. Local telecommunications systems are not always reliable. Adequate all-weather ground transport is uncommon. At the same time, national economic vulnerability encourages regulatory restrictions, which may create investment

disincentives. To be sure, export-led growth has ensued in some cases. Incentives for local food production and small business development, however, are often limited, so that the prevailing income and employment patterns may be inimical to internal growth dynamics.[10] Estimated unemployment among youths remains at some 60 percent of this labor force segment, and young people under sixteen continue to constitute about 45 percent of the subregion's population. In partial consequence, intensely messianic domestic politics revolve around living standards, measured by employment patterns and wage levels.[11]

THE INTERNATIONAL POLICY ENVIRONMENT FOR TRADE

The main features that underpin the international framework of reciprocal trade expectations include (a) applied non-tariff barriers, particularly in sectors such as textiles, clothing, steel, and agriculture; (b) cross-national corporate arrangements, involving major companies such as General Motors and Toyota, AT&T and Olivetti, and Boeing and Mitsubishi Heavy Industries; (c) cross-exchange rate oscillation: currency value shifts approaching 10 percent within a week have not been unknown, within recent years; (d) accumulating developing country debt, totaling $1.32 trillion at the end of 1988, associated with net capital exports of $29 billion, and worsening debt ratios[12] (At that point, Jamaica's outstanding external debt: gross national product ratio was the largest in the world, at 197 percent of GNP.)[13]; and (e) continued expansion of countertrade, which amounted to 7-10 percent of all international commerce by 1986.[14] One consequence was a sustained decline in the developing country share of world trade, during 1980-1986.

In 1987, however, aggregate developing country exports rose by 21.5 percent, and imports by 16.6 percent.[15] During that year, the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) was inaugurated, impelled by the decision of an unstable U.S.-led coalition to roll back the spread of protectionism. By the end of 1988, trade ministers had concluded tentative agreement on liberalized trade in services, tariff cutting goals, and improved dispute settlement procedures. On the other hand, serious disagreements remained unresolved, in regard to agricultural trade, intellectual property, textile trade reforms, and safeguards against imports. Meanwhile, all CARICOM countries (Guyana initially excepted) had available three partially overlapping sets of regional trade concessions, offered by the United States, the European Economic Community (EEC), and Canada: the Caribbean Basin Initiative, the Lomé Convention series, and CARIBCAN.

The Caribbean Basin Initiative

In 1982, when the Caribbean Basin Initiative (CBI) was first proposed, at least 87 percent of all existing regional exports to the United States already entered free of customs duty, under the Generalized Systems of Preferences (GSP), which was later extended from 1984 until 1993.[16] The central feature of the Reagan administration's CBI was the 1984-1996 elimination of U.S. customs duties upon most Basin exports. Under Title II, Section 211 of the August 5, 1983 Caribbean Basin Economic Recovery Act (CBERA), the president was empowered to designate non-communist states as beneficiaries, provided that they had enacted trade and investment legislation that was acceptable to the United States.

Under CBERA Section 213, articles ineligible for duty-free treatment included canned tuna, petroleum as well as petroleum products, rubber and plastic gloves, leather apparel,

handbags, and flat goods. Duty-free imports of sugar were strictly limited to current country quotas. Initially, U.S. textile imports remained subject to the provisions of the Multi-Fiber Arrangement, and national import quotas. Meanwhile, CBERA Section 222 allowed deductions for business expenses incurred in attending conventions held in beneficiary states, provided that a bilateral tax treaty with the United States was in effect.

Whereas the GSP required that 35 percent of all product value be added within a single beneficiary country, the CBI was formulated so as to encourage joint processing in several participating countries, and to encourage the use of U.S. source materials. Accordingly, eligible articles had to be imported directly from a beneficiary country, and to include 35 percent in processing costs in one or more such states; however, 15 percent of this total might consist of U.S.-made components. In 1984 it was also projected that the CBI would complement the Third Lomé Convention, which was concluded during that year, so that in principle, twelve CBI countries could offer interested investors preferential access to both the American and European markets.

