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A SURVEY ON TRADE FINANCE IN THE ENGLISH-SPEAKING CARIBBEAN COUNTRIES

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This report surveys, in Part I, the various aspects of the financing of the foreign trade of the English-speaking Caribbean countries, including the major institutions involved and the main policies and problems. Special mechanisms for trade finance are considered in Part II, including the possibilities for using various alternative or innovative techniques and policies which might benefit the region. A statistical overview of the role of intra-regional and extra-regional trade in the economies of the Caribbean countries is contained in the Appendix.

The vast bulk of the export trade of the English-speaking Caribbean countries passes through ordinary short-term commercial financing and payments channels, largely involving the commercial banking system. In addition, in most of the countries of the region, there is available, at least in embryonic form, a governmental institution which provides credits, guarantees, or insurance, usually through the commercial banking system, aimed at facilitating exports -- but the system is uneven in scope and quality among the countries of the region, and there are considerable gaps in coverage.

As to imports into the region, capital goods are normally financed with medium or long-term private export credits (often supported by official guarantees or insurance from government agencies in the exporting country) or with grants or long-term loans from bilateral or multilateral aid institutions. However, the bulk of imports to the countries of the region -- food, raw materials, and light manufactures -- normally follow private commercial channels for their financing (although here too short-term private supplier or buyer credits are sometimes supported by official guarantees or insurance by the exporting country).

In surveying trade finance, this report first considers the role of officially supported import and export finance, particularly the role of export credit and insurance agencies, before considering the banking system more generally. In the first place, it is important to try to put into perspective the wide differences among the countries of the region in the extent to which they benefit from such official support from developed countries for the financing of their imports; this support can come in two ways: either 1) in the form of grants or loans from aid agencies or 2) in the form of export credits (from official agencies, or guaranteed or insured by official institutions in the developed countries).

In 1985, three-fourths of total imports to all developing countries came from the OECD (about US$ 300 billion). Of these imports, $42 billion (14%) were financed by disbursements of official aid from bilateral or multilateral agencies funded by the 17 DAC member countries; $25 billion (9%) were financed by disbursements under officially supported medium and long-term export credits; and an estimated $53 billion (18%) were financed by disbursements under officially supported short-term (under one-year) export credits. Thus a total of 40% of all imports from OECD countries by all developing countries were officially supported in some form.

As to the individual Caribbean countries, it is clear that with regard to aid (other than export credits) as a source of finance for imports, the Bahamas and Trinidad receive only negligible amounts, Barbados only modest amounts, and Belize, Guyana and Jamaica major amounts. In addition, among the OECS islands, Grenada and Dominica are also highly dependent on aid flows.

The estimates for officially supported export credits from OECD countries appear to be highest for Jamaica and Trinidad (and above the average for all developing countries), the Bahamas and Belize are somewhat less than the average, Barbados is well below average, and Guyana is particularly small; these divergences are the result of conflicting motivations on the part of sellers in the OECD countries and the formulaters of creditworthiness standards for the export credit agencies in OECD. Thus the high figure for Trinidad reflects a strong demand for continued insurance cover there on the part of exporters in OECD countries along with a continued willingness to provide such cover despite foreign exchange shortages, though some agencies may make a surcharge for coverage. The high figure for Jamaica may particularly reflect the effect of debt rescheduling exercises there, which take the form of providing new gross credits to offset payments due -- so that actual new coverage may be far more limited, given the apparently tight rules and high surcharges which some export credit agencies are applying and given also the limitations on this type of credit which have no doubt been included in the rescheduling exercises. The relatively low figure for Barbados may reflect its high creditworthiness so that there may be only limited demand for cover. The extremely low estimate for Guyana reflects the virtual suspension of most export credit insurance cover in the light of the debt servicing problems and the accumulated arrears of that country.

Data on the operation of 19 export credit insurance or guarantee agencies in OECD countries for the 5-year period 1982 to 1986 can throw light on the performance of similar institutions in the Caribbean region. OECD export credit agencies insured or guaranteed about U.S.$500 to $600 billion in exports or roughly 10% of their total exorts for the five-year period. 60 to 65% of insured exports went to developing countries, representing about 25% of all OECD exports to developing countries. During the five-year period, the 19 agencies incurred losses totalling US$ 10.5 billion, or about 2% of total value insured -- which can be viewed as a subsidy cost, originating from competitive pressures, which may have expanded the volume of exports and may have benefited buyers. However, most of the agencies professed to aim at making profits or breaking even on most of their insurance and guarantee services, and the losses reflect both rising claims and a declining trend in the value of insured exports (at least in part the result of declining exports from OECD to developing countries, which in turn may be largely attributable to the debt crisis in developing countries).

With respect to the terms for officially supported medium and long-term export credits, OECD countries for years had sought to restrain the considerable competition which had grown up among exporting countries in subsidizing the sale of their capital goods exports. Finally, the "Arrangement on Guidelines for Officially Supported Export Credits," also known as the OECD "Consensus," came into force in April 1978 among 22 member countries. It sets limits on the terms and conditions for export credits with a duration of two years or over and which are officially supported (i.e., "are given, subsidized, refinanced, guaranteed or insured by export credit agencies in the form of either supplier or buyer credits" [15, p.1]). In general, for most participants, use of the Consensus rates requires a subsidy as compared to their own market rates -- a subsidy which is thus passed on to the recipient borrowing country.

In considering financing sources for the Caribbean region which may have some possible subsidy element.for imports, and in considering competition in credit terms which may face the region's exporters, attention also needs to be paid to the growing number of export credit institutions in other developing countries. From both these points of view it is well to note that non-OECD export finance agencies charge typically somewhat lower interest rates than those in the Consensus. They also provide buyer credits, typically in US$ at fixed rates -- and the rates are likely to be standard for all countries. They may also provide longer maturities. Finally, export credit cover has not been restricted to other developing countries in the way in which OECD agencies have cut back in the face of increasing claims and balance of payments problems.

As to the region itself, operations of agencies serving Barbados, Jamaica, Trinidad & Tobago, and the OECS countries, as well as some region-wide institutions, are described in some detail in the report, below. Only Jamaica, Barbados, and Trinidad have substantial official export credit or insurance operations in the region. Even here, some users have complained about high collateral requirements and inadequate interest rate subsidies, given the high priority for exports and the nature of foreign competition in credit terms. New region-wide developments in the form of a Caribbean Export Bank should play a much-needed role in broadening and improving export credit support and insurance throughout the region.

For the region as a whole, the dominant feature of the commercial banking system is the very prominent role of branch offices or subsidiaries of major multinational banking institutions --

particularly Canadian and British. Generally, the commercial banks in most of the region have recently been highly liquid, which has meant relatively low interest rates for depositors; at the same time, lending rates to borrowers have remained high -- and the spread between the two rates has grown. Some government officials have expressed the hope that the arrival of new more aggressive banks in some parts of the region will inject competition into what is in some places a highly uncompetitive system -- particularly in short-term trade credit. Merchant banks play an active role in trade finance in Trinidad & Tobago and in Jamaica, adding flexibility to the system; and a well financed region-wide merchant bank could fill an important role.

The role of development banks in various countries of the region in fostering export development and of the central banks in regulating trade finance, particularly through the exchange contol system, is described in the report below.

As to development banks, there is considerable concern that many countries of the region now lack true development banking, with many of the institutions effectively negotiating *commercial* rather than development loans. It is difficult to get real export expansion without proper development banking, with careful development-oriented project evaluations, lending direct to end users, and self-collateralized projects; risk taking is needed on new export proposals -- and venture capital should be forthcoming for good projects quite apart from ordinary commercial credit limits which may already be fully tied up.

There is considerable interest in the region in ways to strengthen exporters. There has been an undercapitalization of industries in general; what is needed, some observers feel, is a refinancing of existing companies on a selective basis -- financing them generously. Services should be provided to management to help solve existing problems which impede efficiency; in some cases this should involve direct management help; where management is at least minimally competent, then management consultants might be used for a period of years, if necessary, to improve the efficiency of firms. As to financing to start new ventures aimed at export markets, available money is not sufficiently soft to attract the really best source of new entrepreneurs -- namely, the large pool of able management personnel already working in the region, most of whom simply cannot afford to mortgage their houses, deplete all their savings, and give up their present well-paid jobs in order to try out some of their new ideas -- there is simply too much risk of losing everything. What is needed is a program to tap this source of entrepreneurship by reducing these personal risks, financed partly by grant funds, and made available for carefully chosen export projects and carefully chosen people, aimed at selling in the extra-regional market.

A good deal of the effectiveness of export promotion efforts can be offset by internally oriented policy measures which reduce the ability of exporters to compete effectively in international markets. Policy makers for each country, and regionally, need to consider ways to shift the relative degree of effective protection toward exports, and away from home market bias. They need to consider whether the present priority for exporting is adequate, and what positive efforts can be undertaken to make exporting more attractive in general, and relative to domestic production.

Exchange control is an area where improvements in priority for exports should be relatively easy to make. Exchange control systems in the region (as long as they remain necessary) need to be made less arbitrary, less expensive, and less time consuming, especially for exporters -- in particular, making sure that the import content of exports is given priority over other imports. Where controls in the form of negative listings and QRs remain justified on practical employment grounds, the possibility of waivers (even automatic exceptions) should be considered -- for the purpose of allowing exporters maximum flexibility to lower their costs, and improve the quality and reliability of their products, thus making exports more competitive, and bringing net foreign exchange benefits (and possibly even employment benefits) to the country concerned.

Part II of the report, below, considers various special mechanisms in trade finance, beginning with countertade. The term "countertrade" covers a wide range of trade practices which link the acquisition of imports in part or in full to the reciprocal provision of exports. There are a wide variety of types of countertrade, including pure barter, counterpurchase, advance purchase, direct or indirect offset (or compensation), buy-back agreements, bilateral clearing agreements, switch trade, and industrial cooperation. Countertrade is often criticized by economists as being inefficient and leading to a misallocation of resources. But countertrade may itself sometimes be a means of correcting the distortions brought about by an unsuitable (overvalued) exchange rate, in that it permits selective devaluation on a case-by-case basis through the informal discounts on exports which are necessary to make countertrade transactions work.

As to the costs of countertrade arrangements, these are likely to be much higher than the costs of conventional trade finance (though not necessarily higher than the penalty costs for conventional finance facing developing countries experiencing difficulties in meeting external financial obligations). Nevertheless, in intra-trade among developing countries suffering from financial stringency, barter deals and other countertrade arrangements may avoid foreign exchange expenditures, and thus make possible trade which would not otherwise occur. Even where countertrade requires costly discounts, high fees to intermediaries and expensive international financing, this may be a better alternative for a country with severe debt problems than the inflated costs of finance for conventional trade facing such countries, or than being unable to proceed at all with some trade transactions. In other cases, the development impact of foreign investment, joint ventures, technology transfer, and the possibility of opening up new export markets make some countertrade arrangements attractive to developing country governments despite additional costs such arrangements may face.

The Caricom Multilateral Clearing Facility (CMCF), which began in June 1977, had to be suspended at the end of March 1983, when the credit limit was exceeded, and a major debtor (Guyana) was unable to settle the required amount due. The system has since been replaced by a series of bilateral clearing agreements, but interest has remained keen to restore some sort of multilateral payments arrangement, despite the difficulties. One of the issues, where views differ, is the scope of trade to be covered by a revived facility, i.e., whether major commodities such as oil and petroleum should be included or whether a scheme should be limited to so-called non-traditional exports. Another aspect of a revised scheme is whether it should be limited to financing only the value added in the region or, if not, what the cut-off point should be for external import content. A further key question is to what extent outside resources might be mobilized to provide financial support for a revived scheme -- and how such support might best be used to help stretch scarce foreign exchange resources and expand intra-regional trade, while maintaining the solvency of the arrangement. A special problem in any revival is how to treat the past intra-regional debt: could it be liquidated within the mechanisms of any new scheme? If arrears grow, what provision would there be in a new scheme to pay them off? Can there be an automatic provision for shifting hard currency export earnings to balance the clearing scheme's books after a certain delay?

A step toward the longer-run achievement of a common currency area, which could provide substantial benefits to all of the countries of the region under suitable circumstances, might be the creation of a Caricom unit of account (CU), based on a trade-weighted basket of currencies.

As the developing country debt crisis has persisted, various ad hoc arrangements have grown up aimed at converting some of the outstanding bank loan debt into equity holdings. This has involved, in the first place, growth of an established secondary market for developing country debt, in which outstanding bank loans can be traded among banks themselves (to adjust their country risk exposures) or sold to third parties at deep discounts, the size of which depends on the prospects of the debtor country concerned. (In the Caribbean region, Jamaica announced a debt-for-equity program, with a new unit in the central bank to be assigned to this work as of April 1987.).

A number of innovations in accessing the capital markets of the developed countries, some of which have been proposed but not yet implemented for developing countries, could be of interest to Caribbean countries. A major objective for the management of external finance is to make sure that it contributes to the growth and stability of income, and many of the innovations deal with achieving better cash-flow matching (at both the enterprise and the national level) -- which means not only obtaining finance when it is needed, but repaying it at a time when the developing country can best afford to do so, taking into account the cyclicality and volatility of production, demand, and prices of the primary commodities that dominate the exports of most developing countries, including the English-speaking Caribbean countries. These techniques include, interest and currency swaps, combining swaps with export credits, index-linked bonds, and commodity-linked bonds.

There are major pools of capital in the region, or under control of residents of the region, that might be more effectively mobilized for regional development. The major trading families have considerable financial resources and have made occasional efforts at local manufacturing; they remain an important potential source of finance for new manufacturing or export ventures and for investment in suitably designed regional development institutions. The considerable fund of resident capital in the Bahamas should be tapped to help finance export development there, and also to help form, for example, a region-wide venture capital pool. Unsettled economic conditions in some of the largest economies of the region for more than a decade have led to the migration of skilled professionals and entrepreneurs from the region -- and to a considerable amount of "capital flight" by such persons and by persons who continue to reside in the region; it is clear that measures to re-attract such capital to the home country or to the region deserve serious attention, as well as measures to re-attract expatriates who could establish or manage export projects, and even finance them.

The international community is trying to devise ways to assure adequate compensation for developing countries (particularly those most heavily dependent on one or a few basic commodities) for shortfalls in export earnings as compared to projected earnings (measuring this gap by deviations from some sort of trend line). The aim of such financing is to provide a cushion against the potentially severe repercussions from the loss of expected foreign exchange. Expansion of compensatory financing facilities and the creation of new facilities to complement the existing IMF and STABEX schemes, and focussed particularly on commodity export shortfalls, could substantially assist Caribbean countries.

Other trade financing techniques to be considered include the following: (1) The problem of obtaining pre-shipment finance for an exporter who does not himself have adequate credit resources can often be solved through the use of back-to-back or transferable letters of credit. (2) Forfaiting is a form of the familiar banking technique of discounting receivables; it usually applies to the bills of exchange or promissory notes issued by importers, typically for medium or long-term capital goods transactions, and uses funds from the free market to provide a form of fixed rate supplier credit to capital goods exporters; a special feature is that when notes are sold to a forfaiter, they are sold *without recourse* to the exporter; a guarantee or "aval" by a bank in the buyer's country may be required by the forfaiter, thus ensuring that the pricing of the forfait transaction becomes mainly a function of the *country* risk of the importer who has issued the paper. (3) Private export credit insurance, such as the ICE plan, may prove useful to Caribbean exporters.

A SURVEY OF TRADE FINANCE IN THE ENGLISH-SPEAKING CARIBBEAN COUNTRIES

INTRODUCTION

This paper is a survey of some of the main problems in the financing of the external and intra-regional trade of the thirteen English-speaking Caribbean countries, and of possibilities for improvement. The study is based on visits by the author to six of the countries of the region in October and November 1986, accompanied by economists on the staff of the Sub-Regional Office for the Caribbean of the UN ECLAC -- Mr. George Joiner and Mr. Radcliffe Dookie. The mission visited Trinidad & Tobago, Guyana, Barbados, Antigua, Bahamas, and Jamaica, and consulted: 1) with government officials from Ministries of Commerce, Industry, or Economics, Finance Ministries, Central Banks, Development Banks, Export Credit and Insurance Institutions, and Investment and Export Promotion Agencies; 2) with officials from regional and international organizations such as the CARICOM Secretariat, the Caribbean Development Bank, the Organization of Eastern Caribbean States (OECS), UNDP, and UN ECLAC; 3) with officials from the private sector, including Chambers of Commerce or Industry, Manufacturers or Exporters Associations, Commercial Banks, Merchant Banks, and other private businessmen. The author has also consulted with IMF, World Bank, UNCTAD, ITC, OECD, ECGD, and U.S. Government officials, as well as other economists.

Part I of this report surveys the various aspects of the financing of the foreign trade of Caribbean countries, including the major institutions involved and the main policies and problems. Part II considers special mechanisms for trade finance, including the possibilities for using various alternative or innovative techniques and policies which might benefit the region. The Appendix to this report contains a statistical overview of the role of intra-regional and extra-regional trade in the economies of the Caribbean countries. (There are seven Appendix Tables and three Supplementary Tables.) Finally, there is an extensive listing of bibliography and references relevant to this report (with some annotations).

Part I: THE FINANCING OF THE FOREIGN TRADE OF CARIBBEAN COUNTRIES

A. The Scope of Trade Finance.

The vast bulk of the export trade of the English-speaking Caribbean countries passes through ordinary short-term commercial financing and payments channels, largely involving the commercial banking system (mainly private banks, often branches of giant multi-national banking operations, but in some cases nationally owned institutions). This ordinary trade may involve cash payments or commercial credit arrangements. Dealings of established firms with longstanding customers may take place on open account with conventional 60, 90, or 180 day payment terms. Traders use standard commercial instruments, such as drafts, promissory notes, and letters of credit, with and without bank guarantees. Exporters may provide collateral to obtain pre and post-shipment working capital from their banks while awaiting normal payments, or, in order to obtain immediate funds, they may discount with their banks the short-term credits they have extended to their buyers. In addition, in most of the countries of the region, there is a governmental institution which provides credits, guarantees, or insurance, usually through the commercial banking system, aimed at facilitating exports -- but the system is uneven in scope and quality among the countries of the region, and there are considerable gaps in coverage. Some major commodity export items from the region -- e.g., petroleum, bauxite, and alumina -- may be financed as internal corporate transfers of large multi-national firms.

As to imports into the region, capital goods are normally financed with medium or long-term private export credits (often supported by official guarantees or insurance from government agencies in the exporting country) or with grants or long-term loans from bilateral or multilateral aid institutions. However, the bulk of imports to the countries of the region -- food, raw materials, and light manufactures -- are not durable capital goods, and therefore normally follow private commercial channels for their financing (although here too short-term private supplier or buyer credits are sometimes supported by official guarantees or insurance by the exporting country). Acute foreign exchange difficulties, including arrears on ordinary commercial trade debt, have led some countries in the region to use countertrade arrangements to finance some of their imports.

There is great diversity of the countries of the region in terms of area, population, income level, and growth rates of output and trade. There is also great diversity in the basic structure of import financing, i.e., in the relative importance of earnings from merchandise exports, of tourism earnings, and of foreign aid and officially supported export credits from abroad in financing imports, (as well as in the resulting burden of external indebtedness). These differences are described in detail in the Appendix to this report (and particularly in Appendix Tables 1, 2, 2A, and 3).

In addition, three supplementary tables (at the end of this report) provide basic information. Tables A and B cover import and export trends for individual Caribbean countries during the 1980s (including intra-regional exports). Table C provides detailed data on the commodity structure of exports for each of 13 countries in the region -- of particular value in establishing the extent of "traditional" vs "non-traditional" exports in each country.

In surveying trade finance, this chapter will first consider the role of officially supported import and export finance, particularly the role of export credit and insurance agencies, before considering the banking system more generally.

B. The Extent of Officially Supported Import Finance from Abroad.

In considering the impact of official support for exports on the trade of the English-speaking Caribbean region, it is important, in the first place, to try to put into perspective the wide differences among the countries of the region in the extent to which they benefit from such official support from developed countries for the financing of their imports; this support can come in two ways: either 1) in the form of grants or loans from aid agencies or 2) in the form of export credits (from official agencies, or guaranteed or insured by official institutions in the developed countries). Such information, on a gross disbursement basis, has been established (partly estimated) for the present study for the flows to all developing countries from the 24 OECD countries, and is presented in Table A at the end of this report; such data has also been more roughly estimated for the six largest countries of the English-speaking Caribbean region (and is summarized in the tabulation below).[The gross short-term credits were estimated from data available on total outstanding short-term credits and on plausible assumptions about the average duration of such credits; similar data for individual Caribbean countries is not made available, so that the estimates below assume that the pattern of relative percentages for medium and long-term export credits among these countries (compared to all developing countries) also applies to short-term credits, thus making possible an estimate of the rough order of magnitude for official support of all kinds.] These estimates are summarized in the following tabulation:

Dependence on Official Financing from OECD countries in 1985

	Total Imports (FOB) from OECD (US$ mill)	Percent of Total Imports from OECD Financed by: Officially Supported Export Credits (Gross): Med. & LongTerm	ShortTerm (estimate)	Total (estimate)	Gross Official DAC Flows (Excluding ExpCred)	Estimated Total Gross Flows
	(1)	(2)	(3) a)	(4)=2+3	(5)	(6)=4+5
All Developing Countries	297,962	8.5	(18)	(27)	14.0	(40)
Barbados	297	2.6	(6)	(9)	6.2	(15)
Bahamas	1,079	9.0	(12)	(21)	0.24	(21)
Trinidad	928	7.2	(21)	(28)	0.5	(29)
Guyana	92	1.1	(3)	(4)	37.0	(41)
Belize	82	2.1	(15)	(17)	27.9	(45)
Jamaica	614	16.6 b)	(16)	(33) b)	58.7	(91)

a) Individual country estimates based on 1983-85 average for medium and long-term export credits, except for Belize and Jamaica which are based on the 1979-83 average.
b) May be inflated by inclusion within total "gross disbursements" of some disbursements under debt rescheduling arrangements rather than disbursements for the financing of new exports.
[For other notes on this tabulation, see notes to Table A at the end of this report.]

In 1985, three-fourths of total imports to all developing countries came from the OECD (about US$ 300 billion). Of these imports, $42 billion (14%) were financed by disbursements of official aid from bilateral or multilateral agencies funded by the 17 DAC member countries; $25 billion (9%) were financed by disbursements under officially supported medium and long-term export credits; and an estimated $53 billion (18%) were financed by disbursements under officially supported short-term (under one-year) export credits. Thus a total of 40% of all imports from OECD countries by all developing countries were officially supported in some form.

