

US-CARICOM Trade, with Special Reference to Barbados

R. Orlando Marville

Follow this and additional works at: <http://digitalcommons.law.umaryland.edu/mjil>



Part of the [International Trade Commons](#)

Recommended Citation

R. O. Marville, *US-CARICOM Trade, with Special Reference to Barbados*, 4 Md. J. Int'l L. 36 (1978).

Available at: <http://digitalcommons.law.umaryland.edu/mjil/vol4/iss1/10>

This Conference is brought to you for free and open access by DigitalCommons@UM Carey Law. It has been accepted for inclusion in Maryland Journal of International Law by an authorized administrator of DigitalCommons@UM Carey Law. For more information, please contact smccarty@law.umaryland.edu.

**US-CARICOM TRADE, WITH SPECIAL
REFERENCE TO BARBADOS**

*R. Orlando Marville**

INTRODUCTION

For the purposes of this paper, CARICOM is taken to mean those English-speaking states which lie in an area which moves southeastward from Jamaica in the Greater Antilles to Guyana on the South American mainland. The Bahamas and Belize, in spite of their connections with the

* Counselor, Mission of Barbados to the United Nations.

Community,¹ are not strictly included in this generalized commentary. The statistical evidence on which I have drawn has, by and large, been limited to the period 1973-76, which adequately highlights some of the problems involved in the trade as seen from a community, or more specifically, a Barbadian viewpoint.

The choice of years does not have any magic of its own except that it is the period when oil became king; if we examine this period and the years following, a commentary on US-CARICOM trade will flow more easily.² Barbados was chosen as the point of emphasis, not because it is an absolutely typical representation of the trade,³ but since it possesses many varying characteristics common to different states within the region. Although it possesses very little of the mineral resources of the larger states — Guyana, Jamaica and Trinidad and Tobago — and thus being, in terms of natural resources, more like the agriculturally-oriented states of the region, Barbados has a fragile industrial base similar to that of the above three larger states.

Finally, I will not attempt a detailed analysis of the movement (growth or otherwise) of US-CARICOM trade in the most recent past, but will attempt to highlight some of the problems and issues involved in the trade. Hopefully, these observations will point the way to possible in depth areas of study as well as identify some of the problems of the Caribbean — an area to which many a U.S. leader has referred in global policy speeches and about which the present U.S. Administration utters some expressions of concern.

BASIC PATTERNS OF TRADE

In 1973, all of the smaller island states of the Eastern Caribbean,⁴ including Barbados, conducted more trade with the United Kingdom than with the United States. Essentially, the colonial pattern of trade had persisted, and with the colonially-instituted Eastern Caribbean dollar in

1. The countries are — in addition to Barbados and starting in the Western Caribbean — Jamaica, Antigua, Montserrat, Dominica, St. Lucia, Grenada, St. Kitts-Nevis-Anguilla, St. Vincent, Trinidad and Tobago and Guyana. CARICOM includes Belize as a full member, while the Bahamas participates only in the Community. There are, however, certain basic features in the trade between these two states and the U.S. which would merit a separate study.

2. US-Caribbean trade dates back to the days of slavery, molasses, sugar and rum in the early and middle seventeenth century.

3. Indeed, it is difficult to speak of any single CARICOM state as typical, since there are significant variations in the products, productive capacity and needs of the various units of the Community.

4. Antigua, Barbados, Dominica, Grenada, Montserrat, St. Kitts-Nevis-Anguilla, St. Lucia and St. Vincent.

use by these states and by Trinidad and Tobago, trade patterns with the United Kingdom had been maintained as before. (This was entrenched by the fact that the dollar was tied to the pound sterling.) In 1973 Trinidad and Tobago's greater U.S. trade was due largely to that country's oil sales to the U.S. market. By 1976, the picture had altered considerably. Oil prices had increased and Trinidad and Tobago's trade with the U.S. accounted for nearly forty-five percent of its total trade volume; Guyana's volume of trade with the U.S. had declined, but the U.S. still remained its most significant trading partner, while Jamaica's trade with the U.S. had increased nearly thirty percent in dollar value, and Barbados' trade volume in dollars had increased nearly ninety percent. If we include the Bahamas and Belize, whose major trading partner had traditionally been the U.S., the United States had become the largest trading partner of the Community.

Interestingly, US-CARICOM trade (excluding the Bahamas and Belize) shows a deficit for the United States, yet the statistics mask some important facts. Only Trinidad and Tobago has a favorable balance of trade with the U.S., largely due to the elastic U.S. need for energy. The deficit shown in the trade figures of the other Community countries is on the increase, and this is a fact which is a significant indication of the nature of the region's trade. In 1974, Guyana showed a small surplus of exports over imports in its trade with the U.S. By early 1976 Guyana was importing more than it was exporting to that country; Barbados had made a dent in the imbalance, but the import/export ratio was still somewhat greater than 2:1. Jamaica's position was similar to Barbados', if less severe in percentage terms. To add one more statistic for Barbados, that country had a visible trade deficit of BDS\$225 million in 1973; in 1977 the figure had risen to BDS\$360 million, a figure which exceeded the total import figure for 1973.⁵

One other area masked by the U.S. deficit is the nature of the trade. Apart from petroleum, the most significant U.S. mineral import from the Community is bauxite. However, the International Bauxite Association has not managed to bring the needed element of stability to bauxite prices. Thus with market fluctuations in this commodity, Guyana and Jamaica must at times have felt that they suffered the problems of two sugar industries at one time.