In 1988, a U.S. Commerce Department survey found that at least 646 U.S. companies had invested more than $1.5 billion in CBI beneficiary states since January 1984, generating over 116,000 jobs. Approximately 50 percent of this investment was directed at CBI-eligible product sectors. American imports from the Caribbean Basin states, however, have consistently diminished, apart from 1983-1987 growth of over 10 percent in non-traditional product purchases, such as seafood, jewelry, handicrafts, and apparel. For instance, total U.S. import values fell from $9.2 billion in 1983 to $9.1 billion in 1984, when the CBI was fully implemented. During 1985, Caribbean Basin exports to the United States dramatically declined by 23 percent, to a level of $7.29 billion, even as America's global trade deficit soared to a

record value of $132 billion.[17]

U.S. imports of all CBI-eligible products fell by only 5 percent, but the main regional commodity exports of sugar (-$191 million), bauxite (-$99 million), and petroleum products (-$1.3 billion) declined much more sharply in value. The Bahamas, Jamaica, and the entire Eastern Caribbean (except for Trinidad-Tobago and Barbados) were among the top thirty-five countries with which the United States experienced a bilateral trade surplus. During 1983-1987, U.S. imports from CBI beneficiary states fell from $9 billion to $6.2 billion. At a less inclusive level of analysis, Jamaica became the ninth largest net importer from the state of Florida, recording imports valued at $267.9 million in 1987.[18]

In partial response, during a ceremonial visit to Grenada in February 1986, President Reagan declared that up to $100 million in new investment funds would be made available through the Puerto Rican Development Bank, while U.S. scholarship programs for Caribbean students would be tripled. The U.S. president also suggested that CBI countries negotiate bilateral increases in American import quotas affecting their textile and apparel industries. Despite an immediate promise that U.S. textile producers would be more than amply safeguarded, the influential American Textile Manufacturers' Institute reacted with instant anger.[19] Under the "Super 807" or "807A" program that resulted, U.S. imports of clothes assembled from fabrics formed and cut in America by the same U.S. company were excluded from established country quotas, and made subject only to bilaterally agreed limits. Taking the Caribbean Basin as a whole, such imports rose from a value of $590 million in 1985 to $1.97 billion in 1987.[20] Import volume amounted to 534 million square yards equivalent (SYE), or 9 percent of total U.S. imports.

The Basin became the most rapidly expanding exporter of clothing to the United States

in the world. Within the Anglophone Caribbean, Jamaica became the leading "Super 807" exporter, with a total of 86 million SYE for the year ending February 1988, followed by Belize (11.4 million SYE), St. Lucia (8.6 million SYE), Barbados (5.7 million SYE), and Antigua-Barbuda (3.6 million SYE). This initially successful program, however, remained a prime example of enclave production, with local content consisting mainly of low-wage labor and utility supplies. As U.S. buyers began to require that individual Caribbean manufacturers certify every shipment made to be drug-free, in response to the escalating U.S. war on drug imports, and as some shipping lines began to scale down operations to islands such Jamaica, "Super 807" exporters experienced extended freight delays as well as increased costs. At the same time, the level of U.S. textile imports continued to be a politically charged issue. In September 1988, Congress sent President Reagan an immediately vetoed bill, intended to freeze textile and apparel imports at 1987 levels, and to restrict future import growth to 1 percent per year.[21]

Within Congress, in February 1986, the Ways and Means Committee's Subcommittee on Oversight began a systematic review of the CBI. The "Pickle Report," which resulted, proposed transformation of the CBI into a twelve-year program, automatically extended until Congress intervened specifically to halt further extension. The main suggestions included duty-free treatment for all CBI articles assembled or processed entirely from American components, with similar treatment for all CBI exports either not produced or in short supply within the United States. Meanwhile, goods in currently excluded product categories would be subject to quotas set near current export levels, which would increase by 3 percent each year, as long as U.S. imports from the Caribbean Basin did not exceed 5 percent of global imports, in a given category. A special liberalized rule of origin for OECS states would assure product

eligibility, with only 10 percent value added domestically, as long as U.S. components amounted to 25 percent in value. In countervailing duty and anti-dumping unfair trade practice cases, imports from all CBI countries would be cumulated regionally, not globally. Additionally, the duty-free allowance on articles brought back by U.S. residents returning from visits to such countries would be increased from $400 per person to $600 per person.