As to the individual Caribbean countries, it is clear from the tabulation above that with regard to aid (other than export credits) as a source of finance for imports, the Bahamas and Trinidad receive only negligible amounts, Barbados only modest amounts, and Belize, Guyana and Jamaica major amounts. (In addition, among the OECS islands, as shown in Appendix Table 2, Grenada and Dominica are also highly dependent on aid flows).

The estimates for officially supported export credits (total, column 4, above) appear to be highest for Jamaica and Trinidad (and above the average for all developing countries), the Bahamas and Belize are somewhat less than the average, Barbados is well below average, and Guyana is particularly small; these divergences are the result of conflicting motivations on the part of sellers in the OECD countries and the formulaters of creditworthiness standards for the export credit agencies. The highest demand for export credit insurance and guarantees is with respect to sales to countries or firms considered to be most risky, either in commercial risk terms or in terms of so-called political or sovereign risk (e.g., risk of default because of balance of payments problems). On the other hand, the export credit agencies try to spread their risks and thus to persuade their clients to insure sales to all of their customers or broad types of their customers. The clients, on the other hand, may try to avoid, as unnecessary, the fees for insuring claims to good customers in countries where they perceive little or no political risk of default. On their part, the export credit agencies may charge more for insurance to riskier countries, may limit the amount of insurance exposure in particular countries, and may limit the length of terms they will issue, or insist in extreme cases on the use of only such instruments as confirmed irrevocable letters of credit before insuring. While the export credit agencies may try to treat as confidential the rules for particular countries, they obviously must communicate them as a practical matter to potential exporters to these countries. (Indeed, an informal appraisal of all developing countries is regularly made in the journal *Trade Finance*, which includes an evaluation of current country policies of the U.S. Exim Bank and the U.K. Export Credit Guarantee Department (ECGD); for a recent appraisal of Caribbean countries see [26]). Thus the high figure for Trinidad reflects a strong demand for continued insurance cover there on the part of exporters in OECD countries along with a continued willingness to provide such cover despite foreign exchange shortages, though some agencies may make a surcharge for coverage. The high figure for Jamaica may particularly reflect the effect of debt rescheduling exercises there, which take the form of providing new gross credits to offset payments due -- so that actual new coverage may be far more limited, given the apparently tight rules and high surcharges which some export credit agencies are applying and given also the limitations on this type of credit which have no doubt been included in the rescheduling exercises. The relatively low figure for Barbados may reflect its high creditworthiness so that there may be only limited demand for cover. The extremely low estimate for Guyana reflects the virtual suspension of most export credit insurance cover in the light of the debt servicing problems and the accumulated arrears of that country.

C. The Operations of Export Credit and Insurance Agencies in the Developed Countries. (See references [11] to [22]).

The above data, and related information, can also provide some benchmarks on the operations of export credit agencies in the developed countries which can throw light on the performance of similar institutions in the Caribbean region.

Data on the operation of 19 export credit insurance or guarantee agencies in OECD countries for the 5-year period 1982 to 1986 (source [12] and [17]) show that export credit agencies insured or guaranteed about U.S.$500 to $600 billion in exports or roughly 10% of their total exorts for the five-year period. 60 to 65% of insured exports went to developing countries, representing about 25% of all OECD exports to developing countries. During the five-year period, the 19 agencies incurred losses totalling US$ 10.5 billion, or about 2% of total value insured -- which can be viewed as a subsidy cost, originating from competitive pressures, which may have expanded the volume of exports and may have benefited buyers. However, most of the agencies professed to aim at making profits or breaking even on most of their insurance and guarantee services, and the losses reflect both rising claims and a declining trend in the value of insured exports (at least in part the result of declining exports from OECD to developing countries, which in turn may be largely attributable to the debt crisis in developing countries).

The decline in global insured cover can be seen from the trend in market penetration ratios (exports insured as % of total exports) for the 19 official insurance agencies, as follows:

Country	Agency	Market Penetration Ratio: (Insured exports as % of total) 1982	1983	1984	1985	1986
Austria	OKB	40	30	30	27	23
Japan	EID, MITI	38.4	30.3	26.5	24.3	22.9
France	CoFace	33	34	24	25	23
U.K. a)	ECGD	32.1	33.9	29.6	25.3	23.3
Denmark	EKR	24.5	24.0	23.5	22.0	23.0
Spain	CESCE	24.0	17.3	11.8	12.0	11.4
Portugal	COSEC	17.0	15.0	9.7	9.4	7.3
Italy	SACE	12.3	7.7	7.8	6.7	4.2
Netherlands	NCM	11.8	12.0	10.8	9.8	11.4
New Zealand	EXGO	9.5	9.5	9.9	10.4	9.3
West Germany	Hermes	9.2	7.7	6.6	5.8	4.8
Finland	VTL	8.7	7.0	6.0	4.2	4.0
Belgium	OND	7.4	5.5	4.6	5.2	4.6
Switzerland	ERG	6.4	10.4	6.2	4.7	3.5
Sweden	EKN	6.1	4.4	3.1	3.5	5.0
Norway	GIEK	3.2	3.5	2.4	5.5	5.0
U.S.	FCIA/Eximbank	3.0	3.75	3.1	3.3	2.0
Canada	EDC	2.2	3.5	2.0	2.0	2.1

a) % of U.K. non-oil exports. Source: [12] and [17].

While the declines in coverage over time within countries are impressive, the disparities between countries are even more so, obviously reflecting wide differences in the structure of exports and in governmental policy as well as in the normal commercial practices for handling risks.

Premium levels charged by the various export credit agencies can be crudely measured and compared by taking premium income in 1986 as a % of exports insured in 1986. The highest levels were Austria (4.05%), Sweden (3.30%), Switzerland (2.40%), West Germany (2.00%), and France (1.88%). Other major countries were U.K. (1.12%), Italy (1.08%), Netherlands and Belgium (0.80%), Canada (0.60%), Australia and U.S. (0.50%), and Japan (0.35%). Spain recorded the lowest level (0.15%). These are of course averages reflecting different mixes of exposure, different degrees of coverage, and different portfolios of country risks insured, so that they are at best only indicative of possible differences in premiums charged for the same coverage in the same area.

With respect to the terms for officially supported medium and long-term export credits, OECD countries for years had sought to restrain the considerable competition which had grown up among exporting countries in subsidizing the sale of their capital goods exports. Finally, the "Arrangement on Guidelines for Officially Supported Export Credits," also known as the OECD "Consensus," came into force in April 1978 among 22 member countries. It sets limits on the terms and conditions for export credits with a duration of two years or over and which are officially supported (i.e., "are given, subsidized, refinanced, guaranteed or insured by export credit agencies in the form of either supplier or buyer credits" [15, p.1]). The agreement classifies recipient countries into three types:
I. *Relatively Rich Countries* (mainly developed market economy countries); II. *Intermediate Countries* (includes most higher and

middle income developing countries); III. *Relatively Poor Countries* (includes IDA eligible developing countries). The main conditions are:

1) At least 15% of the total contract to be paid in cash;

2) Maximum repayment term of 8.5 years, stretchable to 10 years for relatively poor countries and some intermediate countries;

3) Minimum rates of interest are specified for credits that are given official financing support (i.e., in the form of direct credit, refinancing, or interest rate subsidies) and are subject to change according to an automatic mechanism every half year. The interest rates in effect in both the first and second half of 1987 were:

Country Classification	2-5 Year Credits	5-8.5 Year Credits	8.5-10 Year Credits
Category I (relatively rich)	9.55	9.80	--
Category II (intermediate)	8.25	8.75	--
Category III (relatively poor)	7.40	7.40	7.40

As an alternative to the above "matrix" rates, each participant may use its own "Commercial Interest Reference Rate" (CIRR) which reflects market interest rates in the particular exporting country. The CIRR rate is an accepted alternative particularly for participant countries which have normal market interest rates below the Consensus matrix rates (e.g., Switzerland). In general, however, for most participants, use of the Consensus matrix rates requires a subsidy as compared to their own market rates -- a subsidy which is thus passed on to the recipient borrowing country. (See [14], [15], [16], and

[11, pp. 231-285, for the complete text of the Consensus]).

D. The Operations of Export Credit and Insurance Agencies in Developing Countries. (See references [23] to [25]).

In considering financing sources for the English-speaking Caribbean region which may have some possible subsidy element for imports, and in considering the nature of competition in credit terms which may face the region's exporters, attention needs to be paid not only to the export credit institutions of the developed countries but also to the growing number of such institutions in other developing countries. From both these points of view it is well to note that non-OECD export finance agencies charge typically somewhat lower interest rates than those in the Consensus. They also provide buyer credits, typically in US$ at fixed rates -- and the rates are standard for all countries. They may also provide longer maturities (for example, Brazil provides one-year credits for consumer goods such as sewing machines). Finally, export credit cover has not been restricted to other developing countries in the way in which OECD agencies have cut back in the face of increasing claims and balance of payments problems (see [23]). (For a detailed description of the operations of export credit and insurance agencies in 32 countries, including 11 developing countries in Asia and Latin America, see [24]).

E. The Operations of Export Credit and Insurance Agencies Serving English-Speaking Caribbean Countries. (See references [26]-[36]).

Operations of agencies serving Barbados, Jamaica, Trinidad & Tobago, and the OECS countries, as well as some region-wide institutions, are described below.

1. Central Bank of Barbados, Credit Insurance & Guarantees Department (CBB).

The export credit insurance scheme began in 1978 in response to the development of the Caribbean Community (Caricom -- originally Carifta). Local manufacturers wanted the economies of scale they could derive from getting into the Caribbean market, but they didn't know how to get into this wider market; they needed some sort of risk protection, if not financing. For pre-shipment, CBB gives export financing guarantees and at post-shipment stage provides export credit insurance coverage. In 1981, an export rediscount facility for commercial bills on exports held by banks was created, using an Inter-American Development Bank line of credit of $1 million (now up to $2 million). Given the recent slump, the facility has not been fully used, but CBB is seeking to use the line of credit more fully; CBB has been giving banks a 4% spread, but is considering shrinking this spread, and might change to permit direct discounting by the exporter at the facility.

How have the schemes actually worked? The pre-shipment guarantee scheme started slowly; banks were reluctant to use it, and some complained about the 75% limit on the CBB's guarantee of commercial bank's on-lending to exporters (even though schemes in other countriés often provide for only 66.7% coverage). When exporters began to have growing orders then the pressure built up and they increasingly used the facility; at the same time, the banks became a little careless in their monitoring, and in one or two cases firms drew funds they couldn't account for -- and the CBB was slow to bail the banks out. If a commercial bank provides pre-shipment credit and CBB provides a guarantee, if the exporter then makes the goods and sends them off and submits the necessary documents, and then say the overseas buyer rejects the goods (claiming they are defective), then there is no coverage under the pre-shipment guarantee scheme, since the rejection falls under the post-shipment part of the export cycle and is not eligible here. (Some security from the exporter would be needed to cover this additional risk.) In an actual case, CBB made a settlement on an *ex gratia* basis with a bank which had reimbursed an exporter for such a loss, since the bank had acted in good faith. In fact, the banks would like to have an unconditional post-shipment guarantee from CBB.

As to the rediscount facility, it is for non-traditional exports -- to promote newer exports. (Traditional exports, such as sugar and rum have their own special financing arrangements.) If for 90 days the buyer doesn't pay, CBB may charge the rediscounted export bill back to the bank, which may in turn charge it back to the exporter, but the due date may be extended 90 days and then for another 60 days; however, if the exporter has an export credit insurance policy with CBB, there is an additional 4-month waiting period before CBB can act (though interest is charged on the overdue bill). Manufacturers often sell on a letter-of-credit cash basis and offer 60 to 90 day terms which they must finance. CBB complains that exporters don't push hard enough to get payments on bills they have discounted.

As to export credit insurance, this facility gives protection to exporters who don't know the Caricom market -- it enables them to be agressive while still feeling protected. Coverage is 80% for commercial risk and 90% for political risk. Claims, which are normally paid from fees received, had to be paid from capital reserves in 1985; CBB officials attribute this loss to the fact that: 1) Fees were down as a result of the decline in exports to Trinidad; 2) Claims arose because of the general decline in business fortunes, including difficult cash flow problems, the oil squeeze in Trinidad, the string of devaluations and problems of the scheduling of foreign exchange payments in Jamaica (so that some businesses used this as an excuse for not paying). Despite this, CBB believes the scheme has met its objectives; between 1980 and 1983 there was a significant jump in export values, in no small measure the result of credit insurance. Of all non-traditional exports, about 10-15% were covered in 1984; CBB research suggests that about 7-10% is the norm for such coverage in developing countries having insurance schemes. If you take out enclave exports, sugar and agriculture from total exports, then non-traditional exports remain. (Enclave exports are not eligible for insurance since they represent inter-company transactions). In 1984 about $30 million was covered by the CBB scheme. The cessation of the Caricom Multilateral Clearing Facility (CMCF) also cut demand for export insurance, and this was accompanied by more trade restrictions, licenses, etc.; under CMCF Barbados was left holding some $68 million in inconvertible currencies.

The comprehensive export credit insurance policy covers *all* exports of a particular firm -- exclusions are possible only by mutual consent, which may be agreed if the remaining portfolio represents an adequate spread of risks. CBB is thinking of introducing a deductible feature (as in health insurance) so that in the event of loss this part is borne by the exporter -- in return for concessional rates for the insurance. In actual operating experience, reading and knowing the policy is crucial, and failure leads to slip ups; CBB holds seminars to teach people to avoid doing things they shouldn't do; indeed, changes that don't qualify for coverage may be overlooked for a time.

One government official observed that at times there has been a reluctance on the part of the commercial banks to use the schemes for pre-shipment and post-shipment finance, particularly when the banks are liquid. The Central Bank scheme covers only 80%, leaving somewhat more than 20% exposure to the banks. Some have complained of high collateral requirements by the banks. So there is a certain conservatism, and the Central Bank has been conservative too (carefully checking out customers and delaying approvals).

CBB is considering diversifying the type of insurance package available, and also the possibility of extending coverage to export of services. A consultant from India originally designed the Barbados scheme on lines similar to ECGD in the UK (although ECGD has dropped out of pre-shipment financing).

The following tabulation summarizes the export credit activities of the CBB (source [29]):

	Value in B$ Million				
	1982	1983	1984	1985	1986
Total maximum liability outstanding under the Export Credit Insurance & Guarantee Scheme	20.2	31.1	28.2	21.2	15.0
Pre and post shipment finance	19.6	20.5	19.4	10.8	6.2
of which: pre shipment	3.2	2.9	4.3	4.0	..
post shipment	16.4	17.6	15.1	6.8	..
Export Rediscount Facility (bills discounted)	8.6	12.3	9.5	3.8	2.0

2. The National Export-Import Bank of Jamaica (Ex-Im).

Jamaica Export Credit Insurance Corporation, the predecessor agency to Ex-Im, operated from 1971 to 1986, and is now being liquidated. The new Ex-Im Bank (which is 50% owned by the Central Bank) began operations on 1 May 1986.

The export credit insurance offered by the National Ex-Im Bank of Jamaica includes a "comprehensive shipment policy" and a "service policy"; the latter covers Jamaican consultants or operators under U.S. section 807, who in effect export labor services to the U.S. -- this is insurance against non-payment. Ex-Im is getting into new more difficult areas such as performance bonds and bid bonds (in late 1986 they were setting up the legal documents, and already had the funds for the program). Ex-Im has government to government lines of credit in foreign exchange to draw down, including two lines of credit from the U.S. EXIM Bank and close contact with the ECGD in the U.K., as well as lines with private U.K. confirming houses and private banks; and Ex-Im is able to borrow at 1% above the U.S. prime rate.

Ex-Im officials note that a borrower who comes into Ex-Im with a 100% bank guarantee may still not get financed if he has too much credit outstanding. Ex-Im will also lend direct to end-users, bypassing commercial banks; for this Ex-Im requires an audited financial statement, a confirmed export order, credit checks on overseas banks, Dun and Bradstreet rating, and local borrowing record; Ex-Im makes an engineering, economic and financial analysis to assure that production and management capacity are present, and then the analysts make a recommendation to the Credit Committee if the amount sought is within approval limits (if not the case goes to a sub-committee of the Board, or for higher limits to the Board). Ex-Im makes a risk rating, which is also relevant, and which is affected by whether a credit is to be unsecured or secured; category 1 is the best, category 3 is marginal bordering good, and categories 4 and 5 are for smaller lending, with stricter collateral. The viability of the project dominates, and category 1 and 2 can have some unsecured financing. A firm's track record counts heavily.

Some lines of credit are for traders, some for manufacturers for the local market, and some for manufacturers for export market. Ex-Im stresses flexibility, as evidenced in its new direct lending program; previously, business moved with 100% bank guarantees. At least firms under this program save the guarantee fee -- in the end Ex-Im is merely competitive. The Bank Import Guarantee program (BIG) is not now used, having been replaced by direct Ex-Im lending.

Pre-shipment financing can be in local or foreign currency. A U.S.$ pool has been provided from the World Bank to the Export Development Fund (EDF), managed by Ex-Im. The target is the non-traditional export sector (and agriculture too); the aim is to provide pre-shipment finance at terms up to one year for raw materials and light capital goods which must be imported. The local currency pre-shipment scheme permits a private bank to extend credit for local currency costs of future exports over and above the existing credit line of the bank to the firm, and enables the bank to discount the loan to Ex-Im.

The Export Credit Facility (ECF) provides post-shipment working capital at an advantageous rate of interest through a discounting mechanism of commercial bank advances to exporters. All local finance (including the post-shipment discount facility) was being provided by Ex-Im at 16% (late 1986) -- Ex-Im considers this to be cheap money, subsidized from share capital equity, compared to private bank rates of 25-30% normally (and keeping in mind the inflation rate of 10-11%). The Bankers Export Guarantee Facility (BEGF) is also a post-shipment discounting scheme run by Ex-Im.

In 1985 Ex-Im's Insurance Division insured about J$250 million -- about 20% of Jamaica's non-traditional exports (excluding bauxite and bananas). This is a high percent -- overall market coverage in the U.S. is less than 5% -- but if you use any facility of the Ex-Im Bank then you must insure as well. Coverage of Jamaica's exports to the English-speaking Caribbean region is especially high -- some 60%.

The base rate for insurance is 70 to 75 cents per $100 of inventory value. Ex-Im used to have a rate schedule which varied by country and product, but now they have a composite rate, taking into account a particular exporter's business. Non-acceptance coverage is also available, but the percentage payment of loss is less (65%). Coverage otherwise is 70-75% and up to 80% or so. A cut rate is provided if there is a deductible in the policy. There is also a services policy for U.S. section 807 type operations, tour operators, data entry contractors, etc.

The whole turnover is required to be covered by Ex-Im in Jamaica. [The U.S. EXIM has now started coverage by bloc (i.e., whole turnover for a division of an enterprise); for capital equipment, a single sale can be insured for medium term; if the whole book is covered, a lower rate is quoted; the U.S. also has a single buyer policy in the short term to help smaller exporters at a subsidized preferential rate]. In Jamaica there is interest in a catastrophic coverage, with a deductible; such coverage was started in the U.S in 1965 by FCIA (now a part of EXIM) and by EDC in Canada -- it is considered a very effective marketing tool. The Jamaicans would like to maintain a low premium to cover only heavy overdues and claims. On its part, Ex-Im in Jamaica has a reinsurance arrangement passing on a layer of risk to insurance companies.

The following tabulation shows insured export sales by direction for Jamaica's Ex-Im Bank (and its predecessor):

	Value in J$ Million				
Country Exported to:	1982	1983	1984	1985	1986(a)
Intra-Regional:					
Barbados	15.9	18.5	25.2	51.1	(40.5)
Trinidad & Tobago	73.9	65.4	81.9	64.0	(34.9)
Other Caricom	15.8	16.6	26.8	43.1	(49.5)
Extra-Regional:					
Canada	2.4	2.9	2.4	6.3	(8.4)
U.K.	16.1	11.8	8.4	4.8	(3.9)
U.S.	7.5	10.4	26.7	46.7	(55.5)
Other	18.1	22.9	25.1	34.0	(24.9)
Total	149.7	168.5	196.5	250.0	(213.7)

(a) Estimated by inflating the actual data for January-September 1986 (i.e., multiplying by 1.33).

Officials of the Jamaica Manufacturer's Association cite the high cost and the difficulty of accessing finance as major problems in expanding exports; for example, the Ex-Im Bank has stiff requirements, such as the necessity of commercial bank guarantees. Pre and post-shipment financing can't be gotten from the commercial banks. But to get concessional Ex-Im finance you need the backing of a commercial bank -- an 80% guarantee; commercial banks charge a fee for this. It would help if Ex-Im would be willing to accept other obligations as security, such as commitments from overseas buyers. Indeed, these Association officials feel that trade finance windows should be based on the viability of projects and on product potential, and no collateral should be required -- with the government and the Central Bank sharing the risk.

3. Trinidad & Tobago Export Development Corporation (EDC), (Export Credit Company of Trinidad & Tobago).

Export credit insurance has been in operation in Trinidad since the late 1970s as a complement to export marketing efforts. The program originally lacked export credit financing. Recently EDC has developed a facility for discounting export paper, and has been looking toward further development of short-term pre and post-shipment guarantees using the commercial banks as the source of actual financing. The new post-shipment credit program of the EDC covers 85% of the value of shipments (and firms can use export development insurance as collateral); these credits carry high interest rates (11%), but lower than commercial banks (13% or so). EDC has also been working on extending coverage to services (such as consulting) and construction. Contract financing and performance bond guarantees have also been under consideration. All EDC facilities are available for both regional and extra-regional trade.

EDC had also been hoping to organize direct pre- and post-shipment financing in 1987, with commercial banks to act as agents for the Central Bank and with the Central Bank getting the funds from some aid source. (The Trinidad & Tobago Manufacturer's Association has urged that such finance be passed on to exporters without interest markups -- and thus help achieve a higher priority for exports.)

4. The Eastern Caribbean Central Bank (ECCB), Export Credit Guarantee Scheme.

The ECCB (located in St. Kitts) established an Export Credit Guarantee Scheme in July 1984 to assist exporters in getting more liberal finance from commercial banks in the OECS region at the pre-shipment stage, so as to be able to purchase, process, and manufacture goods to be exported against confirmed export orders. ECCB has noted (see [34], 1987 issue, p. 40) that only limited use has been made of the scheme. The ECCB therefore commissioned a study to evaluate and assess the scheme, and "several recommendations of the report have been approved for implementation."

An official of the Council of Eastern Caribbean Manufacturers has noted that the commercial banks are not pushing the export credit guarantee scheme -- since they earn a larger return without the Central Bank guarantee, they have high liquidity and don't need to stretch their resources, and there has been too much red tape and delay in using the scheme. Furthermore, there has been no guarantee covering post-shipment, so that there is no officially-supported insurance against lack of payment.

