

GENERAL  
LC/CAR/G.757  
5 November 2003  
ORIGINAL: ENGLISH

**Export promotion policies  
in  
CARICOM Caribbean Economies**

## Table of Contents

	<u>Page</u>
Introduction .....	1
1. Size and geography:	
The context for export promotion policies and its implications .....	3
2. Export promotion objectives.....	7
2.1. Securing market access for non-traditional products:	
Niche-market orientation .....	7
2.2 Securing market access in traditional products:	
Preferential market access.....	10
2.3 Ethnic niche marketing for agricultural products:	
The case of Guyana.....	20
2.4. Securing export markets at the regional level.....	22
2.5. Export diversification objectives: the case of Jamaica .....	25
2.6. Export promotion policies and the quest for foreign exchange .....	26
2.7. Product recognition.....	31
3. Export promotion actors and instruments .....	31
3.1. Trade policy in CARICOM .....	32
3.2. Fiscal incentives.....	35
3.2.1 The case of the OECS .....	36
3.2.2. The case of Guyana.....	37
3.2.3. The case of Barbados .....	39
3.3 Government capital expenditures .....	41
3.4. Export financing schemes.....	42
3.5. Trade diplomacy .....	45
4. Export promotion policies: outcomes and implications.....	47
4.1. A preliminary overview .....	47
4.2. CARICOM's extra-regional market share.....	47
4.3. CARICOM's intra-regional trade stylised facts .....	54
4.4. Export performance, investment and the fiscal cost.....	58
4.5. The possible consequences of export promotion policies:	
A limiting case .....	62
Conclusion .....	64
Annex .....	65
References .....	68

## Introduction

CARICOM Caribbean economies are considered by any standard, smaller economies.<sup>1</sup> Due to their inherent characteristics, their overall performance is highly correlated with that of the external sector.

Exports are an important source of job creation, foreign exchange earnings and growth. Taking a demand-oriented demand approach and assuming that demand constraints bite before the supply constraints do, exports can promote growth for three reasons. First, they are the only autonomous component of demand that is determined from outside the system. Second, they are the only component that can finance its import components. There is no such thing (unless for a short period of time) as a consumption, government or investment led growth. In other words the rate, of growth of an economy must be 'attuned' to that of its exports. Finally, imports financed by exports can generate higher levels of productivity. As a result export promotion policies acquire a unique and fundamental role in smaller economies' overall economic strategy and policy orientation.

In the case of CARICOM, export policies and export promotion strategies responded to the underlying logic of a development model termed 'industrialization by invitation.'<sup>2</sup> Export promotion stood on three pillars, fiscal incentives, a common external tariff (CET) and foreign direct investment flows. The schemes for implementation were originally conceived at the regional level but were in fact soon overhauled by the adoption of national strategies.

Presently, regional and national export promotion strategies coexist side by side but with a marked absence of coordination between both. Regional export promotion policies are coordinated by CARICOM's Council of Trade and Development (COTED) and contained in the revised version (1992) of the Chaguaramas Treaty (1973). In essence, they seek to develop intra-regional trade at the expense of extra-regional trade. The main instrument is the Common External Tariff (CET), which basically affords a high degree of protection to the major commodities traded within CARICOM.

At the national level CARICOM economies are at different stages in their export promotion efforts ranging from countries such as Suriname where export promotion is a distant objective to Barbados where the authorities have decidedly adopted an upper income echelon approach to the development of tourism.

---

<sup>1</sup> The Caribbean Community (CARICOM) has 15 member states (Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname and Trinidad and Tobago). The Bahamas is not a member state of the Common Market. CARICOM has five associate members (Anguilla, Bermuda, British Virgin Islands, Cayman Islands, and Turks and Caicos Islands). Aruba, Mexico, Venezuela, Colombia, the Netherlands Antilles, the Dominican Republic, and Puerto Rico are observers. The analysis here presented centers mainly on CARICOM member states.

<sup>2</sup> Arthur Lewis (1950) first formulated the rationale and main elements of this development model.

The common denominators (with the exception of small size and the adoption of fiscal incentives) that can characterize or encompass their export promotion experiences are the search for niche markets, market segmentation and comparative advantage. An analysis of different national cases including, Barbados, Jamaica, Guyana, the Member States of the Organization of Eastern Caribbean States (OECS) and Suriname indicate that export promotion strategies and in particular the common denominators listed above are significantly shaped and determined by their different stages of economic and institutional development and also, and most important, by their economic structure.

The purpose of this document is to describe, analyze and assess export promotion policies in the case of CARICOM Caribbean economies. The document is divided into six sections. Following the introduction, the first section provides the context for export promotion policies by analyzing how size and geography can shape export promotion efforts and their outcome.

The second section focuses on CARICOM Caribbean economies' export promotion objectives. The argument in this section is that smaller economies pursue three types of export promotion objectives. These are to secure markets, to maximize foreign exchange earnings, and to promote product recognition. Securing markets, which is analyzed at the national and regional levels, involves niche-market production for non-traditional products and preferential market access for traditional products. The exception to the rule is Guyana that has managed to create an ethnic niche-market for its agricultural products. The section also argues that smaller economies do not pursue, with a few exceptions, export diversification.

The third section examines the institutional setting and instruments for export promotion policies. For historical reasons and also due to the constraints imposed by small size, the government rather than the private sector is the major export promotion agent. The instruments for export promotion include the Common External Tariff, fiscal incentives, government capital expenditure, export financing schemes and trade diplomacy.

The fourth section analyses the implications and impact of export promotion policies. It sustains that CARICOM Caribbean economies have lost market share in the goods market for their major extra-regional markets and gained market share at the intraregional level. In the services sector and in particular in tourism, CARICOM Caribbean states have also lost market share to the lower costs producers such as the Dominican Republic, Puerto Rico and Mexico.

This export performance which has increased the external gap is explained by a combination of internal and external factors. To some extent this performance questions the efficiency of these economies' export promotion efforts. In addition, the promotion of export activities that are intensive in foreign exchange earnings and that has resulted in a greater level of foreign direct investment flows, is associated with a stagnant domestic investment ratio for most economies. Finally, these effects are compounded by the fiscal

cost of export promotion policies. In some of the smaller economies, the fiscal cost, according to official sources, is estimated to range between 2% and 5% of GDP. The final comments and reflections are found in the conclusion.

# **1. Size and geography: the context for export promotion policies and its implications**

CARICOM Caribbean economies satisfy the different demarcation criteria proposed in the literature characterizing a small economy (See Table 30 in the Annex). Smallness has important implications for export performance and the development of an export strategy thus setting the context for export promotion policies.<sup>3</sup>

Small economies are price takers and have no influence on the terms of trade. Faced with exogenous prices they cannot rely on price competitiveness to enhance their export performance. Instead they must focus on competitiveness based on the quality of their products. As well, small countries cannot affect the pattern of external demand but instead must adapt to it. Thus the focus on quality must be accompanied by an emphasis on adaptation to the dynamics of the external market (the external linkage).

Yet small economies' inability to reap the benefits from economies of scale and scope, limits their capacity to enhance the quality of their export product and to adapt to changes in external demand or conditions. The absence of economies of scale leads to higher unit costs as a result of sub-optimal firm size, lack of complementary in tradable activities, domestic production of inputs, and inefficient spatial productive hierarchy (Ocampo, 2002).

Smaller producers are also seen as a risky financial investment. Finally, small countries have limited natural resource endowments and labor supplies. As a result they will inevitably produce a narrow range of products and in fact CARICOM Caribbean economies have foregone, with a few exceptions, export diversification objectives.<sup>4</sup> The high values of the diversification index presented in Table 1 below attest to their narrow export base.

---

<sup>3</sup> Smallness is generally defined in terms of population and the dividing line oscillates between 1.5 million and 10 million although some authors use a combination of population, GDP and surface area (See, Briguglio, 1995). The Commonwealth Secretariat proposed a population of 1.5 million or below (See, Atkins, Mazzi and Easter, 2001). Armstrong and Read (2000 and 2003) also distinguish between a small economy and a microstate where a microstate is defined as a state with a population of 3 million or less. Earlier on Kuznets (1960) set the demarcation criterion at 10 million and Chenery and Syrquin (1975) at 15 million (see, Perkins and Syrquin, 1992). More recently the Commonwealth Secretariat has produced a new definition of small in terms of the share of economies in world trade. The cut-off line was set at 0.02% and has been raised to 0.03% (See, Davenport, 2001). For a general review of small economies see, WTO, WT/COMTD/SE/W/4, July 2002.

<sup>4</sup> Nonetheless it should be taken into account that CARICOM governments often voice export diversification as one of their main objectives. As an example see, St. Vincent and the Grenadines, Medium Term Economic Strategy, 2002-2004. Government of St. Vincent and the Grenadines, p.5. A recent effort to diversify is that of organic farming which is an objective of the Grenadian authorities. See, NERA (2003), p.32.

Geographical location hardens these constraints because CARICOM Caribbean countries are placed in a geographical area prone to natural shocks and in addition due to their insularity transport costs are higher per unit of traded goods than for other countries. Moreover high transport costs constrain the development of productive activities such as agriculture and manufacturing that are dependent on imported inputs.

These limitations are partly compensated by a strong presence of the state and the government in development and export activities. In fact the government can be said to be the main export promoter and is a major source of export development through capital expenditure projects and fiscal incentives which lower the cost of doing business thereby providing an incentive to export activities.

Table 1 Number of commodities exported and diversification and concentration indices for selected Caribbean countries 2000			
Country	Number of commodities exported	Diversification index	Concentration index
Barbados	65	0.732	0.177
Dominica	16	0.630	0.433
Jamaica	74	0.857	0.571
Montserrat	25	0.532	0.300
St. Lucia	17	0.824	0.576
St. Kitts and Nevis	14	0.787	0.586
St. Vincent and the Grenadines	22	0.700	0.458
Suriname	35	0.847	0.659
Trinidad and Tobago	144	0.796	0.408
Note: The diversification index refers to the absolute deviation of the country share from the world structure. It is equal to: $D_i = \sum (S_{ij} - S_i)/2$ , where $S_{ij}$ = share of commodity i in total exports of country j. $S_i$ = share of commodity i in total world exports. The diversification index takes higher values as the export structure is less diversified. The concentration index is the Herfindahl-Hirschmann index. The index ranges from 0 to 1. A value of 1 is an indication of maximum concentration. Source: UNCTAD (2002)			

By virtue of their size, small economies are also open economies in terms of their composition of demand. Openness implies that economic performance is closely tied to export performance. A necessary condition for export led-growth is the correspondence and linkage between the export and the productive structures of the economies in question (the domestic linkage).

Table 2  
Sectoral contribution to growth by decade  
1970 - 1990

State	Agriculture			Industry			Services		
	1970	1980	1990	1970	1980	1990	1970	1980	1990
Antigua and Barbuda	2.17	2.41	2.84	13.99	21.48	10.45	83.85	76.11	86.71
Belize	....	61.14	17.44	...	....	26.28	....	....	56.28
Barbados	7.14	2.35	32.09	21.78	14.54	31.03	71.08	83.11	36.88
Dominica	....	19.61	4.43	....	19.00	33.64	....	61.40	61.93
Grenada	26.18	9.13	23.63	14.73	21.81	68.74	59.09	69.07	
Guyana	60.84	....	33.58	5.84	25.28	25.05	33.32	90.35	41.36
Jamaica	11.84	3.66	9.73	29.78	35.39	39.36	58.37	60.96	50.91
St. Kitts and Nevis	4.25	....	....	11.53	....	26.41	84.22	....	73.87
St. Lucia	....	9.43	....	....	21.652	16.60	....	68.92	95.26
Suriname	9.87	19.92	....	44.58	....	6.01	45.55	86.83	....
Trinidad and Tobago	7.30	....	0.34	53.14	13.76	28.36	39.56	89.61	71.30
St. Vincent and the Grenadines	11.10	17.90	....	31.41	25.01	27.21	57.49	57.09	88.39
Caribbean	15.63	16.17	15.51	25.20	21.99	28.26	59.17	74.35	66.29

Note: ...denotes not available.

Source: World Bank (2002)

While this idea is reminiscent of traditional trade theory and more particularly of the Heckscher-Ohlin variant, by no means, does it rule out the dynamic interaction between export structure and productive structure.<sup>5</sup> Indeed, over time export promotion can shape the production structure of a country as much as a changing productive structure can affect the pattern of external sales.

Within this context two examples are worth mentioning that of the introduction of bananas in the Windward Islands in the late 1940's and the more recent specialization of services of Caribbean economies.

Bananas which form currently the major export product of St. Lucia, Dominica, Grenada and St. Vincent and the Grenadines and which shape agricultural production in these economies, in particular in the case of St. Lucia, was introduced as part of an export promotion effort seeking to diversify exports in the Windward Islands, which were concentrated in sugar in St. Lucia and in lime products in Dominica (Welch, 1994).<sup>6</sup>

More recently the effort to develop services as a key export activity has been accompanied by a change in contribution of services to GDP. As Table 2 above shows the contribution of services to GDP in the Caribbean increased steadily between the 1970's and the 1990's from 35% to 68%.

Openness is also synonymous with import liberalization. Small developing economies are dependent on access to capital and intermediate inputs. Alternatively, import liberalisation can simply follow from the principle of reciprocity which is the hallmark of trade negotiations.<sup>7</sup> At the same time that countries gain market access for their export products they must grant market access to imports. The empirical evidence verifies the correspondence in import and export openness. In general export-GDP ratios tend to approximate import-GDP ratios.

'Import openness' can have its drawbacks. Domestic producers are faced with tougher competition and may in fact be displaced by cheaper or better quality products. A

---

<sup>5</sup> The Heckscher-Ohlin factor proportions approach was a response to the decline and impact of agricultural prices and the consequent emigration of the rural population to the United States. A key prediction of the model is that the composition of a country's exports depends on that of its resources. See, Findlay (1995) and Wood & Mayer (2001).

<sup>6</sup> Obviously banana exports benefited from the interests of private companies to establish a banana trade. In 1947, the Tropical Fruit Company decided to change its import source from the Canary Islands to the Caribbean. The first Caribbean export industry was established in Dominica under the auspices of Antilles Product Limited. The first regular banana shipping service was established in 1949. See, Clegg (2000).

<sup>7</sup> While it can be argued that non-reciprocity underlies preferential trading arrangements in theory for developing economies and in particular small economies, in practice preferential trading arrangements are a case of limited reciprocity. There is no such thing as blank non-reciprocity. Limited reciprocity recognises that there are differences between developed and developing economies and that the basis for this difference is higher adjustment costs in the latter relative to the former. The current orthodox consensus is that the adjustment costs should be dealt with in an international framework guaranteeing 'flexibility within reciprocity' (Michalopoulos, 2000).



common complaint of producers of manufacturing goods is that they can not compete with foreign producers under conditions of free trade.

Moreover depending on the value of the income and price elasticity parameters, a country may find itself in a balance-of-payments constrained situation forcing the government to pursue contractionary policies that will ultimately undermine any export promotion efforts. Finally authorities can also decide to focus on productive activities that are a major source of foreign exchange earnings over those that promote economic development and welfare.

It follows from the above reasoning that, especially in the case of small economies, the principles guiding export policies should correspond and coincide with those of import policies. However, in the real world, due to different factors, the goals of export and import policies may respond to diverging interest and there may be no mechanism to guarantee their convergence.

In the particular case of CARICOM Caribbean economies the import policy has remained over time, and with a few exceptions, a regional policy that seeks to promote intraregional trade, to some extent at the expense of extra-regional trade. While CARICOM countries expect to gain market access to third countries for their major products at the same time they have narrowed these countries' possibilities to gain access to the Caribbean market.

The characteristics of small economies analyzed in this section and their constraints and limitations shape and delimit their export promotion objectives. These are addressed in the next section of this paper.

## **2. Export promotion objectives**

Caribbean export promotion efforts center on three overriding goals, namely securing specific markets for specific traditional and non-traditional export products at the extra and intra regional levels, the promotion and development of activities with significant foreign exchange earning potential, and product recognition.

### **2.1. Securing market access for non-traditional products: niche-market orientation**

In the case of non-traditional products, the effort to secure markets focuses on niche-market production. Niche-market is a focused targetable position of a market and niche-market production consists in addressing a need that is not being addressed by mainstream providers. According to some views niche-market production involves necessarily high value-added content products and as result does not include the basic agricultural commodity exports. Niche market production can actually be a risky venture and as a result some Caribbean policy makers have sought concentrate on activities that can minimize the effects of external shocks or unforeseen events.

Barbados and its official tourism policy is perhaps one of the clearest examples of a niche-market producer. In 2002 Barbados replaced its Hotel Aids Act (1967) with the Tourism Development Act. The underlying principle of the Tourism Act is to transform the tourism industry into an upper income bracket level activity.