Between 1986 and 1987, the value of U.S. manufactured imports from Anglophone Caribbean countries involved in USAID programs grew from $1.04 billion to $1.31 billion.[22] During calendar year 1987, however, the value of U.S. agricultural imports from the Caribbean Basin plunged by 26 percent, to $1.6 billion, compared with a 6.8 percent increase in U.S. agricultural exports to the region, amounting to $1.19 billion.[23] Continued decline in Caribbean sugar exports accounted for much of this outcome. Where the United States had imported some five million tons of such sugar in 1981, by 1987 this total had fallen to approximately one million tons.[24] In the fall of 1988, a congressional bill was introduced by Representative Sam Gibbons and Senator Bob Graham (both Florida Democrats), incorporating and building upon the Pickle Report. The additional proposals advanced included restoration of the subregion's sugar quotas to their 1983 levels, as well as partially duty-free treatment for footwear and textiles. During congressional hearings, however, U.S. Trade Representative Clayton Yeutter opposed the proposed increases in U.S. sugar import quotas, while proposing support for development of the regional tourist industry, as well as for improvements in transportation and cargo-handling infrastructure, so as to increase agricultural exports.[25] In any case, this bill was not enacted, but is likely to be revived in the 101st Congress.

In the Agriculture and Food Act of 1981, Congress directed that U.S. sugar prices be supported each year at a minimum specified level, which is currently set at eighteen cents a

pound. This support price for 9,750 beet and 323,000 corn farmers is guaranteed by the Commodity Credit Corporation (CCC), through non-recourse loans to processors, who pledge sugar as collateral. Since no domestic production controls are in place, the accumulation of sugar by the CCC can only be limited by reducing import quotas, which now account for less than 5 percent of the U.S. market. In fact, the U.S. sugar support program resulted in a 21 percent increase in sugar beet acreage, and an 11 percent expansion in sugar cane acreage, between 1982-1987. Even so, sugar supplied only 41 percent of the U.S. sweetener market by 1986, compared to 80 percent in 1971, as high-fructose corn and artificial sweeteners increased their share. At the same time, nine out of twenty-two domestic refineries have been closed, idling up to 9,000 workers, since the United States returned to a quota system in 1981. The remaining refineries operate at 65-70 percent of capacity.

In 1985, the CCC incurred a loss of $83 million, while operating its domestic sugar price guarantee. By way of reaction, Section 902 of the 1985 U.S. Food Security Act (Public Law 99-198, Title IX) mandated that the sugar program be operated at no budgetary cost to the federal government. Consequently, the president found it imperative to progressively limit sugar imports, by means of sharp quota reductions, in order to support domestic sugar prices. The employment and income effects of this policy were catastrophic for the Caribbean. In the case of St. Kitts-Nevis, for example, sugar exports to the United States were slashed from 16,000 tons in 1982 to 5,770 in 1988. More than one-third of the St. Kitts-Nevis labor force was employed in the sugar industry. Half these workers are now laid off.[26]

