PROSPECTS FOR EXPORT CROPS

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INTRODUCTION

This paper is devoted to an examination or analysis of the export prospects of Trinidad and Tobago's four major commodities, sugar, cocoa, citrus, and coffee. I shall, however, preface my remarks on these crops with a review of some of the major events and issue which took place and were debated on the international scene in the Post War period, because I consider them to be relevant and appropriate to what is essentially a study in international economics.

After discussing the general economic setting of background, I shall proceed to deal with the commodities referred to above. Then, Trade with the Socialist countries, the Effect of Synthetics on Commodity Trade, International Commodity Agreements and Compensatory Financing will be discussed in small sections, as they all have some bearing on the main topic.

INTERNATIONAL SETTING OF THE PROBLEM OF EXPANDING COMMODITY TRADE.

The most momentous and crucial problem of contemporary times is the tremendous struggle being made by the less developed countries of the world, nearly all of whom may also be classified as primary producers*, to achieve sustained economic growth and raise the levels of living of their populations.

Many of these countries have had to rely on raw material and/or agricultural exports to bring about the hoped for transformation and growth of their economies. Their hopes,

*Note. It has been said that every country in the world is a primary producer, but I used the words here as being synonymous with developing or less developed countries.

however, have remained unfulfilled, and exports have failed to make the sort of contribution that they made to American economic development in the 19th century, when with the foreign exchange earned from the export of cotton, tobacco, wheat, and other products the United States was able to purchase machinery and manufactured goods from Europe and also effectively service her foreign debt.

As I have had occasion to point out in another paper, an examination of most of the literature or studies on international trade in the Post-War era will reveal that the expansion which has taken place has been extremely uneven. While substantial increases in trade have taken place between the industrialised countries themselves, trade between these countries and the primary producers, has been sluggish. In addition there has been an almost persistent decline in the unit value of exports from the non-industrial or primary producing countries.

Over the years 1953-55 to 1962, the quantum of exports from the primary producing countries rose by 47 per cent and their unit value fell by 12 per cent, exports from industrial countries rose in volume by 62 per cent and increased in value by over 4 per cent.

This question of the adverse trends in the terms of trade of the primary producing or less developed countries was examined in great detail at the United Nations Conference on Trade and Development where an attempt was made by some developed countries because of the strengthening of the markets for some primary commodities in 1963-64 to stress that the terms of trade effect was only temporary and would not, therefore, result in great hardship to primary producers.

Recent trends have, however, indicated that the 1963-64 upturn was little more than illusory and only benefitted some developing countries.

In a paper on "World Trade and Planned Industrialisation" F. D. Boggis has pointed out that "faced with the prospect of a secular decline in the market for primary products, the non-industrialised countries have sought the security of diversification through programmes of industrialisation." It is also true to say that the strategy of development employed by these countries is one that gives priority to industrialisation because it affords more scope for manoeuvreability, facilitates transformation of the national economy, and develops the capacity to innovate, all of which are important for the attainment of sustained growth.

Growing disenchantment with the General Agreement on Tariffs and Trade* which has been referred to as "the rich man's club" was one of the factors which led to the confrontation at the United National conference on Trade and Development between the developed and the developing countries, and today it is being said that the political struggle between East and West is matched by an economic struggle between the North (the developed countries) and the South (the developing countries).

The developed countries have frustrated the expansion of trade by the developing countries by using a host of restrictive measures and practices. In addition to tariffs they have clung to archaic income and price support policies which they claim are necessary to maintain the levels of living of their farm populations. These are usually reinforced by quantitative restrictions, import levies, mixing regulations and deficiency payments. It is possible, therefore, for a country to appear to be adopting a liberal trade policy by reducing tariffs and agreeing to standstill measures while at the same time utilising various non-tarrif devices which are probably even more restrictive than tariffs.

Sometimes the developing country may in it's attempt to diversify, invest in plant and equipment in order to process some of it's raw material or agricultural production, only to find like Ghana did, that while the tariff on raw cocoa beans in the European Common Market was only 5.4 per cent, the tariff on cocoa butter was as high as 27 per cent.

This type of tariff structure effectively blocks the efforts made by developing countries to industrialise, and forces them to remain producers of primary commodities at a time when the markets for such products are depressed. It isnot difficult to understand, therefore, why many of the developing countries are faced with serious balance-of-payments problems as they attempt to industrialise, for except for short periods of high prices for some primary commodities, the terms of trade have moved against them. Thus they receive less and less for their exports while having to pay more for the manufactured goods and capital equipment which they need to import to implement their economic plans.

It is in this setting and against this background that I wish to turn now to the question of the prospects for the export crops, sugar, cocoa, citrus and coffee.

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*In fairness to G.A.T.T. it should be noted that quite a great deal of attention is now being given to the trading problems of the less developed countries particularly in Committee III.

PROSPECTS FOR EXPORT CROPS

I shall begin this section by devoting a little space to a brief sketch of the Trinidad and Tobago economy so that the reader will see how the commodities, sugar, cocoa, citrus and coffee, fit into the production structure.

Trinidad and Tobago can be described as a small open economy, that is to say, the ratios of imports and exports to Gross Domestic Product are very high, possibly higher than all the other countries in the Caribbean region. An examination of the National Accounts will show that this country has experienced during the late fifties and early sixties quite a substantial rate of growth and that it has a per capita income of $800 T & T (about $500 U.S.).

Mr. W. G. Demas in his recent book on the "Economies of Development in Small Countries" has dealt in a very erudite and comprehensive manner with the special problems of small (enclave) economies and has in a summary of the problems of the Caribbean reminded us that "the Caribbean economies, in spite of their relatively high per capita incomes, still need to undergo further transformation, especially in view of the slowing down on the rate of growth of the leading mineral-exporting sectors and the disappearance of opportunities for emigration.