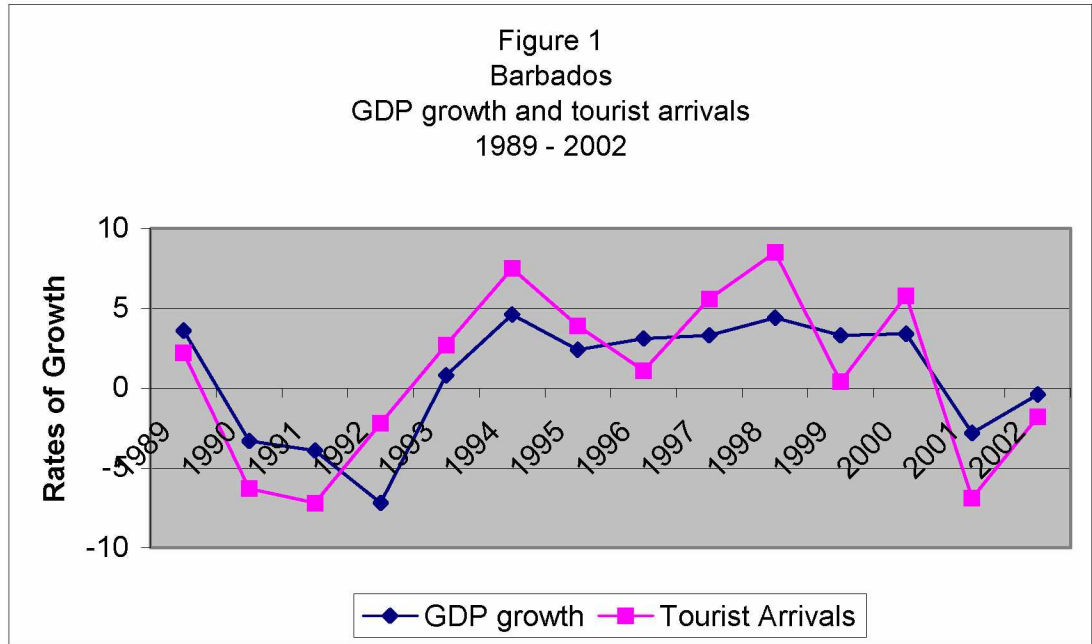
Table 3 Tourism indicators Barbados, the Dominican republic, and Mexico 2001				
	Barbados	Dominican Republic	Mexico Cancun	Mexico Cozumel
Market share	2.5	14.3	10.9	1.2
No. of rooms	6 781	53 964	26 194	4 826
Ratio of hotels to total tourist accommodations	31.1	100	100	100
Percentage of Hotels with 100 rooms or more	40-59	>70	>70	>70
Employment per room	0.99	0.82	.....	.....
Business cycle correlation				
United States	69.7	47.8	.....	.....
OECD	66.6	27.7	.....	.....
Note: market share refers to the market share of tourist arrivals. ... denotes not available Source: On the basis of Caribbean Tourism Statistical Report 2001-2002 (2003). World Bank (2002).				

The official position is to develop Barbados as a niche market: “Our objective is to develop Barbados as an upscale destination, without the introduction of mass attractions like casino gambling or the use of a variable exchange rate” (Ministry of Finance of Barbados 2002).

The relative high cost of Barbados as a tourism destination in comparison to other regional destinations, such as the Dominican Republic or Mexico explains this change in policy orientation. As shown in Table 3, Mexico and the Dominican Republic have a market share of Caribbean tourism that is five times bigger than that of Barbados. In addition, their tourism accommodations largely surpass those of Barbados. The Dominican Republic and Mexico register seven and four times the number of hotel rooms found in Barbados. In addition, most their tourism accommodations comprise large hotels giving them the possibility to economize on costs based on sheer size. Contrarily, in the case of Barbados, only close to a third of tourist accommodations are hotels and within this group, hotels with a capacity for 100 or more rooms represent 40% to 59% of the total.

In addition, by targeting the wealthier, this policy transforms effectively tourism into a luxury consumption item isolating its profitability from the general economic conditions thus increasing the stability of its financial and earnings flows. As shown in

Table 3 above the economy cycles of the Barbadian economy are highly correlated with tourism and also with the economic cycles of the United States and the OECD economies. Figure 1 below captures the significance of tourism for the Barbadian economy by plotting the rate of growth of GDP and that of the rate of change in the number of tourist arrivals. The correlation coefficient is above 0.80.



The tourism ministry has defined a set of targets to measure the performance of the Tourism Development Act. The success of the plan will be gauged according to increases in the number of tourists (including stay-over and cruise-ship arrivals), visitor expenditure, and expenditure per visitor, rate of hotel occupancy, number of hotel rooms, brand name hotels, cruise berths and direct employment. These targets are reproduced in Table 4 below for the planned 10-year time range.

Table 4  
Barbados  
Tourism Development Act (Selected) Targets  
2000 – 2010

	2000	2001	2002	2005	2010
Stay over visitors %	544 696	561 037 3.0	577 868 3.0	659 337	929 035
Cruise ship arrivals %	533 609	586 970 10.0	607 514 3.5	725 569	903 595
Visitor expenditure (mill BB\$) %	1 407	1 485 5.5	1 537 3.5	1 847	3 000
Expenditure per visitor	1 305	1 293	1 296	1 333	1 637
Hotel room occupancy	60.7	61.1	62.0	75.0	85.0
Number of hotel rooms	5 810	6 100	6 250	7 010	9 500
Brand name hotels	1	1	1	3	6
Cruise births	594 199	653 619	676 496	807 956	1 006 196
Employment	13 500	14 020	14 350	16 474	22 325
Source: Green Paper on the Sustainable Development of Tourism in Barbados. A Policy Framework. Ministry of Tourism (2001)					

The banking offshore and the yachting sector are two additional examples of niche-markets. While the development of the banking sector responded to a conscious decision of Caribbean governments, that of the yachting sector evolved mainly as a result of the natural endowments of the region.

The yacht charter-for-pleasure business started innocuously enough driven by mainly small, quite often family-owned operations in the 1960's. This fledgling industry mushroomed into a lucrative multi-million dollar industry by the 1980's and 1990's with little attention or facilitation being given by public sector officials and regional organisations. Charter companies – mostly foreign-owned - have set up shop, and increased their fleet, increased their revenues and generated employment.

Yachting is prominent in the Eastern Caribbean and is in some cases the most important component of tourism. In St. Vincent and the Grenadines the number of yachting visitors represented 18% and 36% of total visitor arrivals in 1995 and 2002 out spacing stay-over visitors and cruise ship passengers by a ratio of 1.18 and 1.23 to 1 in 2002.<sup>8</sup> The quantification of the magnitude of this sub sector and its impact is still in its infancy and governments have still to recognize its importance. Yachting is also a type of luxury tourism and does not respond to the commercial interests of say cruise ship liner companies. As a result, in much the same way as the Barbadian type tourism described above, it can attenuate economic fluctuations.

<sup>8</sup> Statistics on the yachting sector in St. Vincent and the Grenadines prior to 1995 are unreliable due in part to the fact that at least a third arriving yachts failed to clear customs and immigration. See, ECLAC, St. Vincent and the Grenadines. The Yachting Sector. LC/CAR/G.707. 8 November 2002.

## **2.2 Securing market access in traditional products: preferential market access**

In the case of traditional products, which are mainly agricultural products, there is little possibility of creating of a niche market. Agricultural products have a great number of substitutes and agricultural markets are not ‘segmented’ markets. As a result, it is unlikely that a Caribbean agricultural product, say bananas from St. Lucia, will have its own consumer market in an industrialized country, relative to say, Ecuadorian or Costa Rican bananas.

The main objective of export promotion strategies for traditional products has been to secure market access through preferential trade arrangements and more specifically asymmetric treatment in trade negotiations.

For Caribbean economies, asymmetric market access is granted by industrialized countries through three main preferential trading arrangements, the System of Generalized Preferences, the Lomé Convention (subsequently replaced by the Cotonou agreement in 2000) and the Caribbean Basin Initiative respectively.

Table 5 CARICOM's direction of exports and trade intensity indices 2001			
Country	Destination		
Direction of exports as a percentage of the total			
	United States	Europe	CARICOM
Anguilla	29.27	2.33	11.84
Barbados	17.78	17.64	48.02
Belize	52.73	31.63	6.75
Dominica	4.01	21.07	59.10
Grenada	38.77	31.81	21.60
Guyana	22.65	14.77	9.76
Jamaica	32.49	26.34	3.95
Montserrat	15.97	23.19	50.16
St. Lucia	13.56	54.22	27.74
St. Kitts and Nevis	70.71	23.91	3.00
St. Vincent and the Grenadines	3.15	37.32	54.71
Trinidad and Tobago	39.10	4.22	19.63
Average	28.35	24.04	26.36
Trade intensity index			
Anguilla	1.56	0.06	0.73
Barbados	0.95	0.48	2.94
Belize	2.82	0.86	0.41
Dominica	0.21	0.58	3.62
Grenada	2.07	0.87	1.32
Guyana	1.21	0.40	0.60
Jamaica	1.74	0.72	0.24
Montserrat	0.85	0.63	3.08
St. Lucia	0.72	1.48	1.70
St. Kitts and Nevis	3.78	0.65	0.18
St. Vincent and the Grenadines	0.17	1.02	3.35
Trinidad and Tobago	2.09	0.12	1.20
Average	1.51	0.66	1.62
Note: The trade intensity index is defined as the share of country's i exports that are destined to partner country j divided by the share of country j in world imports. The trade intensity index (ITII) is equal to $(X_{ij}/X_i)/(M_j/M_w)$ where, X <sub>ij</sub> = imports of reference country i from partner country j. X <sub>i</sub> = total exports of reference country i. M <sub>j</sub> = total imports of reference country j. M <sub>w</sub> = world imports. Source: ECLAC's Caribbean Trade Data Base (Caribtrade)			

The Generalized System of Preferences (GSP) was adopted in 1974 and grants trade preferences to manufactured and semi-manufactured goods and to some agricultural products. Textiles are excluded for the SGP. There are 16 different GSP schemes granted by 28 developed countries. The Caribbean Basin Initiative (1983) granted preferential access to the United States market for Central American and Caribbean economies to promote their growth and development. Excluded products comprised textile and apparel,

footwear, leather products, canned tuna, petroleum and derivatives. The CBI was expanded in 2000 through the Caribbean Economic Recovery Expansion Act (CBEREA) to include textiles, tuna and footwear.<sup>9</sup> The Lomé Convention granted duty-free access to products from African, Caribbean and Pacific States. Following the fourth Lomé convention, which granted duty free to all CARICOM exports and provided special regimes for bananas, rum, sugar and beef. Its successor the Cotonou agreement establishes trade relations upon the progressive dismantling of trade barriers and preferences seeking in this way to integrate the beneficiary countries into the World Economy.

The European Union has in addition provided financial assistance in the form of income compensation (STABEX funds) for shortfalls in export earnings due to price fluctuations and also as a result of the loss of preferences. The European Union also created in 1994 a special system of assistance to improve the quality of banana production. The special system of assistance provided both income and technical assistance support.

On average the United States and Europe account for more than 50% of the region's exports for 2001. The proportion is higher than the average for Belize (84%), Grenada (71%), Jamaica (59%), St. Lucia (68%), St. Kitts and Nevis (95%). It is lower than the average for Anguilla (32%), Barbados (35%), Dominica (25%), Guyana (37%), Montserrat (39%) and Trinidad and Tobago (43%). The intraregional market accounts for a quarter of the export share with Dominica, St. Vincent and the Grenadines, Montserrat, and Barbados exhibiting the highest export shares (See, Table 5 above).

The trade intensity index reflects the pattern of export orientation. A value greater than unity between the home country, say St. Kitts and Nevis, and a trade partner, say Europe, indicates the existence of a bias to trade with that country. In the computations undertaken using ECLAC Caribbean Trade Data Base and the United States, Europe and the Caribbean as the export destination, the results show that in the majority of cases, Caribbean countries have a clear preference to trade with the United States (See Table 5 above).

With respect to Caribbean exports to Europe, the data shows that under the Lomé Convention or Cotonou Agreement, export products represent more than 75% of the total to Western Europe in 2000 (See Table 6 below).

---

<sup>9</sup> There are other types of export preferences. Textile and apparel exports take place through the 807 type, which is an assembly operation where the fabrics are cut abroad and assembled locally. The 807 exports amount to more than 80% of the total. These exports are classified under the Guaranteed Access Level Schemes. Through this scheme the United States establishes quotas every year. The empirical evidence shows, that the quotas established by the United States surpasses the productive capacity of Jamaica. JAMPRO allocates the textile quotas among the exporters.

Table 6 CARICOM Main export products to Europe as a percentage of the total, 2000 As percentage of the total					
	1985	1995	1990	2000	Preferential market access
2873 Aluminum ores and concentrates (including alumina);	19.14	25.64	25.54	24.35	
0611 Sugars, beet and cane, raw, solid;	15.01	14.21	11.99	12.57	
1124 Spirits (other than those of heading 51216);liqueurs and other sp;	4.09	6.88	5.45	11.18	
0573 Bananas (including plantains), fresh or dried;	12.32	11.29	13.67	8.68	
7932 Ships, boats and other vessels (other than war-ships, tugs, speci;	0.71	9.34	15.84	5.60	
3413 Petroleum gases and other gaseous hydrocarbons, n.e.s., in the li;			0.00	3.66	
8451 Jerseys, pull-overs, slip-overs, twinsets, cardigans, bed-jackets;	0.14	1.67	1.22	3.29	
0360 Crustaceans and molluscs, whether in shell or not, fresh, (live o;	0.40	1.68	1.42	2.63	
5121 Acyclic alcohols and their halogenated, sulphonated, nitrated or ;	0.70	4.37	0.76	2.40	
3344 Fuel oils, n.e.s.;	19.19	1.38	2.07	1.83	
0421 Rice in the husk or husked, but not further prepared;	2.97	0.62	1.76	1.68	
0342 Fish, frozen (excluding fillets);	0.03	0.91	0.18	1.65	
3343 Gas oils;	1.36	0.38	0.00	1.40	
3341 Motor spirit (gasoline) and other light oils;	0.01	0.41	0.00	1.29	
3342 Kerosene and other medium oils;	0.42	0.65	0.00	1.25	
8960 Works of art, collectors' pieces and antiques;	0.13	1.21	0.39	1.05	
7938 Tugs, special purpose vessels and floating structures;	0.00	0.46	0.00	0.63	
6672 Diamonds (other than sorted industrial diamonds), unworked, cut o;	0.10	0.35	0.10	0.56	
5225 Other inorganic bases and metallic oxides, hydroxides and peroxide;	4.10	0.70	1.42	0.52	
0585 Fruit juices (including grape must) and vegetable juices, whether;	0.08	0.58	0.11	0.51	
0752 Spices (except pepper and pimento);			0.28	0.51	
9310 Special transactions and commodities not classified according to ;			1.32	0.50	
6841 Aluminum and aluminum alloys, unwrought;	2.41	2.13	1.54	0.48	
8973 Jewellery of gold, silver or platinum group metals (except watches ;	0.74	0.28	0.85	0.43	
6731 Wire rod of iron or steel;	0.69	0.36	0.70	0.36	
6716 Ferro-alloys;			0.04	0.35	
6713 Iron or steel powders, shot or sponge;			0.00	0.31	
6342 Plywood consisting solely of sheets of wood;			0.02	0.26	
5989 Chemical products and preparations, n.e.s.;	0.91	0.30	0.16	0.26	
0422 Rice, semi-milled or wholly milled, whether or not polished or gl;	0.49	1.13	0.28	0.25	
Total	86.12	86.91	87.07	90.40	
Source: CAN (2002)					

In the case of the United States market, the United States recognizes five special import programmes. These are the Caribbean Basin Trade Partnership Act (CBTPA), the Caribbean Basin Initiative (CBI), the Generalized System of Preferences (GSP), the Civil Aviation Programme, and the special treatment to pharmaceuticals.<sup>10</sup> The most significant is the Caribbean Basin Initiative which accounts on average for 37% of all

<sup>10</sup> There is also the production sharing programme, which refer to United States goods exported abroad for processing and returned to the United States. These are mainly textile exports and in the case of CARICOM Caribbean economies represent a small percentage of the total.



exports to the United States. Still 64% of all CARICOM Caribbean exports to the United States are not included in any specific program (See Table 7 below)

Country	Programme					
	CBTPA	CBI	GSP	CA	Ph	NP
Anguilla	n.r.	n.r.	7.7	0	n.r.	92.2
Antigua and Barbuda	n.r.	9.7	0.6	n.r.	n.r.	89.7
Bahamas	n.r.	20.3	n.r.	0.0	6.3	73.4
Barbados	0.00	44.3	2.9	0.00	7.7	45.1
Belize	4.1	37.6	2.3	n.r.	n.r.	56.0
Dominica	n.r.	94.7	0.08	0.001	0.09	5.1
Grenada	n.r.	48.7	0.2	n.r.	n.r.	51.1
Guyana	1.9	18.7	2.5	n.r.	0.00	76.8
Jamaica	4.9	14.3	0.5	0.2	n.r.	80.3
St. Lucia	0.0	31.4	1.9	0.0	n.r.	67.1
St. Kitts and Nevis	n.r.	73.7	1.5	n.r.	0.45	24.7
St. Vincent and the Grenadines	n.r.	36.5	1.8	3.7	n.r.	63.0
Suriname	n.r.	n.r.	2.2	n.r.	n.r.	97.8
Trinidad and Tobago	9.8	16.3	0.2	0.0	n.r.	73.8
Average	3.45	37.18	1.88	0.49	2.91	64.01
Standard deviation	3.72	25.59	2.00	1.30	3.77	26.05

Note: CBTPA=Caribbean Basin Trade Partnership Act; CBI= Caribbean Basin Initiative;  
GSP = General System of Preferences; CA= Civil Aviation; Ph=Pharmaceuticals;  
NP = No program. n.r.= Not reported.  
Source: On the basis of USITC (2003).