Some Anglophone Caribbean countries, such as Jamaica and the Bahamas, have initiated projects intended to convert sugar cane into ethyl alcohol (ethanol) for export to the United States. Cane-based ethanol, however, is profitable only at world market sugar prices of seven

cents per pound at most, or less than the price of domestic sugar, so most feedstock is imported. In 1986, farm-belt legislators proposed an amendment to the U.S. Tax Reform Act that required that duty-free imports of fuel-grade ethanol from the Caribbean Basin contain a minimum of 30 percent local feedstock (by value) in 1987, 60 percent in 1988, increasing to 75 percent in 1989 and thereafter. Although plants already approved for CBI eligibility were exempted for two years, this legislation threatened the prospects for investment in ethanol production within the Caribbean Basin. Meanwhile, consequent upon drought-related damage to the 1988 sugar beet crop, and rising U.S. demand for sweeteners, the U.S. Department of Agriculture set America's 1989 raw sugar import quota at 1,125,255 metric tons.[27] This represented an increase of slightly more than 17 percent. Nevertheless, if the basic premises of U.S. sugar policy remain unchanged, there may be no sugar quotas for CBI states, within a few years.

The Lomé Convention Series

The Lomé Convention series first came into force on April 1, 1976, and was most recently renewed by the Third Lomé Convention, implemented on May 1, 1986. Articles 129-143 of Lomé III stipulate that products originating in the sixty-six African, Caribbean, and Pacific (ACP) associated states shall be imported into the EEC free of customs duties and quantitative restrictions, as well as measures having equivalent effect, except for three specified products: sugar (Lomé I-protocol 3), bananas (Lomé I-protocol 4), and rum (Lomé I-protocol 5). Under protocol 3, the EEC undertook to import specific quantities of refined sugar from the ACP states at guaranteed prices each year, expressed in metric tons. The Anglophone Caribbean countries included are Barbados (49,300), Guyana (157,700), Jamaica

(118,300), Trinidad-Tobago (69,000), Belize (39,400), and St. Kitts-Nevis-Anguilla (7,900).

Under protocol 4, the EEC agreed to assist interested ACP states to improve their capabilities in banana production, transportation, and marketing, without altering the overall competitive profile of banana producing countries.[28] In turn, under protocol 5, the EEC agreed to import at least 170,000 hectoliters of pure alcohol from the ACP, with allowances for annual growth rates ranging from 37 percent for the British market to 27 percent for other EEC markets, applying an agreed base period. Since world sugar prices remained below EEC offer prices and production costs for most of the period since 1975, implementation of the sugar protocol reduced the level of losses experienced by the subregional sugar industry. For example, Guyana's additional sugar export proceeds, arising from the application of this protocol under Lomé I and II, amounted to approximately 212 million European units of account. On the other hand, in 1985 Trinidad-Tobago's quota was sharply reduced by more than one-third, to 43,500 tons, when the government was unable to deliver the full quantity of sugar to which it was committed.[29]

Two trade-related EEC balance of payments support mechanisms, which offer medium-term interest-free loans, remain available to the Anglophone Caribbean: "Stabex" and "Sysmin." Stabex is intended to stabilize agricultural export earnings. Under Lomé II, any one of forty-four specified products had to represent 6.5 percent of total export earnings prior to the year in which application for a Stabex transfer was made; and an ACP country had to have suffered a decline in earnings amounting to at least 6.5 percent compared to average export proceeds during the four preceding years. By Lomé III, any one of forty-eight specified products had to represent 6 percent of total export proceeds (1.5 percent in the case of the least developed, landlocked, and island developing states). Provision was also made

in Article 161 for special assistance following natural disasters, which reduced production by at least 50 percent, compared with average production levels during the three immediately preceding years. In 1981, Dominica applied for assistance under this program, following a decline of 81.8 percent in coconut export proceeds, associated with sharply reduced consumer demand. CARICOM exporters of bananas, cocoa, coconuts, nutmeg, mace, and sawn wood received a total of 3.17 million ECUs in related transfers, during 1981-1984.[30]

In turn, the Sysmin facility was introduced in Lomé II, in order to assist ACP exporting non-renewable natural resources: copper, cobalt, phosphates, manganese, bauxite, alumina, tin, and iron ore. Under Lomé III, Article 180, a given mineral export must account for at least 15 percent of export proceeds (10 percent for least developed, landlocked, and island developing states), during the four years preceding an application for special assistance, consequent upon a reduction of 10 percent or more in export proceeds. Guyana received 3 million ECUs in Sysmin aid under Lomé II, because of declining bauxite sales, and Jamaica applied for a transfer from this facility in October 1985.[31] For most CARICOM countries, trade with the twelve member-country EEC remains substantially less than U.S.-CARICOM trade.