5. Other Regional Export Credit Institutions

The Latin American Export Bank (BLADEX), which was established in 1977, is a specialized multinational bank created to promote and finance the exports of Latin American and Caribbean member countries. Among its 22 member countries are three from the English-speaking

Caribbean region -- Barbados, Jamaica, and Trinidad & Tobago. Jamaica has benefitted particularly from this institution: its accumulated borrowings from 1979-1986 came to US$ 40.5 million, and its loan portfolio outstanding totalled US$ 2.1 million at the end of 1986 (of which $0.9 million was short-term and $1.2 million medium term) (see [27]).

In July 1987, the heads of government of Caricom approved the creation of a new "Caribbean Export Bank," with the aim of providing pre- and post-shipment credit to regional exporters. Before starting operations later in 1988, efforts are being made to obtain some US$ 50 million from international donors in support of the facility, to supplement the initial equity capital of US$ 17 million pledged by regional governments.

F. The Banking System in the Caribbean Region.

The various export credit agencies described in the previous section (E, above) are part of a wider network of banking institutions in the region affecting trade finance -- commercial banks, merchant banks, development banks, and central banks.

1. The Commercial Banks.

For the region as a whole, the dominant feature of the commercial banking system is the very prominent role of branch offices or subsidiaries of major multinational banking institutions -- particularly Canadian and British. For example, the Bank of Nova Scotia is present in 11 of the 13 English-speaking Caribbean countries (the exceptions being Dominica and Montserrat); Barclays Bank is present in 10 of the countries (in all but Jamaica, Trinidad, and Guyana); the Royal Bank of Canada is present in 9 countries (but not in Jamaica, Trinidad, Guyana, and St. Vincent); and the Canadian Imperial Bank of Commerce is present in 5 of the countries. Among U.S. banks, Chase Manhattan is present in the Bahamas and Barbados and Citibank in the Bahamas and Jamaica. There are some locally-owned private commercial banks (for example, in Antigua, Belize, Jamaica, St. Vincent and Trinidad) and some government owned commercial banks (for example, in Guyana, Jamaica, and Trinidad). In Guyana, the only foreign banks now operating in the country are the Bank of Nova Scotia and the Bank of Baroda; the government acquired the local operation of Barclays Bank in November 1987 (for the nominal price of one Guyana dollar); Chase Manhattan had withdrawn in a similar manner in 1985, as had the Royal Bank of Canada a year earlier -- withdrawals that took place because of difficulties in operating and in repatriating earnings, given the extreme foreign exchange stringency facing Guyana, so that the private banks were operating essentially only as collection agencies. In contrast, Barbados and the Bahamas each continue to have a half-dozen or more different multinational commercial banks operating.

Generally, the commercial banks in most of the region have recently been highly liquid, which has meant relatively low interest rates for depositors; at the same time, lending rates to borrowers have remained high -- and the spread between the two rates has grown. For example, in Antigua this spread grew from about 7% in 1983 and 1984 to 11% in 1986. In the Bahamas, in 1980, the average spread between cost of funds to the commercial banks and the cost to their borrowers was about 6% -- and had grown to 10% in 1986; there is concern about rates and the fact that credit is hard to get. Even though in the Bahamas there are 9 different multinational commercial banks in the Clearing Bank Association, they are thought to operate in effect as a cartel, and some government officials hope that the arrival of new more aggressive banks will inject competition into a highly uncompetitive system -- particularly in short-term trade credit.

Business officials in Antigua have pointed out that the OECS countries are totally dependent on commercial banks, which are not equipped or trained for manufacturing industry, but rather are still geared to commercial credit. There is more risk in industry, and the lack of competition means the banks are able to command more security -- almost on a 3 to 1 ratio. At the same time there is no local development bank available as an alternative. In the OECS countries the local branches of international banking corporations do not normally lend locally more than they generate locally. Well established firms get overdraft and revolving credit facilities for normal working capital; however, an attempt by one such firm in Antigua to get financing from a bank for an expansion of plant was delayed for more than a year before approval and was then at such a high interest cost that the firm could not undertake it. Financing difficulties need to be seen as one factor in the competitiveness of OECS exporters. Overall, the shortcomings in their ability to export include these factors: 1) There is a lack of finance at development rates of interest for buildings, equipment, and raw materials (and commercial finance itself is very high compared to conditions in Japan and the U.S.); 2) Though labor costs are relatively low, freight costs are relatively high; 3) Raw materials need to be stockpiled for 2 to 3 months (compared to as little as 2 days or a week elsewhere), since there may be a sailing only once a month for, say, Antigua; and a 2 to 3 month inventory has to be financed at commercial banks at commercial rates; 4) Tax concessions are relatively generous and geared to exports and earning hard currency -- but the benefits of tax concessions can be offset by, for example, high electricity costs; 5) It is difficult to negotiate with local banks for any unusual finance (such as plant expansion) when real decision questions are passed on to headquarters, say, in Barbados or London, and an exporter can't go over the head of the local agent of the bank to make a case for his project before the real decision-maker.

A basic trade problem in the OECS countries is the small scale and weakness of local business -- these are *small* businessmen; they need working capital, financing of capital assets, and technical assistance. Lacking these, many firms get orders that they cannot supply. An in-depth study of 20 companies in the OECS region shows that: 40% are technically bankrupt, but are allowed to trade by their banks; 40% are roughly at the break-even point; and only 20% are really commercially viable. Discounting of bills (which is done as a matter of course by the commercial banks) is a major source of financing; all costs come to 16 to 18% -- but businesses are not really bothered by these ratesif they get their money quickly. The commercial banks are thus dominant in the face of small scale firms and extremefinancial weakness.

In Jamaica, an official of the Manufacturers Association pointed out that there has been an asymmetry between importing and exporting: A businessman can go to his commercial bank and overdraft for imports; the problem is exports, where he faces a 100% collateral requirement to get a guarantee, and where he is exposed to foreign exchange risk in the event of devaluation, (but does not benefit from the gains from any revaluation). A Jamaican bank official noted that there is a foreign exchange shortage, but some lines of credit are not used, since lenders don't want the risk; everything is on a cash basis or sight, and there is a rush to get to the foreign exchange auction early; the last 6 or 7 years have been dominated by short term investment -- almost no long term -- basically reflecting lack of confidence in the system.

2. Merchant Banks.

There are merchant banks with an active role in trade finance in Trinidad & Tobago and in Jamaica:

(a) The International Industrial Merchant Bank of Trinidad & Tobago (IIMB) operates like a private institution, although its parent company is governmentally owned. Started in August 1982, and originally owned by Pariba, the National Commercial Bank of Trinidad & Tobago bought it out in July 1983. IIMB has since been doing very well, having earned a profit of TT$ 4 million in the year ending in June 1986; as the only merchant bank in Trinidad, it is able to operate more flexibly than the commercial banks. In the field of trade, it provides import credit lines, picks up letters of credit, and also has clients who import on open account. IIMB avoids construction or land development, and favors trading, agriculture and manufacturing; it is involved in consortium loans with other banks. IIMB does not do very much export trade finance -- it provides 30 and 60 day credit terms, and looks at the strength of the foreign buyer and the local business. As to credits longer than one year, import credit lines can revolve. While commercial banks will go as long as 10 years, IIMB will do some 5 to 10 year loans, but with more at 15 years -- and will tend to use floating rates; the late 1986 prime rate was 11.5%, and was marked up by 3% at most and by as little as 0.5%. (The prime had been 13% two years earlier.) As to supplier credits, ECGD provides lines to Trinidad importers, and the Italians, for example, offer attractive rates. IIMB is looking at the possibility of facilitating hedging against foreign exchange risks; (devaluation insurance is available internationally from Montague and other firms, but it is now very expensive).

(b) In Jamaica, the Eagle Merchant Bank carries out its foreign trade operations primarily through its subsidiary, Eagle Trade Services Limited, which, in the case of exports to the U.S. and Canada, has worked primarily through the U.S.-based factoring firm of Rosenthal & Rosenthal to factor Jamaican exports -- a business amounting to from U.S.$ 5-20 million per year. Goods have moved only slowly. One non-traditional export -- garments and linked products under the U.S. 807 program has also been slow. Of course the factoring company deals with a range of importers, not just 1 or 2. Eagle uses the export credit insurance facilities of the Jamaican Ex-Im Bank, which provides an 80% advance on export proceeds, and it discounts letters of credit. On the import side, a related company in Miami, Eagle Trade Finance Corporation, acts as a confirming house -- but there is a limit on the confirming of letters of credit issued by Eagle in Jamaica. An Eagle official believes it would be very useful to have some large facility in the region, say the Caribbean Development Bank, to act as a confirming house -- to use its strength to confirm letters of credit without any such limits, and CDB would have to put out little money to do this. Eagle finances local currency to go into the Jamaica foreign currency auction system, and there is little credit risk; and they are able to cover the foreign exchange risk a few months forward; (it takes a few weeks to clear the foreign exchange auction in Jamaica). As to regional trade, Eagle handles hard currency trading only. (An Eagle official thinks it might be interesting to try to set up a reverse factoring system, covering exports into Jamaica and other Caricom places -- but doubts the momentum is there for such a scheme). Eagle also manages the Falcon Fund, the first venture capital fund to be organized in partnership with the World Bank's subsidiary, the IFC; [investments will be made in quasi-equity form in Jamaican productive enterprises.]

(c) One Jamaican banker thought that the potential benefits of merchant banking could not all be realized in the single countries of the region, but that maybe a West Indies Merchant Bank operating in a larger pool could spread risks, and thus have a chance of success -- but it would need external backing, and not only soft money but grants, so that if it lost, it lost, without imposing a drain on resources of the region to repay such losses.

3. Development Banking.

The following are selected examples of development banking operations in the region:

(a) The Central Bank of Barbados (CBB), administers a B$ 25 million Industrial Credit Fund (ICF), with B$ 21 million borrowed from the World Bank (term, 15 years; interest rate in late 1986 about 8.5 %), and with the balance a Central Bank counterpart of B$ 4 million. ICF provides credits through financial intermediaries to persons in productive enterprises in tourism, manufacturing, fisheries, agriculture, mining and quarrying, and supporting services (but not distribution). Loans provided are medium and long term, 7 years up to 15 years, including grace period up to 3 years. The entire capital of B$ 25 million is a grant to ICF, with the government servicing the World Bank loan. The financial intermediaries used are 7 commercial banks and the Barbados Development Bank, as well as the Caribbean Financial Services Corp. (a private quasi-bank). ICF provides up to 90% (and this is usual) of the total amount to be lent to the end-user; terms to the intermediary are 2% below the weighted average prime rate -- so that lending in late 1986 was at 6.3% (prime 8.3%). The credit risk is with the banks, which have a free hand on the terms to end-users; the spread on the 90% ICF financing can be as low as 1%, while interest on the 10% input from the banks may be 1% higher. Funds have gone mainly for fixed assets, though their is some provision for technical assistance and working capital. World Bank disbursement guidelines have to be followed, so that banks cannot finance paper more than 90 days old -- and therefore applications for financing have to go to the World Bank 90 to 180 days prior to intended shipment date. The ICF needs to know that a project is developmental before approval, so that there is scrutiny of both IRR and ERR (internal and external rates of return -- shadow prices), and the impact on employment, foreign exchange, and output. The Barbados Development Bank has been the biggest channel for funds. B$ 17.2 million have been committed by ICF in its first 3 years -- B$ 11.9 million in 1984; B$ 1.3 million in 1985; B$ 3.9 million in 1986. Cumulative disbursements totalled B$ 13.1 million by the end of 1986. The banking system in Barbados has been very liquid and therefore this has reduced the incentive to tap ICF funds; projects have suffered by being forced to shorter terms, using the banking systems own funds ([29] and [33]).

(b) The Bahamas Development Bank (BDB) hopes to broaden the industrial base, and to encourage joint ventures between locals and foreigners. The Bahamas does observe the Caricom harmonized incentive rules for attracting foreign ventures (but does not adhere to the common market -- instead, they are observers in Caricom). Overall, the BDB has obtained its funding from a variety of sources: $6 million from the Caribbean Development Bank (10 years at 7.5%); $900,000 from the European Economic Fund (15-20 years at 1.5%); $3 million from the Inter-American Development Bank (for fishing) (10 years at 7.5%); $3 million borrowed from the National Insurance Fund of the Bahamas at commercial rates; and $3 million from the Central Bank of the Bahamas. (The National Insurance has provided $500,000 for small fishing boats at 7.5% interest; otherwise its funds are at 11-12.5%). The average cost of BDB funds is about 9%, compared to 12.5, 13, or 14% from commercial banks. BDB provides grace periods on its loans: 30 days for a quick start up project; 6-9 months for most other projects, although construction would get 1 to 1.5 years. As to length of maturity, agricultural projects are flexible and they try to take account of the seasonality of fishing, but the average maturity is 5.5 years; a big fishing boat might be 7.5 years and a construction project 10 years. However, working capital for all projects is expected to come from the commercial banks. The BDB has been in operation for 9 years.

Some executives in business, banking, and government have criticized the BDB -- for using unreal guidelines for its activities, for demanding too much collateral of its borrowers while providing them with too little funding, and for extreme delays in processing applications. There is a lack of skilled manpower -- so that more training is needed. There is some talk of using more National Insurance funds to expand the capital of the BDB. But until there is a stronger sense of what type of projects to emphasize and until it can begin to lend in adequate amounts at less than commercial rates, and to take calculated risks for important development objectives, these observers feel that BDB is not yet a true development bank.

(c) In Jamaica, the National Development Bank (NDB) and the Agricultural Credit Bank (ACB) were established in 1981 to replace the old Jamaica Development Bank. The NDB, which is more than 6 years old now, has $15 million in Inter-American Development Bank money for on-lending at 5-10 year terms -- but through the commercial banks, with 100% commercial bank guarantees. Officials of the Manufacturer's and of the Exporter's Associations and some bankers have complained that Jamaica now lacks true development banking; for example, the NDB portfolio has moved slowly since they are effectively negotiating *commercial* rather than development loans -- and you cannot get real export expansion without a proper development bank. These officials point out that the old Jamaica Development Bank made project evaluations, lent direct to end users, self-collateralized the projects, and was development oriented -- and yet there was less than a 2% default in its portfolio when it ended up (based on 1979-80 status); thus, direct lending without guarantees *has* worked in the past in the region. The Trafalgar Bank, a privately-owned institution set up in 1985 with $20 million in U.S.

AID funds, was aimed to be a development bank, but the Association officials claim that it too has absorbed a commercial bank philosophy, and U.S. AID has sought J$ exchange rate guarantees by the Jamaican government. Businessmen and bankers believe there are enough development banking resources to meet Jamaicas needs if they ould be directly and effectively tapped by the private sector; risk taking is needed on new export proposals -- and venture capital should be forthcoming for good projects quite apart from ordinary commercial credit limits which may already be fully tied up.

) In Trinidad and Tobago, a government agency, the Development Finance Corporation (DFC), supports development efforts with loans of up to a maximum of TT$ 10 million on any project. (An official of the Manufacturers Association in Trinidad believes there is a need for 15 year loans and a restructuring of the DFC, in the face of a real shortage of long-term capital -- as can be seen from the sharp rise in short-term borrowing).

Investment finance is often the bottleneck to new foreign venture projects in Trinidad seeking to benefit from tax free concessions (10-year relief, in two 5-year tranches, from withholding tax on equity investment). The Industrial Development Corporation (IDC) needs to be satisfied that there is a foreign exchange margin on export (or import substitution) projects. IDC can make available concessional loans (of up to TT$ 250,000) for appropriate small projects at 3.5 to 7 % interest. IDC rules provide some 3 years before any take-out of foreign capital can occur.

(e) In the OECS region, the Eastern Caribbean Central Bank (ECCB) has administered, since 1984, the Infrastructure for Productive Investment Project (IPIP), with funding of US$ 12 million from U.S. AID. The project was intended "to provide commercial banks access to long-term funds to finance commercial loans to private sector developers of industrial properties . . . [and thus to meet] perceived demand for industrial estates facilities in the OECS States." ([34], 1985 issue, p.30). US$ 10 million in loan funds were supposed to finance private developers of industrial estates, while US$ 2 million was reserved to finance owner-occupied projects. During 1986, loans amounting to US$ 1 million were approved for new owner-occupied projects in Grenada, Antigua, and St. Kitts. This was expected to bring total disbursements of US$ 2 million by the projects original completion date of September 30, 1987, with the bulk of the funds unutilized. ([34], 1987 issue, p. 40).

In Antigua, an official of the Manufacturers Association indicated that firms and investors have been reluctant to use IPIP because they have to bear the foreign exchange risk (which he feels the Central Bank should take for development purposes) and because of the high rates of interest; concessional funds come from the ECCB to the commercial banks at about 3% and are marked up by 5% or so and are on-lent to users at 9%; so, the investors are expected to bear the foreign exchange risk and to put up super collateral as well -- and this is why the IPIP scheme has not worked. (The commercial banks, on their part, have been reluctant to take the foreign exchange risk, but still have wanted their full interest rate spread in handling such loans.

(f) As to region-wide institutions, The Caribbean Development Bank (CDB) has been in operation since 1970, having provided $555.6 million in net loans to the region from 1970 through 1985 -- with the largest recipients being Jamaica (21%); Barbados (9%); St. Lucia, Guyana and Belize (8% each); and regional projects (10%). More recently, in 1985 alone $33.1 million were disbursed by CDB, with the largest recipients being Jamaica (29%); St. Lucia (12%); St. Vincent (7%); St. Kitts and Grenada (5%); and regional projects (19%).

4. The Central Banks and the Exchange Control System.

The Central Banks of the region play a varying but significant role in trade finance by regulating the banking system and administering exchange controls.

(a) In Guyana, while import licenses are issued by the Ministry of Trade, foreign currency has to be sought from the central bank, the Bank of Guyana. The external payments deposit scheme, in operation since 1978, calls on private parties and at least some state trading companies to deposit local currency in advance with commercial banks for imports of both commodities and services. On receipt of documents, a 30 day sight letter of creedit is issued by the commercial bank; interest is paid on the local currency deposits. The government split the cost of devaluation in the early 1980s with the depositor. Since 1983 under scheme II the importer bears the entire exchange risk. The availability of import licenses depends on budget allocations and ad hoc arrangements and, as of late 1986, was still very much a matter of luck and timing, and a problem for bankers. An official of the Chamber of Commerce suggested that foreign sellers might be provided with a lien on Guyanan export earnings as a possible way of easing some of the acute current payments difficulties, created by the build-up of arrears on debt; he noted also that the government was proposing to attract new industry with incentives, such as higher than the usual (i.e., 15 to 30%)

retention of foreign exchange earnings; he felt that new incentives of this type should also be extended to existing enterprises.

(b) The Central Bank of Trinidad & Tobago has tried to make it easy to discount export bills, and officials there have argued that financing is generally adequate in manufacturing and trade, and that new lines of credit from the Inter-American Development Bank (IDB) and the Latin American Export Bank (BLADEX) will help exporters in Trinidad meet the competition (who already have access to similar credits); to help the Trinidad export industry with imports, the government has signed an agreement with ECGD in the U.K., providing guarantees on the import side. However, the taking on of supplier credit or similar foreign source financing by Trinidad enterprises needs government financial approval; but private firms often negotiate foreign loans on their own and come in for approval at the last minute when the loan is a *fait accomplis* -- which can make it difficult for the Central Bank to determine its private sector external debt precisely. Central Bank approval is needed to set up a new industrial investment in Trinidad (to assure foreign exchange for required imports); on the other hand, the government was not, as of late 1986, giving any guarantees to private investors regarding exchange risk.

In October 1983, the government (through the Central Bank and the Ministry of Commerce) introduced an elaborate system of exchange controls, which limits certain kinds of imports, and with restrictions on both residents and non-residents; the system has been more loosely enforced vis a vis Caricom countries. The controls aim to isolate the capital market so that assets or liabilities outside Trinidad cannot be acquired without exchange control approval; again the rules have been easier for assets or liabilities in Caricom countries. Business leaders have complained about delays and bureaucracy in the exchange control licensing system, with import or export transactions apparently potentially involving 55 forms; they argue for reduction in delays and paper work, and that if there are cuts in availabilities, these should be allocated proportionally. The basic form EC-0 is for exchange authorization; the form EC-1 is to get actual payment. One annoyance is that people have to go to the Central Bank to get approval, not only for equipment, but even for royalty payments. (A Chamber of Commerce official suggested that foreign currency accounts should be made freely useable by entrepreneurs, with the aim of legitimizing foreign deposits. The EC-1 forms should be used only for invisible transactions. It was also pointed out that with the EC-0 system, firms cannot hedge.)

(c) The Eastern Caribbean Central Bank (ECCB) services the seven OECS countries (an eighth country, Anguilla, is being added as a member). Normal central bank powers are split between ECCB and the individual member countries -- foreign exchange controls and licensing lies with the individual countries, while the ECCB sets reserve requirements for the banks and also sets interest rates on all bank savings accounts (set at a minimum of 4% as of late 1986).

The EC$ is backed by 60% of U.S. dollar investments; (thus if investments of the Eastern Caribbean Central Bank in U.S.$ come to 400 million, then they can print up to a total of EC$ 667 million). Foreign exchange in the Eastern Caribbean region comes mainly from the tourist industry; if U.S.$ reserves fall below 60%, the central bank must take EC$ off the market or experience devaluation; so the central bank authorities are concerned about what foreign currencies the ECCB holds. (EC$ 2.70 to US$ 1.00 has been fixed since 1978).

In Antigua, there are no currency restrictions or controls. Hard currency earned does not get into the banking system. The Minister of Finance in Antigua approves US$ transactions for local and expatriate firms (e.g., Maidenform).

(d) In the Bahamas, state banking is a monopoly. (All commercial banks have foreign status.) The Central Bank of the Bahamas sets an interest rate band, and the commercial banks respond slowly; the prime rate was down to 9% in late 1986.

In regard to the U.S., there is no balance of payments problem. Access directly to supplier credits in the U.S. is useful; merchandising companies can call and get a note by phone. New companies have come into the Bahamas with good credit lines to Florida banks (such as the Sun Bank), and they get started with an irrevocable letter of credit from these sources. On the whole there is reasonably easy access to foreign exchange.

As to manufacvring, the Bahamas is a high cost economy, quality controls are often lacking, and prices are not competitive. Basic incentives were laid down in the Industries Encouragement Act of 1970. But there is a dilemma between the government's tax haven policy on the one hand and the fact that the government's revenue tax base is dominated by taxes on imports, while at the same time local manufacturers are vigorously urging protection. The average import duty on consumer goods had reached 33% in 1986 -- up 2% across the board in 1984.

As to controls on capital account, there is an investment dollar market operated by the Roy West Trust on behalf of the Government of the Bahamas; unlike the current account, in which the Bahamian dollar trades at par with the U.S. dollar, the small investment dollar market requires a premium of about 20% if Bahamian residents wish to invest abroad. There is also a limit of $5,000 for travel abroad and $6,000 for education. (Ordinary exchange controls are administered by the commercial banks on behalf of the government).