Table 8  
Tariff conditions for the main products exported by CARICOM Caribbean countries to the United States that are not included into any special programmed  
2002

Country	HS code	Description	Percentage of total exports 2002	Tariff conditions
Anguilla	98010010	U.S goods returned without having been advanced in value or improved in conditions while abroad.	46.73	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
	22082040	Grape brandy, excluding pisco and singani, in containers not over 4 liters, valued over \$3.43/liter	13.58	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
	22084040	Rum and tafia, in containers each holding not over 4 liters, valued over \$3/proof liter	9.40	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
	90329060	Parts and accessories for automatic regulating or controlling instruments and apparatus, nesi	7.25	MFN text rate 1.7% Ad-Valorem rate 1.7% Specific component \$0 Collected tariff rate
	85422180	Electronic monolithic digital integrated circuits, not elsewhere specified or included	5.86	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
	22042150	Wine other than Tokay (not carbonated), not over 14% alcohol, in containers not over 2 liters	5.63	MFN text rate 6.3 cents per liter Ad-Valorem rate 0% Specific component \$0.063 Collected tariff rate
Antigua and Barbuda	98010010	U.S goods returned without having been advanced in value or improved in conditions while abroad.	61.12	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
	25059000	Natural sands, other than silica or quartz sands and other than metal-bearing sands of chapter 26	17.48	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
	99999500	Estimated imports of low valued transactions	2.79	n.r.

Bahamas	27101905	Distillate and residual fuel oil	33.2	MFN text rate 5.25 cents/bbl Ad-Valorem rate 0% Specific component \$0.0525 Collected tariff rate
	27101115	Light oil motor fuels from petroleum, oils	15.45	MFN text rate 52.5 cents/bbl Ad-Valorem rate 0% Specific component \$0.525 Collected tariff rate
	98010010	U.S goods returned without having been advanced in value or improved in conditions while abroad.	11.2	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
	03061100	Rock lobster and other sea crawfish	10.74	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
Barbados	85333100	Electrical wirewound variable resistors, including rheostats and potentiometers, for a power handling capacity not exceeding 20 W	18.37	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
	98010010	U.S goods returned without having been advanced in value or improved in conditions while abroad.	9.40	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
	27101905	Distillate and residual fuel oil	6.87	MFN text rate 5.25 cents/bbl Ad-Valorem rate 0% Specific component \$0.0525 Collected tariff rate
	85334080	Electrical variable resistors, other than wirewound, including rheostats and potentiometers	5.01	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
	03023200	Yellowfin tunas, fresh or chilled, excluding fillets, other meat portions, livers and roes	2.78	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
Belize	03061300	Shrimps and prawns, cooked in shell or uncooked, dried, salted or in brine, frozen	20.42	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate

	03061100	Rock lobster and other sea crawfish, cooked in shell or uncooked, dried, salted or in brine, frozen	9.66	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
	98010010	U.S goods returned without having been advanced in value or improved in conditions while abroad.	2.18	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
	33049950	Beauty or make-up preparations & preparations for the care of the skin, excl. medicaments but incl. sunscreen or sun tan preparations, nesoi	2.02	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
Grenada	03023200	Yellowfin tunas, fresh or chilled, excluding fillets, other meat portions, livers and roes	31.91	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
	09081000	Nutmeg	27.97	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
	33012950	Essential oils other than those of citrus fruits, nesoi	21.66	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
	99999500	Estimated imports of low valued transactions	9.47	n.r.
	98010010	U.S goods returned without having been advanced in value or improved in conditions while abroad.	3.61	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
Guyana	26060000	Aluminum ores and concentrates	32.62	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
	03061300	Shrimps and prawns, cooked in shell or uncooked, dried, salted or in brine, frozen	28.68	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
	71023400	Nonindustrial diamonds, unworked or simply sawn, cleaved or bruted	4.67	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate

	71022110	Miners' diamonds, unworked or simply sawn, cleaved or bruted	2.37	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
Jamaica	26060000	Aluminum ores and concentrates	19.91	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
	28182000	Aluminum oxide, other than artificial corundum	12.94	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
	98010010	U.S goods returned without having been advanced in value or improved in conditions while abroad.	3.61	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
St. Lucia	85334080	Electrical variable resistors, other than wirewound, including rheostats and potentiometers	14.42	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
	98010010	U.S goods returned without having been advanced in value or improved in conditions while abroad.	8.53	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
	99999500	Estimated imports of low valued transactions	4.43	n.r.
	85332100	Electrical fixed resistors, other than composition or film type carbon resistors, for a power handling capacity not exceeding 20 W	3.73	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
St. Vincent and the Grenadines	03034100	Albacore or longfinned tunas, frozen, excluding fillets, other meat portions, livers and roes	54.90	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
	97011000	Paintings, drawings (other than of 4906) and pastels, executed entirely by hand, whether or not framed	5.94	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
	98010010	U.S. goods returned without having been advanced in value or improved in condition while abroad	2.36	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate

	99999500	Estimated imports of low valued transactions	2.04	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
Suriname	28182000	Aluminum oxide, other than artificial corundum	81.05	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
	03061300	Shrimps and prawns, cooked in shell or uncooked, dried, salted or in brine, frozen	8.65	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
Trinidad and Tobago	27111100	Natural gas, liquefied	23.72	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
	28141000	Anhydrous ammonia	14.26	MFN text rate Free Ad-Valorem rate 0% Specific component \$0 Collected tariff rate
	27101125	Naphthas (exc. motor fuel/mtr fuel blend. stock) fr petroleum oils & bitumin minerals (o/than crude) or preps 70%+ by wt. fr petroleum oils	3.32	MFN text rate 10.5 cts.p/bbl Ad-Valorem rate 0% Specific component \$0.105 Collected tariff rate
	27101905	Distillate and residual fuel oil (including blends) derived from petroleum or oils from bituminous minerals, testing under 25 degrees A.P.I.	3.29	MFN text rate 5.25 cts.p/bbl Ad-Valorem rate 0% Specific component \$0.0525 Collected tariff rate
Source: On the basis of information provided by USTIC (2003) and MAGIC (2003).				

An analysis of the major products that are not exported under any program shows however that these are imported by the United States with a 0% ad valorem tariff rate and that only in some cases do other import charges apply (See Table 8 above). Another measure of the degree to which the United States import market is effectively open to Caribbean imports that are not included into any program is the collected import tariff rate measured as the ratio of import charges to the total C.I.F value of imports. In most cases this ratio is very low.

### 2.3. Ethnic Niche marketing for agricultural products: the case of Guyana

As argued above agricultural products are not niche-oriented products. There is however one exceptions to this rule, which is particular to the specific economic and social conditions of one of the countries under study, namely Guyana. Guyana is with Suriname the poorest country in the English speaking Caribbean. Guyana has the status of a highly poor indebted country (HIPC) with a GDP per capita below 1 000 USD and a stock of external debt equivalent to 169% of GDP for 2002.<sup>11</sup> In part its current condition is without doubt attributable to misguided and misdirected economic policy. One of the results is that Guyana has the highest rate of net migration in the Caribbean and one of the highest in the world reaching 10.6 per thousand inhabitants on average between 1995 and 2000 (See Table 9 below).

Table 9 Migration indicators in Caricom by country		
Country	Net number of migrants 1 of July 1995-1 of July 2000 (Thousands)	Net migration rate per 1 000 inhabitants 1995-2000
Barbados	-1	-0.94
Belize	-3	-2.33
Guyana	-40	-10.64
Haiti	-105	-2.68
Jamaica	-93	-7.36
St. Lucia	-5	-6.96
Suriname	-21	-10.29
Trinidad and Tobago	-20	-3.13
Note: Net migration rates were estimated by UNCTAD and they represent the average value per year. Source: UNCTAD (2002)		

The government of Guyana has taken advantage of country's high migration rates to create an 'ethnic' niche market for its agricultural export products. The niche market consists of markets, which have a high or significant Guyanese population and which therefore have a preference for Guyanese products. Three of these main markets are Canada (Toronto) and Great Britain (London) and the Caribbean countries.

With this objective in mind the government's export promotion agency (Go-Invest) has undertaken market studies of Toronto, London and the Caribbean for

<sup>11</sup> According to official sources Guyana's per GDP was equal to 797.3 US\$.

Guyanese products. The factors considered in the Toronto and London markets include among others market size, purchasing power, buying habits, top ranking products in the market, distribution chains, intermediaries, export constraints, imports regulations. (See Table 10 below).

In the case of the Caribbean it has identified products for export including Indian vegetables (eggplant, bitter melon, Bora) roots and tubers (yams, eddo, malangas), other vegetables (cucumbers, pumpkins), fruits (carambola, mango, pineapple, watermelon). The main factors taken into consideration are population size, GDP/per capita, tourist arrivals, political climate, business climate, market size, regulations, and market acceptance. The study concluded that the most attractive destination countries were Barbados and Trinidad and Tobago. Antigua and St. Maarten were considered moderately attractive destinations. Antigua has a large Guyanese population but exporting to Antigua and also St. Maarten involves high transportation costs. Finally Guadeloupe and Martinique were considered to be low attractive destinations due to market size considerations, and protectionist practices.



Table 10 Ethnic community market studies for Guyanese products		
Factors	Toronto market	London market
Market size	400 000 – 500 000 West Indians of which 140 000 Guyanese	295 000 West Indians 85 000-120 000 Guyanese
Purchasing power	> 1.2 billion CND\$	3 persons average Guyanese household 23 200 Pounds is the average income 28 360-40 000 households with a total income a 685 ml. pounds
Buying habits	Guyanese shop once a week and spend \$60 CND. 1.75 ml. CND\$ a week	
Quantities exported	93% of the total : precious stones Beverages and vinegar Fish and shellfish Preserved fish	Fresh produce Processed foods Organic products Seafood Food supplements
Export constraints	Transportation Packaging and labeling	Perception of products Non-tariff barriers Quality and packaging Freight cost Distribution
Country competition	Guyana 209 474 CND\$ Barbados 9 117 CDN\$ Jamaica 324 660 CDN\$ Trinidad and Tobago CDN\$	Jamaica Trinidad and Tobago Barbados The Dominican Republic Nigeria Ghana Kenya Cuba
Product competition	Fresh produce	Yams and other tubers Dried herbs and spices Dried thyme
Import regulations	No duties (CARICOM-Canada) Packaging regulation Phytosanitary certificate	
Source: Go-Invest (2003)		

#### 2.4. Securing export markets at the regional level

At the regional level English speaking Caribbean countries have sought to secure the regional market for domestically produced goods through the conformation and development of the Caribbean Community (CARICOM). The CARICOM agreement signed in 1973 was notified under GATT Article XXIV as an interim agreement for the

formation of a Customs Union (WTO, 2000). As a result pivotal to this trading regime is CARICOM's Common External Tariff (CET).

At the end of the 1980's CARICOM member states decided to advance in their integration efforts past beyond the Common market and towards a more comprehensive integration framework, namely the creation of the Single Market and Economy. In 1991 CARICOM members agreed on the main areas of emphasis in the creation of the Single Market and Economy. These included the completion of the arrangements for the free internal movements of goods, mechanisms for the free movements of services, capital and labor, and the greater harmonization of laws and regulations affecting commerce.<sup>12</sup> In the 1990s CARICOM also decided to include Suriname (1995) among its members and substantially revised its trade regime.

After the inclusion of Haiti in 2002 CARICOM has 15 member countries of which six are considered more developed countries (Bahamas, Barbados, Guyana, Jamaica, Suriname and Trinidad and Tobago) and eight countries are considered less developed countries (Antigua and Barbuda, Belize, Dominica, Grenada, Haiti, St. Lucia, St. Kitts and Nevis, and St. Vincent and the Grenadines).

The current aim of CARICOM countries is to arrive at an economic union. An economic union is defined as an agreement between a subset of countries to maintain free trade among the members, a common external tariff, the mobility of capital and labor and the harmonization of fiscal and monetary policy. In the case of the European Union the process of economic unification has also implied a common industrial and transport policy.

More than ten years after the decision to expand and deepen the integration process among CARICOM countries by introducing the main areas of emphasis of the Common Single Market and Economy (CSME) integration is a work in progress. There are 11 areas on which Caribbean countries still need to advance to establish the CSME. These are: treaty revision, establishment of national and regional administrative structures, enforcement and regulation and supporting institutions, free movement of goods, free movements of services, free movements of persons, free movement of capital, right of establishment, common external policy, public policy and the harmonization of laws. The most outstanding actions to be taken by CARICOM countries are included in Table 11 below.

---

<sup>12</sup> See, WTO (2000) Caribbean Community and Common Market. Biennial Report on the Operation of the Agreement. WT/REG92/R/B/1. G/L/359.

Table 11 CARICOM The State of Intraregional Integration 2003		
Topic	Action to be taken	Countries
Treaty Revision	Ratify revised treaty and deposit instrument with CARICOM secretariat	All CARICOM countries with the exception of St. Vincent and the Grenadines.
Enforcement, regulation and supporting institutions	Signature of agreement	Dominica, Montserrat, St. Vincent and the Grenadines.
Enforcement, regulation and supporting institutions	Ratification of agreement	Antigua and Barbuda, Dominica, Grenada, Jamaica, Montserrat, St. Kitts and Nevis, St. Vincent and the Grenadines and Suriname.
Enforcement, regulation and supporting institutions	Enactment of agreement into domestic law	All CARICOM countries.
CARICOM Regional Organization for Standards and Quality	Signature of the agreement establishing the Regional Organization for Standards and Quality	Dominica Montserrat
CARICOM Regional Organization for Standards and Quality	Establishment of the Regional Organization for Standards and Quality	Antigua and Barbuda Dominica Suriname
National Competition Authorities	Establishment of National Competition Authority	Antigua and Barbuda Belize Dominica Grenada Guyana Montserrat St. Kitts and Nevis St. Lucia St. Vincent and the Grenadines Suriname
Free movement of goods	Removal of discriminatory internal taxes and other fiscal charges	All CARICOM members with the exception of St. Kitts and Nevis
Free movement of goods	Removal of unauthorized import licenses on goods of Community Origin	Antigua and Barbuda Montserrat St. Lucia St. Vincent and the Grenadines Suriname
Free movement of goods	Implementation of harmonized customs legislation	All CARICOM members.
Free movement of services	Implementation of programmes for the removal of restrictions	Not yet applicable for all CARICOM countries
Free movement of persons	Implementation of skills legislation	Montserrat Suriname
Free movement of persons	Implementation of administrative and other procedure for the movement of skills.	Belize Dominica Grenada Montserrat St. Kitts and Nevis St. Lucia St. Vincent and the Grenadines
Free movement of persons	Implementation of legislation for free movement of media workers, artistes, musicians and sports persons	Barbados Grenada Montserrat St. Kitts and Nevis St. Lucia St. Vincent and the Grenadines
Free movement of persons	Administrative and other procedures	Not yet applicable in CARICOM

	for the free movement of self-employed, service providers, entrepreneurs and technical, managerial and supervisor staff.	members with the exception of Jamaica.
Free movement of capital	Implementation of programmes for removal of restrictions	Not yet applicable for all CARICO members.
Free movement of capital	Cross-listing and trading	Antigua and Barbuda Belize Dominica Grenada Guyana Montserrat St. Kitts and Nevis St. Lucia St. Vincent and the Grenadines Suriname
Intra-regional double taxation agreement	Signature of agreement	Montserrat Suriname
Intra-regional double taxation agreement	Ratification of agreement	Montserrat Suriname
Capital market integration	Enactment of legislation into domestic law	Dominica Grenada Montserrat St. Kitts and Nevis Suriname
Common external policy	Implementation of fourth phase of the Common external tariff	Antigua and Barbuda Montserrat St. Kitts and Nevis
Harmonization of laws	All	Not yet applicable or unknown status in all CARICOM countries
Source: CARICOM (August, 2003)		

## **2.5. Export diversification objectives: the case of Jamaica**

The above analysis assumes, as stated in the first section that CARICOM Caribbean countries do not in general pursue export diversification goals. An exception to this norm is Jamaica.

Jamaica has one of the more diversified economies in the English speaking Caribbean and as a result has a wider scope for export diversification (See Table 31 in the Annex). Although export diversification has been over the years an important announced goal of the authorities it has encountered important limitations at the level of policy formulation and implementation. Also the macroeconomic environment has not been particularly suitable to export development.

As a result, traditional exports have remained by far the most important component of merchandise exports representing 75% of the total in 2001. The share of non-traditional exports has decreased over time (29% and 25% of total merchandise exports on average between 1995-2000 and in 2001 respectively).

The mining sector dominated by bauxite and alumina is an important earner of foreign exchange and the most important component of traditional exports. JAMPRO (Jamaica Promotions Corporations) has facilitated the expansion and modernization of bauxite and alumina production. Nonetheless, the export value of these minerals is often affected by variations in their international price (as an example according to an official source bauxite export values declined by 42% between 1995 and 1999), which diminishes their basis as a potential export platform, and technical and social problems. Thus their export performance does not belong strictly in the realm of export promotion.

Within this overall economic and export context (declining manufacturing sector, an agricultural sector that is losing its preferential market access, and a mining sector subject external shocks) the Jamaican authorities have opted for an export promotion policy that has two main objectives: protectionism combined with export promotion. This policy replaces the previous one, which focused on market access (guaranteeing preferential access to developed countries' markets). The new policy recognizes, on the one hand, that Jamaica must create a broad export base. On the other hand, it reflects the authorities' concern over Jamaica's lack of competitiveness. Finally it also highlights the importance regional, hemispheric and multilateral trading arrangements.

The policy objectives and their respective strategies are outlined in Table 11 below. A closer inspection at the goals and main strategies underpinning this New Trade Policy indicates that Jamaica is aiming at securing Special and Differential Treatment accompanied with access to finance.