Exceptions occur, however: for instance, St. Vincent and the Grenadines dispatched 77.4 percent of total exports to the EEC in 1984. During Lomé II (1981-1984), Trinidad-Tobago experienced the largest increase in exports to the EEC (164 percent), whereas the Bahamas recorded a reduction of 30 percent. The available data regarding recent MDC-CARICOM merchandise trade balances with the EEC range from $13.85 million in 1979 (Guyana) to $34.05 million in 1986 (Jamaica); $77.14 million in 1985 (Barbados); and $843.33 million in 1985 (Trinidad-Tobago).[32] In a Memorandum of Understanding signed between

CARICOM (as well as Suriname) and the EEC Commission on April 30, 1987, it was agreed that 35 percent of the region's total programmed resources (29.4 million ECU) would be devoted to promoting the Caribbean's tourism and trade sectors.

CARIBCAN

Turning to CARIBCAN, on February 17, 1986, the Canadian Secretary of State for External Affairs announced a new economic and trade development assistance program for the Commonwealth Caribbean. This program was implemented in June 1986, after the Canadian Parliament adopted the required legislation. No time limit was specified, although Canada will need a further GATT waiver in 1998. CARIBCAN extended preferential, one-way duty-free access to the Canadian market for approximately 99 percent of all CARICOM exports. Textiles, clothing, footwear, luggage, handbags, leather garments, lubricating oils, and methanol imports, however, were excepted. Under CARIBCAN, CARICOM rum, manufactured tobacco, cigarettes, and cigars are subject to excise duties or taxes. A 12 percent federal sales tax is also levied on a range of manufactured non-food Commonwealth Caribbean products.

In order to qualify for duty-free entry under CARIBCAN, at least 60 percent of the ex-factory price (profit and export packaging included) had to originate in any Anglophone Caribbean state(s), or in Canada. At the same time, the Canadian Tariff Board was directed to review requests from Canadian manufacturers for the re-imposition of duty, should injury, or threatened injury, occur. In the special case of Commonwealth Caribbean rum, where controversy persisted regarding the labeling and bottling requirements of several Canadian provincial governments, the federal government proposed amendments to the Food and Drug

Act that would permit such rum to be bottled in Canada, with minimal blending. Consultation continues, within the context of the existing Canada-CARICOM Trade and Economic Cooperation Agreement.

Additionally, a project intended to strengthen the subregion's export capabilities was instituted by the Trade Facilitation Office Canada. This included support for trade missions, seminars for Caribbean export promotion personnel, and the development of a sourcing directory, in order to provide an inventory of manufacturing as well as export capacity. A system was also established under which Caribbean trade commissioners would receive assistance with their sales efforts within Canada from the local offices of the Canadian Department of Regional Industrial Expansion.[33] Total trade flows between Canada and the Commonwealth Caribbean amount to approximately $600 million annually. In 1986-1987, total trade value fell by 8.6 percent, and CARICOM exports to Canada declined by 1.9 percent. Canadian imports of CARIBCAN-designated products, however, increased from $3.7 million to $3.8 million, or by 4.9 percent.[34] In June 1988, the Canadian government funded a study aimed at identifying CARICOM supply capabilities, and suggesting specific market penetration strategies.

