I. The EEC, Carifta, and Rationalization

This summary of the workshop sessions on the EEC, Carifta, and Rationalization focuses on:-

(i) the choice of relationship between the EEC and the Carifta countries, and the strategy to follow with respect to particular commodities -- sugar and bananas;

ii) an examination of the sugar and banana industries; and

(iii) the concept of rationalization and the constraints to rationalization in the Carifta context.

A number of implications are highlighted and recommendations stated.

Choice of Relationship

Three choices of relationship between the EEC and Carifta Countries were considered. These were:-

(a) the Yaounde Convention;

(b) the Arusha Agreement; and

(c) a Trade Agreement.

The arrangement under the Yaounde convention allowed for free trade, and to developing associates, and reciprocal rights and obligations in which preferential treatment was accorded except for competing agricultural products.

Despite the commitment to aid, such assistance was not proven easy to obtain. Projects submitted must be acceptable to the Community -- a situation which has implications for national sovereignty. The Yaounde countries have experienced only marginal benefits from the aid that was provided by EEC countries. It was apparent that the African countries under this convention were required to surrender much of their political sovereignty.

The Arusha Agreement is a loose form of association which provides for the free entry of a limited range of products from the Arusha Convention countries to the Community markets. The essential difference between the Arusha and Yaounde Conventions is that the former does not have an aid provision from the Community. However, it does involve reciprocal rights and obligations.

The trade agreement is a looser form of relationship than the Yaounde or Arusha forms of association. This form of relationship does not presuppose an aid element. The trade agreement relationship does not appear to be a desirable form of association.

The group noted that Caribbean governments have agreed to negotiate with EEC as a group. So far as sugar is concerned, negotiations would be in concert with the Commonwealth Sugar Agreement countries in their demand for 1.4m. ton market. All indications are that sugar will be treated separate and distinct regardless of any form of associations opted for.

It is the general opinion that the negotiations for banana would present major problems as the price system and allocation of the market might not be equally favourable to both Jamaica and the other Caribbean countries which produce banana. There is some feeling that an agreement on bananas would have to be treated separately as in the case with sugar and on a joint basis. It was noted that if this were not done and individual territories bargained separately in order to maximise their benefits, this may undermine the entire Carifta Agreement.

There was strong support that negotiations with the EEC should be conducted on a Community to Community basis.

THE FUTURE OF SUGAR

The group examined the present state of the sugar industry under the following three aspects: the supply-demand situation, investment, and particular problems.

There is a distinct trend of contraction in production of raw sugar in the Commonwealth Caribbean countries with the exception of Guyana and Belize. In the latter country every effort is being made to increase production from a level of 350,000 to 500,000 tons within the next decade. High labour costs, unattractive international prices and the deterioration of machinery both in factory and field are mainly responsible for this declining level of production in the West Indian Islands. Increasing world demand for sugar which is conservatively estimated to grow at 3 per cent per annum implies that about another 20m. tons of sugar would be required to satisfy world demand in the next decade.

Indications are that some investment in increased capacity is underway in some regions. However, this expansion does not appear to be enough to meet the ever increasing world demand for sugar. Consequently, in the immediate future, the price of sugar would fluctuate around the present world price. It is, therefore, timely for countries in the West Indies to take advantage of the present and future projections in relation to price and demand.

A case study of the industry in Guyana concluded that the sugar industry was one of the most profitable industries in that country. The very important factor of self-generating capital for rehabilitation and expansion from sugar revenue seemed to be fundamental in the cost structure in producing sugar. As in Trinidad, the sugar industry in Guyana was vertically and horizontally integrated both in Guyana and in the United Kingdom. The major problem of expanding sugar production or rehabilitating the industry in the West Indies is centred on the scarcity of capital.

The sugar industry in the region has probably reached the highest level of producing canes per acre. However, there is scope for influencing the cost of cultivation by the use of mechanical harvesting, an improved method of ratooning and planting in addition to certain agronomic inputs. There are still further possibilities to increase the extraction of more sugar from cane in factory processes.

The group examined the possibilities of dividing the plantations into smaller holdings and diversification of production. On account of the special topographical conditions in Guyana, and the efficient performance of the industry, it does not seem to be a proper strategy to divide the plantations. Nevertheless, new lands should be primarily developed by farmers. In the other territories, it seems possible that farmers can be given a greater scope of cane cultivation.

It was the general opinion that many acres of sugar land are not suitable for cane cultivation. Such lands should be firstly identified for diversification.

A model of investment requirements for expanding production was examined. It confirmed the conclusion of an optimistic future for the industry.