The most obvious and noticeable factor about the trade statistics of Trinidad and Tobago, is the predominant position of petroleum and petroleum products. The tables set out below will serve to illustrate this point:

TABLE 1

Contribution of Export Groups 1948-63

% of Domestic Exports

Year	Oil	Traditional Goods Excluding Oil	Chemicals & Manufactured Goods
1948	73.5	26.5	-
1949	73.8	26.2	-
1950	75.3	24.6	-
1951	78.3	18.3	3.0
1952	78.3	16.9	3.0
1953	77.4	19.3	2.0
1954	75.1	21.0	2.3
1955	76.2	19.6	1.6
1956	79.2	14.7	2.7
1957	82.6	13.4	1.8
1958	82.4	14.3	2.3
1959	83.6	12.7	2.6
1960	82.4	13.1	3.5
1961	85.2	11.4	2.7
1962	85.3	10.3	3.8
1963	84.3	10.1	3.9

Note: (1) Due to the omission of a few minor items some totals may not equal 100%.

(2) Traditional goods excluding oil, are sugar, cocoa, coffee, fresh fruit and fruit preparations and asphalt.

Source: Unpublished Economic Planning Division Paper on Patterns of Trade.

TABLE 2

Commodity Exports 1961 - 1964

	1961 $mn	%	1962 $mn	%	1963 $mn	%	1964 $mn	%
Petroleum	493.9	85.2	494.3	85.5	526.2	84.2	568.0	83.4
Sugar	42.4	7.3	33.5	5.8	46.6	7.5	44.7	6.6
Cocoa	6.5	1.1	8.0	1.4	8.6	1.4	4.8	0.7
Coffee	1.4	0.3	1.1	0.2	3.0	0.5	4.7	0.7
Grapefruit	-	-	1.5	0.2	0.9	0.2	0.6	0.1
" (canned)	-	-	0.1	0.0	1.0	0.2	0.8	0.1
" (juice)	-	-	2.6	0.5	2.1	0.4	1.5	0.2
Orange (juice)	-	-	1.7	0.3	1.2	0.2	1.3	0.2
Asphalt	2.7	0.5	3.0	0.5	3.3	0.5	4.1	0.6
Rum	1.9	0.3	1.6	0.3	1.4	0.2	2.0	0.3
Total Domestic Exports	579.5	100	579.7	100	624.7	100	680.5	100

Note:- As in Table 1 because of the omissions of certain items columns don't add up to totals given.

The significance in this country's export trade of the commodities with which I am going to deal is evident from the statistics, but as is usual with most statistical series and tables, they do not tell the whole story. Sugar production may be described in the Trinidad and Tobago context, therefore, as having what may be termed a socio-economic impact, in that a large number of the labour force in Agriculture depend for their livelihood on sugar cane cultivation and any change in the fortunes of the crop affects them considerably and out of all proportion to anything the figures above may seem to indicate.

SUGAR

Sugar is what is called in international trade a competing foodstuff as it competes directly with similar foodstuffs or products produced in the highly industrialised countries. Coffee, cocoa and citrus are referred to as non-competing foodstuffs because these commodities are produced entirely in the developing countries. The most noticeable thing about world trade in sugar, is that a significant portion of it takes place under what may be termed special arrangements or within sheltered channels, and it has been estimated that less than one half of total sugar production is traded in the free market as free sugar at the one so-called world market price.

It is of course known that Trinidad and Tobago is a member of the British West Indies Sugar Association, and as such with her fellow members, Antigua, Barbados, British Guiana, Jamaica and St. Kitts, is a party to the Commonwealth Sugar Agreement which was negotiated and signed by B.W.I.S.A. and other Commonwealth countries and the British Ministry of Agriculture, Fisheries and Food on the 21st December, 1951. Sugar trade with the United States is regulated by the Sugar Act, and France and Portugal also have similar pieces of legislation and/or agreements with regard to imports from their departments or overseas affiliates. The loss to Cuba of her major market in the United States has resulted in her present marketing arrangements with the U.S.S.R., and the establishment of certain other outlets in Eastern Europe and Asia.

The Commonwealth Sugar Agreement meetings which were concluded in December last resulted in a number of decisions which should continue to provide Commonwealth producers with a stable market for a considerable portion of their production. The life of the Agreement was extended for a further year until the 31st December, 1973, and it was decided to scrap the annual price review, and fix prices on a three yearly basis. Accordingly a price of £43. 10s. was fixed for the years 1966, 1967 and 1968.

Because of the effects of depressed world prices on the economies of certain developing countries in the Commonwealth, it was decided to add a fixed element of £1. 10s. and a variable element arrived at on a sliding scale basis with a maximum payment of £2.10s. The mechanics of the variable element payment is illustrated in the following table:

TABLE 3

World Price	Variable Element in Special Payment
Less than Ŀ31	Ŀ2. 10s. 0d.
Ŀ31 but less than Ŀ33	Ŀ2. 5s. 0d.
Ŀ33 " " " Ŀ35	Ŀ2. 0s. 0d.
Ŀ35 " " " Ŀ37	Ŀ1. 15s. 6d.
Ŀ37 " " " Ŀ39	Ŀ1. 10s. 0d.
Ŀ39 and over	Nil

Source: C. Czarnikow Trade Paper Review No. 741.