CURRENT TRADE ISSUES

In summation, the Anglophone Caribbean states face six principal trade issues. First is the challenge of diversification away from the beleaguered sugar industry towards non-traditional exports, such as exotic fruits and winter vegetables, as well as textiles, while also developing

competitive spin-offs within the sugar industry--products such as ethanol, bagasse board, and paper--given that sugar remains far more suitable to the Caribbean than any other cash crop.[35] Yet efforts to expand either textile or fruit and vegetable exports to the American market have been attended by difficulties, given the negative results of the U.S. war on imported drugs for shipping from the subregion, recent problems with pesticide residues beyond U.S. Department of Agriculture tolerances, and persistent protectionism.

In the case of Anglophone Caribbean banana exports, the present system of national quotas is likely to be replaced by a single EEC regime when Lomé IV takes effect on January 1, 1990. It remains, however, unclear that a EEC-wide minimum import price will adequately protect Windward Island producers, who still cannot compete with "dollar-area" fruit suppliers. Yet dollar-area suppliers, such as Costa Rica and Ecuador, continue to press for increased access to the EEC market, within the context of the Uruguay Round. Additionally, in the case of Jamaica, current estimates suggest that it will take at least three years to recover from losses of some $430 million in the non-traditional export sector, caused by Hurricane Gilbert in September 1988.[36]

Second is the need to multiply net tourism proceeds by increasing the industry's integration into local economies, expanding product availability, and effectively marketing the tourism product within all potential markets. Meanwhile, it remains imperative to minimize the "rich white tourist/poor black native" syndrome, with all its negative sociopolitical implications. This interacts with the problem of local food production and small business development. The third main issue links finance and trade: the impact of heavy debt service charges, which naturally limit local funding for essential infrastructural improvements and public services, and the need to expand exports, partly in order to meet associated capital

transfers. The fourth important problem is that of effectively coordinating economic policy choice with CARICOM so as to expand interregional production and trade, without generating new centrifugal and countervailing political sensitivities.

A fifth significant issue is that of improving the currently minimal trade flows between CARICOM and other neighboring countries, such as Venezuela, Colombia, and Mexico, as well as with other Caribbean Basin states, despite the frequent persistence of mutually competitive production structures and export strategies. The 1987 trade exchange agreement signed in Miami by the Private Sector Association of Central America and Panama (FEDEPRICAP) with the Caribbean Association of Industry and Commerce (CAIC) provides one positive model. Finally, the current Uruguay Round of international trade negotiations has differentially engaged GATT contracting parties in the discussion of agriculture, services, trademarks, copyrights, and patents, with the declared intention of achieving reduced protectionism. Yet Latin American and Caribbean developing countries, as a group, remain apprehensive about U.S. proposals for the inclusion of services and investments within GATT. CARICOM and other regional developing states demonstrate much greater concern for the dismantling of non-tariff barriers to trade in "tropical products." For example, in 1988, CBI sugar exporters joined forces with U.S. sugar beet and corn farmers, in an effort to eliminate all sugar subsidies by means of GATT negotiations. Similarly, regional trade delegations continue to emphasize the application of across-the-board formulae, rather than the language of "trade requests" and "offers," while pressing for developing states to be accorded truly "special and differential treatment" under Part IV of the General Agreement on Tariffs and Trade.

NOTES

1. Rafael A. Trejos and Manuel Gollas, eds., *Industrialization and Trade in the Caribbean Basin* (San José, Costa Rica: Institute for Economic and Social Research on the Caribbean Basin), p. 74.

2. Vaughan A. Lewis, "The Architecture of Political Regionalism in the Commonwealth Caribbean," in Basil A. Ince, Anthony T. Bryan, Herb Addo, Ramesh Ramsaran, *Issues in Caribbean International Relations* (New York: University Press of America, 1983), p. 113. Lewis's analysis is updated in "The OECS and Its Current Orientation for Closer Political Union," *Caribbean Affairs* 1:3 (July-September 1988), pp. 159-73.

3. *Keesings Contemporary Archives*, September 1985, p. 33849.