The study concluded that given present and projected supply-demand and price conditions, investment in the sugar industry represented a viable alternative. Under the present and projected cost structure, high economic rates of return to investment in the sugar industry was possible.

Possibilities for export exist in non-traditional markets, for example, China. However, exploitation of these possibilities are constrained by the ability of the industry to satisfy its traditional markets in the following order:- Local, NPQ, USQ, Shortfalls in NPQ, Frees. It was obvious that to supply the non-traditional markets considerable increases in production will be required.

The group identified the following research topics on sugar:-

1. Human problems associated with diversification
2. Scope for technical and economic efficiency in the industry
3. The impact of fragmentation of large plantations
4. Investment prospects
5. The optimum level of sugar production to year 2000
6. Prospects for new markets.

The debate indicated that decisions relating to diversification and the execution of this policy are being made without the necessary supporting empirical analysis. It was felt that the necessary machinery should be set up to provide empirical basis on which sound decisions are made.

THE FUTURE OF BANANAS

The paper presented on bananas highlighted the following:-

1. The major suppliers of the EEC market were South and Central American countries.
2. The Commonwealth Caribbean countries did not have the type of natural conditions suitable to banana production, nor the structural organisation to reap economies of scale.
3. The industry was important both to Latin American and the Commonwealth Caribbean countries.
4. The Commonwealth Caribbean countries, French territories, and African countries were relatively high cost producers.
5. Latin American suppliers dominated all the individual EEC markets except in France and the U.K. This was so despite the preferential treatment given to Associated States.
6. There was a marked degree of integration and market entrenchment in the EEC countries by international companies engaged in banana transactions.
7. Prospects for increased demand consumption and export earnings did not appear too bright. These factors were to be considered against anticipated increased exports from the Latin American suppliers.

Implications of U.K.'s Entry into the EEC

The group noted the following implications of the points raised in the paper of the U.K.'s entry into the EEC.

1. The high cost producers: Commonwealth Caribbean, French territories and African countries would not be competitive in a free European market.
2. A major problem will arise depending on the approach taken by the Windwards and Jamaica in respect to bananas. The Windwards automatically enter the EEC with the U.K. under Part 4 of the overall Community Agreement, but the options of entry -- Yaounde, Arusha, Trade Agreement -- relate to independent countries like Jamaica.

It was noted if the Windwards enter on a different form from Jamaica (which might well be better for the Windward Islands bananas), this could spell the destruction of the Carifta movement. For example, the forms of association chosen will involve different types of reciprocal obligations. For a Caribbean Community this may mean differential application of a Common External Tariff involved in Harmonisation of Trade Policies. This may prevent the Commonwealth Caribbean Community from working effectively, if not its total demise.

It was stated, however, that the Yaounde Agreement had shown itself capable of adjustments and the possibility existed for both Jamaica and the Windwards entering under one agreement, despite their different constitutional status.

The integrated nature of banana operations in the EEC will deny entry of the Commonwealth Caribbean bananas into EEC markets other than the U.K.

It was also likely that U.K. importers in the long run will seek cheaper bananas if these were available to them because marketing arrangements were such that importers would gain most from cheaper bananas.

Strategy

A possible immediate strategy suggested was that the Commonwealth Caribbean countries negotiating as a group should discuss with Latin American Governments the possibility of a common grouping intended to shift the interest from marketing to production. Although the Latin American countries were lower cost producers than the Commonwealth Caribbean countries, they stood to benefit since they themselves were locked into a particular cost situation by marketing arrangements, and did not fully benefit from profits made at the marketing end. One problem here was the delicate situation which existed between Latin American Governments and the companies operating in bananas in these countries.

In relation to the Commonwealth Caribbean bananas being high cost and being excluded from some EEC markets, it was suggested that a move which could facilitate the importation of higher priced bananas into the EEC was for the Commonwealth Caribbean countries to support the pressure brought by France and Italy on Germany that it cannot be the only market in the EEC to have cheaper bananas.

It was accepted that the Commonwealth Caribbean countries, including Belize should negotiate as a single supplying unit in order to ensure quota allocations. The problem here was that although access to the ECM may be had in terms of the tariff, access need not necessarily be had in terms of quantum. In the circumstances, the Windwards would individually be allocated its 50 per cent share of the market while Jamaica will have to compete with other producers for the rest.

Needed Research

It was suggested and generally accepted that the Commonwealth Caribbean countries should engage in research which estimated trade alternatives so as to derive what was best for them. Some countries were already doing such work.