Forecasts of the world price for 1966 being what they are at the present time, Trinidad and Tobago should obtain a price for Negotiated Price Quota sugar of Ŀ47. 10s. made up in the following manner. Ŀ43. 10s. Negotiated Price, Ŀ1. 10s. fixed element, and the maximum payment of the variable element of Ŀ2. 10s. The amount of sugar which can be marketed at this price for 1966 is 129,119 tons* plus the Trinidad and Tobago portion (2,172 tons) or a shortfall in Antiguan production.

Of the total production which has been of the order of two hundred thousand tons and over since 1960, (Production Table attached as Appendix A) 41,500 tons is reserved for domestic sales and is what is known as the local quota, while 6,304 tons is sold in the West Indies.

The basic Trinidad and Tobago N.P.Q. figure of 129,119 tons, is part of an overall figure for the West Indies and British Guiana (B.W.I.S.A.) of 725,000 tons, which was the same figure allocated in 1963. The following table indicates how the Negotiated Price Quotas are distributed among Commonwealth Countries.

*Note: Figures are in long tons f.o.b. and stowed.

TABLE 4

Distribution of Negotiated Price Quota

Australia	335,000	long tons
British Honduras	20,500	" "
East Africa	7,000	" "
Fiji	140,000	" "
India	25,000	" "
Mauritius	380,000	" "
Swasiland	85,000	" "
West Indies & British Guiana	725,000	" "

Note: Southern Rhodesia's quota of 25,000 tons has been suspended.
Source: C. Czarnikow - Trade Paper Review 741.

Trinidad and Tobago's N.P.Q. quota of 129,119 tons is part of what is called the Overall Agreement Quota which is in the language of the Commonwealth Agreement, "the total quantity to which it is agreed each Exporting Territory will limit its exports in any one year for sale or shipment to the preferential and negotiated price markets".

This Overall Agreement Quota or O.A.Q. was increased from 900,000 to 970,000 tons for B.W.I.S.A. countries for 1966 and is subject at present to a further increase to 1,019,000 tons because of the reallocation of the Rhodesian quota. Trinidad and Tobago's share of this 1,019,000 tons allocated to B.W.I.S.A. is 190,840 tons of which as mentioned previously 129,119 tons is N.P.Q. sugar.

The difference between the O.A.Q. and the N.P.Q. is what is known as the Free Quota, and is the name applied to any sugar which is sold in the U.K. Market at the prevailing world price plus a preference of £3. 15s. per ton, or in the Canadian market at the world price plus a preference of $1.00 (Canadian) per 100 lbs.

It should be clearly understood, however, that the only assured market for Trinidad and Tobago sugar under the Commonwealth Sugar Agreement is that portion (129,119 tons) known as N.P.Q. sugar. The portion described as free quota sugar may be sold at the world price plus preferences if there is a demand for supplies in the markets of the U.K. and Canada, but there is no undertaking that sugar over and above the N.P.Q. entitlement will be purchased. There is really, therefore, no guaranteed market for free quota sugar.

The United States market has become increasingly important for sugar producing countries, the B.W.I.S.A. countries being among the beneficiaries. A quota is allocated to B.W.I.S.A. by the U.S. government and this is subsequently divided up among its member countries. Trinidad and Tobago's share amounted to 15,127 tons in 1965, and now stands at 15,633 tons which is just over 41 per cent of the total allocation, and more than that received by either British Guiana or Jamaica.

Supplies to the U.S. market have benefitted from the reallocations of the Cuban quota. It should always be borne in mind, however, that in the amendments to the Sugar Act of 1948 which have recently received the approval of the U.S. Congress, it has been stated that the suspension of the Cuban quota will be terminated if and when diplomatic relations are re-established between the two countries. This would mean that countries now exporting to the U.S. would probably have to sell more sugar on the free market.

Trinidad and Tobago and the other B.W.I.S.A. countries are not too badly placed, for as one trade paper[1] has put it, "the guaranteed outlet and negotiated price provisions of the Commonwealth Sugar Agreement will continue to afford a measure of stability for Commonwealth producers and the sliding scale provisions will help shield the less developed territories from the worst effects of low values in the world market. Furthermore, the fact that the Agreement is now to run until at least the end of 1973, will make it possible for producers to plan their crops for many years ahead with a security only available to exporters which are members of such regional groups as the C.S.A."

In addition, there are the U.S. quota sales at prices which are close to the negotiated price under the Commonwealth Sugar Agreement, and shortfalls which are distributed among the members of B.W.I.S.A. if any of the group fails to meet its quota commitments (e.g. Antigua).

It would seem also that Trinidad and Tobago and the other Commonwealth suppliers will continue to receive the top price of £47. 10s. under the Agreement not only for the remainder of this year, but for 1967 as well, as there is no indication whatever at the present time that the world price will reach £31. (Future price for March 1967 put at £26. 5s.)

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[1] Note: C. Czarnikow Review No. 745.

Trinidad and Tobago is of course still very much concerned with the state of the world sugar economy, which may be said to be going through a crisis period after the bonanza of high prices in 1963-64. An attempt was made at the recent Geneva Conference held under the auspices of U.N.C.T.A.D. (the first commodity conference so held) to negotiate a new International Sugar Agreement, but after four weeks of deliberations, no decisions were reached on the vital questions of price, quotas, and access to markets generally. Statistics reveal that since the war there has been a move towards self-sufficiency in sugar by both developed and developing countries. For instance, in 1951-53 Western Europe produced 64 per cent of its sugar requirements; by 1960-61 this has risen to 74 per cent. In 1951-53 the European Economic Community was 88 per cent self-sufficient in sugar; by 1960-62 it was an exporter.