Table 11 Jamaica's New Trade Policy, 2002 Objectives and strategies to achieve these objectives		
Objectives		
Diversify exports	Displace imports	Attract foreign capital flows
Main strategies		
<b>Negotiate removal of tariff and non-tariff barriers in overseas market with an asymmetrical time frame</b>	Facilitate access to cheaper imports	Implement charter for returning residents
Provide incentives for development of domestic capital formation	<b>Slow the pace of domestic tariff and non-tariff reduction</b>	
<b>Assist in the development of strategic firms</b>	The pace of tariff and non-tariff reduction should conform to the growth and development of the domestic capital stock	
Source: Ministry Paper No.69		

Thus far the New Trade Policy's progress has been partially applied leading to increases in domestic nominal tariffs in certain sectors and for specific products and to the development of the Jamaica Cluster Competitiveness Project. The Cluster Competitiveness Project has generated its first explanatory document.

This program has an estimated budget of 1.4 million US\$ with a very general description of its components (driving a national competitiveness mindset, strengthening competitive clusters, improving service provision and improving the wider enabling environment for business). The competitiveness programme is to be implemented in three phases (benchmarking report, changing stakeholders' mind-setting, combining stimulation with response to technical demands). The first phase has been concluded.

## 2.6. Export promotion policies and the quest for foreign exchange

In addition to promoting policies destined to secure market access for traditional and non-traditional products, CARICOM Caribbean countries also have the objective to foster export development in activities that are an important source of foreign exchange earnings. This responds partly to the needs of development and can be also seen as a way to overcome their external and fiscal constraints (as both are related by national accounting identities) which are particularly high for Caribbean economies by any standard of measurement.

**[INSERT FIGURE 2]**

These are most evident in the case of the smaller economies of the Caribbean and in particular of the member states of the Organization of Eastern Caribbean States (OECS). A comparison of the periods 1990-1995 and 1996-2002 shows that the external position and the fiscal position of the OECS economies deteriorated. The current account deficit increased from 13% to 26% of GDP in the said period. In a similar way the fiscal deficit without considering grants rose from -4% to -6% of GDP (See Figure 2). The dependency on foreign exchange earnings to balance their macroeconomic accounts can be seen by comparing the fiscal deficit with and without grants (-4% and -2% of GDP; -6% and -4% of GDP on average for 1990-1995 and 1996-2002) or the result of the current account with that of the overall balance of payments, which includes long and short term capital flows (-13% and 1.18% of GDP; -16% and 1.27% of GDP for the same period). Without capital flows both the fiscal and external result would be simply unsustainable overtime.

The sources for foreign exchange flows include mainly grants and official loans, non-factor service earnings, unilateral transfers (i.e., remittances), official, and foreign direct investment flows. Of these, grants are the most insignificant source of financing representing on average 3.7% of GDP (see Table 12 below). This is the result of a declining trend that can be traced at least to the beginning of the 1980's decade. Regional computations show that official aid represented 59% of total net financial flows and decreased to represent only 6% by the end of the 1990's decade. The most important component of foreign exchange flows are net service earnings which represented on average 14% of GDP for 2001 followed by foreign direct investment (9% of GDP for the same year). In addition as shown in Table 13 below foreign direct investment has maintained its share in total net financial flows becoming its single most important component.

Table 12 Foreign exchange flows, 2001				
Country	Grants as % of GDP	FDI as % of GDP	Services receipts as % of GDP	Unilateral transfers as % of GDP
Anguilla	2.07	29.03	29.59	0.13
Antigua and Barbuda	.....	5.70	36.28	0.88
Barbados	.....	2.13	23.02	3.68
Belize	17.66	7.44	6.55	5.99
Dominica	3.64	4.52	9.16	6.65
Grenada	4.20	12.25	15.62	5.45
Guyana	5.94	7.95	.....	6.24
Jamaica	0.27	8.45	5.25	12.20
St. Lucia	0.98	3.39	29.61	2.07
St. Kitts and Nevis	0.50	25.62	9.75	5.39
St. Vincent and the Grenadines	1.84	6.06	20.81	4.39
Suriname	0.20	1.56	-15.09	-0.12
Trinidad and Tobago	.....	7.64	2.54	0.37
Average	3.73	9.36	14.42	4.10
Source: On the basis of official data				



The dependence on foreign exchange and the composition of foreign exchange flows and total net financial flows have pressured CARICOM countries to narrow the range of regulations affecting foreign exchange transactions and the financial account of the balance of payments. In fact, though regulations remain in place in most of the English speaking Caribbean economies, these are not stringent regulations when viewed at the individual level. The resulting need to orient export promotion efforts to foreign exchange earning activities jointly with the need to protect traditional commodity products has led governments to 'open' the capital and financial account of the balance of payments prior to the merchandise account. Thus a more or less close merchandise account coexists with an open capital and financial account.

Table 13  
Composition of net financial flows for Caricom economies  
In percentage of the total  
1990-2000

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Total net financial flows	100	100	100	100	100	100	100	100	100	100	100
Total net long term	85.73	107.64	90.94	102.54	103.70	72.10	128.90	72.68	105.29	73.27	100.00
Official flows	<b>59.25</b>	<b>92.44</b>	<b>29.22</b>	<b>39.18</b>	<b>14.85</b>	<b>23.50</b>	<b>14.56</b>	<b>5.82</b>	<b>13.43</b>	<b>6.86</b>	<b>6.34</b>
Grants	33.88	64.12	20.43	35.32	20.66	24.11	25.78	16.10	20.70	17.38	4.76
Loans	25.37	28.33	8.79	3.86	-5.82	-0.61	-11.22	-10.28	-7.26	-10.51	1.58
Private flows	26.49	15.19	61.71	63.36	88.85	48.60	114.34	66.86	91.86	66.40	93.65
Debt flows	-42.55	-27.52	-12.64	-14.16	-11.22	-19.88	-6.28	-4.77	7.32	-0.04	33.69
Commercial bank loans	-12.07	-1.12	-4.07	-1.86	-3.30	-6.26	-8.27	-2.46	-2.69	-4.65	4.99
Other	-24.56	-26.41	-8.57	-12.30	-7.92	-13.63	1.98	-2.31	10.01	4.62	28.70
<b>Foreign direct investment</b>	<b>69.04</b>	<b>42.71</b>	<b>74.35</b>	<b>77.53</b>	<b>100.07</b>	<b>68.48</b>	<b>120.62</b>	<b>71.63</b>	<b>84.54</b>	<b>66.44</b>	<b>59.96</b>
Short term debt flows	14.27	-7.64	9.06	-2.54	-3.70	27.90	-28.90	27.32	-5.29	26.73	0.00

Source: On the basis of World Bank and ECLAC data.

## **2.7. Product recognition**

A final export promotion objective is product recognition. The guiding principle is to distinguish a product by its quality and more importantly by its 'brand name' which makes it a 'recognizable product.' In general the export competitiveness of these products is based on comparative advantage which in the case of the Caribbean means, in some cases, natural resource based products. Particular examples in the Caribbean region include the case of Jamaican Coffee and El Dorado Rum in Guyana. The second case is more illustrative of export promotion policies as the Guyana Rum was successfully re-marketed with a brand name after it lost its special preferences in the European Market.

Trinidad and Tobago has also been successful in selected product recognition ventures. Cosmetic products are a case in point. Cosmetic products are exported to the Caribbean region as well as to Latin American countries such as Colombia, the Dominican Republic, Puerto Rico, Cuba, Panama and Costa Rica. In this particular case market analysis, and promotion and marketing play a pivotal role in obtaining in guaranteeing that a product is able to be competitive by its recognized brand name. In one of the firms interviewed for this study the costs of promotion and marketing amounted to 40% of total sales.

A successful brand name can be used to market more than one product and serve in fact as an encompassing umbrella for certain type of goods generating thus significant positive externalities. This is a way to create the economies of scale and scope that are absent due to small size. In the case of Guyana it has been proposed to extend the 'El Dorado' label to the rest of its agricultural products. This is an example of how an export promotion for a country such as Guyana with less than 1 000 US\$ per capita and a HIPC (Highly Indebted Poor Country) status, can be build, given the required natural resources and careful orchestrated marketing strategy based on an externality generated by one successful product (in this case Rum).

## **3. Export promotion actors and instruments**

The government is the main actor and architect of export promotion policies. Although export promotion agencies within the region have strong linkages with the private sector they depend to a great extent on the government (See Figure 9 in the annex for a description of TIDCO's linkages with the government, private sector and regional institutions). The historical evolution of the CARICOM economies, the underdeveloped state of the legislation jointly with the constraints faced by the private sector due to size considerations have led the state and the government to play a fundamental role in export promotion.

The historical evolution is related to the tasks adopted by the government following political independence in the 1960's and which to this day have shaped its expenditure pattern. The size of Caribbean governments measured by the government

expenditure to GDP ratio is twice that of other smaller economies reaching 30% of GDP. The government is also a major employer accounting in some countries for a third of the labor force. In addition, the government is in some countries the 'captain' of economic policy as even the monetary authorities are under its jurisdiction and act mainly as central bankers to the Caribbean governments. In this regard the Report of the WTO Secretariat on the Trade Policy Review of Jamaica states:

The ministry of finance has ultimate responsibility for the conduct of monetary policy. The Bank of Jamaica is in charge of implementing monetary policy under the authority of the government which appoints the Governor....the Minister of finance has the ultimate authority in the management of credit policy, open market and foreign exchange operations....Additionally, the Central Bank acts 'as a banker to the government.' (WTO, 1996).

The liberalisation movement and ideology of the last part of the decade has not substantially affected the importance of the government activities. In this sense the institutional structure of the Caribbean economies is distinctively different than that of Latin America.

The importance of the government in Caribbean countries' economic life contrasts with the underdevelopment of existing laws and regulations. The lack of competition laws, government procurement, and other regulations has helped to blur the dividing line between those activities performed by the public sector from those that belong in the realm of the private sector. To some extent this has weakened both the capacity of response and initiative of private agents providing a weaker foundation on which to act as a catalyser for exports. Moreover, as stated in the first section of this document small size is a constraint on the profitable development, expansion and diversification of private sector activities. Finally, traditionally, the government has had a stronger presence than the private sector in some sectors of economic activity such the services sector which of fundamental importance to Caribbean economies.

The policy instruments for export promotion include trade policy (tariff, non-tariff barriers and rules of origin) which is coordinated at the regional level and promotes the growth of intraregional trade; both arms of the government budget, that is, tax policy and public capital expenditure; government regulation; financial assistance; and trade diplomacy.

### **3.1. Trade policy in CARICOM**

As stated in the revised Treaty of Chaguaramas one of the objectives of CARICOM is export promotion. Export promotion fall under the auspices of the CARICOM's council for trade and economic development (COTED). The stated main policy instruments include: (i) the establishment and maintenance of effective trade information systems and services; (ii) the design and implementation of trade facilitation programmes including the conduct of market research and the organization of trade

missions and (iii) the co-ordination and support of the active participation in international trade promotion for a, including trade fairs and exhibitions. (Revised Treaty of Chaguaramas, Article 85). To some extent these functions have been assumed by the Caribbean Export Development Agency (Caribbean Export) and by national institutions such as the Barbados Development and Investment Corporation (BDIC) and the Tourism and Industrial Development Company of Trinidad and Tobago (TIDCO)..

In practice the most effective instrument is the common external tariff (CET). In its beginnings the Common External Tariff (CET) together with a host of other non-tariff barriers was very protectionist. It was highly dispersed with 16 tariff rates ranging from 0 to 70% but with most of the tariff positions (around 96%) at or below 45%. Generally, manufacturing attracted the highest average tariffs of 21% in the more developed countries (MDCs)<sup>13</sup> and 15% in the less developed countries (LDCs)<sup>14</sup>. Within the manufacturing sector consumer goods received the highest tariff protection of 29% in the MDCs and 21% in the OECS. Agriculture was the next highest protected sector attracting an average tariff of 21% in the MDCs and 15% in the LDCs. Although this tariff structure did not seem overly high, it does not give the complete picture of CARICOM's protective system in the 1980s.

In addition, CARICOM countries applied an array of measures to imports including stamp duties, customs surcharges and consumption charges which were usually higher than those applied to domestically produced goods. When these charges are taken into account, the level of protection in CARICOM countries increases considerably.<sup>15</sup>

It was also typical of the trade regime in the CARICOM countries to include a wide range of exemptions that generally included industrial inputs, machinery and equipment and materials for industrial inputs. It was also the norm to exempt from all duty imports for the many public sector enterprises, which existed in the countries. The CARICOM trade regime includes rules of origin based on the standard principles of products being wholly produced in the subregion or having undergone substantial transformation in the subregion to qualify for duty free treatment. The substantial transformation criterion requires the use of specified regional inputs or in certain cases specified processes.

At the end of the 1980's CARICOM member states decided to advance in their integration efforts past beyond the Common market and towards a more comprehensive integration framework, namely the creation of the Single Market and Economy. In 1991 CARICOM members agreed on the main areas of emphasis in the creation of the Single

---

<sup>13</sup> The CARICOM MDCs are Barbados, Guyana, Jamaica, Suriname and Trinidad and Tobago.

<sup>14</sup> The CARICOM LDCs consist of Belize and the following countries comprising the OECS - Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines.

<sup>15</sup> For example the unweighted average nominal protection for manufactured products reaches 50% in Trinidad and Tobago, 43% in Barbados and 41% in Jamaica and the average nominal protection for consumer goods reaches 58% in Jamaica, 56% in Barbados, 52% in Trinidad and Tobago and 50% in Grenada. See World Bank Report - "The Caribbean Common Market: Trade Policies and Regional Integration in the 1990s" - 25 December 1990.

Market and Economy. These included the completion of the arrangements for the free internal movements of goods, mechanisms for the free movements of services, capital and labor, and the greater harmonization of laws and regulations affecting commerce.<sup>16</sup> In the 1990s CARICOM substantially revised its trade regime. The tariff structure was significantly simplified and the various rates reduced.

In 1991, CARICOM established the level and the structure for the common external tariff. The phased reduction for the CET (Common External Tariff) was agreed upon in 1992. The CET was to be effective from January 1993 with an initial tariff range of 0-45% per cent. The level of the CET was designed to undergo a four phased reduction to be completed in five years at the end of which the tariff ceiling would be lowered to 20% except for agricultural products which will continue to attract a tariff of 40%.

The external tariff rate structure is divided into inputs and finished goods, which are then divided further into competing and non-competing inputs and finished goods. An input or good is said to be competing if it satisfies at least 75% of regional demand. An input or good is said to be non-competing if external sources are the main providers. The CET legislation also included a broad range of tariff exemptions which are contained in four lists (A, B, C, D), a list of conditional duty exemptions and a list of ineligible for duty exemptions (See table 14 below). This list includes those items for which CARICOM produces 75% of the total output. In addition the CET can be suspended when the demand for a regional commodity or set of commodities is greater than the supply. There have been slippages in the implementation of the agreed phases of tariff reforms. However, the fourth and last phase was implemented by the majority of countries by the end of the decade.

The CARICOM trade regime did not include provision for the harmonization of quantitative restrictions that were commonly implemented at the level of the member countries. These restrictions which generally included licensing requirements, quotas and negative lists increased the protection of local production by removing in certain cases altogether any competing imports.

---

<sup>16</sup> See, WTO (2000) Caribbean Community and Common Market. Biennial Report on the Operation of the Agreement. WT/REG92/R/B/1. G/L/359.

Table 14 Structure and evolution of the Common External Tariff							
	Group A	Group B	Group C	Group D Non-basic	Range		Period of application
					MDC's	LDC's	
Inputs							
Primary	0-5	30/10			5 to 30/35 5 to 25/30 5 to 20/25 5 to 20	0-5 to 30/35 0-5 to 25/30 0-5 to 20/25 0-5 to 20	01/93 to 12/94 01/95 to 12/96 01/97 to 12/97 01/98
Intermediate	10/0-5	30/15			5 to 30/35 5 to 25/30 5 to 20/25 5 to 20	0-5 to 30/35 0-5 to 25/30 0-5 to 20/25 0-5 to 20	01/93 to 12/94 01/95 to 12/96 01/97 to 12/97 01/98
Capital	10/0-5	20/10			5 to 30/35 5 to 25/30 5 to 20/25 5 to 20	0-5 to 30/35 0-5 to 25/30 0-5 to 20/25 0-5 to 20	01/93 to 12/94 01/95 to 12/96 01/97 to 12/97 01/98
Final goods	20 (basic category)	30/20 (basic category)	45/20	30/20	5 to 30/35 5 to 25/30 5 to 20/25 5 to 20	0-5 to 30/35 0-5 to 25/30 0-5 to 20/25 0-5 to 20	01/93 to 12/94 01/95 to 12/96 01/97 to 12/97 01/98

## Notes:

A denotes non-competing import goods. Goods whose production may account for less than 75% of regional consumption. Protection at the national level is allowed.

Category B exempts certain goods from the implementation of the CET that are sensitive to the cost of living in the OECS territories and Belize.

Category C Includes goods to which minimum rates apply, including alcoholic beverages, tobacco products, petroleum products, jewellery, watches and clocks.

Category D allows the suspension of the CET for specific products: petroleum products (in Belize), rice (Antigua, Dominica, and Jamaica), medicines (OECS and Belize). The list also includes a list of conditional duty exemptions which are include among others industrial and agricultural inputs for defined industrial, agricultural, mining and services activities.

Source: WTO (2001) and CARICOM (2002)

The Common External Tariff is often combined with regulations on rules of origin to enhance the competitiveness of intra-regional exports.

