

GENERAL  
LC/CAR/G.756  
30 October 2003  
ORIGINAL: SPANISH

**MAIN TRADE TRENDS, TRADE POLICY AND INTEGRATION  
IN THE GREATER CARIBBEAN**

## INDEX

PRESENTATION .....	1
SUMMARY AND CONCLUSIONS .....	3
I. INTRODUCTION .....	14
A. Origin and objectives of the ACS .....	14
B. Main characteristics of member states and their international insertion .....	15
1. Great diversity .....	15
2. The problems faced by small economies .....	20
3. International insertion and reciprocal ties .....	22
II. THE EVOLUTION OF FOREIGN TRADE AND INVESTMENT .....	25
A. International trade during the '90s .....	25
B. Intra-ACS Trade .....	33
C. The composition of external trade, the importance of trade agreements and export promotion and development policies .....	42
1. Introduction .....	42
2. The composition of exports .....	45
3. An approximation to the potential for trade creation .....	51
4. Several export promotion and development policies .....	56
5. Conclusion .....	60
D. Foreign Direct Investment (FDI) in ACS countries .....	61
1. General FDI trends in Latin America and the Caribbean .....	61
2. FDI in the Caribbean Basin .....	63
3. Intra-regional investment among ACS countries .....	77
III. TRADE POLICY AND INTEGRATION AGREEMENTS .....	84
A. General aspects .....	84
B. The recent evolution of trade policies .....	87
1. The countries of the Caribbean Community (CARICOM) .....	87
2. The countries of the Central American Common Market (CACM) .....	96
3. Cuba, the Dominican Republic, Panama and Associate States .....	107
4. The countries of the Andean Community .....	112
5. Chile and Mexico .....	116
IV. EXISTING AGREEMENTS AND NEGOTIATIONS IN PROGRESS .....	121
A. The World Trade Organisation (WTO) .....	121
1. The major implications of the agreements of the Uruguay Round for the region .....	121
2. Negotiating proposals from countries in the region .....	123
B. Trade Agreements and negotiations with developed countries .....	124
1. Agreements with the European Union .....	124
2. Agreements with the United States .....	128
C. Main areas of action of the ACS .....	130
1. Attempts to establish a preferential trade zone among ACS countries .....	130
2. The facilitation of mutual trade .....	134
3. Cooperation in transport, tourism and natural disasters .....	137
EPILOGUE .....	144
BIBLIOGRAPHY .....	146

## INDEX OF TABLES

Table 1 Member countries of the ACS: Main indicators of the size of economies and their economic and social development .....	19
Table 2 ACS: Exports by main destinations, 1990-2001 .....	27
Table 3 ACS: Participation of the sub-groupings in total exports, by main destinations, 1990-2001 .....	28
Table 4 ACS: Exports by main destination, 1990-2001 .....	29
Table 5 ACS: Imports by main origin, 1990-2001 .....	30
Table 6 ACS: Imports by main origin, 1990-2001 .....	31
Table 7 ACS: Participation of the sub-groupings in total imports by main origin, 1990-2001 .....	32
Table 8 Exports among ACS countries, 2001 .....	36
Table 9 Exports among ACS countries, 2001 .....	39
Table 10 List of main trade agreements signed by ACS countries .....	44
Table 11 ACS: Composition of exports of goods by destinations and categories respectively, 2001 .....	49
Table 12 Netherlands Antilles. Main products (2001) .....	50
Table 13 Group of Three: Main export products within the G-3 and their participation in exports to the world, 2001 .....	52
Table 14 CACM: Main export products within the CACM and their participation in exports to the world, 2001 .....	53
Table 15 CARICOM: Main export products within CARICOM and their participation in exports to the world, 2001* .....	54
Table 16 ACS: Main export goods within ACS and their Participation in exports to the world, 2001 .....	55
Table 17 Latin America: Scope of the income tax exemption for companies in the Duty Free Zone (2000) .....	56
Table 18 ACS countries: Net inflows of FDI, 1986-2002 .....	64
Table 19. ACS Countries, inflows of FDI, 1986-2002 .....	65
Table 20 Countries of the Caribbean Basin: Main operations carried out by foreign businesses, 1991-2002 .....	68
Table 21 ACS countries: Relative indicators of Foreign Direct Investment .....	70
Table 22 Central America and the Caribbean: Participation by countries in annual FDI averages: .....	73
Table 23 ACS countries: Consolidated matrix of intra-regional capital flows, 1991-2002 .....	77
Table 24 ACS countries: Consolidated matrix of intra-regional capital flows, 1991-2002 .....	80
Table 25 ACS countries: Intra-regional capital flows, 1991-2002 .....	81
Table 26 CARICOM: Intra-regional FDI, selected operations .....	83
Table 27 Countries of the Caribbean Community (CARICOM): Tariffs and associated measures that affect imports .....	90
Table 28 Countries of the Caribbean Community (CARICOM): Non-tariff measures that affect imports .....	93
Table 29 Countries of the Central American Common Market (CACM): Tariffs and associated measures that affect imports .....	100
Table 30 Countries of the Central American Common Market (CACM) Non-Tariff Measures that affect imports .....	102
Table 31 Dominican Republic Tariff Distribution 1990 – 2001 .....	109
Table 32 Dominican Republic Basic Tariff Parameters for Different Tariffs 1990-2001 .....	110
Table 33 Countries of the Andean Community: Tariffs and Associated Measures that Affect Imports .....	114
Table 34 Countries of the Andean Community: Non-Tariff Measures that Affect Imports .....	115
Table 35 Chile and Mexico: Tariffs and Associated Measures that Affect Imports .....	118
Table 36. Chile And Mexico: Non-Tariff Measures that Affect Imports .....	120

## INDEX OF GRAPHS

Graph 1 Latin America and ACS countries, 1980-2002 .....	62
Graph 2 ACS countries: Accumulated intra-regional FDI as a proportion of total FDI: 1991-2002 .....	80

## PRESENTATION

This document was prepared at the request of the Secretariat of the Association of Caribbean States (ACS), and was presented on 17 March 2003 during the 12<sup>th</sup> Meeting of the Committee on Trade Development and External Economic Relations. In order to maintain the quality of the document, the observations expressed by member countries were incorporated into the original version. In addition, the data and information contained in that version were updated and expanded. Collaborating on its preparation were officials from the International Trade and Integration Division of the Head Office of the Economic Commission for Latin America and the Caribbean (ECLAC) in Santiago: (Johannes Heirman, Carla Macario, Jaime Contador, Verónica Silva, Mikio Kuwayama and José Durán) and Esteban Pérez of the Sub-regional Headquarters in Port of Spain. Viviane Ventura Dias, ECLAC's Director of International Trade and Integration provided continuous encouragement and support for the project. Valuable assistance was also obtained in the preparation of the document from the Sub-regional Headquarters of ECLAC in Mexico, and from the ACS Secretariat, which was involved in all stages of the research. The ECLAC Headquarters in Santiago, together with the ECLAC Sub-regional Headquarters in Port of Spain prepared the final version of the document. The Permanent Secretariat of the Latin American Economic System (SELA) edited the final version of this document in Spanish and English.

Chapter I provides a brief presentation on the objectives of the ACS and its origin. It highlights the great diversity of the countries that make up the Association, and makes reference to the problems faced by small economies. It ends with a description of the main features of the international insertion of member countries. Chapter II examines recent developments in external trade, with special attention being paid to trade within the ACS, and the possibility of strengthening such trade. A large part of the chapter is devoted to foreign investment in the region, including the emerging development of intra-regional investment. The following chapter examines in detail these countries' trade policies, and highlights the effect of commitments undertaken in sub-regional agreements within the Association on such policies. The final chapter gives an account of the trade agreements entered into by the different members of the Association, and examines their position in the World Trade Organisation (WTO) and its trade negotiation agreements with developed countries. The chapter closes with an analysis of the main areas of action outlined in the ACS, namely, attempts to set up a preferential trade zone, transport, trade facilitation and tourism, as well as joint action in light of natural disasters.

Due to the range of topics dealt with and the large number of Member States involved, the document must focus on the main features of the international insertion of these countries, however, this analysis will not always achieve the level of detail desired. Finally, it must be stated that the views expressed are those of the authors and do not necessarily reflect those held by ECLAC.

## SUMMARY AND CONCLUSIONS

- Since it was established in 1994, the Association of Caribbean States (ACS) has been defining and refining its role. This is based on the promotion of a broadened economic space for trade and investment, where member states can derive greater benefit from the resources and assets of the region through cooperation and coordination. The region has a large number of natural and productive resources, and occupies an important location. Until recently, these factors have helped it to enter the main international markets, but countries have been unable to forge similar relationships among themselves. The programme priorities of the ACS include the areas of trade, transport and tourism, with natural disasters being added.
- Excessive dependence on a small number of exports not ranked among the most dynamic in international trade, and trade links with a few developed countries where there is preferential access based on certain conditions, have made ACS countries more vulnerable to events outside of their economies and compromised their ability to achieve growth. This unsatisfactory situation explains why the different sub-regions – the Caribbean Community (CARICOM), the Central American Common Market (CACM), the Group of Three (G-3), Non-Grouped and Associate Members – are so eager to deepen their respective integration schemes and generally broaden economic relations among the schemes within the Caribbean Basin region, so as to derive maximum benefit from their geographical proximity and similar levels of development. The main reasons for this rest in their shared desire to make their economies more dynamic and less vulnerable by promoting and diversifying their exports and attracting foreign investment. \
- During the '90s, there were major changes in international conditions affecting the countries. The Uruguay Round was concluded and the WTO created, Mexico signed with Canada and the United States the Treaty for the North American Free Trade Area (NAFTA), the Free Trade Area of the Americas (FTAA) initiative was launched, the G-3 came into effect, and the CACM, CARICOM, and the Andean Community reactivated and strengthened their respective customs unions, while their member states opened up their economies. At the same time, bilateral and multilateral agreements were proliferating in the region, and countries benefited from greater access to the markets of the United States and the European Union. Most of the countries in the region had to deal with external shocks, while many were also hit by natural disasters.

- All these events combined with their repercussions have complicated the task of the ACS. The few resources available to its Secretariat, and the weak institutional arrangements agreed upon have limited its ability to respond to these events. As a result, the ACS has always sought to focus its activity on a few objectives linked to the very root of its problems, where cooperation efforts can have an impact, such as promoting mutual economic linkages in transport and tourism, as well as coordinated action in response to natural and environmental disasters.
- The ACS is made up of a large number of developing countries located in the Caribbean Basin, with a high degree of diversity in terms of size and growth of their economies, per capita income and contribution by the different sectors to gross domestic product. English-speaking Caribbean island states remain clearly apart due to the small size of their markets, their relatively high levels of income and formal education and the greater contribution of the services sector to their product.
- A considerable number of smaller ACS countries continue to have a critical dependence on the export of a few basic products and income from additional resources from abroad. This disadvantageous insertion of small economies is intrinsically linked to the difficulties they face in achieving economies of scale and agglomeration, which restricts their industrial activity. Their limited exports of manufactured products depend largely on preferential treatment received in sub-regional markets and by a few developed countries.
- The majority of the countries belonging to the region can be considered small States or small economies, and most of them are quite vulnerable. This means that they are exposed to frequent external shocks and natural disasters, and they have a limited capacity to react to these shocks. One of the main consequences of this vulnerability is that the growth rate of their gross domestic product (GDP) is much more volatile than in larger economies.
- Year after year, most ACS member states accumulate a large deficit in their capital account, and must balance their external accounts in differing proportions by exporting services, remittances from migrants abroad, foreign investments and revenue from international cooperation. However, some small and medium-sized countries have been successful in developing specific dynamic lines for the export of goods and services (niche markets), such as the assembly of more sophisticated products and the provision of specialised services.



- Three quarters of exports from ACS countries are destined for the United States and this dependency increased during the last decade. This is a response to a dynamic US economy during that period, increasing integration of Mexico into that economy, and benefits enjoyed by Central American and Caribbean countries through preferential treatment granted by the United States with respect to access.
- On the other hand, the weight of the trade among ACS countries themselves is still small (8% of total exports). This is due to the fact that their export supply generally fails to satisfy the needs of the others, there also exist tariff and non-tariff restrictions among them, in addition to which, communications and transport are scarcely adequate to respond to mutual trade needs.
- Sub-regional integration agreements among the member countries of the ACS have partially helped to overcome these limitations, by liberalising reciprocal trade and implementing other common trade disciplines. Under these arrangements, there arose, within these schemes, reciprocal trade of more sophisticated manufactured goods, but it appears that this trade has reached its peak. These goods are not usually competitive in third markets.
- At the same time, these countries have preferential access to the markets of the United States and the countries of the EU. The former has acquired special importance for exports of garments and textiles, while some agricultural exports such as bananas, sugar and rum from smaller Caribbean countries are deeply dependent on preferential access to the European market. This preferential treatment is conditioned on demands such as quotas and rules of origin, and these concessions are unilaterally granted. This makes it difficult to take advantage of these preferences, and exposes beneficiary countries to sudden changes in the rules of the game. In fact, the very competition among these countries has recently led to an increase in benefits for some, and a corresponding loss of competitive position for others. Donor countries are also exerting pressure in their demands for a certain amount of reciprocity from beneficiary countries, and this is in addition to non-trade demands that are being made.
- Trade can be created among ACS countries particularly in certain manufactured goods. Such trade can be stimulated through free trade or preferential trade arrangements involving all of these countries and supported by active trade promotion programmes. These trade agreements should take

into account particularly favourable treatment for countries with relatively less economic development, so as to ensure their equal participation in trade expansion, and protect them from the effects of a sudden increase in their imports from the region.

- During the 1990s, the region achieved substantial success in attracting foreign direct investment (FDI). However, the trend of increased FDI flows experienced a decline between 1999 and 2002. FDI was concentrated on a small number of countries based on structural factors such as political and economic stability, high growth rates and privileged access to the main international markets. In the absence of these conditions, fiscal incentives to encourage FDI are generally of little use, and can turn out to be quite onerous.
- Mexico alone absorbed more than half of the FDI directed at the region. Its country's membership in NAFTA was particularly important where FDI was concerned. Apart from allowing its exports to have broad access to the US market, there has been greater assurance to the foreign investor that trade and foreign investment promotion policies would not change. In Central America, the two main recipients of FDI are Costa Rica and Panama, while in the Caribbean, FDI flows go mainly to Jamaica and Trinidad and Tobago, and recently, especially to the Dominican Republic, which was the major recipient during the period 2001-2002 among ACS Member States. Among the Associate Members, it should be mentioned that the Netherlands Antilles received an increasing flow of FDI, especially from the second half of the '90s.
- Intra-regional investment represents a small portion of FDI in the region, but its recent dynamism, as well as other factors such as its adaptation to local conditions makes it particularly important for the effective integration of productive and commercial mechanisms in the region. Several large Mexican cement and glass producing companies have been particularly active in this type of operations, but Venezuela has also made investments in Colombia's financial sector, and in electrical energy and communications in El Salvador and Guatemala. Within CARICOM, intra-regional investments flow mainly from the larger economies toward the smaller ones, and the sectors targeted are the tourism sector, light manufacture, trade and financial activities.
- The countries of the region began to open up their trade since the late '80s. This process has continued throughout the '90s up to 2002, either unilaterally or usually in the context of the lowering

and rationalisation of common external tariffs in sub-regional integration schemes. During the aforementioned period, most non-tariff barriers on imports were lifted, and a number of free trade and preferential agreements were signed among countries belonging to different schemes.

- Consequently, trade within the schemes recovered, and recorded a period of rapid growth during a major part of the '90s. This ended in 1998, when the effects of the Asian crisis were being felt. Sub-regional schemes have made unequal progress in the management and enforcement of common trade contingency disciplines (anti-dumping, countervailing duties and safeguards). This is why some member states continue to apply formal and informal unilateral measures to handle the competition from outside. With the growing number of trade conflicts, there is a greater need to strengthen dispute settlement mechanisms.
- CARICOM countries agreed to gradually lower the rates of their common external tariff to within a range of 0 to 20%, although a few small countries have been slow in putting this into effect as a result of the reduction in the fiscal resources involved. Some locally produced agricultural goods receive additional protection in many member states through price control programmes, licenses and import quotas. High tariffs and non-tariff barriers are also applied to specific lines of light manufacture that appeared under import substitution programmes. On the other hand, member countries hardly use anti-dumping measures, countervailing duties and safeguards.
- The countries of the Central American Common Market (CACM) undertook to streamline its common external tariff by the year 2005 to between 0 and 15%. These countries have also made great strides in restoring reciprocal free trade, although some agricultural products have been left out of the popular consumption basket. Most tariff and non-tariff restrictions have been formally removed, but in practice, several obstacles to the free movement of goods are still being used, and they also affect trade within the sub-region. The CACM has common regulations concerning measures against unfair trading practices and the use of safeguard measures, respectively, but these have only been used in a few cases.
- Colombia and Venezuela have outdone the other countries of the Andean Community by forming a bilateral customs union in 1992, with a common external tariff ranging between 5 and 20%, and by bringing to bear reciprocal free trade. Furthermore, since June 1994, both countries have joined

Mexico, and the G3, which is targeting the liberalisation of trilateral trade before July 1, 2004, via automatic tariff reduction programmes. In the meantime, the Andean Community has community rules on anti-dumping, safeguards and countervailing duties pertaining to actions among members and against third parties when more than one member is involved.

- Chile and Mexico have both opened their economies early through far-reaching unilateral reforms. Chile applies a flat tariff of 5.9%, and Mexico uses an average rate of 16.5%, although, given the significance of its trade with the United States, the average weighted tariff is much less and is in fact close to 2%.
- In the case of Cuba, tariff policy has become more important according to the commitments undertaken by that country with the WTO. The Dominican Republic has made ambitious reforms in its external sector, involving large and successive tariff reductions and the removal of non-tariff restrictions, although imports of certain locally produced agricultural products are still subject to high surcharges. Both countries have shown an increasing interest in concluding trade agreements with countries in the region. Since 1997, Panama has also unilaterally opened up its external sector, as part of its commitments for joining the WTO.
- All ACS countries are members of the WTO, and are therefore subject to the liberalisation commitments undertaken in the Uruguay Round. As developing countries, they have a longer period of time in which to meet the different commitments, although they are expiring. Other aspects of special and differential treatment included in the different agreements have not brought tangible results to the people of the region either, and they have stated an interest in taking a new approach to this treatment in a new negotiating round.
- Developing countries benefit from the Generalised System of Preferences that is applied by the major developed countries by means of national schemes. Their conditions of access are less favourable than the non-reciprocal advantages subsequently granted to specific groups of countries in the region through the Lomé Convention and the Caribbean Basin Initiative (CBI), either because they cover a smaller range of products, because their preference margins are smaller, or because individual countries can “graduate” when they reach a certain level of penetration in the issuing country’s market.

- The Lomé IV Convention grants to practically all Caribbean countries, free access to the EU market for almost all its industrial products and many non-industrial products. As part of the revision process, contracting countries signed the Cotonou Agreement in mid 2000. The Agreement makes provisions for negotiating specific agreements with groups of beneficiary countries applicable not later than 2008. With the Cotonou Agreement, the EU has expressed its willingness to gradually incorporate elements of reciprocity in preferential treatment, as well as conditions for the respect of human rights and governance.
- The EU also applies a special system of preferences to Andean countries in support of efforts to combat the drug trade. Most of the products exported by these countries are allowed tariff-free access. These facilities were later extended to CACM countries and Panama.
- Through the Trade Partnership Act, with the Caribbean Basin, Central American and Caribbean countries benefiting from the Caribbean Basin Initiative (CBI) have recently been granted additional access facilities to the US market. Although this Act does not manage to match access conditions to the treatment granted to Mexico through NAFTA, it improves their competitive position for exports that are particularly important to them, such as garments and textiles.
- A major conflict of interest between Caribbean countries and several Latin American countries lies in the dispute between the United States and the EU regarding access for bananas to the EU market. The United States' position was supported by some Latin American banana exporters who wanted more access to this market. Successive proposals to increase these quotas have not pleased the members of the Organisation of Eastern Caribbean States (OECS), whose banana exports are heavily dependent on preferential access to the European market. Nevertheless, the Ministerial Meeting in Doha extended the period for the trade preferences regime granted to ACS countries by the European Union,
- The promotion of reciprocal trade is one of the priority areas of the ACS. Since the Association was established, it has been difficult to define an agenda in this area that satisfies all countries. As a result, the preparation of the work programme of the ACS Special Committee on Trade Development

and External Economic Relations has run into difficulties arising out of differences among member states regarding the manner in which trade liberalisation should be handled.

- The ACS has tried to promote mutual trade among its member states by establishing a regional preferential tariff. However, there arose a number of factors that impeded the implementation of this initiative. Negotiations in the context of the FTAA are now occupying the attention of member states. The final goal of the FTAA would supersede the ACS initiative in three main areas: it would involve free trade instead of preferential trade; it would guarantee access to the United States market, which is the main market for all countries of the region; and it would open up the markets of other South American countries. The FTAA would also undertake a series of additional commitments that would stimulate mutual trade and investment.
- The critical element that both initiatives have in common is the special treatment that they would grant to small or relatively less developed countries. The profound differences among the competitive capacities of the countries involved argue in favour of effective treatment, which extends beyond longer time frames or simple technical assistance to help countries honour their commitments.
- During this time, there have been many attempts by ACS member states to establish partial free trade or preferential trade areas. Countries such as Costa Rica, Cuba, Mexico, Panama and the Dominican Republic have been particularly active in organising such agreements. An intricate bilateral or multilateral network is thus being plotted, and it can lead the region into a situation of generalised free trade. Evidently, countries prefer these partial and cumulative approaches to agreements with a regional scope, since the former are easier to negotiate. This multi-dimensional integration process generates many different parallel agendas, and creates a complex mosaic of interests that are difficult to articulate. The ACS Secretariat could provide active support in managing these partial agreements among member states.
- In accordance with this redefining of priorities, the 2nd Summit of Heads of State and Government of the ACS (Santo Domingo, April, 1999) issued a mandate to the Special Committee on Trade Development and External Economic Relations to focus its attention on the following areas: a) training for negotiators; b) vulnerability of small economies; and c) the coordination of positions in different international fora.

- At the 3<sup>rd</sup> Summit of Heads of State and Government of the ACS (Margarita Island, December 11-12, 2001), countries declared their commitment to establish the Greater Caribbean as a Cooperation Zone, focussing initially on Trade, Transport, Sustainable Tourism and Natural Disasters and also approved a plan of action for these four areas of priority.
- In the field of tourism, the plan of action involves the signing and ratification of the Convention Establishing the Sustainable Tourism Zone of the Caribbean (STZC). The Convention was signed on December 12, 2001, during the 3<sup>rd</sup> Summit of ACS Heads of State and is expected to be fully ratified by the member countries.
- In the area of trade, positions on special and differential treatment of small economies in international trade negotiations are expected to be merged. In addition, an agreed strategy has been put forward to expand intra-ACS trade through the Business Forum, Trade Promotion Organisations (TPOs) and the reduction of obstacles to trade.
- Another possible area of action for the Secretariat is mutual trade facilitation, but there also seems to be a high degree of dependence between what has been agreed and what is to be negotiated in the FTAA. It has been noted that the lack of mutual knowledge is perhaps the most decisive factor that conspires against the immediate development of trade and investment among countries within the ACS.
- The importance of improving the sources of mutual information was recognised at an early stage by the ACS Special Committee on Trade Development and External Economic Relations, and was outlined in its recommendation to establish a trade information mechanism that should serve the interests of businessmen in the region. This should accompany continued action toward trade liberalisation and more intense export promotion activities. The Secretariat's efforts to reinforce trade information must make maximum use of existing capacities, including new communication media. In this respect, the project proposal to create the Integrated Information System of the Greater Caribbean was approved in 2001.

- In the sphere of activity, it must be noted that the ACS Secretariat commenced the process of hiring a consultant to prepare the study “Trade Obstacles at the Business Level and Business Facilitation in ACS Member States”, which is expected to be completed in May 2003.
- Recognising that market access is not sufficient to strengthen trade within the Association, and that a complementary business culture would have to be created, the ACS Secretariat has been promoting the Business Forum of the Greater Caribbean, which has been consolidated as the fundamental mechanism for promoting trade, investment and knowledge among the entrepreneurs of the Region. It has been attended by a growing number of entrepreneurs. The last Forum was held in San José, Costa Rica. In response to this same concern, another event was created for consultation and cooperation, the ACS Forum of Trade Promotion Organisations.
- International transport in its many forms occupies an essential place among the economic activities of ACS countries, fundamentally due to its impact on trade in the region. The region’s economies are very open, rendering them particularly dependent on international trade in goods and services. The region does not appear to have benefited equally from the reduced transport costs experienced around the world.
- The factors that have a negative impact on the competitiveness of maritime transport in these countries are the result of the small scale on which these services are rendered, little competition among shipping companies, the use of outdated technologies, low productivity of port labour, unnecessary port security costs and excessive waiting periods for vessels and their cargo. High port costs could be lowered through the privatisation of ports and labour reform for port workers. In addition, the ports require considerable investments and the introduction of new technologies.
- In air transport, the fractured structure of the routes distributed among small national carriers, and the dependence on transport provided by international carriers, are hampering the development of a system that can meet the growing demand for efficient service, and constitute a barrier to economic development in general and to the growth of tourism activity in particular.
- In response to these difficulties, the ACS established the programme entitled, “Uniting the Caribbean by Air and Sea”, which sets the guidelines for its work in the area of transport. For maritime



transport, work was undertaken toward the creation and implementation of a database to increase competence, facilitate the decision-making process and lend greater transparency to operations by the ports, shipping companies and carriers in general. In the area of air transport, the conciliatory proposal on the “Agreement among the Member States and Associate Members of the Association of Caribbean States regarding Air Transport among their Territories” is in the process of being negotiated for signature by ACS Member Countries. The guidelines of this proposal must facilitate the development of air transport activity under a freer harmonised system, as a mechanism for obtaining more services with greater diversity, since airlines would be permitted to explore and exploit the different routes for greater competitiveness.

- Many Caribbean countries are highly dependent on revenue from international tourism. There is therefore stiff competition among them to attract investment in this sector and woo international tourism operators. In the region, the tourism infrastructure is prone to premature obsolescence in many destinations; increased social, economic, cultural and environmental imbalances; a resulting decrease in the world market share and the loss of long-term profitability. At the same time, world consumer preferences are changing. In light of this, the ACS Secretariat has unveiled a number of programmes based on the potential synergies existing in the sector, and on cooperation among countries to maximise and stabilise their benefits. The countries of the ACS attach special importance to the creation of a Sustainable Tourism Zone. A binding instrument has been prepared for this purpose, and is expected to be signed at the 3<sup>rd</sup> Summit of Heads of State and Government of the ACS.
- The specific actions of the ACS Special Committee on Natural Disasters have focused on the selection of the following projects: “Hemispheric Consultation on Early Warning”; “Information and Training Centres for Disaster Relief and Prevention”, “Feasibility study on the Creation of a regional Post-Disaster Fund for ACS Member Countries; “Updating Building Codes of the Greater Caribbean for Winds and Earthquakes” ”; and, “Inventory of Human and Technical Resources for Emergency Relief”.

## I. INTRODUCTION

### A. Origin and objectives of the ACS

The ACS was created as a result of a proposal made by the West Indian Commission, which had been mandated by the Heads of State and Government of CARICOM to design a strategy to deepen and expand the Community in response to the challenges of globalisation (West Indian Commission, 1992). CARICOM's concern at the time was to broaden the economic and political space of the Caribbean without necessarily increasing the number of its members. Since then, CARICOM has admitted only two new members - Suriname in 1995 and Haiti in 2002, and in fact, the request for its expansion was channelled through the creation of the ACS. By definition, the ACS would be a broader integration scheme, though less rigid than CARICOM.

The Convention Establishing the ACS (Cartagena de Indias, 24 July 1994) states the following objectives: "Promote an enhanced economic space for trade and investment with opportunities for cooperation and concerted action, in order to increase the benefits which accrue to the peoples of the Caribbean from their resources and assets, including the Caribbean Sea". In order to achieve this specific objective, it also states that the Association will gradually and progressively promote economic integration among its members, including the liberalisation of trade, investment, transport and other related areas. This is the most specific and binding of the four objectives, since it specifies the liberalisation of mutual economic relations as a means of achieving the integration of their economies.<sup>1</sup>

The ACS Work Programme (Agreement No. 1/95, adopted in Guatemala on the December 1, 1995) specifies 10 areas of priority action, of which the first three refer respectively to tourism, trade development and external economic relations and transport.<sup>2</sup>

The Plan of Action that was subsequently adopted refers to trade development and external economic relations as follows: promote greater closeness among the trade disciplines of the integration processes, including bilateral and multilateral trade liberalisation within the ACS; develop a joint strategy

---

<sup>1</sup> The other three basic objectives refer to the use and development of the collective capacities of the Caribbean to achieve sustained cultural, economic, social, scientific and technological development; develop the potential of the Caribbean Sea through interaction between member states and third countries, and establish institutional structures and co-operation agreements that respond to the diversity of cultural identities, development needs and regulatory systems in the region.

<sup>2</sup> The remaining areas focus on: natural and environmental disasters; social, cultural, scientific and technological development, coordinated participation in international fora, the protection and conservation of the environment, natural resources and the Caribbean Sea; promotion of the development of micro-enterprises; communications and information gathering, exchange and analysis, and legal and administrative functions.

to promote exports and investment; and identify and propose to ACS countries formulas for more active and efficient participation in the multilateral trade system.

In order to put into practice the activities planned in the different areas, a number of Special Committees were set up, similar to the Action Committees that operated in SELA – the Latin American Economic System. To support cooperation activity, a Special Fund was also set up. Resources for this fund would come from voluntary contributions from member states, other donor countries and international institutions.

At the 2<sup>nd</sup> Summit of Heads of State and Government of the ACS (Santo Domingo, April 1999), the programme priorities in the areas of trade, transport and tourism were specified, to which the subject of natural disasters was added. During the course of 2001, a process of rationalisation of priorities and activities was undertaken, according to the guidelines issued at the Summit. As a result, the functions of some Special Committees were temporarily curtailed.

## **B. Main characteristics of member states and their international insertion**

### **1. Great diversity**

As one can gather from the information contained in Table 1, the ACS is comprised of a large number of developing countries,<sup>3</sup> most of which are situated in the Caribbean Basin, or are part of the geopolitical dynamics of the region.<sup>4</sup> These countries are highly heterogeneous in terms of their principal geographic, demographic and economic indicators. In addition, it carries important cultural baggage, covering Spanish, French, English and Dutch speaking countries.

The three largest countries, Mexico, Venezuela and Colombia are clearly different from the others, given their large territories, population, GDP, and high trade flows with the rest of the world. On the other end of the scale are the OECS countries - Antigua and Barbuda, Dominica, Grenada, St. Kitts

---

<sup>3</sup> The ACS is made up of 25 full members and three Associate Members. Full members include the so-called Group of Three (Colombia, Mexico and Venezuela), the 5 Central American countries (El Salvador, Costa Rica, Guatemala, Honduras and Nicaragua), the 14 CARICOM countries (Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, The Bahamas, St. Lucia, St. Kitts and Nevis, St. Vincent and the Grenadines, Suriname and Trinidad and Tobago), the non-grouped countries (Cuba, Panama and the Dominican Republic) and Associate Members are Aruba, the Netherlands Antilles and France, on behalf of Guadeloupe, Martinique and French Guiana. This report restricts the greater part of its analysis to the 25 full members. The remaining countries were included as permitted by the availability of information and in order for Associate Members to be included, the possible information sources had to be exhausted at all times.

<sup>4</sup> Although El Salvador, the Bahamas, Guyana, Suriname and French Guiana are not geographically located in the Caribbean Sea, they are considered as part of the geopolitical sphere of the Caribbean Basin.

and Nevis, St. Lucia, St. Vincent and the Grenadines and the Associate Members of the ACS, which are described as island states because of their smallness in geographical terms, and in terms of their populations and economies.<sup>5</sup> Between these two extremes, the remaining members of CARICOM, the five member states of the CACM, Cuba, Panama and the Dominican Republic can be described as being of medium size.

However, many CARICOM countries, as well as the Associate Members of the ACS, are outstanding for their relatively high levels of per capita GDP and for the fact that all of them except Haiti and Suriname are English speaking, while the other countries of the region are Spanish speaking. These high levels of per capita income can in many cases be linked to equally high levels of education, measured in terms of the literacy rate. A similar trend can be observed in CACM member states, where lower per capita income is linked to a high level of illiteracy in the population.

A brief analysis of the other economic indicators demonstrates the great differences existing among ACS member states in their import and export capacities. According to 2001 statistics, Mexico exports 13 and 6 times more than the other large countries (Colombia and Venezuela) and more than 3,000 times that of some smaller countries. On an average, the bigger countries (G-3) export 25 times more than the Central American countries and 17 times more than the non-grouped countries and 112 times more than CARICOM countries (See Table 1). In spite of the above, almost all the countries of the Association share a negative balance on their capital accounts. In the case of the smaller CARICOM countries, these are particularly high.

An examination of the contribution of industrial activity to GDP reveals a smaller variation among the countries than expected, when considering that the three largest countries export considerable volumes of manufactured goods. In general, the low level of industrialisation of almost all the countries is noteworthy, and this is matched by the great importance of tertiary activities in these economies.<sup>6</sup> The importance of the latter is particularly high in the smaller economies of the Caribbean, where there can sometimes be a disproportionately large government sector, local trading and tourism, and in some cases, financial and electronic services. In the larger Caribbean economies (Belize, Guyana, and Trinidad and

---

<sup>5</sup> The OECS also includes Montserrat, which is a full member, and Anguilla and the Virgin Islands, which are Associate members. These countries were included in the study as permitted by the availability of information.

<sup>6</sup> These industrial activities include mining and construction. The participation of agriculture, forestry, hunting and fishing, in other words primary activities, varies among ACS countries, from 45.6% in Guyana to 3.6% in Antigua and Barbuda. Practically none of the other countries exceeds 20%, and in OECS countries, the figure is especially low.

Tobago) whose development is based on the exploitation of natural resources, the primary sector continues to have a significant bearing on the economy. It is known that many tertiary activities are affected by the fact that they cannot be transferred internationally, but some of them are becoming more transferable as a result of technological innovations and the liberalisation commitments undertaken in the Uruguay Round.

Differences in overall economic performance by these countries are also far less notorious, and this is reflected in the average annual growth rate recorded in the last decade. The countries that performed better in recent times are Costa Rica, El Salvador, Guyana and the Dominican Republic, and these medium-sized countries are among those that undertook structural reform processes in their economies during that decade.<sup>7</sup> The Central American countries distinguish themselves generally by their favourable performance, and the countries of CARICOM by more modest growth rates. It is also interesting to note that the three largest economies in the ACS recorded moderate rates.

This geographical, economic and cultural diversity exists alongside a diverse and complex panorama of integration, where there are different schemes and agreements: CARICOM, which is in the process of becoming a single market and economy; the CACM, which is being consolidated as a free trade area, while some of its members are already on the way to achieving a customs union; free trade agreements such as the G-3, and a growing number of intersecting agreements among the countries of the region. The non-grouped countries (Dominican Republic, Cuba, Netherlands Antilles and Aruba) have strengthened their ties with other trade blocs and in some cases among themselves. In 1998, the Dominican Republic signed a free trade treaty with Central America, which entered into force in 2001. Among the political objectives of the Netherlands Antilles are adhesion to the WTO as an independent full member and participation in CARICOM and in the trade blocs within the western hemisphere. The Netherlands Antilles has strengthened its links with Aruba to possibly sign a free trade treaty that would cover the exchange of goods.<sup>8</sup> Finally, Costa Rica recently signed a free trade agreement with CARICOM

---

<sup>7</sup> At the close of the eighties and the early nineties, in CARICOM, the bigger countries (Barbados, Guyana, Jamaica and Trinidad and Tobago) implemented stabilisation policies and structural reform processes that responded in part to a precarious macroeconomic situation. This report does not analyse the economic performance of each member state. There is no doubt that in some cases, current economic conditions and the opening-up policies adopted can to a large extent, explain their recent performance. In the particular case of Costa Rica, strategic external opening policies played a key role. In the case of El Salvador, economic factors – such as emphasising the external opening policy and the importance of remittances to cover external imbalances – were combined with factors of a different nature, such as the pacification process. For Guyana, it is necessary to highlight the importance of foreign aid in handling its external debt. Finally, in the case of the Dominican Republic, the thrust of the dynamic sectors (duty-free zones, tourism and telecommunications) that brought about a structural change in the economy was of vital importance in raising the economy's growth rate.

<sup>8</sup> See the Netherlands Antilles. Trade and Integration with CARICOM. ECLAC. LC/CAR/G.681. December, 2001.

countries, and Central America has begun negotiations for the signing of a free trade agreement with the United States.

The Caribbean basin integration process is also influenced by relations with Europe, which are being renewed through the Cotonou Agreement, prospects for an agreement with the Andean Community, NAFTA, and FTAA negotiations. This multi-dimensional integration process generates many parallel agendas, and creates a mosaic of interests that are difficult to articulate.

Table 1

**MEMBER COUNTRIES OF THE ACS:  
MAIN INDICATORS OF THE SIZE OF ECONOMIES AND THEIR ECONOMIC AND SOCIAL DEVELOPMENT**

ACS Member Countries	Area in Thousands of Km <sup>2</sup>	Population Thousands of inhabitants 2002	Proportion Illiteracy > 15 years 2000	GDP Millions of dollars 2001	GDP Per capita 2001	GDP Average growth (%) 1991-2001	Participation of the manufacture industry in GDP 1998	Exports Millions of dollars 2001	Imports Millions of dollars 2001	Capital balance 2001
ACS COUNTRIES <sup>a</sup>	5 149	245 982	...	982 692	3 995	2.7	19.5	236 087	258 827	-22 740
Group of Three	4 025	170 600	...	826 433	4 844	2.8	18.7	197 476	198 621	-1 145
Colombia	1 142	43 800	6.8	82 416	1 882	2.4	13.4	12 282	12 834	- 552
Mexico	1 967	101 700	9.1	617 820	6 075	3.0	20.5	158 443	168 396	-9 953
Venezuela	916	25 100	6.6	126 197	5 028	1.6	14.7	26 751	17 391	9 360
CACM	424	34 700	...	59 420	1 712	4.3	17.4	12 746	20 954	-8 208
Costa Rica	51	3 900	4.1	16 156	4 143	5.0	20.7	4 932	5 694	- 762
El Salvador	21	6 600	25.1	13 731	2 080	4.3	23.8	2 865	5 027	-2 162
Guatemala	109	12 100	45.8	20 541	1 698	4.0	10.8	2 413	5 607	-3 194
Honduras	112	6 700	24.4	6 441	961	3.2	19.1	1 944	2 997	-1 053
Nicaragua	131	5 400	32.9	2 552	473	4.0	14.2	592	1 629	-1 037
CARICOM	460	15 064	...	32 884	2 183	1.9	15.6	8 130	13 414	-5 284
Bahamas	14	312	1.3	4 995	16 010	3.5 <sup>c</sup>	...	766	1 764	- 998
Barbados	0.43	272	1.9	2 549	9 371	1.3	5.5	259	1 069	- 810
Belize	23	290	...	665	2 293	4.7	13.1	269	461	- 192
Guyana	216	762	1.9	768	778	5.0	5.6	490	584	- 94
Haiti	28	8 511	48.5	3 548	417	-0.9	16.9	294	1 062	- 768
Jamaica	11	2 600	13.8	7 784	2 994	0.9	15.1	1 160	3 273	-2 113
Suriname	164	439	5.9	909	2 071	0.0	16.2	399	246	153
Trinidad and Tobago	0.44	1 300	1.4	8 920	6 862	4.1	22.6	4 240	3 524	716
OECS	2.81	578	...	2 747	4 754	2.7	6.4	253	1 431	-1 178
Antigua and Barbuda	0.44	74	...	708	9 552	3.5	2.3	13	371	- 358
Dominica	0.75	72	...	267	3 734	1.2	6.5	46	115	- 69
Grenada	0.34	102	...	411	4 021	3.1	7.7	60	219	- 159
St. Kitts and Nevis	0.27	50	...	348	6 899	4.2	10.8	29	189	- 160
St. Lucia	0.62	167	...	670	4 003	1.4	7.8	59	372	- 313
St. Vincent and the Grenadines	0.39	112	...	343	3 060	3.0	6.1	46	165	- 119
Other non-grouped	239	24 309	...	50 413	2 074	1.6	29.6	12 893	20 323	-7 430
Cuba	115	11 300	3.2	19 055	1 686	0.0	39.2	1 676	4 829	-3 153
Panama	76	2 900	7.9	10 079	3 476	3.7	6.6	5 884	6 710	- 826
Dominican Republic	48	8 800	16	21 279	2 418	6.0	16.3	5 333	8 784	-3 451
Associate States	1.8	1 309	...	13 541	10 345	...	...	4 842	5 515	- 673
Netherlands Antilles	0.8	219	...	1 951	8 909	...	19.0	2 407	2 811	- 404
Aruba	1.0	91	...	1 902	20 901	...	...	2 435	2 704	- 269
French Guiana	...	176	...	1 557 <sup>b</sup>	8 847 <sup>b</sup>	...	...	...	...	...
Guadeloupe	...	435	...	3 601 <sup>b</sup>	8 278 <sup>b</sup>	...	...	...	...	...
Martinique	...	388	...	4 530 <sup>b</sup>	11 675 <sup>b</sup>	...	...	...	...	...

Source: ECLAC, based on official statistics. Notes: <sup>a</sup> Totals Include only those countries with information; <sup>b</sup> 1998 statistics; <sup>c</sup> 1991-1999.

## 2. The problems faced by small economies

In the preceding chapter, no clear relationship was established between the size of economies and their capacity for growth in the ACS. This subject has been fully examined in theoretical and empirical research, but to date, no unequivocal pattern has been identified between the geographical and economic size of countries and their growth capacity. At most, empirical studies tend to confirm that the small size of an economy has an adverse impact on the early stages of its development.<sup>9</sup>

Notwithstanding the above, these works have been able to highlight a number of advantages and disadvantages associated with the size of developing countries. Firstly, it should be remembered that the size classification of an economy has evolved from geographical measurements, with special emphasis on natural resources and factors of production, to indicators that tend to focus on market size, using demographic measurements weighted by a factor linked to national revenue. Larger developing countries would therefore have much higher per capita incomes than their smaller counterparts, but not be substantially different to very small countries.<sup>10</sup> This situation also appears among ACS members, where several very small CARICOM countries have levels of per capita income higher than Central American countries and even higher than those of the three largest countries in the Association.

This fact contrasts with the disadvantages faced by small and very small economies in their development. Apart from a reduced productive capacity, these countries face difficulties in exploiting economies of scale and of agglomeration due to the small size of their domestic markets. Their public institutions are costly to maintain as a result of their limited ability to be divided, and they are unable to compete with private companies in attracting and maintaining the very few highly qualified workers. Given their limited natural resources and the demands of the scale of industrial production, they depend on the export of a few basic products. Finally, this translates to a major opening-up to the importation of goods that cannot be produced locally. Their few exports of manufactured goods depend to a large extent on the non-reciprocal preferential treatment received from a small number of developed countries. In general, their external trade becomes scarce, owing to the high transport costs associated with the low volumes of exports, as well as little diversification and geographical isolation that characterise island economies. To finance their balance of payments, many small economies depend heavily on financial

---

<sup>9</sup> A good summary on the subject of small economies can be found in: ECLAC 2000, *Equity, Development and Citizenship*, Volume III – Economic Diary, Chapter 4, pp. 93-113. Second edition, November 2000, Editorial Alfaomega, Colombia.

