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Discussion Report

The discussion centred around five main topics:

(1) the intention of the CARIFTA Agreement with respect to agriculture

(2) how the Agreement was working out in practice

(3) price policy

(4) conflict between national agricultural policies and the goals of regional agricultural integration

(5) rationalisation of agriculture on a regional basis.

One speaker held that the general intention of the Argeement was that there should be free trade in agricultural products within the Area so long as the origin rules were not violated. But a second speaker's interpretation was that it was not intended that one member country should be free to send unwanted produce to another. The Chairman, who had been present at all meetings of the Council of Ministers, informed the Conference that the Council had decided that intra-regional agricultural trade could be subjected to import licensing but "this was not intended to be restrictive".

Several contributors to the discussion took the view that the Agreement had been too hastily prepared and it was held that even the architects of the Agreement did not appreciate its full implications.

One speaker stated uncompromisingly that the Agricultural Protocol was an ill-conceived instrument for use in an area which was a net exporter of agricultural products: its effect would be to restrict trade rather than to free it. In his view the prime requirement for stimulating agricultural trade in the Area was better market intelligence.

A number of discussants maintained that the Agricultural Protocol should be assessed in the light of the assistance it gave to the less developed territories. However, the Protocol was considered to be ineffective in this respect at present because no provision had been made for giving preference to these territories. The Chairman agreed that although the Protocol had been designed to assist the smaller territories it had now been realised that it was largely ineffective in this respect. It was for this reason that the Council of Ministers had agreed that an approach should be made to an international agency for assistance with a study of the scope for regional agricultural integration.

It was suggested that in order to resolve conflicts of interest between the more advanced and the less advanced territories it would be necessary to integrate agricultural planning with industrial planning. This would make it easier for the more advanced territories to grant agricultural concessions to those that were less advanced.

The discussion on pricing policy revealed some uncertainty both regarding the intention of the Protocol and decisions actually reached at inter-governmental meetings. It was pointed out that although the Protocol refers to fixing the f.o.b. price [Article 7 (1)] the inter-governmental meeting held in St. Lucia in October 1968 fixed **minimum** f.o.b. prices. Several speakers agreed with the author of the paper in doubting whether fixed f.o.b. prices were really a workable instrument, particularly when required to operate for a whole year in advance. One suggestion was that f.o.b. prices might be varied seasonally according to the supply situation. Another proposal was that fixed f.o.b. prices should be replaced by floor and ceiling prices, member countries being left to trade at prices freely determined within these limits. Such an arrangement would give a reasonable measure of price stability whilst affording, at the same time, some flexibility of prices to accommodate variations in supply and demand. There was some dissent from the view that a ceiling was needed as well as a floor price.

It was held that the amelioration of price fluctuations was needed to stabilise production and this was especially necessary for the successful establishment of food processing industries within the Region. Any attempt to base a processing industry on surpluses to fresh market requirements during periods of glut was bound to fail.

Reference was made to the especial difficulties of combining price-fixing with market allocation. It was even suggested that the realisation of the "inconsistency" of this procedure was the reason why the St. Lucia meeting had failed to allocate markets.

Concern was expressed lest over-high f.o.b. prices for commodities listed in the Protocol should result in lop-sided production, that is, a chronic surplus of some or all of the listed commodities coinciding with a shortage of other, non-listed commodities.

On the question of conflict between national agricultural policies and the goals of regional integration, the view was expressed that the retention by the larger territories of the right to subsidise domestic agriculture was inconsistent with the declared intention of assisting the less developed territories. It was pointed out that the immediate abandonment of national production policies was not feasible but that, given time, these could be phased into regional policies.

It was stated that due to the pursuance of national policies of import substitution the regional import requirements of listed commodities were falling year by year. This pointed to the need for regional planning and the rationalisation of agriculture to safeguard the interests of the less developed territories. Some scepticism was expressed as to the advantages these territories would be seen to have when a study of regional agricultural resources was undertaken. For

example, it was suggested that in crop production small mountainous countries could not compete with countries with large expanses of flat land suitable for mechanisation. This argument was countered by those who considered that it was necessary to move away from purely market criteria in attempting to integrate a region consisting of territories at different stages of development. However, it was pointed out that in a region consisting of a number of widely scattered territories with a rather poorly developed communications network natural protection still counted for a good deal, and the rationalisation of production purely by administrative decision would be difficult.