Other items of trade from the Community to the United States are largely primary products, not atypical of the traditional South-North

5. The figures are taken from a statement made by the Governor of the Barbados Central Bank to the Barbados Manufacturers Association in March 1978.

export pattern. Some of the major items are sugar, rum, agricultural produce, oils, spices, coffee and crustaceans. Some clothing and cigars also reach the market. Flowing in the opposite direction is a line of manufactured goods which ranges from pots and pans to industrial machinery needed in mining, as well as food products which have become a traditional part of the Caribbean diet.

BARBADOS

Vast problems have beset industry in the Community. Traditionally, as Dr. Courtney Blackman has recently indicated,⁶ not enough local investment has been made in industry. The comfortable and well-established colonial tradition of setting up an import agency which registered its profits as the demand for the foreign product grew, took little notice of the question of balance of payments. Thus, in Barbados, for example, of a reported BDS\$17 million investment in industry in 1977, only \$500,000 came from Barbadian investors, with a near automatic guarantee of a large outflow of profits and dividends in the immediate future.

To be fair to the would-be industrialists, the colonial past did not present too many incentives to the development of industry. In colonial society it made more political sense to provide industrial jobs for the members of one's immediate political environs than to create semi-independent economies. Only after several years of independence did agencies like the Jamaican National Export Corporation, the Barbados Export Promotion Agency and similar agencies in Guyana, Trinidad and Tobago, St. Vincent and St. Kitts become established. These were followed by the region's various export credit schemes.

Financing and incentives apart, Barbados, like the other members of CARICOM, has tended to lack the sophistication required to make a significant impact on the U.S. market. Unfamiliar with the volume and timing required by such markets, new local industrialists have not always appreciated the need for market expertise. Even when they have, it has been difficult for them to secure the funds required for financing promotion campaigns from Barbados-based commercial banks which have conservative lending policies regarding local industry. Thus Barbadians and other Community clothing producers have been unable to compete successfully with the clothiers of South Korea and Taiwan on the U.S. market, and most of the earnings from the export of CARICOM-made clothing has accrued, in Barbados for instance, to transnational clothing corporations based there.

6. Governor of the Barbados Central Bank. *Id.*

In addition, internal market problems with CARICOM since 1976 have tended to increase the frustration of industrialists trying to build a base from which they could move on to the larger U.S. market. Operating on the basis that the CARICOM market was an initial stepping-stone to greater markets, many new industrialists found that the balance of payments problems experienced in states such as Guyana and Jamaica destroyed both their fledgling CARICOM markets as well as their prospects for further development.

THE U.S. ROLE IN BARBADOS AND CARICOM EXPORT TRADE

The U.S. role in the negative factors affecting the development of export trade within CARICOM cannot easily be overlooked. The classic case is rum, identified in the TSUS under Heading 168.40. The duty attracted by foreign rums (meaning essentially non-Puerto Rican rums) is \$1.75 per proof gallon. A look at a few other spirituous beverages in the 168 listing provides an interesting comparison.

<i>Item</i>	<i>Duty (per gallon)</i>
TSUS 168.18 Brandy valued under \$9 per proof gallon	62¢
TSUS 168.35 Gin	50¢
TSUS 168.45 Whiskey (Irish and Scotch)	51¢
TSUS 168.46 Other Whiskey (competition for U.S.-made Bourbon?)	62¢

Barbadian rum producers would be happy to reach the U.S. market in at least some reasonable volume; but they argue that the \$1.75 per gallon imposed on their product effectively prices it out of the range of the drinking public. They also argue that with the small profit margins under which they must now operate, they could not possibly afford the advertising and other promotion costs which would be required to make the quality of their product known. In fact, in an effort to cut its costs, a Barbadian company has shipped considerable quantities of its U.S. sales in bulk, thus diminishing the total local value of the product.

The U.S. argument that it is necessary to protect the Puerto Rican rum industry is understood. However, it is felt that the tariff imposed is a matter of overkill, and that in fact CARICOM would cut into the sales of whiskey and gin rather than those of the well-promoted Puerto Rican brands. CARICOM producers also do not think that they would produce enough rum to hurt the present Puerto Rican sales, even if they did compete with Puerto Rican rums. In fact, although they would be prepared to accept a tariff pitched somewhere in the region of that of gin, brandy or whiskey, which would make them competitive with these products, they feel discriminated against when the tariff on rum is

pitched at a level considerably higher than any other original beverage.