The Statistical Committee's figures at the Geneva Conference indicated that international trade in sugar is contracting. A great deal of the growth potential which was revealed by F.A.O. figures of per capita consumption will tend to be absorbed by increased or new production in the very countries where this potential exists. Many of the newly emergent less developed countries have already started to produce sugar, or have plans to do so despite the fact that for very many years they will be high cost or uneconomic producers.

This expansion in production drew this remark from the Head of the Jamaican delegation, the Hon. Robert Lightbourne, who said, "expansion of sugar production at this time, except in instances where firm commitments for equipment have been already undertaken, would be irresponsible on the part of developing countries and callously criminal if proceeded with by the developed countries."

My conclusion is, therefore, that even if beet-sugar producers were to agree to a standstill in production, any market opportunities created by this action will not in the final analysis yield great potential benefits if the present production trends continue in the less developed countries, the majority of whom want to become exporters at a time when world supply exceeds world demand by about 3 million metric tons.

There is, however, a certain degree of optimum in the air, and the feeling seems to be that there will be short-falls in production in Cuba and other countries which will have an effect on the supplies-requirements picture. Another view is that certain countries will not release for sale all the sugar that they will have available for export in 1966, but will increase their stocks instead.

At the present time a very serious effort is being made to narrow the areas of disagreement between exporting and importing countries, in order that it may be possible to convene the second session of the U.N. Sugar Conference for the negotiation of a new International Sugar Agreement.

In addition, the exporting countries have agreed to explore various measures calculated to support the price in the short run, the most important of which is to refuse to make supplies available at any price below 2.5 U.S. cents per pound. (See Appendix B for table on sugar consumption and projections).

COCOA

Cocoa is another commodity which has been having a rough passage in international trade. The chief African exporters, Ghana and Nigeria, expanded their production considerably and in 1960 were responsible for 50 per cent of world exports.

Balassa in his book "Trade Prospects for Developing Countries" points out that consumption has reached high levels in North America and Western Europe, but is lower in the Mediterranean countries, Finland and Ireland. He also makes the important observation that in North America and Western Europe there does not seem to be any apparent relationship between per capita incomes and cocoa consumption per head. F.A.O. seems to think, however, that there will be a price elasticity effect, and suggests that a removal of fiscal charges in the developed countries would lead to an increase of consumption equivalent to 4 to 6 per cent of total world trade, which at 1961 export prices would mean an increase of $18.2m. in the export earnings of producers. (See Appendix C for table on Cocoa consumption and projections).

The forecasts made in the late fifties that production would increase in Africa because of new plantings, better cultural methods, and disease resistant strains were fully realised and by 1964-65 Nigeria's production had risen by 40 per cent to 300,000 tons and Ghana's had reached 600,000 tons.

The result of this phenomenal increase was a drastic decline in prices and it is only recently that there has been an improvement from the low point of 17 U.S. cents in October last. Indications are, however, that both Ghana's and Nigeria's production will be lower and that world production will be about 200,000 tons lower than world consumption.

Trinidad and Tobago is in a somewhat unique position, as the cocoa produced here is a flavour cocoa which is used mainly for blending and as such is not in direct competition with exports of what is known as basic cocoa from Nigeria, Ghana and certain other countries. Trinidad and Tobago faces what could be defined as a supply problem in that there is no difficulty in selling cocoa, but rather in supplying our markets in the United Kingdom and the United States with the amount required for processing.

Trinidad and Tobago's cocoa because of its flavour commands a premium price in world markets, but this price is affected by movements in the price offered for basic cocoa so that the level of world prices are definitely of importance to this country.

Another problem which is very real is the likelihood of increasing competition from other producers of flavour cocoa, such as Western Samoa and New Guinea. Production has increased in these countries, and as they are low cost producers it is possible that they could especially if Trinidad and Tobago's production is not increased, move into some of our traditional markets.

At the present time Trinidad and Tobago exports about 60 per cent of a production of 11 million lbs. to the United States where the existing price is roughly 24 U.S. cents per pound. Other important markets are the United Kingdom and Europe, small shipments being made to Australia and Japan. The price in the United Kingdom market at the present time is approximately the same as in the United States. The increasing use of synthetics and substitutes to which I will devote a small section in the paper must also be given careful consideration in any discussion of the prospects for cocoa exports. If Trinidad and Tobago is unable to supply her traditional markets with the desired quantities of flavour cocoa for blending, the chances are either that the formulae of the manufacturers and processors will be revised to use less flavour cocoa, or that substitutes will be developed to replace cocoa. This is actually the most serious problem facing our cocoa trade, the solution of which depends on increasing yields from the use of better planting material and the employment of improved cultural practices.

In September - October 1963, an attempt was made to negotiate an International Cocoa Agreement through which the international market could be regulated by means of sales quotas operating within a price range. The Conference broke down mainly on the question of the price at which quotas come into effect. Since the failure of the Conference, however, work has been carried out by an export working group, to try and bring producers and consumers closer together and renew attempts to have an agreement later this year.

CITRUS

Trinidad and Tobago exports over 80 per cent of her citrus and citrus products, the most important market for which is the United Kingdom. Supplies are also sent to other countries and territories in the Caribbean area, to E.E.C. countries* and to Canada.

Trinidad and Tobago's main competitors in her traditional market are the United States, Israel and South Africa, and but for the fact that this market offers a certain degree of protection to her citrus exports it is doubtful whether an export trade would exist at all.

McIntyre in his report entitled "Aspects of Development and Trade in the Commonwealth Caribbean" outlines the methods of protection offered in the following manner: "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."