According to Article 84 of the revised Treaty of Chaguaramas, a commodity is treated as being of Community Origin if it has been 'wholly produced within the Community or if it has been produced within the Community wholly or partly from materials imported from outside the Community or from materials of undetermined origin by a process which effects a substantial transformation.' The transformation is characterized by the difference in the Harmonized Code Tariff Heading of the material input and the final product (Revised Treaty of Chaguaramas, p.54).

The same article also allows the producer to obtain inputs from extra-regional sources when 'unable by reason of circumstance beyond his control to obtain supplies of the regional materials.' This clause is part of the suspension facility of the Treaty which states that tariffs may be suspended or altered when a product is not produced by the community, when the quantity of the product being produced in CARICOM does not

satisfy the regional demand or when the quality of the product is below that of the regional standard (Revised Treaty of Chaguaramas, pp.53-54).

As a result extra-regional inputs are granted CARICOM common market origin. Accordingly this allows domestic producers to gain preferential access to the regional market while at the same time permitting access to lower cost inputs from outside the region if necessary.

### **3.2. Fiscal incentives**

The policy of fiscal incentives as an export promotion tool is prominent in the English speaking Caribbean. Fiscal incentives are mostly destined to develop non-traditional exports including manufacturing and services sector exports. While some fiscal incentives can be classified under export subsidies and thus form part of the trade policy <sup>17</sup> referred to above, their applicability is limited to goods and in the present case, manufacturing.

In the case of services the concept of subsidy is not clearly delimited. In fact no common definition of a service subsidy or of trade distortion from subsidies has been reached. Article XV (GATS) subsidies may have a distortive effect in certain circumstances which indicates that not all subsidies are 'trade distortive'. Furthermore the concept of a subsidy in goods is not the same as that in services and the possibility of finding common ground on a definition is blurred by the existence of four modes of delivery in services (See Gauthier, O'Brien and Spencer. (2000)). Mostly for these reasons tax incentives are analytically separate from export subsidies proper,

Fiscal incentives policies are mainly aimed at enhancing the development of the manufacturing and services sector. These consist comprise for the most part in a Fiscal Incentives Act dating to the 1970 or the 1980's decade; a Hotel Aids or Ordinance Act, and a range of tariff and duty exemptions. Some of these duty exemptions are granted under the Conditional Duty Exemptions of the Common External Tariff while others are granted on a government discretionary basis. In some cases (such as that of Dominica and St. Kitts and Nevis) these are also complemented with the granting of residential rights in order to attract foreign direct investment. Examples of fiscal incentives are provided in the subsections that follow for selected country cases.

#### **3.2.1. The case of the OECS**

In the case of Antigua and Barbuda, Dominica, Grenada, St Lucia and St. Vincent and the Grenadines the fiscal legislation grants tax exemptions according to definite criteria including the content of local value and export orientation of production. Local value is defined as the difference between realized sales over 12 months and the cost of

---

<sup>17</sup> The World Trade Organization considers exemptions on the payment of income and profit taxes an export subsidy and according to the WTO-GATT texts forbids it under Articles 1 and 3 of the Agreement on Subsidies and Countervailing Measures (WTO, 1999, pp.231-233 and pp.265-267). However due to the granting of longer periods for implementing obligations to developing countries, these had until the year 2003 to dismantle these subsidies. The exception was the group of countries whose GNP was below 1 000 US\$ per capita (see, the Agreement on Subsidies and Countervailing Measures, Annex VII, WTO, 1999, p. 274). The Doha Ministerial Conference (November, 2001) extended the time derogations and the per capita threshold.



imported raw materials, components and part of components, fuels and services and wages and salaries. The fiscal incentives act also allows the duty-free importation of machinery, equipment, spare parts, building materials, raw and packaging materials. For its part the Hotels Aid Act can grant a tax holiday of up to twenty years for approved hotel and resort developments in the cases of Antigua and Barbuda and Dominica.<sup>18</sup> For Grenada the Hotel Aids Act grants exemption on taxes from profits for ten years including hotels, apartments, and guest houses and also provides exemptions from Customs Duties and taxes on articles of hotel equipment, service vehicles, materials for construction and repair renovation and extensions to hotel properties.

In addition the recent WTO trade policy review of the OECS notes that, “companies that are registered under the International Business Companies Act of 1982 are exempt from the payment of taxes, duties and fiscal charges for a period of twenty years from the date of incorporation.” In the case of Dominica the 1992 amendment to the fiscal incentives act of 1974 introduced an income tax credit granted in the case of capital expenditures for the construction, acquisition or improvements of assets.

Dominica also has approved an Aid to Development Enterprises Act which grants duty exemptions for raw materials, inputs, materials, tools, plant, machinery and building materials which are used in the production of manufactures, construction of factories, hotels and packaging activities. Between 1996 and 2000, the tourism sector firms accounted for 53% of all firms receiving fiscal incentives followed by the manufacturing sector (45%). (See Table 15 below)

Table 15	
Distribution of tax incentives by economic sector (1996-2000)	
The case of Dominica	
Beneficiary	Percent of the total
Manufacturing sector	45
Tourism sector	53
Other services	22
Source: World Trade Organization	

Grenada, St. Lucia, St. Vincent and the Grenadines have extended further the benefits derived from tax concessions. The former have provided tax relief on the export profits that are realized on the external sales of approved manufactured products. The authorities also permit firms that do not qualify for the benefits of the Fiscal Incentives Act and that have a local value in their production of 40% and above to obtain imports duty concessions as provided in the List of Conditional Duty Exemption of CARICOM's Common External Tariff. St. Lucia has provided a similar set of provisions. In 1999/2000, the St. Lucian authorities announced further stimulus by exempting manufacturers from the payments of customs service charge and the introduction in the

<sup>18</sup> In Dominica the Hotels Aid act was passed in 1984. In St. Lucia, the Tourism Incentives Act was passed in 1996.

next fiscal year of a consumption tax rebate. Finally, in St. Lucia primary producing agricultural enterprises are exempt from the income tax.

### 3.2.2. The case of Guyana

As in the case of the member states of the OECS, Guyana also uses a plethora of fiscal incentives to develop its export potential. Fiscal incentives in Guyana are focused on investment and capital formation, which is an indirect way of promoting exports. The incentives are provided at three levels. These are the general incentives, special incentives and incentives to selected sectors of the economy.

The general incentives include a zero rate on the customs duty and the consumption tax on equipment, machinery and raw materials. They also include the unlimited loss carry over of losses from previous years and the accelerated depreciation on plant and equipment and full an unrestricted repatriation of capital.

The special incentives are export allowances that refer to the percentage of profits that are excluded from the income tax for the export of non-traditional products outside CARICOM. It is an export subsidy tied to export performance. The specifics of the allowances are detailed in Table 16 below.

Table 16 Special incentives for firms exporting non-traditional products (2003)	
Percentage of export sales to total sales	Percentage of profits excluded from income tax
>10%	0%
10%-20%	25%
21%-30%	35%
31%-40%	45%
41%-50%	55%
51%-60%	65%
>60%	75%
Source: Go-Invest (2003)	

In addition the Guyanese legislation provides incentives to the productive sectors as follows. The agricultural sector benefits from waivers of customs duty and the consumption tax on equipment, packaging material for fruit and vegetable exports, importation of agro-chemicals, agro-processing equipment. Tax allowances are also granted to non-traditional exports and the improvement of land for agricultural purposes.

The manufacturing sector receives exemptions for the customs duty and the consumption tax, for packaging equipment and materials, for vehicles imported for the use in manufacturing, and for plant equipment and raw materials. Manufacturers are also granted allowances for capital expenditure.

The forestry sector receives similar incentives to those granted to the manufacturing sector, and exemptions from customs duty and consumption tax on milling equipment, logging, land development equipment and wood working equipment, and on outboard engines.

The mining sector is provided with exemptions of customs duty and consumption tax on all equipment, processing material and spares parts used in mining, on outboard engines, and on the importation of vehicles for the production process. It also benefits from a preferential consumption tax rate on aviation fuel (10%). According to legislation, tax incentives will be maintained for a period of 15 years. In addition bauxite is taxed at lower royalty rates than precious metals and minerals. Special additional concessions are granted to medium and small-scale mining (lower royalties, lower rates for income taxes and exemptions of customs duty and consumption tax for vehicles and machinery). Petroleum exploration is encouraged through a similar set of fiscal incentives.

The tourism sector is granted duty-free and consumption tax concessions for basic furnishings, plant equipment and building materials. These concessions are granted once every five years and are limited to 50% of the value of the investment.

The fisheries sector receives the general incentives and is exempted from custom duty and the consumption tax on trawlers and fishing vessels, equipment, freezers and other refrigeration equipment.

The housing sector receives the general incentives and tax concessions on the construction of new houses and is exempt from the customs duty and consumption tax on selected building materials.

The information and communications technology sector benefits from the general incentives, a tax holiday of 10 years, and a waiver on the consumption and the customs duty tax on building materials for construction. It also receives assistance to obtain grants to train personnel on information technology.

Finally the tourism sector is also entitled to the package of general incentives plus a tax holiday for up to 5 years, waiver of customs duty and consumption tax on raw materials for the manufacture of garments and textiles, training assistance where necessary and a waiver from the consumption tax in the sale of selected products manufactured in Guyana (curtains, towels, table cloths, rugs among others).

### **3.2.3. The case of Barbados**

A third example of wide application of fiscal incentives is Barbados. The government of Barbados offers fiscal incentives to the manufacturing and the services sector. Manufacturing firms, which produce an 'approved product' or belong to the category of 'approved firms' can receive special incentives that are detailed in the Fiscal Incentives Act (1974).

Tax holidays are given to firms according to the percentage of local value added to their manufactured product. When the local value is greater than 50% of the total approved firms receive a tax holiday equivalent to 15 years. When the local value added is comprised between 25% and 50% of the total, the tax holiday is 13 years. When the local value added is comprised between 10% and 25%, the tax holiday is reduced to 11 years. After the expiration of the tax holiday firms can receive tax deductions contingent on their export potential. Firms can also carry forward their losses. Highly capital intensive firms with an investment at least equal to 25 million US\$ receive a ten-year tax holiday. Finally, manufacturing firms exporting outside the CARICOM region can obtain the same benefits given to an International Business Company (IBC). (See Table 17 below).

Table 17 Barbados Tax incentives in the financial sector (2002)				
	Exempt insurance companies	IBC	Offshore Banks	SRL
Tax rate	0	2.5%-1%	2.5%-1%	2.5%-1%
Withholding tax				
Dividends	No	No	No	No
Interest	No	No	No	No
Royalties	Yes	No	No	No
License required	Yes	Yes	Yes	Yes
Exemption from exchange controls	Yes	Yes	Yes	Yes
Exemption from duties on imports	No	Yes	Yes	Yes
Requirement to file financial statements with regulatory agency	Yes	Yes	Yes	No
Financial statements open to public scrutiny	No	No	No	No
Exemptions from taxes and duties on sale of securities and assets	Yes	Yes	Yes	No
Note: IBC = International Business Company. SRL = Societies with Restricted Liabilities Act. The corporation income tax is 40%. The personal income tax ranges from 10% to 40%. The withholding tax ranges from 12.5% to 40%. The value added tax is 15%. The hotel accommodation tax is 7.5%.				

The financial services sector is coordinated by the Central Bank. There are a number of incentives in place for international businesses including lower company tax rates; tax exemptions (see Table 17 above). In addition the legislation states that 35% of the remuneration of qualified personnel of international business institutions can be paid free of income tax and in any foreign currency.

The fiscal and tax incentives in the case of tourism were granted originally through the Hotel Aids Act (1967) which was replaced with the Tourism Development Act (2002). The underlying principle of the tourism act is that firms in the tourism sector

must be supported throughout their lifecycle and not only at the starting stage. The most important features of the Tourism Development Act are as follows: (i) hotels are defined as any building containing not less than 10 bedrooms each of which is valued at 87 000 US\$; (ii) hotels are allowed a write-off of 150% of interest expenses to refurbish a hotel, construct a new hotel with no less than 250 rooms with conference facilities, the consolidation of hotels administered as a group; (iii) hotel owners are given 15 years to write-off capital expenditures against income accruing to the business for hotel properties with a value of up to 100 million US\$. An additional year is provided up to a maximum of 20 years for every additional expenditure of 10 million US\$ over \$100 million US; (iv) tax free payments of dividends to the owners of a tourism product; (v) 150% tax write-off on expenditure on tourism research, enhancing tourism capacity, organization of trade fairs, development of linkages with other sectors, development of community tourism programmes, development of computer software to measure the performance of the tourism industry. Similar tax concessions are provided for restaurants, villas, attractions, sports and recreational facilities.<sup>19</sup>

### **3.3. Government capital expenditure**

In all CARICOM countries, export promotion efforts and instruments are complemented by public expenditure in the guise of the public sector investment programme (PSIP). The public investment programme is an outline of the major projects the government plans to undertake over the medium term. It is oriented to build the required infrastructure for exports including infrastructure, buildings, airport facilities transportation and other communications. It also seeks to reduce transport costs. An example of the latter is provided by the Shipping Incentives Act of Barbados and its Amendments which grants and extends concessions to shipping companies and all boats.<sup>20</sup>

The public investment sector programmes are financed mostly from official foreign aid and loans. In some cases it fills the gap left by a private sector that is too small and finds it unprofitable to undertake major infrastructure projects. An illustrative example is that of Antigua and Barbuda. The Medium Term Economic Strategy (2000-2004) of this country states:

‘The government has always played a critical role in the development of the tourism industry...particular as it relates to facilitating foreign investment, marketing and infrastructure development. The government’s role in the development of the industry includes the construction of hotel rooms to ensure international air service from the larger air carriers; the expansion and

---

<sup>19</sup> Another case in point is that of Jamaica, The manufacturing sector exports (textile and apparel) have also benefited from and a number of incentives. The Export Industry Encouragement Act grants income tax exemptions and tariff concessions for ten years. The Modernization of Industry Act grants relief to manufacturing companies from the General Consumption Tax on capital goods and equipment.

<sup>20</sup> Financial Statement. Economic and Financial Policies of Government. Government of Barbados. October 22, 2002.

maintenance of the country's lone international airport; and the provision of all necessary infrastructure services to support the industry. Given the small size of the economy it is expected that this role will continue in the medium to long term.'

Table 18 below shows the distribution of Public Sector Investment Programmes by economic sector and sub-sector in the case of St. Vincent and the Grenadines for 2002-2004. More than half of the total is planned to be spent on economic infrastructure while about a third is spent on social services. The main beneficiaries of the economic infrastructure are energy and transport and communications. Complementary information is presented in Figure 8 in the Annex.

Table 18 St. Vincent and the Grenadines Sectoral distribution of public sector investment programmes 2002 – 2004 In percentages			
	2002	2003	2004
Economic infrastructure	51.53	58.97	53.05
Agriculture	14.31	13.29	16.64
Energy	35.29	42.64	18.73
Transport and communications	32.28	32.77	49.32
Tourism	1.94	1.70	3.80
Other economic sectors	16.19	9.59	11.51
Social services	33.10	25.52	26.00
Education	43.71	35.01	35.09
Health	11.00	11.70	18.87
Commercial services	45.29	53.29	46.05
Public administration	9.74	9.44	7.61
Source: St. Vincent and the Grenadines. Medium Term Economic Strategy. 2002-2004. Government of St. Vincent and the Grenadines.			

Government capital expenditure can be however, a weak instrument due mainly to problems associated with its implementation and monitoring. The rate of implementation of public sector investment programs is in the vicinity of 25% in many of the Caribbean countries under study. In addition, public capital expenditures are often used as an adjustment leverage to keep expenditure under control and guarantee the compliance with targeted macroeconomic criteria depriving the PSIP of its developmental role.<sup>21</sup>

### 3.4. Export financing schemes

As in the case of most export promotion instruments export financing schemes are government led. Four examples are provided in the cases of Barbados, Jamaica, Trinidad and Tobago and at the regional level by Caribbean Export.

<sup>21</sup> See, Jamaica, Memorandum on the Budget 2002/03. Ministry of Finance and Planning.

In the former case The Central Bank of Barbados administers programs for export financing, insurance and export guarantee. It also provides insurance against payment default by foreign importers and against commercial and political risks.

The manufacturing sector also benefits from the assistance provided by the Barbados Development and Investment Corporation (BDIC), which facilitate non-sugar exports. These include rum, electronic components, building materials, food products, insecticides, plastic bags and plastic bottles, paper products, cement, paints, pharmaceuticals, boat sails, intra ocular lenses, handicraft, metal cans, agricultural, produce and cut flowers, and baby chicks. The major export markets are CARICOM, USA, the United Kingdom, and the European Union.

Besides providing export facilitation services, which include export market research, market identification, market development, and marketing support the (BDIC) offers an Export Grant Incentives Scheme (EGIS).<sup>22</sup> The EGIS is oriented to firms, which have the potential to generate foreign exchange from exporting, and that have an export development or marketing plan. The EGIS is a reimbursable grant scheme and supports a variety of export activities at different stages of their development ranging from marketing studies to sales missions. The EGIS offers two refund categories. The first one provides export assistance equivalent to 50% of direct costs of each approved export promotion activity. The second is addressed to exporters involved in BIDC sponsored projects to non-CARICOM countries, first time exporters and small businesses and provides grants up to a maximum of 75% of the direct cost of each corresponding approved activity.

The BDIC operates with 209 companies. Only 23% of the total have shown a real export potential. As indicated by Table 4 below, the export assistance provided by EGIS is far from being significant enough to shape and facilitate the export success of the member companies (see Table 19).