<sup>10</sup> The above publication defines a country as being large if it has over 10 million inhabitants; medium-sized or small if it has between 1 and 10 million and very small if it has less than one million inhabitants.



cooperation from abroad, either in the form of loans from international organisations or through transfers from developed countries with a different degree of concession.

Moreover, this vulnerability is intensified as they are exposed to natural disasters such as tropical storms, earthquakes and volcanic eruptions, while having a limited response capacity. A major part of their productive capacity and physical infrastructure is thus wiped out. One of the consequences of this vulnerability is that the growth rate of the GDP is more volatile than in larger economies.

To measure the vulnerability of the countries of the British Commonwealth, an index is available explaining the volatility of the growth rate brought about by the effects of external impacts in terms of concentration and dependence on exports (Diversification Index of the United Nations Conference on Trade and Development (UNCTAD) in percentage of GDP) and by the repercussions of natural disasters (percentage of population affected), while response capacity to the external impact is estimated based on the absolute size of GDP (Easter 1999, pp. 403-422). By reapplying this index to a sample of 111 countries, of which 37 were small States (population less than 1.5 million) and 74 large States, the World Bank confirmed that small States were more vulnerable than large countries (World Bank, 2000). With respect to the 24 ACS countries for which the index was calculated, 15 countries or 62% are in the “very vulnerable” or “mid to highly vulnerable” category.

As expected, the most vulnerable countries are those classified in CARICOM as less developed. The Bahamas and Suriname are also in this category, while Mexico, Colombia, Venezuela and Guatemala are considered less vulnerable. In addition, there are four countries belonging to the ACS that are classified as being relatively less developed, according to the United Nations, since they have a GDP per capita of less than 1,000 dollars per annum (See Table 1).

On the other hand, advantages include a more homogenous society, which facilitates more equal access by the population to the different social services, especially education. They can also benefit in greater measure from some key aspects of globalisation, since they would be able to overcome their size restriction and access advanced technologies. In fact, some recent technological innovations make it possible to operate at low cost, even at smaller scales of production. E-commerce and new computer technologies offer new prospects to small geographically isolated economies, where the population has certain specific cultural features, such as a high level of education and English as the native language.

Perhaps, as a result of the different interaction between the positive and negative factors mentioned, in practice a type of split has been observed in the development patterns of small economies, where many tend to specialise in low value added, un-dynamic activities, while others find niche markets, and can enjoy the benefits of globalisation. Within the ACS, the following cases are examples of this type of specialisation: Costa Rica and its new electronic components industry; the Bahamas and international financial services; Jamaica and international long-distance services. In general, tourism services in the Caribbean islands fall into this category, where the Dominican Republic and Cuba are active.<sup>11</sup>

### **3. International insertion and reciprocal ties**

The countries that now belong to the ACS were aware from an early stage that their domestic markets were too small to develop the complete range of activities needed to meet national demand. With the implementation of local import substitution policies, most countries decided in the early sixties to set up and participate in regional and sub-regional integration schemes, the successors of which are today the Latin American Integration Association (ALADI), the Andean Community, the CACM, and CARICOM. Using this strategy, they sought to improve access to the markets of other countries of the respective sub-regions, thereby achieving the economies of scale needed to establish and increase the competitiveness of their productive structures, and consequently facilitate exports to third markets. Other non-grouped ACS countries have tried to become involved in regional integration processes as slowly as possible.<sup>12</sup>

Traditionally, there have been few ties among the different sub-groups of countries, mainly since they were basically focused on the colonial empires to which many had previously belonged, but also due to the geographical breaks among them. Only Colombia and Venezuela, Haiti and the Dominican Republic, and Panama and the CACM countries, respectively, share relatively long and porous land borders. One would therefore expect to see more intense trading activity between these pairs and groups of countries.

In recent decades, this has changed, and countries have intensified their trade with the United States, encouraged by their geographical proximity to this leading world market, the rapid and prolonged

---

<sup>11</sup> Each one of these cases that initially appears to be worthwhile, also has some questionable aspects. The electronics industry could hardly constitute an enclave in the Costa Rican economy, offshore financial centres are coming under increasing scrutiny for the laxness of their regulations, telecommunications services in the Caribbean leave much to be desired, and competition among countries providing tourism services can lead them to offer incentives which involve a high cost for their economies.

<sup>12</sup> The Netherlands Antilles has signed several bilateral treaties with other countries. Although it has taken initiatives toward possible participation in regional blocs, it does not belong to any trade bloc and is a WTO member together with Holland.

growth recorded by that country's economy in the last decade and the existence of preferential schemes that favour their exports to said market. Simultaneously, a transport and communication infrastructure adapted essentially to this reality was developed, but this does not always promote trade among ACS countries themselves.

According to theories of international trade based on the principle of gravitation, trade between two countries is mostly determined by the size of their economies and the geographical distance between them. On the basis of these simple precepts, one would expect to see relatively intense trade among the larger economies of the region that are closer to one another, and significant exports from the larger economies to the smaller ones, but not in the opposite direction. However, the most rudimentary version of this theory cannot satisfactorily explain the small volume of trade among ACS countries. To better understand this, it should be considered, among other factors, that geographical distance is only one approach to the concept of economic distance, which takes into account all the other costs involved in trade among particular countries. The fact that the most important links of ACS countries continue to be with the major international markets has to do with the lower costs involved in access to these markets, but much more with the exportable supply of these countries and the existence of preferential access regimes to these markets.<sup>13</sup>

As the following chapter will show, there is still little trade among ACS countries, since their exports do not respond to the supply needs of the other countries, tariff and non-tariff barriers that are still applicable limit this trade, and finally, the communications and transport infrastructures have still not been adapted to the needs of mutual trade. This problem could be the well-known vicious circle that has often been observed between the little trade being conducted among particular countries and the lack of adequate communication facilities among them. This will be dealt with in greater detail in the last chapter.

---

<sup>13</sup> Such regimes usually include rules of origin that can lead to the development of real productive enclaves in beneficiary countries.



## II. THE EVOLUTION OF FOREIGN TRADE AND INVESTMENT

### A. International trade during the 1990s

The heterogeneity of ACS countries in terms of size, productive capacity and exports is manifested in the overall levels of their exports, in their degree of diversification and the low intensity of their reciprocal trade (see Tables 2, 3, and 4).

As expected, most of the exports originate in the three largest countries – Mexico, Venezuela and Colombia – which on their own generated on average 83% during the period 1990-2002 (See Tables 2 and 3). Far behind in second place are the CACM countries, the non-grouped countries and the grouped Associate States – Cuba, Panama, the Dominican Republic, the Netherlands Antilles, Aruba and the French territories – recording 9% and 8% of total exports for the same period. In this last group, exports from the Dominican Republic and Panama are highlighted for their dynamism. For their part, CARICOM member states altogether contributed a mere 3.5% between 1990 and 2001, resulting from a heavy decline in their participation over the last decade.

With respect to the principal export destinations, it has been observed that between 1990 and 2001, 71% of the total exports of member countries went to the United States, and that during the '90s, there was a significant trend toward the increased weighting of said market (see Table 4). This increase is due essentially to the dynamism of the US market, increased integration of Mexico with that economy and the fact that Central American and Caribbean countries took advantage of the preferential treatment received from the US.

The second most important market comprises the 15 members of the European Union, which absorbed 18% of exports at the start of the decade, but the relative weight of this market dropped to just 6% at the end of the decade, averaging 9% between 1990 and 2001, simultaneously with the increased participation of the United States. The three largest ACS countries each receive approximately 1% of the exports of the Association, and this trend is falling. The countries of the CACM absorb approximately 3%, while CARICOM countries altogether record 2%. For their part, the non-grouped countries and Associate States surpass CARICOM countries in their export potential, almost reaching the CACM. The

remaining countries of the world also witnessed decreased participation in the Association's total exports, falling from approximately 17% to barely 8% at the end of the aforementioned period.<sup>14</sup>

In short, ACS exports show a heavy dependence on the United States market, which grew during the nineties. In contrast, ACS members altogether absorb barely 9%, according to 2001 statistics (9% between 1990 and 2001) of their total exports, and the gravitation of that market has also declined in the period under study.

In terms of imports (see tables 5 and 6), the pattern is quite similar in the sense that between 1990 and 2001, 59% originates in the United States, 11% in the EU and 22% in the rest of the world, mainly in Southeast Asian countries (see table 6). This import pattern repeats itself in each of the regional sub-groups in the ACS, and links with the US are particularly strong for Mexico and Venezuela, while during the same period, more than 40% of imports in the CACM and CARICOM have the same origin. Once again, the countries of the Association contribute a bare 8% of total imports. Table 7 also shows the predominance of the G-3 countries as the main importers within the ACS and the minor importance of the other countries in this regard. As for the non-grouped countries and Associate Members, in 2001, 39% of their imports originated in the United States (an average of 28% between 1990 and 2001) and only 7% in Europe (8% between 1990 and 2001).

It must also be noted that many member states usually accumulate large trade deficits year after year (see Table 1 again). The only exception occurs in the G-3, where in recent years, they have been able to balance their trade figures as a result of the dynamism of *maquila* exports from Mexico to the United States, and increased oil prices that particularly favoured Venezuela's exports. In relative terms, the trade balances of the CACM, the Dominican Republic, CARICOM countries, Cuba and the Netherlands Antilles are generally in deficit. The foreign accounts of these countries are balanced in different proportions, through remittances from migrants abroad, foreign investments and revenue from international tourism and international cooperation.

---

<sup>14</sup> This is obviously an analysis at the aggregate level. In some cases (El Salvador for Central America and Dominica, St. Vincent and the Grenadines, St. Lucia and the Netherlands Antilles for the Caribbean, to mention some of the most relevant) the first export market is Europe. In the case of imports, the United States is the principal trade partner at the aggregate and country levels.

Table 2  
**ACS: EXPORTS BY MAIN DESTINATIONS, 1990-2001**  
*(Millions of dollars)*

Destination Origin	ACS								European Union	United States	Rest of the World	World Total
	ACS Total	Group of Three				Others						
		Total	Mex	Col	Ven	CACM	CARICOM	ACS				
<b>ACS</b>												
1990	6 481	1 409	371	558	480	1 647	1 169	2 256	12 090	37 234	11 532	67 337
1991	6 715	1 598	363	596	640	1 586	1 165	2 366	11 263	35 931	12 475	66 384
1992	7 509	2 165	470	827	868	2 151	1 446	1 747	10 465	55 028	11 616	84 618
1993	8 533	2 705	524	1 212	969	2 466	1 484	1 878	9 177	62 129	12 339	92 178
1994	10 090	3 068	545	1 593	929	2 843	2 058	2 121	11 011	71 321	13 041	105 463
1995	11 317	4 128	432	2 189	1 506	3 299	1 776	2 114	12 860	89 107	18 359	131 643
1996	13 461	3 819	485	1 830	1 504	3 703	1 832	4 107	13 207	108 634	18 168	153 470
1997	15 279	4 979	761	2 016	2 203	4 566	1 735	3 999	13 115	122 536	19 369	170 299
1998	15 773	4 750	652	2 073	2 024	5 242	1 796	3 985	12 567	127 048	16 394	171 782
1999	15 074	3 566	753	1 231	1 582	5 250	1 912	4 346	12 220	150 342	17 630	195 266
2000	19 099	4 079	816	1 399	1 863	5 562	2 037	7 421	13 011	163 475	16 011	211 617
2001	22 345	4 470	1 085	585	2 800	6 720	2 974	8 181	14 560	182 944	17 918	236 820
<b>G-3</b>												
1990	3 885	1 045	221	485	338	833	469	1 538	7 731	30 806	8 732	51 154
1991	3 970	1 205	188	463	555	680	508	1 577	7 209	29 105	9 233	49 517
1992	4 504	1 767	263	716	788	955	826	956	6 833	47 717	8 292	67 346
1993	5 211	2 376	304	1 149	923	992	794	1 049	5 746	54 316	9 107	74 380
1994	6 288	2 629	360	1 494	774	1 122	1 340	1 197	6 834	63 012	9 672	85 806
1995	7 072	3 491	267	1 877	1 347	1 244	862	1 475	7 592	79 612	14 559	108 835
1996	8 956	3 261	241	1 716	1 304	1 513	777	3 405	7 830	98 015	14 580	129 381
1997	10 024	4 204	504	1 899	1 802	1 947	634	3 239	7 911	110 439	16 112	144 486
1998	9 788	4 105	344	1 959	1 801	1 858	597	3 228	7 785	114 842	12 786	145 201
1999	9 118	2 880	374	1 156	1 350	1 987	706	3 545	7 689	136 631	14 467	167 905
2000	12 596	3 147	409	1 263	1 475	2 171	771	6 507	8 402	149 300	13 175	183 474
2001	13 690	3 706	765	506	2 435	2 733	1 003	6 248	9 043	160 694	17 754	197 476
<b>CACM</b>												
1990	947	88	77	8	3	624	53	182	969	1 568	438	3 922
1991	1 062	112	96	10	6	710	47	193	906	1 742	369	4 079
1992	1 225	140	105	12	23	919	60	106	949	1 985	499	4 658
1993	1 484	146	108	17	21	1 102	39	197	1 046	2 093	306	4 929
1994	1 725	192	123	19	50	1 228	43	262	1 325	2 111	340	5 501
1995	1 995	177	81	31	65	1 451	54	313	1 839	2 357	597	6 788
1996	2 169	228	159	36	33	1 553	78	310	1 841	2 766	565	7 341
1997	2 654	286	183	43	60	1 863	92	413	1 981	4 003	653	9 291
1998	3 417	322	212	54	55	2 577	100	418	1 945	3 956	1 199	10 517
1999	3 231	336	270	31	35	2 289	98	508	1 951	4 976	1 017	11 175
2000	3 319	345	277	32	36	2 351	101	522	2 004	5 110	1 044	11 477
2001	3 546	293	220	29	43	2 771	121	361	2 226	5 675	1 300	12 746
<b>CARICOM</b>												
1990	755	56	8	5	44	5	514	180	880	1 815	895	4 345
1991	772	94	7	32	55	8	480	190	857	1 650	810	4 089
1992	785	97	31	34	32	20	440	228	705	1 469	695	3 654
1993	877	72	25	32	15	19	558	228	525	1 418	441	3 261
1994	911	124	38	54	32	19	585	183	838	1 550	833	4 132
1995	1 122	146	52	60	33	19	770	187	1 078	1 940	930	5 070
1996	1 208	142	45	35	62	21	840	205	1 051	2 066	714	5 039
1997	1 340	146	55	32	59	71	869	254	1 203	1 918	777	5 238
1998	1 371	131	54	20	58	73	940	227	1 064	1 935	698	5 068
1999	1 386	116	57	20	39	108	981	181	906	2 161	644	5 097
2000	1 469	123	60	21	41	114	1 040	192	960	2 291	661	5 403
2001	2 065	121	38	30	52	206	1 293	445	1 445	3 447	1 174	8 130
<b>Others<sup>a</sup></b>												
1990	894	220	65	60	95	185	133	356	2 510	3 045	1 467	7 916
1991	911	187	72	91	24	188	130	406	2 291	3 434	2 063	8 699
1992	995	161	71	65	25	257	120	457	1 978	3 857	2 130	8 960
1993	961	111	87	14	10	353	93	404	1 860	4 302	2 485	9 608
1994	1 166	123	24	26	73	474	90	479	2 014	4 648	2 196	10 024
1995	1 128	314	32	221	61	585	90	139	2 351	5 198	2 273	10 950
1996	1 128	188	40	43	105	616	137	187	2 485	5 787	2 309	11 709
1997	1 261	343	19	42	282	685	140	93	2 020	6 176	1 827	11 284
1998	1 197	192	42	40	110	734	159	112	1 773	6 315	1 711	10 996
1999	1 339	234	52	24	158	866	127	112	1 674	6 574	1 502	11 089
2000	1 714	464	70	83	311	925	125	200	1 645	6 774	1 130	11 263
2001	2 192	351	61	20	270	1 011	557	273	2 697	11 107	2 471	18 468

Source: ECLAC, based on official statistics. <sup>a</sup> Includes Cuba, Panama, Dominican Republic and Associate States.

Table 3  
**ACS: PARTICIPATION OF THE SUB-GROUPINGS  
 IN TOTAL EXPORTS, BY MAIN DESTINATIONS, 1990-2001**  
*(by percentage)*

Destination Origin	ACS								European Union	United States	Rest of the World	World Total
	Total ACS	Group of Three				Others						
		Total	Mex	Col	Ven	CACM	CARICOM	ACS				
<b>ACS</b>												
1990	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1991	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1992	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1993	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1994	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1995	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1996	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1997	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1998	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1999	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2000	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2001	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>G-3</b>												
1990	59.9	74.2	59.6	86.9	70.4	50.6	40.1	68.2	63.9	82.7	75.7	76.0
1991	59.1	75.4	51.8	77.7	86.7	42.9	43.6	66.7	64.0	81.0	74.0	74.6
1992	60.0	81.6	56.0	86.6	90.8	44.4	57.1	54.7	65.3	86.7	71.4	79.6
1993	61.1	87.8	58.0	94.8	95.3	40.2	53.5	55.9	62.6	87.4	73.8	80.7
1994	62.3	85.7	66.1	93.8	83.3	39.5	65.1	56.4	62.1	88.3	74.2	81.4
1995	62.5	84.6	61.8	85.7	89.4	37.7	48.5	69.8	59.0	89.3	79.3	82.7
1996	66.5	85.4	49.7	93.8	86.7	40.9	42.4	82.9	59.3	90.2	80.3	84.3
1997	65.6	84.4	66.2	94.2	81.8	42.6	36.5	81.0	60.3	90.1	83.2	84.8
1998	62.1	86.4	52.8	94.5	89.0	35.4	33.2	81.0	61.9	90.4	78.0	84.5
1999	60.5	80.8	49.7	93.9	85.3	37.8	36.9	81.6	62.9	90.9	82.1	86.0
2000	66.0	77.2	50.1	90.3	79.2	39.0	37.8	87.7	64.6	91.3	82.3	86.7
2001	61.3	82.9	70.5	86.5	87.0	40.7	33.7	76.4	62.1	87.8	99.1	83.4
<b>CACM</b>												
1990	14.6	6.2	20.8	1.4	0.6	37.9	4.5	8.1	8.0	4.2	3.8	5.8
1991	15.8	7.0	26.4	1.7	0.9	44.8	4.0	8.2	8.0	4.8	3.0	6.1
1992	16.3	6.5	22.3	1.5	2.6	42.7	4.1	6.1	9.1	3.6	4.3	5.5
1993	17.4	5.4	20.6	1.4	2.2	44.7	2.6	10.5	11.4	3.4	2.5	5.3
1994	17.1	6.3	22.6	1.2	5.4	43.2	2.1	12.4	12.0	3.0	2.6	5.2
1995	17.6	4.3	18.8	1.4	4.3	44.0	3.0	14.8	14.3	2.6	3.3	5.2
1996	16.1	6.0	32.8	2.0	2.2	41.9	4.3	7.5	13.9	2.5	3.1	4.8
1997	17.4	5.7	24.0	2.1	2.7	40.8	5.3	10.3	15.1	3.3	3.4	5.5
1998	21.7	6.8	32.5	2.6	2.7	49.2	5.6	10.5	15.5	3.1	7.3	6.1
1999	21.4	9.4	35.9	2.5	2.2	43.6	5.1	11.7	16.0	3.3	5.8	5.7
2000	17.4	8.5	33.9	2.3	1.9	42.3	5.0	7.0	15.4	3.1	6.5	5.4
2001	15.9	6.6	20.3	5.0	1.5	41.2	4.1	4.4	15.3	3.1	7.3	5.4
<b>CARICOM</b>												
1990	11.6	4.0	2.2	0.9	9.2	0.3	44.0	8.0	7.3	4.9	7.8	6.5
1991	11.5	5.9	1.9	5.4	8.6	0.5	41.2	8.0	7.6	4.6	6.5	6.2
1992	10.5	4.5	6.6	4.1	3.7	0.9	30.4	13.1	6.7	2.7	6.0	4.3
1993	10.3	2.7	4.8	2.6	1.5	0.8	37.6	12.1	5.7	2.3	3.6	3.5
1994	9.0	4.0	7.0	3.4	3.4	0.7	28.4	8.6	7.6	2.2	6.4	3.9
1995	9.9	3.5	12.0	2.7	2.2	0.6	43.4	8.8	8.4	2.2	5.1	3.9
1996	9.0	3.7	9.3	1.9	4.1	0.6	45.9	5.0	8.0	1.9	3.9	3.3
1997	8.8	2.9	7.2	1.6	2.7	1.6	50.1	6.4	9.2	1.6	4.0	3.1
1998	8.7	2.8	8.3	1.0	2.9	1.4	52.3	5.7	8.5	1.5	4.3	3.0
1999	9.2	3.3	7.6	1.6	2.5	2.1	51.3	4.2	7.4	1.4	3.7	2.6
2000	7.7	3.0	7.4	1.5	2.2	2.0	51.1	2.6	7.4	1.4	4.1	2.6
2001	9.2	2.7	3.5	5.1	1.9	3.1	43.5	5.4	9.9	1.9	6.6	3.4
<b>Others <sup>a</sup></b>												
1990	13.8	15.6	17.5	10.8	19.8	11.2	11.4	15.8	20.8	8.2	12.7	11.8
1991	13.6	11.7	19.8	15.3	3.8	11.9	11.2	17.2	20.3	9.6	16.5	13.1
1992	13.3	7.4	15.1	7.9	2.9	11.9	8.3	26.2	18.9	7.0	18.3	10.6
1993	11.3	4.1	16.6	1.2	1.0	14.3	6.3	21.5	20.3	6.9	20.1	10.4
1994	11.6	4.0	4.4	1.6	7.9	16.7	4.4	22.6	18.3	6.5	16.8	9.5
1995	10.0	7.6	7.4	10.1	4.1	17.7	5.1	6.6	18.3	5.8	12.4	8.3
1996	8.4	4.9	8.2	2.3	7.0	16.6	7.5	4.6	18.8	5.3	12.7	7.6
1997	8.3	6.9	2.5	2.1	12.8	15.0	8.1	2.3	15.4	5.0	9.4	6.6
1998	7.6	4.0	6.4	1.9	5.4	14.0	8.9	2.8	14.1	5.0	10.4	6.4
1999	8.9	6.6	6.9	1.9	10.0	16.5	6.6	2.6	13.7	4.4	8.5	5.7
2000	9.0	11.4	8.6	5.9	16.7	16.6	6.1	2.7	12.6	4.1	7.1	5.3
2001	9.8	7.9	5.6	3.4	9.6	15.0	18.7	3.3	18.5	6.1	13.8	7.8

Source: ECLAC, based on official statistics. <sup>a</sup> Includes Cuba, Panama, Dominican Republic and Associate States.



Table 4  
**ACS: EXPORTS BY MAIN DESTINATION, 1990-2001**  
 (by percentage)

Destination Origin	ACS								European Union	United States	Rest of the World	World Total
	Total ACS	Group of Three				Others						
		Total	Mex	Col	Ven	CACM	CARICOM	ACS				
<b>ACS</b>												
1990	9.6	2.1	0.6	0.8	0.7	2.4	1.7	3.4	18.0	55.3	17.1	100.0
1991	10.1	2.4	0.5	0.9	1.0	2.4	1.8	3.6	17.0	54.1	18.8	100.0
1992	8.9	2.6	0.6	1.0	1.0	2.5	1.7	2.1	12.4	65.0	13.7	100.0
1993	9.3	2.9	0.6	1.3	1.1	2.7	1.6	2.0	10.0	67.4	13.4	100.0
1994	9.6	2.9	0.5	1.5	0.9	2.7	2.0	2.0	10.4	67.6	12.4	100.0
1995	8.6	3.1	0.3	1.7	1.1	2.5	1.3	1.6	9.8	67.7	13.9	100.0
1996	8.8	2.5	0.3	1.2	1.0	2.4	1.2	2.7	8.6	70.8	11.8	100.0
1997	9.0	2.9	0.4	1.2	1.3	2.7	1.0	2.3	7.7	72.0	11.4	100.0
1998	9.2	2.8	0.4	1.2	1.2	3.1	1.0	2.3	7.3	74.0	9.5	100.0
1999	7.7	1.8	0.4	0.6	0.8	2.7	1.0	2.2	6.3	77.0	9.0	100.0
2000	9.0	1.9	0.4	0.7	0.9	2.6	1.0	3.5	6.1	77.3	7.6	100.0
2001	9.4	1.9	0.5	0.2	1.2	2.8	1.3	3.5	6.1	77.3	7.6	100.0
<b>G-3</b>												
1990	7.6	2.0	0.4	0.9	0.7	1.6	0.9	3.0	15.1	60.2	17.1	100.0
1991	8.0	2.4	0.4	0.9	1.1	1.4	1.0	3.2	14.6	58.8	18.6	100.0
1992	6.7	2.6	0.4	1.1	1.2	1.4	1.2	1.4	10.1	70.9	12.3	100.0
1993	7.0	3.2	0.4	1.5	1.2	1.3	1.1	1.4	7.7	73.0	12.2	100.0
1994	7.3	3.1	0.4	1.7	0.9	1.3	1.6	1.4	8.0	73.4	11.3	100.0
1995	6.5	3.2	0.2	1.7	1.2	1.1	0.8	1.4	7.0	73.1	13.4	100.0
1996	6.9	2.5	0.2	1.3	1.0	1.2	0.6	2.6	6.1	75.8	11.3	100.0
1997	6.9	2.9	0.3	1.3	1.2	1.3	0.4	2.2	5.5	76.4	11.2	100.0
1998	6.7	2.8	0.2	1.3	1.2	1.3	0.4	2.2	5.4	79.1	8.8	100.0
1999	5.4	1.7	0.2	0.7	0.8	1.2	0.4	2.1	4.6	81.4	8.6	100.0
2000	6.9	1.7	0.2	0.7	0.8	1.2	0.4	3.5	4.6	81.4	7.2	100.0
2001	6.9	1.9	0.4	0.3	1.2	1.4	0.5	3.2	4.6	81.4	9.0	100.0
<b>CACM</b>												
1990	24.1	2.2	2.0	0.2	0.1	15.9	1.4	4.6	24.7	40.0	11.2	100.0
1991	26.0	2.7	2.4	0.2	0.1	17.4	1.2	4.7	22.2	42.7	9.0	100.0
1992	26.3	3.0	2.3	0.3	0.5	19.7	1.3	2.3	20.4	42.6	10.7	100.0
1993	30.1	3.0	2.2	0.3	0.4	22.4	0.8	4.0	21.2	42.5	6.2	100.0
1994	31.4	3.5	2.2	0.3	0.9	22.3	0.8	4.8	24.1	38.4	6.2	100.0
1995	29.4	2.6	1.2	0.5	1.0	21.4	0.8	4.6	27.1	34.7	8.8	100.0
1996	29.5	3.1	2.2	0.5	0.4	21.2	1.1	4.2	25.1	37.7	7.7	100.0
1997	28.6	3.1	2.0	0.5	0.6	20.1	1.0	4.4	21.3	43.1	7.0	100.0
1998	32.5	3.1	2.0	0.5	0.5	24.5	1.0	4.0	18.5	37.6	11.4	100.0
1999	28.9	3.0	2.4	0.3	0.3	20.5	0.9	4.5	17.5	44.5	9.1	100.0
2000	28.9	3.0	2.4	0.3	0.3	20.5	0.9	4.5	17.5	44.5	9.1	100.0
2001	27.8	2.3	1.7	0.2	0.3	21.7	0.9	2.8	17.5	44.5	10.2	100.0
<b>CARICOM</b>												
1990	17.4	1.3	0.2	0.1	1.0	0.1	11.8	4.1	20.3	41.8	20.6	100.0
1991	18.9	2.3	0.2	0.8	1.3	0.2	11.7	4.6	21.0	40.4	19.8	100.0
1992	21.5	2.7	0.8	0.9	0.9	0.5	12.0	6.2	19.3	40.2	19.0	100.0
1993	26.9	2.2	0.8	1.0	0.5	0.6	17.1	7.0	16.1	43.5	13.5	100.0
1994	22.0	3.0	0.9	1.3	0.8	0.5	14.2	4.4	20.3	37.5	20.2	100.0
1995	22.1	2.9	1.0	1.2	0.7	0.4	15.2	3.7	21.3	38.3	18.3	100.0
1996	24.0	2.8	0.9	0.7	1.2	0.4	16.7	4.1	20.9	41.0	14.2	100.0
1997	25.6	2.8	1.1	0.6	1.1	1.4	16.6	4.8	23.0	36.6	14.8	100.0
1998	27.1	2.6	1.1	0.4	1.1	1.4	18.5	4.5	21.0	38.2	13.8	100.0
1999	27.2	2.3	1.1	0.4	0.8	2.1	19.2	3.6	17.8	42.4	12.6	100.0
2000	27.2	2.3	1.1	0.4	0.8	2.1	19.2	3.6	17.8	42.4	12.2	100.0
2001	25.4	1.5	0.5	0.4	0.6	2.5	15.9	5.5	17.8	42.4	14.4	100.0
<b>Others<sup>a</sup></b>												
1990	11.3	2.8	0.8	0.8	1.2	2.3	1.7	4.5	31.7	38.5	18.5	100.0
1991	10.5	2.1	0.8	1.0	0.3	2.2	1.5	4.7	26.3	39.5	23.7	100.0
1992	11.1	1.8	0.8	0.7	0.3	2.9	1.3	5.1	22.1	43.0	23.8	100.0
1993	10.0	1.2	0.9	0.1	0.1	3.7	1.0	4.2	19.4	44.8	25.9	100.0
1994	11.6	1.2	0.2	0.3	0.7	4.7	0.9	4.8	20.1	46.4	21.9	100.0
1995	10.3	2.9	0.3	2.0	0.6	5.3	0.8	1.3	21.5	47.5	20.8	100.0
1996	9.6	1.6	0.3	0.4	0.9	5.3	1.2	1.6	21.2	49.4	19.7	100.0
1997	11.2	3.0	0.2	0.4	2.5	6.1	1.2	0.8	17.9	54.7	16.2	100.0
1998	10.9	1.7	0.4	0.4	1.0	6.7	1.4	1.0	16.1	57.4	15.6	100.0
1999	12.1	2.1	0.5	0.2	1.4	7.8	1.1	1.0	15.1	59.3	13.5	100.0
2000	15.2	4.1	0.6	0.7	2.8	8.2	1.1	1.8	14.6	60.1	10.0	100.0
2001	11.9	1.9	0.3	0.1	1.5	5.5	3.0	1.5	14.6	60.1	13.4	100.0

Source: ECLAC, based on official statistics. <sup>a</sup> Includes Cuba, Panama, Dominican Republic and Associate States.

Table 5  
ACS: IMPORTS BY MAIN ORIGIN, 1990-2001  
(Millions of dollars)

Origin Destination	ACS								European Union	United States	Rest of the World	World Total
	Total ACS	Group of Three				Others						
		Total	Mex	Col	Ven	CACM	CARICOM	ACS				
<b>ACS</b>												
1990	7 178	4 611	1 022	339	3 249	884	596	1 087	10 749	31 229	16 769	7 178
1991	6 766	3 820	1 215	702	1 902	1 009	789	1 148	12 087	40 119	18 494	6 766
1992	7 307	3 879	1 408	852	1 618	1 261	836	1 331	14 307	62 456	23 832	7 307
1993	7 235	4 724	1 547	871	2 306	469	786	1 256	14 531	65 889	27 650	7 235
1994	9 591	5 818	1 572	818	3 428	1 696	935	1 142	16 585	71 942	33 940	9 591
1995	10 579	6 370	2 350	1 426	2 594	1 824	1 124	1 261	15 567	74 087	33 527	10 579
1996	12 966	8 485	3 135	1 368	3 982	2 114	1 264	1 103	16 723	88 930	37 950	12 966
1997	14 226	9 279	3 209	1 635	4 434	2 478	1 163	1 306	19 524	111 233	35 276	14 226
1998	14 712	9 265	3 377	1 580	4 308	2 869	1 173	1 405	21 375	123 040	37 756	14 712
1999	14 748	8 772	3 700	1 680	3 392	3 239	1 193	1 544	21 850	136 190	41 878	14 748
2000	16 595	10 101	4 453	1 934	3 714	3 406	1 332	1 756	23 722	147 593	44 744	16 595
2001	19 780	9 828	2 385	3 046	4 397	3 698	4 329	1 925	26 801	166 751	67 301	19 780
<b>G-3</b>												
1990	1 519	856	216	180	459	104	84	475	7 991	24 910	7 329	1 519
1991	1 936	1 112	313	333	465	121	218	485	9 253	32 678	9 259	1 936
1992	2 447	1 575	443	542	589	138	175	559	11 387	54 017	13 425	2 447
1993	2 887	2 177	484	544	1 149	139	153	418	11 668	56 801	15 023	2 887
1994	3 052	2 492	523	522	1 447	194	159	207	13 166	62 355	20 736	3 052
1995	4 094	3 370	857	916	1 597	185	178	361	11 238	63 260	18 515	4 094
1996	3 680	3 194	871	779	1 544	224	158	104	11 977	76 446	19 509	3 680
1997	4 864	4 156	1 123	992	2 040	275	206	227	15 531	94 626	25 500	4 864
1998	4 559	3 879	1 231	945	1 703	295	165	220	17 432	104 562	27 525	4 559
1999	3 849	3 088	963	959	1 166	361	139	261	18 088	117 432	30 400	3 849
2000	4 309	3 477	1 053	1 150	1 274	395	152	285	19 770	128 353	33 125	4 309
2001	5 944	3 974	596	2 081	1 296	293	1 326	351	21 162	137 389	38 069	5 944
<b>CACM</b>												
1990	1 583	736	327	61	348	651	11	185	850	2 416	1 471	1 583
1991	1 801	854	366	86	402	744	16	187	841	2 863	1 602	1 801
1992	2 220	981	445	109	427	959	23	257	934	3 690	1 794	2 220
1993	1 659	1 141	489	140	512	138	27	353	1 079	4 096	2 954	1 659
1994	3 098	1 287	569	162	556	1 296	41	474	1 199	4 455	1 905	3 098
1995	3 522	1 453	713	181	559	1 439	45	585	1 270	4 912	1 935	3 522
1996	4 030	1 665	923	203	539	1 668	81	616	1 322	5 825	2 142	4 030
1997	4 492	1 791	1 092	221	478	1 933	83	685	1 420	6 907	2 534	4 492
1998	5 064	1 993	1 235	235	523	2 210	127	734	1 515	7 828	2 892	5 064
1999	5 778	2 279	1 338	265	676	2 484	149	866	1 622	8 251	3 091	5 778
2000	6 119	2 444	1 384	255	805	2 576	174	925	1 593	8 190	3 004	6 119
2001	6 627	2 774	1 568	328	879	2 906	141	806	1 766	9 077	8 110	6 627
<b>CARICOM</b>												
1990	1 074	487	142	30	315	35	419	133	913	2 146	1 128	1 074
1991	1 067	483	166	31	286	43	411	130	893	2 162	1 156	1 067
1992	1 076	475	125	18	332	45	436	120	876	2 290	1 094	1 076
1993	1 017	402	125	20	257	50	472	93	817	2 419	1 113	1 017
1994	1 013	361	115	22	224	46	516	90	926	2 726	1 249	1 013
1995	1 299	534	124	178	232	57	618	90	1 130	3 053	1 339	1 299
1996	1 564	617	145	155	317	65	744	138	1 325	3 635	1 526	1 564
1997	1 608	673	154	167	352	66	729	140	1 287	3 383	1 385	1 608
1998	1 588	675	164	159	352	72	682	159	1 220	3 054	1 358	1 588
1999	1 866	912	225	217	470	83	744	127	1 018	2 843	1 540	1 866
2000	2 077	1 014	230	228	556	92	846	125	1 008	2 989	1 616	2 077
2001	3 432	986	218	228	540	138	1 787	521	1 758	5 214	4 441	3 432
<b>Others<sup>a</sup></b>												
1990	3 002	2 532	337	68	2 127	94	82	294	995	1 757	6 841	3 002
1991	1 962	1 371	370	252	749	101	144	346	1 100	2 416	6 477	1 962
1992	1 564	848	395	183	270	119	202	395	1 110	2 459	7 519	1 564
1993	1 672	1 004	449	167	388	142	134	392	967	2 573	8 560	1 672
1994	2 428	1 678	365	112	1 201	160	219	371	1 294	2 406	10 050	2 428
1995	1 664	1 013	656	151	206	143	283	225	1 929	2 862	11 738	1 664
1996	3 692	3 009	1 196	231	1 582	157	281	245	2 099	3 024	14 773	3 692
1997	3 262	2 659	840	255	1 564	204	145	254	1 286	6 317	5 857	3 262
1998	3 501	2 718	747	241	1 730	292	199	292	1 208	7 596	5 981	3 501
1999	3 255	2 493	1 174	239	1 080	311	161	290	1 122	7 664	6 847	3 255
2000	4 090	3 166	1 786	301	1 079	343	160	421	1 351	8 061	6 999	4 090
2001	3 776	2 093	3	409	1 682	361	1 075	247	1 968	11 743	16 155	3 776

Source: ECLAC, based on official statistics. <sup>a</sup> Includes Cuba, Panama, Dominican Republic and Associate States.

Table 6  
**ACS: IMPORTS BY MAIN ORIGIN, 1990-2001**  
*(by percentage)*

Origin Destination	ACS								European Union	United States	Rest of the World	World Total
	Total ACS	Group of Three				Others						
		Total	Mex	Col	Ven	CACM	CARICOM	ACS				
<b>ACS</b>												
1990	10.9	7.0	1.6	0.5	4.9	1.3	0.9	1.6	16.3	47.4	25.4	100.0
1991	8.7	4.9	1.6	0.9	2.5	1.3	1.0	1.5	15.6	51.8	23.9	100.0
1992	6.8	3.6	1.3	0.8	1.5	1.2	0.8	1.2	13.3	57.9	22.1	100.0
1993	6.3	4.1	1.3	0.8	2.0	0.4	0.7	1.1	12.6	57.1	24.0	100.0
1994	7.3	4.4	1.2	0.6	2.6	1.3	0.7	0.9	12.6	54.5	25.7	100.0
1995	7.9	4.8	1.8	1.1	1.9	1.4	0.8	0.9	11.6	55.4	25.1	100.0
1996	8.3	5.4	2.0	0.9	2.5	1.4	0.8	0.7	10.7	56.8	24.2	100.0
1997	7.9	5.1	1.8	0.9	2.5	1.4	0.6	0.7	10.8	61.7	19.6	100.0
1998	7.5	4.7	1.7	0.8	2.2	1.5	0.6	0.7	10.9	62.5	19.2	100.0
1999	6.9	4.1	1.7	0.8	1.6	1.5	0.6	0.7	10.2	63.4	19.5	100.0
2000	7.1	4.3	1.9	0.8	1.6	1.5	0.6	0.8	10.2	63.4	19.2	100.0
2001	7.0	3.5	0.8	1.1	1.6	1.3	1.5	0.7	9.6	59.4	24.0	100.0
<b>G-3</b>												
1990	3.6	2.1	0.5	0.4	1.1	0.2	0.2	1.1	19.1	59.7	17.6	100.0
1991	3.6	2.1	0.6	0.6	0.9	0.2	0.4	0.9	17.4	61.5	17.4	100.0
1992	3.0	1.9	0.5	0.7	0.7	0.2	0.2	0.7	14.0	66.5	16.5	100.0
1993	3.3	2.5	0.6	0.6	1.3	0.2	0.2	0.5	13.5	65.8	17.4	100.0
1994	3.1	2.5	0.5	0.5	1.5	0.2	0.2	0.2	13.3	62.8	20.9	100.0
1995	4.2	3.5	0.9	0.9	1.6	0.2	0.2	0.4	11.6	65.1	19.1	100.0
1996	3.3	2.9	0.8	0.7	1.4	0.2	0.1	0.1	10.7	68.5	17.5	100.0
1997	3.5	3.0	0.8	0.7	1.5	0.2	0.1	0.2	11.1	67.3	18.1	100.0
1998	3.0	2.5	0.8	0.6	1.1	0.2	0.1	0.1	11.3	67.9	17.9	100.0
1999	2.3	1.8	0.6	0.6	0.7	0.2	0.1	0.2	10.7	69.2	17.9	100.0
2000	2.3	1.9	0.6	0.6	0.7	0.2	0.1	0.2	10.7	69.2	17.9	100.0
2001	3.0	2.0	0.3	1.0	0.7	0.1	0.7	0.2	10.7	69.2	19.2	100.0
<b>CACM</b>												
1990	25.0	11.6	5.2	1.0	5.5	10.3	0.2	2.9	13.4	38.2	23.3	100.0
1991	25.3	12.0	5.1	1.2	5.7	10.5	0.2	2.6	11.8	40.3	22.5	100.0
1992	25.7	11.4	5.2	1.3	4.9	11.1	0.3	3.0	10.8	42.7	20.8	100.0
1993	16.9	11.7	5.0	1.4	5.2	1.4	0.3	3.6	11.0	41.8	30.2	100.0
1994	29.1	12.1	5.3	1.5	5.2	12.2	0.4	4.4	11.3	41.8	17.9	100.0
1995	30.3	12.5	6.1	1.6	4.8	12.4	0.4	5.0	10.9	42.2	16.6	100.0
1996	30.3	12.5	6.9	1.5	4.0	12.5	0.6	4.6	9.9	43.7	16.1	100.0
1997	29.3	11.7	7.1	1.4	3.1	12.6	0.5	4.5	9.2	45.0	16.5	100.0
1998	29.3	11.5	7.1	1.4	3.0	12.8	0.7	4.2	8.8	45.3	16.7	100.0
1999	30.8	12.2	7.1	1.4	3.6	13.3	0.8	4.6	8.7	44.0	16.5	100.0
2000	32.4	12.9	7.3	1.3	4.3	13.6	0.9	4.9	8.4	43.3	15.9	100.0
2001	31.6	13.2	7.5	1.6	4.2	13.9	0.7	3.8	8.4	43.3	38.7	100.0
<b>CARICOM</b>												
1990	20.4	9.3	2.7	0.6	6.0	0.7	8.0	2.5	17.4	40.8	21.4	100.0
1991	20.2	9.2	3.1	0.6	5.4	0.8	7.8	2.5	16.9	41.0	21.9	100.0
1992	20.2	8.9	2.3	0.3	6.2	0.8	8.2	2.2	16.4	42.9	20.5	100.0
1993	19.0	7.5	2.3	0.4	4.8	0.9	8.8	1.7	15.2	45.1	20.7	100.0
1994	17.1	6.1	1.9	0.4	3.8	0.8	8.7	1.5	15.7	46.1	21.1	100.0
1995	19.0	7.8	1.8	2.6	3.4	0.8	9.1	1.3	16.6	44.8	19.6	100.0
1996	19.4	7.7	1.8	1.9	3.9	0.8	9.2	1.7	16.5	45.2	19.0	100.0
1997	21.0	8.8	2.0	2.2	4.6	0.9	9.5	1.8	16.8	44.1	18.1	100.0
1998	22.0	9.3	2.3	2.2	4.9	1.0	9.4	2.2	16.9	42.3	18.8	100.0
1999	25.7	12.5	3.1	3.0	6.5	1.1	10.2	1.7	14.0	39.1	21.2	100.0
2000	27.0	13.2	3.0	3.0	7.2	1.2	11.0	1.6	13.1	38.9	21.0	100.0
2001	25.6	7.4	1.6	1.7	4.0	1.0	13.3	3.9	13.1	38.9	33.1	100.0
<b>Others<sup>a</sup></b>												
1990	23.8	20.1	2.7	0.5	16.9	0.7	0.7	2.3	7.9	13.9	54.3	100.0
1991	16.4	11.5	3.1	2.1	6.3	0.8	1.2	2.9	9.2	20.2	54.2	100.0
1992	12.4	6.7	3.1	1.4	2.1	0.9	1.6	3.1	8.8	19.4	59.4	100.0
1993	12.1	7.3	3.3	1.2	2.8	1.0	1.0	2.8	7.0	18.7	62.2	100.0
1994	15.0	10.4	2.3	0.7	7.4	1.0	1.4	2.3	8.0	14.9	62.1	100.0
1995	9.1	5.6	3.6	0.8	1.1	0.8	1.6	1.2	10.6	15.7	64.5	100.0
1996	15.7	12.8	5.1	1.0	6.7	0.7	1.2	1.0	8.9	12.8	62.6	100.0
1997	19.5	15.9	5.0	1.5	9.4	1.2	0.9	1.5	7.7	37.8	35.0	100.0
1998	19.1	14.9	4.1	1.3	9.5	1.6	1.1	1.6	6.6	41.5	32.7	100.0
1999	17.2	13.2	6.2	1.3	5.7	1.6	0.9	1.5	5.9	40.6	36.3	100.0
2000	20.0	15.4	8.7	1.5	5.3	1.7	0.8	2.1	6.6	39.3	34.1	100.0
2001	12.6	7.0	0.0	1.4	5.6	1.2	3.6	0.8	6.6	39.3	54.1	100.0

Source: ECLAC, based on official statistics. <sup>a</sup> Includes Cuba, Panama, Dominican Republic and Associate States.