An examination of these preferential arrangements will reveal, however, that quantitative restrictions are really the only measure which affords any meaningful protection, and it was largely for this reason that a price guarantee system agreed upon in 1959 during negotiations with the United Kingdom Government was supposed to become effective if the quantitative restrictions were removed. These restrictions have been under fire in the G.A.T.T. and pressures have been brought from time to time for their removal.[1]

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*Note: Income elasticities of demand for oranges in the U.K. and Europe range between 0.63 and 1.07 as compared to 0.54 to 0.80 for total fresh fruit.

[1] These pressures are mounting at the present time.

As McIntyre points out "while fresh 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"*

The tariff position with regard to oranges is as follows:

United Kingdom General Tariff -	3/6d. per cwt. from 1st April to the 30th November.
United Kingdom Preferential Tariff -	Free all year.

This means that since any exports from Trinidad and Tobago are most likely to become available from December to March, no protection is offered by this tariff.

Freight rates affects Trinidad and Tobago's citrus exports in the Canadian market where this country is at a disadvantage as compared with the United States which has a large protected home market and can afford to subsidise these rates** and sell surplus fruit abroad at reduced prices. Since the love affair between the United Kingdom and the European Common Market countries appears to be on once again, some consideration has to be given to the effects of what would happen to citrus exports if the marriage did take place this time.

With competition from Israel and Florida, exports of fresh grapefruit would probably cease if Trinidad did not find it possible to be associated with the E.C.M. If association were possible the position would probably be just about the same at it is now.

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*I believe fruit juices bear small amounts of duty on added sugar. In this connection it has been pointed out that since T'dad's main competitor, Israel, supplies naturally sweet juice without added sugar, T'dad actually pays ½per cent ad valorem on juices while Israel pays nothing.

**It has been pointed out in a study done by the Ministry of Agriculture in 1962 that comparative rates of freight were as follows:

Trinidad	-	155	shillings per ton
Israel	-	85	" " "
South Africa	-	100	" " "

With regard to canned grapefruit and orange juice, the trade would be impossible if association did not come about. Association would mean a 21 per cent common external tariff against third countries, and the chances of exporting juices would be reasonable. There would, however, be competition from Greece and Italy, and if Israel also joined the E.C.M. export possibilities might be considerably affected. Trade in segments would be impossible without association. Association would mean a tariff against third countries of 23 per cent ad valorem and the position is likely to be the same as in the case of juices.

Trade in fresh oranges would be difficult and might easily become impossible as Trinidad and Tobago would have to compete with Florida, Israel, Spain and possibly Cyprus. Despite the fact that there are no protective duties for oranges at present, and all the countries mentioned would have to pay the same duty, the competition might become too severe.

Association would greatly improve Trinidad and Tobago's position as the common external tariff would be of the order of 20 per cent ad valorem during the time that supplies from this country become available.

This is a rough estimate of the market possibilities if the U.K. should decide to become a partner in the European Economic Community. Certain contractual arrangements* have been made with the Florida Citrus Industry and U.K. interests about the sale of frozen concentrated orange juice in the U.K. In brief these arrangements provide for the unrestricted sale of this product in the U.K. and gives assurances over a ten-year period that shipments from Jamaica and Trinidad and Tobago will have priority over shipments from Florida. This is of no direct benefit to Trinidad and Tobago at the present time, however, since frozen concentrated orange juice is not yet being produced.

COFFEE

Trinidad and Tobago is a member of the new International Coffee Agreement which became fully operative in December 1963. This Agreement covers over 85 per cent of world exports, and provides for quota regulation of exports, restriction on the imports of non-members, and quota exemption of exports to new markets.

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*McIntyre points out in his report on "Development and Trade in the Commonwealth Caribbean" that "it must be noted that the arrangements are only for a specified period (10 years) and involves the commitment of only one competing source of supply and a single firm of distributors.

So far this recent attempt to control international trade in coffee has succeeded, and there appears to be a new awareness on the part of both exporters and importers to participate in and support the agreement.

Coffee is said to have a positive income elasticity of demand, that is to say, as incomes rise, consumers increase their purchases of coffee. One statistical study indicates that coffee imports of the developed countries would rise by 34.1 or 36.8 per cent between 1960 and 1970. (See Appendix D for table on coffee consumption). Price elasticity has been said to be less than unity and the following table gives some indication of elasticities worked out by a G.A.T.T. expert group and another coffee study group.

TABLE 5

Country for which elasticity measured	G.A.T.T. Study	Coffee Study Group
Germany	0.9	0.75
France	0.5	1.00
Italy	0.9	1.25
Belgium/Luxembourg	-	0.75
Netherlands	-	0.75
U.S./Canada	-	0.75
United States	-	0.25

Under the International Coffee Agreement Trinidad and Tobago has a basic quota of 44,000 bags* and a waiver which was recently increased from 20,000 to 25,000 bags. This means that Trinidad and Tobago is allowed to export 69,999 bags, but because of bad weather which has affected the crop this export figure might not be realised.

Past estimates have put Trinidad and Tobago's production potential as being of the order of 75,000 to 80,000 bags. If we deduct 8,000 bags from these figures for local consumption the result is that our exportable production is in the vicinity of 67,000 to 72,000 bags.

This export figure has been revised upwards by certain experts in the coffee growing business in recent times however, and it is felt that Trinidad and Tobago should, therefore, make representations for a quota of 100,000 bags. The quota allocations come up for review in May this year.

*A bag is 132 lbs. approximately.

The United States appears at present to be our largest market although sizeable quantitatives relative to production are exported to the United Kingdom. Supplies are also sent to West Germany and recently requests about shipments have come from Panama and Guatemala.

The price at present is about 46 T & T cents per pound (about 27-28 cents U.S.). Speculation about future price movements is a very risky business but for 1966, reliable forecasts indicate that the price should move between 25 and 30 U.S. cents per pound.