Another irritant to the Community exports to the United States came in the U.S. Trade Act of 1974 and the accompanying GSP. When the Trade Act was passed, there was a good deal of optimism among CARICOM producers who hoped for a system of preferences as liberal as the EEC's special-tariff treatment of products from the African, Caribbean and Pacific states under the Lomé Convention of 1974. It was found that in spite of Caribbean proximity to the U.S., it was easier to export to the EEC. The Lomé Convention, clothiers observed, made special provision for CARICOM industries using EEC-originating textiles, while no such provision was made in the U.S. GSP when U.S. textiles were used.

Since 1976 a number of the restrictions in the Trade Act have become evident. Jamaica and Guyana supplied the United States with sugar when that commodity was scarce on the residual world market. They later found that the competitive need criteria had worked against them and that, not only was their sugar subjected to a tariff which increased threefold in late 1976, there was no automatic restoration to preferential treatment when their quotas had been appropriately readjusted. Even with other products like wrought hafnium from Barbados or aromatic bitters from Trinidad and Tobago, it was possible to see one's duty-free status evaporate by being the major or sole producer of the product. The possibility of there being further unforeseen readjustments in the tariff structure did not lend to much confidence in the U.S. GSP on the part of the CARICOM producer. Additionally, the possibility of exclusion of Venezuela and Ecuador loomed large at one point in time for those CARICOM states who belonged to producers' organizations.

CECON, the OAS consultative body dealing with US-Latin American trade, did not prove very effective in a situation where the aims of the two sides seemed largely opposed. Invoking the CECON policy of consultation, any sharp new change in trade relations made little difference — for instance, in the case where the tariff on non-GSP sugar had been tripled. Additionally, it later became clear that the United States was interested in a very short list of products which the Latin American countries were asked to provide with respect to an evaluation for the purpose of GSP treatment.

Finally, quite different from the Lomé arrangement, the CARICOM countries discovered that there was no advantage in being a community and common market with respect to products in which there was more than one Community country's local input or value-added. While in the Lomé Convention inputs made in Barbados, Guyana and Trinidad and Tobago were eligible for consideration as a fixed local value-added requirement, in the case of the U.S. system, the value-added level required for duty-free treatment increased from thirty-five to fifty percent

whenever more than one Community country's inputs were involved. Added to this was the uncertainty as to how the U.S. Customs would arrive at a figure of local value. Other minor irritants, such as having to fumigate certain agricultural produce (however necessary it may be for U.S. health authorities), only add to the list of problems of the CARICOM producer aiming at the U.S. market.

CONCLUSION

In traditional problem-solving, once the variants are assured to have balanced out, an ideal formula for arriving at a solution is composed. With regard to US-CARICOM trade, the equation seems to be burdened with imponderable variants. While it must be clear that the deficit carried by most CARICOM countries in their trade with the United States cannot stretch into endlessly large figures, and while it must be evident that a redress in the imbalance could lead to increased trade volumes (including increased U.S. exports), it is not so clear what mechanisms will eventually be put into action to rectify the present trend. It will take some time before it becomes clear, for instance, how effective the efforts being made by the Barbados government to stimulate exports have been, or what additional inputs must be made to break into the U.S. market well in excess of the BDS\$52.7 million registered for 1976. Presumably too, the Puerto Rican rum lobby will not lose its effectiveness overnight, nor the restrictions apparent in the Trade Act become suddenly more manageable. One possibility may perhaps lie in a combination of greater local investment in CARICOM industry and greater U.S. participation in joint US-CARICOM involvement in an export trade which is certain to prove a significant factor in the overall stability of the region.

Parenthetically, ECLA study of Economic Activity in the Caribbean reveals that prior to 1973, the CARICOM, with the exception of Guyana, was trading with the United Kingdom along deficit lines. It would therefore seem that the shift to a deficit trading relationship with the United States after 1973 was not essentially related to a rise in oil prices but rather was a simple shift in trade direction. Indeed, Trinidad and Tobago, which showed an export over import gain in its trade with the U.S., already had a positive balance of trade with the United States prior to 1973.⁷

What therefore explains the shift in trade, apart from political developments within the hemisphere, was the plummeting of the pound sterling to which the old currency of the Eastern Caribbean (the EC

7. Economic Activity-1976 in Caribbean Countries ECLA/CARIB 77/5, Part IX, p. 25.

dollar) had been pegged. Jamaica, Barbados, Guyana and then Trinidad and Tobago eventually found it meaningful to peg their "new" currencies to what in the mid-seventies was the more stable U.S. dollar. With the fluctuations of the pound nearly unpredictable, Caribbean businessmen found it easier to look for their manufactures in the United States.

Thus, perhaps, the most crucial point about the Community's trade is that it is externally-oriented. The fact that the bulk of that trade is now with the United States is less significant than that the trade is dependent as distinct from interdependent. What also becomes apparent is that the concept of development by stages does not appear valid for these countries of the American periphery. What remains, therefore, is the possibility of the ultimate relinquishment of their external relations in both economic and political areas to promote the achievement of internal capital accumulation. Perhaps this is the ultimate message to be gained from the partial refusal of Jamaica and Guyana to accept some of the products of other CARICOM states despite the existence in the Community of a free and common market.
