

Economic Commission for Latin America and the Caribbean

# ECLAC SUBREGIONAL HEADQUARTERS FOR THE CARIBBEAN



## **Report of the expert group meeting on monitoring trade agreements: improving export performance and promoting industrialization in the goods-producing economies in the Caribbean**



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Economic Commission for Latin America and the Caribbean  
Subregional Headquarters for the Caribbean

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Expert group meeting on monitoring trade agreements:  
improving export performance and promoting industrialization  
in the goods-producing economies of the Caribbean  
8 November 2017  
Port of Spain, Trinidad and Tobago

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**REPORT OF THE EXPERT GROUP MEETING ON MONITORING  
TRADE AGREEMENTS: IMPROVING EXPORT PERFORMANCE AND  
PROMOTING INDUSTRIALIZATION IN THE GOODS-PRODUCING  
ECONOMIES IN THE CARIBBEAN**

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## A. SUMMARY OF RECOMMENDATIONS

1. Caribbean economies have been consistently more open than small island developing States (SIDS) on average, or than developing countries in general. Among the Caribbean goods producers, Belize's trade openness index was over 120 per cent in 2015 while Suriname's trade openness has steadily declined over the last decade. Belize has managed to maintain trade openness indices above the Caribbean average. It is noteworthy that the small resource and production base of many Caribbean countries predispose them to be highly dependent on extraregional imports, including strategic imports such as food, energy and inputs into production. This makes them particularly vulnerable to shocks in availability as well as cost of these imports.

2. Furthermore, the Caribbean Community's share of the world trade is very small and has been falling for the past 11 years. Another particularly troubling feature of the tale of the Caribbean's trade is its weak trade complementarity with not only other global economies, but also its major trading partners (United States of America and the European Union) as well as Latin America. This suggests that the region's export specialization profile does not complement the import specialization of other global economies, and more importantly that the Caribbean's major trading partners are not its natural trading partners.

3. With regard to the technological sophistication of Caribbean exports, these have largely been characterized by primary products and relatively low levels of technological intensity in production. This is primarily because the Caribbean's efforts at diversification have traditionally been horizontal in nature, focusing on changing the mix of exports through an expansion in the number of export sectors. The primary objective of this approach was mitigating the deleterious effects of fluctuations in global commodity prices. In many instances, however, this was done without reference to the need for restructuring of the economic base as well as the importance of vertical diversification. In addition, the desirability of including the private sector in government policy interventions has seemingly been ignored.

4. With respect to the export performance of the three countries examined in this study (Belize, Suriname and Trinidad and Tobago), the basket of top exports includes only a few products. Accordingly, a declining market of any one export has a significant impact on total earnings – this is currently the case with energy-based exports. In addition, many of these products in the basket of top exports are primary commodities, and hence their vulnerability to the typical price cycles associated with commodities. The current decline in export earnings for these three countries is a reflection of the challenges and market risks associated with an export product profile as described above. In the case of energy-based products, the structural change in recent years in the global market for this product group accounts for the sustained depressed prices. Its impacts are being felt in all three countries, more so Trinidad and Tobago given the weight of this group of products in the country's export basket.

5. Moreover, there seems to be general agreement among the subregion's private sector that national efforts to carve a path towards trade-led economic growth have been beset by, among other things, weak institutions and, in many instances, the absence of the requisite policy environment for fostering export diversification and redressing supply-side capacity constraints. In this respect, deficient economic infrastructure, such as ports, freight logistics, internal, maritime and air transport and communications networks should be highlighted.

6. The study concludes that successful integration of individual Caribbean economies into the multilateral trading system will require not only increased market access but also investment and policy frameworks geared towards inducing the requisite structural change. In other words, it is

important to create a delicate balance between integration into the global economy and generating welfare gains from increased trade. However, for small economies of the Caribbean, this would require more dedicated effort at formulating private sector-embedded industrial policy which not only integrates trade-related policy measures but informs them.

## **B. ATTENDANCE AND ORGANIZATION OF WORK**

### **1. Place and date of the expert group meeting**

7. The United Nations Economic Commission for Latin America and the Caribbean subregional headquarters for the Caribbean convened an expert group meeting to discuss the findings of the study “Monitoring trade agreements: improving export performance and promoting industrialization in goods-producing economies in the Caribbean” on 8 November 2017 in Port of Spain, Trinidad and Tobago. The meeting was primarily conducted via WebEx teleconference.

### **2. Attendance**

8. Representatives from the following institutions participated in the EGM: Ministry of Trade and Industry, Trinidad and Tobago, Ministry of Trade, Grenada, Directorate of Foreign Trade, Belize, Ministry of Trade, Suriname and the Organization of Eastern Caribbean States (OECS). A Trade and Services Expert also participated from Saint Kitts and Nevis. ECLAC consultant participated at the ECLAC office.