Problems and Prospects for Trade with the Soviet Bloc Countries of Countries belonging to the trade grouping known as the Council of Mutual Economic Assistance.

In any discussion or study of the "Prospects for Export Crops" it would be short-sighted to ignore the possibilities which might exist for trade with the Soviet Bloc or C.M.E.A. countries. As a recent political and Economic Planning Publication has pointed out, "they (the C.M.E.A. countries) are countries with rapidly developing economies and potentially among the great consuming areas of the world".

It would appear, therefore, that despite the cold war confrontation and the special nature of the communist trading system, a large number of countries including the United States of America are because of the real economic attractions of the Eastern European market prepared to seek closer relations in the commercial field.

At the United Nations Conference on Trade and Development it emerged that the C.M.E.A. countries were also anxious to break out of their isolationist cocoon, and offers were made to the developing nations to open discussions on expanding trade in the fields of manufactured goods as well as primary commodities.

A look at the statistics will indicate that trade has been growing between the Bloc and the less developed countries of the Western world and that since 1953 this growth might even be termed substantial.

TABLE 6

Volume of C.M.E.A. Bloc Trade Turnover with the Western Under-developed Countries.

Year	Volume Index (1950-100)	Percentage of C.M.E.A. Trade with West
1938	550	15 per cent
1948	158	16
1950	100	14
1951	108	15
1952	100	13
1953	84	11
1954	173	18
1955	248	21
1956	278	19
1957	340	21
1958	423	23
1959	488	24
1960	571	-

Source: Pryor - The Communist Foreign Trade System.

TABLE 7

Direction of C.M.E.A. Bloc Trade with Western Underdeveloped Countries

Year	Latin American Nations	Arab Nations	Other African Nations	Other Asian Nations
1938	46	11	8	35
1948	27	35	6	32
1950	12	41	6	41
1951	8	43	8	41
1952	6	56	7	30
1953	28	41	9	22
1954	51	28	7	14
1955	49	29	5	17
1956	30	37	4	29
1957	20	41	5	28
1958	21	48	4	27
1959	21	41	5	34
1960	32	33	5	30

Source: Pryor - The Communist Foreign Trade System

A factor regarding trade with the C.M.E.A. countries which may be of particular interest to Trinidad and Tobago and the rest of the Caribbean region is as Pryor points out in his book "The Communist Foreign Trade System" "their willingness to buy up agricultural surpluses, namely, coffee, from Colombia, cotton from Egypt, cocoa from Ghana, tobacco from Greece and so on." Not that the Caribbean countries have surpluses for sale, but the absorption by the C.M.E.A. countries of excess supplies could have a marked effect on the world market situation where these commodities are concerned, if such purchases were made regularly, and at reasonably remunerative prices. The problem here, however, is whether the market is such in the C.M.E.A. countries so that all the primary commodities imported are utilised and not dumped or re-traded on the world market, thus resulting in a depression of prices.

As the Indonesian Minister of Trade has emphasised "raw materials we have sold to these countries are usually re-traded in other markets with the result that on the world market we have had to compete with goods originating in our own country."

Many countries are anxious, however, that the C.M.E.A. countries should become more active in world trade, since because of the similarity in trade between the developing countries and the advanced market economies, and the developing countries and the centrally planned economies (the exchange of primary products for manufactured and capital goods), they (the developing countries) may find themselves in a stronger bargaining position vis-a-vis the advanced market economies of the West than they would otherwise be because of the existence of these new trading partners.

Furthermore, a point of some significance is made by Pryor when he states that "because the developing nations have a great shortage of capital it makes good economic sense to import machines which are less 'capital intensive' and not up to world standards (but which cost less) than the highly automatic machines which are offered by the U.S.A., the U.K. or West Germany. The C.M.E.A. Bloc nations, having gone through the industrialisation process much later than the Western nations, have a greater sensitivity concerning the machinery wants of the 'labour intensive', economically underdeveloped countries."

The new emphasis on consumer goods and services in the Soviet Union and the other Bloc countries, and the fact that per capita consumption of cocoa, cocoa products, coffee, and citrus juices, has tended to lag behind that of other nations, may in fact, now that there is a desire to improve trade relations with the Western developing countries lead to a considerable widening of the market. It should not be forgotten, however, that in a centrally planned economy there is not likely to be any direct relationship between incomes, prices and consumption.

Consumption is usually directly controlled by governments, and so even though there may have been an increase in income, it does not automatically follow despite the fact that these goods may be income elastic, that there will be an increase in their consumption.

Another problem which confronts the prospective trading partner of a centrally planned economy is the bi-lateral system of trading and the necessity for the country in question to balance its trade and payments individually with each centrally planned economy partner. This means that a developing country in order to achieve the equilibrium referred to, may have to make unsuitable or unnecessary purchases of goods from their trading partners or may have to arrange quite complicated triangular deals. This type of action results in a waste of resources and puts the developing country in a disadvantageous position vis-a-vis its partner.

One of the major requirements of any developing country is foreign exchange or more specifically the so-called hard Western currencies. The C.M.E.A. countries also require these currencies and are not always willing to pay for imports out of their reserves of these currencies, preferring cumbersome barter deals or acceptance by the exporting country of payment in Bloc currency units. Adoption or use of the latter measure resulted (according to Pryor) in the accumulation by Argentina in 1957 of $50m. in Bloc currencies which it could only eventually dispose of at a 40 per cent discount. This then is another problem which must be given serious consideration whenever trade relations or trade expansion is contemplated with the C.M.E.A. Bloc.