Table 7  
**ACS: PARTICIPATION OF THE SUB-GROUPINGS  
 IN TOTAL IMPORTS BY MAIN ORIGIN, 1990-2001**  
*(by percentage)*

Origin Destination	ACS								European Union	United States	Rest of the World	World Total
	Total ACS	Group of Three				Others						
		Total	Mex	Col	Ven	CACM	CARICOM	ACS				
<b>ACS</b>												
1990	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1991	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1992	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1993	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1994	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1995	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1996	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1997	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1998	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1999	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2000	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2001	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
<b>G-3</b>												
1990	21.2	18.6	21.1	53.1	14.1	11.8	14.1	43.7	74.3	79.8	43.7	63.3
1991	28.6	29.1	25.8	47.4	24.4	12.0	27.6	42.2	76.6	81.5	50.1	68.6
1992	33.5	40.6	31.5	63.6	36.4	10.9	20.9	42.0	79.6	86.5	56.3	75.3
1993	39.9	46.1	31.3	62.5	49.8	29.6	19.5	33.3	80.3	86.2	54.3	74.9
1994	31.8	42.8	33.3	63.8	42.2	11.4	17.0	18.1	79.4	86.7	61.1	75.2
1995	38.7	52.9	36.5	64.2	61.6	10.1	15.8	28.6	72.2	85.4	55.2	72.6
1996	28.4	37.6	27.8	56.9	38.8	10.6	12.5	9.4	71.6	86.0	51.4	71.3
1997	34.2	44.8	35.0	60.7	46.0	11.1	17.7	17.4	79.5	85.1	72.3	78.0
1998	31.0	41.9	36.5	59.8	39.5	10.3	14.1	15.7	81.6	85.0	72.9	78.3
1999	26.1	35.2	26.0	57.1	34.4	11.1	11.7	16.9	82.8	86.2	72.6	79.1
2000	26.0	34.4	23.6	59.5	34.3	11.6	11.4	16.2	83.3	87.0	74.0	79.8
2001	30.1	40.4	25.0	68.3	29.5	7.9	30.6	18.2	79.0	82.4	56.6	70.8
<b>CACM</b>												
1990	22.1	16.0	32.0	18.0	10.7	73.6	1.8	17.0	7.9	7.7	8.8	9.6
1991	26.6	22.4	30.1	12.3	21.1	73.7	2.0	16.3	7.0	7.1	8.7	9.2
1992	30.4	25.3	31.6	12.8	26.4	76.1	2.8	19.3	6.5	5.9	7.5	8.0
1993	22.9	24.2	31.6	16.1	22.2	29.4	3.4	28.1	7.4	6.2	10.7	8.5
1994	32.3	22.1	36.2	19.8	16.2	76.4	4.4	41.5	7.2	6.2	5.6	8.1
1995	33.3	22.8	30.3	12.7	21.5	78.9	4.0	46.4	8.2	6.6	5.8	8.7
1996	31.1	19.6	29.4	14.8	13.5	78.9	6.4	55.8	7.9	6.6	5.6	8.5
1997	31.6	19.3	34.0	13.5	10.8	78.0	7.1	52.5	7.3	6.2	7.2	8.5
1998	34.4	21.5	36.6	14.9	12.1	77.0	10.8	52.2	7.1	6.4	7.7	8.8
1999	39.2	26.0	36.2	15.8	19.9	76.7	12.5	56.1	7.4	6.1	7.4	8.7
2000	36.9	24.2	31.1	13.2	21.7	75.6	13.1	52.7	6.7	5.5	6.7	8.1
2001	33.5	28.2	65.7	10.8	20.0	78.6	3.3	41.9	6.6	5.4	12.1	7.5
<b>CARICOM</b>												
1990	15.0	10.6	13.9	8.8	9.7	4.0	70.3	12.2	8.5	6.9	6.7	8.0
1991	15.8	12.6	13.7	4.4	15.0	4.3	52.1	11.3	7.4	5.4	6.3	6.8
1992	14.7	12.2	8.9	2.1	20.5	3.6	52.2	9.0	6.1	3.7	4.6	4.9
1993	14.1	8.5	8.1	2.3	11.1	10.7	60.1	7.4	5.6	3.7	4.0	4.7
1994	10.6	6.2	7.3	2.7	6.5	2.7	55.2	7.9	5.6	3.8	3.7	4.5
1995	12.3	8.4	5.3	12.5	8.9	3.1	55.0	7.1	7.3	4.1	4.0	5.1
1996	12.1	7.3	4.6	11.3	8.0	3.1	58.9	12.5	7.9	4.1	4.0	5.1
1997	11.3	7.3	4.8	10.2	7.9	2.7	62.7	10.7	6.6	3.0	3.9	4.3
1998	10.8	7.3	4.9	10.1	8.2	2.5	58.1	11.3	5.7	2.5	3.6	3.7
1999	12.7	10.4	6.1	12.9	13.9	2.6	62.4	8.2	4.7	2.1	3.7	3.4
2000	12.5	10.0	5.2	11.8	15.0	2.7	63.5	7.1	4.2	2.0	3.6	3.3
2001	17.4	10.0	9.1	7.5	12.3	3.7	41.3	27.1	6.6	3.1	6.6	4.8
<b>Others<sup>a</sup></b>												
1990	15.0	10.6	13.9	8.8	9.7	4.0	70.3	12.2	8.5	6.9	6.7	8.0
1991	15.8	12.6	13.7	4.4	15.0	4.3	52.1	11.3	7.4	5.4	6.3	6.8
1992	14.7	12.2	8.9	2.1	20.5	3.6	52.2	9.0	6.1	3.7	4.6	4.9
1993	14.1	8.5	8.1	2.3	11.1	10.7	60.1	7.4	5.6	3.7	4.0	4.7
1994	10.6	6.2	7.3	2.7	6.5	2.7	55.2	7.9	5.6	3.8	3.7	4.5
1995	12.3	8.4	5.3	12.5	8.9	3.1	55.0	7.1	7.3	4.1	4.0	5.1
1996	12.1	7.3	4.6	11.3	8.0	3.1	58.9	12.5	7.9	4.1	4.0	5.1
1997	11.3	7.3	4.8	10.2	7.9	2.7	62.7	10.7	6.6	3.0	3.9	4.3
1998	10.8	7.3	4.9	10.1	8.2	2.5	58.1	11.3	5.7	2.5	3.6	3.7
1999	12.7	10.4	6.1	12.9	13.9	2.6	62.4	8.2	4.7	2.1	3.7	3.4
2000	12.5	10.0	5.2	11.8	15.0	2.7	63.5	7.1	4.2	2.0	3.6	3.3
2001	17.4	10.0	9.1	7.5	12.3	3.7	41.3	27.1	6.6	3.1	6.6	4.8

Source: ECLAC, based on official statistics. <sup>a</sup> Includes Cuba, Panama, Dominican Republic and Associate States.

## B. Intra-ACS Trade

As stated earlier, trade among the countries of the Association is not well developed, since only 9% of their overall exports on average between 1990 and 2001, are directed at other member states, with a downward trend during the last decade.

In 2001, the main suppliers in the Association were: Mexico (19%), Venezuela (20%),<sup>15</sup> Colombia (17%), Trinidad and Tobago (10%), the Netherlands Antilles (8%), Costa Rica (6%), Guatemala (7%), El Salvador (5%) and Panama (3.2%) respectively, while intra-regional exports from other countries were much lower, or even insignificant (see tables 8 and 9). For their part, the main intra-regional markets are provided basically by the same countries, with a few exceptions, though in a differing order: Venezuela (16%), Guatemala (10%), the Netherlands Antilles (10%), El Salvador (9%), Honduras (7%), Mexico (6%) and Panama (5%).

With respect to the distribution of intra-regional trade, it must be remembered also that more than 40% of such trade was developed under sub-regional schemes, and relative contributions to total trade in the region were as follows: G-3 (21%), CACM (16%), followed by CARICOM (7%) (see table 9). The volume of trade among the schemes depends on the size of the countries involved, particularly in the case of the G-3, geographical proximity and a long history of sub-regional integration as in the case of the CACM, while the low volume of intra-CARICOM trade can be attributed to the relatively small size of the economies involved and the geographical isolation of member states. By contrast, trade among the schemes is still hardly diversified in terms of the countries involved and the composition of the flows, and there are no indications that this will increase.

The main bilateral trade links that exist are within the G-3, especially between Colombia and Venezuela and among the countries of the CACM, of which Costa Rica and Guatemala are major exporters, while in the Caribbean, bilateral links among Barbados, Jamaica and Trinidad and Tobago are predominant. In all of these cases, the level of reciprocal trade is largely determined by the size of the economies involved, geographical proximity and membership in sub-regional integration schemes. Cuba, Panama and the Dominican Republic are not important suppliers for countries in the region, with the sole exception of Haiti, where Dominican Republic exports are favoured since both countries share a land

---

<sup>15</sup> Mexico and particularly Venezuela have become important oil exporters to the countries of the Caribbean and Central America since the entry into effect of the San José Agreement, which provides for financing facilities for these importers. The Caracas Energy Accord has just been signed. It is broader in scope and offers better conditions than the San José Agreement.

border. However, Panama maintains significant trade links with other Central American countries, where its exports are favoured because of geographical proximity and a few integration arrangements made with them. Links among OECS member states on one hand, and other non-CARICOM ACS countries on the other, are particularly weak.

In the CACM, trade within the sub-region accounts for close to 16% of the total trade of member states. Recently, exports within the CACM have grown, though at a somewhat slower rate than those to the rest of the world. Contributing factors were the size and dynamism of the US market and existing restrictions to intra-regional trade. The sub-regional market is particularly important for the export of relatively sophisticated manufactured goods that arose under its customs union. On the other hand, basic foodstuffs now play a much weaker role in trade among the sub-regions.<sup>16</sup>

The destination of CARICOM exports varied slightly during the nineties as compared to the preceding decade, although an increase was recorded in the proportion of trade among member states. Total external sales increased from 12% in 1990 to 19% in 2001 (see table 4). However, a large part of reciprocal trade consists of oil exports from Trinidad and Tobago. Apart from oil, which accounted for 41% of trade in the sub-region in 2001 (see table 15), some relatively simple manufactures play a crucial role in said trade, including paper and cardboard, non-alcoholic carbonated drinks, different processed foods, detergents and soaps, cement, iron and steel. The sub-regional market is especially important for exports from Barbados, Dominica, Grenada and St. Vincent and the Grenadines (Caribbean Community Secretariat, 2000, p. 52). In more than 40 years of existence, this sub-regional integration scheme has not been able to significantly overcome structural restrictions that immobilise the insertion of its member states externally.

Trade within the G-3 represents a small fraction, almost 2%, of its total exports (see table 4). The short history of the free trade agreement among the three countries can partly explain this weighting, but a far more important factor is the close links that these countries have with the US market, where they place their exports of energy, *maquila* and agricultural items. Most of this trade within the sub-region is concentrated between Colombia and Venezuela (9% of Intra-G-3 trade. See table 9), which have increased their mutual trade based on customs union arrangements between themselves during the first half of the nineties.

---

<sup>16</sup> In the CACM, the volume of intra-subregional trade can be interpreted in different ways. On one hand, the proportion is overestimated because of exports that are directed at third markets, but first pass through other member states. On the other, it can be underestimated when it is included in total *maquila* exports. The information presented here on the CACM does not take into account its *maquila* exports.

In the non-grouped countries, there have been significant links between this sub-group of countries and the G-3. In fact, in 2001, 5% of the exports from the G-3 to ACS countries go to non-grouped countries. Following way behind in second place is the Central American Common Market, whose exports to the non-grouped countries represent 2% of total exports to the ACS. Still though, the contribution to intra-ACS trade by the non-grouped countries has been reduced to 4% participation in intra-regional exports (see table 9).

Finally, among the associate states, the Netherlands Antilles stands out as the most dynamic trade partner in this trade sub-group. The Netherlands Antilles trades with Venezuela and to a lesser extent, with the Bahamas, Cuba, Honduras and Guyana. Its volume of intra-regional trade (8%) is explained essentially by its oil exports.

Table 8  
EXPORTS AMONG ACS COUNTRIES, 2001  
(Millions of dollars)

Origin \ Destination	Colombia	Mexico	Venezuela	G-3	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	CACM	Antigua/ Barbuda	Dominica	Grenada	St. Kitts/ Nevis	St. Lucia	St. Vincent/ Grenadines	OECS
Colombia		261.288	1,737.032	1,998.320	149.797	29.124	76.698	24.580	6.304	286.502	0.196	0.678	0.515	0.486	1.936	0.480	4.290
Mexico	506.300		697.500	1,203.800	379.537	312.363	594.567	144.596	136.694	1,567.757					0.845	0.943	1.788
Venezuela		503.400		503.400	298.484	82.289	271.830	60.308	165.859	878.770					0.870	1.250	2.120
<b>G-3</b>	<b>506.300</b>	<b>764.688</b>	<b>2,434.532</b>	<b>3,705.520</b>	<b>827.818</b>	<b>423.777</b>	<b>943.095</b>	<b>229.484</b>	<b>308.858</b>	<b>2,733.030</b>	<b>0.196</b>	<b>0.678</b>	<b>0.515</b>	<b>0.486</b>	<b>3.650</b>	<b>2.673</b>	<b>8.198</b>
Costa Rica	18.109	84.522	26.978	129.610		154.010	214.964	125.330	167.181	681.485	0.136	0.681	0.100	0.054	0.289	0.146	1.405
El Salvador	0.238	24.607	6.541	31.386	94.612		323.230	184.272	120.258	722.372							0.000
Guatemala	7.131	79.054	7.705	93.889	156.340	477.146		237.700	130.612	1,001.797		0.275	0.041		0.010	0.073	0.399
Honduras	2.159	5.185	0.269	7.613	5.150	128.842	67.105		9.991	211.088		0.006			1.067		1.072
Nicaragua	1.129	27.053	1.850	30.032	36.623	75.852	22.828	38.615		173.918		0.016			0.024		0.040
<b>CACM</b>	<b>28.766</b>	<b>220.422</b>	<b>43.342</b>	<b>292.530</b>	<b>292.724</b>	<b>835.850</b>	<b>628.127</b>	<b>585.917</b>	<b>428.042</b>	<b>2,770.660</b>	<b>0.136</b>	<b>0.977</b>	<b>0.142</b>	<b>0.054</b>	<b>1.366</b>	<b>0.219</b>	<b>2.893</b>
Antigua / Barbuda				0.000	0.004		0.061	0.017		0.081			0.298			0.176	0.474
Dominica				0.000	0.001		0.002	0.020	0.035	0.059			0.267			0.579	0.846
Grenada				0.000	0.000		0.001	0.001		0.002	1.077	1.848		1.426	2.350	0.429	7.131
St. Kitts / Nevis				0.000	0.000		0.003			0.003			0.027			0.024	0.051
St. Lucia				0.000	0.001					0.001	0.821	0.544	0.697	0.246		0.279	2.587
St. Vincent and the Grenadines	0.000	0.000	0.000	0.000	0.132	0.000	0.000	0.000		0.133	2.537	1.243	1.134	1.267	3.513	1.487	9.694
<b>OECS</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.138</b>	<b>0.000</b>	<b>0.066</b>	<b>0.039</b>	<b>0.035</b>	<b>0.279</b>	<b>4.435</b>	<b>3.636</b>	<b>2.422</b>	<b>2.938</b>	<b>5.864</b>	<b>1.487</b>	<b>20.782</b>
Bahamas				0.000	0.026	9.494	3.293	0.078	3.279	16.170			0.063			0.138	0.201
Barbados				0.000	0.367	0.028	32.819	0.018	0.017	33.249			5.447		4.520	7.547	17.514
Belize	0.010	0.846	0.351	1.207	0.002	0.051	0.396	0.002	0.000	0.451	0.096	0.018	0.000	0.000	0.000	0.000	0.114
Guyana				0.000	0.000	0.018	-	0.028	0.110	0.155			2.279			2.156	4.436
Haiti				0.000	0.660	0.056	0.007	0.051	0.035	0.808						0.017	0.017
Jamaica	1.862	5.505	1.240	8.607	0.050	0.044	0.613	5.384	0.048	6.139	2.909	1.473	1.230	1.436	2.157	1.734	10.939
Suriname				0.000	0.045	-	-	0.075	0.166	0.287			0.030			0.002	0.032
Trinidad / Tobago	28.582	31.982	50.309	110.873	11.354	35.049	57.170	44.446	70.936977/6.3	148.020	17.410	20.129	45.166	22.980	58.599	37.532	201.816
<b>CARICOM</b>	<b>30.454</b>	<b>38.333</b>	<b>51.900</b>	<b>120.687</b>	<b>12.643</b>	<b>44.740</b>	<b>94.365</b>	<b>50.121</b>	<b>3.690</b>	<b>205.559</b>	<b>24.851</b>	<b>25.256</b>	<b>56.638</b>	<b>27.354</b>	<b>71.139</b>	<b>50.613</b>	<b>255.851</b>
Cuba		25.700		25.700	2.178	0.164	5.399	2.610	0.687	11.038			0.290			0.000	0.290
Dominican Republic				0.000	4.125	1.283	2.392	3.267	1.510	12.578			0.228		0.618	0.749	1.594
Panama				0.000	110.080	135.113	69.473	134.871	69.524	519.061					0.431	1.544	1.975
<b>Non Grouped</b>	<b>0.000</b>	<b>25.700</b>	<b>0.000</b>	<b>25.700</b>	<b>116.384</b>	<b>136.561</b>	<b>77.263</b>	<b>140.749</b>	<b>71.722</b>	<b>542.678</b>	<b>0.000</b>	<b>0.000</b>	<b>0.517</b>	<b>0.000</b>	<b>1.049</b>	<b>2.293</b>	<b>3.859</b>
Aruba				0.000			1.473	2.361	0.357	4.191						0.000	0.000
Netherlands Antilles	19.961	35.580	269.807	325.348	45.918	98.354	117.558	168.640	33.494	463.964	24.582	0.077	6.615	1.452	0.229	0.061	33.016
<b>Aruba and Netherlands Antilles</b>	<b>19.961</b>	<b>35.580</b>	<b>269.807</b>	<b>325.348</b>	<b>45.918</b>	<b>98.354</b>	<b>119.031</b>	<b>171.001</b>	<b>33.851</b>	<b>468.155</b>	<b>24.582</b>	<b>0.077</b>	<b>6.615</b>	<b>1.452</b>	<b>0.229</b>	<b>0.061</b>	<b>33.016</b>
French Guiana				0.000						0.000						0.000	0.000
Guadeloupe				0.000			0.001			0.001						0.071	0.071
Martinique				0.000	0.000					0.000						0.395	0.395
<b>French Departments</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.001</b>	<b>0.000</b>	<b>0.000</b>	<b>0.001</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.466</b>	<b>0.466</b>
<b>TOTAL</b>	<b>585.481</b>	<b>1,084.723</b>	<b>2,799.582</b>	<b>4,469.785</b>	<b>1,295.486</b>	<b>1,539.281</b>	<b>1,861.882</b>	<b>1,177.271</b>	<b>846.162</b>	<b>6,720.082</b>	<b>49.764</b>	<b>26.988</b>	<b>64.428</b>	<b>29.346</b>	<b>77.434</b>	<b>56.325</b>	<b>304.283</b>



**EXPORTS AMONG ACS COUNTRIES, 2001, (Millions of dollars) (continuation of Table 8)**

Origin \ Destination	Bahamas	Barbados	Belize	Guyana	Haiti	Jamaica	Suriname	Trinidad / Tobago	CARICOM
Colombia	3.020	0.352	2.541	28.346	27.636	3.005	171.370	249.564	3.020
Mexico		36.000			131.914		43.686	213.388	
Venezuela		4.621			102.444		431.104	540.289	
<b>G-3</b>	<b>3.020</b>	<b>40.973</b>	<b>2.541</b>	<b>28.346</b>	<b>261.994</b>	<b>3.005</b>	<b>646.160</b>	<b>1,003.241</b>	<b>3.020</b>
Costa Rica	2.946	2.352	1.371	7.434	32.591	0.898	5.861	57.717	2.946
El Salvador	1.245	7.170	0.022	0.526	4.197		0.592	14.612	1.245
Guatemala	1.378	13.763	0.267	0.267	6.249	0.808	2.034	25.376	1.378
Honduras	1.544	1.787		1.539	8.274		6.323	20.776	1.544
Nicaragua	0.003	0.066		-	0.010		2.519	2.638	0.003
<b>CACM</b>	<b>7.115</b>	<b>25.139</b>	<b>1.661</b>	<b>9.766</b>	<b>51.320</b>	<b>1.706</b>	<b>17.329</b>	<b>121.095</b>	<b>7.115</b>
Antigua / Barbuda			0.005			0.141		0.121	0.741
Dominica			0.269			13.429		2.178	16.722
Grenada	0.000	1.242	0.007	0.180		0.691	0.049	0.318	9.617
St. Kitts / Nevis			0.003			0.003		0.253	0.310
St. Lucia		2.686	0.182			0.004		0.641	6.100
St. Vincent / Grenadines	0.000	3.872	0.000	0.205	0.019	1.821	0.000	7.480	23.091
<b>OECS</b>	<b>0.000</b>	<b>7.799</b>	<b>0.466</b>	<b>0.385</b>	<b>0.019</b>	<b>16.089</b>	<b>0.049</b>	<b>10.992</b>	<b>56.581</b>
Bahamas			0.448			0.876		21.832	23.357
Barbados			2.673			16.347		22.991	59.525
Belize	0.000	0.829	***	0.360	0.000	4.206	0.000	5.372	10.881
Guyana			0.712			30.870		16.078	52.096
Haiti			0.000			0.016		0.162	0.195
Jamaica	1.536	7.816	2.907	3.670	0.475	*	0.783	20.151	48.277
Suriname	...	...	0.006			7.120		13.297	20.456
Trinidad / Tobago	19.342	270.700	7.681	91.654	4.157	351.756	74.400		1,021.505
<b>CARICOM</b>	<b>20.878</b>	<b>287.144</b>	<b>14.893</b>	<b>96.069</b>	<b>4.651</b>	<b>427.280</b>	<b>75.232</b>	<b>110.875</b>	<b>1,292.873</b>
Cuba			39.534			4.606		0.084	44.514
Dominican Republic			0.073			9.302		4.293	15.262
Panama			5.359			27.258		2.616	37.209
<i>Non Grouped</i>	0.000	0.000	44.966	0.000	0.000	41.166	0.000	6.993	96.985
Aruba			0.018			0.145		0.030	0.193
Netherlands Antilles	128.618	2.791	39.664	120.111	80.423	16.621	24.098	13.355	458.697
<b>Aruba and the Netherlands Antilles</b>	<b>128.618</b>	<b>2.791</b>	<b>39.682</b>	<b>120.111</b>	<b>80.423</b>	<b>16.766</b>	<b>24.098</b>	<b>13.385</b>	<b>458.890</b>
French Guiana			0.000			0.000		0.001	0.001
Guadeloupe			0.000			0.066		0.063	0.200
Martinique			0.000			0.053		0.066	0.514
<b>French Departments</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.119</b>	<b>0.000</b>	<b>0.130</b>	<b>0.714</b>
<b>TOTAL</b>	<b>162.665</b>	<b>300.071</b>	<b>165.653</b>	<b>220.382</b>	<b>123.186</b>	<b>798.645</b>	<b>104.041</b>	<b>794.872</b>	<b>2,973.798</b>

**EXPORTS AMONG ACS COUNTRIES, 2001, (Millions of dollars) (conclusion of Table 8)**

Origin \ Destination	Cuba	Dominican Republic	Panama	NON GROUPED	Aruba	Netherlands Antilles	MKN	French Guiana	Guadeloupe	Martinique	French Departments	ACS	Extra-regional	Total
Colombia	24.030	102.839	265.159	392.029	10.948	26.832	37.780			0.579	5.755	2,969.951	9,312.049	12,282.000
Mexico	175.600		247.100	422.700		2.974	2.974	2.463	2.713		0.000	3,410.619	155,032.381	158,443.000
Venezuela				0.000		1,681.559	1,681.559				0.000	3,604.018	23,146.982	26,751.000
<b>G-3</b>	<b>199.630</b>	<b>102.839</b>	<b>512.259</b>	<b>814.729</b>	<b>10.948</b>	<b>1,711.365</b>	<b>1,722.313</b>	<b>2.463</b>	<b>2.713</b>	<b>0.579</b>	<b>5.755</b>	<b>9,984.588</b>	<b>187,491.412</b>	<b>197,476.000</b>
Costa Rica	8.381	54.755	143.637	206.773		2.623	2.623				0.000	1,058.207	3,873.793	4,932.000
El Salvador	0.707	12.382	48.881	61.970		0.374	0.374				0.000	830.714	2,034.286	2,865.000
Guatemala	4.730	19.930	43.388	68.048	0.139	0.793	0.932	0.133	0.021	0.132	0.286	1,190.329	1,222.671	2,413.000
Honduras	0.052	3.907	1.995	5.953		0.134	0.134	0.258	0.545		0.803	246.366	1,697.634	1,944.000
Nicaragua	1.129	2.554	8.643	12.326	0.001	0.940	0.941		0.031		0.031	219.886	372.114	592.000
<b>CACM</b>	<b>14.998</b>	<b>93.527</b>	<b>246.545</b>	<b>355.070</b>	<b>0.139</b>	<b>4.864</b>	<b>5.003</b>	<b>0.391</b>	<b>0.566</b>	<b>0.132</b>	<b>1.089</b>	<b>3,545.447</b>	<b>9,200.553</b>	<b>12,746.000</b>
Antigua / Barbuda				0.000		0.055	0.055				0.000	0.878	12.122	13.000
Dominica				0.000		0.141	0.141				0.000	16.921	29.079	46.000
Grenada		0.195		0.195		0.002	0.002				0.000	9.816	50.184	60.000
St. Kitts / Nevis				0.000		0.009	0.009				0.000	0.322	28.678	29.000
St. Lucia				0.000		0.075	0.075				0.000	6.176	52.824	59.000
St. Vincent / Grenadines	0.010	0.000	0.000	0.010	0.000	0.002	0.002	0.407	0.035	0.019	0.461	23.696	22.304	46.000
<b>OECS</b>	<b>0.010</b>	<b>0.195</b>	<b>0.000</b>	<b>0.205</b>	<b>0.000</b>	<b>0.284</b>	<b>0.284</b>	<b>0.407</b>	<b>0.035</b>	<b>0.019</b>	<b>0.461</b>	<b>57.809</b>	<b>195.191</b>	<b>253.000</b>
Bahamas				0.000		0.007	0.007				0.000	23.357	726.465	766.000
Barbados				0.000		1.363	1.363				0.000	59.525	164.863	259.000
Belle	0.017	0.001	0.720	0.738		0.000	0.000				0.000	10.881	255.723	269.000
Guyana				0.000		0.186	0.186				0.000	52.096	437.563	490.000
Haiti				0.000		0.016	0.016				0.000	0.195	292.981	294.000
Jamaica	0.705	3.336	0.359	4.400	0.058	0.878	0.936	2.567	1.952	0.012	4.531	48.277	1,087.110	1,160.000
Suriname				0.000		0.481	0.481				0.000	20.456	377.776	399.000
Trinidad / Tobago	12.993	178.490	21.286	212.769	4.788	60.556	65.344	44.624	55.069	53.342	153.035	1,021.505	2,528.454	4,240.000
<b>CARICOM</b>	<b>13.724</b>	<b>182.023</b>	<b>22.365</b>	<b>218.112</b>	<b>4.846</b>	<b>63.771</b>	<b>68.617</b>	<b>47.598</b>	<b>57.057</b>	<b>53.372</b>	<b>158.027</b>	<b>1,292.872</b>	<b>6,066.127</b>	<b>8,130.000</b>
Cuba				0.000		0.158	0.158				0.000	81.410	1,594.590	1,676.000
Dominican Republic				0.000		1.521	1.521				0.000	29.361	5,854.639	5,884.000
Panama				0.000		20.184	20.184				0.000	576.454	4,756.546	5,333.000
<i>Non-Grouped</i>	0.000	0.000	0.000	0.000	0.000	21.863	21.863	0.000	0.000	0.000	0.000	687.225	12,205.775	12,893.000
Aruba	...	...	...	0.000		4.439	4.439				0.000	8.823	2,570.177	2,579.000
Netherlands Antilles	120.152	33.807	52.824	206.783	25.798		25.798	0.246	7.160	7.135	14.541	1,480.590	911.869	2,407.000
Aruba and the Netherlands Antilles	120.152	33.807	52.824	206.783	25.798	4.439	30.237	0.246	7.160	7.135	14.541	1,489.413	3,482.046	4,986.000
French Guiana				0.000			0.000				0.000	0.001	148.999	149.000
Guadeloupe				0.000		0.014	0.014				0.000	0.215	121.785	122.000
Martinique				0.000			0.000				0.000	0.514	317.486	318.000
French Departments	0.000	0.000	0.000	0.000	0.000	0.014	0.014	0.000	0.000	0.000	0.000	0.730	588.270	589.000
<b>TOTAL</b>	<b>348.505</b>	<b>412.196</b>	<b>833.992</b>	<b>1,594.693</b>	<b>41.732</b>	<b>1,806.315</b>	<b>1,848.047</b>	<b>50.698</b>	<b>67.496</b>	<b>61.218</b>	<b>179.412</b>	<b>10,002.224</b>	<b>219,034.182</b>	<b>236,820.000</b>

Source: ACS Secretariat

Table 9  
**EXPORTS AMONG ACS COUNTRIES, 2001,**  
*(by percentage of total intra-ACS)*

Origin \ Destination	Colombia	Mexico	Venezuela	G-3	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	CACM	Antigua/ Barbuda	Dominica	Grenada	St. Kitts/ Nevis	St. Lucia	St. Vincent/ Grenadines	OECS
Colombia		1.469	9.766	11.235	0.842	0.164	0.431	0.138	0.035	1.611	0.001	0.004	0.003	0.003	0.011	0.003	0.024
Mexico	2.847		3.922	6.768	2.134	1.756	3.343	0.813	0.769	8.815					0.005	0.005	0.010
Venezuela		2.830		2.830	1.678	0.463	1.528	0.339	0.933	4.941					0.005	0.007	0.012
G-3	2.847	4.299	13.688	20.834	4.654	2.383	5.303	1.290	1.737	15.366	0.001	0.004	0.003	0.003	0.021	0.015	0.046
Costa Rica	0.102	0.475	0.152	0.729		0.866	1.209	0.705	0.940	3.719	0.001	0.004	0.001	0.000	0.002	0.001	0.008
El Salvador	0.001	0.138	0.037	0.176	0.532		1.817	1.036	0.676	4.062							0.000
Guatemala	0.040	0.444	0.043	0.528	0.879	2.683		1.336	0.734	5.633		0.002	0.000		0.000	0.000	0.002
Honduras	0.012	0.029	0.002	0.043	0.029	0.724	0.377		0.056	1.187		0.000			0.006		0.006
Nicaragua	0.006	0.152	0.010	0.169	0.206	0.426	0.128	0.217		0.978		0.000			0.000		0.000
CACM	0.162	1.239	0.244	1.645	1.646	4.700	3.532	3.294	2.407	15.578	0.001	0.005	0.001	0.000	0.008	0.001	0.016
Antigua / Barbuda				0.000	0.000		0.000	0.000		0.000			0.002			0.001	0.003
Dominica				0.000	0.000		0.000	0.000	0.000	0.000			0.002			0.003	0.005
Grenada				0.000	0.000		0.000	0.000		0.000	0.006	0.010		0.008	0.013	0.002	0.040
St. Kitts / Nevis				0.000	0.000		0.000			0.000			0.000			0.000	0.000
St. Lucia				0.000	0.000					0.000	0.005	0.003	0.004	0.001		0.002	0.015
St. Vincent / Grenadines				0.000	0.001	0.000	0.000	0.000		0.001	0.014	0.007	0.006	0.007	0.020	0.008	0.055
OECS	0.000	0.000	0.000	0.000	0.001	0.000	0.000	0.000	0.000	0.002	0.025	0.020	0.014	0.017	0.033	0.008	0.117
Bahamas	0.000	0.000	0.000	0.000	0.000	0.053	0.019	0.000	0.018	0.091			0.000			0.001	0.001
Barbados				0.000	0.002	0.000	0.185	0.000	0.000	0.187			0.031		0.025	0.042	0.098
Belize				0.000	0.000	0.000	0.002	0.000	0.000	0.003	0.001	0.000	0.000	0.000	0.000	0.000	0.001
Guyana	0.000	0.005	0.002	0.007	0.000	0.000		0.000	0.001	0.001			0.013			0.012	0.025
Haiti				0.000	0.004	0.000	0.000	0.000	0.000	0.005						0.000	0.000
Jamaica				0.000	0.000	0.000	0.003	0.030	0.000	0.035	0.016	0.008	0.007	0.008	0.012	0.010	0.062
Suriname	0.010	0.031	0.007	0.048	0.000	0.000		0.000	0.001	0.002			0.000		0.000	0.000	0.000
Trinidad /Tobago				0.000	0.064	0.197	0.321	0.250		0.832	0.098	0.113	0.254	0.129	0.329	0.211	1.135
CARICOM	0.161	0.180	0.283	0.623	0.071	0.252	0.531	0.282	0.021	1.156	0.140	0.142	0.318	0.154	0.400	0.285	1.439
Cuba		0.144		0.144	0.012	0.001	0.030	0.015	0.004	0.062			0.002			0.000	0.002
Dominican Republic				0.000	0.023	0.007	0.013	0.018	0.008	0.071			0.001		0.003	0.004	0.009
Panama				0.000	0.619	0.760	0.391	0.758	0.391	2.918					0.002	0.009	0.011
Non Grouped	0.000	0.144	0.000	0.144	0.654	0.788	0.434	0.791	0.403	3.051	0.000	0.000	0.003	0.000	0.006	0.013	0.022
Aruba				0.000			0.008	0.013	0.002	0.024						0.000	0.000
Netherlands Antilles	0.112	0.200	1.517	1.829	0.258	0.553	0.661	0.948	0.188	2.609	0.138	0.000	0.037	0.008	0.001	0.000	0.186
Aruba and the Netherlands Antilles	0.112	0.200	1.517	1.829	0.258	0.553	0.669	0.961	0.190	2.632	0.138	0.000	0.037	0.008	0.001	0.000	0.186
French Guiana				0.000						0.000						0.000	0.000
Guadeloupe				0.000						0.000						0.000	0.000
Martinique				0.000	0.000					0.000						0.002	0.002
French Departments	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.003	0.003
TOTAL	3.292	6.099	15.741	25.131	7.284	8.655	10.468	6.619	4.758	37.783	0.280	0.152	0.362	0.165	0.435	0.317	1.711

**EXPORTS AMONG ACS COUNTRIES, 2001, (by percentage of total intra-ACS) (continuation of Table 9)**

Origin \ Destination	Bahamas	Barbados	Belize	Guyana	Haiti	Jamaica	Suriname	Trinidad / Tobago	CARICOM
Colombia	0.051	0.017	0.002	0.014	0.159	0.155	0.017	0.964	1.403
Mexico			0.202			0.742		0.246	1.200
Venezuela			0.026			0.576		2.424	3.038
G-3	0.051	0.017	0.230	0.014	0.159	1.473	0.017	3.633	5.641
Costa Rica	0.016	0.017	0.013	0.008	0.042	0.183	0.005	0.033	0.325
El Salvador	0.005	0.007	0.040	0.000	0.003	0.024		0.003	0.082
Guatemala	0.001	0.008	0.077	0.002	0.002	0.035	0.005	0.011	0.143
Honduras	0.001	0.009	0.010		0.009	0.047		0.036	0.117
Nicaragua		0.000	0.000			0.000		0.014	0.015
CACM	0.023	0.040	0.141	0.009	0.055	0.289	0.010	0.097	0.681
Antigua / Barbuda			0.000			0.001		0.001	0.004
Dominica			0.002			0.076		0.012	0.094
Grenada	0.000	0.007	0.000	0.001		0.004	0.000	0.002	0.054
St. Kitts / Nevis			0.000			0.000		0.001	0.002
St. Lucia		0.015	0.001			0.000		0.004	0.034
St. Vincent / Grenadines	0.000	0.022	0.000	0.001	0.000	0.010	0.000	0.042	0.130
OECS	0.000	0.044	0.003	0.002	0.000	0.090	0.000	0.062	0.318
Bahamas			0.003			0.005		0.123	0.131
Barbados			0.015			0.092		0.129	0.335
Belize	0.000	0.005		0.002	0.000	0.024	0.000	0.030	0.061
Guyana			0.004			0.174		0.090	0.293
Haiti			0.000			0.000		0.001	0.001
Jamaica	0.009	0.044	0.016	0.021	0.003		0.004	0.113	0.271
Suriname			0.000			0.040		0.075	0.115
Trinidad / Tobago	0.109	1.522	0.043	0.515	0.023	1.978	0.418		5.743
CARICOM	0.117	1.614	0.084	0.540	0.026	2.402	0.423	0.623	7.269
Cuba			0.222			0.026		0.000	0.250
Dominican Republic			0.000			0.052		0.024	0.086
Panama			0.030			0.153		0.015	0.209
<i>Non Grouped</i>	0.000	0.000	0.253	0.000	0.000	0.231	0.000	0.039	0.545
Aruba			0.000			0.001		0.000	0.001
Netherlands Antilles	0.723	0.016	0.223	0.675	0.452	0.093	0.135	0.075	2.579
Aruba and the Netherlands Antilles	0.723	0.016	0.223	0.675	0.452	0.094	0.135	0.075	2.580
French Guiana			0.000			0.000		0.000	0.000
Guadeloupe			0.000			0.000		0.000	0.001
Martinique			0.000			0.000		0.000	0.003
French Departments	0.000	0.000	0.000	0.000	0.000	0.001	0.000	0.001	0.004
TOTAL	0.915	1.687	0.931	1.239	0.693	4.490	0.585	4.469	16.720

**EXPORTS AMONG ACS COUNTRIES, 2001, (by percentage of total intra-ACS) (conclusion of Table 9)**

Origin \ Destination	Cuba	Dominican Republic	Panama	NON GROUPED	Aruba	Netherlands Antilles	MKN	French Guiana	Guadeloupe	Martinique	DOM	ACS
Colombia	0.135	0.578	1.491	2.204		0.151	0.212	0.014	0.015	0.003	0.032	16.698
Mexico	0.987		1.389	2.377		0.017	0.017				0.000	19.176
Venezuela				0.000		9.454	9.454				0.000	20.263
<i>G-3</i>	1.122	0.578	2.880	4.581	0.062	9.622	9.684	0.014	0.015	0.003	0.032	56.138
Costa Rica	0.047	0.308	0.808	1.163		0.015	0.015				0.000	5.950
El Salvador	0.004	0.070	0.275	0.348		0.002	0.002				0.000	4.671
Guatemala	0.027	0.112	0.244	0.383	0.001	0.004	0.005	0.001	0.000	0.001	0.002	6.693
Honduras	0.000	0.022	0.011	0.033		0.001	0.001	0.001	0.003		0.005	1.385
Nicaragua	0.006	0.014	0.049	0.069	0.000	0.005	0.005		0.000		0.000	1.236
<i>CACM</i>	0.084	0.526	1.386	1.996	0.001	0.027	0.028	0.002	0.003	0.001	0.006	19.934
Antigua / Barbuda				0.000		0.000	0.000				0.000	0.005
Dominica				0.000		0.001	0.001				0.000	0.095
Grenada		0.001		0.001		0.000	0.000				0.000	0.055
St. Kitts / Nevis				0.000		0.000	0.000				0.000	0.002
St. Lucia				0.000		0.000	0.000				0.000	0.035
St. Vincent / Grenadines	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.002	0.000	0.000	0.003	0.133
<i>OECS</i>	0.000	0.001	0.000	0.001	0.000	0.002	0.002	0.002	0.000	0.000	0.003	0.325
Bahamas				0.000		0.000	0.000				0.000	0.222
Barbados				0.000		0.008	0.008				0.000	0.529
Belize	0.000	0.000	0.004	0.004			0.000				0.000	0.075
Guyana				0.000		0.001	0.001				0.000	0.295
Haiti				0.000		0.000	0.000				0.000	0.006
Jamaica	0.004	0.019	0.002	0.025	0.000	0.005	0.005	0.014	0.011	0.000	0.025	0.410
Suriname				0.000		0.003	0.003				0.000	0.119
Trinidad / Tobago	0.073	1.004	0.120	1.196	0.027	0.340	0.367	0.251	0.310	0.300	0.860	9.623
<i>CARICOM</i>	0.077	1.023	0.126	1.226	0.027	0.359	0.386	0.268	0.321	0.300	0.889	11.604
Cuba				0.000		0.001	0.001				0.000	0.458
Dominican Republic				0.000		0.009	0.009				0.000	0.165
Panama				0.000		0.113	0.113				0.000	3.241
<i>Non-Grouped</i>	0.000	0.000	0.000	0.000	0.000	0.123	0.123	0.000	0.000	0.000	0.000	3.864
Aruba				0.000		0.025	0.025				0.000	0.050
Netherlands Antilles	0.676	0.190	0.297	1.163	0.145		0.145	0.001	0.040	0.040	0.082	8.406
Aruba and the Netherlands Antilles	0.676	0.190	0.297	1.163	0.145	0.025	0.170	0.001	0.040	0.040	0.082	8.456
French Guiana				0.000			0.000				0.000	0.000
Guadeloupe				0.000		0.000	0.000				0.000	0.001
Martinique				0.000			0.000				0.000	0.003
French Departments	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.004
<b>Total</b>	<b>1.959</b>	<b>2.318</b>	<b>4.689</b>	<b>8.966</b>	<b>0.235</b>	<b>10.156</b>	<b>10.391</b>	<b>0.285</b>	<b>0.379</b>	<b>0.344</b>	<b>1.009</b>	<b>100.0</b>

Source: ACS Secretariat.