(e) In Jamaica, the central bank (The Bank of Jamaica) runs the auction system -- the foreign exchange system which has been in operation since 1984. It is a sort of Dutch auction, held twice weekly (on Tuesday and Thursday). Foreign exchange accrues each half week, and certain amounts are set aside for official debt service payments, fuel imports, and some other official obligations, with the balance being supplied to the market; demand at the auction comes from commercial banks (and individuals with over J$50,000) requiring conversion to foreign exchange. The government announces the amount of foreign exchange available on the day prior to the auction. The clearing rate is the lowest bid received.

Before the auction, there had been a unification of rates in November 1983 and a devaluation; prior to that there had been multiple rates -- a Caricom rate, an official rate, and a market (or parallel) rate. A lot of bureaucratic controls have gone as a result of the simplification. Import licenses are required for some goods; there is some worry about over-invoicing and similar practices, and here the customs system comes in -- where a Swiss based corporation was hired to check for violations, causing delays which the private sector says affects production (and there have been threats of law suits); the matter was being examined by the government in late 1986. However, before the auction system, an importer would have to apply to the Trade Board for an import license, and then to Exchange Control for a check of documents and to get an allocation of foreign exchange -- and there were huge delays, which have since been wiped out.

Since the end of 1985, the auction rate has been very stable, fluctuating between 5.48 and 5.51; in 1985, there had been huge fluctuations, creating internal uncertainties and having an impact on inflation. Since then, there have been efforts to assure the supply of foreign exchange, and improvements in the stability of inflows; the black market was reduced to quite an extent, so that there was little difference between the two rates; also, improvements in the tourist sector have led to an increase in the inflow of foreign exchange, and it has been chanelled into the banking system.

Central bank officials indicated that the IMF program, and its seal of approval, has been necessary for the cooperation of other creditors, and adjustments to the economy have proceeded accordingly.

An official of the Exporters Association noted that on average the import content of exports for Jamaica is about 27% -- so he suggested that 30 cents per dollar of export earnings ought to be retained by the exporter as foreign exchange for his use in importing; this would overcome one important part of the foreign risk situation, giving surer access to the import market, and assuring availability of resources and the rate of exchange for imports. Holders of such foreign exchange would still need approvals through the central bank for its use, but such funds would get out of the commercial banks, which in his view have no real commitment to development.

G. Strengthening Indigenous Export Potential: Problems of Undercapitalization, Management, and Entrepreneurship.

There is considerable interest in the region in ways to strengthen exporters. Barbadan officials have noted that there has been an undercapitalization of industries in general; the premise of fiscal incentives has been for the entrepreneur to keep profits rather than get grants; there is the feeling that owner-managers have been prone to siphon off the earnings from the good times into expensive cars and large houses rather than into strengthening the capital and reserves of their businesses. If indigenous manufacturing firms were financially strong they could stockpile output during slumps, but most of them are financially weak. What is needed, they feel, is a refinancing of existing companies on a selective basis -- financing them generously. There should be quick pre-shipment financing for substantial orders. Furthermore, new schemes should not be favored -- but rather get existing schemes to work more efficiently. The Barbados Development Bank should take the lead in such refinancing and should at the same time provide services to management to help solve existing problems which impede efficiency; in some cases this should involve direct management help or even supervision. Where management is at least minimally competent, then management consultants might be used for a period of years to improve the efficiency of firms. These officials note that there are a few management consultants in Barbados, and a sizeable pool in the Caribbean region. They feel that there should be weekly monitoring of managemant, and accounts should be looked at on a monthly basis -- otherwise when cash flow improves owner-managers might be naively tempted to make withdrawals for their personal use, with possibly catastrophic consequences for solvency later. [The intrusion which this proposal entails into the owner-manager's decision-making province would probably be resented in such very small enterprises, and may not be at all consistent with the often dominant motivation of independent small entrepreneurs -- avoidance of the loss of control].

As to financing to start new ventures aimed at export markets, Barbadan officials noted that available money is not sufficiently soft to attract the really best source of new entrepreneurs -- namely, the large pool of able management personnel already working on the island, most of whom already have good jobs; these potential founders of new ventures simply cannot afford to mortgage their houses, deplete all their savings, and give up their present well-paid jobs in order to try out some of their new ideas -- there is simply too much risk of losing everything. What is needed, the officials feel, is a program to tap this source of entrepreneurship by reducing these personal risks, financed partly by grant funds, and made available for carefully chosen export projects and carefully chosen people, aimed at selling in the extra-regional market. (In Ireland, which has experimented with schemes of this kind, there are always new companies opening). There is not a good manufacturing base in Barbados because the indigenous firms are so weak. With a scheme for supporting and nurturing new indigenous entrepreneurs, they feel that even if there is a high failure rate, there will be some employment benefits -- and some successes.

An OECS official elaborated on how such a scheme (based on the idea of "incubation units," which has been tried in Ireland) might work: There might be 3 groups of 20 persons each, to develop and research their individual ideas; they would be expected to critically evaluate each other's project proposals; after 3 or 4 months each would-be entrepreneur would be given space and up to $10,000 risk capital on a concessional basis, the use of which he would have to defend before a board; the fledgling entrepreneurs would have common services, and low initial rent, and they would eventually be pushed out of the nest; (in Ireland, out of 1,000 enrolees, 480 units were launched, employing an average of 2.9 persons per enterprise). [In Guyana, special help is provided for "micro-entrepreneurs" -- those with investments of $5,000 and under; they typically lack collateral and traditional commercial banks will not provide credits for imports, so that more unorthodox methods are used: credit is provided by GUYAMIDA if the entrepreneur can show a letter from a foreign buyer guaranteeing to purchase a certain amount of exports, and repayments can be made on an installment basis. (India has a similar scheme).]

H. Raising the Priority of Exports.

As economic policy has evolved in the newly independent English-speaking Caribbean states over the past two decades, there has been a shifting balance between inward and outward-looking policies, i.e., between (1) the encouragement of local enterprises for the local market through such devices as protective tariffs, negative listings, tax concessions, and exchange rate policy, and (2) the active support of export expansion through incentives and subsidies such as tax holidays, low-cost factory rentals, priority access to foreign exchange, and concessional finance. While to a certain extent these two policy aims can support each other (for example, in that newly-encouraged firms to serve the internal market can in theory eventually be expanded to become exporters), more generally over time the policies conflict, so that where they are practiced side-by-side (as in much of the Caribbean region) a good deal of the effectiveness of export promotion efforts can be offset by internally oriented measures which reduce the ability of exporters to compete effectively in international markets. [There were, for example, over 400 items on the negative list in Trinidad in late 1986 -- as an industrial policy device. Indeed, the import content of manufacturing exports from Trinidad averaged 45% in 1986; it had been some 50% before 1981, when the government imposed requirements for local origin.]

Economists have attempted to measure the extent of any overall policy bias against exports by estimating the relative degree of effective protection of production for the domestic market as against production for export, taking into account the relative impact on domestic and export production of all taxes, tariffs, and subsidies (including the hidden costs of bureaucratic procedures and delays). The results of these studies suggest such a bias is a problem in many countries of the region. (See [78] and [79], inter alia.) Policy makers for each country, and regionally, need to consider ways to shift the relative degree of effective protection toward exports, and away from home market bias. They need to consider whether the present priority for exporting is adequate, and what positive efforts can be undertaken to make exporting more attractive in general, and relative to domestic production.

Exchange control is an area where improvements in priority for exports should be relatively easy to make. Exchange control systems in the region (as long as they remain necessary) need to be made less arbitrary, less expensive, and less time consuming, especially for exporters -- in particular, making sure that the import content of exports is given priority over other imports. Complaints on this score have been widespread, and the exchange control system in one country was characterized as "MAD" (for "Maximum Administrative Delay"), and was accompanied by great inconsistency and uncertainty as to actual government policy. It seems reasonable to believe that only under unusual circumstances of retrenchment in foreign exchange outlays can any case be made for impeding current export earnings, or endangering future export earnings, by failing to make available the necessary imported raw materials or components for exports.

While some steps to increase the priority of exports should be relatively easy, others may well be feasible only gradually. Some countries may find that the domestic employment consequences of shifts in the incentive structure away from the home market are unacceptable in the short-term. Given the increasing emphasis in the region on production for export, and the pressures for efficiency which this entails, and the disenchantment with creating, and then perpetuating, protected import-substitution monopolies, especially in very small markets such as those in most of the region, it would seem reasonable to link the further continuation of negative listing and QRs, at least for some suitable imports, to serious efforts to work toward the exportation of such products, and to a fixed time-table for phasing out such controls. Where such controls remain justified on practical employment grounds, the possibility of waivers (even automatic exceptions) should be considered -- for the purpose of allowing exporters maximum flexibility to lower their costs, and improve the quality and reliability of their products, thus making exports more competitive, and bringing net foreign exchange benefits (and possibly even employment benefits) to the country concerned.

Part II: SPECIAL MECHANISMS IN TRADE FINANCE

A. Countertrade. (See references [46] to [60]).

The term "countertrade" covers a wide range of trade practices which link the acquisition of imports in part or in full to the reciprocal provision of exports. The aim of such practices might be one or more of the following: 1) Gaining new markets for exports, enlarging existing markets, or sustaining markets which would otherwise dry up for lack of conventional financing; 2) Using the bargaining leverage of large purchases to obtain development benefits such as increased domestic investment (through joint ventures and with transfer of technology), guaranteed long-term purchase of new plant output for export, or guaranteed purchase of other exports; or 3) Obtaining imports despite such problems as lack of foreign exchange, inconvertibility of one or both trading partners currencies, acute imbalances in bilateral trade, and the breakdown of ordinary import financing (because of unresolved acute debt servicing problems and accumulation of arrears, which may have choked off ordinary commercial or official financing of imports).

There are a wide variety of types of countertrade (though the terminology may vary somewhat among practitioners, and there is some overlap in the categories presented below): (See [47], p. 30; [46], App. 1, pp. i-iv; [50], pp. 2-4; [48], pp. 5-7; [10], p. 14).

(1) *Pure Barter*: Now quite rare, it is simply the direct exchange of goods without any monetary exchange (for example, the governments of two developing countries directly trading agricultural surpluses under a single contract, to their mutual benefit).

(2) *Counterpurchase:* This involves two loosely linked trade flows -- typically here an importing developing country contracts to buy a fixed amount of imports for cash or credit; at the same time, under a separate contract, the exporter agrees to purchase a fixed amount of goods from the importing country (equal to part or all of the value of the imports in the first contract (but the goods to be bought under the second contract are unrelated to the goods under the first contract); furthermore, the purchaser under the second contract may himself dispose of the goods acquired or may turn them over to specialized brokers for marketing.

(3) *Advance Purchase:* A special type of counterpurchase arrangement of use for developing countries with difficult debt problems (or otherwise considered to be especially risky), whereby they first export an agreed array of goods and have the payments placed into an escrow account in the recipient developed country; the escrow account is then used to pay for the agreed imports (and these imports are then shipped), thus eliminating for the exporter in the developed country any risk of non-payment for lack of foreign exchange.

(4) *Offset* (or *Compensation*): Arrangements in connection with the purchase of high-value large-scale exports (such as equipment or aircraft) whereby the large size of the prospective contract and the keenness of competition among alternative sources makes it feasible for the importing country to obtain some offset or compensation for awarding the contract to a particular source, in addition to (and often partly in place of) the usual medium or long-term export credits. In *direct offset*, the exporter agrees to buy some of the components for the export goods themselves from

the importing country, and even to provide finance, technology transfer, or technical assistance to make this feasible. In *indirect offset*, the exporter agrees to purchase goods which are unrelated to the export project itself, with payment arrangements the same as in counterpurchase. (For a description of the widespread requirement of offsets by governments, such as those of Canada, Greece, Spain, Australia, Turkey and Saudi Arabia, particularly in the connection with large military purchases, see [59]).

(5) *Buy-Back Agreements:* Arrangements for the long-term financing of the export of capital goods or entire turnkey production plants to developing countries, using the export of goods produced by the new facility directly to pay off a substantial part of the investment, typically 75-80% over a 5 to 10-year period, (though some buy-back arrangements may call for repayment of the investment with the export of goods unrelated to the investment itself).

(6) *Bilateral Clearing Agreements:* Frequently used in the intra-trade of developing countries, this device involves each partner country opening an account in its own currency for the use of the other partner at an agreed exchange rate between the two currencies. The clearing account has a limit set on the size of the deficit in this bilateral trade, with any excess being paid in convertible currency.

(7) *Switch Trade:* Where bilateral trade remains persistently unbalanced, the officials of the countries participating in a bilateral clearing arrangement may agree to permit the use of the unsettled surplus in a clearing account by switching such funds to cover transactions involving a third country. This is typically done in two ways: a) The surplus country buys goods from a third

country and the payment is made in hard currency by the deficit country, up to a balance in the clearing account -- but less a discount which the surplus country has agreed to accept; b) The surplus country sells the clearing balance of the deficit country to a third country willing to buy further goods from the deficit country; the surplus country receives convertible currency less a discount, which it is willing to accept. Switch traders or brokers often act as intermediaries in arranging such transactions and may offer regular quotations of switch rates.

(8) *Industrial Cooperation*: This may comprise buy-back arrangements, or more generally agreements to provide technology transfers, joint ventures, and subcontracting to help support the industrial development of an importing developing country.

Countertrade is often criticized by economists as being inefficient and leading to a misallocation of resources. But countertrade may itself be a means of correcting the distortions brought about by an unsuitable (overvalued) exchange rate, in that it permits selective devaluation on a case-by-case basis through the informal discounts on exports which are necessary to make countertrade transactions work. (See [47], p.16).

Estimates differ greatly on the importance of countertrade. OECD has estimated ([47], pp. 11-12) that perhaps 2% (some $4 billion) of its members' overall trade with oil-exporting developing countries was in the form of countertrade in 1983; some 5% ($17 billion) was in this form in the case of OECD trade with non-oil exporting developing countries; about 15% ($16 billion) was in such form for OECD trade with East European countries; and about 2% ($16 billion) was in countertrade form in the case of intra-OECD trade.

In addition, these estimates indicate that 10% ($13 billion) of the intra-trade of developing countries was in the form of countertrade, and 30% ($14 billion) of developing country trade with East Europe was in this form. Thus, according to these OECD estimates, at most about $80 billion or 5% of world exports (excluding the intra-trade of East Europe and trade under bilateral clearing agreements) was in the form of countertrade, and, leaving out trade with East Europe, the total was only about $50 billion. Of course some individual developing countries had much higher percentages. (Less reliable estimates put countertrade volume as high as 25-40% of total world trade; estimates by IMF are much lower (1%) and GATT has estimated some 8 or 9% of world trade is in the form of countertrade; see [47], p. 11 and [48], p. 3.)

As to the costs of countertrade arrangements, these are likely to be much higher than the costs of conventional trade finance (though not necessarily higher than the penalty costs for conventional finance facing developing countries experiencing difficulties in meeting external financial obligations). For example, the discounts on the price of goods in the case of bulk commodities which are easily marketed may be only 1 to 3% while for manufactured goods (which are much more difficult to market) discounts may reach 20% or more. Commissions paid to intermediaries in counterpurchase or offset deals for the sale of exports from developing countries may vary from 0.5% to more than 5%. ([10] p.17). On balance, these additional selling costs may typically range from 5 to 15% of the value of transactions -- though sometimes considerably more. ([10] p. 18).

Nevertheless, in intra-trade among developing countries suffering from financial stringency, barter deals and other countertrade arrangements may avoid foreign exchange expenditures, and thus make possible trade which would not otherwise occur. Even where countertrade requires costly discounts, high fees to intermediaries and expensive international financing, this may be a better alternative for a country with severe debt problems than the inflated costs of finance for conventional trade facing such countries, or than being unable to proceed at all with some trade transactions. ([10] p. 19). In other cases, the development impact of foreign investment, joint ventures, technology transfer, and the possibility of opening up new export markets make some countertrade arrangements attractive to developing country governments despite additional costs such arrangements may face.

In the English-speaking Caribbean region, countertrade has been an important trade financing and trade policy device particularly for Guyana and Jamaica -- the two countries in the region with the most acute foreign exchange and debt servicing problems (see Appendix, pp. 5-7, below). Its use in intra-trade of course thereby involves a wider circle of Caribbean countries in such countertrade arrangements.

In Jamaica, a number of countertrade agreements have been made during the 1980s, involving, on the one hand, exports of bauxite or alumina through the state marketing agency for these products, and on the other hand, imports such as foodstuffs from the U.S., trucks and cars from the U.S., and prefabricated houses and construction materials from yugoslavia. ([47] p. 35).

In Guyana, barter trade has come to be viewed by some officials as a last resort: their experience with it suggests that Guyana may be worse off when barter is used; in entering such deals, they proceed from weakness, since they often lack the information that the price signals from a market at least provide -- and they feel Guyana is no match in most cases for the skilled barter negotiators from countries with decades of experience with such techniques. The solution, in the view of these officials, calls for investment, recognizing the need to expand trade by exploiting, intensively and extensively, Guyana's natural resources (where its comparative advantage lies) and overcoming the acutely limited investment, technology, and management resources by bringing them in from neighboring countries where they are abundant -- through the technique of joint or wholly owned ventures, which produce for export to countries supplying the capital, and provide for service on the investment and for the liquidation of past Guyanan indebtedness. (Such a system of ventures, while initially in the form of countertrade arrangements, might enable a return to normal payments arrangements in future trade). Arrangements of this sort have already begun to happen. For example, Barbados has worked out a deal in Guyana for cardboard boxes based on Guyanan raw materials, corrugated in North America by Barbadan investors in return for a franchise for the rest of the Caribbean market; export revenue pays for investment in equipment and finances import of some raw materials -- and it also is used to reduce Guyana's indebtedness to Barbados. Overall, while it is not a tidy financing arrangement, the scheme works and additional trade is generated. Guyana is seeking ways to exploit, for example, its vast timber resources through multi-country ventures of this sort.

B. Intra-Regional Payments Arrangements.

[See below, Appendix pages 13 to 15, and Table 7, for an analysis of the statistics on intra-regional trade trends from 1980 to 1985. (Additional data, including statistics on the intra-regional trade of individual OECS countries, is shown in Supplementary Table B.)]

The Caricom Multilateral Clearing Facility (CMCF) began in June 1977, replacing a set of bilateral payments arrangements which had operated since 1969. CMCF was aimed, first, at promoting the use of members currencies in settling eligible transactions between countries in the region, thus limiting the need for foreign exchange; secondly, CMCF was aimed at expanding cooperation in monetary and banking matters, thus promoting the expansion of intra-regional trade. The Central Bank of Trinidad and Tobago acted as agent for the facility, recording a country's imports from other members as a debit and exports to other members as a credit. Countries in overall deficit made settlements in foreign exchange twice annually (June 15 and December 15) equal to 50% of amounts outstanding, and these were paid to creditor countries in the same proportion. Payments would have to be made in less than 6 months if individual country credit limits were exceeded. These individual country credit limits were established as follows (in US$ million): Barbados (10.0); Belize (8.0); Guyana (29.5); Jamaica (27.5); OECS countries (23.0); and Trinidad & Tobago (2.0) -- with total credit available amounting to US$ 100 million. The facility thus provided additional liquidity of particular benefit to debtor countries with scarce foreign exchange. Nevertheless, the system had to be suspended at the end of March 1983, when the credit limit was exceeded, and a major debtor (Guyana) was unable to settle the required amount due. The system has since been replaced by a series of bilateral clearing agreements.

The largest arrears which accumulated under CMCF were owed by Guyana ($98 million), with most of that owed to Barbados ($65 million). [In early 1985, the Manufacturers Hanover Bank offered to buy the $65 million in arrears (at a discount said to be at least 15%), but first the Bank wanted a binding agreement as to which products Guyana would provide and in what time frame: alternatively the Bank proposed to take the products, sell them, and then pay Barbados. Products proposed to be taken under the scheme by the Manufacturers Hanover Countertrade Department were shrimp and gold (although the high marketability of gold would appear to make it a poor candidate for a discounted countertrade deal, unless it was linked to some additional extractive investment). In any event, the arrangement was not made.]

Interest has remained keen to restore some sort of multilateral payments arrangement, despite the difficulties. (It is clear from the data in Appendix Tables 5 and 6 that intra-trade is particularly important for the OECS countries, especially for exports but also for imports, while Guyana has been especially dependent on intra-regional imports). One of the issues, where views differ, is the scope of trade to be covered by a revived facility, i.e., whether major commodities such as oil and petroleum should be included or whether a scheme should be limited to so-called non-traditional exports. If the scheme were to begin modestly by initially limiting it to non-traditional intra-regional trade, one would need to agree on what is meant by traditional exports for each participating country. For example, for Barbados, presumably light manufacturing and electronics would be non-traditional, as compared with earlier agricultural exports. (See Supplementary Table C for the structure of exports for each of 13 countries in the region). While the object initially should be to emphasize the creation of new *additional* export flows with the support of a new clearing facility, it is not feasible or desirable to exclude existing flows. As the scheme proves its workability, member countries could agree to gradually integrate some more traditional "hard currency" trade flows to the mutual benefit of all parties. Eventually encouragement of the expansion of all export business, including traditional, is obviously important.

Another aspect of a revised scheme is whether it should be limited to financing only the value added in the region or, if not, what the cut-off point should be for external import content. A further key question is to what extent outside resources might be mobilized to provide financial support for a revived scheme -- and how such support might best be used to help stretch scarce foreign exchange resources and expand intra-regional trade, while maintaining the solvency of the arrangement. A special problem in any revival is how to treat the past intra-regional debt: could it be liquidated within the mechanisms of any new scheme? If arrears grow, what provision would there be in a new scheme to pay them off? Can there be an automatic provision for shifting hard currency export earnings to balance the clearing scheme's books after a certain delay?

The following is an example of a proposal (unimplemented) for revival of a multilateral payments facility in the region: The Caribbean Association of Industry and Commerce put forward a scheme [77] at the beginning of 1985 to revive a multilateral payments system on a limited basis in the region. It would be financed by a

US$ 25 million revolving fund to be subscribed by the central banks of the region and would be run by a Caricom Multilateral Payments Corporation (CMPC). The scheme was to be limited to financing trade in Caricom-origin commodities and for Caricom travellers Cheques only. Separate accounting would be provided for eligible flows, and settlements would be on a quarterly basis. The amounts subscribed by each central bank in US$ would constitute the limit of credit that could be extended to that particular country under the scheme. On each quarterly settlement date, account balances would be cleared and net differences determined; settlement of deficits would be 100% in hard currency. If a debtor central bank is unable to pay, for acceptable reasons, within some reasonable grace period, then the Corporation would arrange to purchase the debt at a discount, borrow funds to pay off the creditor central banks, and at the same time sell the debt to an extra-regional broker who could use the debt as a "purchase right" against a predetermined list of commodities or services from the debtor country, during a defined time period. In addition, CMPC would guarantee repayment of the debt to the broker. The surplus countries would in effect be financing any such discounts, and this should be considered as either a subsidy or an investment toward improving the economy of the debtor country. Persistent deficits that cannot be financed without discount may reflect real supply difficulties restricting exports, and may have to be handled by periodically restricting the eligibility of commodities for the scheme, so as to restrict the excess imports of the debtor and thus to achieve a viable and sustainable balance of the trade flows over time.