4. Caribbean Development Bank, *Annual Report 1987*, (Wildey, St. Michael, Barbados: 1988), pp. 20-21. The main reasons cited for sugar production decline were bad weather conditions, increasing net production costs, labor shortages, continuing as well as substantial reductions in the U.S. regional sugar quota, and prevailing uncertainty in the world sugar market. International sugar prices fell from $0.30 per pound in 1976 to $0.06 per pound in 1982, a level below the production costs of most sugar exporting countries. By October 1986, raw cane sugar was priced at $0.0479 per pound. Two years later, in October 1988, raw cane sugar cost $0.0989 cents per pound (FOB) on the world market.

5. During 1987, an estimated 9.65 million stayover tourists and 5.6 million cruise-ship passengers visited the region. Tourist and cruise passenger arrivals were 13.8 percent and 12 percent higher, respectively, than in 1986. See Caribbean Tourism Research and Development Center, *Caribbean Tourism Statistical Report 1987*, (Marine Gardens, Christ Church, Barbados: 1988).

6. Whereas banana production rose sharply in Belize, Dominica, and Jamaica during 1987, St. Lucia experienced a 26 percent fall in output.

7. In a July 3, 1987, Caribbean News Agency interview, Guyana president Desmond Hoyte indicated that a framework for an initial set of regional joint ventures between Trinidad-Tobago and Guyana had been worked out. Trinidadian companies would provide Guyanese manufacturers with inputs, within sectors such as pharmaceutics and timber, and buy back the finished products, with the proceeds from these sales retained by Trinidad's central bank (*Jamaican Weekly Gleaner*, July 13, 1987, p. 11).

8. *The Barbados Advocate*, July 14, 1988, p. 1.

9. For instance, the percentages of trade conducted by the larger CARICOM countries with the United States and Canada, in recent years, were as follows: *Exports:* Barbados, 84.4 percent (1985); Guyana, 23.7 percent (1983); Jamaica, 49.9 percent (1986); Trinidad-Tobago,

63.4 percent (1985); *Imports:* Barbados, 47.1 percent (1985); Guyana, 31.6 percent (1979); Jamaica, 56 percent (1986); Trinidad-Tobago, 46.8 percent (1985). See UNCTAD, *Handbook of International Trade Statistics, Supplement 1987* (E/F.87.II.D.10) (New York: 1988), tables 3.4 and 3.5.

10. Solon Barraclough and Peter Marchetti, "Agrarian Transformation and Food Security in the Caribbean Basin," in George Irvin and Xavier Gorostiaga, *Towards an Alternative for Central America and the Caribbean* (London: Allen & Unwin, 1985), pp. 154-93.

11. LACCR 5 (1985-1986) p. B425.

12. Walter S. Mossberg, "World Bank Seeks New Debt Strategy on Third World, Evolution of Baker Plan," *The Wall Street Journal*, December 19, 1988, p. B2.

13. *The Economist*, February 20-26, 1988, p. 110.

14. See Richard Cupitt, "The Growth of Import Protection Policies, 1966-1982," paper presented to the 25th Annual Convention of the International Studies Association, Atlanta, Georgia, March 27-31, 1984. See also GATT, *International Trade 1985-1966* (Geneva: GATT Secretariat), p. 138. See also UNCTAD, *Handbook of Trade Control Measures of Developing Countries 1987*, UNCTAD/ST/ECDC/33, (New York: United Nations Secretariat, 1987).

15. *IMF Survey*, July 25, 1988, p. 241.

16. Joseph Peltzman, "Statement," *Hearing Before the Committee on Finance*, U.S. Senate, 98th Congress, First Session on S.544 (Washington, D.C.: Government Printing Office). Also briefly discussed in LACCR V (1985-1986), pp. B465-67 and B481-82.

17. Thomas Ricks, "Caribbean Leaders Find Independence Is Failing to Improve Existence," *The Wall Street Journal*, February 19, 1986.

18. Jane Mayer and Art Pine, "U.S. to Aid Caribbean's Textile Exports While Seeking New Industry Protection," *The Wall Street Journal*, February 21, 1986.