Table 19 Barbados Number of EGIS beneficiaries and value of average grants received 1998 - 2003		
Year	Number of companies benefiting from EGIS	Value of grants received by company per year on average (Estimate) US\$
1998	37	3330.852
1999	30	3832.949
2000	29	3385.78
2001	32	3466.146
2002	39	3382.878
2003	9	5471.701
Source: On the basis of official data.		

<sup>22</sup> TIDCO of Trinidad and Tobago also provides a set of supporting activities for exporters (information on foreign markets, fairs, trade missions and business forums among other activities).

Table 20 National Export-Import bank of Jamaica Programmes and activities related to export promotion 2003	
Title of the programme	Description of the programme
Export credit insurance	Covers foreign receivables against the risk of non-payment by foreign buyers
Foreign currency lines of credit for short term trade credit	Covers imports of raw materials, equipment, capital goods, spare parts by firms involved in manufacturing, distribution, agriculture or service provision.
Cuban line of credit	Aimed at facilitating the entry of Jamaican exports to Cuba
Export factoring programme	Assists in the development and diversification of non-traditional exports.
Export credit facility	Provides working capital support in domestic currency to exporters of non-traditional products. Loans are granted for a maximum of 120 days on a revolving basis
Bankers export credit facility	Provides shipment finance in domestic currency to exporters of non-traditional goods. Loans are granted for a maximum of 120 days on a revolving basis
Pre-shipment facility	Includes prepaid shipment financing in domestic currency to exporters of non-traditional products. Loans are granted for a maximum of 90 working days to purchase local raw material for export.
Export loan	Provides loans of up to 2 million J\$ dollars on a short or medium term basis and on concessionary terms of financing
CoPack Facility	The facility has a capital of 20 million dollars J\$, operates on a revolving basis and it consists of working capital loans that allow access to one short-term low cost pre-shipment financing
Ornamental fish farming loan programme	Grants funding to farmers (existing and new entrants) in the export trade of ornamental fish, to farmers providing vital linkages to exporters.
Modernization fund for exporters	Provides loans of up to 25 million dollars J\$ to exporters firms or foreign exchange earner.
Small business facility	Provides working capital finance at a preferred rate of interest to small and medium sized business (less than fifty employees) with total net assets not exceeding 5 million and total sales of the previous financial year not exceeding 25 million dollars J\$.
Source: Ministry of Trade and Industry of Jamaica (2003)	

In the case of Jamaica the National Export-Import bank is a government development bank providing loans at an average of 12% or 6 percentage points below the market rate and many other schemes to finance exports and other programmes (See Table 20 below). The Export Credit Facility, the Apparel Sector Financing, Loan facilities granted through the Jamaica Manufacturers Association/Jamaica Exporters Association provides additional channels to finance the development of manufacturing exports.



A similar role is played by the export-import bank of Trinidad and Tobago (EXIMBANK). EXIMBANK contributes to the promotion of exports of local manufacturers mainly in the non-hydrocarbon industry (non-energy). EXIMBANK provides among others exporter credit insurance schemes, which cover the exporter against commercial (80%) and political risks (95%),<sup>23</sup> post shipment financing, pre-shipment financing, working capital guarantee program and access to short-term working capital. Post-shipment financing aims at securing liquidity for the exporter through a discount operation. Pre-shipment financing consists in the provision of direct financing facilities for qualified exporters to cover their variable and part of their fixed costs. The working capital guarantee program consists in providing financial backing for working capital loans and revolving lines of credit. Finally, the access to working capital which is obtained under the program Triple A Financing lowers the exporting cost of domestic producers.

The regional agency Caribbean Export also provides finance to Caribbean exporters in the form of grants (service user grant and service development grant) for private sector firms belonging to the manufacturing and services sectors to build capacity and expand export activities. Agricultural firms and tourism activities are also not eligible.<sup>24</sup>

### **3.5. Trade diplomacy**

Securing market for their export products through trade negotiations is a key objective of CARICOM economies. However, they have little negotiating power, even as a regional grouping. They do not have the market potential, competitiveness or economic strength of other bigger sized and especially industrialized countries. Nonetheless, CARICOM countries as well as other countries have used their small size as a negotiating instrument by linking size with the concept of ‘vulnerability.’

According to the standard definition vulnerability is “associated with exposure to external economic factors...It is the consequence of two sets of factors: (1) the incidence and intensity of risk and threat; and (2) the ability to withstand risks and threats and to ‘bounce back’ from their consequences.” In turn the threats have their origin in the particular characteristics of some of the smaller economies, remoteness insularity, and economic exposure. This general definition of vulnerability has paved the way for arguing that the vulnerability of the smaller economies is structural rather than conjectural. That is, it does not depend or is not a consequence of policy decisions. It is independent of political or economic choice. Vulnerability proponents have clearly emphasized that this concept is not related to measures of economic performance such as

---

<sup>23</sup> According to EXIMBANK commercial risks include: ‘(i) insolvency of the overseas buyer; (ii) deliberate default by the overseas buyer on goods already accepted; (iii) diversion of the shipment to another destination resulting in non-delivery of goods within the contracted delivery time.’ For their part, political risks comprise: ‘(i) import controls in the buyer’s country; (ii) armed conflict; (iii) risks beyond the control of the exporter.’

<sup>24</sup> In the case of agriculture firms must produce the Caribbean Export regulation specifies that in order to be eligible firms ‘must produce substantial value added beyond the farm gate’ ([www.caribbean-export.com](http://www.caribbean-export.com)).

GDP per capita. A country can have an internationally relatively high GDP but be still vulnerable (i.e., The Bahamas).

In addition, it is a concept amenable to measurement. The composite vulnerability index developed by the Commonwealth Secretariat includes variables relating to economic exposure (trade openness, export concentration, capital openness, access and reliance on external financial flows, export dependency) of remoteness and insularity (international transportation costs) and susceptibility to environmental events and hazards.<sup>25</sup> The results show that smaller economies are more vulnerable than larger economies (See, Atkins, Mazzi and Easter, 2001).

Due to the fact that small countries exhibit a higher degree of vulnerability, these cannot be said to be competing or negotiating on the same footing as larger and/or more developed economies. A consequence is that trade negotiations should involve asymmetric treatment to level the playing field. The asymmetric treatment is known as special and differential treatment. In the World Trade Organization texts (1994) the concept of special and differential treatment is embodied in a set of provisions allowing developing countries greater flexibility in terms of obligations and time frames. These provisions are grouped under four headings. These are (i) those recognizing the interests of the least developed and developing countries; (ii) the measures that reduce or ease the rules and obligations that developing economies have to meet; (iii) the provisions providing for longer time-frames for the implementation of obligations; and (iv) the provisions for technical assistance (WTO, 1999c, p.225).<sup>26</sup>

---

<sup>25</sup> More precisely the vulnerability index for any country is defined as the predicted value of its output volatility. The predicted value of output volatility is obtained by regressing the actual value of output volatility on variables for economic exposure remoteness and insularity and susceptibility to environmental events and hazards (Atkins, Mazzi, and Easter, 2001). According to the results the preferred estimated equation was:

$$\text{Outvol}_i = \beta_0 + \beta_1 \text{Vuln}_i * D_i + \beta_2 \text{Exdep}_i + \beta_3 \text{Div}_i$$

Where,

$\text{Outvol}_i$  = actual output volatility

$\text{Vuln}_i$  = susceptibility to natural disasters

$\text{Exdep}_i$  = export dependence

$\text{Div}_i$  = export diversification index

$D$  = dummy variable

$i$  = 1, ..., N and N is the number of selected countries.

<sup>26</sup> See, WTO. Special and Differential Treatment. Synopsis of WTO Agreements and Related Topics. MM/LIB/SYN4. 23 October 2000 for a detailed list of the provisions of the WTO Agreements on Special and Differential Treatment. Caribbean economies have built on the WTO provisions to propose additional provisions specific to smaller economies meant to allow the progressive integration of smaller economies in the current multilateral trading regime. These can be grouped under seven headings. (Bernal, 2001): (i) a lower level of obligations; (ii) asymmetrically phased implementation timetables; (iii) best endeavor commitments; (iv) exemptions from commitments in certain areas; (v) flexibility in application and adherence of disciplines under prescribed circumstances; (vi) enabling access to mediation; (vii) technical assistance and training.

For CARICOM economies special and differential treatment is viewed in practice, as the way to maintain preferential access to two major export markets, the United States and Europe, which remains the most important objective in the negotiating agenda of CARICOM, and in the permission to apply export subsidies.

#### **4. Export promotion policies: outcomes and implications**

##### **4.1. A preliminary overview**

Any assessment of the success or failure of export promotion policies is severely limited by the difficulty of isolating its effects from those of other variables. Any examination risks confusing a single hypothesis with a joint hypothesis test. As a result and as a first approximation, the analysis that follows highlights some stylized facts in order to draw some very preliminary and rough conclusions.

In the case of CARICOM economies, the objectives and instruments of export promotion have not resulted to the benefit of export performance. In spite of its 'securing market' objectives and trade diplomacy CARICOM has lost market share in the major extra-regional export markets. It has gained export share at the intraregional level.

However, the empirical evidence shows that the exports of commodities that have the highest level of regional protection have stagnated or declined over time. It also indicates that the CET policy encourages countries to find loopholes using the conditional list of exemptions and rules of origin regulations of the revised Chaguaramas Treaty. Countries that have made active use of these to promote exports have been able 'to beat the system' and increase their intra-regional market share.

The consequent deteriorating export performance has hastened the countries efforts to foster foreign exchange earning activities. This in turn, has facilitated foreign direct investment inflows but at the expense of domestic investment, the development of value added activities and a considerable fiscal gap. A possible outcome of the combination of these factors is a higher level of internal indebtedness which can necessitate a policy of adjustment thus undermining export promotion strategies and efforts.

##### **4.2. CARICOM's extraregional market share**

CARICOM Caribbean exports of goods and services are centered mainly on commodities and tourism. The composition of commodities has not changes over time. As shown in Table 21 below between 1985 and 2000, Caribbean countries maintained or increased the share of natural resource based exports. In the case of the United States it has increased from 19% to 27%. In the case of Europe it has remained above 50%. Resource based manufacturing exports have declined (66% to 44% in the case of the United States and 25% to 23% in the case of Europe). Finally, manufacturing exports that are not based on natural resources have increased but due to the increasing importance of

the apparel industry in the case of the United States, which is at the lower end of the value added chain. In the case of Europe, the increase responds mainly to the external sales of ships and boats.<sup>27</sup> .

---

<sup>27</sup> Exports based on natural resources include basic products. Natural resource based manufacturing exports include wood, metal, oil, cement, glass products. Manufacturing exports not based on natural resources of low technology include apparel and garments and other products such as jewellery. Manufacturing exports not based on natural resources of medium technology include machinery and equipment, automobile parts, pharmaceutical products. Other products include non-classified products.

Table 21 United States and European market share and import structure for Caribbean countries 1985-2000				
	1985	1990	1995	2000
The European market				
European import market share				
1. Natural resource exports	16.01	13.64	13.1	11.14
2. Natural resource based manufacturing exports	33.89	25.97	23.57	20.7
3. Manufacturing exports not based on natural resources	46.67	56.99	59.14	63.77
Low technology	20.26	23.39	24.49	24.65
Medium technology	26.41	33.60	34.65	39.12
4. Other exports	1.76	1.94	2.58	2.88
Caribbean export structure to Europe				
1. Natural resource exports	55.68	61.61	59.81	56.23
2. Natural resource based manufacturing exports	25.43	11.12	14.87	23.05
3. Manufacturing exports not based on natural resources	13.02	25.82	24.9	19.15
Low technology	10.82	8.36	11.75	11.30
Medium technology	2.20	17.46	13.15	7.85
4. Other exports	1.49	1.47	0.32	1.03
The United States market				
United States import market share				
1. Natural resource exports	9.1	7.91	7.03	6.23
2. Natural resource based manufacturing exports	31.32	28.42	26.06	25.08
3. Manufacturing exports not based on natural resources	54.88	59.35	62.52	63.64
Low technology	13.23	15.61	15.91	16.62
Medium technology	41.65	43.74	46.61	47.06
4. Other exports	3.35	3.28	3.46	4.06
Caribbean export structure to the United States				
1. Natural resource exports	19.21	25.25	25.45	26.46
2. Natural resource based manufacturing exports	66.11	55.23	41.1	44.18
3. Manufacturing exports not based on natural resources	11.25	14.80	22.93	17.54
Low technology	4.77	12.90	20.47	14.95
Medium technology	6.48	1.91	2.46	2.59
4. Other exports	1.97	3.20	8.94	9.44
Note: exports are classified in four categories. These are, exports based on natural resources, natural resource based manufacturing exports, manufacturing exports that are not based on natural resources and other exports. In turn, the manufacturing exports that are not based on natural resources are classified into low and medium technology exports				
Source: On the basis of USTR data, MAGIC (2001), CAN (2002) and IMF financial statistics (Several issues).				

**[INSERT FIGURE 3 ]**

At the intra-regional level, the composition of traded products is also biased towards primary commodities. These represent 47% of the products traded, followed by labor intensive and resource based manufactures (22%) and manufactures with high skill and technological intensity (17%) (See Figure 3 above).

CARICOM economies have lost market share in its major markets both in goods and tourist services. Between 1985 and 2000, the export market share of Caribbean countries in regional trading blocs such as NAFTA and the EU (Western Europe), has decreased from 0.71% to 0.27% and from 0.15% to 0.10% respectively (See Table 22). It is worthy of note that the Caribbean market share has decreased in those markets that grant preferential treatment but has increased in those markets that do not grant special and differential treatment (i.e., the Andean Community). In terms of tourist services, CARICOM's market share of Caribbean tourist arrivals declined slightly from 27% to 25% while that of the Hispanic Caribbean more than doubled (20% and 53% in the same period) (See table 23).

Table 22 CARICOM's import market share in goods in regional trading blocks (In percentages) 1985-2000				
Regional block	1985	1990	1995	2000
NAFTA	0.71	0.43	0.32	0.27
Western Europe	0.15	0.13	0.12	0.10
Andean Community	0.40	0.96	0.41	0.96
Mercosur	0.30	0.34	0.19	0.34
CACM	0.20	0.18	0.38	0.92
Source: Competitive Analysis of Nations (2001)				

Table 23 Market share of tourist arrivals		
Sub-region	1997	2001
OECS	6.2	5.8
CARICOM	27.2	25.1
Commonwealth Caribbean	32.2	29.7
Hispanic Caribbean	20.2	53.3
Note: The Hispanic Caribbean includes Cancun, Cozumel, Cuba, the Dominican Republic and Puerto Rico. Source: Caribbean Tourism Organization (2002)		

The loss in market share is explained by a mix of internal and external factors. The former include high costs, low productivity, and inadequate technological levels. The latter comprise, among others, unfavorable terms of trade, the uncertainty created by the temporary nature of preferential trading regimes and increasing competition.

In the case of primary commodity exports, internal factors are compounded by external ones. The banana industry is a case in point.

The Banana industry in the English speaking Caribbean, with the exception of Belize and Jamaica, is characterized by a number of small farms <sup>28</sup> Small holdings have by definition limited availability of land, poor soil conditions, low yields, high production and shipping costs. In addition, the banana industry has also a shortage of capital, higher risk, limited access to the most adequate distribution channels, poor quality controls and marketing, and weak institutional arrangements (See, Nera, 2003 and Sandiford 2000).<sup>29</sup> Moreover banana growers have faced falling real prices and declining export values for their produce. Available evidence for the United Kingdom shows that retail prices declined by 14% between 1990 and 2002 and real prices measured as retail prices deflated by a retail index have decreased by 40% (See, Table 24 below).

The overall outcome is a decline in banana growers (24 000 and 7 000 in 1993 and 2001), production (-69%), and export volume (-56%). As a result, in spite of the preferential market access conditions, banana growers have not been able to meet their allowed quota. Prior to the European modification of the import banana regime in 2001, the European Union granted quotas of 71 000 tons, 127 000 tons, 82 000 tons and 14 000 tons to Dominica, St. Lucia, and St. Vincent and the Grenadines respectively. But the quantities actually exported for the period 1993-1999 were on average, 37 204 tons, 89 756 tons, 41 638 tons and 2 318 tons, representing 52%, 71%, 51% and 17% of their total quota.<sup>30</sup> In 2002, the Windward Islands felt again short of their quota by 9 000 tons.

The mining sector's export value is also often affected by variations in their international price (as an example according to an official source bauxite export values declined by 42% between 1995 and 1999), which diminishes their basis as a potential export platform, and technical and social problems. Thus their export performance is not necessarily tied to the degree of effectiveness of export promotion policies.

---

<sup>28</sup> In the Windward Islands the number of banana active growers is 7 000 with an average of 2.5 acres.

<sup>29</sup> Sandiford (2000, p. 46) writes:

“It was commonly agreed that the critical factor in the adjustment process was the need to enhance the quality of bananas produced by the industry so as to increase its international competitiveness. At the same time, the institutional arrangements for management and governance of the industry were identified as areas in need of realignment. In addition to the structural deficiencies in the areas of management and governance, all of the BGASs were in serious financial difficulties. The financial constraint added complications to the adjustment process as limited resources were available for its financing”.

<sup>30</sup> See European Union Council Regulation 404/93. WIBDECO and Sandiford (2000).