Regional cooperation in the form of a multilateral clearing arrangement (if it can be kept solvent during the time when some currencies in the region are inconvertible) can be seen as a step toward the longer-run achievement of a common currency area, which could provide substantial benefits to all of the countries of the region under suitable circumstances. Another step in that direction might be the creation of a Caricom unit of account (CU), based, for example, on a trade-weighted basket of currencies, as follows:

Country	Exchange Rate per U.S. $	Percent of Total Regional Trade (Exports + Imports)
Trinidad & Tobago	3.60	43 %
Jamaica	5.50	11 %
Guyana	10.00	12 %
Barbados	2.00	15 %
Belize	2.00	1 %
OECS	2.70	18 %
Weighted average	4.18	100 %

The resulting weighted average of about 4 per U.S. dollar could be defined as the value of a Caricom Unit of Account (CU). Use of the CU for intra-regional trade would be like trading in a hard currency, almost. The basket of currencies making up the unit of account would be redefined if there were a devaluation, but the CU would provide a cushion against any single devaluation. For example, Barbados could trade with, say, Trinidad and not feel the full force of a Trinidad devaluation, and Trinidad would suffer slightly less than the full force of its own devaluation in terms of CU trade. Each of the central banks in the region would keep an account in CUs. A central administrator (in effect, the nucleus of a regional central bank) would get Caricom country currencies as payment for exports (at the

CU exchange rate for each currency). Exporters would set price in CUs and would be paid in their own local currency by the central administrator. The essence of the scheme is twofold: first, there is some avoidance of commercial costs of shifting in and out of hard currencies; but potentially important when circumstances warrant it, would be the possibility for automatic or controlled credit creation of CUs, in support of inter-regional trade expansion (perhaps in a manner similar to SDRs for global reserves).

C. Debt-for-Equity and Similar Swaps.

As the developing country debt crisis has persisted, various ad hoc arrangements have grown up aimed at converting some of the outstanding bank loan debt into equity holdings. This has involved, in the first place, growth of an established secondary market for developing country debt, in which outstanding bank loans can be traded among banks themselves (to adjust their country risk exposures) or sold to third parties at deep discounts, the size of which depends on the prospects of the debtor country concerned. The following are some examples, as of mid-February 1987, of prices in the secondary market for sovereign loans of Latin American countries (as a % of face value of the loans): Argentina (64), Brazil (72), Chile (68), Columbia (87), Ecuador (65), Mexico (58), Peru (17), and Venezuela (73). (Source: [69]; see also [4], p. 172-175).

These discounts are so large as to make them attractive to investors if they can use them to buy local currency for projects in the developing country concerned. At the same time, debtor countries have become more positive about having multinational corporations use such funds for investment. Investors can take these loans to the central bank or finance ministry concerned and sell them for local currency (at face value in some cases, as in Chile; or at a discount in other cases, as in Mexico). The local currency can then be used for an agreed investment.

These arrangements have been in most cases carefully controlled by the developing countries concerned. For example, Brazil had approved about $350 million in such swaps as of early 1987. The debt approved for conversion was limited to over-one-year debt and to maturities which fell due in some specified recent period, excluding public bonds or guaranteed export credits or loans already rescheduled. At the same time the Brazilian central bank considers the transaction as a foreign currency investment which cannot be sold (or involve any repatriation of funds) for seven years. Critics of debt-for-equity swaps have cited their possibly inflationary impact, their potential for capital flight, the opportunity they provide to multinationals to pick up assets at bargain basement prices, and the possibly negative effect they may have on creditworthiness and on the ability to make new borrowings from abroad.

Given the desire of many banks, including some U.S. regional banks, to opt out of the relending operations which have been necessary to maintain debt service by major developing country debtors, there is potentially a large supply of bank loans for the secondary market, but the pace at which debt-for-equity investment opportunities have opened up has been too slow to make much of a dent in the total developing country bank debt outstanding.

However, at the end of 1987, a dramatic new plan was put forward by Mexico (which devised it in cooperation with J.P. Morgan & Co.). Under this plan, Mexico's outstanding foreign bank loan debt of some

$53 billion might be reduced by as much as $20 billion, and be replaced by up to an additional $10 billion in Mexican government 20-year bonds -- fully backed by 20-year U.S. government zero coupon bonds fully dedicated as a guarantee of the repayment of the Mexican bonds (and which Mexico will be able to buy now for about $2 billion). The Mexican bonds, once issued, are expected to be easily marketable, given the guarantee. (Another attractive feature was a doubling of the interest spread above LIBOR which the bonds would carry, i.e., 26/16 percentage points as against 13/26 points for most existing Mexican bank debt.) While major U.S. money center banks were holding back from the plan, it appeared likely that many European and Japanese institutions would make bids for these bonds by the deadline of February 26, 1988. The average discount expected, originally of 50%, may turn out to be somewhat less, and the total amount accepted may be only half the original expectation, but nevertheless the plan is likely to be considered a success, providing substantial debt service relief to Mexico, and a substantial outlet for banks wishing to liquidate their exposure in developing countries. How much a precedent this plan will be remains to be seen, and what effect it will have on the ability of countries using it to obtain new borrowing is of crucial importance. (See [72] and [73]).

In the Caribbean region, Jamaica announced a debt-for-equity program, with a new unit in the central bank to be assigned to this work as of April 1987 (see [70]). [In a broader context, Jamaica also put forward a proposal for linking debt servicing to economic growth, with new credits to be conditioned on targeted reductions of debt service ratios to sustainable levels over a programmed period (see [71]). (For a discussion of 24 different options for modifying the burden of debt from bank lending, see [4], pp. 93-199).]

D. Longer-Term Capital Sources.

1. Bond Financing.

Data from OECD (source [84]) on gross external debt outstanding in the form of bonds are available for four of the larger economies of the region, as follows:

Bonds (US$ Million)
(Gross Debt Outstanding; End of Year Data)

	1975	1981	1982	1983	1984	1985
Barbados	4	--	--	17	17	36
Guyana	12	14	6	6	5	6
Jamaica	63	19	5	5	0	0
Trinidad & Tobago	17	44	43	43	83	165

Over the past decade, bond financing has been growing in importance for Trinidad & Tobago and for Barbados; at the same time, it has shrunk in importance for Jamaica to the point of disappearing, and has declined to a very low and unchanged level for Guyana. Even the highest of the figures (US$ 165 million for Trinidad) came to only 9% of total debt outstanding and was equal to only 11% of merchandise imports in 1985. Indeed, the government of Trinidad (and some state enterprises there) do borrow on the Eurodollar bond market, and the central bank does extensive borrowing on the yen market; (the central bank also does some simple swaps against its own portfolio).

2. Innovative Techniques in Accessing the Capital Markets of the Developed Countries.

A number of innovations, some of which have been proposed but not yet implemented for developing countries, could be of interest to Caribbean countries. A major objective for the management of external finance is to make sure that it contributes to the growth and stability of income, and many of the innovations deal with achieving better cash-flow matching (at both the enterprise and the national level) -- which means not only obtaining finance when it is needed, but repaying it at a time when the developing country can best afford to do so, taking into account the cyclicality and volatility of production, demand, and prices of the primary commodities that dominate the exports of most developing countries, including the English-speaking Caribbean countries.

(a) *Interest and Currency Swaps:* (References [61]-[68]). Financial markets have developed new techniques to hedge against risks, but these have so far been little used by developing countries. Interest swaps and currency swaps are new markets which have been growing at a very rapid pace. Typically, in an *interest swap* there are two parties, one party with a fixed-interest obligation and the other with a floating-interest obligation of about the same size and duration; each party agrees to service the other's obligation, since they find this to be mutually advantageous. (For example, one of the parties may have had better access to fixed rate debt at favorable terms, but prefers to pay floating rates, and vice versa.) Typically, in a *currency swap* two parties with loans of similar size, but each in a different currency, may find it advantageous to agree to have each party service the other's obligation. Each party may have a comparative advantage in borrowing his own country's currency, but each party may be expecting a future stream of foreign exchange earnings in the other's currency (as would be the case for exports from each party to the other's country).

Currency swaps in particular can reduce risk exposure. The debt crisis for many developing countries in 1983-1985 was aggravated by the fact that their exports to Europe and Asia declined in dollar value with the appreciation of the dollar, eroding the ability of these developing countries to service their debts, which were mainly denominated in dollars. Of course, if these debts had originally been contracted in currencies that matched their export destinations, this risk could have been avoided. The same result can be accomplished (at least in theory) through swapping into liabilities denominated in currencies in which export prices are quoted. (See [5], pp. 71-74). The reluctance of banks to enter into swaps with developing countries stems from the possibility of rescheduling; but the availability of swap insurance may overcome this barrier.

(b) *Combining Swaps with Export Credits*: Swaps have been combined with export credits by some OECD exporters in order to be able to offer lower terms to buyers -- with the result that the interest rates on the credit to a developing country buyer can end up lower than the OECD Consensus rate. The potential for swaps in export credits rests on the subsidy element that is typically injected by a state export credit institution in order to bring market rate funds down to Consensus rates. (See Part I, above, pp. 11-12). By taking the subsidy from a high interest rate currency (say, the Norwegian Krone) and swapping it into a lower interest rate currency (such as the DM or the yen), the exporter can offer his customer very attractive loan terms. These deals can be complex, involving up to five parties -- the exporter, the buyer, a bank, the swap counterparty, and the export credit agency. There can be difficulties with these arrangements, first of all in convincing the buyer and his central bank and finance ministry of the advantages. Since it is hard to get full coverage of the credit risk from the export credit agency, some credit risk remains for the swap bank. If the purchasing developing country is itself classified as a difficult risk, it may be hard to find a bank willing to undertake a swap with the buyer. Furthermore, if the export credit involves a project with a long drawdown period, it may be much trickier to organize a swap. Nevertheless, if these difficulties can be overcome, very competitive credit offers to buyers in some developing countries may be avaiable for exploitation. (See [68]).

(c) *Index-Linked Bonds*: The borrowing costs of developing countries might be reduced considerably if index-linked bonds were available. These would overcome many of the sources of anxiety in lenders minds about the future by providing for the upward revision of the value of the principal in line with an appropriate price index (and interest payments would also rise with inflation); [5] pp.81-82.

(d) *Commodity-Linked Bonds*: Another device for borrowing that would be helpful to developing countries dependent on the export of a few basic commodities is the commodity-linked bond, which would specify that debt service payments are to vary with the price of a commodity or of a basket of commodities of relevance to the borrowing country's economy; borrowing in this form would provide for much improved cash-flow matching of the country's capacity to pay and its debt service obligations. ([5], pp. 83-87).

3. Regional Capital Sources.

There are major pools of capital in the region, or under control of residents of the region, that might be more effectively mobilized for regional development. The major trading families, for example in places like Antigua, have considerable financial resources and have made occasional efforts at local manufacturing; they remain an important potential source of finance for new manufacturing or export ventures, (and negotiations should be undertaken in advance by the relevant authorities to ensure that appropriate incentives are provided for such ventures); such families are also potential sources of capital for investment in suitably designed regional development institutions. Similarly, the considerable wealth of Trinidad & Tobago makes it natural that it play a role in integrating the capital markets of the region, and be looked upon as a source of capital for the smaller or poorer countries of the region.

The considerable fund of resident capital in the Bahamas should be tapped to help finance export development there, and also to help form, for example, a region-wide venture capital pool. A reinvigorated and more development-oriented Bahamas Development Bank might mobilize funds from the clearing banks, and particularly from the National Insurance Fund, which is well endowed and has excess funds seeking appropriate investment; the BDB could thus come to play a key role in developing a more balanced local economy, while providing significant seed money for broader venture capital cooperation throughout the region. The Bahamas authorities might indeed provide exceptionally for their local investors to access such a regional fund directly for investment purposes, at a favorable exchange rate, as compared to the present "investment dollar" rate under which Bahamas residents pay some 20% as a premium over the regular exchange rate for investing abroad.

Unsettled economic conditions in some of the largest economies of the region for more than a decade have led to the migration of skilled professionals and entrepreneurs from the region -- and to a considerable amount of "capital flight" by such persons and by persons who continue to reside in the region. While such capital flight cannot by its nature be easily measured, rough estimates for the period 1978-1985 suggest that Trinidad & Tobago may have had capital flight of U.S.$ 1.5 billion, and Jamaica of perhaps U.S.$ 800 million, and the cumulative amounts over a longer period may be larger. Whatever the actual amounts might be, it is clear that measures to re-attract such capital to the home country or to the region deserve serious attention; such measures might include the establishment of special hard currency accounts or bonds, with the proceeds of the foreign exchange available again for investment in the region. (For example, a U.S.$ bearer bond, handled by the commercial banks rather than the central bank, say in Jamaica, is one way to access the foreign exchange held abroad by residents). Measures to re-attract expatriates who could establish or manage export projects, and even finance them, would be especially valuable. (See also [80]).

E. Compensatory Financing. (Reference: [74] and [75]).

The international community is trying to devise ways to assure adequate compensation for developing countries (particularly those most heavily dependent on one or a few basic commodities) for shortfalls in export earnings as compared to projected earnings (measuring this gap by deviations from some sort of trend line). The aim of such financing is to provide a cushion against the potentially severe repercussions from the loss of expected foreign exchange engendered by shortfalls, thus bridging the period of shortage, and with the expectation that export earnings will revive in reasonable time.

Two existing facilities provide this type of bridging finance to developing countries: (1) the Compensatory Financing Facility of the IMF (IMF-CFF); and (2) the STABEX scheme operated by the EEC. IMF-CFF provides finance for shortfalls in total merchandise trade, while STABEX provides finance for shortfalls in certain individual commodity export earnings from the EEC market. Use of the IMF facility is always potentially subject to various IMF conditions; in the Third Convention on EEC aid to developing countries, conditions for the use of STABEX were introduced for the first time, calling for remedial action on the causes of shortfalls or in fostering diversification. Thus the use of these schemes is now not automatic, and many countries eligible for IMF-CFF, for example, may choose not to draw on it.

UNCTAD has for some time been studying the need for a new facility to complement the existing ones and to provide more adequate support for countries suffering earnings shortfalls, particularly focussed on losses in commodity exports. As part of these studies, a number of alternative estimates have been made of the amount of export shortfalls that might reasonably be subject to compensation, using different assumptions as to the method for establishing an appropriate trend line against which to measure shortfalls; these techniques have been applied to the actual export flows in the 5-year period 1980-1984 (see [74]). In the tabulation below, the range of these estimates for each of 10 Caribbean countries is shown, in comparison with the actual amounts of compensatory finance received by each country from IMF-CFF and STABEX during the same time period:

1980-1984 Annual Averages

Country	(US$ Million) (1)Estimated Export Shortfall (Range)	Actual Finance IMF-CFF Drawings	Actual Finance STABEX Transfers	(As % of Total Exports)(2) Highest Shortfall Estimate	(As % of Total Exports)(2) Total IMF-CFF +STABEX
Antigua	0.1-0.3	0	0	3.0	0
Barbados	3.2-6.3	2.58	0	2.9	1.2
Belize	2.0-8.3	0.77	0	12.0	1.1
Dominica	0.5-1.9	0.52	0.75	9.3	6.2
Grenada	1.1-4.4	0.36	0.50	25.1	4.9
Guyana	18.2-53.4	1.30	0	19.6	0.5
Jamaica	42.9-110.0	25.22	0.75	13.6	3.2
St. Lucia	0.2-2.1	0.28	0.34	5.4	1.6
St. Vincent	0.1-1.9	0.34	0.23	5.9	1.8
Trinidad & Tobago	1.1-6.8	0	0	2.4	0

(1) Estimates used are the 4 gross formulae, without thresholds, and the non-fuel commodity sector basis for all 4 formulae. (Source: Tables 1 and 2 in [74], Addendum, and export data from Supplementary Table B, below). (2) Excluding petroleum exports for Trinidad.

As can be seen in the above tabulation, existing compensatory financing schemes provided funds equivalent on average to more than 2 percent of export earnings only in the case of Dominica (6.2%), Grenada (4.9%), and Jamaica (3.2%); at the other extreme, three countries received less than 1 percent of export earnings in this form -- Guyana (0.5%) and Antigua and Trinidad (each, 0%). If the UNCTAD secretariat estimates can be taken as a reasonable estimate of the need for compensatory finance, then it is clear that there is an important unfilled financing gap here. Expansion of compensatory financing facilities and the creation of new complementary facilities, focussed particularly on commodity export shortfalls, could substantially assist Caribbean countries. [Details as to the degree of dependence of 13 countries in the Caribbean region on a few commodities can be seen in Supplemetary Table C, below.]

F. Other Trade Financing Techniques.

1. Back-to-Back Letters of Credit and Transferable Credits. (References: [81]; [2], pp. 375-378; and [3], pp. 165-170).

The problem of obtaining pre-shipment finance for an exporter who does not himself have adequate credit resources can often be solved through the use of back-to-back or transferable letters of credit. The back-to-back technique works as follows: An exporter with a firm order in hand and who is as a result the beneficiary of an irrevocable letter of credit issued by his customer can use that credit itself as security at his bank for obtaining finance to pay suppliers -- in effect the exporter, who may not be highly creditworthy can take advantage of the creditworthinessof his customer in order to persuade his own bank to endorse another letter of credit in which he, the exporter, is the applicant and his supplier is the beneficiary. Thus the first letter of credit is assigned to the exporter's bank and becomes the security for confirming the second "back-to-back" letter of credit.

A variant of this arrangement involves only a single letter of credit. The exporter asks his customer to open a transferable irrevocable documentary letter of credit in his favor, which the exporter, as first beneficiary, can transfer to a second beneficiary (often the supplier or manufacturer, when the exporter is only a sales agent). In a transferable letter of credit there is only one issuing bank. Under usual practices, the credit can only be transferred once, but the transferor can change the latest shipment date and the expiry date to give the exporter time to receive goods from the supplier and ship them to the buyer abroad.

2. Forfaiting. (References: [37]-[45]).

Forfaiting is a form of the familiar banking technique of discounting receivables [39]; it usually applies to the bills of exchange or promissory notes issued by importers, typically for medium or long-term capital goods transactions. Forfaiting uses funds from the free market to provide a form of fixed rate supplier credit to capital goods exporters [45]. The transactions under this technique are normally private and not officially supported. A special feature is that when the bills of exchange or promissory notes are sold to a forfaiter, they are sold *without recourse* to the exporter, so that the forfaiter takes on all of the risks of non-payment. Again the bills or notes can be sold in the secondary market and the purchaser has no recourse to the original forfaiter or to the exporter. A guarantee or "aval" by a bank in the buyers country may be required by the forfaiter; this ensures that the risk in this form of commercial paper is no longer really a credit risk on the buyer, but rather the pricing of the forfait transaction becomes mainly a function of the *country* risk of the importer who has issued the paper. Finally, forfait paper is typically fixed rate finance, so that an exporter can get a quotation from a forfaiter which will enable him to build in the costs of financing into his price. The typical transaction might involve the importer paying the exporter with, say, 10 promissory notes, each maturing at six month intervals; the notes will have been guaranteed by a major bank in the importer's country; the exporter sells these notes to a forfaiter at a discount which will cover the interest cost of the money over the five-year period, and also a margin to cover the country risk [45].

For developing country exporters, forfaiting enables them to finance their exports easily and relatively inexpensively where the importer is sound and is in a low-risk country. Forfait transactions are notable for the extreme simplicity of the documentation -- which can be unsettling in countries not too familiar with this financing technique (such as the U.S.). Estimates of the volume of forfaiting range from $4-6 billion per year.

Forfaiting rates for December 1987 include the following for paper issued by an importer in Trinidad & Tobago. The limit on maturity was 2 years, with payment in half-yearly installments; the commitment fee until pay-out 0.1% per month; the approximate discount rates in percent per annum were: Swiss Franc forfait rates (4.5%); US$ forfait rates (7.875%); and DM forfait rates (4.875%). (See [38]). For both exporting and importing at medium or longer terms, forfaiting may be a useful alternative financing technique for Caribbean traders to examine.

3. **Private Export Credit Insurance.**

Under the Insured Credits for Export (ICE) plan, being developed to cover Latin American and Caribbean countries, commercial banks in the U.S. would be lenders, and a trustee would be established to handle both funding and receivables. (At the start, the plan would cover only receivables -- i.e., exports to OECD countries). Exporters would assign receivables to the trustee who would insure with an overses insurer (possibly Lloyds) and act as agent for the central bank on funding, and the central bank would pay off exporters. U.S.AID and Bankers Trust in New York were involved in the feasability study for this project in late 1986. (The First Boston Corporation has its own scheme for similar credits for Latin America and the Caribbean).

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APPENDIX: A STATISTICAL OVERVIEW OF THE ROLE OF INTRA-REGIONAL AND EXTRA-REGIONAL TRADE IN THE ECONOMIES OF THE ENGLISH-SPEAKING CARIBBEAN COUNTRIES

[This section is intended to place the problems of trade finance in the region into better perspective, on the basis of the analytical and comparative data in Tables 1 to 7.]

1. *Diversity.*

The diversity of the 13 countries (eleven of them islands) making up the region is strikingly shown in Table 1: Gross product per capita in 1985 ranges from more than US$ 7,000 in the Bahamas to only $500 in Guyana; total gross product exceeds US$ 7 billion in Trinidad & Tobago but is only $34 million in Montserrat; Jamaica has the largest population (2.3 million) compared to a low of 12 thousand in Montserrat; land area ranges from a high of 215,000 square kilometers in Guyana to eight countries with less than 1,000 km. sq., and one of them, Monserrat, with only 100 km. sq.

2. *Growth of GDP, Trade and Tourism.*

(Table 1, cols. 5-8). During the period 1980 to 1985, GDP (at constant market Prices) grew very rapidly in St. Vincent & the Grenadines (up 32%), Dominica (up 28 %), Antigua & Barbuda (up 27%), and St. Lucia (up 24%); on the other hand constant-price GDP dropped by 15% in Guyana and by 18% in Trinidad. But since prices for many major export commodities of the region eroded badly, constant-price GDP paints either too rosy a picture (or an insufficiently bleak picture) -- as can be seen from the fact that export earnings, measured in US dollars, were almost cut in half in each of the three most populous countries of the region (Jamaica and Guyana, each down 46%, and Trinidad, down 48%). On the other hand, Dominica and the

Bahamas showed export gains over the half-decade of nearly 200%, and St. Vincent more than 300%. The US dollar value of imports grew the most in St. Vincent and in Grenada, and declined most sharply in Trinidad and in Guyana. Tourism earnings in the same period grew by more than 50% for seven of the countries and far more than doubled for four of them.