19. Mimi Whitefield, "Report: Exports Will Grow 12%," *The Miami Herald*, June 20, 1988, p. 13.

20. *Caribbean Update* 4:5 (June 1988), p. 1.

21. Bill Arthur, "Reagan Vetoes Bill on Textiles," *The Miami Herald*, September 29, 1988, p. 9A.

22. U.S. General Accounting Office, Report to the Chairman, Subcommittee on Western Hemisphere and Peace Corps Affairs, Committee on Foreign Relations, U.S. Senate, *Caribbean Basin Initiative: Impact on Selected Countries* (GAO/NSIAD-88-177), p. 60.

23. *Caribbean Update* 4:7 (August 1988), p. 1.

24. *The Economist*, August 6, 1988, p. 10.

25. Mimi Whitefield, "Backers Hope to Revive CBI bill," *The Miami Herald*, October 17, 1988, p. 11. The U.S. trade representative argued that increased U.S. sugar import quotas for CBI states would "not address the basic problems of the U.S. sugar program, and would continue to encourage the Caribbean Basin economies to remain dependent on sugar exports, at a time when the world market is in surplus, and likely to remain so." Ambassador Yeutter also opposed a proposal that special apparel and textile import preferences be allocated to the OECS countries.

26. *The Economist*, August 6, 1988, p. 13.

27. *The Wall Street Journal*, December 16, 1988, p. C12.

28. Bananas continue to constitute the principal export of Dominica and St. Lucia, as well as St. Vincent and the Grenadines. Production costs, however, are relatively high, by comparison with Latin American banana producing countries. Additionally, supplies tend to be irregular, while occasional problems of unattractive skin appearance, crown rot, and mechanical damage associated with adverse weather conditions as well as poor harvesting techniques, persist. In recognition of these difficulties, the Lomé Banana Protocol emphasizes research and technology transfer in the areas of harvesting, packaging, internal transport, storage, marketing, and trade promotion.

29. EEC Commission, Directorate-General for Information, Communication and Culture, "The EEC and the Caribbean" (DE 54), Brussels: July 1986, pp. 21-22.

30. Ibid., p. 24. The EEC's financial provision for Stabex has steadily expanded from 375 million ECU in Lomé I, to 550 million ECU in Lomé II, to 925 million ECU in Lomé III. ACP states are required to account for their use of grants, and to make loan repayments when due. By 1985, the EEC's Stabex account contained a surplus of 127.1 million ECUs.

31. Sysmin projects involve slow commitment procedures, since the objective is to create cofinancing packages with private-sector investors interested in re-establishing viable mining industries within interested ACP countries. However, where Lomé II provided 282 million ECU for such projects, Lomé III increased this allocation to 415 million ECU. Successful applicants are eligible for forty-year loans (ten years' grace) with interest ranging from 1 percent to 0.75 percent for least developed states.

32. Calculated from UNCTAD, *Handbook of International Trade Statistics: Supplement 1987* (E/F.87.II.D.10), New York: 1988, pp. 110-33.

33. Canadian Department of External Affairs, "Communique #45," February 17, 1986.

34. "Canada/Caribcan Trade Balance" (LCT-1182), Caribbean and Central America Trade Development Division, Caribbean and Central America Bureau, Canadian Department of External Affairs, December 2, 1988.

35. There is abundant evidence that sugar is uniquely able to thrive in the climate of the Caribbean, while resisting both local weather hazards and plant diseases. See B. Persaud and L. Persaud, "The Impact of Agricultural Diversification Policies in Barbados in the Post-War Period," *Social and Economic Studies* 117:3 (1968), pp. 353-65; B. M. Richardson, "The Agricultural Dilemma of the Post-Plantation Caribbean," *Journal of Inter-American Economic Affairs* 25:1 (1972), pp. 59-70.

36. *The Jamaican Weekly Gleaner*, October 3, 1988, p. 13.