Note: In tables 8 and 9, the blank spaces represent unavailable data, an absence of trade or amounts less than \$1000.

## **C. The composition of external trade, the importance of trade agreements and export promotion and development policies**

### **1. Introduction**

The composition of the external trade of ACS member states is determined by a number of factors including the size of their economies, natural resources of the countries, import substitution policies espoused in the past (unilaterally or within the framework of sub-regional integration schemes), trade policy and export promotion policies and trade agreements in which they are beneficiaries. The countries with larger economies have domestic markets that have allowed them to develop a wide range of productive activities, which in turn have provided a basis for diversifying their exports. The countries with smaller domestic markets have tried to overcome this restriction by participating in sub-regional integration schemes, with varying results. However, the three largest countries in the region are also members of integration schemes: Mexico in ALADI, Colombia and Venezuela in ALADI and the Andean Community. During the period 1990-2002, the countries developed other means to complement the sub-regional agreements, which tended to open up the markets of other developing countries in Latin America and the Caribbean, through the conclusion of “new generation” free trade agreements.

In their efforts to diversify their exports, all the countries of the region sought to obtain broad and safe access to the major world markets, particularly those of the US and the EU. Practically all the countries of the region are now the beneficiaries of agreements granting them preferential access to these markets, although conditions vary from one to the other. Almost all of these agreements are of long standing, but they have been recently renewed, and in some cases expanded. *Maquila* exports are therefore dependent on non-reciprocal preferential treatment granted by the United States. These exports consist mainly of types of garments that are limited by access quotas, and other non-tariff restrictions, such as stipulations that the only raw materials used must be local or imported from the United States.

CARICOM members are also part of the Cotonou Agreement (Benin, June 23, 2000), which replaces the Lomé Convention, (which grants preferential access to the EU market for many manufactured goods and some agricultural products that are of great importance to them, such as bananas, rum and sugar). The Cotonou Agreement temporarily maintains the preferences granted by Lomé IV and will have a duration of twenty years, with periodic revisions every five years. The Lomé Convention provided the framework for trade and cooperation between the European Union and ACP countries (Asia,

Caribbean and the Pacific).<sup>17</sup> In addition to granting non-reciprocal preferences, the Cotonou Agreement is based on the progressive removal of trade barriers and the incorporation of the ACP countries into the multilateral trade system.

The United States has also issued tariff free quotas for sugar imports to several Caribbean countries (Barbados, Guyana, Jamaica, St. Kitts and Nevis and Trinidad and Tobago). They also benefit from the CARIBCAN programme between CARICOM and Canada, in the areas of trade, industry and investment.

However, the support provided by these preferential access schemes does not seem to have improved the efficiency of their main productive structures, and on the contrary, has created greater dependence on the implied subsidies of preferential trade regimes. These agreements have also become less efficient in recent years, particularly as a result of the Uruguay Round and the entry into force of NAFTA. Recently, there has been increasing concern about the relevance and adequacy of these schemes in academic circles and by granting countries.

Surely the development and current level and composition of external trade of countries cannot be understood easily without giving due consideration to the conditions of access stipulated in these agreements. Table 10 provides a summarised, though not complete view of trade and integration agreements to which ACS member states belong. As is evident from the information presented, the trade and integration agreements affecting the conditions of access of these countries' exports are many and varied.

It is not the aim of this paper to enter into the details of the large number of agreements, which usually entail complex conditions and procedures for the removal of barriers. The following chapters will examine the main relationships with the external trade of the beneficiary countries, while the trade disciplines of the sub-regional schemes will be summarised in Chapter III. Finally, Chapter IV, will discuss the agreements concluded with the developed countries in terms of the advantages granted thus far, and the negotiations taking place to adapt them to the new realities.

---

<sup>17</sup> The four Lomé conventions were signed in 1975, 1984 and 1989. Forty-five beneficiary countries participated in the first Lomé convention. This number increased to 70 in 1995.

Table 10

## LIST OF MAIN TRADE AGREEMENTS SIGNED BY ACS COUNTRIES

ACS Member states	Participating countries	Date signed	Entry into force	Type of Agreement (See footnote)
<b>Group of Three</b>	Group of Three	13/6/1994	1/1/1995	fta
Colombia	CARICOM	24/7/1994		ptz
Mexico	USA and Canada	17/12/1992	1/1/1994	NAFTA, fta
	European Union	23/7/1997	1/7/2000	fta
	Chile	22/9/1991 <sup>a</sup>	1/8/1999	fta
	EFTA	August 2001	July- November 2001	fta
Venezuela	CARICOM	13/10/1992	1993	ptz
<b>CACM countries</b>	CACM	10/1993 <sup>b</sup>		c.u..
	Chile	18/10/1999 <sup>c</sup>		fta
Costa Rica	Canada	23/4/2001		fta
	Mexico	4/1994	1/1/1995	fta
El Salvador	Mexico	2000	1/1/2001	Northern Triangle. Fta, ng
Guatemala				
Honduras				
Nicaragua	Mexico	12/1997	1/7/1998	Fta
Panama	CACM	6/3/2002		Fta
<b>CARICOM</b>	CARICOM	1973	1973	c.u..
	Canada	1986	1986	CARIBCAN, zcp.
Suriname	CARICOM	1993		c.u.
Haiti	CARICOM	2001	7/1997	c.u.
Cuba	ALADI	26/8/1999	26/8/1999	Ptz
	CARICOM	5/7/2000	2000	Ptz
	Andean Community			Ptz
Dominican Republic	CACM	29/4/1998	1/2/2001	fta, ng
	CARICOM	22/8/1998	1/1/1999	fta, ng, tpnc
<b>ACS</b>	ACS	24/7/1994		fc
Caribbean and Central America	Mexico and Venezuela	3/8/1980	8/1991	San José Agreement <sup>e</sup>
	USA	1984	8/1990	CBI, ptz (24 countries)
		5/2000	2/10/2000	CBTPA <sup>f</sup> , ptz (24 countries)
CARIFORUM	EU	1975	1990 <sup>g</sup>	Lomé Agreement, zcp. Cotonou, zcp
<b>Andean Community</b>	Andean Community	3/1996 <sup>h</sup>		c.u.
	USA	12/1991		ptz <sup>i</sup>
	EU	1990	Until 2004	ptz, cf <sup>j</sup>
<b>Latin America and the Caribbean</b>	USA, Canada, Latin America, Caribbean	1/1/1994	1/1/2005	FTAA, fta

Source: ECLAC, based on official figures.

Notes: fta: free trade area ptz: preferential trade zone c.u.: customs union.

fc: functional cooperation in non-economic areas.

<sup>a</sup> Became a Free Trade Agreement on 1/8/1999.

<sup>b</sup> Protocol to the General Treaty on Central American Economic Integration, Guatemala City.

<sup>c</sup> Still pending the negotiation of some bilateral lists for the reduction of tariffs.

<sup>d</sup> The timetable for joining the customs union is being studied. <sup>e</sup> Supply of oil with preferential financing. <sup>f</sup> Caribbean Basin Trade Partnership Act (CBTPA) granting to these countries treatment comparable to that granted by the US to Mexico. This is in addition to the CBI.<sup>g</sup> Lomé IV Convention Protocol Modifying the Andean Sub-regional Integration Agreement, Trujillo, Peru<sup>h</sup> Andean Trade Preference Act (ATPA) granted in support of efforts by these countries to fight the production and trafficking in drugs<sup>i</sup> The Andean countries are beneficiaries of the European Union's Generalised System of Preferences. Granted in support of efforts by these countries to fight the production and trafficking in drugs.



## 2. The composition of exports

As a whole, three quarters of exports from ACS countries consists of industrialised goods (see table 11). The high levels reached by industrialised goods for disseminating technical progress (31%) and durables (19%) can be explained in large measure, by certain *maquila* exports from Mexico to the United States and by the trade mentioned earlier of this type of goods within the CACM. Primary goods include, notably, energy exports (15%), and a similar figure for traditional industrialised goods (17%). The first part of the table effectively confirms the importance of the US market, particularly for durable goods, disseminators of technical progress and other traditional industrialised goods, especially garments. By contrast, the ACS is a market of some significance only for foodstuffs, drinks and tobacco (29%) and for goods with high economies of scale.

There is a clear difference among ACS member states, not only in terms of export volumes, but also their composition. Once again, the G-3 countries stand out, since their exports include percentages of manufactured goods that are significantly higher than those of other sub-groups, and included among these are large quotas of more sophisticated manufactures. This configuration is particularly representative of Mexico's export pattern, while for Venezuela, some basic items such as oil and manufactures with large-scale demand, including petrochemicals, steel and aluminium products continue to dominate. Colombia occupies an intermediary position, since its exports include significant proportions of energy, agricultural and manufactured products.

In comparison, the countries of the CACM still export large quotas of products of agricultural origin, such as bananas, sugar, coffee and beef, few mining products and a growing component of relatively simple manufactures such as textiles and garments. There are also small volumes of more sophisticated manufactured goods, which are sold only within the grouping or exported to the Latin American market, as in the case of pharmaceuticals.

Cuba continues to be heavily dependent on the export of nickel and a few agricultural products such as sugar and tobacco. In addition, there are modest volumes of highly sophisticated products such as pharmaceutical and medical products based on local technological developments.

During the nineties, CARICOM's exports were dominated by agricultural products including bananas, sugar and cocoa, raw materials and oil exports, although their participation in total exports has

significantly declined. Revenue from sugar and bauxite dropped during the decade as a result of low prices fetched by these products, and damage to the sugar industry caused by successive natural disasters.

Thus, Trinidad and Tobago's exports continue to be based on oil, petrochemicals and steel. However, exports from OECS states and Belize consist basically of a few agricultural products, particularly bananas and sugar. The main items exported by Guyana continue to be rice, sugar and bauxite, while Barbados is dependent on tourism services. Outside of bauxite, Jamaica's exports consist of garments and other assembled goods.

Manufactured goods represent a relatively low proportion of Caribbean exports, although their importance has increased during the period under observation. The main items exported are domestic and electronic articles assembled in the sub-region, clothing, processed foods and petroleum derivatives. Exports from the manufacturing sector are aimed basically at the US market or the protected regional market. Many countries have set up duty-free zones where maquila activities have provided considerable exports.

In the non-grouped countries, a significant amount of the textile exports led by the Dominican Republic is destined for the United States market. Cuban exports focus on agricultural products while Panama is more diverse. Panamanian exports are divided into re-exports of transport equipment and machinery, agricultural products and manufactured articles.

Finally, the associate countries are characterised by their dependence on petroleum exports, which account for more than 80% of total exports, an indication of the importance of this type of product for the Netherlands Antilles and Aruba (94% in 2001 for the Netherlands Antilles. See table 12).

In short, at the onset of the 21st century, Caribbean exports continued to be characterised by their excessive concentration, vulnerability to price fluctuations, changes in trade policy in the main destination countries, and above all, their economic performance. The region's smaller economies are particularly vulnerable given their major openness to trade. Their exports are generally focused on a few items of primary products that are destined for the major world markets, while their imports consist mainly of a great variety of manufactured goods and foodstuffs. Since the unit value of their imports increases over time, their terms of trade show a deteriorating trend in the long term. Therefore, external restriction significantly affects these countries and they must find additional means of financing the shortfall,

through tourism revenue, transfers from migrants abroad, banking services and loans, as well as donations from international institutions and developed countries with which they have traditional ties.

A heterogeneous state of affairs can be observed among the countries of the Association, characterised by major differences in export capacity; the larger countries are supported by massive exports of manufactured goods and oil, and many small and very small countries export a few basic products, maquila products and certain services.<sup>18</sup>

Trade links among the different sub-regions and countries are still tenuous or non-existent, mainly because none of them has the capacity to provide the imports needed by the other. Despite their geographical proximity, these countries do not have a strong tradition of trade, and most of them belong to different integration groups, which have only recently made tentative efforts at interconnection and convergence. The establishment of the ACS is one such effort.

---

<sup>18</sup> In many Caribbean countries, scarce natural resources make it very difficult to expand manufacturing and agricultural production. Their major comparative advantages lie in their advantageous geographical location, relatively good communications, a well-educated population and in the fact that their dominant language and culture are shared with their main market, the United States. This configuration of positive and negative factors suggests that their export potential is largely in the services sector (including *maquilas*, which can in fact be considered a sub-contracted service to the producer).



Table 11

ACS: COMPOSITION OF EXPORTS OF GOODS BY DESTINATIONS AND CATEGORIES RESPECTIVELY, 2001  
(By percentage)

Categories / Destinations	G-3	CACM	CARICOM	ACS	Latin America & Caribbean	USA	Japan	European Union	Others	World
	By destination									
<b>Primary goods</b>	<b>0.5</b>	<b>1.6</b>	<b>2.1</b>	<b>10.6</b>	<b>11.6</b>	<b>68.5</b>	<b>1.2</b>	<b>12.2</b>	<b>6.5</b>	<b>100.0</b>
Agricultural	1.7	2.3	0.3	4.5	4.9	67.0	2.7	19.0	6.4	100.0
Mining	1.7	1.8	1.7	5.7	11.0	39.2	11.2	19.7	18.9	100.0
Energy	0.0	1.3	2.7	12.9	21.3	69.6	0.4	9.6	-0.9	100.0
<b>Industrialised goods</b>	<b>2.9</b>	<b>2.8</b>	<b>1.0</b>	<b>8.0</b>	<b>10.1</b>	<b>80.7</b>	<b>0.4</b>	<b>3.7</b>	<b>5.1</b>	<b>100.0</b>
Traditional	4.4	5.8	1.7	13.4	14.9	77.3	0.3	3.2	4.2	100.0
Foodstuff, drinks, tobacco	9.5	12.4	4.7	29.2	31.2	47.9	1.2	9.0	10.6	100.0
Other traditional	3.2	4.3	1.0	9.9	11.3	83.9	0.1	1.9	2.8	100.0
With high economies of scale	5.8	6.7	3.5	21.5	27.4	52.2	1.4	8.0	10.9	100.0
Durables	2.1	0.2	0.1	2.6	3.9	89.1	0.2	1.9	5.0	100.0
Disseminators of technical progress	1.3	1.1	0.2	3.0	4.4	88.8	0.3	3.3	3.2	100.0
<b>Other goods</b>	<b>2.4</b>	<b>15.2</b>	<b>1.0</b>	<b>20.0</b>	<b>24.3</b>	<b>59.8</b>	<b>0.9</b>	<b>10.4</b>	<b>4.5</b>	<b>100.0</b>
<b>Total</b>	<b>2.4</b>	<b>2.6</b>	<b>1.2</b>	<b>8.6</b>	<b>10.5</b>	<b>78.2</b>	<b>0.6</b>	<b>5.4</b>	<b>5.4</b>	<b>100.0</b>
	By category									
<b>Primary goods</b>	<b>4.4</b>	<b>12.7</b>	<b>34.9</b>	<b>25.2</b>	<b>22.7</b>	<b>17.8</b>	<b>40.3</b>	<b>45.9</b>	<b>24.7</b>	<b>20.3</b>
Agricultural	3.9	4.8	1.2	2.8	2.5	4.6	24.3	18.7	6.3	5.3
Mining	0.2	0.2	0.4	0.2	0.3	0.1	5.5	1.1	1.0	0.3
Energy	0.3	7.7	33.3	22.2	30.0	13.1	10.4	26.1	-2.4	14.7
<b>Industrialised goods</b>	<b>95.6</b>	<b>86.8</b>	<b>65.1</b>	<b>74.6</b>	<b>77.1</b>	<b>82.1</b>	<b>59.6</b>	<b>54.0</b>	<b>75.2</b>	<b>79.6</b>
Traditional	32.0	39.4	24.1	27.2	24.8	17.2	9.7	10.3	13.8	17.4
Foodstuffs, drinks, tobacco	12.6	15.3	12.3	10.8	9.4	1.9	6.7	5.2	6.3	3.2
Other traditional	19.4	24.1	11.7	16.4	15.4	15.3	3.0	5.0	7.5	14.2
With high economies of scale	30.1	32.2	35.0	30.8	32.2	8.2	30.1	18.2	25.1	12.3
Durables	16.6	1.8	1.9	5.7	7.0	21.4	5.4	6.5	17.7	18.8
Disseminators of technical progress	16.8	13.3	4.2	10.9	13.2	35.3	14.3	19.0	18.7	31.1
<b>Other goods</b>	<b>0.1</b>	<b>0.5</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: ECLAC, based on official statistics.

Table 12  
**Netherlands Antilles. Main products (2001)**  
(in thousands of US\$)

<b>Description</b>	<b>Imports</b>	<b>Participation in total</b>
Crude petroleum	1,771,934	63.6
Petroleum products	262,142	9.4
Motor vehicles	60,975	2.2
Machinery	60,729	2.2
Metal products	59,216	2.1
Machinery and other households electronics and machine parts	42,907	1.5
Telecommunications equipment	38,042	1.4
Medicinal, pharmaceutical products	30,862	1.1
Fresh and frozen meat	25,568	0.9
Office machinery	24,798	0.9
Total exports	2,786,114	100
<b>Description</b>	<b>Exports</b>	<b>Participation in total</b>
Petroleum products	2,262,758	94.7
Airplanes	88,187	3.7
Furniture	10,393	0.4
Cheese	5,463	0.2
Alcoholic beverages	4,328	0.2
Sugar and honey	2,928	0.1
Coins (not legal tender)	2,369	0.1
Motor vehicles	2,350	0.1
Soaps and cleaning preps	2,056	0.1
Machinery and other households electronics and machine parts	1,826	0.1
Total imports	2,389,142	100

Source: Government of the Netherlands Antilles (2002).

### 3. An approximation to the potential for trade creation

As a means of dealing with the subject of the trade creation potential of ACS member states, a table has been prepared for each integration sub-grouping for 2001, indicating the main products traded within the sub-group in question. This provides an inventory of those products that may have been favoured in existing integration arrangements, whose characteristics generally differ from the main items exported to the major world markets. In other words, these same products could diversify and increase trade within the ACS, if member states were to decide to conclude integration and trade facilitation arrangements among all ACS participants.

Table 13 offers a view of the main products traded within the G-3. As can be observed, there are approximately twenty items that account for half of their trade among themselves. This notwithstanding, it is noteworthy that almost all of these products are manufactured goods, although they also include crude oil and sugar. Thirdly, we should point out that the G-3 and ACS markets absorb significant proportions of the total exports of these products to the world.

Table 14 contains similar information on the CACM. In this case, it is clear that manufactured goods predominate, and they depend to a much greater extent (49% of the accumulated total) on the sub-regional market for their exports. By comparison, exports of these items to the markets of the other ACS countries are minor, except for pharmaceuticals, pesticides and disinfectants.

Similarly, in the case of CARICOM, the importance of the sub-regional market is noted in the allocation of the main items of reciprocal trade, including mainly light industrial goods, such as processed foods (see table 15).

In summary, the sub-regional markets that make up the ACS play an important role in the allocation of certain manufactured goods (see table 16). This conclusion is consistent with what has been observed in the other integration schemes and the regional market in general, since sub-regional and regional markets play a relevant role in the placement of manufactured goods, and the more sophisticated the product, the heavier the weighting. However, where the G-3 is concerned, most of these exports are destined for the world markets. The pattern of exports from this group is clearly determined by Mexico, which during the last decade became the leading export power among Latin American and Caribbean countries, owing to its increased exports of *maquila* products to the United States. Many countries from the CACM and the Caribbean also export manufactured *maquila* goods to the US market as a result of

preferential treatment granted by that country.<sup>19</sup> Nonetheless, the sub-regional markets of the CACM and CARICOM continue to play an essential role in absorbing other manufactures exported by their member states.

Table 13  
**GROUP OF THREE: MAIN EXPORT PRODUCTS WITHIN THE G-3 AND  
 THEIR PARTICIPATION IN EXPORTS TO THE WORLD, 2001**  
 (Millions of dollars and percentages respectively)

	Products (SITC Rev.2 to 3 digits)	Intra Group of Three				ACS		World	
		value	%	%	% over	value	% over	value	
			G-3	Accum.	World		World		
1	541	Medicinal and pharmaceutical products	278	6.5	6.5	19.5	472	33.1	1,427
2	781	Motor vehicles	220	5.1	11.6	1.4	258	1.7	15,583
3	583	Monofilaments (Polymers)	169	3.9	15.5	13.5	287	22.8	1,258
4	553	Perfumery and cosmetics	163	3.8	19.3	35.0	239	51.4	465
5	684	Aluminium	162	3.8	23.1	18.7	212	24.4	867
6	334	Petroleum products, refined	131	3.1	26.2	1.7	1,445	19.2	7,513
7	775	Household appliances (electrical and non-electrical)	106	2.5	28.6	5.4	136	6.9	1,969
8	642	Paper and cardboard cut to size	99	2.3	30.9	10.9	184	20.2	912
9	846	Clothing accessories (knitted or crocheted)	99	2.3	33.2	5.4	133	7.3	1,830
10	061	Sugar, molasses and honey	93	2.2	35.4	26.7	131	37.7	347
11	892	Printed matter	92	2.1	37.5	19.0	162	33.5	485
12	098	Edible products and preparations	80	1.9	39.4	22.4	113	31.7	356
13	674	Laminated products, iron or steel plated sheets	77	1.8	41.2	13.6	132	23.4	565
14	893	Plastic articles	77	1.8	43.0	3.8	174	8.7	2,001
15	513	Carboxylic acids and their anhydrides	75	1.7	44.7	16.3	88	19.2	459
16	591	Disinfectants, fungicides and herbicides	67	1.6	46.3	24.0	134	48.2	278
17	625	Tyres, treads, tubes for all types of tyres	66	1.5	47.8	26.0	76	30.3	253
18	022	Dairy products (milk, creams)	61	1.4	49.2	55.7	101	91.8	110
19	554	Soap, cleansers and polishes	60	1.4	50.6	12.6	110	23.3	474
		Other products	2,121	49.4	100.0	1.3	7,725	4.9	159,138
	<b>Total</b>	<b>Total trade</b>	<b>4,294</b>	<b>100.0</b>		<b>2.2</b>	<b>12,315</b>	<b>6.3</b>	<b>196,290</b>

Source: ECLAC, based on official statistics.

<sup>19</sup> Costa Rica, El Salvador, Jamaica and the Dominican Republic have been able to develop major maquila export items to the US market.



Table 14  
**CACM: MAIN EXPORT PRODUCTS WITHIN THE CACM  
 AND THEIR PARTICIPATION IN EXPORTS TO THE WORLD, 2001**  
 (Millions of dollars and percentages respectively)

	Products (SITC Rev.2 to 3 digits)	Intra CACM				ACS		World	
			%	%	% over		% over		
		value	CACM.	Accum	World	value	World	value	
1	541	Medicinal and pharmaceutical products	174	6.1	6.1	58.3	275	92.5	298
2	554	Soap, cleansers and polishes	157	5.5	11.7	81.9	184	96.3	191
3	642	Paper and cardboard cut to size	151	5.3	17.0	75.3	176	87.9	200
4	098	Edible products and preparations	150	5.3	22.3	76.1	176	89.4	197
5	048	Products made from cereals and flour	118	4.2	26.5	85.2	134	96.6	138
6	893	Plastic articles	114	4.0	30.5	55.9	156	76.4	204
7	674	Laminated products, iron or steel plated sheets	112	3.9	34.4	90.5	121	97.8	123
8	553	Perfumery and cosmetics	67	2.4	36.8	88.6	73	96.7	76
9	591	Disinfectants, fungicides and herbicides	63	2.2	39.0	68.0	86	93.4	92
10	583	Monofilaments (Polymers))	57	2.0	41.1	75.9	73	96.3	76
11	673	Laminated products, iron or steel sheets not plated or coated	52	1.9	42.9	97.1	53	97.8	54
12	054	Fresh, chilled or frozen vegetables	50	1.8	44.7	30.6	52	32.1	162
13	334	Petroleum products, refined	48	1.7	46.4	41.5	84	71.8	117
14	011	Fresh, chilled or frozen meat	46	1.6	48.0	43.2	50	47.0	107
15	665	Glassware	44	1.6	49.6	59.8	73	99.1	74
16	058	Fruit preserves and products made from fruit	40	1.4	51.0	22.3	47	26.2	180
		Other products	1,386	49.0	100.0	17.5	1,808	22.9	7,897
	<b>Total</b>	<b>Total trade</b>	<b>2,828</b>	<b>100.0</b>		<b>27.8</b>	<b>3,621</b>	<b>35.5</b>	<b>10,185</b>

Source: ECLAC, based on official statistics.

Table 15  
**CARICOM: MAIN EXPORT PRODUCTS WITHIN CARICOM AND  
 THEIR PARTICIPATION IN EXPORTS TO THE WORLD, 2001\***  
 (Millions of dollars and percentages respectively)

	Products (SITC Rev.2 to 3 digits)	Intra CARICOM				ACS		World	
		value	%	%	% over	value	% over	value	
			CARICOM	Accum.	World		World		
1	334	Petroleum products, refined	488	39.4	39.4	32.1	829	54.6	1,520
2	341	Natural and manufactured gas	94	7.6	47.0	18.3	210	40.8	515
3	642	Paper and cardboard cut to size	53	4.2	51.2	70.6	66	88.7	75
4	111	Non-alcoholic beverages	43	3.5	54.7	75.1	47	81.6	58
5	048	Products made from cereals and flour	38	3.1	57.8	72.6	42	80.8	52
6	112	Alcoholic beverages	35	2.9	60.6	24.1	46	31.2	147
7	554	Soap, cleansers and polishes	33	2.7	63.3	86.7	35	91.7	38
8	098	Edible products and preparations	27	2.2	65.5	58.6	31	67.1	46
9	893	Plastic articles	22	1.8	67.3	80.3	25	91.9	27
10	333	Petroleum oils and oils obtained from bituminous minerals, crude	21	1.7	68.9	4.2	22	4.5	500
11	661	Lime, cement and manufactured construction materials	19	1.5	70.4	74.0	24	94.5	25
12	058	Fruit preserves and products made from fruit	18	1.4	71.8	21.3	18	22.1	83
13	673	Laminated products, iron or steel sheets not plated or coated	15	1.2	73.0	8.6	63	36.9	170
14	892	Printed matter	15	1.2	74.2	71.6	17	85.0	20
15	081	Foodstuff for animals (except cereals that have not been ground)	14	1.1	75.3	72.1	15	78.0	19
16	046	Semolina and wheat flour and flour maslin flour	13	1.1	76.4	91.5	14	97.9	14
17	533	Pigments, paints, varnishes and related materials	13	1.0	77.4	92.7	13	95.7	14
18	553	Perfumery and cosmetics	12	1.0	78.4	73.9	14	82.2	17
19	591	Disinfectants, fungicides and herbicides	12	1.0	79.4	81.5	14	92.3	15
20	635	Wood manufactures	11	0.9	80.3	81.7	11	83.3	14
		Other products	245	19.7	100.0	5.6	721	16.6	4,356
	<b>Total</b>	<b>Total trade</b>	<b>1,240</b>	<b>100.0</b>		<b>16.1</b>	<b>2,278</b>	<b>29.5</b>	<b>7,725</b>

Source: ECLAC, based on official statistics.

<sup>a</sup> For Antigua and Barbuda, 1999; for Belize, 2000; for Haiti, 1997; for Jamaica, 2000; for Suriname, 2000; and for St. Vincent and the Grenadines, 2000.

Table 16  
**ACS: MAIN EXPORT GOODS WITHIN ACS AND THEIR  
 PARTICIPATION IN EXPORTS TO THE WORLD, 2001**  
 (Millions of dollars and percentages respectively)

	Products (SITC Rev.2 to 3 digits)	Intra ACS				World	
			%	%	% over		
		value	ACS	Accum.	World	value	
1	333	Petroleum oils and oils obtained from bituminous minerals, crude	3,774	20.7	20.7	12.8	29,545
2	334	Petroleum products, refined	2,358	12.9	33.7	25.8	9,149
3	541	Medicinal and pharmaceutical products	758	4.2	37.8	43.6	1,737
4	642	Paper and cardboard cut to size	426	2.3	40.2	35.9	1,187
5	793	Vessels, boats and floating structures	369	2.0	42.2	53.6	689
6	583	Monofilaments (Polymers)	364	2.0	44.2	25.8	1,410
7	893	Plastic articles	356	2.0	46.1	15.9	2,232
8	554	Soap, cleansers and polishes	329	1.8	48.0	46.8	703
9	553	Perfumery and cosmetics	326	1.8	49.7	58.5	558
10	098	Edible products and preparations	320	1.8	51.5	53.4	599
11	048	Products made from cereals and flour	282	1.5	53.0	51.2	550
12	684	Aluminium	266	1.5	54.5	28.6	931
13	781	Motor vehicles	260	1.4	55.9	1.7	15,589
14	341	Natural and manufactured gas	257	1.4	57.3	39.0	658
15	674	Laminated products, iron or steel plated sheets	256	1.4	58.8	37.0	693
16	591	Disinfectants, fungicides and herbicides	234	1.3	60.0	60.7	386
17	892	Printed matter	206	1.1	61.2	34.8	593
18	775	Household appliances (electrical and non-electrical)	180	1.0	62.2	8.7	2,072
19	846	Clothing accessories (knitted or crocheted)	170	0.9	63.1	7.5	2,255
20	661	Lime, cement and manufactured construction materials	166	0.9	64.0	32.3	513
21	673	Laminated products, iron or steel sheets not plated or coated	159	0.9	64.9	32.7	485
22	061	Sugar, molasses and honey	156	0.9	65.7	16.4	954
23	062	Sugar confectionary	138	0.8	66.5	39.1	353
24	641	Paper, cardboard and articles made from pasteboard	132	0.7	67.2	35.5	370
25	022	Dairy products (milk, creams)	130	0.7	67.9	91.9	141
26	533	Pigments, paints, varnishes and related materials.	123	0.7	68.6	15.7	785
27	665	Glassware	122	0.7	69.3	27.3	446
28	625	Tyres, treads, tubes for all types of tyres	116	0.6	69.9	36.3	319
29	112	Alcoholic beverages	115	0.6	70.5	6.6	1,740
		Other products	5,366	29.5	100.0	3.9	136,555
		<b>Total Total trade</b>	<b>18,214</b>	<b>100.0</b>		<b>8.5</b>	<b>214,200</b>

Source: ECLAC, based on official statistics.

#### 4. Several export promotion and development policies

While ACS Member Countries have gradually reduced tariff and non-tariff barriers on imports they have established export development and promotion mechanisms. Included among these are special import and export regimes, tariff and tax incentives and concessions, export financing mechanisms and export promotion through specialised institutions.

Special import regimes consist of tariff and tax exemptions or refunds on products, inputs and materials that are incorporated into products destined for export. In some cases, these special regimes are considered as measures that serve to compensate for the anti-export bias.

During the nineties, Costa Rica developed three different types of import regimes: the active improvement regime, the tax refund regime and the customs duty exemption regime. Another case is that of Mexico, who developed the *Maquila* programme, the temporary import programme (PITEX), the programme with highly export oriented companies (ALTEX), the programme of foreign trade companies (ECEX), in addition to the tax refund regime. The export activities included in the *Maquila* and PITEX regimes that involve the majority of Mexican exports, can import tax-free inputs, on the condition that they come from a member country of the North American Free Trade Agreement (NAFTA). The ALTEX and ECEX programmes allow companies to acquire services and financial incentives from the Foreign Trade Bank (Bancomext).

Like other countries, Chile also adopted the tax refund regime, which benefited the petrochemical industry in particular (Macario, 2000). In like fashion, the instrument of tax refund on sales or the added value has been adopted by numerous ACS Member Countries. In the case of CARICOM countries, there are Tax Incentive Laws dating back to the early seventies and eighties, which favour the importation of machinery, equipment, spare parts, construction materials, inputs and materials for packaging.

Special export regimes have been adopted to promote and develop non-traditional exports. The need to develop non-traditional exports responds in part to the potential of such exports for economic development, in terms of greater added value, the possibility of creating hubs of productive activity related to these products, increasing foreign direct investment flows and improving the response capability to handle external shocks. It must also be pointed out that the promotion of such exports has responded to the fact that the development of non-traditional exports has had to face an export bias far worse than that encountered by traditional exports. In other words, special regimes also serve as an

instrument to compensate for the disadvantages experienced by non-traditional exports and also constitute a means of establishing conditions of equality for both types of external sales. Special export regimes refer essentially to legislation on duty-free zones. These zones have been vitally important in the cases of Central America, the Dominican Republic and to a lesser extent, CARICOM countries (Jamaica). Duty free zones serve as an essential instrument in acquiring foreign exchange, which reduces the pressures imposed by external restrictions. They also play a critical social role since they represent a significant source of employment.

Different legislations on duty-free zones date back to the end of the eighties and have been modified to broaden its benefits. Such legislation includes export subsidies since they allow the exemption of taxes on earnings and profits, among others, which are clearly dependent on export performance.

In the specific case of duty-free zones, definite consensus is yet to be reached on their advantages or disadvantages. Opinions vary extensively and range from the belief that special regimes need to be developed since they generate foreign exchange thereby alleviating external restrictions and also create employment, to the conviction that regimes involving duty-free zones are enclave industries that have been unable to generate the desired results. In fact, the evidence for some countries is that the experience with the special export regimes has not been homogenous. The special regimes are adopted in light of the gradual elimination of export subsidies, which, according to WTO regulations, include the income tax exemption, a key subsidy for duty-free zones in Central America and the Dominican Republic (see table 17).<sup>20</sup>

Tariff and tax concessions applied outside the duty-free zone regimes have been another crucial instrument in export development.

Tax payment certificates are one of the subsidy instruments used in Costa Rica, Nicaragua and Colombia. The tax payment certificate, no longer valid in Costa Rica, was created in 1972 (Law on Export Development, Law No. 5162, 1972) to settle an imbalance in the commercial balance of payments. In the case of Colombia, the tax payment certificate came into being in 1967 and was replaced

---

<sup>20</sup> The agreement on subsidies and countervailing measures estimates that there is an export subsidy when there is a financial contribution from a government or any public body. This involves not only the direct transfer of funds but also the absence of the collection of public revenue. The agreement prohibits subsidies subject to export results and those subject to the use of national products with preference on imports (Art. 3, WTO, 1994, p. 277). The agreement grants developing countries a period of eight years to achieve the goals of the agreement. Finally, it includes a list of countries with a GDP per capita that are exempt from the obligations established by the agreement. The complete list of countries includes: the less developed countries according to the United Nations classification and who are members of the WTO, as well as those whose GDP per capita is less than \$1,000: Bolivia, Cameroon, Congo, Ivory Coast, Egypt, Philippines, Ghana, Guatemala, Guyana, India, Indonesia, Kenya, Morocco, Nicaragua, Nigeria, Pakistan, Dominican Republic, Senegal, Sri Lanka and Zimbabwe.

with the tax refund certificate (1984). This allows exporters of non-traditional products to receive a tax credit equivalent to a specific portion of the FOB value of the products exported. A similar instrument was used in El Salvador, but under another name.

Table 18  
LATIN AMERICA: SCOPE OF THE INCOME TAX EXEMPTION  
FOR COMPANIES IN THE DUTY FREE ZONE (2000)

Country	Degree of exemption (Proportion of the income tax exemption)	Years of exemption
Costa Rica	100/50	8-12/4-6
El Salvador	100	Indefinite
Guatemala	100	5-15
Honduras	100	Indefinite
Nicaragua	100/60	10/11
Dominican Republic	100	15-20
Brazil	100	3-10
Chile	0	0
Mexico	0	0

Source: ECLAC, based on official information.

In the case of CARICOM countries, tax incentives were established during the early seventies to promote the industry under the Agreement on the Harmonisation of Tax Incentives and the Industrial Allowance Scheme for OECS Countries. The agreement on tax incentives included concessions such as complete exemption from the payment of taxes on profits under specific circumstances, tariff exemptions, tax exemptions on dividends and a depreciation allowance. In addition, countries applied incentives to the industry and trade individually and outside the harmonised incentive scheme. National tax incentives have transcended the harmonisation of tax concession schemes at the regional level.

Barbados grants tax reductions for companies that export outside the region. The tax concessions outlined in the national law on tax incentives include the reduction of income tax payments, as well as tax reductions based on export performance. For its part in the services sector, the Law on Hotel Promotion (1967) favours investments in the tourism sub-sector.

The smaller CARICOM countries also have tax measures in effect for the purpose of promoting exports, such as the Laws on Tax Incentives that date back in most cases to 1973-74 and the Laws on Hotel Aid, which protect tourist activity where taxes are concerned. In some cases, there is also differential tax treatment for revenue earned from export activities.

There are various export financing mechanisms. Firstly, there is governmental financial aid targeted at improving export performance, which involves tax reductions (Barbados and Trinidad and Tobago). Secondly, there are programmes for export financing, insurance and credit, managed by the Central Bank (Barbados and to a lesser extent, the Dominican Republic) or by a bank specialising in export promotion or development (Bancomext and Nacional Financiera in Mexico). Finally, there have been cases in which institutions like the Small Hotels Investment Fund in Barbados, grant loans under favourable conditions, to small and medium hotels.

In Central America, it should be mentioned that at least for Guatemala, Nicaragua and Costa Rica, the government does not intervene directly in export financing. However, exporters can access financing sources through regional organisations (the case of the Central Bank for Economic Integration) or national banking institutions. OECS countries do not report specific mechanisms for export financing.

A significant component of export development and promotion programmes has been to create export awareness and establish or strengthen cooperation ties among the various economic agents, so as to create “export synergies”. With these goals, ACS Member Countries have established or developed institutions to promote and facilitate export performance and diversification and to enhance the marketing strategy.

In Mexico, the Mixed Commission for Export Promotion (COMPEX) coordinates export promotion efforts. In Costa Rica, the Foreign Trade Corporation of Costa Rica (PROCOMER) conducts similar activities. In Barbados, the Barbados Investment and Development Corporation (BIDC) focuses its efforts on improving the marketing capabilities of smaller companies. In Guatemala and Chile, the authorities have established a network of trade offices abroad (Programme of Commercial Attachés of Guatemala and Pro Chile). The function of these offices is to provide assistance to exporters and to also promote the national exportable supply. Lastly, in the Dominican Republic, the Export Promotion Centre (CEDOPEX) is in the process of becoming an institution that would have a significant impact on the managerial practices of companies so as to assist in their modernisation and in improving their efficiency.

## 5. Conclusion

The current export structure and import needs of ACS member states do not facilitate trade development within the Association. This incongruity has as its corollary the fundamental orientation of this trade toward the main markets of the world, and secondly, in the existence of sub-regional arrangements which govern trade within the sub-region. Ultimately, this configuration determines that trade within the ACS remains at a low level, without the hope of increasing once conditions continue as they are.

This situation can only be changed in favour of greater reciprocal trade by diversifying their export capacity and achieving generalised free trade, otherwise, a preferential trade scheme would have to be introduced among member states. They would also require active trade promotion programmes, including the strengthening of the trade information system, export financing and insurance schemes, access to adequate transport and communication networks, and other specific efforts to facilitate trade among the different sub-groups.<sup>21</sup> As an additional measure, the larger countries in the region could contemplate granting non-reciprocal preferential treatment to the relatively less developed countries, thus leading gradually to more balanced trade among the parties. (ECLAC, 1997, p. 16).

---

<sup>21</sup> Although this document does not examine the question of telecommunications, the importance of competitive and reliable telecommunications services for the general development of the services and external trade sector must be highlighted. Many analysts are of the view that telecommunications services in the Caribbean must be rapidly liberalised and opened up from local and international monopolies. Their pricing systems must then be modernised. See Jessen, Anneke and E. Rodríguez (1999): "The Caribbean Community: facing the challenges of regional and global integration", pp. 38 and 39, IDB- Institute for Latin American Integration (INTAL), Buenos Aires, January.



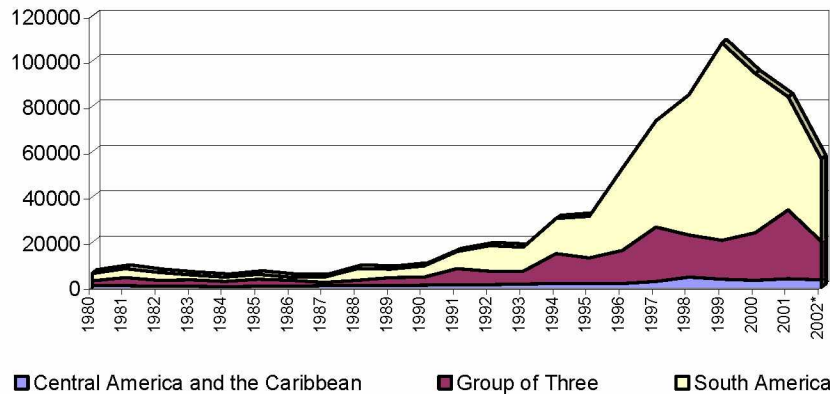
## **D. Foreign Direct Investment (FDI) in ACS Countries**

### **1. General FDI trends in Latin America and the Caribbean**

Traditionally, FDI has been important for Latin America and the Caribbean as a source of capital. It is also associated with the generation of employment, technology transfer and the export dynamic. It has therefore informed the development strategies adopted by these countries to gain access to the international goods markets. In general, several factors have contributed to a marked increase in FDI in the region during the nineties. These include monetary stability achieved by the countries of the region, external trade liberalisation programmes and FDI regulation, the signing of agreements for the promotion and protection of mutual investments and the granting of fiscal incentives to attract FDI, privatisation and the integration of sub-regional markets. These factors were combined with others that existed previously in the region, and which make it attractive to FDI, such as an abundance of natural resources and inexpensive labour, as well as preferential access by many countries in the region to the world's major markets that lay relatively close to them.

It is estimated that the annual flows of foreign direct investment into the region as a whole, which rose to some 6 billion dollars during the eighties, started to experience considerable increases from 1990, approaching 10 billion dollars, arriving at their highest point in 1999, when they reached a little more than 108 billion dollars. Owing to factors associated with the international situation and other structural factors, in the years following, foreign direct investment flows fell to 56.7 billion dollars in 2002 (ECLAC, 2003b, p. 13), which represented a 33% reduction with respect to 2001 (see graph 1). Investments represent a large and growing part of total foreign capital acquired by the region, even though approximately 40% of these continue to be financial capital.

