

GENERAL AGREEMENT ON TARIFFS AND TRADE

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REPORT OF THE WORKING PARTY ON THE CARIBBEAN COMMUNITY AND COMMON MARKET

1. The Working Party was established by the GATT Council at its meeting on 21 October 1974, to examine, in the light of the relevant provisions of the General Agreement, the provisions of the Treaty establishing the Caribbean Community and Common Market, and to report to the Council.

2. The Working Party met on 25 and 26 January 1977, under the Chairmanship of Dr. Petar Tomić (Yugoslavia). The composition of the Working Party was as follows:

Australia
Brazil
Canada
European Communities and
their member States

India
Jamaica
Japan
Malaysia
Nigeria

Nordic Countries
Peru
Trinidad and Tobago
United States

A representative of the Caribbean Community Secretariat was also present.

3. The Working Party had before it, as background material, the text of the Treaty establishing the Caribbean Community and Common Market (L/4083) and the questions put by a number of contracting parties and answers thereto provided by the members of the Caribbean Community (L/4361).

4. The representatives of the Caribbean Community and Common Market, in introductory statements, informed the Working Party that the Treaty marked the second phase in the process of integration of Caribbean Community countries. The importance of this effort was demonstrated by the broad-ranging problems of Commonwealth Caribbean countries, including the small size and population of individual States, limited resources, high rates of unemployment and under employment, an unfavourable balance-of-payments situation and the large capital needs for development. In describing the main features of the Caribbean Common Market which is annexed to the Treaty establishing the Caribbean Community (CARICOM), these representatives recalled that the main provisions of CARICOM concerned trade liberalization, a common protective policy, rights of establishment as between members, co-ordination of economic policies and development planning and special measures for the less-developed countries within the Community.

5. In so far as the Common External Tariff, which had a single column structure, was concerned, this was now applied in full by the four "more-developed" members; the "less-developed" members were in the process of adopting the schedule of duties in the Common External Tariff over a period of from eight to ten years. The Common External Tariff, however, already applied to substantially all imports into the region from third countries. The working Party was informed that members of CARICOM were now considering the question of "other regulations of commerce", mainly quantitative restrictions, covered by the common protective policy and, in this respect, a working party to examine the matter and make recommendations had been established.

6. Recalling that the CONTRACTING PARTIES had agreed that the Caribbean Free Trade Agreement (CARIFTA) was a free-trade area within the meaning of Article XXIV:8(b), these representatives expressed the view that the Caribbean Common Market, which was a successor to CARIFTA, was also consistent with the provisions of Article XXIV, in that it was an interim agreement leading to the establishment of a customs union.

7. The Working Party indicated its understanding of and support for the objectives of the Caribbean Common Market and the efforts being made towards economic integration in the Caribbean region. It was expected that the success of such efforts would lead to greater benefits for the member States as well as for other countries. Several members of the Working Party noted that the Treaty under examination, which constituted an interim agreement with a view to establishing a customs union, already covered substantially all the trade and that the provisions which it contained were not more trade restrictive than the regulations existing prior to the establishment of the Treaty and were consistent with the provisions of Article XXIV. Members of the Working Party stated that their countries would continue to support the process of economic development in the region.

8. In reply to a question from one member of the Working Party seeking an elaboration of the information contained in the answer to question 5 in document L/4361, the representative of the Caribbean Community and Common Market said that in order to reach agreement on a Common External Tariff, CARICOM members with high tariffs had had to accept a substantial reduction in many individual tariffs and in their average tariff rates. These reductions served to ensure that the Common External Tariff was in full accordance with the provisions of Article XXIV of the GATT. In consequence, the total duties collected on imports by CARICOM members in 1974 had been much below the level recorded previously.

9. In reply to a question from one member of the Working Party as to what quantitative restrictions were envisaged under the provisions of Article 33 of the Annex to the Treaty, the representative of the Caribbean Community and Common Market said that this was one of the questions currently engaging the attention of a working party which had been established to consider the rationalization of the current régime under which member States individually had the right to impose quantitative restrictions on imports from third countries. He added that the working party concerned was considering this matter with a view to making recommendations which might include the removal or reduction of quantitative restrictions where necessary in the progress towards a common protective policy for the Community. The member, who had put the question on this point, expressed his government's view that the regional quantitative restrictions contemplated in Article 33 would not appear to be consistent with Article XXIV:5(a) of the General Agreement. The representative of the Caribbean Community and Common Market could not accept the view expressed by that member as it was based on a hypothetical situation, the CARICOM working party having not yet completed its work. He did not understand how a matter which was not before the Working Party but was merely something which the member had said was contemplated, could be inconsistent with any article of the General Agreement.

10. In reply to a question from another member of the Working Party concerning the target date for the completion of the work of the CARICOM working party and whether the CARICOM Secretariat or Council would be prepared to notify to the CONTRACTING PARTIES existing and planned quantitative restrictions, he said that the working party had intended to finish its work by the end of 1976, but its work had been delayed due to certain technical difficulties. As regards notification, he said that, in keeping with their obligations under GATT, the CARICOM would notify decisions taken under the Treaty in respect of regional quantitative restrictions; as regards existing quantitative restrictions, since information provided by member States to the Council under Article 33:2 of the Annex to the Treaty had been made available for information only, the CARICOM Secretariat and Council were not in a position to notify these restrictions which were a matter for individual member States who were GATT contracting parties.