All these questions were raised at the United Nations Conference on Trade and Development by the delegates of the less developed countries, and in their statements the delegates of the U.S.S.R. and the other members of the C.M.E.A. Bloc promised to do their utmost to see how the difficulties referred to could be overcome.

Immediately after the conference import duties on tropical products were removed by the East European countries, but as W. G. Demas has pointed out in a paper on trade with centrally planned economies, "this should merely be considered as a gesture of goodwill since import duties in centrally planned economies have no significant effect on the level of imports."

Togive effect to trading arrangements it may be necessary for the developing country concerned to set up a State Trading Agency whose function it would be to ensure that the targets agreed upon for exports and imports can be met. State trading is given special attention in the G.A.T.A. (of which Trinidad and Tobago is a member) under Article 17 since it is possible to apply quantitative restrictions and tariffs in a hidden form during the operation of such agencies.

The G.A.T.T. specifies in Article 17 that "if a Contracting Party gives, formally or in effect, exclusive or special privileges to a state enterprise, such enterprise must act in a manner consistent with the general principles of non-discriminatory treatment prescribed in the agreement for imports or exports by private traders."

The purpose of this section has been to stress the fact that although the difficulties of trading with countries which have centrally planned economies may be numerous, a small country like Trinidad and Tobago which is extremely dependent on exports, and whose growth and development is largely dictated by the growth of its exports cannot afford to be indifferent to the possibilities of establishing commercial relations with such countries, once it has been ascertained that reasonable and tangible benefits will result.

The Effects of Synthetics on Commodity Trade

The contribution of technological change to economic development cannot be denied, and economists have continuously stressed its importance. Indeed, to take one example, we have Shumpeter stating that "technological progress is not subject to diminishing returns and the expansion of output is geared to the rate of innovation."

It is, nevertheless, a fact that while conferring benefits on some, technological change may in the short run wreck havoc with the livelihood of others.

Reference has been made to some of the possible results of technological change in the paper "World Trade and Planned Industrialisation" where it is stated that "substitution of processed and synthetic materials, products, and foodstuffs for traditional ones is proceeding space. Traditional materials have been replaced by processed materials to a substantial extent in the United States and Japan. The tendency in Europe is for a similar substitution to take place. As the "chemicalisation" of industry in the developed countries is intensified, the possibilities of switching from traditional to synthetic materials grows. These scientific developments are themselves stimulated by industrialisation, and most of them will have an impact upon specialised production in under-developed areas." In other words the comparative advantage which the less developed countries may possess at the present time in the production of certain commodities may cease to be meaningful if technological developments result in the production of synthetics and substitutes which are acceptable to consumers and which can be marketed at comparable prices.

This was one of the matters which was given careful consideration at the U.N. Conference on Trade and Development where an attempt was made to devise measures to ease the impact of synthetic on trade in primary commodities. A recommendation embodying a number of suggestions on ways and means of dealing with the problem was adopted by the Conference without dissent, but it is difficult to see how many of the points made, as for instance, - "bringing about as much co-ordination as possible in investment planning and policies in the field of the natural and synthetic sectors" - can in fact be dealt with in a practical manner.

I thought that I should made reference in this paper to the dangers posed by synthetics for commodity trade, because they already affect sugar, Trinidad and Tobago's and the Caribbean region's most important commodity, and could presumably affect cocoa and coffee as well.

It is evident also that lack of knowledge about the future degree of encroachment of synthetics on the commodity markets will increase the difficulties of making really meaningful projections about demand on the basis of population and income growth in the developed countries.

INTERNATIONAL COMMODITY AGREEMENTS

I believe it is fair to say that the amount of effort and time devoted by the developing primary producers to the negotiation of international commodity agreements is a good index of the importance which these countries attach to them. It is common knowledge that commodity agreements are difficult to negotiate, and sometimes after they become operative are difficult to administer. Nevertheless, they have held out to primary producers more than just a vague hope of maintaining price stabilisation.

Since the end of World War II international agencies like the G.A.T.T. and F.A.O. have been active in the field of commodity agreements, and the U.N.'s special committee the Interim Co-ordinating Committee for International Commodity arrangements has made a very commendable contribution. As a result of this activity, commodity agreements were established for sugar, wheat, tin, olive oil and coffee. By 1963, only two of these were functioning, those for wheat and tin. Since then as mentioned previously in this paper attempts have been made to negotiate a new international sugar agreement, as well as a new cocoa agreement, while the International Coffee Agreement came provisionally into force on the 1st July, 1963.

Trinidad and Tobago is a member of the F.A.O.'s committee on Commodity Problems and is a party to the International Coffee Agreement. This country also participated in both the Conferences which were convened to try and negotiate a cocoa and a sugar agreement.

International Commodity Agreements have come in for a great deal of adverse comment and criticism of late, however, and we have influential economists like Professor Harry Johnson of Chicago, describing them as "an extremely cumbersome method of transferring income from consumers to producers as the distortion of consumption and production decisions by arbitrarily high prices, and through the probable necessity of production restrictions and surplus disposal."

However, correct these criticisms may be, (and this is possibly for you to decide), I believe it is correct to say that the Caribbean sugar producers have benefitted from membership of the Commonwealth Sugar Agreement which although not international in scope, may still be regarded as being possibly the best commodity agreement ever negotiated.

COMPENSATORY FINANCING

It is to my mind, meaningless to attempt to discuss the prospects for commodity trade in a vacuum; as by the very nature of the exercise one has to be concerned with prices, access to markets, and to schemes and techniques such as, compensatory financing, which have a bearing on the economic situation of the countries that produce primary commodities.

It is true, however, that as one writer* has observed "compensatory financing may be an aid rather than a trade issue",

*Sydney Weintraub - The Foreign Exchange Gap of the Developing Countrie but he goes on to stress that "as conceived by the less developed countries they are aid measures tied to trade fortunes."