**Graph 1**  
**LATIN AMERICA AND ACS COUNTRIES: FOREIGN DIRECT INVESTMENT FLOWS, 1980-2002**  
*(Billions of dollars)*



Source: ECLAC, based on official statistics and estimates of the Unit for Investments and Business Strategies for 2002.

The factors mentioned also seem to have influenced an increase in intra-regional investment throughout the nineties. Though modest in scale, between 3% and 8% of total foreign investment entering the region between 1990-2000, it is noteworthy because of its dynamism, and certain attributes that make it particularly important for the effective integration of productive and commercial mechanisms in the region. This investment, which was virtually non-existent in the past, arose at the start of the decade, first as a result of privatisation, and later because companies wanted to establish themselves in the sub-regional markets that were being formed. Mutual investments favoured by the geographical and cultural closeness of the countries involved, were supported by the knowledge acquired by those countries that made headway in the privatisation process. It is therefore estimated that during the last decade – between 1990 and 2000 – approximately 44 billion dollars were accumulated in intra-regional investments, the equivalent of 8.2% of the total amount accumulated from foreign direct investment entering the region during the same period: 536 billion dollars.

However, the international crisis of 1997, the subsequent uncertainty regarding the performance of the US economy in 2001 and the low growth expectations in Europe and Japan, constantly highlighted the inherent volatility of this capital and its potentially destabilising effects on receiving economies. In addition, FDI usually focuses on a small number of countries where there are structural factors such as political and economic stability, high growth rates and conditions of privileged access to the main world markets. The countries that do not enjoy these favourable conditions can be easily marginalized from this

vicious cycle of investment, growth and dynamism of exports. It can therefore be said that there is keen competition among the countries to attract FDI, and their recent efforts are based particularly on further liberating investment and foreign exchange regimes in general, together with the implementation of fiscal frameworks that sometimes grant excessive benefits, yet frequently fail to produce the desired results. In fact, these investment promotion programmes can involve a high cost to the Treasury, which is not recovered when the investment leaves the country and goes to a more attractive destination.

## **2. FDI in the Caribbean Basin**

Table 18 shows that this sub-region also experienced the trends indicated above, in that, FDI recorded significant growth during a large part of the '90s. This dynamism was seen particularly from 1994 and intensified by 1997 (see graph 1), since the fallout of the Asian crisis was felt in subsequent years.<sup>22</sup>

In ACS countries, the annual average revenue from FDI was duplicated, increasing from 10.3 to 29 billion dollars between the first and second half of the 1990s; in 2002, revenue fell abruptly with respect to the level recorded for the previous year (-41%), but was maintained at 21.5 billion dollars. However, the decline in investments was greater than that experienced in all the countries of the region (-33%). It should be noted that the drop in investments was even worse in G-3 countries (-44%), since the decline was recorded at a mere (-13%) in Central America and in the Caribbean, placing FDI close to the same levels reached between 1996 and 2000 (see table 18).

---

<sup>22</sup> The database that was consulted mainly records foreign investments resulting from privatisation, mergers and acquisitions, which were the main motivating factors for such investment in the '90s. The recording of data also shows weaknesses in the coverage of relatively small investments in Caribbean countries.

Table 19  
**ACS COUNTRIES: NET INFLOWS OF FDI, 1986-2002**  
*(Millions of dollars)*

Sub-groupings/Countries	1986-1990 <sup>a</sup>	1991-1995 <sup>a</sup>	1996-2000 <sup>a</sup>	2001-2002 <sup>a</sup>	2000	2001	2002 <sup>b</sup>
<b>ACS COUNTRIES</b>	<b>3 368</b>	<b>10 311</b>	<b>24 857</b>	<b>28 876</b>	<b>25 993</b>	<b>36 042</b>	<b>21 710</b>
<b>Group of Three</b>	<b>2 725</b>	<b>8 659</b>	<b>19 086</b>	<b>23 736</b>	<b>20 937</b>	<b>30 507</b>	<b>16 965</b>
Colombia	454	912	3 092	2 139	2 280	2 328	1 950
Mexico	2 113	6 804	12 000	19 179	14 192	24 731	13 626
Venezuela	158	943	3 994	2 419	4 465	3 448	1 389
<b>CACM</b>	<b>298</b>	<b>465</b>	<b>1 421</b>	<b>1 442</b>	<b>1 358</b>	<b>1 505</b>	<b>1 379</b>
Costa Rica	105	257	495	548	408	454	642
El Salvador	15	24	315	273	173	268	278
Guatemala	135	94	244	283	230	456	110
Honduras	42	42	163	187	282	195	179
Nicaragua	...	48	204	151	265	132	170
<b>CARICOM</b>	<b>191</b>	<b>727</b>	<b>1 494</b>	<b>1 771</b>	<b>1 603</b>	<b>1 904</b>	<b>1 638</b>
Bahamas <sup>c</sup>	8	31	169	91	250	101	80
Barbados	12	15	22	34	18	34	33
Belize	9	11	16	18	19	18	18
Guyana	2	82	62	57	67	56	57
Haiti	7	3	12	6	13	3	8
Jamaica	54	156	350	575	468	614	535
Suriname	- 89	- 28	- 38	- 54	- 148	- 29	- 79
Trinidad and Tobago	68	302	678	774	662	835	713
<b>OECS</b>	<b>120</b>	<b>156</b>	<b>223</b>	<b>273</b>	<b>254</b>	<b>272</b>	<b>273</b>
Antigua and Barbuda	40	29	28	48	33	54	41
Dominica	12	25	16	14	11	14	14
Grenada	12	19	37	36	37	34	38
St. Kitts and Nevis	26	17	49	81	96	83	79
St. Lucia	23	39	47	56	49	51	61
St. Vincent and the Grenadines	8	26	48	38	28	36	40
<b>Other Non-Grouped countries</b>	<b>98</b>	<b>427</b>	<b>1538</b>	<b>1459</b>	<b>1546</b>	<b>1716</b>	<b>1201</b>
Cuba	0	9	11	3	- 10	5	1
Panama	0	191	825	432	603	513	350
Dominican Republic	98	227	702	1 024	953	1 198	850
<b>Associate States</b>	<b>56</b>	<b>33</b>	<b>1 319</b>	<b>469</b>	<b>549</b>	<b>410</b>	<b>527</b>
Netherlands Antilles <sup>c</sup>	30	23	1 213	657	777	734	580
Aruba	26	10	106	- 189	- 228	- 324	- 53
French Guiana	...	...	...	...	...	...	...
Guadeloupe	...	...	...	...	...	...	...
Martinique	...	...	...	...	...	...	...
<b>Total Latin America and the Caribbean</b>	<b>6 853</b>	<b>22 633</b>	<b>82 735</b>	<b>70 350</b>	<b>94 438</b>	<b>84 013</b>	<b>56 687</b>
% ACS in LAC	49.1	45.6	30.0	41.0	27.5	42.9	38.3

Source: ECLAC, based on official sources.

<sup>a</sup> Annual averages.

<sup>b</sup> Preliminary estimates.

<sup>c</sup> The dates for both countries are taken from UNCTAD, World Investment Report, several years. UNCTAD (2002b) was used for the 2002 estimate.

Table 20  
ACS COUNTRIES, INFLOWS OF FDI, 1986-2002  
(Percentage of total)

Sub-groupings/Countries	1986-1990 <sup>a</sup>	1991-1995 <sup>a</sup>	1996-2000 <sup>a</sup>	2001-2002 <sup>a</sup>	2000	2001	2002 <sup>b</sup>
<b>ACS COUNTRIES</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Group of Three</b>	<b>80.9</b>	<b>84.0</b>	<b>76.8</b>	<b>82.2</b>	<b>80.5</b>	<b>84.6</b>	<b>78.1</b>
Colombia	13.5	8.8	12.4	7.4	8.8	6.5	9.0
Mexico	62.7	66.0	48.3	66.4	54.6	68.6	62.8
Venezuela	4.7	9.1	16.1	8.4	17.2	9.6	6.4
<b>CACM</b>	<b>8.8</b>	<b>4.5</b>	<b>5.7</b>	<b>5.0</b>	<b>5.2</b>	<b>4.2</b>	<b>6.4</b>
Costa Rica	3.1	2.5	2.0	1.9	1.6	1.3	3.0
El Salvador	0.4	0.2	1.3	0.9	0.7	0.7	1.3
Guatemala	4.0	0.9	1.0	1.0	0.9	1.3	0.5
Honduras	1.3	0.4	0.7	0.6	1.1	0.5	0.8
Nicaragua	...	0.5	0.8	0.5	1.0	0.4	0.8
<b>CARICOM</b>	<b>5.7</b>	<b>7.1</b>	<b>6.0</b>	<b>6.1</b>	<b>6.2</b>	<b>5.3</b>	<b>7.5</b>
Bahamas	0.2	0.3	0.7	0.3	1.0	0.3	0.4
Barbados	0.4	0.1	0.1	0.1	0.1	0.1	0.2
Belize	0.3	0.1	0.1	0.1	0.1	0.0	0.1
Guyana	0.0	0.8	0.2	0.2	0.3	0.2	0.3
Haiti	0.2	0.0	0.0	0.0	0.1	0.0	0.0
Jamaica	1.6	1.5	1.4	2.0	1.8	1.7	2.5
Surinam	-2.7	-0.3	-0.2	-0.2	-0.6	-0.1	-0.4
Trinidad and Tobago	2.0	2.9	2.7	2.7	2.5	2.3	3.3
<b>OECS</b>	<b>3.6</b>	<b>1.5</b>	<b>0.9</b>	<b>0.9</b>	<b>1.0</b>	<b>0.8</b>	<b>1.3</b>
Antigua y Barbuda	1.2	0.3	0.1	0.2	0.1	0.1	0.2
Dominica	0.4	0.2	0.1	0.0	0.0	0.0	0.1
Grenada	0.3	0.2	0.1	0.1	0.1	0.1	0.2
St. Kitts and Nevis	0.8	0.2	0.2	0.3	0.4	0.2	0.4
St. Lucia	0.7	0.4	0.2	0.2	0.2	0.1	0.3
St. Vincent and the Grenadines	0.2	0.3	0.2	0.1	0.1	0.1	0.2
<b>Other Non-Grouped countries</b>	<b>2.9</b>	<b>4.1</b>	<b>6.2</b>	<b>5.1</b>	<b>5.9</b>	<b>4.8</b>	<b>5.5</b>
Cuba	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Panama	0.0	1.9	3.3	1.5	2.3	1.4	1.6
Dominican Republic	2.9	2.2	2.8	3.5	3.7	3.3	3.9
<b>Associate States</b>	<b>1.7</b>	<b>0.3</b>	<b>5.3</b>	<b>1.6</b>	<b>2.1</b>	<b>1.1</b>	<b>2.4</b>
Netherlands Antilles	0.9	0.2	4.9	2.3	3.0	2.0	2.7
Aruba	0.8	0.1	0.4	-0.7	-0.9	-0.9	-0.2
French Guiana	...	...	...	...	...	...	...
Guadeloupe	...	...	...	...	...	...	...
Martinique	...	...	...	...	...	...	...
<b>Total Latin America and the Caribbean</b>	<b>6 853</b>	<b>22 633</b>	<b>82 735</b>	<b>70 350</b>	<b>94 438</b>	<b>84 013</b>	<b>56 687</b>
% ACS in Latin America and the Caribbean	49.1	45.6	30.0	41.0	27.5	42.9	38.3

Source: ECLAC, based on official figures.

Investments intended for the Mexican economy represented about half of total FDI in the sub-region during the period 1995-2000, increasing to 66% in the last biennium (see table 19). In comparison, the flows absorbed by other countries of the region are much smaller. The other two countries of the G-3, Venezuela and Colombia, occupy second and third place respectively.

On the other hand, the CACM, CARICOM and the three non-grouped countries each received between 6% and 12% of total FDI placed in the sub-region, with approximately 3% corresponding to Associate States. Among the Central American countries, Panama, Costa Rica and El Salvador were the main recipients of FDI, while in the Caribbean, flows were directed mainly at Trinidad and Tobago, Jamaica, and recently, the Dominican Republic in particular. Investments intended for this group of countries have increased in recent years. These three countries received 67% of the investments directed at the Caribbean, which rose to 74% in 1995-1999, subsequently reaching 88% in the 2001-2002 biennium (ECLAC, 2003b, pp. 30).

In Trinidad and Tobago, the sector most attracting FDI is that involving the exploration and production of natural gas by private companies, which made significant investments from 1996, when British Petroleum (United Kingdom) and Repsol (Spain), using local capital, launched activities associated with the liquefaction of gas (see table 20).

In Jamaica, the most important foreign direct investments have been targeted at the services sector, particularly electricity, telecommunications, banking and tourism (see ECLAC 2003b, pp. 30-31).

For their part, investments received by the Dominican Republic focus on the electrical sector (25% of the total between 1993-2002), since the authorities decided to privatise several generator and distributor companies. Other outstanding sectors are: trade, tourism and telecommunications (22%, 22% and 20% of the total respectively, for the same period).

According to the estimates of the United Nations Conference on Trade and Development (UNCTAD), another country receiving an increased flow of FDI is the Netherlands Antilles, where the presence of financial sectors is attracting growing flows of FDI. However, the exact nature of these investments is unknown.

In comparison with the aforementioned group of countries, the other countries of the sub-region received much smaller volumes of FDI. Examples of investments in both sub-regions are given in table 20, which shows a significant presence of Spain and the United States as suppliers, while tourism and the electrical sectors were the most outstanding sectors targeted. As recipients in the tourism sector, investments destined for Cuba, Nicaragua and the Dominican Republic are repeated.

Table 21  
**COUNTRIES OF THE CARIBBEAN BASIN: MAIN OPERATIONS CARRIED OUT BY FOREIGN BUSINESSES, 1991-2002**  
*(In millions of dollars)*

Foreign company	Receiving country	Mergers and Acquisitions, Privatisations and Investment Projects	Type	Sector	Amount	Years
<b>SPAIN</b>					<b>2146</b>	
Marcas Sol Melia	Cuba	Investment in Hotels	INV	Hotel	40	1991
Marcas Sol Melia	Cuba	Investment in Hotels	INV	Hotel	...	1994
Guitart Hoteles (Grupo Guitart)	Cuba	Hotel remodelling	INV	Hotel	100	1994
Alliance Tabac Distribution (Altadis)	Cuba	Habanos Cuba	M&A	Tobacco	500	1997
Guitart Hoteles (Grupo Guitart)	Cuba	Turhoteles	Alliance	Hotel	20	2000
Telefónica Movil	El Salvador	Mobile Telephone (32.7%)	M&A	Telecom.	73	2002
La Tabacalera	Honduras	Tabacalera San Cristóbal (100%)	M&A	Tobacco	367	1999
Grupo Barceló	Nicaragua	Hotel Montelimar (100%)	PRIV	Hotel	22	1993
Grupo Barceló	Nicaragua	Hotel modernisation	INV	Hotel	22	1994
Unión Fenosa	Nicaragua	Two electricity distributors	PRIV	Electrical Energy	115	1999
Unión Fenosa	Nicaragua	Improved electricity service	INV	Electrical Energy	30	2002
Union Fenosa y Acción Exterior	Guatemala	Electricity Company (Nat. Plant)	PRIV	Electrical Energy	101	1999
Unión Fenosa	Dominican Rep	North and South Electrical Energy Distribution Company	PRIV	Electrical Energy	212	1999
Unión Fenosa	Dominican Rep					
Occidental Hotels	Dominican Rep	Hotel Allegro Resort Acquisition	M&A	Hotel	400	2000
Iberoestar	Dominican Rep	Construction of one hotel	INV	Hotel	35	2000
Grupo Dragados	Dominican Rep	Coral Highway	INV	Infrastructure	109	2002
<b>UNITED STATES</b>					<b>2614</b>	
Intel Corp.	Costa Rica	Plant Construction (Computers)	INV	Electronics	300	1997
Lockheed Martin / George Soros	Costa Rica	Construction of the Santa María Airport	Tender	Infrastructure	180	1998
Abbot Laboratories	Costa Rica	Construction of a plant (100%) 25 0000 m <sup>2</sup>	INV	Chemicals	75	1998
Airport Group Internacional (AGI)	Costa Rica	Juan Santa María de San José Airport	Tender	Transport	279	1999
Rosewood	Costa Rica	Construction of Club de Playa	INV	Tourism	70	2001
Bridgestone Firestone	Costa Rica	Opening of new plant (8 000 tyres daily)	INV	Tyres	40	2002
Aes Corp.	El Salvador	Santa Ana Electric Light Company	PRIV	Electrical Energy	109	1998
Duke Energy	El Salvador	Generadora Acajutja S.A.	PRIV	Electrical Energy	125	1999
BellSouth	Guatemala	Acquisition of License to operate	INV	Telecom	25	2000
Coastal Corp.	Nicaragua	Generadora Occidental S.A. GEOSA (95%)	PRIV	Electrical Energy	12	2002
BellSouth	Panama	Cellular Phone Concession	PRIV	Telecom.	72	1997
Aes Corp.	Panama	Chiriquí Generator Company and Generación Bayano	PRIV	Electrical Energy	91	1998
Enron	Panama	Generador Bahía las Minas	PRIV	Electrical Energy	92	1998
Stevedoring Services of America	Panama	Manzanillo International Terminal	PRIV	Transport	150	1999
Kansas City Southern Railways	Panama	Railway modernisation	INV	Transport	75	2000
Cable & Wireless	Panama	Exploration of data centre markets	INV	Services	100	2002
Enron	Dominican Rep	Haina Generator Company	PRIV	Electrical Energy	145	1999
Aes Corp	Dominican Rep	Distribuidora Eléctrica del Este	PRIV	Electrical Energy	109	1999
Aes Corp	Dominican Rep	Construction of new electricity plant	INV	Electrical Energy	140	2000
Ogden Corp.	Dominican Rep	Operation of four airports	Tender	Transport	400	2000
Tricom	Dominican Rep	Broad band License	Concession	Internet	25	2000



(Continuation Table 20)

Foreign company	Receiving country	Mergers and Acquisitions, Privatisations and Investment Projects	Type	Sector	Amount	Years
<b>OTHERS</b>					<b>2 134</b>	
Wilton Properties Ltd. (Canada)	Cuba	Gran Caribe	INV	Hotel	400	1997
France Telecom (France)	El Salvador	Telecommunications Company of El Salvador	PRIV	Telecom.	275	1998
Empresa Eléctrica de Melipilla, Colchagua y Mauile, EMEL, Pennsylvania Power & Light, (Chile/USA)	El Salvador	Distribuidora de Electricidad del Sur	PRIV	Electrical Energy	180	1999
Foreign company	Receiving country	Mergers and Acquisitions, Privatisations and Investment Projects	Type	Sector	Amount	Years
Perenco (France)	Guatemala	Basic Resources International (100%)	M&A	Petroleum and Gas	120	2001
Unilever (UK)	Honduras	Corporación Cressida	M&A	Chemicals	314	2000
Iberdrola/Electricidade do Portugal/Tampa Energy Spain/Portugal)	Guatemala	Empresa Eléctrica de Guatemala (EEGSA)	PRIV	Energy Electrical	520	1998
Coastal Power/HidroQuebec (USA/Canada)	Panama	Generadora Fortuna	PRIV	Energy Electrical	118	1998
BBVA Citibank and others (Spain/USA)	Panama	Pension Administrator (SIACAP)	PRIV	Financial Services	150	1999
Skanska (Switzerland)	Panama	Construcción Hidroeléctrica Esti	INV	Energy Electrical	213	2001
Advantage Investment Council (Canada)	Jamaica	National Commerce Bank Jamaica Ltd. (75%)	PRIV	Banking	134	2002
Gener/Coastal Power (Chile/USA)	Dominican Rep	Compañía Generadora de Electricidad Itabo	PRIV	Energy Electrical	177	1998
Ogden Corp/Vancouver Airports (USA/Canada/Italy)	Dominican Rep	Construction of four airports	INV	Infrastructure	309	1999
Commonwealth Development Corp (England)	Dominican Rep	Haina Generation Company (improved supply)	INV	Energy Electrical	49	2000
British Gas Ltd. / Repsol / Gas Company / Cabot Trinidad (Spain/England/T&T)	Trinidad and Tobago	Construction of Atlantic LNG plant	INV	Petroleum and Gas	1 000	1996-99
British Gas Ltd. / Repsol / Gas Company / Cabot Trinidad (Spain/England/T&T)	Trinidad and Tobago	Expanding installed capacity (2 natural gas plants)	INV	Petroleum and Gas	1 300	2000-03
<b>TOTAL</b>					<b>10 019</b>	

Source: ECLAC, International Trade and Integration Division, based on official obtained from different financial sources: América Economía, Latin Trade, Business News, The Wall Street Journal of Americas, Revista Dinero, El Universal, Gestión, Estrategia and other Latin American financial newspapers.  
 Note: INV: Direct Investment M&A: Mergers and Acquisitions PRIV: Privatisations.

However, the real impact of FDI is also determined by the size of the receiving economy. In table 21, FDI received by each country has been related to their total population and GDP. This reveals a more equal relative distribution among the different countries and also causes the members of the OECs to stand out, since their per capita income from FDI and as a percentage of GDP tend to be much higher than in other countries. In contrast, these indicators are small for countries such as Barbados, Haiti, Suriname and Cuba. Highly diverse degrees of dependence on foreign investment can thus be observed. In huge volumes, it has improved the export capacity of countries such as Mexico, Venezuela, Colombia, Trinidad and Tobago, Costa Rica and the Dominican Republic. In other countries, the relationship is less clear, since volumes are smaller, but can be of great importance as a complement to national savings and as a means of financing their balance of payments.

Table 22  
**ACS COUNTRIES: RELATIVE INDICATORS OF FOREIGN DIRECT INVESTMENT**  
*(In millions of dollars, percentages and number of inhabitants)*

Sub-groupings/Countries	1995-2002 <sup>a</sup>	% in all of ACS	Population 2002	FDI per capita	GDP 2002	FDI/GDP
<b>ACS COUNTRIES</b>	<b>24 453</b>	<b>100.0</b>	<b>245 982</b>	<b>99</b>	<b>973 709</b>	<b>2.5</b>
<b>Group of Three</b>	<b>19 297</b>	<b>78.9</b>	<b>170 600</b>	<b>113</b>	<b>826 433</b>	<b>2.3</b>
Colombia	2 588	10.6	43 800	59	82 416	3.1
Mexico	13 485	55.1	101 700	133	617 820	2.2
Venezuela	3 224	13.2	25 100	128	126 197	2.6
<b>CACM</b>	<b>1 321</b>	<b>5.4</b>	<b>34 700</b>	<b>38</b>	<b>59 420</b>	<b>2.2</b>
Costa Rica	489	2.0	3 900	125	16 156	3.0
El Salvador	270	1.1	6 600	41	13 731	2.0
Guatemala	233	1.0	12 100	19	20 541	1.1
Honduras	155	0.6	6 700	23	6 441	2.4
Nicaragua	175	0.7	5 400	32	2 552	6.8
<b>CARICOM</b>	<b>1 481</b>	<b>6.1</b>	<b>15 064</b>	<b>98</b>	<b>32 884</b>	<b>4.5</b>
Bahamas	142	0.6	312	454	4 995	2.8
Barbados	16	0.1	272	59	2 549	0.6
Belize	25	0.1	290	86	665	3.8
Guyana	62	0.3	762	81	768	8.1
Haiti	10	0.0	8 511	1	3 548	0.3
Jamaica	381	1.6	2 600	146	7 784	4.9
Surinam	- 40	-0.2	439	-91	909	-4.4
Trinidad and Tobago	655	2.7	1 300	503	8 920	7.3
<b>OECS</b>	<b>231</b>	<b>0.9</b>	<b>578</b>	<b>400</b>	<b>2 747</b>	<b>8.4</b>
Antigua and Barbuda	33	0.1	74	447	708	4.7
Dominica	20	0.1	72	283	267	7.6
Grenada	35	0.1	102	339	411	8.4
St. Kitts and Nevis	53	0.2	50	1055	348	15.3
St. Lucia	47	0.2	167	281	670	7.0
St. Vincent and the Grenadines	43	0.2	112	384	343	12.5
<b>Non-Grouped countries</b>	<b>1 412</b>	<b>5.8</b>	<b>24 309</b>	<b>58</b>	<b>50 413</b>	<b>2.8</b>
Cuba	9	0.0	11 300	1	19 055	0.0
Panama	657	2.7	2 900	227	10 079	6.5
Dominican Republic	746	3.1	8 800	85	21 279	3.5
<b>Associate States</b>	<b>942</b>	<b>3.9</b>	<b>1 309</b>	<b>1938</b>	<b>4 558</b>	<b>20.7</b>
Netherlands Antilles <sup>°</sup>	924	3.8	219	4217	1 951	47.3
Aruba	18	0.1	91	200	1 902	1.0
French Guiana	...	...	176	...	705	...
Guadeloupe	...	...	435	...	...	...
Martinique	...	...	388	...	...	...
<b>Total Latin America and Caribbean</b>	<b>73 216</b>	<b>33.1</b>	<b>507 306</b>	<b>144</b>	<b>2 043 187</b>	<b>3.6</b>

Source: ECLAC, based on official figures.

In the most successful cases, the measures to attract FDI were combined with trade policy measures. The formation of NAFTA has particularly favoured investments in maquila activities in Mexico. The closeness of Costa Rica to the United States and its active investment promotion policy through fiscal benefits, have attracted sizeable North American investment flows in the area of computer manufacturing. The Dominican Republic has taken advantage of the *maquila* arrangements granted by the United States to Caribbean countries by setting up duty-free zones, which have again benefited from the close proximity to the US market. Cuba's case is quite peculiar given that the few foreign investments attracted by the country are confined to the tourism sector. In addition to the volume of these investments, factors such as management, image and brand and trading links contributed by the foreign partners, particularly from Spain, are key since these elements have been crucial in this sector becoming an important source of foreign exchange earnings for the country. In Panama, FDI has been attracted to that country due especially to the privatisation taking place in areas associated with telecommunication, electricity and finance in recent years.

In examining recent developments in FDI in Central American and Caribbean countries (excluding the G-3 countries), it can be noted that although they receive a relatively low proportion of recent flows to Latin America and the Caribbean (7% of the total in the period 1996-2002), all of these received considerable FDI flows for the size of their economies, reaching 7 billion dollars in 1998. This result confirms a recent FDI entry trend, which grew significantly in the 1990s to an average of 5,772 million dollars in the five-year period 1996-2000. This represents a growth of over 234% when compared to the average recorded for the preceding five-year period 1991-1995. Also, it is worth noting that all the countries of the sub-region experienced an increase in FDI during the second half of the nineties, (the only exceptions being Antigua and Barbuda, Dominica and Guyana), and during the 2001-2002 biennium, notwithstanding the adverse international scenario, altogether they maintained to some extent, the levels of revenue recorded at the close of the last decade.

In analysing revenue by country, it is evident that there exists great heterogeneity expressed in the high concentration of FDI flows in a few countries, reflecting differences in size and new investment patterns and strategies of the transnational companies. Thus, 70% of the total FDI flows into the sub-region during the last biennium was concentrated in only five countries: Dominican Republic, Trinidad and Tobago, Netherlands Antilles, Jamaica and Costa Rica. If the flows to these countries are added to those of five other receiving countries, namely Panama, Guatemala, El Salvador, Honduras and Nicaragua, FDI flows in the ten countries (out of a total of 25) represent a little more than 95% of the sub-

regional total, having produced an increase in the concentration during the second half of the nineties and in the first half of this decade (see table 22).

The largest recipient of FDI in the sub-region in the 2001-2002 biennium was the Dominican Republic, which received on average, 1,024 million dollars per annum, representing 20% of the sub-regional total. This level of annual flows constituted a 46% increase when compared to the average recorded for the period 1996-2001, with which the country was able to reclaim the rhythm of growth of the annual FDI flows, which were already multiplied by a factor of 3.1 in the second half of the nineties with respect to the period 1991-1995. This rapid growth reflects a number of sectoral priorities and new operations by the transnational companies in that country during the nineties and this decade thus far. As regards the sectoral structure, during the nineties, heavy foreign investment in relatively simple manufacturing capacities in the area of textiles or the assembly of imported electronic components allowed the country to significantly diversify the structure of its exports, which were traditionally based on natural resources.

Table 23  
**CENTRAL AMERICA AND THE CARIBBEAN: PARTICIPATION BY COUNTRIES IN ANNUAL FDI AVERAGES:**  
**(1991-1995; 1996-2000; and 2001-2002)**  
*(Millions of dollars and percentages)*

Country / Sub-region	1991-1995		1996-2000		2001-2002	
	Amount	Total %	Amount	Total %	Amount	Total %
<b>Central America and Caribbean</b>	<b>1 652</b>	<b>100.0</b>	<b>5 772</b>	<b>100.0</b>	<b>5 140</b>	<b>100.0</b>
CARICOM	727	44.0	1 494	25.9	1 771	34.5
OECS	156	9.4	223	3.9	273	5.3
Non grouped	427	25.8	1 538	26.6	1 459	28.4
CACM	465	28.1	1 421	24.6	1 442	28.1
Associate States	33	2.0	1 319	22.8	469	9.1
<b>10 largest countries</b>	<b>1 363</b>	<b>82.5</b>	<b>5 189</b>	<b>89.9</b>	<b>4 903</b>	<b>95.4</b>
Dominican Republic	227	13.7	702	12.2	1 024	19.9
Trinidad and Tobago	302	18.3	678	11.7	774	15.1
Netherlands Antilles	23	1.4	1 213	21.0	657	12.8
Jamaica	156	9.4	350	6.1	575	11.2
Costa Rica	257	15.6	495	8.6	548	10.7
Panama	191	11.6	825	14.3	432	8.4
Guatemala	94	5.7	244	4.2	283	5.5
El Salvador	24	1.4	315	5.5	273	5.3
Honduras	42	2.6	163	2.8	187	3.6
Nicaragua	48	2.9	204	3.5	151	2.9
<b>Other 17 countries</b>	<b>289</b>	<b>17.5</b>	<b>583</b>	<b>10.1</b>	<b>238</b>	<b>4.6</b>
Bahamas	31	1.9	169	2.9	91	1.8
St. Kitts and Nevis	17	1.0	49	0.8	81	1.6
Guyana	82	5.0	62	1.1	57	1.1
St. Lucia	39	2.4	47	0.8	56	1.1
Antigua and Barbuda	29	1.8	28	0.5	48	0.9
St. Vincent and the Grenadines	26	1.6	48	0.8	38	0.7
Grenada	19	1.2	37	0.6	36	0.7
Belize	15	0.9	22	0.4	34	0.7
Barbados	11	0.7	16	0.3	18	0.4
Dominica	25	1.5	16	0.3	14	0.3
Haiti	3	0.2	12	0.2	6	0.1
Cuba	9	0.5	11	0.2	3	0.1
Suriname	-28	-1.7	-38	-0.7	-54	-1.1
Aruba	10	0.6	106	1.8	-189	-3.7
French Guiana	...	...	...	...	...	...
Guadeloupe	...	...	...	...	...	...
Martinique	...	...	...	...	...	...

Source: ECLAC, based on official statistics.

During the 2001-2002 biennium, the second largest recipient of FDI in Central America and the Caribbean was Trinidad and Tobago, receiving 774 million dollars annually, representing 15.1% of the sub-regional total. Trinidad and Tobago was also placed among the largest recipients of FDI in the Caribbean Basin throughout the period 1996-2000, when the average annual flows doubled that recorded during the preceding five-year period. The great ability to attract foreign investment in this relatively small economy is directly linked to the exploitation of its abundant hydrocarbon resources. Foreign investment in Trinidad and Tobago in the nineties was therefore highly concentrated on exploration, exploitation and export of the abundant reserves of oil and natural gas.

The third largest recipient in the region was the Netherlands Antilles, with an average of 657 million dollars during the 2001-2002 biennium. This would be explained in great part, by the presence of financial institutions.

Also in the Caribbean, Jamaica's economy received 575 million dollars per annum in FDI during the period 2001-2002, a little more than 11% of the sub-regional total and an increase of 64% with respect to the average flow recorded for the period 1996-2000. As in other countries of the region, FDI flows to Jamaica during the nineties were mainly destined for relatively simple manufacturing activities in export processing zones. In recent years, these investments have been complemented by significant resources directed at the services sector, with particular emphasis on the tourism and telecommunications industries.

Already on the continent, another country that received high levels of foreign investment in the same period examined is Costa Rica, with FDI flows amounting to 548 million dollars per annum, equivalent to 11% of the sub-regional total and 11% more than the annual average for the 1996-2000 period. With respect to the sectoral destination of investments, in Costa Rica, large amounts of resources were invested in the manufacturing sector in the last decade, and unlike other countries of the region, it has made great strides in modernising its manufacturing capacity, attracting investments in relatively more sophisticated areas. As a consequence, Intel, the microprocessor manufacturer, set up a plant there in 1998.

At the end of the nineties, FDI flows to Panama fluctuated greatly in relation to the development of the privatisation process. The sale of the basic telephony to the private sector in 1997, and the privatisation of the electrical industry in 1998, transformed Panama into the largest recipient of FDI in the sub-region in those two years, with annual flows of over 1.2 billion dollars in each year. The absence of major privatisation from 1999 meant that during the final years of the last decade, and in the 2001-2002

biennium, flows dropped to 432 million dollars per annum, closer to past levels, and equivalent to 8.4% of flows to the sub-region in that period.

In El Salvador and Guatemala, investments in the first half of the nineties were greatly influenced by the dynamics of the export processing zones, particularly in the garment industry. More recently, the most important attractions in these countries were the privatisation processes and acquisitions. In El Salvador, FDI flows averaged 273 million dollars per annum during the 2001-2002 biennium. Although much lower than 1998 – 1,104 million dollars – when the main telecommunications company and a number of electricity companies were privatised (see table 20), this level still reflects the effect of the privatisation process and is much higher than all years prior to 1998. Although there were no major privatisations in recent years, acquisitions in telecommunications and electricity continued to attract sizeable flows of FDI. During the 2001-2002 biennium, FDI flows to Guatemala were valued at an average of 283 million dollars per annum. As in El Salvador, this level is much lower than that recorded in 1998, when there was massive privatisation. However, it reflects a growing trend over previous years, where changes of ownership in the infrastructural sectors are concerned. Although no relevant privatisations were recorded, large transnational companies continued to show an interest in acquisitions and new investment plans in services. For example, Telmex de Mexico acquired Grupo Luca, which controlled Telecomunicaciones de Guatemala (TELGUA) and announced plans to invest 400 million dollars in the next two years (see table 26).

The processes of privatising infrastructure, though less advanced than in some of its neighbours in Central America, also explain a considerable proportion of recent flows of FDI to Honduras and Nicaragua, which have also recorded large acquisitions with foreign involvement in manufacturing activities. FDI flows to Honduras during the period 2001-2002, reached an average of 187 million dollars per annum, a considerable increase compared to the average recorded for previous years, which could be attributed mainly to the partial privatisation of the telecommunications infrastructure. The main privatisation activity in 2000 was in the area of health concessions. Nicaragua received a significant increase in FDI flows from 1996-2000, recording a lower annual average – 151 million dollars. Despite the foregoing, in recent years, Mexican and Central American investment would increase in the country, particularly in private manufacturing operations. The Mexican company Copamex acquired shares in the company Industrias Unidas de Centroamérica, in the paper industry, in addition to which the Mexican companies América Móvil and Grupo Salinas obtained concessions to operate cellular telephony. Another Mexican company with notable presence in Nicaragua is Cemex.

The most recent ECLAC studies that have analysed foreign investment in Latin America and the Caribbean have confirmed the importance of trade policy and policies aimed at promoting exports to attract foreign direct investment. ECLAC (2002) states that "...the orientation of foreign investment responds to: i) incentives issued by local governments for industrial duty-free zones in the context of the Caribbean initiative; ii) incentives issued by the US government through shared production mechanisms (TSUS 807 and HTSUS 9802), which provides preferential access to the United States market; and iii) the quest for greater efficiency and reduced costs on the part of traditional companies".

"These factors have favoured significant development in FDI in manufactured goods, associated mainly with the low technology assembly industry, such as garments for export to the US market, as in the case of Honduras, El Salvador and the Dominican Republic. Nevertheless, in recent times, more complicated technological sectors like electronics and information technology have attracted FDI, and Central American countries have enjoyed privileges from transnational companies for the creation of call centres and cost centres. Several countries in the sub-region have implemented strategies to develop these new sectors. During the period 1997-2001, Costa Rica was able to concentrate most of the FDI in the industrial sector".



### 3. Intra-regional investment among ACS countries

It must first be remembered that investments within the region account for a very small fraction of FDI in these countries, and that they are concentrated among a few countries in the sub-region. Available figures (see tables 23, 24 and 25) indicate that most of these investments were made among the G-3 countries, with Mexico being the country with the most investments in terms of the number of operations and the sums involved. Mexico, however, is not a recognisable recipient of investments from other ACS countries.<sup>23</sup> Investments from this country went first to Central America, followed by Venezuela and Colombia. Included among the main sectors targeted by Mexican investment are: telecommunications, the cement industry, agroindustry and construction. Guatemala, Costa Rica, El Salvador, Nicaragua and Panama are the main recipients of Mexican investments in terms of Central American countries. As for Caribbean economies, investments have been made in Cuba, Dominican Republic and Trinidad and Tobago. The investments of four Mexican companies are: Teléfonos Mexicanos (TELMEX), Cementos Mexicanos (CEMEX), Grupo Bimbo and Grupo Maseca (GRUMA) (see table 25).<sup>24</sup>

Table 24  
ACS COUNTRIES: CONSOLIDATED MATRIX OF INTRA-REGIONAL CAPITAL FLOWS, 1991-2002  
(In millions of dollars)

Origin / Destination	Colombia	Mexico	Venezuela	Central America <sup>a</sup>	Caribbean	ACS Countries <sup>b</sup>	Total %
Colombia	...	60	2 219	339	160	2 778	9.2
Mexico	2 134	...	2 693	3 030	2 744	10 601	35.3
Venezuela	1 537	...	...	1 807	590	3 934	13.1
Central America	...	...	...	1 433	11	1 444	4.8
Caribbean	4 018	...	3 852	96	3 337	11 303	37.6
<b>ACS Countries<sup>b</sup></b>	<b>7 689</b>	<b>60</b>	<b>8 764</b>	<b>6 705</b>	<b>6 842</b>	<b>30 960</b>	<b>100.0</b>
<b>Total %</b>	<b>25.6</b>	<b>0.2</b>	<b>29.2</b>	<b>22.3</b>	<b>22.8</b>	<b>100.0</b>	

Source: ECLAC, based on information obtained from different financial sources – América Economía, Latin Trade – and official information – COMEX, etc.<sup>a</sup> Includes Panama; <sup>b</sup> Includes financial centres in the Caribbean (Netherlands Antilles, Bahamas, Bermuda, Cayman Islands and Virgin Isles).

In recent years, sizeable investments have also been made by Venezuela in Colombia and vice-versa, notably in a variety of sectors and involving a number of companies. This is the result of the growing integration of these two neighbouring economies under Andean Community and G-3 arrangements. Reciprocal investments represent approximately 60% of the foreign investment of both

<sup>23</sup> Although this study has not included specific information on investments in Mexico, except 60 million from Colombia, it contains information on the presence of investments from the Dominican Republic and Costa Rica in Mexico (see the General Directorate of Foreign Investment of Mexico, 2002).

<sup>24</sup> For a more detailed perspective of the process of Mexican investments abroad, see Garrido (2000, 2001) and Gitli (2000).

countries abroad during the period 1991-2002 (see table 23). Some Colombian companies operating in Venezuela are: Alpina, Grupo Celeste, Colombina and Sindicato de Antioquia.<sup>25</sup> Colombian investments in Venezuela were destined mainly for the manufacturing and commercial sectors. Colombian investors have a clear commercial strategy consisting of purchasing end points of sale to ensure the placement of its country's products – specifically foodstuff, cosmetics, articles of clothing and stationery – in the massive consumer market in Venezuela (Iturbe de Blanco, Eglé 1997).

Venezuela has significant investments in Colombia, especially in the financial sector and in the manufacture industry (chemicals, iron and steel, tobacco, beverages and foodstuff). Venezuelan investments in the Colombian financial sector are destined to support the expansion of bi-national trade and to create strategic alliances for the production and distribution of goods in both markets.

Venezuelan investors have also invested in El Salvador, in the electrical energy and telecommunications sectors via Corporación Electricidad de Caracas (CORELCA) and Digitel. They have also entered Central America and the Caribbean, particularly El Salvador and Trinidad and Tobago (see table 25).

Table 24 incorporates information on Caribbean investments, including those originating in financial centres in ACS countries. The heavy flow of investments to Colombia and Venezuela have accounted for approximately 70% of the total. These investments include those originating in the Netherlands Antilles, Bahamas, Bermuda, Cayman Islands and the Virgin Isles, from where investors of other nationalities make triangular investments to benefit from the “tax havens” of said financial centres. This can make it difficult to establish, in terms of these flows, the true nationality of the owners of the capital (ECLAC, 1996 p. 18; CIDEIBER, 1998a, 1998b and 1998c).

During the last few years, there have been significant reciprocal investments in Central America, such as those carried out by Compañía de Teléfonos de Guatemala, by a consortium of Honduran and Guatemalan interests, as well as those of the Grupo Poma of El Salvador in Guatemala, Nicaragua and other destinations within Central America, and the crucial expansion also undertaken by the Salvadoran Grupo Taca, which increased its Airbus fleet (see table 25).

The figures appearing in table 24 indicate that for Central American countries, including Panama and the members of the G-3, the countries themselves constitute the primary source of FDI flows. The

---

<sup>25</sup> Sindicato de Antioquia is the majority shareholder in Cadenas de Tiendas Venezolanas (CATIVEN), a consortium that manages the operations of Automercados CADA and the chain of Maxy's hypermarkets and stores.

same applies to Caribbean countries, despite the fact that the presence of financial centres within this group distorts the information. Nevertheless, barring this, it is expressed that intra-regional investment represents 95% of the total investments originating in that very region.

Having obtained a ratio between the revenue from intra-regional FDI and the revenue from total FDI between 1991 and 2002 for the various ACS sub-groupings – G-3, CACM and CARICOM – it was noted that in relative terms, intra-regional investment represented between 4.6% and 12.5% of total FDI, with investments within CARICOM recording the highest figure, followed by Central American countries, whose relative volume would account for approximately 8% of the total, with the G-3 countries recording a lower figure despite receiving the majority of investments in absolute amounts (see table 24 and graph 2). In aggregate terms, intra-regional investments range between 9% and 14%, if FDI from Caribbean financial centres (FC) are included (see graph 2).