Table 24  
Banana export performance indicators  
1990 - 2002

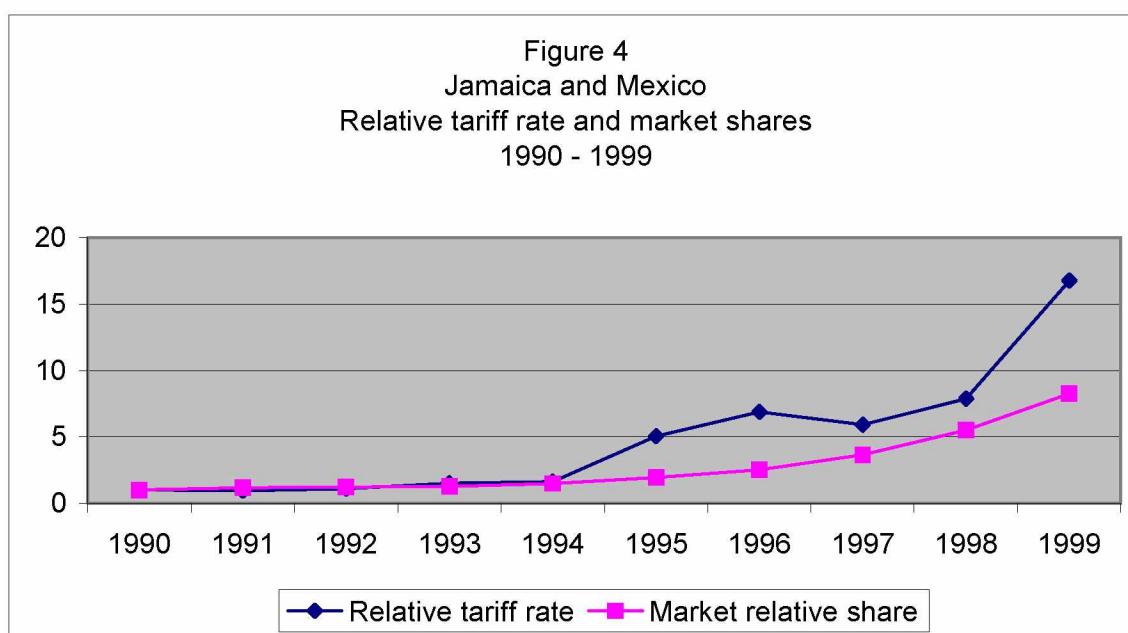
Year	United Kingdom import share by country provider									
	Jamaica	Suriname	Belize	Windward Islands	Other selected countries	Production 000' tons	Number of banana growers 000'	Export volume 000' metric tons	Retail prices of bananas Pounds per Kg	Real prices 1990=100
1990	13.40	5.96	5.11	52.13	7.45	282	n.a.	227	1.14	100
1991	14.31	5.73	3.89	41.10	10.43	230	n.a.	274	1.19	98.4
1992	13.76	5.50	5.14	40.00	13.39	280	n.a.	238	1.06	84.7
1993	11.76	4.27	5.80	23.97	9.01	242	24.1	169	0.96	75.4
1994	13.55	5.88	8.38	32.80	13.90	169	23	191	0.94	72.2
1995	13.66	4.55	6.67	31.22	13.33	194	20.2	191	0.8	59.4
1996	13.19	3.85	7.70	20.15	10.22	191	18	137	0.89	64.5
1997	11.96	4.50	6.52	21.12	18.63	137	16.3	141	1	70.2
1998	8.28	2.80	6.01	17.76	17.89	142	11.7	130	1.04	70.6
1999	7.12	4.52	6.30	19.86	22.74	131	12.6	140	1.02	68.2
2000	5.47	4.54	8.01	11.35	22.56	141	11.1	83	0.99	64.2
2001	5.83	3.93	6.37	13.55	33.20	85	7.3	99	1.08	68.9
2002	4.92	0.84	3.60	12.00	30.73	n.a.	n.a.	n.a.	1.02	64.1

Note: Other Countries include Colombia, Costa Rica and Honduras.

Source: On the basis of NERA (2003)

The manufacturing sector's performance is hampered by high labor and transport costs, an appreciating real exchange rate and size constraints, which prevents the sector from realizing economies of scale. In Barbados where data on rates of effective protection are available, these were estimated to be above 100% for a series of manufactured products including bakery, cement, furniture, apparel, margarine, plastics, and steel products.

The decline in the apparel sector also reflects a displacement effect by other and more competitive producers (Mexico and the Dominican Republic). Jamaica's loss of market share in the United States (the main destination of Jamaica's apparel and textile exports) became obvious following the entry into force of NAFTA. As shown in Figure 4 below there is positive relationship between the increase in the tariff of Jamaica relative to that of Mexico and Mexico's market share relative to that of Jamaica. In 1990, the normalized implicit tariff rate of Jamaica to Mexico was 1. In 1999 it had increased to 16. For the same period Mexico's normalized market share relative to Jamaica rose from 1 to 8. The correlation coefficient is 0.96. Jamaica has lost 18 000 jobs since 1995 in the apparel sector.<sup>31</sup>



The performance of services, in particular that of the financial and the tourist sub-sectors is directly correlated with external factors. Recent events such as the OECD harmful tax initiative, the slowdown of the United States economy, and September 11<sup>th</sup>, has had a major negative impact on these sub-sectors. In addition in the case of tourism, as the evidence provided above indicated, CARICOM Caribbean countries are viewed as

<sup>31</sup> According to the WTO (1996) after the entry into force of NAFTA, Mexican exports of category 807 increased by 196% displacing other exporters. In 2002, the Jamaican authorities have decided to switch from 807 textile exports to the full package textile exports, which has, a higher value added under the Modernization Action Programme.

high cost destinations and can hardly compete with destinations such as Mexico or the Dominican Republic.

#### **4.3. CARICOM's intra-regional trade stylized facts**

At the same time that CARICOM economies have lost market share in the major export markets, intra-regional trade has markedly increased. Intra-regional exports represented 9.5% of the total in 1980 and have increased to reach 20.8% in 2001 (See Figures 5 and 6 below). The explanatory factors include the diversification of the Trinidadian manufacturing exports, (Trinidad accounts for 50% of all intraregional imports and 75% of its exports).(See Table 25 below), the rate of suspension of the Common External Tariff and the derogation of the rules of origin. In short, it is a result of policy choice.

An additional reinforcing factor is that the regional market has also served as an outlet for the export of products that have been displaced in other markets due to the granting of more favorable market access to third countries. As an example some analysts suggest that, as with Jamaica in the case of textiles, the preferences that Caricom enjoyed under the CBI have been partly neutralized as a result of the entry into force of NAFTA.

The effects of this regional recovery have not been necessarily beneficial to the development of intra-regional trade or to improve the competitiveness of CARICOM firms, industries and productive sectors.

First, the provision for ineligibility for duty exemptions, which in fact protects the most important products and producers, and the major traded commodities in CARICOM, has led to the formation of national and regional monopolies with the concomitant associated costs. Examples of monopolies include flat-coated zinc, paints (Antigua), soaps and toothpaste (Dominica), concentrated orange, orange juice, sugar cane (Belize), cement and cigarettes (Trinidad and Tobago), rice (Guyana), carton box (OECS), and wheat and flour (St. Vincent and the Grenadines). Thus trade and exports are monopoly based.

Second, the most protected industries by the CET are also those that have experienced a significant decline in production and exports. Sugar and bananas are the most illustrative examples.

Third, countries have resorted to the suspension of CET and derogation of the rules of origin as a way to increase their competitiveness and region and export market share. The country that has made the most use of this facility is Trinidad and Tobago. Trinidad and Tobago has the most dynamic and diversified export structure in the CARICOM region (See Table 25 below).

**[INSERT FIGURE 5]**

**[INSERT FIGURE 6]**



Fourth, countries have resorted to the use of several non-tariff barriers to protect their products and expand their exports. These restrictive intra-regional trade practices are applicable to goods of CARICOM origin and include customs services taxes, customs user fees, revenue replacement duty, environmental levies, taxes and surcharges, foreign exchange taxes, registration and inspection fees, consumption taxes and special produce import tax. In particular OECS economies, also alter the conditions of market supply through marketing boards and price controls, have implemented countervailing measures on regional produced goods and have recourse to non-automatic licensing practices. These measures narrow significantly the range of export possibilities for any trading partner.

#### 4.4. Export performance, investment and the fiscal cost

The loss in extra-regional market share is reflected in the performance of exports. The performance of merchandise and tourism exports was captured using the ratio of exports to the average propensity of import (i.e. the ratio of imports to GDP). When exports are equal to imports, the export performance ratio is equal to GDP (equal to one when normalized by GDP). When exports are greater (less) than imports, the export performance ratio is greater (smaller) than GDP (below or above 1 when normalized by GDP). In the same vein a declining ratio is an indication of a deteriorating export performance (See Table 26 below).

Table 26 Trade performance in selected CARICOM countries 1990 – 2001			
	1990-1995 Averages	1996-2000 Averages	2001
Merchandise export performance			
Barbados	0.24	0.22	0.18
Jamaica	0.65	0.57	0.48
Guyana	0.89	0.90	0.84
St. Kitts and Nevis	0.20	0.18	0.15
Tourism performance			
Barbados	10.15	8.32	7.87
St. Kitts and Nevis	0.36	0.28	0.21
Merchandise trade as % of GDP			
Barbados	-21.60	-26.94	-26.27
Jamaica	-15.61	-17.64	-21.76
Guyana	-11.38	-9.37	-13.28
St. Kitts and Nevis	-57.40	-53.60	-54.00
Source: On the basis of official data.			

For most economies the export performance ratio is below GDP indicating a disequilibrium in the balance of trade and has exhibited a tendency to decrease showing that the export performance deteriorated over time.

To compensate for this imbalance, CARICOM countries have as pointed earlier encouraged, through export promotion policies, the development of activities which are intensive in foreign exchange earnings. However, these activities have not necessarily been beneficial to the economy as a whole.

An analysis of the domestic investment and foreign direct investment coefficients shows that during the 1990's, a period for which the foreign direct investment coefficient increased, the domestic investment coefficient stagnated in most cases. On average for CARICOM countries the ratio of investment to GDP was 25.96% during 1980-1990 and remained at that level in 2000 (25.61%). This may indicate that the promotion of activities with a high foreign exchange earning potential may have actually crowded out domestic investment (See Tables 27 and 28 below).

Table 27. Gross Domestic Investment (As percentages of GDP) 1980 – 2000					
Country	1981-1990	1991-2000	1998	1999	2000
Antigua and Barbuda	33.8	33.6	32.4	32.8	29.9
Barbados	18.6	15.2	18.5	19.4	18.1
Belize	23.6	25.9	25.8	26.1	31.6
Dominica	31.1	29.0	27.0	28.5	29.3
Dominican Republic	22.4	22.1	23.4	24.2	23.7
Grenada	34.0	34.9	37.4	35.7	38.6
Guyana	28.0	31.3	28.8	24.5	22.3
Haiti	15.2	7.5	10.7	11.0	10.7
Jamaica	23.1	28.1	27.2	25.6	26.8
St. Kitts and Nevis	37.7	42.6	43.0	37.4	45.0
St. Lucia	26.8	23.6	23.8	25.8	24.5
St. Vincent and the Grenadines	28.9	28.7	31.8	32.6	28.0
Suriname	19.9	16.4	18.1	15.6	11.0
Trinidad and Tobago	20.3	20.7	27.9	21.4	19.1
Average	25.96	25.69	26.84	25.76	25.61
Source: World Bank (2002); ECLAC (2002)					



Table 28  
Foreign Direct Investment (as a percentage of GDP)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Anguilla	19.7	11.3	25.6	10.1	15.0	23.7	42.1	23.8	29.8	36.3	36.4	24.9
Antigua and Barbuda	15.5	13.3	4.6	3.3	5.0	6.4	3.6	4.0	4.4	5.6	5.0	7.8
Barbados	1.2	2.0	1.7	0.1	2.3	-0.3	1.2	1.4	0.7	2.2	6.0	3.6
Belize					3.3	3.1	1.8	1.3	7.5	7.2	2.5	5.0
Dominica	7.7	8.4	10.7	6.6	10.5	24.7	7.6	10.3	3.0	8.0	4.7	6.4
Grenada	5.8	6.3	9.0	8.1	7.3	7.2	6.6	10.6	13.9	11.0	8.8	8.6
Guyana	4.1	8.0	36.9	13.6	8.8	8.6	8.4	7.0	6.7	6.7	9.5	7.9
Jamaica		1.4	9.8	7.3	10.2	5.5	8.1	-0.1	2.0	-0.1	6.0	12.1
Montserrat	14.3	14.4	7.9	7.8	11.3	5.0	-0.7	6.3	6.8	23.4	9.9	10.2
St. Kitts and Nevis	6.0	4.9	2.5	6.9	6.9	8.9	14.3	7.2	11.1	19.0	29.2	24.1
St. Lucia	10.8	1.8	0.9	6.9	6.3	5.9	3.2	8.3	13.3	12.4	7.1	7.7
St. Vincent and the Grenadines	3.9	4.2	6.4	13.2	19.4	11.6	15.3	31.5	28.0	16.9	8.4	10.2
Trinidad and Tobago	2.2	2.5	3.1	8.8	10.5	5.5	6.2	17.2	11.6	5.5	8.1	6.2
Average all	8.3	6.5	9.9	7.7	9.0	8.9	9.1	9.9	10.7	11.9	10.9	10.4
Standard deviation	6.0	4.6	10.7	3.7	4.7	7.4	11.0	9.2	9.1	9.9	10.0	6.7
Average OECS	10.5	8.1	8.5	7.9	10.2	11.7	11.5	12.7	13.8	16.6	13.7	12.5
Average Larger	1.9	3.5	3.6	7.4	8.0	4.8	6.0	6.4	5.2	3.6	7.4	7.5
Average RBE with Guyana	2.1	3.5	13.3	7.5	7.6	5.7	5.5	8.5	8.6	6.5	6.7	6.4
Average RBE without Guyana in 1992	2.1	5.4	1.0	7.5	7.6	5.7	5.5	8.5	8.6	6.5	6.7	6.4
Average SBE	8.4	6.0	5.4	4.4	5.8	6.2	8.0	6.4	8.3	12.4	11.7	9.8

Note: SBE = service based economies. RBE= resource based economies.  
Source: ECLAC on the basis of official data.

A related phenomenon is the low value added in some of the foreign direct investment activities such as free trade zones highlighting weak production linkages with the productive apparatus. Available data in the case of Jamaica indicate that the contribution of the apparel free trade zone production to GDP is of the order of 2%.

The main type of instrument to promote the FDI productive activities, namely fiscal incentives have, in addition, an important foregone revenue cost. Estimations of this cost are only available for a few countries. Data is presented here for St. Kitts and Nevis.

Table 29 below shows computations of imports exempted from taxation for St. Kitts for 2000 in Eastern Caribbean Dollars and as a percentage of total imports. According to the data presented more than 58% of imports (equivalent to 31% of GDP) are exempt from import duties, 50% from the consumption tax and 39% from the service charge. Of this total the fiscal incentives act accounts for 14% of all the imports (representing 7.3% of GDP) that are exempted from the payment of duty, consumption tax and service charge.<sup>32</sup>

Table 29 Estimations of exemptions as percentage of imports (2000)		
	As a percentage of GDP	As a percentage of total imports
Exemptions from duty, consumption tax and service charge		
Government statutory bodies	6.2	11.5
Government legislation	6.2	11.5
Fiscal incentives Act	7.3	<b>13.6</b>
Hotel aids act	0.1	0.2
Other exemptions	0.9	1.6
Exemptions from import duties and consumption tax	6.2	<b>11.6</b>
Exemptions from import duties		
CARICOM imports	4.2	<b>7.8</b>
Other	0.3	0.6
Exemption from consumption tax	0.0	0.0
Total	53.6	100
Total exempt from import duty	31.3	58.5
Total exempt from consumption tax	26.9	50.2
Total exempt from service charge	20.7	38.6
Source: Based on data provided by the government of St. Kitts and Nevis (2002-2003)		

<sup>32</sup> The WTO estimates the cost of fiscal subsidies at 2% to 5% of GDP for the OECS economies. See WTO (2001) Trade Policy Review of the OECS. WT/TPR/G/85. 7 May 2001.

#### 4.5. The possible consequences of export promotion policies: a limiting case

When export performance deteriorates, investment stagnates and export promotion policies have a significant opportunity cost in terms of foregone government revenue, the result is an increase in the internal debt which may lead to unsustainable debt dynamics. This can be shown with a simple national accounts identity. Let,

$$(1) Y = C + I + (G-T) + X - M$$

Where,

Y = income

C = consumption

I = investment

G = government expenditure

T = taxes

X = exports

M = imports

Rearranging terms in identity (1) leads to express the internal gap between savings and investment (S and I) as the sum of the fiscal gap (G-T) and the external gap (X-M). This is shown in identity (3) below.

$$(2) Y - C = I + (G-T) + X - M$$

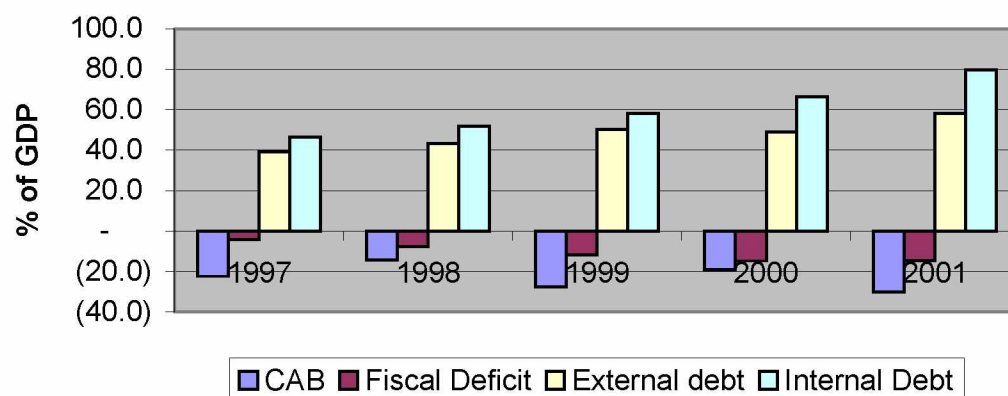
$$(3) (S - I) = (G-T) + (X-M)$$

By definition if an export promotion policy cannot generate an export surplus such that  $M > X$ , and at the same time translates the cost to the fiscal accounts such that  $G > T$ , then  $I > S$ . In other words an export promotion policy is likely to generate an internal gap that can only be financed with grants or debt. In the case of smaller economies it has been financed with a combination of both but can nonetheless lead to unsustainable debt dynamics.