3. *Relative Dependence on Imports.*

Other things being equal, the smaller the size of a country the larger is likely to be its dependence on external trade -- and also the more "open" an economy is, the greater will be its dependence on such trade. In Table 2, for each of the countries in the region, a number of major external resource flows are shown as a ratio to Gross Product (measured in US dollars) in 1985 -- and countries of the region are ranked in ascending order of their dependence on merchandise imports. (The basic data from which the ratios were calculated are shown in US dollars in Table 2A). Trinidad, whose economy accounts for more than half the total product of the region, has by far the lowest import dependency ratio (.213 of its GNP), while the small island economies of the OECS sub-region average a ratio of .832 of their Gross Product. (For comparison, outside the region, the U.S. had a ratio of .082 in 1983, the U.K. .221, and West Germany .234, while in developing countries in the Americas, Brazil had .074, Uruguay .144, Panama .322, and Costa Rica .323 -- the import dependency ratios are clearly much higher in the very small economies of the English-speaking Caribbean region). It should also be noted that devaluation of a country's currency will, at least initially, have the effect of shrinking the US dollar value of Gross Product relative to the value of trade flows, and this has recently tended to raise the value of the import dependency ratios for Jamaica and Guyana.

4. *Petroleum Imports.*

Of significance, within the total for merchandise imports displayed in Tables 2 and 2A, are petroleum imports (shown in column 2). These are less than 10% of imports only for three of the OECS islands (aside, that is, from Trinidad, the sole major producer in the region); for Guyana at 44% of total imports and Jamaica at 32%, this commodity is overwhelmingly the dominant single import. For these latter countries (which have the most difficult balance of payments problems in the region), lowered import prices for crude oil in the past two years have brought some easing of foreign exchange pressures.

5. *Merchandise Exports.*

Domestic exports of goods, shown in column 3 of Table 2, are of least significance in Montserrat and Antigua, amounting to only 5% of imports; exports for the Bahamas constitute only 28% of imports; seven of the countries have exports in the range of 30 to 50% of imports; the exports of St. Vincent come to 78% of imports and those of Guyana to 91%; only Trinidad ran a surplus on merchandise trade in 1985, with exports exceeding imports by more than a third.

6. *Tourism.*

The relatively low share of merchandise exports in financing imports (in all but three countries) reflects primarily the enormous importance of tourism earnings in the region (column 4 of Table 2); these amount to two-thirds of Gross Product in the case of Antigua and to more than half of GNP for the Bahamas (by far the largest tourism earner in absolute terms in the region); for six other countries tourism exceeds 20% of Gross Product; tourism's share is especially low in Trinidad and Guyana (less than 3%). Note also that for six of the countries tourism earnings exceed export earnings; during the period 1980 to 1985, tourism grew by 52% in the Bahamas and by 23% in Barbados, two of the largest tourist industries in the region -- but exports in these two countries grew even more rapidly; on the other hand for the other four countries where tourism exceeds exports, the half-decade growth of tourism outstripped exports, further widening the gap -- with tourism growth in Antigua up 163%, in St. Kitts & Nevis up 157%, in Montserrat up 72%, and in Grenada up 28%. The second largest tourist industry in the region, that of Jamaica, grew by 85% from 1980 to 1985 (up US$ 201 million), thus offsetting nearly half the US$ 452 million loss in Jamaica's export earnings during that period.

7. *Aid Flows.*

Column 5 of Table 2 shows aid flows, defined here as net disbursements of concessional assistance from bilateral and multilateral donors, plus non-concessional loans from official multilateral financing institutions), are of greatest importance for four countries -- Grenada (36% of Gross Product), Dominica (22%), and Jamaica and Belize (each 15%); Guyana is next in importance (8%), followed by four OECS countries (5-8%); as to the rest, Antigua's share is only 2% and Barbados' 1%, with Trinidad and the Bahamas receiving essentially 0%. In Table 3, column 1, countries of the region are ranked according to 1985 aid flows per capita in U.S. dollars -- ranging from a high of $361 for Grenada to a low of 40 cents for the Bahamas; the components of these flows are shown in columns 2 to 4 of Table 3. Grants are especially important for

Grenada, Montserrat, and Dominica, accounting for more than two-thirds of their aid flows; on the other hand, only Jamaica has less than one-third of its aid in grant form -- but this nevertheless constitutes almost half (46%) of the total grants to the region. The little aid received by Trinidad and the Bahamas is entirely in grant form (such as UNDP technical assistance); aid loans are negative, representing net repayments.

8. *Other Resource Flows.*

Finally, "other flows" are shown in Table 2, column 6 (including other net bilateral official non-concessional loans and other net private flows, as reported by OECD/DAC for 1985); these flows are only important for three countries -- the Bahamas (28% of Gross Product, i.e., larger than export earnings, and half as large as tourism earnings), Antigua (13%), and Dominica (11%).

9. *Debt Burden.*

The last column of Table 2, (col. 7), shows debt burden, the residue of past external resource borrowings -- i.e., total disbursed external debt (mainly medium and long-term) outstanding at the end of 1985, as a ratio to Gross Product (Table 2) and in US dollars (Table 2A). Here, two of the countries in the region have debt burdens more than double their Gross Product -- Guyana (2.8 times GNP) and Jamaica (2.5 times). Indeed, it is important to observe that these two ratios are, by a wide margin, the highest debt ratios for any countries in the world. Given the January 1987 devaluation of the Guyana dollar by 56%, this will initially have the effect of raising Guyana's debt ratio to well over 6 times GNP. Of course, the amount of debt outstanding does not directly constitute its immediate economic burden -- that must be measured by the debt service payments (principal and interest) due in the short term; the fact is that not much more than one-fourth of Guyana's medium and long-term debt was incurred in the form of concessional loans. Even more critical is the fact that by the end of 1985 Guyana had run up external payments arrears totalling US$ 738 million (and therefore, at least in theory, immediately payable); of this total, US$ 555 million represents arrears on short-term debt, at least part of which needs to be *added* to the overall total debt burden -- thereby increasing the total debt figure shown by perhaps 25 to 50%; (the two main ponents of these arrears are of especial significance for :a-regional trade among CARICOM countries, arrears on the Trinidad & 1obago bilateral account of US$ 233 million and on the CARICOM clearing facility account of US$ 122 million). Guyana's estimated debt service payments due in 1987 amount to more than US$ 300 million, in addition to arrears which have by now grown to more than US$ 800 million -- compared to merchandise export earnings of only US$ 206 million in 1985.

Jamaica, on its part, has benefitted from a number of debt rescheduling exercises since 1981 -- US$ 862 million were rescheduled in the course of six exercises between April 1981 and September 1985. [A further exercise took place in March 1987]. Jamaica has in the past decade been a major user of IMF credit, and at the end of 1985 such credits outstanding totalled US$ 693 million, or more than 400% of its quota -- the highest percentage of quota for any country in the world (the amount outstanding has been reduced somewhat, to US$ 630 million, by September 1987). Only about 23% of Jamaica's debt was incurred on concessional terms. (See Table 3, cols. 5 to 9, for the main components of outstanding debt). Here it is interesting to note the unusually high proportion of non-concessional loans -- multilateral "OOF" -- for very heavily indebted Jamaica, and this continues to be true for recent lending (mainly from IBRD and IDB), shown in Table 3, col. 4.

Three other countries of the region have relatively large debt burdens: Belize (81% of Gross Product), Dominica (75%), and Grenada (73%); much of Dominica's debt (73%) is concessional, compared to 38% for Belize and 31% for Grenada. Antigua has had problems recently with arrears on its public external debt, and Belize has overcome similar problems earlier in the 80s; debt service requirements have grown for Grenada, with current debt service payments up to 20% of exports of goods and non-factor services.

10. *Price and Volume Trends for Merchandise Trade.*

Data are available (UNCTAD *Handbook of International Trade and Development Statistics* estimates) for four of the main trading countries of the region on the dramatic changes in unit values and volumes of trade from 1980 to 1985:

1985 Data: (1980=100)	Exports			Imports			Terms of Trade	Purchasing Power of Exports
	Value	Unit Value	Volume	Value	Unit Value	Volume		
Barbados	156	58	270	116	89	131	65	176
Guyana	51	75	68	64	91	71	83	57
Jamaica	59	66	89	95	90	106	73	65
Trinidad	53	85	62	48	92	52	93	58

Over the five year period, prices (unit values) were down for both exports and imports for all four countries, with export prices down most sharply for Barbados followed by Jamaica -- and the terms of trade show the same pattern. Volume declines for both exports and imports were sharpest for Trinidad followed by Guyana. Jamaica also lost some export volume and gained slightly in import volume. Barbados, despite the largest drop in its terms of trade, was able to almost triple its export volume and to increase its import volume by almost one-third. Thus the purchasing power of exports soared for Barbados, while slumping severely for the other three countries. (The trade values in the above table differ slightly from those used in Tables 1 and 2 of this report).

11. *Inflation and Exchange Rate Fluctuations.*

The three large countries with severe trade slumps in the 80s also had the worst inflation in the region (see Table 4, column 1). The very high five-year gain in the consumer price index for Jamaica (up 215%) was nonetheless somewhat less than the 271% increase in the previous five years. The high Trinidad gain (up 181%) was little changed from the 1975-1980 growth of 184%. However, the worst inflation was the 245% rise in Guyana, an acceleration from the previous five-year gain of 183%. Not surprisingly, these three were the only countries in the region to devalue their nominal exchange rates against the U.S. dollar one or more times during the 1980s. All the other countries of the region were able to contain their CPI gains to between 25 and 47% from 1980 to 1985 -- in every case a deceleration from the late 70s (and in cases such as Dominica, St. Vincent, and St. Lucia, very sharply lower). While the CPI is not the ideal tool for measuring the impact of inflation on imports and exports (and particularly on their unit values and production costs), these indexes are universally avaiable and can serve as a rough proxy for more sophisticated measures.

Nominal exchange rate changes against the U.S. dollar between 1980 and 1985 are shown in columns 3 and 4 of Table 4, along with changes up to May 1987. Did the nominal devaluations for Guyana (down by three-fourths), Jamaica (down by two-thirds), and Trinidad (down by one-third) result in real devaluations, in terms of the purchasing power of their currencies taking into account the relative inflation at home and in the United States? And how has the relative inflation in other countries of the region which have maintained their formal parity to the U.S. dollar affected the purchasing power of their currencies? Beyond this, how has the remarkable appreciation of the world's main trading currencies against the U.S. dollar from 1985 to May 1987 [and indeed into 1988] affected each of the region's currencies? Table 4 represents an attempt to provide a rough answer to each of these questions -- subject only to the shortcomings of the CPI as a measure of changes in real export costs. Column 2 shows the ratio of the local CPI index number to the U.S. CPI -- i.e., the relative inflation rate; this is then multiplied by the nominal exchange rate index (column 4) to give the inflation-adjusted exchange rate index vis a vis the U.S. dollar (column 5). Similar calculations using the relative inflation rates and the nominal exchange rates of the U.S. dollar against the Canadian dollar, the U.K. pound, the German D.Mark, and the Japanese yen results in the estimated "real" inflation-adjusted exchange rates for each of the countries of the region against each of these main trading currencies, shown in columns 6 to 9 of Table 4. Note that an index value over 100 represents an appreciation of the local currency vis a vis the main world currency shown, with respect to the base year (1980). The percentage changes shown for the period 1985 to 1987 represent appreciation (+) or depreciation (-) between those two years.

It is clear that the Guyana devaluations up to 1985 were insufficient to wipe out the effect of the wide disparities in inflation rates -- so that the "real" rate had appreciated by 12% against the U.S.$, and had almost doubled against the U.K. pound and the German D.Mark (because of the sharp depreciation of these latter currencies against the US$ between 1980 and 1985). The sharp devaluation of the nominal rate against the US$, in January 1987, time was accompanied by very large real devaluations against all major currencies -- and particularly the yen and D.M. The Jamaican nominal devaluations up to 1985 were only partly eroded away by relative inflation, but the fall in the pound and the D.M. left those rates near the 1980 values; by 1987 the J$ had appreciated somewhat against the U.S.$ and Can.$, while depreciating against the pound, D.M. and yen. The devaluation of the Trinidad dollar by one-third in late 1985 had led by 1987 to a return to the 1980 real parity with the U.S.$, while still remaining appreciated by 25% against the pound as compared with 1980. The real level of the T$ against the yen was now more than one-fourth less than in 1980. A similar analysis of the change in competitive relationships for each of the other 10 countries of the region vis a vis each of the 5 major currencies can be made using Table 4. In general, by 1987, most countries of the region remained somewhat appreciated as compared to the 1980 level, though that appreciation had come down a great deal between 1985 and 1987. The depreciation against the yen has been very large since 1985, and that rate is now well below the 1980 level in "real" terms. So, as far as real exchange rates are concerned, the competitive opportunities for exports from the region, other things being equal, have improved considerably in European markets in the last two years and are at a record level of depreciation vis a vis the yen. For the U.S. and Canadian dollars, there has been no really significant shift from the 1980 parities. Similarly, the real costs of imports from Europe and Japan, for most countries of the region (measured in their own currencies), have soared since 1985, while costs of imports from the U.S. and other sources have remained relatively stable. (Finally, it should be noted that this analysis is based on the assumption that 1980 relative currency values were themselves "correct" -- but in fact that assumption might well be seriously wrong, with 1980 values, by some more sophisticated norm, heavily over or undervalued; so, the levels of over or undervaluation need deeper analysis than that given here, but the direction and amount of change since 1980 *are* valid indicators.)

12. *Direction of Trade.*

Tables 5 and 6 show the direction of trade, with countries ranked according to the importance of intra-regional trade. Thus Guyana bought a third of its imports from within the CARICOM region in 1985; the seven OECS countries bought between 15 and 27% intra-regionally; and Barbados 15%. The other four countries bought much less (Trinidad 6%, Jamaica 4%, and less than 2% for Belize and the Bahamas). In the case of exports, disparities are even wider, with the seven OECS countries sending between 20 and 62% of their exports to regional markets, followed by Barbados (14%), Guyana (12%), and Trinidad (11)% -- and much smaller shares for Jamaica, Belize, and the Bahamas.

13. *Potential Gains and Losses from the Falling U.S. Dollar.*

Columns 3 to 9 in the direction tables show the main components of extra-regional trade -- and make it possible to see which of the region's countries are likely to gain or lose on balance from the sharp appreciation in European and Japanese currencies since 1985. The share of imports from Europe and Japan exceeds the share of exports to them only in the case of Barbados and Trinidad, but when account is taken of the fact that the total value of exports equals less than half that of imports in almost every country of the region (except for Trinidad and Guyana), the net effect is that imports from EEC and Japan far surpass exports to them for every country shown for the region -- except for Guyana (which had a large export surplus in 1985) and Dominica (which about broke even on this trade). Thus, as far as merchandise trade is concerned, the initial impact of the falling dollar on the English-speaking Caribbean region has been a worsening deficit with Europe and Japan -- but at the same time substantial export opportunities should be opened up, and more serious consideration of Lome III and GSP may be in order, to take advantage of the more favorable export cost situation. Shifts in import sources may also be warranted. Indeed, the largest potential gains should lie in tourism -- to the extent permitted by capacity limitations and by price competition from other areas (many of which have also not appreciated against the U.S.$).

14. *Intra-Regional Trade Trends.*

There is intense interest within the region in the revival of intra-regional trade -- which fell on hard times, mirroring the more general payments difficulties of Guyana, Jamaica, and Trinidad, and symbolized by the breakdown by 1984 of the Caricom Multilateral Clearing Facility (CMCF). The especial significance of intra-regional trade for the seven OECS countries has already been mentioned in paragraph 12, above, (and in Tables 5 and 6). In considering measures to revive intra-regional trade, it will be worthwhile to have in mind how large this trade has been, how much it has fluctuated, how near to balance it has been and the potential for economizing scarce foreign exchange, and which countries have provided the overall surpluses and which have benefitted from overall deficits. Table 7 provides data which should be useful in answering these questions. Between 1980 and 1985, the total amount of this trade declined by about U.S.$ 100 million (down 21%). In terms of different currencies, there are six areas within the region (excluding the Bahamas, for which comparable data are not available, and whose trade in this respect is in any event very small). So, from the point of view of payments problems, we have first considered the fifteen bilateral pair relationships between the six cuurency areas (and we have excluded trade among the OECS countries themselves, since they share a common currency). In each of the six years shown, bilateral offsets have constituted at least 50% of the total intra-regional domestic exports -- and reached a high of 81% in 1983. This means that rigid bilateral clearing arrangements alone would have sustained at least 50% of actual trade without any foreign exchange payments (but with a willingness of the central banks to finance outstanding balances, with only annual settlements of any imbalances). On a six-year average basis (1980-1985) such bilateral offsets would have cleared 65% of the actual trade. Countries in overall deficit may in some cases have surpluses in some of their bilateral trade accounts within the region, and these surpluses can directly finance or offset other deficit accounts within the region -- thus constituting multilateral offsets, and further reducing the real foreign exchange requirements to finance intra-regional trade. These multilateral offsets have been as low as 2.4% of total exports (in 1983) and as high as 8.0% (in 1980), and they have averaged 5% over the six years; even with a network of bilateral clearing accounts, let us say settled annually, these multilateral offsets could be arranged at a common annual settlement date for all the bilateral accounts. This leaves an unoffset surplus which reached a high of 42% in 1980 and fell as low as 17% in 1983, and has averaged 30% over the whole six years. Thus, over the 1980-1985 period, a total intra-regional export flow of U.S.$ 2.7 billion need only have required U.S.$ 800 million in actual foreign exchange.

The overall surplus and deficit position of each of the six currency areas for the years 1980 to 1985 are also shown in Table 7. Trinidad and Belize have each been consistently in overall surplus; Jamaica was in surplus from 1982 to 1984 (and in deficit the other three years); Barbados, Guyana, and the OECS countries have been consistently in overall deficit. The exports of Trinidad have made up more than half of total intra-regional exports (except in 1983). The exports of Jamaica, Barbados, and the OECS grew impressively between 1980 and 1983, and since then leveled off for OECS, while slumping badly for Barbados and especially Jamaica. Trinidad and especially Guyana have had declining intra-regional exports since 1981. Trinidad's imports soared between 1980 and 1983 -- and then collapsed sharply by 1985 (down $ 77 million); these large swings by the largest economy in the region had the greatest effect on their partners, but the declines in imports from peak levels in 1981 to 1985 were huge for Jamaica (down $58 million) and Guyana (down $42 million).

Table 1

Relative Country Size and Growth of Output, Trade, and Tourism
(Countries Ranked by Gross Product Per Capita in 1985)

English-Speaking Caribbean Country	Gross Product Per Capita 1985	Total Gross Product (a) 1985	Population	Area	Percent Change 1980-85: GDP (b)	Imports	Exports	Tourism
	US$	US$Mill	(thous)	(km sq)	%	%	%	%
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Bahamas	7,305	1,680(N)	230	13,940	+11	+3	+180	+52
Trinidad	6,053	7,186(N)	1,187	5,138	-18	-26	-48	-34
Barbados	4,811	1,217(N)	253	430	-3	+14	+65	+23
Montserrat*	2,847	34(D)	12	100	+6c	+12	+55	+72
Antigua*	1,895	152(D)	80	440	+27	+12	-22	+163
St. Kitts*	1,226	58(D)	47	360	+9	+14	-34	+157
St. Lucia*	1,108	144(D)	130	620	+24	+1	+41	+39
Belize	1,058	176(N)	166	22,960	+11	-15	-22	+372
Grenada*	1,001	96(D)	96	340	+12	+37	+28	+28
Dominica*	943	79(D)	84	750	+28	+16	+182	+241
St. Vincent*	826	86(D)	104	340	+32	+39	+317	-10
Jamaica	750	1,726(N)	2,300	10,990	-0	-4	-46	+84
Guyana	515	407(N)	791	214,970	-16	-42	-46	-13d
Total	2,380	13,041	5,480	271,370				
of which:OECS	1,174	649(D)	553	2,950				

a) N = GNP; D = GDP. b) GDP change at constant market prices.
c) Data from Eastern Caribbean Central Bank. d) Estimate.
* = OECS member.
Source: Column (1) = Column (2) divided by Column (3); Column (2), World Bank (for N countries) and UNECLAC and ECCB (for D countries); Column (3), estimates based on UNCTAD, ECLAC, and World Bank; Column (4), UNCTAD Handbook 1986; Column (5), World Bank; Columns (6) and (7), see definitions in Table 2, below, (Cols. 1 & 3); Column (8), World Bank.

Table 2

Dependence on Trade, Tourism, Aid and Other Resource Flows and Size of Debt Burden

(Countries Ranked by Ratio of Imports to Gross Product)
Data for 1985

English-Speaking Caribbean Country	Ratios to Gross Product of:						
	Merch. Imports	Oil Imports	Merch. Exports	Tourism Earnings	Aid Flows	Other Flows	Debt Burden
		(a)	(b)		(c)	(d)	(e)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Trinidad	.213	.007	.293	.014	.000	.044	.246
Barbados	.502	.091	.204	.254	.012	.008	.382
Montserrat*	.548	.066	.030	.220	.066	--	.118
Guyana	.561	.249	.506	.022(g)	.084	-.010	2.821
Bahamas	.584(h)	.107(i)	.165(j)	.523	.000	.284	.369
Jamaica	.659	.212	.310	.256	.153	.006	2.481
Dominica*	.697	.072	.331	.125	.215	.111	.747
Grenada*	.716	.081	.225	.268	.361	-.011	.729
Belize	.730	.124	.367	.067	.147	.019	.813
St. Lucia*	.868	.059	.330	.317	.050	-.001	.264
St. Kitts*	.883	.064	.271	.352	.077	.004	.241
St. Vincent*	.923	.075	.723	.175	.067	.023	.291
Antigua*	.941	.182	.048	.670	.022	.134	.434 (f)
Total	.395	.073	.277	.152	.032	.016	.667
of which:OECS	.832	.095	.280	.348	.115	.047	.425

a) Also included in total merchandise imports, Col. (1).
b) Domestic exports (i.e., excluding re-exports). c) Net bilateral concessional assistance, plus total net multilateral assistance (concessional and non-concessional), as reported by OECD/DAC.
d) Net bilateral "other official flows", plus net private flows, as reported by OECD/DAC. e) Total disbursed external debt and external liabilities, (mainly medium and long-term), end 1985, as reported by OECD/DAC. f) Data from ECLAC. g) Estimate. h) Non-oil imports plus excess of oil imports over oil exports. i) Net oil imports for domestic use. j) Excluding oil exports.
Source: Columns (1) to (3), CARICOM, UNCTAD and ECLAC; Column (4), World Bank; Columns (5) and (6), OECD/DAC; Column (7), OECD/DAC.