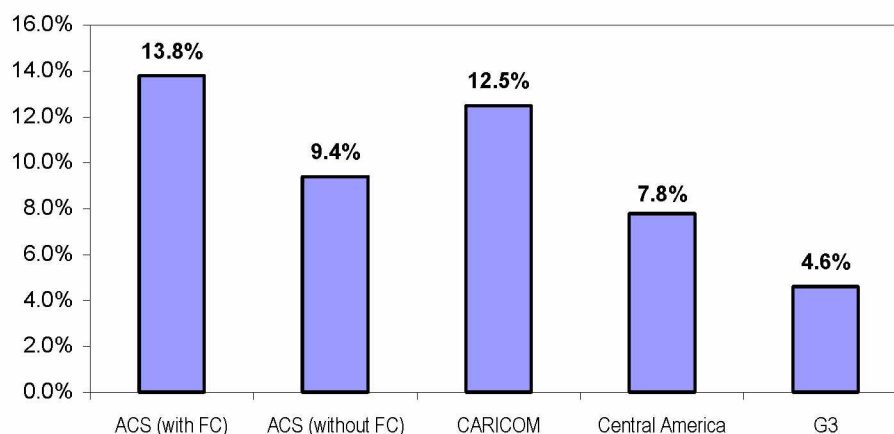
Table 25  
**ACS COUNTRIES: CONSOLIDATED MATRIX OF INTRA-REGIONAL CAPITAL FLOWS, 1991-2002**  
*(In millions of dollars and percentages)*

Origin / destination	G3		Central America <sup>a</sup>		Caribbean / CARICOM		Total	
	Amount	Total %	Amount	Total %	Amount	Total %	Amount	Total %
Group 3	8 643	49.9	5 176	29.9	3 494	20.2	17 313	100.0
Central America	...	...	1 433	99.2	11	0.8	1 444	100.0
Caribbean (including FC)	7 870	69.6	96	0.8	3 337	29.5	11 303	100.0
CARICOM <sup>b</sup>	...	...	96	5.4	1 650	94.5	1 746	100.0
Financial Centres (CF)	7 870	82.3	...	..	1 687	17.7	9 557	100.0
ACS Countries <sup>c</sup>	16 513	55.1	6 705	22.0	6 842	22.8	30 060	100.0

Source: ECLAC, based on information obtained from different financial sources – América Economía, Latin Trade – and official information – COMEX, etc.

<sup>a</sup> Includes Panama; <sup>b</sup> Accumulated as at 1999; <sup>c</sup> Includes financial centres in the Caribbean (Netherlands Antilles, Bahamas, Bermudas, Cayman Islands and Virgin Isles).

Graph 2  
**ACS COUNTRIES: ACCUMULATED INTRA-REGIONAL FDI AS A PROPORTION OF TOTAL FDI, 1991-2002**  
*(By percentage)*



Source: ECLAC, based on information obtained from different financial sources and information on the Balance of Payments of countries.

Table 26.  
ACS COUNTRIES: INTRA-REGIONAL CAPITAL FLOWS, 1991-2002  
(In millions of dollars)

Origin of capital flows	Country	Company sold / recipient of the investment	Type	Sector	Amount	Years
<b>MEXICO</b>					<b>7 232</b>	
Grupo Posadas	Colombia	Construction of a commercial and tourist centre in Caracas	INV	Tourism	40	1994
Cemex	Colombia	Cementos Diamante	M&A	Cement	400	1996
Cemex	Colombia	Cemento Samper	M&A	Cement	300	1996
Vitro	Colombia	Vitemco (51%)	M&A	Glass	...	1996
Grupo ICA	Colombia	Creation of a potable water system (50Km.)	Concession	Construction	120	1996
Grupo Bimbo	Colombia	Expansion of the business	INV	Foodstuff	160	1997
Cemex	Colombia	Expansion of the plant in Caracolito	INV	Cement	180	1997
Transportación Marítima Mexicana	Colombia	Flota Mercante Grancolombiana	M&A	Transport	20	1997
Telmex	Colombia	Contribution of shareholders capital	INV	Telecom.	257	2001
América Móvil	Colombia	Celcaribe	M&A	Telecom.	100	2002
E-commerce Data Service	Colombia	Ocel (95%)	M&A	Telecom.	5	2002
América Móvil	Colombia	Comunicación Celular S.A. (13.8%)	M&A	Telecom.	52	2002
Cemex	Venezuela	Vencemos	M&A	Cement	50	1994
Cemex	Venezuela	Vencemos (aumenta % a 51%)	M&A	Cement	300	1995
Hylsa	Venezuela	Consorcio Siderúrgico Amazonia (Sidor)	PRIV	Steel	246	1996
Panamerican Beverages Inc.	Venezuela	HIT de Venezuela	M&A	Beverages	1000	1997
Autlán	Venezuela	Fesilven	M&A	Mining	20	1997
Grupo Bimbo	Venezuela	Expansion of the business	INV	Foodstuff	160	1997
Hylsa	Venezuela	Project (Prod. steel bars)	INV	Metals	12	1997
Cemex	Venezuela	Grupo Diamante Samper	M&A	Cement	262	1998
Telmex/SBC Communications/Bell Canadá	Venezuela	License for wireless telephone	INV	Telecom.	4	2001
Grupo Maseca (GRUMA)	Venezuela	Molinos Nacionales	INV	Foodstuff	...	1999
Grupo Maseca (GRUMA)	Venezuela	Improvements to its plants	INV	Foodstuff	17	2001
ICA/Gec Alsthom	El Salvador	Construction of subway	INV	Transport	200	1997
TV Azteca	Costa Rica	Canal 4 Multivisión	M&A	Media	...	1998
Cemex	Costa Rica	Cementos del Pacifico	M&A	Cement	80	1999
Sigma Alimentos	Costa Rica	Embutidos Zar (100%)	M&A	Agroindustry	...	2002
Cemex	Costa Rica	Corporación Pedregal	M&A	Cement	50	2002
Grupo Industrias Monterrey (IMSA)	Guatemala	Ingasa (100%)	M&A	Steel	12	1997
Grupo Minsa	Guatemala	New cornmeal processing plant	INV	Foodstuff	4	1999
Telmex	Guatemala	Grupo Luca (TELGUA)	PRIV / INV	Telecom.	430	2000-01
Copamex	Nicaragua	Ind. Unidas de Centroamérica	M&A	Paper	70	2000
Cemex	Nicaragua	Arriendo de Canal (25 años)	Concession	Cement	83	2000
Grupo Salinas	Nicaragua	License to operate cellular telephony	License	Telecom.	8	2001
América Móvil	Nicaragua	Concession from the Nicaraguan Government	Concession	Telecom.	7	2002
Grupo ICA/General Electict	Panama	Hydroelectric Construction in Chiriquí	INV	Construction	300	1997
Grupo ICA/General Electict	Panama	Hydroelectric Construction in Esti	INV	Construction	199	1997
Grupo Zucarmex	Dominican Rep.	5 sugar mills	PRIV	Sugar	...	1999
Cemex	Dominican Rep.	Expansion of operations	INV	Cement	187	2000
Grupo Doms	Cuba	Emtel Cuba	PRIV	Telecom.	700	1994
Grupo Maseca (GRUMA)	Central America	Modernisation of its prod. plants	INV	Foodstuff	185	1995
Grupo Bimbo	Central America	Expansion of the business	INV	Foodstuff	145	1997
Grupo Posadas	Central America	Construction of Fiesta Inn and American Chain hotels	INV	Hotel	170	1997
Bancreer	Central America	Opening of branches in Central America	INV	Finance	80	1997-00
Multivisión (Méx)/Grupo Cisneros (Ven)	Central America	Launching of TV via satellite	INV	Media	250	1997
Apasco (44%) / Holderbank (56%)	Central America	Creation of a new company	INV	Cement	176	2000
Cemex	Trinidad and Tobago	Trinidad Cement (20%)	PRIV	Cement	11	1994
Cemex	Puerto Rico	Puerto Rico Cement (97.7%)	M&A	Cement	180	2002
<b>COLOMBIA</b>					<b>651</b>	
Biofilm	Mexico	Construction of new plant in Mexico	INV	Petro chemical	40	2002
Inversiones Mundial S.A.	Venezuela	Corporación Grupo Químico	M&A	Chemicals	6	1995
Consorcio Dividenda	Venezuela	Banco República	INV	Banking	57	1997
CADA / MAXY's	Venezuela	Grupo Cisneros	M&A	Trade	125	1997
Maxys	Venezuela	Cadenalco	INV	Trade	100	1997
Éxito-Cadenal	Venezuela	Cativen y Apertura de negocios (6 tiendas)	INV	Supermarket	120	2000-01
Cervecería Bavaria	Panama	Cervecería Nacional (91.1%)	M&A	Agroindustry	260	2002
<b>VENEZUELA</b>					<b>2 728</b>	
Grupo Progreso	Colombia	Banco Cafetalero	M&A	Finance	...	1994
Grupo Progreso	Colombia	Corfioriente	M&A	Finance	...	1996
Cervecería Polar	Colombia	Construction of Beer Factory in Barranquilla	INV	Beverages	130	1997
Sivensa	Colombia	Trefilas de Caldas	M&A	Iron and steel	15	1997
Empresas Polar	Colombia	Promasa (Doria)	M&A	Foodstuff	20	1997
Venezolana Pulp y Papel	Colombia	Packing	M&A	Chemical	4	1997
Electricidad de Caracas/Sector Solidario	Colombia	Termocartagena	PRIV	Electricity	16	1997
Electricidad de Caracas/Houston Energy	Colombia	Energía del Pacifico S.A. (56.8%)	PRIV	Electricity	495	1998
Corporación Electricidad de Caracas / AES	Colombia	Corporación Eléctrica de la Costa Atlántica (CORELCA)	PRIV	Electricity	1316	1998
Biggot / British American Tobacco	Colombia	Expansion of the business	INV	Tobacco	35	2001
Grupo Cisneros	Puerto Rico	Pueblo Internacional	M&A	Trade	400	1994
Corimon	Trinidad and Tobago	Sisson Paints	M&A	Chemical	...	1994
Digitel	El Salvador	Telephony license	PRIV	Telecom.	...	1996

(Conclusion table 25)						
Corporación Electricidad de Caracas	El Salvador	Compañía de Alumbrado Eléctrico de San Salvador	PRIV	Electricity	297	2000
<b>CENTRAL AMERICA AND THE CARIBBEAN</b>					<b>1 389</b>	
Inversionistas (Panamá/Costa Rica)	Costa Rica	Gupo Numar	M&A	Foodstuff	100	1997
Banco del Istmo (Panamá)	Costa Rica	Corporación Bañes (100%)	M&A	Banca	104	1999
La Nación (Costa Rica)	Guatemala	Corporación de Noticias (15%)	M&A	Media	2	1997
Consorcio Luca (Honduras/Guatemala)	Guatemala	Teléfonos de Guatemala (TELGUA)	PRIV	Telecom.	700	1998
Grupo Poma (El Salvador)	Guatemala	Construction of the Metrocentro Villa Nueva (12 500 mt2)	INV	Construction	10	2002
Grupo Roble (El Salvador)	Nicaragua	Construction of the Metrocentro Mall	INV	Construction	70	2002
Florida Ice (25%) Costa Rica)	Panama	Coca Cola de Panamá (100%)	M&A	Agroindustry	138	2002
Tricom (República Dominicana)	Panama	Cellular Communications of Panama (51%)	Inv	Telecom.	8	2001
Grupo Poma (El Salvador)	Central America	Building of hotels	INV	Hotel	11	2000
Grupo Taca (El Salvador)	Central America	Expansion of the air fleet (5 Airbus A300)	INV	Transport	100	2000
(Conclusion table 25)						
Tricom (Dominican Republic)	Central America	Expansion of operations (fixed and cellular networks)	INV	Telecom.	96	2000
Grupo Carmelo (Puerto Rico)	Dominican Rep.	Exploitation of Canteras	INV	Mining	50	2002
<b>TOTAL INTRA-REGIONAL FLOWS</b>					<b>12 000</b>	

Source: ECLAC, International Trade and Integration Division, based on information from different financial sources: América Economía, Latin Trade, Business News, The Wall Street Journal of Americas, Revista Dinero and Estrategia.

Note: INV: Direct Investment M&A: Mergers and Acquisitions PRIV: Privatisations.

In the case of CARICOM, there is relatively detailed information available on intra-regional investments. Though small in absolute terms, these investments have increased in recent years. (Caribbean Community Secretariat, 2000, pp. 229-256). They originate mainly in Trinidad and Tobago, Barbados, Jamaica and Guyana, while most investments have been directed at OECS countries. In 1998, these investments reached approximately 75 million dollars, and would have been favoured by the economic and political stability in these small countries and their low demands in technologies and management capacities. There have been however, significant investments in the four larger CARICOM states, while few investments have been directed recently at developed countries outside the region, apparently based on the experience gained in the investment process in the sub-region. In 1999, accumulated intra-regional investment in the English-speaking Caribbean amounted to 1.65 billion dollars. Trinidad and Tobago and Jamaica together, account for 69% of the total.

The main investors in the sub-region include the largest companies in CARICOM, usually based in Trinidad and Tobago or Barbados. The main sectors targeted are light manufacture, trade, the tourism sector and financial activities. As in Latin America, investments during the nineties usually took the form of acquisitions or mergers (see table 26). The main motivating factors for investing in the sub-region include the liberalisation of foreign capital regimes, the upsurge in the economies of Trinidad and Tobago<sup>26</sup> and Barbados, the desire of companies in those countries with a capital surplus to increase the scale of their operations in the face of growing foreign competition, and their knowledge of local conditions, which lowers their transaction costs.

<sup>26</sup> There are indications to suggest that Trinidad and Tobago is becoming a financial centre and capital market for the other countries of the sub-region. These activities have benefited from the impact of increased oil prices on that country's foreign exchange earnings.

Table 27  
**CARICOM: INTRA-REGIONAL FDI, SELECTED OPERATIONS**

Company	Investing country	Recipient country (subsidiaries)	Type	Sector
Antigua Barbuda Financial Group	Antigua and Barbuda	Belize, St. Lucia	INV M&A	Banking and Finance
ANSA Mcal	Trinidad and Tobago	Barbados, Jamaica, Grenada, St. Vincent and the Grenadines and St. Lucia	M&A Alliance	Distribution and sale of motor vehicles
A.S. Bryden and Sons (Barbados Limited)	Barbados	Antigua and Barbuda, Grenada, Jamaica, St. Lucia, St. Vincent and the Grenadines	M&A Alliance	Electrical energy distribution
Associated Brands	Trinidad and Tobago	Jamaica	...	Clothing
Barbados Mutual	Barbados	Jamaica	INV	Insurance
Caribbean Publishing	Trinidad and Tobago	Antigua and Barbuda, Barbados, Cayman Islands, Dominica, Jamaica, Puerto Rico, St. Lucia, San Kitts and Nevis	...	Advertising
Caribbean Communications Network	Trinidad and Tobago	Barbados, Grenada, Guyana and Jamaica	M&A INV	Advertising
CIBC West Indies	Barbados	Antigua and Barbuda, Bahamas, Jamaica, St. Lucia, St. Vincent and the Grenadines, Trinidad and Tobago	M&A INV	Financial Services Commercial Banking
Citizens Bank Jamaica	Jamaica	Guyana, United States	INV	Banking
CL Financial limited	Trinidad and Tobago	Barbados, Belize, Bahamas, Cayman Islands, Guyana, St. Lucia, Grenada, USA	...	Financial Services Agriculture
Guardian Life Ltd.	Trinidad and Tobago	Jamaica, Barbados	Alliance	Insurance
Royal Bank of Trinidad and Tobago	Trinidad and Tobago	Antigua and Barbuda, Aruba, Panama, St. Maarten, St. Kitts and Nevis, Grenadines, St. Lucia, Barbados, Grenada	M&A	Commercial Banking
Colombian Emeralds Int'l Ltd.	Barbados	Antigua and Barbuda, Aruba, Bahamas, Bermuda, Dominica, Cayman Islands, Grenada, St. Lucia, St. Marteen, St. Thomas, Tortola	...	Jewellery

Source: ECLAC, based on information obtained from the CCS (2000) *Caribbean Trade & Investment Report 2000. Dynamic interface of regionalism and globalisation*. Notes: New investment (establishment of a branch); M&A (Merger and Acquisition).

### III. TRADE POLICY AND INTEGRATION AGREEMENTS<sup>27</sup>

#### A. General aspects

The opening-up of most Latin American and Caribbean countries to trade began in the mid eighties, when some of them started rationalising their trade regimes. Although others chose a more cautious pace, long before the end of the last round of multilateral negotiations, all the economies had adopted more open trade regimes through a general lowering of tariffs, the removal of most non-tariff barriers and exchange control deregulation (ECLAC 1998). This orientation responded not only to a certain exhaustion of the policies that were based on direct control schemes, but also to an emerging consensus illustrated by empirical evidence on the advantages that could be derived by countries from reciprocal and multilateral trade liberalisation.

Firstly, the opening-up of the economies has given rise to a significant increase in imports from all origins. Despite export promotion programmes, the effect of the reforms on export growth has been weaker and gradual, since in most countries, their composition has not changed significantly, with a few exceptions, such as Chile, Mexico. In the case of several Central American countries, there has been a change in the composition of exports from agricultural products to manufactured items.

ACS countries have also applied reforms to their trade policies since the end of the 1980s, either unilaterally, in the context of the commitments of the Uruguay Round, or as part of the rationalisation of common external tariffs in the case of the CACM and CARICOM. Being aware of the limitations imposed in the past by high levels of protection for domestic activities, these countries undertook reforms to open up their economies, among which the liberalisation of the external sector occupied a predominant place. In many cases, trade policy reforms have been accompanied by the increasing opening-up of the capital account and the reduction in the distribution of effective protection. Through these reforms, countries sought to expose their national production to growing external competition, in an effort to improve their competitiveness. Similarly, greater availability of imported inputs at prices closer to international levels should facilitate their participation in modern production processes, which include the phased dismantling of production chains in more than one country. In this way, countries have sought to diversify their export supply and reduce excessive dependence on a few export markets.

---

<sup>27</sup> This chapter was prepared based on chapter IV of ECLAC, 2001b.



The sub-regional integration schemes have had to adapt themselves to this new reality, by reducing and rationalising their respective common external tariffs and eliminating the bulk of non-tariff restrictions. As put forward in "open regionalism", efforts were undertaken to transform sub-regional markets into more permeable and efficient platforms for the development of new export lines, which could be exposed to international competition following a period of adaptation.

Open regionalism also takes into account the conclusion of free trade agreements with other countries of the region that are not members of the same schemes, so as to obtain broader and more secure access to emerging and relatively close markets. Firstly, multilateral agreements to establish common markets in the CACM and in CARICOM, respectively, can be singled out. The Central American countries have recently signed a number of ambitious agreements with the countries of ALADI, of which those with Mexico and Chile are worth mentioning.<sup>28</sup> Thus, Costa Rica, the countries of the Northern Triangle and Nicaragua have signed free trade agreements with Mexico, which were clearly inspired by Mexico's experience in negotiating NAFTA. The agreement between Mexico and Nicaragua and Mexico and the Northern Triangle also recognises the differences in size and development of the economies, by including longer and more flexible periods in which to apply the tariff reduction and comply with trade liberalisation disciplines. In this spirit, Costa Rica and Canada signed a free trade agreement and Central American countries have taken the first steps toward signing a free trade agreement with the United States. Furthermore, as part of its opening-up policy, Costa Rica negotiated a free trade agreement with Trinidad and Tobago in 2001-2002. CARICOM regulations require approval from the Trade and Development Committee prior to the conclusion of any trade treaty between a member of said grouping and a non-member. As part of its liberalisation policy, Costa Rica signed a free trade agreement with CARICOM in 2003.

All these agreements can be referred to as "new generation" since they set ambitious goals for the liberalisation of mutual trade, and include modern trade disciplines such as the removal of non-tariff restrictions, rules of origin, dispute settlement, unfair trading practices and in many cases, complementary measures for the promotion and protection of mutual investments. However, in practice, the implementation of many of these agreements has proceeded much more slowly than expected, as a result of delays in the negotiation of individual liberalisation programmes. Their effect on trade has therefore remained limited.

---

<sup>28</sup> With regard to the characteristics of the agreements signed among ALADI countries and those of Central America and the Caribbean, respectively, it must be remembered that during the 1980s, some 30 bilateral agreements were signed under article 25 of the Treaty of Montevideo. These agreements differ from those concluded more recently, because they are strictly trade agreements which grant preferences to small positive lists of products, and which are conditioned by the presence of import quotas and specific enforcement periods. Owing to their nature, their trade impact has been very small. (ALADI, 1997).

At the same time, Venezuela<sup>29</sup> and Colombia<sup>30</sup> each signed agreements granting preferential treatment to imports from CARICOM, without demanding reciprocity. The CARICOM-Venezuela agreement (January 1993) was concluded under the classification of partial scope agreements formulated by ALADI for its members. The objective of the agreement was to allow CARICOM products to enter with reduced tariffs or without tariffs altogether. For its part, the agreement with Colombia (January 1995) granted unilateral preferences to CARICOM countries for a four-year period. According to the agreement, at the end of this period, the preferences become reciprocal for the more developed countries of CARICOM.

In early 1998, the Dominican Republic signed a preferential trade agreement with the Central American countries. In August of the same year, that country signed a framework agreement for the purpose of establishing free trade with the Caribbean Community. The agreement entered into force in 2001.

Cuba was also accepted as a full member of ALADI in August 1999. In addition, all ACS member states, with the sole exception of Cuba, are involved in negotiations for the establishment of the FTAA. Perhaps, to counteract the effects of its marginalisation from this hemispheric initiative, Cuba has lately been conducting intense negotiations, resulting in a growing number of preferential trade agreements with South American countries and those of the Caribbean basin.

Negotiations have not concluded and this is evident not only in the aforementioned agreements, but also in the principle governing the negotiation process between Central America and the United States, and in countries' participation in the negotiations for the Free Trade Area of the Americas, which should be completed in 2005.

---

<sup>29</sup> The Agreement on Trade and Investment between Venezuela and CARICOM was signed on 13 October 1992 in Caracas. This document provides for a liberalisation programme detailed in three annexes. These contain a list of 175 products that enjoyed immediate duty-free access, another list of 1,001 products subject to a gradual reduction in four phases of 25% each, and a third list including the products remaining from those to which the most favoured nation tariff applied. In subsequent years, it was observed that the countries receiving non-reciprocal preferences were hardly utilising them, and that they had focused mainly on the larger CARICOM states and on a few products that were enjoying competitiveness internationally in any event. At the same time, representatives of the Venezuelan business sector advocating reciprocal benefits from CARICOM countries became more vocal (Foreign Trade Institute, 1996).

<sup>30</sup> The agreement between Colombia and CARICOM was signed on 24 July 1994, and has similar provisions to the agreement between Venezuela and CARICOM. CARICOM exports to Colombia continue to be few, coming from a few countries in the community and limited to oil and some manufactured goods.

## **B. The recent evolution of trade policies**

In this section, comparative tables are presented for each of the sub-regional groupings. The main areas of convergence, as well as some divergences, can be observed among member states and among the different sub-regional schemes with regard to tariff and non-tariff policies. This will assist in an examination of the measures that affect imports in the countries of the region.

In order to organise the information, an attempt has been made to abstract the measures that follow legal, rather than commercial considerations, such as restrictions on the importation of weapons or narcotics. On the other hand, priority is given to measures that deal with strategic considerations, to protect sensitive sectors, avoid unfair trading practices, or generally achieve more favourable international insertion of the economies. It is considered significant that some countries in the region with a relatively higher level of economic development have begun to resort to contingency protection measures for imports from third countries as well as some from their integration partners, since the application of these measures requires a sophisticated legal and institutional structure.

### **1. The countries of the Caribbean Community (CARICOM)**

During the 1980s, CARICOM's common external tariff was reinforced by a number of non-tariff barriers, and played a markedly protectionist role. The tariffs were widely dispersed, as 16 tariff rates between 0% and 7% were applied, although most of them (approximately 96%) reached a maximum of 45%. In addition to tariff duties, imports entering CARICOM countries were subject to a number of rules, including stamp duty, customs charges and consumption taxes, most of which were higher than those applied to local products.

During the 1990s, the CARICOM trade regime was subjected to a number of revisions. The structure of CARICOM's common external tariff, which had been approved by member states at the end of 1992, provided for a five-year programme for the gradual reduction from its maximum level, which was 45%, to a range between 0% and 20%, with the exception of agricultural produce, which would continue to be subject to a duty of 40%. The common external tariff was more flexible in its application to the less developed countries of CARICOM. Goods are classified as those competing with national production and those not competing with national production. The goods competing with national production are those whose regional production satisfies at least 75% of the regional demand. Goods are

then classified as primary inputs, intermediate and capital inputs. The structure ranges from 0% to 5% for inputs not competing, 10% for primary inputs competing and for capital inputs, 15% for intermediate inputs competing and 20% for finished goods, with higher tariff rates for agricultural products.

Due to the difficulties encountered in implementing the agreed stages of the tariff reforms, the fourth and final stage initially scheduled for 1998, has not yet come into effect in all countries.<sup>31</sup> OECS member states and Suriname have been particularly affected by the loss of fiscal income as a result of reduced tariffs, while in the relatively more developed countries, some local industries are feeling the effects of the lower level of protection.<sup>32</sup> The structure of the new common external tariff is quite similar to that of the CACM, given that inputs and intermediate products not produced in the sub-region are exempt from tariffs, while maximum levels of protection are afforded to manufactures that compete with local production.<sup>33</sup>

In mid 2003, the CARICOM Secretariat noted that several member states were still applying tariffs, discriminatory charges and import licenses for community products.

### *Tariffs and related measures*

As at April 2003, ten economies have implemented phase IV of the common external tariff (Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St. Lucia, St. Vincent and the Grenadines and Trinidad and Tobago), since most of their tariffs fall within the limits of 5% and 25% (see table 27). Higher rates of up to 40% are applied to imported agricultural goods produced locally, in accordance with

<sup>31</sup> The completion of the customs union is governed by nine additional protocols to the Chaguaramas Convention. Protocol IV, governing the adaptation of trade policy, has been signed and provisionally put into effect by 11 member states, and is still pending ratification by Belize, Haiti, St. Kitts and Nevis and Suriname. In July 1997, Haiti was admitted as the fifteenth member of the Community, subsequent to which a CARICOM technical team carried out studies in an effort to propose a timetable for the incorporation of the country into the customs union. This work has already been completed and Haiti is due to ratify the Treaty soon.

<sup>32</sup> This limitation is particularly great in the case of the smaller states belonging to the Organisation of Eastern Caribbean States (OECS). Import tariffs, including customs duties, bring in approximately 20% of fiscal revenue for OECS countries altogether. However, several countries such as Jamaica and St. Lucia have managed to compensate for the reduction in taxes by reforming the direct taxation system and converting from non-tariff to tariff measures. (ECLAC 1999a and 1999b).

<sup>33</sup> With regard to the common external tariff, it must be taken into account that there are four exception lists that allow countries to apply different rates to the common tariff. List A includes tariff lines for which, under article 32 of the Annex to the Common Market, countries are allowed to suspend the application of the Common External Tariff for an indefinite period, subject to review by the CARICOM Council. The tariff rates applied are less than those of the Common External Tariff. List B, which is not operational according to the WTO, includes special concessions, under article 32 of the Annex to the Common Market, for OECS members and Belize, and allows them to raise their tariff in recognition of their particular development needs. Tariff rates are generally higher than those stipulated in the Common External Tariff. The CARICOM Council has agreed that minimal tariff rates be applied to the products outlined in List C. Countries individually apply the respective tariff rates. The products included are considered highly sensitive from the point of view of fiscal revenue (cigarettes and alcoholic drinks) and allows each country to set its own type of tariff, either specific or *ad valorem*. As a general rule, these products are subject to extremely high rates of duty. List D authorises OECS Member States and Belize to suspend the tariff for additional products, under article 32 of the Annex to the Common Market, and part III allows the less developed CARICOM countries to apply lower rates than the tariff on pharmaceuticals.

the special treatment provided for the sector in the common external tariff. This last level is notoriously lower than the consolidated maximum for the agricultural sector in the WTO, which is 100%. The simple average tariff will be about 10%, although effective protection can still achieve relatively high levels due to the marked phases in the tariff structure.

In the case of Antigua and Barbuda, tariffs for various products were consolidated to a rate exceeding that of 100%. These include beer, some alcoholic beverages, margarine and bananas. In Dominica, several tariff lines for agricultural products were consolidated to 150%. The products for which Dominica did not consolidate its tariffs are goods produced domestically. In the case of St. Lucia, two tariff lines to four digits were not consolidated. For several agricultural products, the tariff exceeds 100%. With respect to manufactured products, there are 200 exceptions to the consolidated tariff. For these products, the tariff bracket ranges from 73%-220%. In the case of St. Kitts and Nevis, some products were consolidated to rates falling within a bracket between 10% and 250%, with a 10-year implementation period for some products. In St. Vincent, there are exceptions to the consolidated tariff with a tariff bracket from 107%-250%. For manufactured products, there are more than two hundred tariff lines for which tariff rates exceed 50%.

Despite the progress made in applying the common external tariff, some countries still encounter obstacles to free trade. The CARICOM Secretariat also highlights additional barriers to intra-regional trade such as import duties and their equivalents, local taxes and other discriminatory fiscal charges and import licenses for intra-regional goods. With the exception of Suriname, which applies an export tariff on wood, export tariffs on community goods have been removed.

Table 28  
**COUNTRIES OF THE CARIBBEAN COMMUNITY (CARICOM):**  
**TARIFFS AND ASSOCIATED MEASURES THAT AFFECT IMPORTS**  
*(By percentage)*

Tariffs	Barbados	Guyana	Jamaica (1998)	Trinidad and Tobago (1998)	CARICOM (Average)
Structure	Phased	Phased	Phased	Phased	Phased
No. of ad valorem tariffs (2002)	HS <sup>b</sup> to six digits 1996	HS <sup>b</sup> to six digits 1996	HS <sup>b</sup> to six digits 1996	HS <sup>b</sup> to six digits 1996	Approximately 4 000
Average tariff (1999)	16.5 (2002)	10.6	10.9	9.1	10
Maximum tariff (2002)	20-40 applies the CET <sup>c</sup>	20-40 applies the CET <sup>c</sup>	20-40 applies the CET <sup>c</sup>	20-40 applies the CET <sup>c</sup>	20-40 12 of the 15 countries apply the CET <sup>c</sup>
Minimum tariff (1999)	5	5	0	5	5 (0 Jamaica)
Consolidated (% of lines)	98				< 100
Agricultural tariff (HS: 1-24) <sup>b</sup>					
Consolidated	100	100	100.0	100.0	100
Applied	30	40	40	40	40
Manufacturing tariff (HS: 25-97) <sup>b</sup>					
Consolidated	70	50	50	50	50-70
Applied	16.4	25	25	20-30	20-30
Tariff contingencies	Not reported until early 2002	Not reported	Not reported	Not reported	Not reported
Seasonal tariffs	Not applied	Not applied	Not applied	Not applied	Not applied
Special regimes			Duty free zones	For export industries and duty-free zones	Duty free zones (Trinidad and Tobago, Antigua and Barbuda, St. Lucia, St. Kitts and Nevis, St. Vincent and the Grenadines and Jamaica)
Tariff concessions	CARICOM and CARICOM-Colombia Agreements	CARICOM and CARICOM-Colombia Agreements	CARICOM and CARICOM-Colombia Agreements	CARICOM and CARICOM-Colombia Agreements	CARICOM and CARICOM-Colombia Agreements

Source: ECLAC, International Trade and Development Finance Division, based on: World Trade Organisation (WTO), Jamaica, Trinidad and Tobago, 1999; OECS Countries 2001 and Barbados 2002; WTO/GATT series. Examination of trade policies, Geneva; ACS Secretariat, Study on Obstacles to Trade by the Association of Caribbean States (ACS), third edition (ACS/99/Trade), Port of Spain, October 1999; and Finger J. Michael, Francis Ng and Isidro Soloaga, "Trade Policies in the Caribbean Countries: A Look at the Positive Agenda", Washington, D.C., June 1998, unpublished.

a OECS: Organisation of Eastern Caribbean States.

b HS: Harmonised System for the Designation and Codification of Goods. The WTO classification is used in its absence.

c CET: common external tariff.

d The others apply higher tariffs than the CET, through surcharges of up to 16% and charges for customs services of up to 5%.

Table 27 (continued)  
**COUNTRIES OF THE CARIBBEAN COMMUNITY (CARICOM):**  
**TARIFFS AND ASSOCIATED MEASURES THAT AFFECT IMPORTS**  
*(By percentage)*

Tariffs	Antigua and Barbuda (2001)	Dominica (2001)	Grenada (2001)	St. Lucia (2001)	St. Kitts and Nevis (2001)	St. Vincent and the Grenadines (2001)
Structure	Phased	Phased	Phased	Phased	Phased	Phased
No. of ad valorem tariffs	4077	6333	6334	6368	6330	6237
Average tariff	14.5	13.1	11.2	10.1	11.5	14.9
Maximum tariff	70	200	40	70	70	40
Minimum tariff	0	0	0	0	0	0
Consolidated (% of lines)	100	>100	100	98	100	100
Agricultural tariff (WTO) <sup>b</sup>						
Consolidated	100	100	100	100	100	100
Applied	19.6	22.9	21.0	20.6	14.2	24.6
Manufacturing tariff (WTO) <sup>b</sup>						
Consolidated	50	50	50	50	70	50
Applied	14.5	12.5	10.5	9.4	11.4	10.1
Tariff contingencies	Not applied	Not applied	Not applied	Not applied	Not applied	Not applied
Seasonal tariffs	Not applied	Not applied	Not applied	Not applied	Not applied	Not applied
Special regimes	Temporary concessions regime Duty Free Zones			Duty Free Zones	Duty Free Zones	Duty Free Zones
Tariff concessions	CARICOM and CARICOM-Colombia Agreements Law on tax incentives (1974) Law on Hotel Aid Law for companies (1982)	CARICOM and CARICOM-Colombia Agreements Law on Hotels (1991) Law on tax incentives (1973)	CARICOM and CARICOM-Colombia Agreements Selective incentive schemes Law on tax incentives (1974) Law on Hotel Aid (1954)	CARICOM and CARICOM-Colombia Agreements Selective incentive schemes Law on tax incentives (1974) Law on Incentives for Hotels (1996)	CARICOM and CARICOM-Colombia Agreements Selective incentive schemes Law on tax incentives (1974) Law on Incentives for Hotels (1996)	CARICOM and CARICOM-Colombia Agreements Selective incentive schemes Law on tax incentives (1982, 1987) Law on Hotel Aid (1988)

Source: ECLAC, International Trade and Development Finance Division, based on: World Trade Organisation (WTO), Jamaica, Trinidad and Tobago, 1999; OECS Countries 2001 and Barbados 2002; WTO/GATT series. Examination of trade policies, Geneva; ACS Secretariat, Study on Obstacles to Trade by the Association of Caribbean States (ACS), third edition (ACS/99/Trade), Port of Spain, October 1999; and Finger J. Michael, Francis Ng and Isidro Soloaga, "Trade Policies in the Caribbean Countries: A Look at the Positive Agenda", Washington, D.C., June 1998, unpublished.

a OECS: Organisation of Eastern Caribbean States.

b HS: Harmonised System for the Designation and Codification of Goods. The WTO classification is used in its absence.

c CET: common external tariff.

d The others apply higher tariffs than the CET, through surcharges of up to 16% and charges for customs services of up to 5%.

Furthermore, countries' tariff policies do not provide for the application of tariff contingencies or seasonal tariffs, while special regimes and tariff concessions are limited to the importation of inputs and capital goods for export industries and duty-free zones, and to the few integration agreements signed by countries.<sup>34</sup>

However, the trade policy of CARICOM countries differs clearly from that of South American countries in the preferential treatment given to some agricultural products, which continue to receive additional protection under minimum price programmes, variable duties in some cases, licenses, import quotas and bans. Almost every country employs one or more of these mechanisms to control, limit or prevent the importation of a set of products from the basic food basket competing with local production. These are products such as sugar, rice, edible oils<sup>35</sup>, peanuts, meats and poultry, which can thus receive strong protection, which can also be extended to imports from CARICOM itself (see table 28). In this regard, the measures applied to the importation of certain agricultural items are quite similar to those used by some Central American countries that offer discretionary protection to a sector, which has social implications as a result of the prevalence of subsistence agriculture. Reasons of food security also seem to influence the decision to protect some crops (edible oils, milk, corn, rice) in Caribbean countries. Countries also have measures to restrict imports from other countries within the community.<sup>36</sup>

The use of these measures is partly a response to the fact that countries have hardly used *antidumping* measures, countervailing duties and safeguards, although there are community rules in these areas.<sup>37</sup> In fact, only two of the countries have a modern regime of antidumping measures, and these were used only once, by Barbados. The continued application of licenses, quotas and variable tariffs to imports, and the absence of contingency protection measures are proof that there is a need to continue modernising trade policies.<sup>38</sup>

---

<sup>34</sup> The last report on Barbados' trade policy (2002) indicates that the authorities planned on introducing tariff contingencies during the first quarter of 2002.

<sup>35</sup> Since its inception, the Community has had a special regime for edible oils, to protect local copra production. Members can exclude these imports from free trade commitments.

<sup>36</sup> The Chaguaramas Treaty, which was the founding instrument of CARICOM, stipulates a regime of safeguards that countries can invoke with regard to imports from other member states. Article 28 of the Common Market Annex allows a member state to introduce quantitative restrictions in order to protect its balance of payments. Article 29 also allows this if an industry is suffering serious difficulties caused by a substantially reduced local demand or increased imports from other member states, as a result of the establishment of the Common Market. Finally, section 3.1 of article 56 stipulates special safeguards that favour less advanced countries. There is no information on the recent use of these measures. Protocol VIII on rules governing competition, *dumping* and subsidies amends the original Treaty, by redefining these issues. It was signed by 11 member states, which stated that they would be provisionally applied.

<sup>37</sup> See previous note.

<sup>38</sup> With respect to the latter, a World Bank publication at the end of the nineties states that CARICOM trade policies, as they are currently configured, do not lead to increased productivity, but instead protect particular interests. The publication criticises, in particular, the high level and great dispersion of tariffs and the considerable use of quantitative restrictions and discretionary licenses. It further states that countries can achieve significant liberalisation by removing non-tariff barriers without losing fiscal revenue (Finger, Ng and Soloaga, 1998, pp. iii and iv).



Table 29  
**COUNTRIES OF THE CARIBBEAN COMMUNITY (CARICOM): NON-TARIFF MEASURES THAT AFFECT IMPORTS**

Type of measures	Barbados	Guyana	Jamaica	Trinidad and Tobago
<b>PRICE CONTROL</b>				
Minimum prices	Price bands: dairy, sugar, cornmeal, rice, edible oil	Not reported	Not reported	Only sugar (domestic market)
Variable duties	Import charges resulting from the introduction of tariffs must be removed	Not reported	Not reported	There are charges on 15 agricultural items produced locally (75% on refined sugar)
Antidumping measures and countervailing duties	The WTO has not been notified of the measures adopted through resolutions on antidumping rights or countervailing duties	Has no regime	Is adapting the existing regime to the WTO <sup>9</sup> . Never applied	Law of 1995. Applied only once ( <i>cheddar</i> cheese from New Zealand)
Safeguards	Barbados has not enacted any legislation on safeguards	Not reported	There is no law. Never applied	Not applied
Quantitative control measures	Not applied	Not applied	Not applied	Not applied
Automatic licenses		24 categories of products, from any origin (agricultural and phytosanitary limitations)		
Non-automatic licenses	From CARICOM: 24 (agricultural products). From other countries: 25 (agricultural products and vehicles)	For petroleum and agricultural products	Licenses (39) for dairy, vehicles and chemicals	From CARICOM: 26 (agricultural). Also for products on CARICOM's negative list
Import quotas	Apples, rice, sugar, canned fruits, rice, peanuts, chewing gum, all to protect local production	No	No	Only for livestock
Banned imports	Citrus, green bananas, copra, corn, apparently for phytosanitary reasons	Only those for safety reasons (not significant)	Sugar (with license)	Not significant
Import contingencies	See: import quotas	See: import quotas	See: import quotas	See: import quotas

Source: ECLAC, International Trade and Development Finance Division based on the ACS Secretariat, *Study on Obstacles to Trade by the Association of Caribbean States (ACS)*, third edition (ACS/99/Trade), Port of Spain, October 1999; and Michael Finger, Francis Ng and Isidro Soloaga, "Trade Policies in the Caribbean Countries: A Look at the Positive Agenda", Washington, D.C., June 1998, unpublished. World Trade Organisation (WTO), *Jamaica, 1999; Trinidad and Tobago, 1999; Barbados 2002* and OECS Member Countries, 2001, WTO/GATT series, Examination of trade policies, Geneva.

<sup>9</sup>OECS: Organisation of Eastern Caribbean States.

Table 28 (continued)  
**COUNTRIES OF THE CARIBBEAN COMMUNITY (CARICOM):**  
**NON-TARIFF MEASURES THAT AFFECT IMPORTS**

Type of measures	Antigua and Barbuda	Dominica	Grenada	St. Lucia	St. Kitts and Nevis	St. Vincent and the Grenadines
<b>PRICE CONTROL</b>						
Minimum prices	Price controls are applied to a set of products in accordance with the 1967 Price Control Order	Applied to 43 products including construction materials, food, petroleum by-products and cement	Price controls are applied to a series of products including food, pharmaceuticals and clothing	Not reported	Price controls are applied to many products including foodstuff, manufactured products and fuel	There are price controls for a hundred products including food, pharmaceuticals, motor vehicles and petroleum
Variable duties	Not reported	Not reported	Not reported	Not reported	Not reported	Not reported
Antidumping measures and countervailing duties	There is no regime for antidumping or countervailing duties	There is legislation. Not applied	There is legislation. Not applied	There is legislation. Not applied since St. Lucia is a member of the WTO (1995)	There is legislation. Not applied	There is legislation. Was applied in 1999
Safeguards	There is no safeguards regime	There is no legislation	There is no legislation. Such measures can be applied under Article 29 of the CARICOM Treaty	There is no legislation, but such measures have been applied under Article 29 of the CARICOM Treaty in the case of one product	There is no legislation. Such measures can be applied under Article 29 of the CARICOM Treaty	There is no legislation. Such measures can be applied under Article 29 of the CARICOM Treaty
Quantitative control measures	There is quantitative control on several agricultural imports	Applied on the basis of Article 56 of CARICOM and on health, safety and environmental considerations	Import controls are applied to a series of agricultural products. Some controls are applied on the basis of Article 56 of CARICOM. Controls have also been established for health, safety and environmental reasons	Applied on the basis of Article 56 of CARICOM and on health, safety and environmental considerations	Applied on the basis of Article 56 of CARICOM. There are quantitative restrictions for several products	Quantitative restrictions are applied on the basis of Article 56 of CARICOM, to products originating from non-OECS member countries with the exception of Belize
Automatic licenses	There are license requirements for a variety of products. Some of these require a license when the product is imported from a non-OECS country	There are three groups of goods subject to licenses: goods imported from non-CARICOM member countries; goods imported from non-OECS member countries, with the exception of Belize; and finally, goods subject to price controls also require licenses	Automatic licenses are applied to products for which there is no quantitative restriction	Licenses are required for a number of products: those originating from non-CARICOM member countries; goods coming from OECS and CARICOM member countries, as well as products originating from CARICOM member countries and non-OECS members	Licenses are required for a number of products originating from non-CARICOM member countries and for goods coming from non-OECS members, with the exception of Belize	Import licenses are required for a series of products originating from non-CARICOM member countries
Non-automatic licenses	Applied under Article 56 of CARICOM	Not applied since 2001	Applied to several products subject to quantitative restrictions and originating from non-CARICOM member countries and from the more developed CARICOM countries	Applied among others, to products coming from CARICOM countries and which are subject to import restrictions	Applied in some cases depending on demand conditions and production	Applied to several products originating from non-OECS member countries, with the exception of Belize, and depend on the availability of import quotas
Import quotas	Applied outside of CARICOM, to selected products depending on demand conditions and production	Not applied	Applied depending on demand conditions and production	Applied in some cases depending on demand conditions and production	Applied in some cases depending on demand conditions and production	Safeguards are applied under the type of import quotas in the case of two products
Banned imports	Prohibitions are applied to several products for health, safety and environmental reasons	Prohibitions are applied to several products for health, safety and environmental reasons	Prohibitions are applied to several products for health, safety and environmental reasons. Prohibitions are also applied to the import of several species of fish	Prohibitions are applied to several products for health, safety and environmental reasons	Prohibitions are applied to several products for health, safety and environmental reasons	The importation of several products is prohibited for health, safety and environmental reasons. Also prohibited is the importation of jet skis and aquatic bicycles
Import contingencies						

Source: ECLAC, International Trade and Development Finance Division based on the ACS Secretariat, *Study on Obstacles to Trade by the Association of Caribbean States (ACS)*, third edition (ACS/99/Trade), Port of Spain, October 1999; and Michael Finger, Francis Ng and Isidro Soloaga, "Trade Policies in the Caribbean Countries: A Look at the Positive Agenda", Washington, D.C., June 1998, unpublished. World Trade Organisation (WTO), *Jamaica, 1999; Trinidad and Tobago, 1999; Barbados 2002 and OECS Member Countries, 2001*, WTO/GATT series, Examination of trade policies, Geneva.

