products included on reserve lists. These lists comprise some 17 product groups including tobacco, paints, radios and TV sets, batteries, furniture, certain fruit preparations, manufactured tobacco, except cigars, and certain clothing and footwear items. Developed members (Trinidad, Guyana, Barbados and Jamaica) have five years to abolish tariffs on reserve items while the less developed members have ten years. The Agreement stipulates specific origin rules which provide basically for a 50 per cent value added local content to qualify for area treatment. There is also a Basic Materials List of items which are to be treated as of area origin whether imported or not and a Qualifying Process List which, when established, will set out a list of manufacturing processes which, if carried out within a member country, will qualify the finished product for Area Treatment. A standstill on investment incentives is also envisaged which stipulates that no member shall offer more generous tax concessions than other countries in the group extend.

A supplementary agreement includes an agricultural protocol which requires member territories to reduce their extra-zonal imports of 22 basic food commodities during the next three years to 30% of their 1966 level. Included on the agricultural list are such items of interest to Canada as potatoes, onions, carrots, pork products, and red Kidney beans. The CARIFTA Secretariat, located in Georgetown, will be responsible for policing this arrangement and allocating markets among CARIFTA producers on the basis of supply and demand information supplied by the members. The protocol has not yet been effectively implemented by the member governments.

Accordingly, a substantial proportion of intra-area trade has been placed on a duty free basis while imports from outside the area, including those from Canada, the United Kingdom and the U.S.A., remain subject to the external tariff treatment presently accorded by each individual member. In particular cases, therefore, while our preferential margin vis-a-vis the United States and other MFN suppliers is maintained, Canadian exporters face a reverse preference in CARIFTA countries as regards competitive products manufactured within the free trade area.

As a further refinement, the Eastern Caribbean Common Market Agreement which was signed in Grenada in June 1968 creates a common market comprising the five West Indies Associated States (Antigua, Dominica, Grenada, St. Kitts, and St. Lucia) and St. Vincent. The elimination of import duties among the Common Market territories follows the schedule used by CARIFTA. Article 7 of the Agreement provides for the establishment of a common external tariff within three years.

It is relevant to look upon CARIFTA in the eyes of West Indian leaders who consider it a first step in the final objective of a full and viable Caribbean economic community. Indeed the Heads of Government Resolution establishing the free trade area makes clear that a full customs union including harmonization of fiscal incentives; regional integration of industries; a planned and organized trade in agricultural products and the establishment of regional sea and air carriers will mark the true fulfillment of the areas' regional aspirations.

Commonwealth Division,

Office of Area Relations,

June 10, 1969.

CLB/kd