Among the objectives agreed upon by the less developed countries at the U.N. Conference on Trade and Development three have special relevance to commodity trade. These are as follows:-

(1) To ensure that commodities continue to have access to markets in developed countries;
(2) To raise commodity prices where possible;
(3) Where this is not possible - to introduce an improved scheme for compensatory finance.

The International Monetary Fund has operated a sort of compensatory financing scheme since 1963 to cover short term payment problems. The World Bank has I believe recently completed a study of longer term payment problems which they were asked to prepare by the U.N. Conference. At the moment, therefore, the whole question of compensating countries for shortfalls in their commodity earnings is in the melting pot and one can only hope that something positive will be formulated. Of importance to Caribbean countries, however, is the fact that sugar was one of the commodities specifically singled out for such assistance in a plan recently put before the United Nations Trade and Development Board and estimated to cost U.S. $300/400 million a year.

CONCLUSION

It would appear that the prospects for a significant change in the fortunes of the developing primary producers is not a very distinct possibility. In fact it may even be possible to agree with Boggis* when he says that "to expect the underdeveloped economies to pin their hopes of development to an expansion in trade in primary commodities would be to condemn them to remain in the condition of stagnating if not declining economies."

The Development Decade launched at the beginning of the sixties has not been a success to date, for the so-called gap between the developed and the developing countries is widening, and the debt burden of the latter countries has at times become so onerous that some of them, as for instance, Yugoslavia, Brazil and Argentina, have had to resort to re-financing.

*In his paper on "World Trade and Planned Industrialisation"

I have in this paper referred to certain measures, namely, the negotiation of international commodity agreements, the adoption of compensatory financing schemes to cushion the decline in the export earnings of developing countries, the control and regulations of the use of synthetics, and the possibilities of expanding trade with the socialist centrally planned economy countries. The difficulties involved in the adoption of any or all of these measures are considerable, however, and perhaps the time has come to give careful consideration to Myrdal's "double standard of morality" thesis with regard to commercial policy. That is to say, the developing countries should be given advantages by the developed without the latter insisting on any degree or type of reciprocity.

I do not want to pursue this question any further at this time, however, and would conclude by saying that in the case of Trinidad and Tobago, the best course of action to be adopted would be to maintain existing commodity arrangements, improve the efficiency and productivity of our agriculture and continue our efforts at diversification, and work with other primary producing countries in the G.A.T.T., F.A.O. and U.N.C.T.A.D. for the negotiation of workable international commodity agreements.

APPENDIX A

SUGAR PRODUCTION AND TOTAL EXPORTS

YEAR	PRODUCTION	TOTAL EXPORTS
1938	133,551	120,258
1939	128,455	114,344
1940	92,192	77,315
1941	131,609	108,313
1942	104,367	84,418
1943	70,920	54,422
1944	74,265	55,339
1945	76,347	59,368
1946	109,603	87,067
1947	110,068	89,664
1948	115,941	95,145
1949	159,135	138,712
1950	146,508	123,553
1951	140,668	117,244
1952	137,358	114,510
1953	152,618	129,685
1954	172,767	149,854
1955	192,793	169,386
1956	160,230	137,410
1957	167,805	142,200
1958	187,500	158,191
1959	181,131	151,335
1960	217,919	188,294
1961	245,681	215,214
1962	200,742	168,034
1963	227,346	192,573
1964	226,531	193,303
1965	250,587	n.a.
1966	243,000 (e)	-

(e) Estimate

1965 was a record year. The pre-war record year was 1936 when 154,569 tons was produced. 1939 was the first year that a production of over 100,000 tons was achieved - 120,880 tons.

Source: Statistical Digest.

APPENDIX B

TABLE

SUGAR

SUGAR CONSUMPTION IN INDUSTRIAL COUNTRIES

	1950	1955	1960	1970	1975
North America	8,170	8,352	9,670	11,482	12,623
Common Market	3,587	4,282	4,988	6,204	6,711
United Kingdom	1,968	2,733	2,900	3,087	3,173
Northern Europe	1,333	1,458	1,634	1,757	1,819
Southern Europe	689	1,047	1,121	1,550	1,755
Japan	398	1,090	1,336	1,937	2,273
Industrial Countries					
Total	16,145	18,962	21,649	26,017	28,354

Source : Trade Prospects for Developing Countries - Belassa.

APPENDIX C

TABLE

COCOA

COCOA CONSUMPTION (net imports) IN DEVELOPED COUNTRIES

(thousand metric tons)

	1960	1970(1)	1970(11)	1975
North America	316	415	420	467
Common Market	229	297	305	328
United Kingdom	95	113	115	120
Northern Europe	63	66	67	70
Southern Europe*	9	18	19	26
Japan	13	61	61	96
Oceania & South Africa	23	33	35	39
Developed Countries Total	748	1,003	1,022	1,146

Source : Trade Prospects for Developing Countries - Belassa.

*Excluding Spain.

APPENDIX D

TABLE

COFFEE CONSUMPTION (net imports) IN DEVELOPED COUNTRIES

(thousand tons)

	1950	1955	1960	1970(1)	1970(11)
North America	1,145	1,211	1,380	1,756	1,772
Common Market	303	452	605	843	859
United Kingdom	39	31	54	73	73
Northern Europe	111	158	217	253	256
Southern Europe	26	34	44	89	100
Japan	0	4	10	79	94
Oceania & South Africa	21	16	25	39	40
Developed Countries Total	1,643	1,905	2,335	3,132	3,194

Source : Trade Prospects for Developing Countries - Belassa