

they have not been increasing as rapidly as United States holdings in recent years. United States suppliers are often in a position to capitalize on the basic American investment for the supply of the capital equipment, production materials and components required by new industry. In addition, tariffs are often waived on such imports under pioneer industries' legislation and consequently Canada's preferential advantage over MFN suppliers is lost.

(2) *Canada-West Indies Trade*
(see also attached statistical tables)

(a) *Canadian Exports to the Commonwealth Caribbean*

Canadian exports to the West Indies had been increasing steadily over the past few years— from \$85.1 million in 1964 to \$108.2 million in 1967. However, the rate of increase slowed somewhat to 5 p. 10 in 1967 over 1966 and in 1968 exports declined by 8.2 per cent to \$99.3 million. For the first three months of 1969 Canadian sales to the Commonwealth Caribbean climbed marginally to \$21.9 million from \$20.6 million for the same period in 1968. Specific trading interests are outlined for the four independent Commonwealth Caribbean markets and the Bahamas in separate papers.

The West Indies market represents about one per cent of total Canadian exports and Canada supplies roughly 10 per cent of the region's import requirements. In 1968 the area ranked 13th among Canada's export markets and 4th among Canada's exports to the Commonwealth. Traditional exports including flour, fish, meats, processed foodstuffs, lumber and newsprint still bulk large in our trade. However, increasing industrialization in the area is changing the composition of Canadian exports and in recent years has introduced significant sales of such items as textile fabrics, insulated wire and cable, aluminum fabricated materials, various capital equipment and an increasing range of fully manufactured goods. The establishment of CARIFTA while posing some short term problems for Canadian exports is expected, in the longer term, to create opportunities for increased trade with the region.

(b) *Canadian Imports from the Commonwealth Caribbean*

Canadian purchases from the West Indies have remained relatively static over the past three years, amounting to \$89 million in both 1966 and 1967 and \$92 million in 1968. Commonwealth Caribbean exports to Canada are

narrowly based with bauxite and alumina, sugar, petroleum, molasses, rum and citrus fruit juices accounting for over 80 per cent of the total. However, the West Indies has a small but growing market in Canada for such items as cigars, liqueurs, garments, footwear, and buttons.

The Commonwealth Caribbean traditionally supplies less than one per cent of total Canadian imports. In 1968 the West Indies ranked 8th among Canada's sources of imports and 2nd among Commonwealth suppliers.

(3) *Trade Relations*

Canada's trade relations with the Commonwealth Caribbean are governed by the Canada-West Indies Trade Agreement, 1925 and attendant protocol signed at the 1966 Canada-Commonwealth Caribbean Prime Ministers' Conference. All countries are also members of the General Agreement on Tariffs and Trade (GATT).

The bilateral Trade Agreement (copies of which were supplied separately) provides for the exchange of tariff preferences between Canada and the Commonwealth Caribbean and includes a provision which makes direct shipment a necessary qualification for preferential tariff treatment. At the 1966 Conference the direct shipment provision (Article VII) was waived so that either Canadian or Commonwealth Caribbean goods may now be transhipped and still qualify for preference as long as a through bill of lading accompanies the shipment.

Each Commonwealth Caribbean territory undertakes to maintain minimum margins of preference on certain Canadian goods. There is a general provision that the duties on Canadian goods (preferential tariff) may not exceed certain percentages of the duties imposed on imports from any foreign country (general tariff). The percentages vary in different territories: they may not exceed 50 per cent in *Barbados*, *Guyana* and *Trinidad*; 66 $\frac{2}{3}$ per cent in *British Honduras* and the *Leeward and Windward Islands*; or 75 per cent in the *Bahamas* and *Jamaica*. In addition, Schedule B of the Trade Agreement provides for specific margins of preference on some 15 products including flour, certain meats and fish, lumber, condensed milk and apples.

Almost 95 per cent of Canadian exports to the West Indies are eligible for preferential tariff treatment. In 1968 \$23.9 million or 24 per cent of Canadian exports to the Common-