<sup>1</sup> OECS: Organisation of Eastern Caribbean States.

<sup>2</sup> St. Kitts and Nevis has also indicated that it reserves the right to use provisional safeguard measures under article 6 of the Agreement on textiles.

<sup>3</sup> The quantitative controls outlined in article 56 are permitted until 2005.

### *Recent events*

As suggested earlier, from 1997, CARICOM drafted a number of protocols to amend the Chaguaramas Treaty that created the Community. By applying some of these, countries will become much more open to trade and investment from other members of the Community. Protocol II, on which the most progress has been made, will allow citizens of CARICOM member states to set up businesses, provide services and mobilise capital without restrictions in the sub-region. Greater integration of factor markets, which will probably accompany the application of this Protocol, will facilitate greater resource allocation in the Caribbean and strengthen the ability of countries to absorb external impacts and respond to them more effectively. Other protocols that could have important consequences for trade and investment in the sub-region are Protocol III on industrial policy, Protocol IV on trade policy, Protocol V on agricultural policy, Protocol VII on disadvantaged countries, regions and sectors, Protocol VIII on rules of competition, *dumping* and subsidies, and Protocol IX on dispute settlement. These can all contribute to the trade policy of the Community and have a positive impact on its external policies, as they come into effect.<sup>39</sup>

The small CARICOM states that make up the OECS have advanced much more slowly toward putting trade reforms into effect. OECS members fear that opening their economies further could jeopardise the survival of the few industries that they have. Moreover, the taxation system of the OECS states still depends on indirect taxation to a large extent, particularly as it applies to international trade and transactions, which in 2001, represented 45% of revenue.

At their 21<sup>st</sup> meeting (St. Vincent and the Grenadines, 2 to 5 July 2000), CARICOM Heads of State affirmed that the basic legal framework for the CARICOM single market would be ready by the end of 2000, with this deadline being extended to 2005, when all the protocols would be incorporated into the revised treaty. They also resolved that within this time frame, all member states would sign the agreement to set up the Caribbean Court of Justice. With regard to FTAA negotiations, the Heads confirmed that it was important to continue presenting a unified position through the Regional Negotiating Machinery, and to ensure that the favourable treatment currently being enjoyed by Caribbean countries would not be diluted. This mechanism is unique to the hemisphere, and by bringing together the region's scarce resources, it has become a highly useful instrument for achieving better results in trade negotiations with third parties, as occurred in the case of the Cotonou Agreement (see next chapter).

---

<sup>39</sup> Recent information indicates that Protocol II has been signed by all member states and is being provisionally applied. This includes the negotiation of realistic programmes for the removal of restrictions for which notice was given. Protocol IV was signed by 13 member states and is also being provisionally applied. The status of the other protocols mentioned is similar. They have been signed by most member states, and are being provisionally applied.

CARICOM's Annual Conference took place from 3 to 6 July 2001 in Nassau, Bahamas. The Heads of State reiterated their continued support for the objectives of the ACS, and the importance that the Community attaches to the ACS as a geopolitical entity and a means toward functional cooperation in the Caribbean. They congratulated the different bodies that collaborated on the revision of the Chaguaramas Treaty, which now includes the nine Protocols, providing for the free movement of persons, capital and services, and the right of establishment. They also made a commitment to adjust the respective national legislation to the community's new legal framework.

During the 13<sup>th</sup> annual meeting of CARICOM Heads of State (Guyana, July 3-5, 2002), Haiti deposited its instrument of adhesion for its membership in CARICOM and the Cayman Islands became the fourth associate member of CARICOM. The Heads agreed to take the necessary measures to launch the Caribbean Court of Justice in 2003. The most recent problems encountered by CARICOM focus on the adjustment of regional mechanisms to deal with the economic deceleration being experienced in the region, due in great part to the stagnation of the tourism sector.

During the 14<sup>th</sup> Intersessional Meeting of CARICOM Heads of State (February 14-15, 2003), the leaders acknowledged 2005 as the deadline to establish the Common Market and Economy, which would coincide with the awaited entry into force of the Free Trade Area of the Americas. They addressed among other matters, the benefits to be derived from the Caribbean Court of Justice, the issue of regional revitalisation through the establishment of the stabilising fund and regional economic transformation, in addition to the possible negative consequences of suppressing or reducing the preferences granted by the sugar protocol and the preferential agreements concerning sugar for CARICOM exports.

In short, three predominant interests can be observed among CARICOM states: working toward deepening the integration process, broadening said process and better utilising the negotiating power of the Regional Negotiating Machinery. The different priorities of individual countries are influenced by their differing perceptions of the possibilities offered by globalisation and the opening-up of markets, thus resulting in the single market and economy agreements being applied at differing rates.

## **2. The countries of the Central American Common Market (CACM)**

The Secretariat for Central American Economic Integration (SIECA) has defined integration in Central America as a process on the boundary between a perfected free trade area and an imperfect

customs union. In principle, free trade applies to goods originating in the grouping, but there are still important tariff and non-tariff barriers in effect.

### *Tariffs and associated measures*

When the customs union was formed, member states agreed to put into effect a common external tariff and liberalise mutual trade. As occurred in other sub-regional integration schemes during the early nineties, the Central American integration agreement was successful in setting up a customs union among its members and consequently reactivating intra-sub-regional trade. In mid 1993, the new Central American Tariff System (SAC) was approved. Its definitive structure provides for a zero rating to be applied to capital goods and raw materials, 5% to intermediate goods not produced in the region, and 10% for intermediate goods and capital goods produced and a maximum of 15% for finished goods (see table 29). Subsequent to this, the countries decided to adopt individual timetables for the reduction of tariffs, with the objective of coming up with a common external tariff by the end of 2000.

However, these efforts dissipated in the second half of the decade, and there were delays in national programmes for fiscal reasons (Costa Rica), or because some countries continued to apply surcharges. Consequently, countries proceeded to reduce tariffs according to different timetables, not only in terms of the pace at which this was done, but also targeted floors and ceilings. In addition, Guatemala and El Salvador were authorised to apply a different tariff reduction timetable for textiles, garments, footwear and tyres, focusing on reaching the targeted import tariff duty by 2005 and 2002, respectively (5% for threads; 10% for fabrics; 15% for clothing, footwear and tyres).

Excluding the aforementioned exceptions and the products subject to tariffs as a result of the commitments of the Uruguay Round,<sup>40</sup> all Central American countries through varying tariff reduction timetables, have accomplished the goals established (a minimum of 0% and a maximum of 15%). The last country to establish goals was Honduras, who adopted the 15% tariff ceiling on finished products from December 2000 and 0% on capital goods not produced in the region from the first quarter of 2002.

---

<sup>40</sup> The second and third protocol to the Central American Tariff and Customs Convention allow a tariff exceeding 100% for those agricultural products subject to tariffs. Costa Rica will consolidate its tariff scheme for agricultural products to a maximum of 45% from a basic tariff of 55%. This reduction began in 1995 and will end in 2004. El Salvador ratified the consolidation in force since 1995 for agricultural products at 40%. Guatemala will consolidate tariff duties on agricultural products to a rate of 40% down from 45%. This consolidation will take effect in 2004. In like fashion, Nicaragua consolidated its tariff sphere to a rate of 40% from 2004. This reduction commenced in 1995 from a maximum of 60%. Finally, Honduras pledged to consolidate its tariffs in the negotiations for WTO membership. These focus on adopting a tariff duty of 35% from 1995.

Nicaragua also fixed its tariff ceiling to 15% for finished products once the temporary protection tariff was removed for intermediate and capital goods not produced in Central America.<sup>41</sup>

However, it must be remembered that Central American countries do not always apply the same customs code that undermines the Central American Customs Union. This means that the same product can be subject to varying tariff rates in the different countries of the region. Guatemala and El Salvador apply the CAUCA III (2000 and 2002, respectively); Costa Rica and Nicaragua employ the CAUCA II (1993); Honduras applies its national legislation. However, developments have been made in establishing tariff uniformity. In December 2002, the Central American Tariffs and Customs Council approved the Regulations of the Uniform Central American Customs Code III (RECAUCA).

The implementation of the common external tariff has been accompanied by progressive improvements to free trade among Central American countries. The list of products for which there is no free trade is included in Annex A of the Central American tariff code. To date, the following are the products originating in the region for which there is no free trade for the five Central American countries: unroasted coffee and cane sugar. Bilateral restrictions have been imposed on the trade of roasted coffee, ethyl alcohol, petroleum by-products and distilled alcoholic beverages.<sup>42</sup>

Nevertheless, owing partly to disagreements among countries, on occasion, specific tariff and non-tariff barriers have been imposed on “sensitive” products among countries. For example, El Salvador prohibited imports of dairy products and their derivatives pursuant to health measures. In 1999, Nicaragua imposed a provisional *ad-valorem* antidumping duty equivalent to 46%, on the CIF value, for a four-month period, on imports of candies from Honduras. In addition, in 2002, Nicaragua imposed a 35% tariff on goods originating in Honduras. In 2003, El Salvador, Guatemala, Honduras and Nicaragua continued to apply measures against intra-regional trade.<sup>43</sup> With respect to safeguards, the Central American Common Market prohibits the application of safeguard measures whether bilateral or global, among its members.<sup>44</sup>

---

<sup>41</sup> Presidency of the Republic of Nicaragua. Decree No. 051-2001 (April 2001). Modification of import tariff duties (ITD) and removal of the Temporary Protection Tariff (TPT) for intermediate and capital goods not produced in Central America. According to SIECA (2003), the Central American tariff has harmonised 77% of the headings included in Part 1 of the Tariff.

<sup>42</sup> In 1999, oil was removed from Annex A of the Economic Integration Treaty. Special bilateral regimes were set up for trading the four aforementioned products. See Resolution No. 44-99 (COMIECO-XIII, September, 1999). COMIECO is the Council of Economic Integration Ministers responsible for the coordination, harmonisation, convergence and unification of the tariff policies of the CACM. See Status of the Situation Concerning Central American Integration as at March 2003. SIECA. ([www.sieca.org.gt](http://www.sieca.org.gt)).

<sup>43</sup> See the document on measures against free trade (May 5, 2003) published by Central American countries. See Web page of the Ministry of Foreign Trade of Costa Rica ([www.comex.go.cr](http://www.comex.go.cr)).

<sup>44</sup> However, Costa Rica introduced special safeguard measures in 1999, which were still in effect in 2000. These measures affect agricultural products; black beans, husked rice (brown) and semi bleached or polished rice. The WTO was notified of these measures (G/AG/N/CRI/11, October 2000). Nicaragua also implemented safeguards in 1999, raising tariffs on imports of yellow rice to 30%, husked rice from WTO members and non-members to 35% and 45%, respectively, golden rice from WTO members to 45% and sorghum to 30%. In May 2000,

As regards regional norms, a series of Central American regulations has been adopted and adjusts said norms to the multilateral trade rules of the WTO. These include the Central American regulation on standardisation measures, metrology and procedures (1999); the regulation on sanitary and phytosanitary measures and procedures (1999); the Central American regulation on the origin of goods (1998); the Central American regulation on unfair trade practices (1995); and the Central American regulation on safeguard measures (1996). Today, the Protocol to the Central American Convention for the Protection of Industrial Property (Trademarks, Commercial Names and Advertising Expressions or Symbols) prepared in 1999 and which replaces the Central American Convention for the Protection of Industrial Property (Inventions and Industrial Designs) (1998) is in the process of being ratified.

As indicated in table 29, the maximum tariff applicable in the five countries coincides with the appropriate exceptions and with the ceiling agreed to for the common external tariff (15%). They have also consolidated their maximum tariffs with the WTO between 35% and 45%, although in Costa Rica and Guatemala, these maximum tariffs will take effect in 2004.

The opening-up of Central American economies is also evident in the removal or simplification of other measures linked to tariffs affecting imports, such as tariff contingencies, seasonal tariffs, and special regimes. Central American countries apply tariff contingencies to a few agricultural products, either because they occupy an important place in the basic food basket of the population or because they are exposed to intense foreign competition, as in the case of beef and poultry, wheat, corn, sugar, rice, oil, dairy products and beans. None of these five countries applies seasonal tariffs, while special regimes involving tariff reduction or exemption are applied to imported inputs and capital goods for export industries and duty-free zones. As in other integration schemes, tariff concessions usually concentrate on treatment granted to countries with which integration agreements have been concluded. However, in the case of Central America, these concessions are less widespread than in South American countries.

---

tariffs on husked rice originating in WTO members and non-members changed to 55% and 65%, respectively (Ministerial Agreement No.026-2000).

Table 30  
**COUNTRIES OF THE CENTRAL AMERICAN COMMON MARKET (CACM): TARIFFS AND ASSOCIATED MEASURES THAT AFFECT IMPORTS**  
*(By percentage)*

Tariffs	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua (1998)	CACM (averages)
Structure	Phased	Phased	Phased	Phased	Phased	Phased
N <sup>o</sup> of ad valorem tariffs	7926	5 989	5978	5 913	6 235	5 971
Average tariff	7.2	7.4	6.9	7.1	5.1	6.7
Maximum tariff	15 (180)	15 (40)	15 (40)	15 (70)	15 (30,50,55,190) <sup>a</sup>	78.2
Minimum tariff	0	0	0	0	0	0
Consolidated (% of lines)	100					< 100
Agricultural tariff (HS: 1-24) <sup>b</sup>						
Consolidated	45 (in 2004)	47	40	....	40 (2004)	45
Applied	9.8 (CIU)	12	10.2	....	....	15
Manufactures tariff (HS: 25-97) <sup>b</sup>						
Consolidated	45 (2004)	37	40(2004)	35	40	39.4
Applied	6.8 (CIU)	6.7	16.0	....	....	10
Measures linked to tariffs						
Tariff contingencies	Yes, only for products with minimum access committed	Cheese	Meats, apples, wheat and wheat flour, corn, rice, sugar	Does not apply	Corn, meats, milk, beans, rice, sorghum, oil, sugar	Some agricultural products. Nicaragua and Guatemala
Seasonal tariffs	Not applied	Not applied	Not applied	Not applied	Not applied	Not applied
Special regimes	Exemption from tariffs and temporary tax relief for duty-free zones	Exemption from tariffs and temporary tax relief for duty-free zones	Exemption from tariffs and temporary tax relief for duty-free zones	Exemption from tariffs and permanent tax relief for duty-free zones	Tariff concessions for the importation of inputs and capital goods for export industries and duty-free zones	Exemption from tariffs and temporary tax relief for duty-free zones
Tariff concessions	CACM <sup>c</sup> , Mexico Agreements	CACM <sup>c</sup> , Agreements	CACM <sup>c</sup> , Agreements	CACM <sup>c</sup> , Agreements	CACM <sup>c</sup> , Mexico and Panama Agreements	CACM. <sup>c</sup> Agreements Costa Rica and Nicaragua have agreements with Mexico

Source: ECLAC, International Trade and Development Finance Division, based on: World Trade Organisation (WTO), *Costa Rica 1995 and 2001; El Salvador 1997 and 2003; Guatemala 2001 and Nicaragua 1999*, WTO/GATT series, Examination of trade policies, Geneva, Inter-American Development Bank (IDB) "Tariff statistics" (<http://www.iadb.org>); ACS Secretariat, *Study on Obstacles to Trade by the Association of Caribbean States* (ACS), third edition (ACS/99/Trade), Port of Spain, October 1999; and Finger J. Michael, Francis Ng and Isidro Soloaga, "Trade Policies in the Caribbean Countries: A Look at the Positive Agenda", Washington, D.C., June 1998, unpublished.

<sup>a</sup> Nicaragua concluded its convergence programme in July 1999. It is authorised to temporarily apply lower tariffs to goods not produced in the country. It will also apply up to 2001, temporary surcharges of up to 20% in 33 positions with domestic production (16% of the universe).

<sup>b</sup> HS: Harmonised System for the Designation and Codification of Goods. The figures refer to the interval of the corresponding headings.

<sup>c</sup> CACM: Central American Common Market.



*Minimum prices and variable duties*

In the CACM, the related laws and practices followed have been simplified in recent years. Minimum prices are hardly used, except in Honduras, where they are still in effect as part of the system of price bands for agricultural products. Costa Rica applies a minimum price only to bananas and non-industrialised wood. Guatemala applies minimum prices to motor vehicles, used clothing, poultry parts and wheat. At the same time, no country reports the use of variable duties, although they are probably applied under the price bands system mentioned above (see table 30).

*Antidumping measures and countervailing duties and safeguards*

The CACM also has two common regulations. One deals with measures to counteract unfair trading practices, and the other with the application of safeguard measures. Both regulations are legally in force in the five countries, but only Nicaragua and El Salvador seem to have used them on a few occasions. Countries also apply the regulations of the WTO Agreements on Subsidies and Countervailing Measures and Safeguards.

*Quantitative control measures*

None of the five member states applies automatic licenses or import quotas. Non-automatic licenses can be invoked for products not yet subject to the Central American free trade regime.

Table 31  
**COUNTRIES OF THE CENTRAL AMERICAN COMMON MARKET (CACM)  
 NON-TARIFF MEASURES THAT AFFECT IMPORTS**

Type of measures	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua
Price Controls					
Minimum prices	Not reported	Not applied	Not applied	Products included in the price band system	Not applied
Variable duties	Not reported	Not reported	Not reported	Not reported	Not reported
Antidumping measures and countervailing duties	Governed by the Central American Regulation on Unfair Trading Practices <sup>a</sup>	Governed by the Central American Regulation on Unfair Trading Practices <sup>a</sup>	Governed by the Central American Regulation on Unfair Trading Practices <sup>a</sup>	Governed by the Central American Regulation on Unfair Trading Practices <sup>a</sup>	Governed by the Central American Regulation on Unfair Trading Practices <sup>a</sup>
Safeguards	Governed by the Central American Regulation on Safeguard Measures	Governed by the Central American Regulation on Safeguard Measures	Governed by the Central American Regulation on Safeguard Measures	Governed by the Central American Regulation on Safeguard Measures	Governed by the Central American Regulation on Safeguard Measures
Quantitative control measures	Not applied	Not applied	Not applied	Not applied	Not applied
Automatic licenses	Not applied. The only import licensing system is that related to managing tariff contingencies	Not applied. The only import licensing system is that related to managing tariff contingencies	Not applied	Not applied	Not applied
Non-automatic licenses	Only for managing the minimum access commitments for certain agricultural products	Licenses are required for a limited number of products subject to import controls in the Central American Common Market	Not applied	Not applied	Sugar from all origins and wheat flour and ethyl alcohol from the CACM
Import quotas	Not applied	Not applied	Not applied	Not applied	Only in the Agricultural Agreement
Banned imports	For health, safety and phytosanitary reasons (not significant)	For health, safety and phytosanitary reasons (not significant)	For health, safety and phytosanitary reasons (not significant)	For health, safety and phytosanitary reasons (not significant)	For health, safety and phytosanitary reasons (not significant)
Import contingencies	See tariff contingencies	See tariff contingencies	See tariff contingencies	See tariff contingencies	See tariff contingencies

Source: ECLAC, International Trade and Development Finance Division, based on: World Trade Organisation (WTO), *Costa Rica 1995 and 2001; El Salvador 1997 and 2003; Guatemala 2001 and Nicaragua, 1999; WTO/GATT series, Examination of trade policies*, Geneva; ACS Secretariat, *Study on Obstacles to Trade by the Association of Caribbean States (ACS)*, third edition (ACS/99/Trade), Port of Spain, October 1999; and Michael Finger, Francis Ng and Isidro Soloaga, "Trade Policies in the Caribbean Countries: A Look at the Positive Agenda", Washington, D.C., June 1998, unpublished.

<sup>a</sup> No country applies antidumping measures and countervailing duties, except Nicaragua, which began an investigation in July 1988 on construction steel from Costa Rica. In the case of El Salvador, its legislation incorporates the agreement on the implementation of Article VI of the GATT and the agreement on subsidies and countervailing duties.

<sup>b</sup> Nicaragua applies safeguards to 24 positions, including coffee, sugar, corn meal, beer and tobacco. El Salvador also applies the legislation of the WTO agreement on safeguards. El Salvador has begun three investigations on safeguards in the framework of the Central American regulation.

### *Recent events*

On 2 May 2000, the Presidents of the countries that make up the Central American Northern Triangle (El Salvador, Guatemala and Honduras) signed a Tri-national Declaration and a plan of action for perfecting the customs union formed by the three countries. Through these instruments they agreed to the immediate consolidation of their tariffs where third parties are concerned, the joint application of the regional safeguard clause on items for which tariffs are consolidated and prompt identification and removal of non-tariff barriers affecting mutual trade. They also agreed to sign a services treaty in the near future, adopt measures for the promotion and protection of reciprocal investments and establish a dispute settlement mechanism.

Differences among the countries as to the orientation of their trade policies and their corresponding commitment to the integration process, have led some countries to decide to proceed with the creation of the customs union, as indicated by the formation of a bilateral customs union between El Salvador and Guatemala. Both signatories to this agreement pledged to adopt a single tariff and also agreed on the removal of customs between the two countries, and will also negotiate as a single trading partner with third parties. Recently, Honduras and Nicaragua, followed by Costa Rica, joined this union, however, Nicaragua must deposit the consensus for the customs union. Simultaneously with the process of the customs union, it was also established that the safeguards referred to in Article 26 of the Central American Tariffs and Customs Convention would be applied only as a whole. As previously indicated, to date, the Central American Tariff has harmonised approximately 77% of the tariff scheme in Part I. Part II consists of 1,393 items representing 23% of the tariff scheme.<sup>45</sup> The items that are still to be harmonised can be found in Parts III and II “B”.<sup>46</sup> According to the Central American plan of action (March 24, 2002), all items should be harmonised by the end of 2003. The customs union is pursuing the free trade of goods and services, the adoption of a common external tariff, a customs administration and common trade policy, uniform trade regulations, in addition to a mechanism to collect, manage and distribute tax revenue among its respective members. As mentioned earlier, Central American countries approved the adoption of the Central American Customs Code (CAUCA, June 2002). The Code and its respective regulation (RECAUCA) have come into effect for El Salvador, Guatemala and Nicaragua.

During the 2001-2002 biennium, countries made progress in improving the Central American common market. In October 2001, the Council of Ministers for Economic Integration in Central America

---

<sup>45</sup> With respect to Part II, a SIECA study (2003) states: “If the items for which a tariff target has been fixed are removed from this number (23% of the entire tariff scheme that makes up Part II), to which three countries are applying a tax reduction programme in order to reach this target, the number of items would drop to 580, which represents a 10% reduction of Part II.

<sup>46</sup> These refer to the items that are not harmonised in terms of their tariff codes, their nomenclatures and tariff duties on imports.

agreed to publish the measures that hinder free trade within the region. Central American countries concluded negotiations on the Treaty on Investment and Trade in Services among the Countries of Central America (March 2002), which allows the trade in services to be added to the norms governing free trade in that region. Headway was also made in negotiations to approve the Central American Treaty on the Settlement of Trade Disputes. In this respect, the countries signed (February 27, 2002) an amendment to article 35 of the Tegucigalpa Protocol, which stipulates that differences arising in countries within the Economic Integration Sub-System are subject to a dispute settlement mechanism. The Council of Ministers for Integration creates this mechanism and its decisions are binding for the countries involved. The amendment to article 35 of the Tegucigalpa Protocol came into force in Costa Rica, El Salvador and Guatemala and is expected to come into effect for Honduras and Nicaragua. Both countries must deposit their instruments of ratification.<sup>47</sup>

On the subject of extra-regional relations, Central American countries have pursued the path of openness and export promotion, initiating (and in some cases closing) free trade negotiations with different countries Chile (2002), Mexico (1995, 1997 and 2001), Panama (2002), the Dominican Republic (2001) and more recently the United States. The agreements with Chile, Mexico and the Dominican Republic have entered into force. The trade agreement with Panama has been approved and is in the process of being ratified. The agreement with the United States is in its fourth round of negotiations (May 12-16, 2003 in Guatemala). At an individual level, Costa Rica signed a trade agreement with Canada (2001) and has completed negotiations for a trade agreement to be signed with CARICOM countries (2003).<sup>48</sup> This process of external liberalisation is an indication that Central American countries believe that export promotion is the best way to deal with external restrictions faced by small open economies.

The period for maintaining subsidies for exports agreed upon during the Ministerial Meeting in Doha (November 9-14, 2001)<sup>49</sup> was extended and this alleviated the growing concern over the possible effects on export performance by the removal of said subsidies in 2003, provided for in the Agreement on Subsidies and Countervailing Duties of the Uruguay Round, as well as the increasing concern for the more rigid application of WTO rules. In this respect, the recent meeting in Doha, which launched a new round of negotiations, reaffirms the resolutions of the World Trade Organisation to maintain special and differential treatment as an integral part of WTO agreements. Furthermore, it recognises the need to make said treatment more precise, effective and operational.

---

<sup>47</sup> According to a SIECA report, the amendment to article 35 of the Tegucigalpa Protocol stipulated that the Council of Ministers for Central American Integration will adopt three new legal instruments: the dispute settlement mechanism, model rules of procedure and the code of conduct.

<sup>48</sup> The other four Central American countries are in the process of negotiating with Canada and between 2001 and 2003, they have held seven rounds of negotiations. The last round was held in Nicaragua on March 3-7, 2003.

<sup>49</sup> See WTO, November 20, 2001, WT/MIN(01)17.

Of the trade agreements signed during that period, the most important was the Free Trade Treaty of the Northern Triangle (El Salvador, Guatemala and Honduras) with Mexico, following the meeting of Heads in Tuxtla Gutiérrez I (1991) where it was proposed that Mexico and the Central American countries would sign economic complementation agreements which would contain a number of provisions outside of the area of trade. This Treaty ended the cycle of negotiations, and completed those signed with Costa Rica (in 1995) and Nicaragua (in 1997). The latter Treaty, like those that preceded it, and following the NAFTA model, seeks not only to promote trade, but to also attract foreign investment to participating countries. These treaties include asymmetries in favour of the relatively less developed countries.

Preferential treatment in the context of the Nicaragua-Mexico FTT is reflected in the tariff fraction percentages lowered by Mexico in favour of Nicaragua, in each period of tariff reduction and also in a lower initial base rate for the reduction, in Nicaragua's favour, for industrial products whose uniform percentage is 5% by Mexico and the Most Favoured Nation tariff (in effect on June 1, 2000) by Nicaragua.

The treaty between Mexico and the Northern Triangle includes asymmetrical treatment in favour of countries belonging to the Northern Triangle for agricultural and industrial products. As in the other treaties, there is a lack of asymmetry in terms of services or investment. Asymmetry in the agricultural sector is characterised by longer periods of tariff reduction for the countries of the Northern Triangle and by grace periods when Mexican customs tariffs are higher than those of the Northern Triangle even after the reduction of the base rates. In the industrial sector, asymmetrical treatment involves a greater immediate reduction of tariffs on industrial products from the Northern Triangle. The free trade agreement between Central America and Chile (2002) also contains asymmetrical treatment for the relatively less developed countries. Chile granted free access to its market to 83% of the products coming from Central America, while this percentage represents 60% for Central American countries. The Chilean products that do not enjoy tariff preferences are mainly agricultural products and some iron and steel products.

In extra-regional and multilateral trade relations, Central American countries have been favoured through increased benefits granted by the United States under the Caribbean Basin Initiative (CBI), whose effects are still to be analysed and quantified, and through the adoption of a zero rating by the EU for Central American industrial goods.

The Caribbean Basin Economic Recovery Act (i.e. the Caribbean Basin Initiative, 1983) granted preferential access to the US market for a range of products coming from Central America and the Caribbean, in order to promote the development and growth of their economies.<sup>50</sup> Initially, this law was established for a period of twelve years ending in September 1995. It was then extended indefinitely in the agreement to the Customs and Trade Act. The products excluded from the law were textiles and garments, leather footwear and products, canned tuna, oil and its by-products.

As a result of the disadvantages created for Central American and Caribbean countries by the entry into force of the North America Free Trade Agreement, and given the impact of Hurricane Mitch on the Central American economies in 1999, the Caribbean Basin Initiative was extended in May 2000 to incorporate the above-mentioned excluded products. The Law on Trade and Development that entered into force in October 2000, matches the tariff treatment for canned tuna, leather footwear and other products with those received by Mexico. This means that in the case of canned tuna, the tariff imposed on said product in 2000 (18.6% if the product originates in the region and 35% if it comes from outside the region) will be reduced to a zero rating in 2008.

The situation is more complicated for textile products. Firstly, the new law allows non-tariff and quota free access for clothing made in the region with United States fabric and thread. Secondly, it allows non-tariff and quota-free access for clothing cut and made in the region with United States fabric and thread. Thirdly it allows the entry of 250 million square metres of jersey with fabric from the region but thread from the United States.

This quota assigned to the region was in turn distributed among Central American and Caribbean countries and was expected to increase by 16% until 2004, at which time its increase would be based on decisions taken by the United States Senate. Fourthly, non-tariff and quota-free entry is allowed for a maximum of 4.2 million dozen knitted shirts made with fabric from the region and thread from the United States. As in the previous case, the quota was distributed among Central American and Caribbean countries (see Table 5) and the maximum of 4.2 million was also expected to increase by 16% until 2004, when a growth rate will be determined by law. In 2002, the United States increased the market access quota for regional fabric made with thread from the United States and for woven clothing.

---

<sup>50</sup> The law entered into force in 1994 and the designated beneficiaries were Antigua and Barbuda, the Bahamas, Belize, Costa Rica, the Dominican Republic, Grenada, Guyana, Honduras, Montserrat, Nicaragua, St. Kitts and Nevis, Trinidad and Tobago, Aruba, Barbados, the British Virgin Isles, Dominica, El Salvador, Guatemala, Haiti, Jamaica, the Netherlands Antilles, Panama, St. Lucia, and St. Vincent and the Grenadines.

As previously mentioned, Costa Rica completed negotiations with CARICOM countries in 2003. The free trade agreement consists of six parts and seventeen chapters. With respect to market access, it stipulates that Costa Rica will allow immediate free access to products originating in the less developed CARICOM economies, including Antigua and Barbuda, Belize, Dominica, Grenada, St. Lucia, St. Kitts and Nevis and St. Vincent and the Grenadines. In the case of the more developed countries (Barbados, Guyana, Jamaica, Suriname and Trinidad and Tobago), bilateral free access is granted to 93% of the tariff scheme.

More recently, Central American countries have commenced negotiations for a free trade agreement with the United States. Four rounds of negotiations have been held thus far.<sup>51</sup>

### **3. Cuba, the Dominican Republic, Panama and Associate States**

#### *Cuba*

The collapse of Cuba's economic relations with the countries of the Council for Mutual Economic Assistance led to a deep economic crisis in Cuba during the first five years of the nineties, and demanded a number of emergency measures, such as the rationing of foreign exchange, dollarisation and the general opening-up of the economy.

In light of a new international environment that brought about a process of economic reform, Cuba modified its constitution, abolishing the state monopoly on external trade enshrined in the law responsible for the creation of the Ministry of External Trade (MINCEX, 1961). Cuban legislation regulates the state authorities and institutions authorised to create external trade entities, regulate trade operations and determine the natural or juridical persons legally empowered to conduct external trade operations. State companies dependent on MINCEX and business associations make the necessary arrangements for Cuba's external trade. In turn, business associations include Cuban business associations, business associations with Cuban interest that have capital abroad and business associations with mixed capital.

The Cuban state maintains quantitative control over some imports in the food and energy sector. The objective is to guarantee the familiar food basket at subsidised prices for the population and provide the production sector with the energy inputs required to carry out its activities. Such imports are realised through the companies falling under MINCEX.

---

<sup>51</sup> The first three rounds were held in Costa Rica (January 27-31, 2003); the United States (February 24-28, 2003) and El Salvador (March 31-April 4, 2003). As previously indicated, the fourth round was held in Guatemala on May 12-16.

In accordance with multilateral trade regulations, the Cuban tariff has become even more significant and plays the role generally ascribed to this instrument in the trade policy of other countries. In 1990, a new customs tariff was adopted based on the Harmonised System. Tariffs are ad-valorem. The tariff system was modified in 1996, allowing in some cases the expansion of the system from six digits to eight, for trade and production purposes and also for tariff protection. The average tariff is approximately 10.5% for the most favoured nation category. The tariff ceiling for that category is 30%.

As part of the economic reform undertaken during the nineties, in 1995, a new foreign investment law was promulgated and in 1996, the decree-law to create and regulate duty-free zones and industrial parks was enacted. The objectives of these laws are: acquire capital and cutting-edge technology, facilitate the opening-up of the external market and increase the flow of foreign exchange. The law recognises three categories: mixed companies, international economic partnership contracts and foreign capital companies.

With the activation of the duty-free zones, the adoption of an exemption regime and the reintroduction of duties, new trade and customs operation mechanisms are being put in place, and their effects, both on taxation and on economic activity and employment will be appreciated in the future. (ECLAC, 2000b, pp. 200-208).

In addition, Cuba has signed preferential trade agreements in the context of the Latin American Integration Association, with countries of South America, with two Central American countries and with 10 Island Caribbean states.

### *Dominican Republic*

Structural economic reforms in the early nineties emerged from those in the external sector, in an effort to guide the Dominican economy toward the exterior and promote an environment of domestic competition. In 1990, the harmonised system was adopted through tariff reform, while the level and scope of tariffs were reduced, and quotas and import licenses removed (except for certain agricultural products). The tariff structure adopted envisaged a minimum of 3% and a maximum of 35%, and phases of five percentage points each.

Subsequent to this, in 1997, the tariff structure was changed to accommodate the zero rating, which absorbed 10% of tariff positions, mainly those that were formerly 25%. However, quotas remained



on imports of certain agricultural products, and a tariff surcharge was applied (from 60% to 136% in 1999) to imports based on the relevant quota. These tariffs will be reduced between 40% and 99% in 2005. In 1999, non-tariff barriers on agricultural imports were also removed and the main products affected were rice, beef and chicken (ECLAC, 2000c).

Table 32  
DOMINICAN REPUBLIC TARIFF DISTRIBUTION 1990 – 2001

Tariff rates	1990-1998	1998-2000	2001
40	0.0	0.0	0.4
35	10.7	10.7	0.0
30	16.5	16.4	0.0
25	14.4	10.2	0.4
20	9.0	8.8	26.7
15	8.1	5.6	0.0
14	0.0	0.0	6.6
10	25.6	24.5	0.0
8	0.0	0.0	11.1
5	9.5	8.0	0.0
3	6.0	4.5	41.3
0	0.0	11.3	13.5

Source: ECLAC, based on official sources.

Table 33  
**DOMINICAN REPUBLIC BASIC TARIFF PARAMETERS FOR DIFFERENT TARIFFS 1990-2001**

Tariff Parameters	Tariff 1990-1998	Tariff 1998-2000	Tariff 2001
Simple average	18.2	16.6	8.6
Weighted average	18.6	16.8	8.6
Standard deviation	10.3	11.3	8.0
Maximum tariff rate	35.0	35.0	40.0
Minimum tariff rate	0.0	0.0	0.0
Medium	15.0	15.0	3.0
Mode	10.0	10.0	3.0

Source: ECLAC, based on official sources.

From January 2001, the country applied yet another reform, reducing tariff margins to five, with a maximum of 20% and a minimum of 0%. The average tariff in the Dominican Republic was 8.6%, which constitutes a reduction of ten percentage points with respect to 1990. Furthermore, during that same period, the dispersion of tariffs moved from 10% to 8%. According to the current tariff distribution, 41%, 27% and 11% of the total tariff lines are taxed at 3%, 20% and 8%, respectively.

The tariff is one of the major trade policy instruments and apart from the tariff contingencies maintained by the Dominican Republic and a few restrictions (particularly for agricultural products) and non-discriminatory import bans, it has not implemented any other special trade measures. In order to increase the efficiency of export procedures, the Dominican Republic has put into practice the single export formula and the Integrated Single Window for Foreign Trade.<sup>52</sup> In addition, from July 2001, pursuant to the tax reform law approved in early 2001, the Dominican Republic implemented customs valuation based on the WTO criteria outlined in Article VII of the General Agreement on Tariffs and Trade (GATT 1994), replacing the reference price with the transaction price, which could result in greater tariff returns in the long term (See Tables 31 and 32).

As in the case of Central America, the Dominican Republic profited from the benefits granted in the aforementioned Trade and Development Law, and also from the extension of export subsidies, particularly those in duty-free zones that were agreed upon at the Ministerial Meeting in Doha, (November 2001). Most of the exports of the Dominican Republic (85% in 2001) are exports from duty-free zones destined for the United States. The Dominican Republic is also a beneficiary of the Generalised System of Preferences and of the 4<sup>th</sup> Lomé Convention and its successor, the Cotonou

<sup>52</sup> They have also launched financing programmes for some non-traditional exports. See Examination of Trade Policies. Dominican Republic. Report of the Secretariat. WT/TPR/S/105. September 9, 2002.

Agreement. Apart from the free trade agreement with the Central American Common Market mentioned earlier, the Dominican Republic also signed a free trade agreement with CARICOM countries (1998).

### *Panama*

Since Panama joined the WTO in 1997, the country has adopted a unilateral open trade policy, involving lower tariffs and the removal of reference prices. Furthermore, all importers enjoyed preferential treatment through a 3% tariff on inputs. The tariff ceiling was set at 15% with a few exceptions, and the arithmetical average of the tariffs dropped from 12.84% in 1997 to 9.05% from August 1998.

### *Associate Countries of the ACS: The Netherlands Antilles*

The Netherlands Antilles began its involvement in the multilateral trade system with the gradual removal of trade barriers, even though it is yet to be incorporated independently and formally into the WTO. The Netherlands Antilles is a member of the WTO together with Holland. One of its policy objectives is to be incorporated into the WTO as a full and independent member, which would give it the option to be governed by the rules on special and differential treatment just as other Caribbean countries. Similarly, the Netherlands Antilles would seek deeper integration in the Caribbean and closer ties with Aruba, with whom it has held informal discussions since 1986 to formalise a free trade treaty. The Netherlands Antilles is a customs union with two tariff regimes, one for the Leeward Islands (where taxes are paid on imports) and one for the Windward Islands (which form a free trade area where taxes are not paid on imports).

There are two sides to the current trade policy of the Netherlands Antilles. On one hand, there is internal protection for imports that may compete with external products. On the other hand, it has established a system of external relations with the other countries and territories. At the end of 2001, domestic protection was based on prices, since quotas were eliminated in recent years and prohibitions were selectively applied to some agricultural products and motor vehicles. There is also an import license system applicable to motor vehicles, milk, meat, vegetables and medical materials. More specifically, this involves the application of tariffs and surcharges. Tariffs range between 0% and 95%. The most common tariffs are 5.5%, 10.5%, 17%, 22%, 27%, 38% and 69%. In 2000, the average tariff was 13.9%. The trade liberalisation process has involved the elimination of monopolies, import quotas and the gradual removal of tariff bands. Additionally, there has been a reduction in the higher tariffs and import surcharges. An

initiative has been formulated to implement tariff reform that would include substantial tariff reductions for non-sensitive products within a five-year period.<sup>53</sup>

#### **4. The countries of the Andean Community**

##### *Tariffs and associated measures*

Since 1995, the countries of the Andean Community have applied a common external tariff that should not exceed 20%, and which would also have only three levels (5%, 10% and 20%),<sup>54</sup> with approximately 62% coverage of the main areas of convergence among the five countries and 38% approximations, as agreed in October 2002 during the Extended Meeting of Ministers of Foreign Affairs, Economy and Finance, Foreign Trade and Agriculture. Peru did not sign the agreement, but since 1997, it has been gradually incorporated. As for Bolivia, it has preferential treatment that enables it to avoid the application of the 20% (ECLAC, 2003a).

Despite the many imperfections of the Andean Customs Union, the average tariffs of the five member states are within a narrow band ranging from 9.6% to 11.9% (see table 32). Furthermore, all members of the Andean Community have consolidated their maximum tariffs in the WTO, with some relatively high tariffs for the agricultural sector, reaching this consolidation at an average of 60% for all countries within that grouping. A price band system is also applied to a wide number of agricultural products, and this could lead to considerably high variable tariffs, as is the case with 10 tariff headings for chicken parts, which as at May 2003, paid an additional 142% to the 20% common external tariff, resulting in a total tariff of 162% being applied. Seventeen other whole milk items had to pay total tariffs of 45% (Andean Community, 2003).

The use of tariff contingencies and seasonal tariffs has been considerably reduced, and the former are applied only in preferential and free trade agreements with other ALADI states. The special regimes are divided among those that permit temporary imports (the majority), and others from duty-free zone regimes. The countries of the Andean Community have granted a wide range of tariff concessions in integration agreements with other countries of the region, particularly bilateral agreements with other ALADI members.

---

<sup>53</sup> See The Netherlands Antilles: Trade and Integration with CARICOM. ECLAC. LC/CAR/G.681. December 21, 2001.

<sup>54</sup> According to their fiscal situation, countries may apply a zero rating for capital goods not produced domestically.

### *Minimum prices and variable duties*

The countries of the Andean Community do not use minimum prices or variable tariffs, with the sole exception of the price band system for 13 agricultural products<sup>55</sup> – pork, chicken parts, wheat, barley, yellow corn, white corn, white rice, soya grains, soya oil, unrefined sugar, refined sugar – and in Colombia and Ecuador, minimum prices are applied for motor vehicles and textiles (see table 34).