Table 2A

Dependence on Trade, Tourism, Aid and Other Resource Flows and Size of Debt Burden

(Countries Ranked by Ratio of Imports to Gross Product) Data for 1985.

English-Speaking Caribbean Country	Basic Data in Millions of U.S. Dollars:						
	Merch. Imports	Oil Imports	Merch. Exports	Tourism Earnings	Aid Flows	Other Flows	Debt Burden
		(a)	(b)		(c)	(d)	(e)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Trinidad	1,526.8	50.8	2,103.3	99.1	1.9	-315.1	1,7684
Barbados	610.8	110.9	248.2	309.1	15.1	9.6	465
Montserrat*	18.4	2.2	1.0	7.4	2.2	--	4
Guyana	228.2	101.2	206.0	8.9(g)	34.1	-4.1	1,148
Bahamas	981.3(h	180.3(i	277.0(j	879.4	0.1	477.3	620
Jamaica	1,136.9	365.4	535.1	441.4	264.6	10.8	4,282
Dominica*	55.2	5.7	26.2	9.9	17.0	8.8	59
Grenada*	68.8	7.8	21.6	25.8	34.7	-1.1	70
Belize	128.1	21.8	64.4	11.8	25.8	3.4	143
St. Lucia*	125.0	8.5	47.5	45.6	7.2	-0.1	38
St. Kitts*	50.9	3.7	15.6	20.3	4.5	0.2	14
St. Vincent*	79.3	6.4	62.1	15.0	5.8	2.0	25
Antigua*	142.6	27.6	7.3	101.6	3.3	20.4	66 (f)
Total	5,152.4	954.2	3,615.5	1,975.3	416.5	212.1	8,702
of which:OECS	540.2	61.9	181.4	225.6	74.6	30.2	276

a) Also included in total merchandise imports, Col. (1).
b) Domestic exports (i.e., excluding re-exports). c) Net bilateral concessional assistance, plus total net multilateral assistance (concessional and non-concessional), as reported by OECD/DAC.
d) Net bilateral "other official flows", plus net private flows, as reported by OECD/DAC. e) Total disbursed external debt and external liabilities, (mainly medium and long-term), end 1985, as reported by OECD/DAC. f) Data from ECLAC. g) Estimate. h) Non-oil imports plus excess of oil imports over oil exports. i) Net oil imports for domestic use. j) Excluding oil exports.
Source: Columns (1) to (3), CARICOM, UNCTAD and ECLAC; Column (4), World Bank; Columns (5) and (6), OECD/DAC; Column (7), OECD/DAC.

Table 3

Components of Aid Flows and Debt Burden

(Countries Ranked by Amount of Aid Flows Per Capita in 1985)

English-Speaking Caribbean Country	Aid Flows US $ Per Capita	Aid Flow Components as % of 1985 Total: Bilat & Mult Grants	Bilat & Mult ODA Loans	Mult OOF Loans	Components of Debt (end 1985) as % of Total Outstanding: Bilat & Mult ODA Loans	Mult OOF Loans	Use of IMF Fund Creds	Total Ex-port Creds	All Other Debt
	(a)	(b)	(c)	(d)	(c)	(d)	(e)	(f)	(g)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Grenada*	361.0	92.7	7.6	-0.3	31.4	4.3	4.3	25.7	34.3
Dominica*	202.5	70.5	28.9	0.6	72.9	-	1.7	10.2	15.3
Montserrat*	186.4	89.1	10.9	-	75.0	25.0	-	-	-
Belize	155.2	33.8	51.6	14.8	38.0	8.4	7.0	16.2	30.3
Jamaica	115.1	28.9	35.0	36.1	22.8	13.5	16.2	16.5	31.1
St. Kitts*	94.9	63.5	36.6	-	71.4	14.3	-	14.3	-
Barbados	59.8	35.7	19.2	44.9	16.6	12.3	10.3	22.6	38.1
St. Vincent*	55.7	48.2	48.5	3.6	83.3	12.5	-	4.2	-
St. Lucia*	55.5	43.6	53.3	3.2	50.0	13.2	-	21.1	15.8
Guyana	43.1	35.2	44.0	20.8	26.9	9.0	6.9	5.2	52.0
Antigua*	40.8	54.6	36.5	8.9	..	..	..	..	..
Trinidad	1.6	423.7	-69.9	-253.8	1.4	1.4	-	38.2	59.1
Bahamas	0.4	900.0	-	-800.0	0.7	2.4	-	12.7	84.2

a) Column (5) in Table 2A, divided by Column (3) in Table 1.
b) Official bilateral and multilateral grants. c) ODA loans are "Official Development Assistance" (i.e., concessional loans), having a "grant element" of more than 25%. d) Multilateral OOF (Other Official Flow) loans are on non-concessional terms. e) Fund credits outstanding include purchases of both ordinary and borrowed resources of the IMF. f) Export credits include official export credits and guaranteed supplier credits from OECD/DAC sources. g) Other debt includes other bank claims, bonds, deposits of foreigners, etc.
Source: Columns (2) to (4), OECD/DAC, "Geographical Distribution of Financial Flows to Developing Countries"; Columns (5) to (9), OECD/DAC, "External Debt Statistics."

Table 4

Inflation-Adjusted ("Real") Exchange Rates with Main World Currencies
(Relative Appreciation or Depreciation, 1980-1985 and 1985-1987)

(Countries Ranked by Growth in Consumer Price Index 1980-1985)

Country (and Local Curr-ency)	Year	Cons-umer Price Index (1980 =100)	Ratio to US CPI (1980 =100)	Nominal Exchange Rate: U.S.$ Per Unit Local Curr.	Nominal Exchange Rate: (1980 =100)	Exchange Rates Adjusted for Relative Inflation (1980=100); Over 100 = Appreciation, Under 100 = Depreciation: U.S.	Can-ada	U.K.	Ger-many	Japan
						U.S.$	Can.$	Pound	D.M.	Yen
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Guyana (G$)										
	1985	244.7	1.874	.2352	60.0	112.4	119.8	186.1	196.4	134.9
	1987	[301.]	2.222	.1000	25.5	56.7	57.3	71.6	62.8	40.9
% Change					-57.5	-49.6	-52.2	-61.5	-68.0	-69.7
Jamaica (J$)										
	1985	215.3	1.649	.1799	32.0	52.9	56.4	87.6	92.4	63.5
	1987	[261.]	1.924	.1821	32.5	62.4	63.1	78.8	69.1	45.0
% Change					+1.3	+18.0	+11.2	-10.1	-25.2	-29.1
Trinidad (T$)										
	1985	181.4	1.390	.4082	98.0	136.2	145.2	225.5	238.0	163.5
	1987	[203.]	1.501	.2778	66.7	100.1	101.2	126.4	110.9	72.2
% Change					-31.9	-26.5	-30.3	-44.0	-53.4	-55.8
Grenada (EC$)										
	1985	147.2	1.128	.3704	100.0	112.8	120.2	186.8	197.1	135.4
	1987	[153.]	1.132	.3704	100.0	113.2	114.4	143.0	125.4	81.6
% Change					0.0	+0.4	-4.8	-23.5	-36.4	-39.7
Barbados (Bar$)										
	1985	144.7	1.108	.4992	100.0	110.8	118.1	183.5	193.6	133.0
	1987	[146.]	1.078	.4972	100.0	107.8	109.0	136.2	119.4	77.7
% Change					0.0	-2.7	-7.7	-25.8	-38.3	-41.6
Belize (Bel$)										
	1985	134.1	1.027	.5000	100.0	102.7	109.5	170.1	179.5	123.3
	1987	[137.]	1.014	.5000	100.0	101.4	102.5	128.1	112.3	73.1
% Change					0.0	-1.3	-6.4	-24.7	-37.4	-40.7
Montserrat (EC$)										
	1985	[134.]	1.025	.3704	100,0	102.5	109.3	169.7	179.1	123.1
	1987	[140.]	1.034	.3704	100.0	103.4	104.5	130.6	114.5	74.6
% Change					0.0	+0.9	-4.4	-23.0	-36.1	-39.4

For notes, see next page.

Table 4 (continued)

Country (and Local Currency)	Year	Consumer Price Index (1980 =100)	Ratio to US CPI (1980 =100)	Nominal Exchange Rate: U.S.$ Per Unit Local Curr.	Nominal Exchange Rate: (1980 =100)	Exchange Rates Adjusted for Relative Inflation (1980=100); Over 100 = Appreciation, Under 100 = Depreciation: U.S.	Canada	U.K.	Germany	Japan
						U.S.$	Can.$	Pound	D.M.	Yen
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
St. Vincent (EC$)										
	1985	133.6	1.023	.3704	100.0	102.3	109.1	169.4	178.8	122.8
	1987	[136.]	1.000	.3704	100.0	100.0	101.1	126.3	110.8	72.1
% Change					0.0	-2.3	-7.3	-25.4	-38.0	-41.3
Bahamas (Bah$)										
	1985	133.2	1.020	1.0000	100.0	102.0	108.7	168.9	178.2	122.5
	1987	[147.]	1.088	1.0000	100.0	108.8	110.8	137.4	120.5	78.5
% Change					0.0	+6.7	+1.9	-18.7	-32.3	-35.9
Dominica (EC$)										
	1985	128.5	.984	.3704	100.0	98.4	104.9	162.9	172.0	118.1
	1987	[139.]	1.029	.3704	100.0	102.9	104.0	130.0	114.0	74.2
% Change					0.0	+4.6	-0.9	-20.2	-33.7	-37.2
St. Kitts (EC$)										
	1985	125.8	.967	.3704	100.0	96.7	103.1	160.1	169.0	116.1
	1987	[132.]	.981	.3704	100.0	98.1	99.2	123.9	108.7	70.7
% Change					0.0	+1.5	-3.8	-22.6	-35.7	-39.1
St. Lucia (EC$)										
	1985	125.3	.960	.3704	100.0	96.0	102.3	159.0	167.8	115.2
	1987	[130.]	.957	.3704	100.0	95.7	96.8	120.9	106.0	69.0
% Change					0.0	-0.3	-5.4	-24.0	-36.8	-40.1
Antigua (EC$)										
	1985	124.6	.954	.3704	100.0	95.4	101.7	158.0	166.7	114.5
	1987	[129.]	.954	.3704	100.0	95.4	96.4	120.5	105.7	68.8
% Change					0.0	0.0	-5.2	-23.7	-36.6	-39.9

Notes: Data for 1985 are annual averages; consumer price data for 1987 are for February [data in square brackets are estimated from most recent statistics using most recent growth trend]; 1987 nominal exchange rates are those published for May 11, 1987. Column (2) shows the ratio of the local CPI index (Col. 1) to the U.S. CPI index; Columns (3) and (4) show the actual (nominal) exchange rates between the local currencies and the U.S. dollar; Column (2) multiplied by Column (4) gives Column (5), the inflation-adjusted exchange rate between each local currency and the U.S. dollar; Columns (6) to (9) are derived in similar fashion, and show inflation-adjusted exchange rates between each local currency and the Can.$, Pound, D.M., and Yen. CPI data are from IMF, World Bank, and local sources.

Table 5

Imports by Direction
(Countries Ranked by Importance of Intra-Regional Trade)

Data for 1985 in Percent of Total Imports

English-Speaking Caribbean Country	Intra Regional Trade	Extra Regional Trade	of which: U.S.	Can.	U.K.	Other EEC	Japan	Other Asia	Other W.Hem
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Guyana	33.8	66.2	20.5	1.5	11.4	7.3	3.3	0.5	46.8
Montserrat*	27.1	72.9							
Grenada*	26.5	73.5							
Dominica*	24.8	75.2	25.4	7.3	12.2	14.3	(	14.4	)
Antigua*	23.2	76.8							
St. Lucia*	19.1	80.9							
St. Vincent*	18.3	81.7							
St. Kitts*	15.1	84.9							
Barbados	14.8	85.2	41.1	5.1	9.0	6.9	4.5	2.6	11.0
Trinidad	6.4	93.6	36.9	7.1	9.0	8.5	9.4	2.3	13.4
Jamaica	4.0	96.0	42.7	3.7	5.3	5.1	7.1	0.9	28.3
Belize	1.8	98.2	48.7	2.8	9.4	9.6	2.9	2.3	20.6
Bahamas (a)	0.5	99.5	75.5	2.8	2.8	7.4	(	11.0	)
Total (b)	10.3	89.7							
of which:OECS	21.5	78.5							

a) Excluding trade in petroleum, except for net imports for domestic consumption; data from Bahamas Central Bank. b) Excluding Bahamas.
Source: Columns (1) and (2), CARICOM; Columns (3) to (9), estimates based on IMF Direction of Trade data (which is incomplete for OECS countries); Dominica data are estimates, based on partial country and IMF data for 1984.

Table 6

Domestic Exports by Direction
(Countries Ranked by Importance of Intra-Regional Trade)

Data for 1985 in Percent of Domestic Exports

English-Speaking Caribbean Country	Intra Regional Trade	Extra Regional Trade	of which:						
			U.S.	Can.	U.K.	Other EEC	Japan	Other Asia	Other W.Hem
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
St. Vincent*	61.7	38.3							
Antigua*	58.7	41.3							
Dominica*	38.7	61.3	1.8	0.0	52.3	0.3	0.0	0.0	6.9
Grenada*	33.9	66.1							
Montserrat*	27.6	72.4							
St. Lucia*	19.9	80.1							
St. Kitts*	19.6	80.4							
Barbados	14.2	85.8	66.3	1.8	7.3	1.7	0.1	0.6	7.9
Guyana	11.5	88.5	20.7	7.2	26.1	19.8	5.1	0.1	5.1
Trinidad	11.1	88.9	59.9	1.4	3.7	9.5	0.0	1.0	12.4
Jamaica	7.5	92.5	34.6	16.8	17.2	7.7	1.3	0.0	3.1
Belize	5.1	94.9	58.8	5.1	23.0	2.0	1.1	0.5	3.8
Bahamas (a)	1.1	98.9	33.3	6.5	4.5	15.1	(	39.4	)
Total (b)	12.2	87.8							
of which:OECS	40.2	59.8							

a) Excluding trade in petroleum, except for net imports for domestic consumption; data from Bahamas Central Bank. b) Excluding Bahamas.
Source: Columns (1) and (2), CARICOM; Columns (3) to (9), estimates based on IMF Direction of Trade data (which is incomplete for OECS countries); Dominica data are estimates, based on partial country and IMF data for 1984.

Table 7

Intra-Regional Trade Among English-Speaking Caribbean Countries, 1980 to 1985

Surpluses and Deficits, and the Extent of Bilateral or Multilateral Offsets

Amounts in U.S.$ millions

	1980	1981	1982	1983	1984	1985
OVERALL BALANCES:						
Total Intra-Regional Domestic Exports (a)	486.8	511.3	502.6	460.7	385.2	386.2
Bilateral Offsets	242.3	299.5	357.1	371.2	287.0	220.2
(as % of Total)	(49.8)	(58.6)	(71.1)	(80.6)	(74.5)	(57.0)
Multilateral Offsets	38.9	32.6	18.5	11.2	10.1	28.4
(as % of Total)	(8.0)	(6.4)	(3.7)	(2.4)	(2.6)	(7.4)
Unoffset Surplus	205.6	179.2	127.0	78.3	88.1	137.6
(as % of Total)	(42.2)	(35.1)	(25.3)	(17.0)	(22.9)	(35.6)
SURPLUS COUNTRIES:						
Trinidad & Tobago						
Intra-Reg. Exports	302.3	296.0	273.7	206.5	195.3	232.6
Intra-Reg. Imports (FOB)	100.3	117.1	152.8	172.6	132.1	95.8
Surplus	+202.0	+178.9	+120.9	+33.9	+63.3	+136.8
(as % of Exports)	(66.8)	(60.4)	(44.2)	(16.4)	(32.4)	(58.8)
Belize						
Intra-Reg. Exports	5.6	2.9	6.9	9.4	6.9	3.3
Intra-Reg. Imports (FOB)	2.0	2.5	2.0	2.1	2.4	2.4
Surplus	+3.6	+0.3	+4.9	+7.3	+4.4	+0.9
(as % of Exports)	(64.3)	(10.3)	(71.0)	(77.7)	(63.8)	(27.3)
SWITCH COUNTRY:						
Jamaica						
Intra-Reg. Exports	56.4	67.8	77.3	96.6	53.2	40.1
Intra-Reg. Imports (FOB)	94.7	105.9	76.1	59.5	32.9	47.9
Surplus (+), Deficit (-)	-38.3	-38.1	+1.2	+37.2	+20.4	-7.8
(as % of Exports)	(67.9)	(56.2)	(1.6)	(38.5)	(38.4)	(19.5)

For notes, see next page.

Table 7 (continued)

Amounts in U.S. $ millions

	1980	1981	1982	1983	1984	1985
DEFICIT COUNTRIES:						
Barbados						
Intra-Reg. Exports	41.9	48.4	58.9	60.2	50.2	35.3
Intra-Reg. Imports (FOB)	84.8	79.6	78.1	83.0	72.2	82.3
Deficit	-42.9	-31.2	-19.2	-22.8	-22.0	-47.0
(as % of Exports)	(102.4)	(64.5)	(32.6)	(37.9)	(43.8)	(133.1)
Guyana						
Intra-Reg. Exports	53.3	59.4	39.1	32.1	25.3	23.7
Intra-Reg. Imports (FOB)	94.6	112.3	113.4	71.9	74.8	70.0
Deficit	-41.4	-53.0	-74.2	-39.8	-49.5	-46.3
(as % of Exports)	(77.7)	(89.2)	(189.8)	(124.0)	(195.7)	(195.4)
OECS Countries						
Intra-Reg. Exports	27.4	36.8	46.6	55.8	54.2	51.3
Intra-Reg. Imports (FOB)	110.4	93.8	80.2	71.6	70.8	87.8
Deficit	-83.0	-56.9	-33.6	-15.7	-16.6	-36.5
(as % of Exports)	(302.9)	(154.6)	(72.1)	(28.1)	(30.6)	(71.2)
For Reference: Intra-Trade Among OECS Countries	10.0	14.7	18.4	18.2	20.0	21.6

a) Excluding Bahamas; excluding also intra-trade among OECS countries (i.e., within the EC$ area), which is shown separately, for reference, at the end of the table. Source: CARICOM data.

Table A

The Financing of Imports from Developed Market Economies (OECD Countries) to All Developing Countries and to Selected Caribbean Countries

(Values in US$ Billion)

	1979	1980	1981	1982	1983	1984	1985
ALL DEVELOPING COUNTRIES							
Total Imports (CIF) from All Sources	357.4	471.3	521.1	491.5	457.3	453.2	424.8
Total Imports (FOB) from OECD Countries:							
Value	265.1	327.5	354.6	325.5	299.9	303.1	298.0
% of Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Type of Financing of Imports from OECD:							
Gross Medium and Long-Term Export Credits Disbursed from DAC Sources 1):							
Value	28.5	34.8	36.1	33.9	33.1	28.5	25.3
% of Total	10.8	10.6	10.2	10.4	11.0	9.4	8.5
Gross Disbursements of Official DAC Flows 2): (excl. Exp. Credits)							
Value	25.6	31.1	30.7	33.0	33.2	38.7	41.7
% of Total	9.6	9.5	8.7	10.2	11.1	12.8	14.0
Gross Short-Term (under 1-year) Officially Insured Export Credits (Estimated) 3):							
Value	(42.4)	(52.4)	(56.7)	(52.1)	(48.0)	(43.2)	(52.5)
% of Total	(16.0)	(16.0)	(16.0)	(16.0)	(16.0)	(14.3)	(17.6)
All Other Imports 4): (Not Officially Financed or Insured)							
Value	(168.7)	(209.2)	(231.1)	(206.5)	(185.7)	(192.7)	(178.4)
% of Total	(63.6)	(63.9)	(65.2)	(63.4)	(61.9)	(63.6)	(59.9)

Table A (continued)

(Values in US$ Million)

	1979	1980	1981	1982	1983	1984	1985
BAHAMAS							
Total Imports (CIF) from All Sources	300a)	677a)	433a)	665a)	591a)	717a)	800a)
Total Imports (FOB) from OECD Countries:							
Value	564	656	1,001	886	602	1,104	1,079
% of Total	100	100	100	100	100	100	100
Gross Medium and Long-Term Export Credits Disbursed from DAC Sources 1):							
Value	31.6	60.0	14.2	106.9	24.8	42.0	97.0
% of Total	5.6	9.2	1.4	12.0	4.1	3.8	9.0
Gross Disbursements of Official DAC Flows 2): (excl. Exp. Credits)							
Value	0.7	3.3	2.9	7.1	3.5	11.6	2.6
% of Total	0.12	0.50	0.29	0.80	0.58	1.05	0.24
BARBADOS							
Total Imports (CIF) from All Sources	423	522	572	551	621	659	607
Total Imports (FOB) from OECD Countries:							
Value	247	285	309	294	332	359	297
% of Total	100	100	100	100	100	100	100
Gross Medium and Long-Term Export Credits Disbursed from DAC Sources 1):							
Value	25.2	8.5	4.5	17.2	10.0	6.9	7.7
% of Total	10.2	3.0	1.5	5.6	3.0	1.9	2.6
Gross Disbursements of Official DAC Flows 2): (excl. Exp. Credits)							
Value	9.0	13.4	30.3	30.0	30.8	21.3	18.4
% of Total	3.6	4.7	9.8	10.2	9.3	5.9	6.2

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a) Excluding petroleum, which accounts for about 80% of the Bahamas' imports from all sources.