11. In connexion with question 19 of document L/4361, one member of the Working Party asked how the CARICOM member States reconciled Schedule VIII of the Annex to the Treaty dealing with marketing arrangements for selected agricultural products with their obligations under the GATT, in particular with Article XXIV:5(a), and he was of the opinion that the CARICOM agreement might not satisfy fully the conditions of Article XXIV because of its Schedule VIII. He added that, while

his authorities sympathized with and supported the objectives of CARICOM to increase agricultural output and self-sufficiency, they considered that this could be achieved, without discrimination against third country suppliers, through positive measures, such as extension and marketing services and improved research. In reply, the representative of the Caribbean Community and Common Market said the agricultural marketing arrangements were administrative measures designed to ensure orderly marketing among member States in selected agricultural products. Their aim in particular was to facilitate an increase in agricultural production in the "less-developed" members of CARICOM. They should be examined against the background of the very serious handicaps faced by these small island States and of the general problem of inadequate food supplies and nutritional levels and of the high and expanding import bill for foodstuffs in the CARICOM region as a whole. He said that the arrangements had not worked in such a way as to be restrictive since trade with third countries in products covered by the arrangements had continued to rise rapidly. Between 1971 and 1975 the total bill for imports by CARICOM countries of products covered by the arrangements had risen from EC\$ 27 million to EC\$ 57 million, with the share of this taken by intra-CARICOM trade amounting to only EC\$ 1.1 million in 1971 and EC\$ 4 million in 1975. In 1975, imports from the United States accounted for 52 per cent of this trade, imports from Canada 14 per cent and from other non-CARICOM countries a further 27 per cent. He said that trade in many of the products concerned was highly seasonal and characterized, in particular, by transport problems within the region. Without the measures available under the arrangements, it was likely that in certain circumstances the "less-developed" member States would find it virtually impossible to dispose of their surplus production of some products which formed the basis of their economies. He considered that, if the agricultural marketing arrangements were to be removed, the gain to third country trade would be insignificant while the adverse effect on the economies of certain member States would be very great. He added that these arrangements were not new since they had existed in similar form under CARIFTA. He also provided information on measures being taken by the Caribbean Community to improve agricultural research and extension services. The CARICOM representative stated, in addition, that the objections raised in respect of Schedule VIII seemed to ignore the considerations that consistency with the GATT was judged in terms of the liberalization of a substantial proportion of intra-regional trade; this position could not be affected by the small value of exports (1.2 per cent of the total intra-CARICOM trade) covered by that Schedule. The representative also stated that the position adopted by the member concerned did not seem to take into consideration the provisions of Part IV of the General Agreement, including Article XXXVI:1(f).

12. Another member of the Working Party asked a question concerning the criteria and procedures used for determining the f.o.b. prices for intra-Community trade in products covered by Schedule VIII, for determining the level of deficits in these products and deciding when imports could be sanctioned. In reply, the representative of the Caribbean Community and Common Market said that each year a conference was called to consider f.o.b. prices to be proposed for acceptance by the Council. CARICOM countries were currently engaged in developing a scientific basis for the determination of such prices, which would be a function of two elements - the cost of production of a farmer of average efficiency and an agreed reasonable level of income for a farmer with a farm of a specified size. Meetings were also called to consider the level of expected deficits and the estimates thus produced were revised from time to time as figures became available. As regards the sanctioning of imports by the CARICOM Secretariat, he said that this was virtually an automatic process in the context of the deficit situation, taking into account statistics reflecting the supply/demand position within member States. The main aim was to ensure that member States fulfilled their obligations with respect to imports from other member States, which came mostly from the "less-developed" ones. Since supplies were generally small and deficits large, little difficulty was found with the operation of this aspect of the Treaty.

Conclusions

13. The Working Party expressed sympathy and understanding for the efforts of the member States of the Caribbean Community and Common Market to promote economic development and expansion and diversification of trade in the region through closer integration and the progressive development of their economies. It was generally agreed that the Caribbean Common Market constituted an interim agreement leading to the establishment of a customs union and as such was consistent with the provisions of Article XXIV of the General Agreement. Some concern, however, was expressed at the possible effects of the marketing arrangements for selected agricultural products on trade with third countries. The Working Party noted the information provided by the representative of the Caribbean Community that the arrangements were basically designed to provide orderly marketing possibilities for a small surplus of certain agricultural commodities, in particular for the benefit of the "less-developed" members of CARICOM and they did not in effect constitute a barrier to trade with third countries, nor were they discriminatory in their effect.

14. The Working Party noted that the parties to the Treaty were prepared to supply information on a periodic basis and to notify any changes which might be made to the arrangement in accordance with the usual GATT procedures. It was understood that the Treaty establishing the Caribbean Community and Common Market would in no way be considered as affecting the legal rights of contracting parties under the General Agreement.