The upshot of the argument is then that an export promotion policy of the type described leads to a necessary process of internal adjustment and growth slowdown. Or in other words this type of export promotion policy plants the seeds for its own undoing.

Using the example of St. Kitts and Nevis, Figure 7 below shows the consequence of this export promotion strategy, namely the deterioration of the external and fiscal accounts, which is accompanied by increasing levels of debt.

Figure 7  
St. Kitts and Nevis  
1997 - 2001  
Current account and fiscal deficit, external and internal debts



## Conclusion

Export promotion policies are to a great extent shaped by the specificities of smaller economies. The objectives of export promotion policies include mainly securing extra-and intra regional markets for their export products, and the promotion of export activities that attract foreign direct investment and foreign exchange earnings. The instruments of export promotion are guided by the government and comprise fiscal incentives, government capital expenditure, and trade negotiations. At the intraregional level the main export promotion tool is the common external tariff.

The analysis of export performance shows that the export promotion objectives have been, at most, partially fulfilled. CARICOM Caribbean economies are still struggling to capture market niches. More important these economies have, for the most part, lost market share in the United States and Europe, in spite of preferential market access conditions. Contrarily the intra-regional market has expanded significantly.

Foreign direct investment flows which have helped to soften the consequent balance of payments constraint have not necessarily been wholly beneficial to the development of these countries' economies. Indeed, the evidence shows that while foreign direct investment has increased, domestic investment has stagnated. In this sense, it can be hypothesized that foreign direct investment rather than being a complement to domestic investment has in fact displaced it..

Export promotion tools have met with mixed levels of success. The Common External Tariff jointly with the Chaguaramas Revised Treaty rules of origin have managed to promote intraregional trade but at the same time have maintained an inefficient structure of trade. Government capital expenditure faces an important management constraint, while fiscal incentives have proven to be a costly alternative, representing in some cases 5% of GDP. Trade diplomacy faces the challenge of defining with precision the rational for asymmetric treatment.

The on-going process of globalization and broader regional integration will reduce CARICOM's countries flexibility and narrow the economic and political leverage for export promotion policies. Most important, the tariff reduction that will accompany greater regional integration will force countries to widen the tax base reducing the scope for fiscal incentives and in general for discretionary economic policy.

Unless niche-marketing lives up to its promise and preferential market access can in fact shield smaller economies from external fluctuations and protect high cost producers from the competition of low cost producers, CARICOM economies will be forced to examine the viability of their export promotion policies and most likely re-define their export strategy.

## Annex

## Tables 30 -32

States	Population 000 <sup>a</sup>	Vulnerability to natural disasters	Diversification index	Composite vulnerability index	Rank	Share of world trade
Antigua and Barbuda	65	430.77	0.832	11.246	2	0.0012
The Bahamas	268	491.28	0.850	10.433	4	0.0040
Barbados	260	0.46	0.759	5.670	38	0.0050
Belize	204	28.19	0.952	6.652	23	0.0029
Dominica	71	261.97	0.769	8.122		0.0009
Grenada	92	228.26	0.845	7.848	15	0.0004
Guyana	816	85.17	0.885	7.953	13	0.0100
Jamaica	2,411	130.86	0.850	7.484	18	n.r.
St. Kitts and Nevis	42	21.43	0.850	6.362	29	0.0006
St. Lucia	139	92.88	0.880	7.449	19	0.0012
St. Vincent and the Grenadines	11	74.8	0.865	6.563	24	0.0009
Suriname	414	0	0.933	4.921	78	n.r.
Trinidad and Tobago	1,278	0.13	0.781	5.264	49	0.0439

n.r. denotes not reported.  
Source: Atkins, Mazzi, and Easter (2001) and Davenport (2000).

Table 31 Jamaica Contribution to GDP as a percentage of the total (averages)			
	1991-1995	1996-2000	2001
Agriculture, forestry and fishing	8.0	7.9	7.3
Mining and quarrying	8.3	8.9	9.1
Manufacturing	17.9	16.0	15.5
Electricity and water	4.1	4.9	5.3
Construction and installation	8.8	7.7	7.5
Distributive trade	18.5	20.4	20.2
Transport, storage and communication	10.1	14.4	17.3
Services	36.1	39.2	41.0
Financing and insurance services	12.4	12.9	14.6
Real estate and business services	8.3	9.1	8.9
Producers of government services	6.3	6.2	6.2
Miscellaneous services a/	9.1	11.0	11.3
Source: ECLAC on the basis of official data			

Table 32  
Caricom's exports as a percentage of the total  
1980-2001

	CARICOM	USA	EU	LAIA	Other
1980	9.5	48.7	16.5	1.9	23.4
1981	10	46.6	17.8	2.8	22.8
1982	11.8	40.5	19.4	3.7	24.6
1983	13	45.6	15.9	1.5	24
1984	12.1	47.7	17.1	1.5	21.6
1985	13.3	47.2	17.8	2.1	19.6
1986	11.1	44.6	23.1	1.2	20
1987	11.3	43.8	23.5	2.8	18.6
1988	12.5	41.6	23.8	2.7	19.4
1989	13.8	41.2	23	2.8	19.2
1990	12.3	40.7	20.6	2.8	23.6
1991	12.6	38	20.3	4.8	24.3
1992	12.9	39.8	16.8	4.4	26.1
1993	16.3	39.3	17.2	3.4	23.8
1994	15	36.8	17.7	5.5	25
1995	16.6	34.1	20.9	5.4	23
1996	18.5	38.5	18	5	20
1997	18.3	34.4	19.7	4.2	23.4
1998	21.6	34.6	18.5	3.5	21.8
1999	21.3	36.7	16.7	3.2	22.1
2000	20	40.7	15.6	3.1	20.6
2001	20.8	38.2	12.4	2.4	26.2

Source: CARICOM Secretariat (2003)



**[INSERT FIGURE 8]**

**[INSERT FIGURE 9]**

## References

Armstrong, H.W. & Read, R.(2003) *Microstates and Subnational Regions: Mutual Industrial Policy Lessons*. International Regional Science review 26, 1,pp.117-141.

Armstrong, H.W. & Read, R. (2000) *Comparing the Economic Performance of Dependent Territories and Sovereign Microstates*. Economic development and Cultural Change. Pp. 284-306.

Armstrong, H.; De Kervenoael, R.J., Li, X., Read, R. (1998) *A Comparison of the Economic Performance of Different Micro-states, and Between Micro-states and Larger Countries*. World Development, Vol.26, No.4. pp.639-656.

Armstrong, H.W. & Read, R. (1995) *Western European Micro-States and EU Autonomous Regions: The Advantages of Size and Sovereignty*. World Development, Vol.23, No.7, pp.1229-1245.

Atkins, J.P. Mazzi, S. Easter, C.D (2001) *Small States: A Composite Vulnerability Index*. In Small States in the Global Economy. Eds. David Peretz, Rumman Faruqi and Eliawony J. Kisanga. Commonwealth Secretariat, London: Marlborough House.

Briguglio, L. (1995) *Small Island Developing States and Their Economic Vulnerabilities*. World Development, Vol.23, No.9, pp1615-1632.

Business Barbados (2003) The Premier Business & Investment Publication. Business Barbados.

Caribbean Tourism Organization (2001-2002). *Caribbean Tourism Statistical Report*. St. Michael: Barbados.

Caribtrade. Caribbean Trade Data Base. UNECLAC Subregional Headquarters for the Caribbean. 2003.

CARICOM Secretariat (2002) CARICOM Secretariat. *Final Report on Component III. Inventory of non-tariff, trade restricting measures applied by member states of the Caribbean Community*.

CARICOM-Secretariat (2002) *Review of Trade Policy Instruments and Administrative Practices Governing the Operation of the CARICOM CET and Rules of Origin*. Final Report . Trevor Hamilton and Associates.

CARICOM. (1991) *Revised Treaty of Chaguaramas Establishing The Caribbean Community Including the CARICOM Single Market and Economy*.

Clegg, P. (2000) *The Development of the Windward Islands Banana Export Trade: Commercial Opportunity & Colonial Necessity*. The Society For Caribbean Studies Annual Conference Paper, Vol1.  
<http://www.scsonline.freemove.co.uk/olvol1.html>

Competitive Analysis of Nations. Software Program. Version 2002, Trade CAN. ECLAC.Santiago Chile. Chile.

Eastern Caribbean Central Bank (2002). *National Accounts Statistics, 2002*. St. Kitts and Nevis: Eastern Caribbean Central Bank.

Eastern Caribbean Central Bank (2002). *Economic and Financial Review, December 2002*. St. Kitts and Nevis: Eastern Caribbean Central Bank.

Eastern Caribbean Central Bank (2000). *Annual Statistical Digest 2000*. St. Kitts and Nevis: Eastern Caribbean Central Bank.

Eastern Caribbean Central Bank (1999). *Annual Statistical Digest 1999* St. Kitts and Nevis: Eastern Caribbean Central Bank.

ECLAC (2002) *The Contribution of Yachting to Development in the Eastern Caribbean. St. Vincent and the Grenadines. The Yachting Sector*. LC/CAR/G.707.

ECLAC (2002) Globalization and Development. 29<sup>th</sup> ECLAC Session Period, 6-10 of May 2002. LC/G.2157(SES.29/3). 9 April 2002.

Economic and Social Report of St. Lucia (2003). St. Lucia.

European Commission.(2002) *Green paper on relations between the European Union and the ACP countries on the eve of the 21<sup>st</sup> Century. Challenges and options for a new partnership*. European Commission: Brussels.

Financial Statement. Economic and Financial Policies of Government (2002). Presented by the RT. HON. Owen Arthur, Prime Minister and Minister of Finance and Economic Affairs. Barbados.

Findlay, R. (1995) *Factor proportions, trade and growth*. The MIT Press: Cambridge.

Government of Antigua and Barbuda. (2002). *Antigua and Barbuda. Medium Term Economic Strategy, 2002-2004*.

Government of Grenada (2002). *Grenada. Medium Term Economic Strategy, 2002-2004*.

Government of St. Vincent and the Grenadines. (2002) *St. Vincent and the Grenadines. Medium Term Economic Strategy, 2002-2004*.

Go-Invest.(2003). *Enhancing Export Promotion*. Mimeo. Georgetown: Guyana,

Go-Invest (2003) *Results of the Rapid Reconnaissance Survey of the Toronto Market for Guyanese Products*. Mimeo Georgetown: Guyana.

Go-Invest (2003) *Survey of the London Market for Guyanese Products*. Mimeo Georgetown: Guyana.

Grimwade, N. (1996) *International Trade Policy*. New York: Routledge.

Grossman, L.S. (1994) *British Aid and Windward Bananas: The Case of St. Vincent and the Grenadines*. Social and Economic Studies, 43:1, pp.151-179.

IMF (2002). *International Financial Statistics. Yearbook, 2002*. International Monetary Fund: Washington D.C.

International Trade Center (2000) *Trade Secrets. The Export Answer Book for Small and Medium-Sized Exporters*. International Trade Center UNCTAD/WTO (ITC): Port of Spain..

Itam, S., Cueva, S., Lundback, E., Stotsky, J. and Tokarick, S. (2000) *Developments and Challenges in the Caribbean Region*. Occasional Paper 201. IMF, Washington, D.C..

Leslie, W. (2001) Incorporation of Special and Differential Treatment in International Trade Agreements and the Implications for Caribbean Economies.

Module to analyze the growth of international commerce (MAGIC), 2003. ECLAC Subregional Headquarters in Mexico City.

McIntyre A.M. (1995) *Trade and Economic Development in Small Open Economies*. The Case of the Caribbean Countries. Westport: Praeger.

Ministry of Finance and Planning (2003) *Jamaica Memorandum on the Budget 2003/04*. Kingston, Jamaica.

Ministry of Trade and Industry of Trinidad and Tobago. *Trade Policy for the Republic of Trinidad and Tobago. 1997-2001*. Ministry of Trade and Industry: Trinidad and Tobago.

National Economic Research Associates.(NERA) (2003) *Banana exports from the Caribbean since 1992*. Prepared by NERA for the Caribbean Banana Exporters Association.

Ocampo, J.A. (2002) *Small Economies in the Phase of Globalisation*. William G. Demas Memorial Lecture at the Caribbean Development Bank. Cayman Islands, 14 May 2002.

Perkins, D.H. and Syrquin M. (1992) *Large Countries: The Influence of Size*. In Handbook of development Economics, Eds. Kenneth J. Arrow and Michael D. Intriligator. New York: North Holland.

Planning Institute of Jamaica. *Economic and Social Survey. Jamaica 2002*. Kingston: Jamaica.

Sandiford, W. (2000) *On the brink of decline. Bananas in the Windward Islands*. Fedon Books: St. Georges.

Sauvé, P. & Stern, R.M. (2000) *gats 2000 new directions in services trade liberalization*. Washington D.C.: The Brookings Institution.

UNCTAD (2002) *UNCTAD Handbook of Statistics, 2002*. United Nations: Geneva.

Van Beek, F., Rosales, J.R., Zermeño, M. Randall, R. Shepherd, J. (2000) *The Eastern Caribbean Currency Union. Institutions, Performance, and Policy Issues*. IMF, Occasional Paper 195. Washington D.C.

Welch, B. (1994) *Banana Dependency: Albatross or Liferaft for the Windwards*. Social and Economic Studies, 43:1, pp.123-149.

Wood, A. and Mayer J. *Africa's export structure in comparative perspective*. Cambridge Journal of Economics. Vol. 25, No.3, pp. 369-394, May 2001.

World Bank (2002) Caribbean Group for Cooperation in Economic Development. *Development Assistance and Economic Development in the Caribbean Region: Is there a correlation?* Discussion Draft. World Bank., Washington D.C.

World Bank (2002) Caribbean Group for Cooperation in Economic Development. *Macroeconomic Volatility, household vulnerability, and institutional and policy responses*. Discussion Draft. World Bank., Washington D.C.

World Bank (2001) Organization of Eastern Caribbean States. 1991-2001. *External Financial Assistance. Indicative Commitments, Disbursements and Projections*.

World Bank (1990) *The Caribbean Common Market. Trade Policies and Regional Integration in the 1990's*. World Bank., Washington D.C.

World Trade Organization.(2002) *Small Economies: A Literature Review. Note by the Secretariat*. WT/COMTD/SE/W/4.

World Trade Organization (2002). *Trade Policy Review. Barbados.* WT/TPR/S/101.

World Trade Organization (2001) *Trade Policy Review. OECS-WTO Members. Report by the Government*, WT/TPR/G/85.

World Trade Organization (2001) *Trade Policy Review. OECS-WTO Members. Report by the Secretariat*, WT/TPR/S/85.

World Trade Organization (2001) *Trade Policy Review. Antigua and Barbuda. Report by the Government*, WT/TPR/G/85/ATG.

World Trade Organization (2001) *Trade Policy Review. Antigua and Barbuda. Report by the Secretariat*, WT/TPR/S/85/ATG.

World Trade Organization (2001) *Trade Policy Review. Dominica. Report by the Government*, WT/TPR/G/85/DMA.

World Trade Organization (2001) *Trade Policy Review. Dominica. Report by the Secretariat*, WT/TPR/S/85/DMA.

World Trade Organization (2001) *Trade Policy Review. Grenada. Report by the Government*, WT/TPR/G/85/GRD.

World Trade Organization (2001) *Trade Policy Review. Grenada. Report by the Secretariat*, WT/TPR/S/85/GRD.

World Trade Organization (2001) *Trade Policy Review. Saint Kitts and Nevis. Report by the Government*, WT/TPR/G/85/KNA.

World Trade Organization (2001) *Trade Policy Review. Saint Kitts and Nevis. Report by the Secretariat*, WT/TPR/S/85/KNA.

World Trade Organization (2001) *Trade Policy Review. Saint Lucia. Report by the Government*, WT/TPR/G/85/LCA.

World Trade Organization (2001) *Trade Policy Review. Saint Lucia. Report by the Secretariat*, WT/TPR/S/85/LCA.

World Trade Organization (2001) *Trade Policy Review. Saint Vincent and the Grenadines. Report by the Government*, WT/TPR/G/85/VCT.

World Trade Organization (2001) *Trade Policy Review. Saint Vincent and the Grenadines. Report by the Secretariat*, WT/TPR/S/85/VCT.

World Trade Organization (2000) *Caribbean Community and Common Market.* WT/REG92/R/B/1.

World Trade Organization (2000) *The Legal Texts. The Results of the Uruguay Round of Multilateral Trade Negotiations*. Cambridge: Cambridge University Press.

World Trade Organization (1999a). Special and Differential Treatment. Synopsis of WTO Agreements and Related Topics. MM/LIB/SYN4. 23 October 2000.

World Trade Organization (1999) *Guide to the Uruguay Round Agreements*. Geneva: World Trade Organization. .

World Trade Organization (1986). *Trade Policy Review. Jamaica.*.