Table A (continued)

	1979	1980	1981	1982	1983	1984	1985
	(Values in US$ Million)						
BELIZE							
Total Imports (CIF) from All Sources	140	150	162	128	112	130	128
Total Imports (FOB) from OECD Countries:							
Value	94	99	108	91	55	81	82
% of Total	100	100	100	100	100	100	100
Gross Medium and Long-Term Export Credits Disbursed from DAC Sources 1):							
Value	0.1	9.7	3.0	7.7	8.7	17.3	1.7
% of Total	0.1	9.8	2.8	8.5	15.8	21.4	2.1
Gross Disbursements of Official DAC Flows 2): (excl. Exp. Credits)							
Value	20.2	13.5	11.1	9.0	18.1	10.2	22.9
% of Total	21.5	13.6	10.3	9.9	32.9	12.6	27.9
GUYANA							
Total Imports (CIF) from All Sources	318	396	436	280	230	263	255
Total Imports (FOB) from OECD Countries:							
Value	176	212	218	113	71	86	92
% of Total	100	100	100	100	100	100	100
Gross Medium and Long-Term Export Credits Disbursed from DAC Sources 1):							
Value	4.7	20.4	12.9	15.9	1.5	0.8	1.0
% of Total	2.7	9.6	5.9	14.1	2.1	0.9	1.1
Gross Disbursements of Official DAC Flows 2): (excl. Exp. Credits)							
Value	51.2	44.3	78.2	52.1	44.7	28.6	34.0
% of Total	29.1	20.9	35.9	46.1	63.0	33.3	37.0

Table A (continued)

	1979	1980	1981	1982	1983	1984	1985
	(Values in US$ Million)						
JAMAICA							
Total Imports (CIF) from All Sources	992	1,171	1,473	1,381	1,530	1,146	1,110
Total Imports (FOB) from OECD Countries:							
Value	544	512	747	746	781	738	614
% of Total	100	100	100	100	100	100	100
Gross Medium and Long-Term Export Credits Disbursed from DAC Sources 1):							
Value	25.0	61,0	39.8	59.5	67.1	135.9	101.6
% of Total	4.6	11.9	5.3	8.0	8.6	18.4	16.6
Gross Disbursements of Official DAC Flows 2): (excl. Exp. Credits)							
Value	105.8	167.7	201.7	319.4	257.7	315.8	360.4
% of Total	19.5	32.8	27.0	42.8	33.0	42.8	58.7
TRINIDAD & TOBAGO							
Total Imports (CIF) from All Sources	2,111	3,194	3,109	3,697	2,582	2,101	1,525
Total Imports (FOB) from OECD Countries:							
Value	1,043	1,407	1,339	1,749	1,426	1,177	928
% of Total	100	100	100	100	100	100	100
Gross Medium and Long-Term Export Credits Disbursed from DAC Sources 1):							
Value	119.0	220.2	187.6	83.0	168.4	127.4	66.7
% of Total	11.4	15.7	14.0	4.8	11.8	10.8	7.2
Gross Disbursements of Official DAC Flows 2): (excl. Exp. Credits)							
Value	13.6	7.1	8.6	4.8	3.8	5.6	4.8
% of Total	1.3	0.5	0.6	0.3	0.3	0.5	0.5

Table A (continued)

Notes:

1) Gross Official Export Credits plus Gross Private Export Credits which are officially guaranteed or insured, with a duration in excess of one year. [In the case of Jamaica, data for gross export credits (medium and long-term) may include some "disbursements" under debt rescheduling arrangements rather than the financing of new exports.]

2) Gross Official Flows from DAC member countries and multilateral agencies, including "Official Development Assistance" (ODA) and "Other Official Flows" (OOF), but adjusted to exclude Official Export Credits and Technical Assistance Grants; (it, of course, also excludes non-DAC financed multilateral agencies).

3) Gross short-term (one year or less) export credits officially insured or guaranteed by DAC member countries. Estimates are based on amounts outstanding of such credits in 1984 and 1985 for all OECD countries, covering exports to developing countries, on the assumption that one-quarter of these credits turn over 1.5 times per year and three-quarters of them turn over 3 times per year.
[The estimate of officially insured or guaranteed short-term export credits is calculated for all developing countries as a group. Estimates for individual developing countries are much less certain, since export guarantee or insurance agencies in OECD countries are reluctant to disclose the degree of their exposure vis a vis particular developing countries. The demand for official insurance is likely to be greater with respect to countries considered more risky or less creditworthy. On the other hand, export credit agencies limit their exposure in more risky countries and may indeed suspend any insurance on exports to the countries with the most difficult foreign exchange problems. Therefore, the use of the rough overall percentage for all developing countries (about 15 percent of total exports to developing countries as a group) is almost surely wrong as a means of estimating the situation for most individual developing countries.]

4) This residual item covers all other exports from OECD countries to developing countries which are not financed by items described in notes 1), 2), and 3), above: bank financing not officially guaranteed or insured, intra-multinational company transfers, cash transactions, countertrade arrangements, etc. This residual is accurate only if item 2), Gross Official Flows (adjusted), actually involves disbursements for goods exported from OECD countries; some of these flows are in fact disbursed for local costs in the recipient country; other amounts may be untied and lead to purchases from non-OECD sources, though it is likely that the great bulk of these funds is in fact expended in OECD countries in most cases.

Table B

Domestic Exports from English-Speaking Caribbean Countries: Total and Intra-Regional 1)

(Value in US$ Million)		1980	1981	1982	1983	1984	1985
Bahamas 2):	Total 2)	158.6	187.2	227.1	257.4	281.8	293.0
of which:	Intra-Reg.2)	1.7	4.7	4.9	1.3	2.2	3.2
Barbados:	Total	150.7	156.9	180.3	290.8	291.8	248.2
	Intra-Reg.	41.9	48,4	58.9	60.2	50.2	35.3
Belize:	Total	82.1	66.2	59.8	65.1	72.9	64.4
	Intra-Reg.	5.6	2.9	6.9	9.4	6.9	3.3
Guyana:	Total	383.4	350.3	234.3	180.6	210.8	206.0
	Intra-Reg.	53.3	59.4	39.1	32.1	25.3	23.7
Jamaica:	Total	945.2	967.6	747.7	712.1	687.8	535.1
	Intra-Reg.	56.4	67.8	77.3	96.6	53.2	40.1
Trinidad & Tobago:	Total	4,056.3	3,634.1	2,994.6	2,263.2	2,101.8	2,103.3
	Intra-Reg.	302.3	296.0	273.7	206.5	195.3	232.6
Trinidad2) & Tobago:	Total 2)	228.0	238.1	285.2	307.8	364.8	381.7
	Intra-Reg.2)	79.8	73.0	67.1	58.1	37.9	37.8
Antigua & Barbuda:	Total	9.4	9.7	10.1	11.1	9.3	7.3
	Intra-Reg.	5.9	7.7	8.2	10.2	5.5	4.3
Dominica:	Total	9.3	18.7	22.8	26.8	24.9	26.2
	Intra-Reg.	5.7	8.1	10.9	13.3	11.2	10.1
Grenada:	Total	16.9	18.6	17.7	17.9	16.6	21.6
	Intra-Reg.	1.9	3.9	5.7	7.0	6.4	7.3
Montserrat:	Total	0.7	1.3	1.0	1.6	1.5	1.0
	Intra-Reg.	0.4	0.9	0.7	1.0	0.8	0.3
St. Christopher/ Nevis:	Total	23.5	22.4	17.2	17.4	19.5	15.6
	Intra-Reg.	4.2	3.6	4.0	4.3	4.3	3.1
St.Lucia:	Total	33.7	36.4	37.7	39.6	45.8	47.5
	Intra-Reg.	12.9	16.9	17.2	15.7	12.2	9.4
St.Vincent and the Grenadines:	Total	14.9	23.5	31.4	39.5	52.7	62.1
	Intra-Reg.	6.3	10.4	18.2	22.7	33.9	38.4

1) "Intra-Regional" exports are defined here as from and to the English-speaking Caribbean countries shown (comprising the Caricom region). (Exports to the Bahamas are excluded from the "Intra-Regional" data but are included in the "Total" data).
2) Excluding petroleum exports.

Table C: Commodity Structure of Exports
(Values in U.S. $ Thousand)

Export structure at the SITC group (3-digit) level (ranked by average 1982-1983 values)
Individual countries

SITC group / Groupe de la CTCI	1982-1983 Value (Thousands of dollars) / Valeur (Milliers de dollars)	As a per cent / En pourcentage: of country total / du total du pays	of ** / des **	of world / du monde
	1	2	3	4
Antigua and Barbuda – Antigua-et-Barbuda (= developing)**				
All commodities	12 286	100.00	0.00	0.00
841 Clothing except fur	3 553	28.92	0.02	0.01
821 Furniture	1 411	11.48	0.10	0.01
725 Domestic electrical	1 096	8.92	0.08	0.01
697 Household equipment	1 054	8.58	0.13	0.03
715 Metalworking machin	818	6.66	0.16	0.01
001 Live animals	786	6.39	0.07	0.02
332 Petroleum products	751	6.12	0.00	0.00
031 Fish,fresh & simply	578	4.70	0.01	0.01
893 Articles of artific	538	4.38	0.04	0.01
112 Alcoholic beverages	255	2.08	0.05	0.00
533 Pigments, paints, v	210	1.71	0.08	0.00
581 Plastic materials,r	192	1.56	0.02	0.00
048 Cereal preps & prep	152	1.24	0.04	0.00
642 Articles of paper,	122	0.99	0.02	0.00
691 Finished structural	119	0.97	0.01	0.00
719 Machinery and appli	106	0.86	0.00	0.00
Remainder	547	4.45		
Bahamas (= developing)**				
All commodities	1 849 387	100.00	0.40	0.10
332 Petroleum products	1 555 555	84.11	3.94	1.67
541 Medicinal etc produ	85 206	4.61	8.57	0.58
512 Organic chemicals	52 947	2.86	2.86	0.16
276 Other crude mineral	29 391	1.59	4.11	0.65
931 Special transaction	22 077	1.19	0.47	0.08
112 Alcoholic beverages	21 186	1.15	4.32	0.26
031 Fish fresh,simply p	17 621	0.95	0.38	0.16
231 Crude rubber-incl.s	10 334	0.56	0.27	0.16
599 Chemicals nes	5 773	0.31	0.82	0.04
331 Petroleum, crude an	4 248	0.23	0.00	0.00
682 Copper	3 917	0.21	0.12	0.04
714 Office machines	2 190	0.12	0.10	0.01
661 Cement etc building	1 720	0.09	0.14	0.04
022 Milk and cream	1 553	0.08	1.47	0.03
718 Machs for spcl indu	1 537	0.08	0.15	0.01
551 Essentl oil,perfume	1 403	0.08	0.69	0.09
Remainder	32 734	1.77		
Barbados – Barbade (= developing)**				
All commodities	242 759	100.00	0.05	0.01
729 Electrical machiner	86 713	35.72	1.32	0.20
841 Clothing not of fur	36 686	15.11	0.22	0.11
061 Sugar and honey	31 144	12.83	0.38	0.27
722 Elec pwr mach,switc	19 630	8.09	0.65	0.08
821 Furniture	6 795	2.80	0.48	0.07
091 Margarine,shortenin	4 564	1.88	6.48	0.84
599 Chemicals nes	4 330	1.78	0.61	0.03
714 Office machines	3 397	1.40	0.15	0.01
931 Special transaction	3 110	1.28	0.07	0.01
553 Perfume,cosmetics,e	2 928	1.21	1.23	0.10
112 Alcoholic beverages	2 481	1.02	0.51	0.03
724 Telecommunications	2 326	0.96	0.03	0.01
691 Structures and part	2 278	0.94	0.23	0.03
719 Machines nes nonele	2 274	0.94	0.08	0.00
698 Metal manufactures	2 238	0.92	0.22	0.02
554 Soaps,cleanning etc	2 226	0.92	0.78	0.08
Remainder	29 618	12.20		
Belize (= developing)**				
All commodities	89 722	100.00	0.02	0.00
061 Sugar and honey	37 182	41.44	0.45	0.32
053 Fruit preserved,pre	8 123	9.05	0.54	0.21
841 Clothing not of fur	7 653	8.53	0.05	0.02
031 Fish fresh,simply p	6 221	6.93	0.14	0.06
051 Fruit frsh nuts frs	4 882	5.44	0.12	0.05
243 Wood shaped	4 444	4.95	0.25	0.05
931 Special transaction	3 386	3.77	0.07	0.01
332 Petroleum products	3 346	3.73	0.01	0.00
071 Coffee	2 183	2.43	0.02	0.02
242 Wood rough	1 008	1.12	0.04	0.02
541 Medicinal etc produ	938	1.05	0.09	0.01
081 Animal feeding stuf	666	0.74	0.02	0.01
001 Live animals	568	0.63	0.05	0.01
899 Other manufactured	507	0.57	0.04	0.01
553 Perfumery, cosmetic	495	0.55	0.21	0.02
732 Road motor vehicles	457	0.51	0.01	0.00
Remainder	7 662	8.54		

Source: UNCTAD, Handbook of International Trade and Development Statistics, 1986 Supplement, Table 4.3 D.

Table C- (continued)
(Values in US$ Thousand)

Export structure at the SITC group (3-digit) level (ranked by average 1982-1983 values)
Individual countries
(continued)

SITC group / Groupe de la CTCI	1982-1983: Value (Thousands of dollars) / Valeur (Milliers de dollars)	As a per cent / En pourcentage: of country total / du total du pays	of ** / des **	of world / du monde
	1	2	3	4

Dominica – Dominique (** = developing)

SITC group	1	2	3	4
All commodities	24 448	100.00	0.01	0.00
051 Fruit frsh nuts frs	11 033	45.13	0.30	0.12
554 Soaps.cleanning etc	8 675	35.48	2.89	0.30
422 Fixed veg oil nonso	1 118	4.57	0.04	0.04
686 Zinc	480	1.96	0.20	0.03
551 Essentl oil,perfume	409	1.67	0.20	0.03
011 Meat, fresh, chille	364	1.49	0.02	0.00
054 Veg etc frsh,smply	320	1.31	0.01	0.00
421 Fixed veg oils,soft	160	0.65	0.01	0.00
Remainder	1 887	7.72		

Grenada – Grenade (** = developing)

SITC group	1	2	3	4
All commodities	19 726	100.00	0.00	0.00
051 Fruit, fresh, and n	7 430	37.67	0.19	0.08
072 Cocoa	3 757	19.05	0.15	0.12
075 Spices	2 829	14.34	0.37	0.31
841 Clothing except fur	2 104	10.66	0.01	0.01
031 Fish,fresh & simply	725	3.67	0.02	0.01
046 Meal and flour of w	423	2.15	0.35	0.03
001 Live animals	298	1.51	0.03	0.01
081 Feed.-stuff for ani	267	1.35	0.01	0.00
821 Furniture	209	1.06	0.01	0.00
554 Soaps,cleansing & p	195	0.99	0.07	0.01
331 Petroleum, crude an	184	0.93	0.00	0.00
022 Milk and cream	181	0.92	0.17	0.00
332 Petroleum products	161	0.82	0.00	0.00
054 Vegetables, roots &	99	0.50	0.00	0.00
896 Works of art,collec	83	0.42	0.02	0.00
911 Postal packages not	78	0.39	0.06	0.01
Remainder	704	3.57		

Guyana (** = developing)

SITC group	1	2	3	4
All commodities	217 150	100.00	0.05	0.01
061 Sugar and honey	80 198	36.93	0.97	0.69
283 Nonfer base mtl ore	77 700	35.78	1.68	0.96
042 Rice	20 899	9.62	1.13	0.59
512 Organic chemicals	7 150	3.29	0.39	0.02
599 Chemicals nes	6 245	2.88	0.89	0.04
841 Clothing not of fur	5 234	2.41	0.03	0.02
112 Alcoholic beverages	4 591	2.11	0.94	0.06
725 Domestic electrical	4 088	1.88	0.29	0.05
243 Wood shaped	3 861	1.78	0.21	0.04
242 Wood rough	3 312	1.53	0.13	0.07
941 Animals, nes-incl.z	1 833	0.84	5.77	1.94
071 Coffee	1 794	0.83	0.02	0.02
Remainder	261	0.12		

Jamaica – Jamaïque (** = developing)

SITC group	1	2	3	4
All commodities	720 030	100.00	0.15	0.04
513 Inorg.chemicals-ele	343 588	47.72	20.96	3.87
283 Nonfer base mtl ore	121 614	16.89	2.62	1.51
061 Sugar and honey	46 243	6.42	0.56	0.40
112 Alcoholic beverages	31 163	4.33	6.35	0.38
332 Petroleum products	23 238	3.23	0.06	0.02
841 Clothing not of fur	18 163	2.52	0.11	0.05
051 Fruit frsh nuts frs	12 648	1.76	0.32	0.14
122 Tobacco mfrs	9 711	1.35	2.27	0.25
054 Veg etc frsh,smply	8 085	1.12	0.32	0.11
071 Coffee	7 414	1.03	0.08	0.07
053 Fruit preserved,pre	6 800	0.94	0.45	0.17
553 Perfume,cosmetics,e	6 093	0.85	2.56	0.21
821 Furniture	5 027	0.70	0.35	0.05
075 Spices	4 958	0.69	0.65	0.54
931 Special transaction	4 693	0.65	0.10	0.02
072 Cocoa	4 068	0.56	0.17	0.13
Remainder	66 531	9.24		

Montserrat (** = developing)

SITC group	1	2	3	4
All commodities	9 741	100.00	0.00	0.00
332 Petroleum products	3 344	34.33	0.01	0.00
263 Cotton	554	5.69	0.02	0.01
841 Clothing except fur	479	4.91	0.00	0.00
283 Ores & concentrates	362	3.72	0.01	0.00
061 Sugar and honey	309	3.17	0.00	0.00
896 Works of art,collec	267	2.75	0.08	0.01
292 Crude vegetable mat	264	2.71	0.02	0.01
031 Fish,fresh & simply	251	2.58	0.01	0.00
656 Made-up articles,wh	246	2.53	0.02	0.01
711 Power generating ma	223	2.28	0.01	0.00
075 Spices	216	2.21	0.03	0.02
051 Fruit, fresh, and n	211	2.16	0.01	0.00
657 Floor coverings, ta	198	2.03	0.02	0.01
893 Articles of artific	194	2.00	0.02	0.00
632 Wood manufactures,n	158	1.62	0.02	0.00
053 Fruit,preserved and	145	1.49	0.01	0.00
Remainder	2 319	23.81		

Table C (continued)
(Values in U.S. $ Thousand)

Export structure at the SITC group (3-digit) level (ranked by average 1982-1983 values)
Individual countries
(continued)

SITC group / Groupe de la CTCI	1982-1983 Value (Thousands of dollars) / Valeur (Milliers de dollars)	As a per cent / En pourcentage: of country total / du total du pays	of ** / des **	of world / du monde
	1	2	3	4
St. Christopher and Nevis – Saint-Christophe-et-Nevis (= developing)**				
All commodities	45 090	100.00	0.01	0.00
841 Clothing not of fur	14 572	32.32	0.09	0.04
061 Sugar and honey	12 206	27.07	0.15	0.11
722 Elec pwr mach,swic	4 338	9.62	0.14	0.02
931 Special transaction	2 860	6.34	0.06	0.01
729 Electrical machiner	1 948	4.32	0.03	0.00
724 Telecommunications	1 472	3.26	0.02	0.00
851 Footwear	1 435	3.18	0.03	0.01
332 Petroleum products	1 159	2.57	0.00	0.00
112 Alcoholic beverages	633	1.40	0.13	0.01
031 Fish fresh,simply p	615	1.36	0.01	0.01
075 Spices	603	1.34	0.08	0.07
656 Textile etc product	437	0.97	0.03	0.01
892 Printed matter	284	0.63	0.05	0.00
894 Toys,sporting goods	253	0.56	0.01	0.00
661 Cement etc building	233	0.52	0.02	0.01
072 Cocoa	220	0.49	0.01	0.01
Remainder	1 821	4.04		
Saint Lucia – Sainte-Lucie (= developing)**				
All commodities	49 238	100.00	0.01	0.00
051 Fruit frsh nuts frs	32 716	66.44	0.79	0.35
642 Articles of paper e	3 202	6.50	0.61	0.06
422 Fixed veg oil nonso	3 088	6.27	0.11	0.09
841 Clothing not of fur	2 789	5.66	0.02	0.01
112 Alcoholic beverages	2 507	5.09	0.54	0.03
111 Non-alc beverages n	747	1.52	0.72	0.10
091 Margarine,shortenin	508	1.03	0.84	0.10
431 Procesd anml veg oi	429	0.87	0.17	0.04
292 Crude veg materials	378	0.77	0.03	0.01
554 Soaps,cleanning etc	348	0.71	0.13	0.01
099 Food preparations n	348	0.71	0.10	0.01
075 Spices	260	0.53	0.04	0.03
724 Telecommunications	237	0.48	0.00	0.00
421 Fixed veg oils,soft	205	0.42	0.02	0.01
512 Organic chemicals	204	0.41	0.01	0.00
081 Animal feeding stuf	165	0.33	0.00	0.00
Remainder	1 099	2.23		
Saint Vincent and the Grenadines – Saint-Vincent-et-Grenadines (= developing)**				
All commodities	35 545	100.00	0.01	0.00
051 Fruit frsh nuts frs	18 623	52.39	0.47	0.20
054 Veg etc frsh,smply	5 595	15.74	0.22	0.08
674 Irn,stl univ,plate,	2 377	6.69	0.15	0.01
046 Wheat etc meal or f	2 138	6.01	1.74	0.16
081 Animal feeding stuf	980	2.76	0.03	0.01
031 Fish fresh,simply p	881	2.48	0.02	0.01
841 Clothing not of fur	692	1.95	0.00	0.00
697 Base mtl household	596	1.68	0.07	0.02
864 Watches and clocks	576	1.62	0.03	0.01
121 Tobacco unmfd	357	1.00	0.02	0.01
071 Coffee	345	0.97	0.00	0.00
599 Chemicals nes	338	0.95	0.05	0.00
642 Articles of paper e	257	0.72	0.05	0.00
725 Domestic electric e	246	0.69	0.02	0.00
896 Works of art etc	240	0.68	0.07	0.01
075 Spices	184	0.52	0.02	0.02
Remainder	1 120	3.15		
Trinidad and Tobago – Trinité-et-Tobago (= developing)**				
All commodities	2 719 058	100.00	0.58	0.15
332 Petroleum products	1 211 202	44.54	3.07	1.30
331 Crude petroleum,etc	1 107 900	40.75	0.58	0.47
513 Inorg elemnts,oxide	124 452	4.58	7.59	1.40
735 Ships and boats	35 706	1.31	0.70	0.17
673 Iron and steel shap	25 939	0.95	1.83	0.23
512 Organic chemicals	24 968	0.92	1.35	0.08
061 Sugar and honey	24 361	0.90	0.29	0.21
521 Coal,petroleum etc	9 637	0.35	0.67	0.35
711 Power machinery non	9 616	0.35	0.56	0.03
341 Gas natural and man	9 224	0.34	0.07	0.02
561 Fertilizers manufac	8 874	0.33	0.84	0.13
734 Aircraft	8 405	0.31	1.10	0.03
112 Alcoholic beverages	7 816	0.29	1.59	0.09
554 Soaps,cleaning etc	6 870	0.25	2.39	0.24
599 Chemicals nes	5 868	0.22	0.83	0.04
048 Cereal etc preparat	4 640	0.17	1.35	0.14
Remainder	93 580	3.44		