9. This meeting was chaired by the Coordinator of the Economic Development Unit (EDU) of ECLAC subregional headquarters for the Caribbean. The study findings were presented by the Coordinator of the EDU and the ECLAC consultant.

### **3. Agenda**

- Welcome remarks and introduction
- Overview and presentation of the study
- Plenary discussion on presentation and study
- Closure of the meeting

## **C. SUMMARY OF PROCEEDINGS**

### **1. Opening of the meeting**

10. The study explores the challenges and capacity constraints faced by enterprises in the sub-region in exploiting trade opportunities provided by Free Trade Agreements (FTAs) and Partial Scope Agreements (PSAs). It focuses upon the goods sector and case studies for Belize, Suriname, and Trinidad and Tobago, and seeks to build a strategic framework aimed at addressing these challenges and constraints, thereby creating a platform for economic diversification and export expansion.

11. Trade performance of the identified countries under selected trade agreements was also examined; challenges and constraints faced by exporters in these countries were identified; and possible avenues to facilitate expansion both at the intensive and extensive margins were proposed.

12. It was revealed that Caribbean goods producing countries were not taking full advantage of signed preferential trade agreements (PTAs). These agreements provide countries with market access, but do not guarantee market penetration. The study noted that it has become increasingly apparent that investment policy designed to address bottlenecks and increase productivity is needed to allow the successful integration of individual Caribbean economies into the multilateral trading system.

13. Output and productivity in the goods producing economies can be increased by: i) increased private-public sector collaboration; ii) strengthening of trade-related infrastructure; and iii) restructuring resource allocation towards the production of goods geared towards export.

## **2. Overview and presentation of the study**

14. The Coordinator of the Economic Development Unit (EDU) presented the paper and provided an insightful overview on the trade performance of the goods-producing CARICOM economies. The study examined trade performance as well as challenges faced by the region's exporters in their attempt to capitalize on market opportunities provided by PTAs. The study focused on three goods-producing CARICOM economies – Belize, Suriname and Trinidad and Tobago, and reviewed each country's performance under two of each of the country's respective PTAs.

15. The study found that the countries display a high degree of trade openness and their exports are concentrated to a few markets, particularly the United States of America and the European Union. The exports also display a high degree of product concentration.

16. The findings also revealed that a large share of exports for the three countries fell in the categories of primary production or production with little technological intensity. This signaled the need for producers to vertically diversify in order to capture more value added in their products value chain. Intraregional trade is weak in the region and is dominated by Trinidad and Tobago.

17. CARICOM as a region has signed a number of trade agreements to gain preferential market access. However, the goods producing economies examined for the study have not been able to fully capitalize on market access opportunities. Despite the preferential market access offered by preferential trade agreements, market penetration is weak. The study noted that critical to addressing this issue is ensuring that these agreements are driven by the private sector. Weak market penetration, along with weak trade creation signals the need for industrial policy to enhance the production of goods for export.

18. A number of challenges to increasing production persist. These include: limited access to finance, limited market information, high costs of entering markets, quality related issues, logistics bottlenecks, and raw material limitations. In order to address these issues, it is essential that trade-related and industrial policies designed to address bottlenecks, increase productivity and induce the requisite structural transformation are implemented so that each Caribbean economy can successfully integrate into the multilateral trading system.



### **3. Plenary discussion on presentation and the study**

19. The meeting agreed that the study presented a good reflection of the reality of CARICOM trade and the need for structural change was adequately addressed. It was recommended that the implementation of the recommendations of the study be presented at the highest levels of regional policy formulation.

20. It was suggested that the study take into account the potential role CARICOM institutions can play to facilitate intra-regional trade, as well as examine that organization's priorities and modality when pursuing trade agreements, in order that arrangements are aligned to the unique characteristics of the region.

21. The representative from Trinidad and Tobago expressed the view that the private sector should be driving the region's trade agenda. The ECLAC consultant noted that the Caribbean's private sector comprised mainly of small and microenterprises without the requisite capacity to conduct adequate market research to participate fully in these arrangements. Potential exporters have little knowledge of or information about sanitary and phytosanitary measures in potential export markets. There is also no regional database of market research on supply and demand conditions. It was suggested that these considerations be taken into account in the study, including the recommendation of the development of a regional model that would boost the participation of the region's private sector.

22. Concerns were raised regarding the existence of intra-regional anti-competitive behavior and the role of non-tariff measures as an obstacle to intra-regional trade. It was agreed that there is a need for structural change and the enhancement of regional institutional structures rather than a mere focus on negotiating for market access. It was also recommended that the study recommend that the region seek to agree on a harmonized regional industrial policy in order to deliver convergence in levels of economic development.

### **4. Closing remarks**

23. Closing remarks were made by the Coordinator of the EDU, who thanked participants for their tremendous input in strengthening this important study. He informed that the study would be updated to also include Eastern Caribbean Currency Union countries in 2018. He also requested additional comments be submitted in writing, so that they may be integrated into the revised publication.

Annex I**LIST OF PARTICIPANTS**

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