### *Antidumping measures and countervailing duties*

All members of the Andean Community have specific legislation on *antidumping* and countervailing duties, but Bolivia is still adapting its laws to the respective WTO agreements (see table 34). Colombia, Peru and Venezuela have used these regulations, applying *antidumping* measures since 1992, especially for chemicals and steel products coming from developed countries.

The Community also has legislation on *antidumping* and countervailing duties that are used in trade within the sub-region, namely Decisions 456 and 457. The government of a country or a business alleging that there has been prejudice can lodge a complaint. Decision 285 regulates the powers of the Secretariat to prevent or correct practices that jeopardise free competition within the Community.

### *Safeguards*

National legislation is also being adapted to WTO rules related to safeguards. However, Bolivia has not yet adopted the corresponding regulations. Once again, Colombia appears to be the most active country in this area.

### *Quantitative control measures*

Quantitative control measures have been practically eliminated in all countries, to the extent that *automatic licenses* are virtually non-applicable, except in Colombia and Venezuela, where they are applied specifically for agricultural products and where they are experiencing a downward trend as time goes by. As for *non-automatic licenses*, the same trend of non-use exists, being maintained solely for statistical purposes.

*Import bans* are concentrated in the automotive sector. In fact, the importation of used vehicles is prohibited in three of the five countries that signed the Automotive Agreement, while Peru prohibits only the importation of used clothing.

---

<sup>55</sup> The total agricultural products associated with the Price Band System covers approximately 163 tariff headings.

As regards the use of import contingencies, these are maintained by Ecuador for a list of 16 agricultural products at the very least (see table 34).

Table 34  
**COUNTRIES OF THE ANDEAN COMMUNITY:  
 TARIFFS AND ASSOCIATED MEASURES THAT AFFECT IMPORTS**  
 (By percentage)

Tariff Structure	Bolivia	Colombia	Ecuador <sup>a</sup>	Peru	Venezuela	Andean Community (Averages)
N <sup>o</sup> of ad valorem tariffs (2002)	6 679	6 621	6 705	6 991	6 688	6 737
Average tariff (2002)	9.6	11.6	11.2	10.7	11.9	11.0
Maximum tariff (2002)	10.0	35.0	95.0	30.0	35.0	41.0
Minimum tariff (2002)	0.0	0.0	0.0	12.0	0.0	2.4
Consolidated (% of lines)	100.0	100.0	100.0	100.0	100.0	100.0
Agricultural tariff (HS: 1-24) <sup>c</sup>						
Consolidated	40.0	85.0	95.0	30.6	50 <sup>d</sup>	60.1
Applied	10.0	14.5	...	13.5	14.6	13.2 <sup>b</sup>
Manufactures tariff (HS: 25-97) <sup>c</sup>						
Consolidated	40.0 <sup>1</sup>	40.0	35.0	30.0	35.0	36.0 <sup>2</sup>
Applied	10.0	11.3	...	13.2	14.0	12.1 <sup>b</sup>
<b>Measures linked to the tariffs</b>						
Tariff contingencies	No	In ALADI preferential agreements <sup>d</sup>	In ALADI preferential agreements <sup>d</sup>	In ALADI preferential agreements <sup>d</sup>	In ALADI preferential agreements <sup>d</sup>	In ALADI preferential agreements <sup>d</sup>
Seasonal tariffs	No	No	...	...	No	No
Special regimes	Yes, temporary import regime for exports (RITEX Programme) and duty-free zones	Yes, temporary importation of capital goods with partial payment of duties	As part of the External Trade Law of 1997, a duty-free zone regime has been established	Yes, temporary importation of products for duty-free zone	Special regime for duty-free zones	Temporary importation and duty-free zones
Tariff concessions	Andean Community, Mercosur and other ALADI <sup>d</sup> preferential agreements	Andean Community, G3, <sup>e</sup> CARICOM <sup>f</sup> countries and other ALADI preferential agreements	Andean Community and other ALADI <sup>d</sup> preferential agreements	Andean Community and other ALADI <sup>d</sup> preferential agreements	There is preferential treatment for imports from the G-3, <sup>e</sup> ALADI, <sup>d</sup> Cuba and CARICOM <sup>f</sup>	Preferential agreements under ALADI <sup>d</sup>

Source: ECLAC, International Trade and Integration Division, based on: World Trade Organisation (WTO), *Bolivia, 1999; Colombia 1997 and Venezuela 1996 and 2002*, WTO/GATT series, Examination of Trade Policies, Geneva; Economic cooperation in Asia and the Pacific (APEC), *Peru, Individual Action Plan, 2002*; Inter-American Development Bank (IDB), "Tariff Statistics" (<http://www.iadb.org>); Constantine Michalopoulos, "Trade Policy and market Access Issues for Developing Countries", Geneva, World Trade Organisation (WTO), June 1999; Table 5, pp. 15-16; Ministry of Trade, Integration and Fisheries of Ecuador (MICIP) (<http://www.micip.gob.ec/>).

<sup>1</sup> There is no trade policy review by the World Trade Organisation (WTO). <sup>2</sup> Excludes Ecuador due to a lack of information. <sup>3</sup> HS: Harmonised System for the Designation and Codification of Goods. The figures refer to the band of the corresponding headings. <sup>4</sup> ALADI: Latin American Integration Association. <sup>5</sup> G3: Group of Three. <sup>6</sup> CARICOM: Caribbean Community. <sup>7</sup> According to the last report Examination of Trade Policies in Venezuela, consolidations exist from 10% to 135% for agricultural products (WTO), 2002, p. xi, document WT/TPRS/108. <sup>8</sup> There are 16 headings consolidated to 30%. Most of these are the capital goods outlined in chapter 84 of the Harmonised System.

Table 35  
COUNTRIES OF THE ANDEAN COMMUNITY: NON-TARIFF MEASURES THAT AFFECT IMPORTS

Type of measures	Bolivia	Colombia	Ecuador	Peru	Venezuela	Andean Community (Summary)
<b>PRICE CONTROL</b>						
Minimum prices	...	In the context of the Andean price band system for agricultural products. These also exist for motor vehicles and textiles	In the context of the Andean price band system for agricultural products. These also exist for motor vehicles and textiles	In the context of the Andean price band system for agricultural products	In the context of the Andean price band system for agricultural products	In the context of the Andean price band system for agricultural products
Variable duties	No	In the context of the Andean price band system for agricultural products	In the context of the Andean price band system for agricultural products	In the context of the Andean price band system for agricultural products	In the context of the Andean price band system for agricultural products	In the context of the Andean price band system for agricultural products
Antidumping measures and countervailing duties	These have not been adopted to date. Legislation is being adapted to WTO regulations <sup>a</sup>	In 1995, national legislation was adapted to the antidumping and subsidies agreement of the WTO <sup>a</sup> . Colombia has made active use of these regulations	Has national legislation as part of the External Trade Law of 1997, passed after the country joined the WTO <sup>a</sup> in 1996	Legislation on antidumping and countervailing duties has been adapted to WTO regulations	WTO and Andean Community regulations apply, although there is no corresponding law	In general, they conform to WTO <sup>a</sup> regulations
Safeguards	There are still no regulations; they have not been adopted to date	Legislation adapted to the WTO <sup>a</sup> in 1995. They have rarely been applied	Has national legislation as part of the External Trade Law of 1997, passed after the country joined the WTO <sup>a</sup> in 1996	Regulations approved at the end of 1998	Has national legislation since 1999	In general, they conform to WTO <sup>a</sup> regulations
<b>QUANTITATIVE CONTROL</b>						
Non-automatic licenses	No	These exist mainly for agricultural products, but their use has declined considerably in the '90s	No	No	17 agricultural products included in 70 sub headings of the Harmonised System	Not significant
Type of measures	Bolivia	Colombia	Ecuador	Peru	Venezuela	Andean Community (Summary)
Automatic licenses	No	Not significant	Only for statistical purposes	No	Not significant	No
Import quotas	No	No	...	No	No	No
Banned imports	The importation of vehicles with change of direction	Motor vehicles, motorbikes and parts, as well as used parts	Vehicles and used parts	Used clothing	Used vehicles, tyres and clothing	Used vehicles and parts
Import contingencies	No	No	16 agricultural products <sup>a</sup>	No	No	No

Source: ECLAC, International Trade and Integration Division, based on: World Trade Organisation (WTO), *Bolivia 1999; Colombia 1997, and Venezuela 1996 and 2002*, WTO/GATT series Examination of Trade policies, Geneva; Economic cooperation in Asia and the Pacific (APEC), *Peru, Individual Action Plan*, 2002.

## 5. Chile and Mexico

Unlike the other countries of the region, Chile and Mexico do not belong to a customs union, and this is perhaps why they have both been very active in the negotiation and conclusion of free trade agreements with Caribbean Basin countries. Both are also members of the Asia-Pacific Economic Cooperation (APEC) and active participants in FTAA negotiations.

Mexico gave priority to the strengthening of its ties with the United States by joining the NAFTA in 1994. At the same time, it tried to maintain and step up trade links with the other countries in the region, by signing the G-3 Agreement (1995) as well as bilateral agreements with Nicaragua (1998), Chile (1999) and the Northern Triangle (2001). It has also broadened the partial scope agreement with Brazil including the bilateral trade of motor vehicles. In addition, it has strengthened ties with extra-regional partners by signing agreements with Israel (2000), the European Union (2000) and the Member States of the European Free Trade Association (EFTA)<sup>56</sup> in 2001. Lastly, it should be mentioned that Mexico and Venezuela provide oil to Central American countries under the San José Agreement. Mexico is currently involved in trade negotiations in various zones, including Ecuador, Japan, Panama, Peru, Singapore and Trinidad and Tobago, according to the WTO report on Mexican trade policies (2002).

Mexico has a phased tariff structure, where the maximum general tariff is 35%, but there are 70 tariff positions above this level (see table 35). Nevertheless, since Mexico trades primarily with the United States, the Mexican weighted tariff is approximately 2%.

A document prepared recently by the Sub-regional Headquarters of ECLAC in Mexico draws the following conclusions on the impact that NAFTA may have had on economic performance in Mexico (ECLAC, 2000d): "From the start of negotiations, the North American Free Trade Agreement (NAFTA) has been widely debated from different perspectives. In light of the most prolonged expansion of the US economy since the Second World War, the Treaty has had a positive impact on Mexican exports and on the deep and growing integration of one segment of Mexico's economy with that of the United States – the electronics industry. For the time being, the economic integration process with Canada remains limited. Foreign investment flows to Mexico particularly the growing amount from the United States since 1994, and the adoption of macro-economic adjustment policies have fostered greater macro-economic stability. NAFTA has become an essential element in Mexico's new economic strategy since the late eighties, based on manufacture exports. Generally speaking, in the strict sense of the proposal,

---

<sup>56</sup> Iceland, Liechtenstein, Norway and Switzerland.



the Treaty has been successful for a segment of the Mexican economy, and to a larger extent than originally expected by a number of analysts." <sup>57</sup> Foreign investment is also a fundamental element of the free trade agreements signed by Mexico.

Chile, for its part, had bilateral free trade agreements with all ALADI member states during the nineties, and then approached the Central American countries for the same purpose. Management of these agreements is also facilitated by the fact that this country has a particularly flat tariff structure, with a flat rate of 8% in 2001, which dropped to 5.9% in 2002.

---

<sup>57</sup> However, the same document reaches the following conclusion: "NAFTA alone will not solve the structural problems of the Mexican economy, and is not a sufficient condition for growth and sustainable development in the medium and long term. It is important to highlight that manufacturing export activities, which have been an engine of growth in the economy, are highly concentrated in a relatively small group of *maquiladoras* and other companies, which have a limited ability to generate or deepen linkages with other companies in Mexico, and which do not participate greatly in total employment. From this perspective, a great potential for technological development has not been exploited, either in creating jobs or in general learning processes, since most Mexican businesses did not participate in this process of integration and growth through exports. As a counterpart to the dynamic export businesses and sectors, most of the micro, small and medium-sized businesses, and businesses oriented toward the domestic market, have not been able to follow this growth path, and are becoming increasingly distant from the modern segment of the economy. In addition to specific problems of settling disputes in NAFTA, the document suggests using resources and political support to strengthen the institutions created by the Treaty, and considering mechanisms for the transfer of resources among the regions affected by NAFTA". See the summary of the publication at: [www.cepal.org/mex](http://www.cepal.org/mex).

Table 36  
**CHILE AND MEXICO:**  
**TARIFFS AND ASSOCIATED MEASURES THAT AFFECT IMPORTS**  
*(By percentage)*

Tariff Structure	Mexico (2002)	Chile (2002)
Structure	Phased	Matched
N° of ad valorem tariffs (2002)	11 367	5 917
Average tariff (2002)	16.5	5.9
Weighted tariff (2002)	1.9%	
Maximum tariff (2002)	35.0 <sup>a</sup>	5.9
Minimum tariff (2002)	0.0	0.0
Consolidated (% of lines)	100.0	100.0
Agricultural tariff (HS: 1-24) <sup>c</sup>		
Consolidated	50.0	25.6 <sup>b</sup>
Applied	17.8	6.0
Manufactures tariff (HS: 25-97) <sup>c</sup>		
Consolidated	35.0	25.0
Applied	16.5	5.9
<b>Measures linked to the tariffs</b>		
Tariff contingencies	For poultry, cheeses, beans, wheat, animal fat, corn, cocoa, coffee, concentrated milk, powdered milk and products containing sugar to guarantee the entry of set quantities	Does not apply contingencies
Seasonal tariffs	Three agricultural products: sorghum – 16-12 to 15-05 – soybeans – 1-02 to 31-06 – and safflower – 1-01 to 30-09. Outside these periods, a tariff of 15% is applied to sorghum and soybeans, and 10% to safflower	Not significant
Tariff concessions	NAFTA <sup>d</sup> , ALADI <sup>e</sup> , G3, <sup>f</sup> Bolivia, Chile, Costa Rica, Nicaragua, Northern Triangle. <sup>g</sup> As at November 2001, Mexico granted tariff concessions to 39 countries	Bolivia, Canada, Colombia, Ecuador, Mexico, Peru, Venezuela, South Korea, the United States, MERCOSUR countries and the European Union.
Special regimes	<i>Maquila</i> , temporary import programme to produce articles for export, programmes for high export companies, programmes for external trade companies and duty reversal programme	Duty-free zones and temporary imports

Source: ECLAC, International Trade and Development Finance Division, based on: World Trade Organisation (WTO), *Mexico, 1998 and 2002; and Chile, 1997*; WTO/GATT series, Examination of Trade policies, Geneva; Inter American Development Bank (IDB), "Tariff Statistics" (<http://www.iadb.org>); Constantine Michalopoulos, "Trade Policy and Market Access Issues for Developing Countries", Geneva, World Trade Organisation (WTO), June 1999, Table 5, pp. 15-16; APEC Individual Action Plan for 2002 (Chile) and official information obtained from the countries.

<sup>a</sup> There are approximately 70 tariff positions above this level, and some reach as high as 260% in the agricultural sector. <sup>b</sup> Applied only to five products: edible oils, wheat and wheat flour, sugar and dairy. <sup>c</sup> HS: Harmonised System for the Designation and Codification of Goods. The figures refer to the band of corresponding headings. The WTO classification was used in its absence. <sup>d</sup> NAFTA: North American Free Trade Agreement. <sup>e</sup> ALADI: Latin American Integration Association. <sup>f</sup> G3: Group of Three.

Chile also signed in 2002, a Policy and Economic Partnership Agreement with the European Union,<sup>58</sup> simultaneously concluding trade negotiations with South Korea and the United States (ECLAC, 2003), countries with which it signed free trade agreements in 2002 and 2003,<sup>59</sup> respectively.

Table 35 shows that although there are some common areas in the basic orientation of their trade regimes, Mexico's tariff policies are more unorthodox than those of Chile, since it applies a phased tariff with a maximum and a mid point significantly higher than the latter's. In Mexico, the level of tariff consolidation is higher than in Chile for manufactured and agricultural goods.

In general, Mexico's agricultural sector receives more diversified protection, since tariff contingencies and seasonal tariffs are still applied for a number of sensitive goods produced locally. Chile, on the other hand, applies price bands to only five temperate climate agricultural products, but is having increasing difficulty as a result of commitments undertaken with the WTO and in a number of integration agreements. As regards the special regimes, Mexico has passed a number of laws to promote export activity, and the results of this include the Temporary Import Programme for Producing Export Items (PITEX), the Coordination Programme with Highly Export Oriented Businesses (ALTEX), which has given rise to dynamic trade with the United States.

These two countries do not use minimum prices or variable duties, but Chile applies price bands to some agricultural products. Mexico is one of the most active countries in the world in the use of *antidumping* measures and countervailing duties, while in Chile this has declined in recent years. In contrast, Mexico has not used safeguards, and Chile only recently drafted legislation on this subject for products previously protected by price bands (See Table 36).

Chile rarely uses quantitative control measures, except in the case of the ban on used motor vehicle imports and import contingencies, which are a condition for the preferences granted in the integration agreements that it has signed. Non-automatic licenses still have some importance in Mexico, where they are still required for major product contingencies such as crude oil, certain petrochemicals, medication and used goods (see Table 36). Mexico also applies tariff contingencies for agricultural products in specific countries.

---

<sup>58</sup> Since the onset of the nineties, the Chilean authorities undertook efforts with the European Union to strengthen trade relations among these countries. Consequently, they signed two Framework Cooperation Agreements (Rome, 1990 and Florence, 1996), and since 1999 there has been a series of negotiating rounds, which came to a close in April 2000. Subsequent to this, a Provisional Agreement was drafted and was approved in June 2002. This agreement was firstly adopted by the European Commission and then the Council of Ministers, and with it, a Policy and Economic Partnership Agreement was finally signed between Chile and the European Union.

<sup>59</sup> The free trade agreement with the United States was signed on June 6, following 11 years of negotiations. However, the final document must be approved by the Congresses of Chile and the United States, respectively. It is expected to enter into force in 2004.

Table 37  
**CHILE AND MEXICO: NON-TARIFF MEASURES THAT AFFECT IMPORTS**

Type of measures	Chile (2002)	Mexico (2002)
<b>PRICE CONTROL</b>		
Minimum prices	Yes, price band system for some agricultural products: wheat, wheat flour, edible oils and sugar (Law 18.525 of June 1986)	Not applied
Variable duties	Yes, through a price band system	No, since they were replaced by specific duties
Antidumping measures and countervailing duties	WTO regulations were incorporated into the external trade law through the Law of June 1999. Between 1990 and 1996, ten measures were imposed, but in recent years their use has declined	Has one of the most active trade defence systems in the world, and conducts several investigations, particularly on metallurgical and chemical products, textiles and garments. It has resorted to countervailing duties on few occasions. Legislation was updated in 1995
Safeguards	By regulations since June 1999. First applied in November 1999 to products on the price band	Mexican legislation includes provisions of the external trade law and its regulations, the WTO safeguard agreement and the regulations included in the various free trade agreements. The FTA also recognises two types of safeguards – global and bilateral. The country made very little use of this mechanism. Mexico did not apply safeguards between 1998 and 2002
<b>QUANTITATIVE CONTROL</b>		
Non-automatic licenses	No	Applicable to 184 items, including petrochemicals, vehicles, used goods and several products imported under preferential conditions or with arrangements for special import regimes for the border region. The list of products subject to import licenses represented almost 1% of tariff lines at the end of 2001
Automatic licenses	No	In 1998, Mexico created an import licensing mechanism called automatic import warning. In November 2001, it was applied to 86 items subject to tariffs from 30 countries
Import quotas	No	No
Banned imports	Only used motor vehicles	Not significant (17 items subject to tariffs)
Import contingencies	Only in preferential and free trade agreements	No

Source: ECLAC, International Trade and Development Finance Division, based on: World Trade Organisation (WTO), *Mexico 1998 and 2002*; and *Chile 1997*, WTO/GATT series, Examination of trade policies, Geneva.

## IV. EXISTING AGREEMENTS AND NEGOTIATIONS IN PROGRESS

### A. The World Trade Organisation (WTO)

#### 1. The major implications of the agreements of the Uruguay Round for the region

The effects of the Uruguay Round Agreements on the countries of the region depend on two important characteristics of the countries involved:

- All of them, with the exception of Haiti, fall within the category of developing countries<sup>60</sup> and as such, are the recipients of special and differential treatment as stipulated in many of the agreements.<sup>61</sup>
- All, except for Cuba, also benefit from a number of non-reciprocal preferential treatment arrangements granted by the United States and the European Union.

Like the other WTO members, the countries of the region are subject to the commitments assumed in the Uruguay Round, for liberalisation and participation in a system based on rules that give less importance to existing national policies. Moreover, general tariff reductions led to an erosion of preferences for countries that were the beneficiaries of these special regimes.

For developing countries in general, special and differential treatment under the Uruguay Round was essentially limited to longer periods, and greater flexibility in meeting many commitments, measures to increase their trade opportunities, provisions for safeguarding their interests and support in capacity building in light of more complex agreements. For less developed countries, these facilities include some exemptions and longer periods of application.

Several countries in the region are now among the most active in presenting proposals for negotiations, as they were in the preparations for the Ministerial Meeting in Seattle. These proposals reflect their main interests and their needs, post-Uruguay Round, as developing countries, and the difficulties they still face in gaining access to markets.

It should be borne in mind that the focus, coverage and content of this special and differential treatment have evolved in recent years, particularly as a result not only of changing global conditions, but also of their controversial outcomes. These changes are pointing to less preferential treatment as well as

---

<sup>60</sup> Haiti falls into the category of less developed countries, and receives more concessions than other countries.

<sup>61</sup> All ACS countries are members of the WTO, with the sole exception of the Bahamas, which is an observer.

increasing demands for reciprocity, and this would make it compatible with the general principles of the GATT 1994 and the WTO. In fact, preferential treatment in many cases is subject to compliance with the agreements of the Uruguay Round. Agreements have also been evolving toward cooperation in general, and toward technical assistance to better honour the commitments undertaken, especially at the multilateral level.

Despite the foregoing, the recent Ministerial Meeting in Doha (November 9-14, 2001), which opened the way for a new round of negotiations, once again considers the importance of special and differential treatment. In this respect, it indicates that resolutions on special and differential treatment represent an integral part of the WTO and that related resolutions should be revised in order to be rendered more accurate, effective and operational.<sup>62</sup> The declaration also refers to the proposal for a framework agreement on special and differential treatment put forward by Cuba, Honduras, India, Indonesia, Kenya, Malaysia, Pakistan, the Dominican Republic, Sri Lanka, Tanzania, Uganda and Zimbabwe.

This proposal outlines several potential elements for a framework agreement on special and differential treatment, highlighting among them: the mandatory and binding nature of special and differential treatment; the need to establish a mechanism to evaluate the manner in which the framework agreement facilitates the development goals proposed, in addition to the need for cost evaluations regarding the application of any agreement, all expressed in terms of financial assistance.<sup>63</sup>

The Ministerial meeting in Doha instructed the Trade and Development Committee that held its preparatory meeting in March 2002, to identify the binding and non-binding provisions in agreements on special and differential treatment. This committee was also instructed to work on their incorporation into the structure of the WTO and to increase their effectiveness. It should also be mentioned that the ministers called upon the committee to prepare a report with the related recommendations based on the suggestions and proposals put forward by the WTO member countries.

---

<sup>62</sup> See the Ministerial Declaration. Fourth Session. Doha, November 9-14, 2001. WT/MIN(01)/DEC/W/1. November 14, 2001.

<sup>63</sup> See Preparations for the fourth period of sessions of the Ministerial Meeting. Proposal for a framework agreement on special and differential treatment. WT/GC/W/442. September 19, 2001.

## 2. Negotiating proposals from countries in the region <sup>64</sup>

For current negotiations in agriculture, the following proposals were made up to July 2002:

- Special and differential treatment and a development fund presented by 11 developing countries with participation from Cuba, Dominican Republic, Honduras, Haiti, Nicaragua and El Salvador (WTO Document: G/AG/NG/W/13, 23 June 2000);
- The same group above, on a green fund – Annex 2: subsidies (WTO Document: G/AG/NG/W/14, 23 June 2000);
- A proposal from a group similar to the one above and one from CARICOM, on market access (WTO Documents: G/AG/NG/W/37, 28 September 2000 and G/AG/NG/W/100, 15 January 2001, respectively);
- Group of nine countries, mainly from Central America and the Caribbean, on Small Island Developing States (WTO Document: G/AG/NG/W/97, 29 December 2000);
- Two proposals from Cuba, Dominican Republic, Honduras, India, Kenya, Pakistan, Sri Lanka, Tanzania and Zimbabwe received at the Special Session of the Committee on Trade and Development on Special and Differential Treatment. April-July 2002. TN/CTD/W/1;
- A proposal from Paraguay regarding special and differential treatment. TN/CTD/W/5, TN/CTD/W/5/Add.1 and TN/CTD/W/5/Add.2 received at the Special Session of the Committee on Trade and Development. April-July 2002;
- A proposal from St. Lucia. TN/CTD/W/82 received at the Special Session of the Committee on Trade and Development. April-July 2002.

In the area of services, a number of ACS countries participate in at least two proposals:

- The proposal on guidelines and procedures for the negotiation of services, presented by 23 developing states mainly from Latin America, of which nine belong to the ACS (WTO Document: S/CSS/W/13, 24 November 2000);
- On the cluster group in the tourism industry, to ensure comprehensive treatment for this sub-sector, presented by the Dominican Republic, El Salvador, Honduras, Nicaragua and Panama (WTO Document: S/CSS/W/19, 5 December 2000).

---

<sup>64</sup> See the WTO Web Page ([www.wto.org](http://www.wto.org)). The Cairns Group proposals involving Colombia, Costa Rica and Guatemala are not included.

## B. Trade Agreements and negotiations with developed countries

The different agreements with developed countries, from which ACS countries benefit can be classified as follows:

1. **Reciprocal:** it should be said that preferences are mutually granted through inter-governmental agreements:
  - North American Free Trade Agreement (NAFTA): Canada, Mexico and the United States (1994)
  - Free Trade Treaty between Mexico and the European Union (TLCUE) (2000).
  
2. **Non-reciprocal:** which consider the unilateral granting of preferences:
  - a) **Generalised System of Preferences (GSP) of:**
    - European Union (1971)
    - United States (1971)
    -
  - b) **The Andean Community, by:**
    - European Union: Special System of Preferences (1990)
    - United States: Andean Countries Initiative (1991)
  - c) **Central America and the Caribbean:**
    - European Union: Lomé IV (1990) and Cotonou Agreement (2000).
    - United States: Caribbean Basin Initiative (CBI) (1990) and the Caribbean Basin Trade Partnership Act (CBTPA) (2000).

### 1. Agreements with the European Union

#### a) *The Generalised System of Preferences (GSP)*

This has been in existence since 1971, when at the Tokyo Round of the General Agreement on Tariffs and Trade (GATT), an exception to the most favoured nation (MFN) principle was agreed to in favour of developing countries in the “Enabling Clause”. It is used to guarantee exports of specific products from individual countries in 10-year cycles. The current cycle began in 1995 and expires in 2004, with regulations valid for 3 to 4 years. Originally, the GSP was granted to all developing countries, but it later became subject to different categories, and includes a “graduation” mechanism for countries that attain certain standards of competitiveness. The current regulation of 01 July 1999 is the first to cover all products and agreements. This system applies strict rules of origin. Based on this, the value of materials produced in the beneficiary country, as well as processing costs, must be equal to 35% of the value of the product. Imported materials can be included at 35% if they are significantly converted to new



materials. However, the 35% requirement can be shared among more than one country, when the imports originate in a country belonging to regional groupings such as the Andean Community or CARICOM.

The European Union GSP operates at two levels:

- i) General agreements: these pursue general development objectives; they grant equal preferences to all countries, according to the sensitivity of the products (there are 4 categories), through the modulation mechanism.
- ii) Since 1995, other specific schemes have been included, which pursue sustainable development and add preferences based on the satisfaction of social and environmental standards.

These agreements guarantee tariff-free entry to the European market of almost all products from less developed countries and from those that agree to combat the illicit production and trafficking of drugs. With some sub-regions such as the Association of South-East Asian Nations (ASEAN), the Andean Community and the CACM, the European Union has concluded “regional accumulation of origin” agreements to encourage integration among the countries of the particular sub-region.<sup>65</sup>

The EU granted a Special System of Preferences to the countries of the Andean Community at the end of 1990, in support of their efforts to combat the illegal production and trafficking of drugs. This mechanism guarantees tariff-free access for most industrial and agricultural products as well as a list of fisheries products. These facilities were later extended to the CACM and Panama. This agreement is renewed periodically and is valid until 31 December 2004.<sup>66</sup>

**b) *Lomé Convention – Agreement between the European Union and the African, Caribbean and Pacific Group of States (ACP)***

The Lomé IV Convention came into effect in 1990, and is still in force today. Non-reciprocal trade benefits for ACP states include free entry into the EU of 99% of industrial goods and many other non-industrial products. It builds on preceding agreements by placing greater emphasis on political, social and environmental considerations, as well as the diversification of ACP economies, private sector promotion and increased interregional cooperation.<sup>67</sup> Lomé included two financial mechanisms: STABEX

<sup>65</sup> See the Web page of the European Union: [www.europea.eu.int/trade/bilateral](http://www.europea.eu.int/trade/bilateral) relations: “Vademecum: Guide to the European Union’s scheme of generalised tariff preferences”.

<sup>66</sup> See the Web page of the Andean Community: [www.comunidadandina.org/relaciones](http://www.comunidadandina.org/relaciones) externas.

<sup>67</sup> In the areas of economics and trade, these agreements essentially envisaged:

- i) Lomé I (1975): non-reciprocal preferences for most exports from ACP countries to the European Community, each party’s right to define its policies, and a system to compensate the ACP states when export earnings dropped due to fluctuations in their prices of basic agricultural products (STABEX);
- ii) Lomé II (1979): added a system for assisting the mining industry in ACP states that had a heavy dependence on that sector (SYSMIN);

to stabilise export revenue and SYSMIN to support the development of the mining sector.<sup>68</sup> Moreover, the Lomé agreements included preferential protocols applicable to fixed volumes of exports of sugar, rum, bananas and meat. In the medium term review (1994 - 1995: Lomé IV revised), some political considerations have been added as essential elements, including phased programming and greater attention to decentralised cooperation. It also includes a protocol for the protection of tropical forests.<sup>69</sup>

It should be noted that this understanding was undergoing a revision process, and this has been formally shaped into the Cotonou Agreement (see next paragraph). At an early stage, the EU indicated its desire to gradually include elements of reciprocity in preferential treatment, which it has granted thus far. This pressure has been resisted, particularly by the smaller beneficiary states, such as OECS members whose exports are highly dependent on the preferential access granted to date.

**c) *The new Agreement between the European Union and the African, Caribbean and the Pacific Group of States (ACP) – Cotonou Agreement***

On 23 June 2000, in Cotonou, Benin, a new framework agreement to succeed the Lomé IV was signed. It builds on the 25 years of experience in implementing this Convention.<sup>70</sup> Specific agreements will be negotiated from September 2002, and will come into effect no later than 2008, while mutual trade liberalisation will be achieved over a transition period of 12 years. Its main objective is to confront in a coordinated manner the challenges raised by poverty, conflicts and wars, environmental threats and the risks of economic and technological marginalisation. The new accord, which has been named *Partnership Agreement*, will require a *waiver* from the WTO.

In terms of its objectives and the nature of the cooperation involved, this agreement marks a turning point in relation to those that have preceded it. The need for change responds to the adaptation to global development and to the requirement to conform to WTO disciplines. As opposed to the spirit of the Lomé Convention, the Cotonou Agreement follows the progressive dismantling of special and differential treatment in order to attain a situation of reciprocity. It stipulates that the European Union will grant preferential and non-reciprocal treatment for products originating in ACP countries, during a preparatory period based on the lists agreed to in the Lomé IV. Furthermore, the agreement includes the dismantling of the preferences enshrined in the protocols for key export products for several regions such

---

iii) Lomé III (1984): changed the focus from promoting industrial development to sustainable development, self-sufficiency and food safety, as well as the fight against desertification and the drug trade.

<sup>68</sup> The STABEX funds included among others, the following products: nuts, cocoa, coffee, coconuts, cotton, palm nuts, leather, wooden products and tea. The STABEX facility was flexibly applied for the less developed countries.

<sup>69</sup> See the Web page of the European Union: [www.europea.eu.int/commercial\\_policy/development](http://www.europea.eu.int/commercial_policy/development): "The Cotonou Agreement. The Lomé Convention".

<sup>70</sup> The new agreement now has 92 member states – 15 from the EU and 77 developing countries (71 at the time of signing the Agreement), and of these, 15 belong to the Caribbean.

as the Caribbean. Nevertheless, the agreement provides that in gradually dismantling trade preferences, development levels must be taken into consideration, as well as the socio-economic impact of measures adopted in ACP countries and their ability to adapt and adjust their economies to the liberalisation process (Article 37). Section 5 of the Cotonou Agreement also outlines specific resolutions for less developed countries and island states. The agreement stipulates that ACP-European Union cooperation must take into account the vulnerability of these countries and territories (Articles 84 and 89).

This re-orientation also arises since evidence indicates that preferential trade would not be sufficient to contribute toward the overall development of beneficiary states. The agreement is based on five principles: a comprehensive political dimension, participatory focus, strengthening the focus on poverty reduction, a new economic and commercial cooperation scheme and the reform of financial cooperation. It also considers cooperation in areas linked to trade, such as competitive policy, intellectual property protection and standards.

Objectives: to develop a common and comprehensive strategy focused on the objectives of reducing and eventually eradicating poverty, based on sustainable development and the gradual integration of ACP countries into the world economy.

Nature of the cooperation: the cooperation strategy clearly establishes the link between development support and the existence of a framework of policies favourable to the development of trade and investment. This focus involves building a regime totally compatible with the WTO.

The role of society: a key role has been given to dialogue and the participation of civil society. Adequate governance is an essential element in the new agreement, which includes conditions of political stability and respect for human rights.<sup>71</sup>

It is important to highlight the key role played in mutual relations by the differential treatment granted by the EU to banana imports from the different groups of countries of the Caribbean Basin. The banana dispute between the EU and the US, which supports the position of the Central American countries, is 10 years old, and has temporarily exacerbated trade tensions between both powers. In April 2001, they agreed on an intricate system of EU market access quotas favouring the interests of banana exporting countries in Central America, and of North American companies selling this product, although Ecuador would have experienced a reduction of its export potential. This country was therefore opposed

---

<sup>71</sup> See the Web page of the European Union: [www.europea.eu.int/commercial\\_policy/development](http://www.europea.eu.int/commercial_policy/development): "New ACP-EU Agreement" and articles in "The Courier, Sept. 2000, Special Issue – Cotonou Agreement".

to any discussion of the request for a *waiver* for the Cotonou Agreement at the WTO Council for Trade in Goods, Costa Rica, Guatemala and Honduras indicated their willingness to consider it.<sup>72</sup>

The EU and Ecuador also reached an agreement in May 2001, which recognised Ecuador's interest as a non-traditional operator in that market. The new regime no longer specifies the EU's import needs based on country quotas, it increases import volumes from Latin America by one hundred thousand tons and improves access to its market for Ecuador. This is a transitional arrangement and in time will become a solely tariff based system from January 2006.<sup>73</sup> During the transition period, the banana export regime included the application of a system comprising two phases. In the first phase, an export system based on assigned traditional quotas would be applied. This phase came into effect in July 2001. Its practical application involves three tariff contingencies, A, B and C, each one with 2,200,000, 353,000 and 850,000 tonnes. Tariff contingency C is for those exports originating in ACP countries. During the second phase, 100,000 tonnes are transferred from quota C to quota B, which is open to all third countries (as well as quota A). Nevertheless, at the Ministerial Meeting held in Doha, the period for the removal of preferences granted to banana exports by the European Union was extended to 2005 for bananas and 2007 for other exports from ACP countries.

## 2. Agreements with the United States

### a) *Caribbean Basin Trade Partnership Act – Caribbean Basin Initiative (CBTPA/CBI)*

The Caribbean Basin Trade Partnership Act (CBTPA) entered into force on 02 October 2000, and has played a crucial role for the countries of Central America and the Caribbean. This agreement responds in part to the demands reiterated by these countries for treatment comparable to that granted by the US to Mexico in NAFTA. This new agreement, which is now part of the Caribbean Basin Initiative (CBI) (*Caribbean Basin Economic Recovery Act CBERA*),<sup>74</sup> extends tariff liberalisation to certain types of garments, and implements tariffs equivalent to NAFTA for a number of products previously excluded from the CBI, such as shoes, canned tuna, petroleum derivatives, watches and watch parts.<sup>75</sup>

<sup>72</sup> At the meeting of the Council on 5 July 2001, no agreement was reached to consider the *waiver* request.

<sup>73</sup> See: [www.caribrm.org](http://www.caribrm.org) and [www.europea.int/trade/dispute/settlement](http://www.europea.int/trade/dispute/settlement): "Commission adopts regulation to end banana dispute", Brussels, 2.5.2001).

<sup>74</sup> The initial exceptions of the CBI include textiles and garments, which, however, can receive special treatment through quotas, the scope of which is highly important for countries in the Basin, but will be reduced and eventually eliminated, together with the WTO Agreement on Textiles and Clothing during the transition period. At the end of this period there will be only lowered tariffs. In addition, garments produced in the *maquiladoras* in Central America will pay only a tariff over the added value if inputs are imported from the United States. (Kouzmine, Access by products from Latin America and the Caribbean to the US textiles and clothing market. (LC/L.1076), Santiago de Chile, Economic Commission for Latin America and the Caribbean (ECLAC) September, 1997, pp. 16-17).

<sup>75</sup> Eligibility criteria for this agreement include fulfilment of commitments assumed under the WTO, participation in the FTAA process, the protection of intellectual property, respect for the internationally recognised rights of workers, and cooperation with the United States in

However, this initiative grants tariff- and quota-free access only to garments made with fabrics produced entirely in the United States. Some fabrics receive this treatment once they are made from thread produced in the US, and they are subject to an overall annual quota. These restrictive conditions concerning the origin of certain raw materials and the absence of a facility for accumulating added value at the regional level limit the programme's effectiveness. When the FTAA comes into force, these same benefits may be extended to the other signatories of the agreement, which are mainly from South America. There is also a concern among beneficiary countries regarding the entry of continental China into the WTO, and the consequent improvement in access conditions for that export power to the US market.

In December 1991, the United States approved the Andean Trade Preference Act (ATPA) in support of efforts by these countries to combat illegal drug production and trafficking. The beneficiaries of the current programme that expired in December 2001 are Bolivia, Colombia, Ecuador and Peru. The four beneficiary countries have already requested an extension in light of the positive contribution the programme has made to the diversification of their exports. Cut flowers continue to be the main import into the United States under the programme, but new categories of goods have increased volumes, including copper cathodes, pigments, processed tuna, zinc plates, asparagus, mangoes and wooden products.<sup>76</sup>

---

anti-narcotics initiatives. Thus, the same 24 beneficiary countries of the CBI are eligible. These include the five members of the CACM, CARICOM (excluding Suriname), the Dominican Republic and Panama, as well as some dependent British and Dutch territories.

<sup>76</sup> See web page USTR: <http://192.239.92.165/regions>: "III Report to the Congress on the operation of the ATPA", January 31, 2001, and reports: "2001 Trade policy agenda and 2000 Annual report of the President of the United States on the Trade Agreements Program".

## **C. Main areas of action of the ACS**

### **1. Attempts to establish a preferential trade zone among ACS countries**

Mutual trade promotion is one of the priority areas of the ACS. Since its inception, it has been difficult to define an agenda in this area to satisfy all the countries involved. As a result, the preparation of the work programme of the ACS Special Committee on Trade Development and External Economic Relations has run into difficulties arising out of differences among member states on the way in which trade liberalisation should be handled. For some countries, the subject of market access must be dealt with in the framework of negotiations for the Free Trade Area of the Americas (FTAA), and must be part of a bilateral agenda with the United States. On the other hand, others see the priority as being the creation of mechanisms to facilitate trade, improving mutual knowledge to develop business and making full use of Article 20 of the Convention Establishing the ACS.<sup>77</sup> These differing agendas and the unequal interest on the part of countries have slowed progress on this issue as compared to what has been achieved in other areas.

Thus, for almost two years, beginning in 1998, a group of member states directed their best efforts at formulating a regional preferential tariff, which by definition is a less demanding modality of integration than the establishment of a free trade area. Apparently, this more limited option was chosen to take into account the major differences in economic size and competitive power of member states, their different levels of interest in mutual trade liberalisation and the fact that all of them had already made previous commitments in trade agreements. Included among these, is their participation in sub-regional integration schemes, and even though there are more countries involved, these schemes are more demanding in terms of their objectives, since they seek to establish common markets. In addition, the countries of the Association belong to an increasing number of bilateral and multilateral trade agreements that go beyond the schemes mentioned above.

In fact, the introduction of a free trade regime among all ACS members within a relatively brief period, would probably lead to highly imbalanced trade in qualitative and quantitative terms. The main beneficiaries would be the few countries with a diversified export portfolio, while the others would have to deal with the increasing imports from those countries, with all the costs involved and without any major increase in their own exports to the region.

---

<sup>77</sup> This article gives interested countries the power to conclude trade and economic integration agreements within the ACS, without the need for all members to participate in them.

On the other hand, the gradual establishment of a preferential system would have a number of advantages, as compared to the alternative of a free trade zone: it is better suited to respond to the great differences in export capacity, and smaller countries would have better opportunities to adjust their productive capacities; the preference margin can be expanded through successive negotiations, and is maintained if any country decides to lower its tariffs for third parties; and demands for compensation by countries that believe they have been affected by the preference would be less intense and easier to settle. Their great disadvantages are that they are less effective in creating trade and can interrupt the process of deepening preferences if there is no commitment to arrive at free trade.

In a proposal presented by the ACS Secretariat at the same Summit (ACS 1999<sup>a</sup>), on the objective of promoting measures for economic integration, investments, transport and other related areas among the members of the ACS, the following is stated: "Concerning this objective, the Secretariat reports that on the subject of trade liberalisation, discussions are being held with regard to the Caribbean Preferential Tariff, a proposal made by the former Chairman of the Committee (Colombia)".<sup>78</sup>

Of all the background information available, this document from the Secretariat of the ACS, recognises the prior existence of many partial integration agreements among member states. The conditions therefore exist to start looking for common ground and seeking to deepen current processes and their convergence among all ACS member states. In view of the proposed hemispheric free trade area, it is suggested that "the most advisable route is to have the widest possible participation instead of hiding in isolation. It will therefore be necessary to improve negotiating power through the strengthening of mutual trade and developing competitiveness at national and regional levels".

It states that currently, reciprocal trade is no higher than 8% of overall trade, with trade among blocs being particularly weak. Furthermore, it recognises the existence of a potentially significant market in a relatively close region, where trade barriers have a great influence on possibilities for business promotion. In response to this, the Secretariat has undertaken specific action, including the completion of the "Study on obstacles to trade in the Association of Caribbean States (ACS)", which provides a detailed

---

<sup>78</sup> To put into effect this Caribbean Preferential Tariff (CPT), the most complete version of the proposal specifies a five by five matrix in which preferences to be granted among trade partners vary between 10% and 40%, according to levels of relative development of member states involved. As regards these levels of development, it proposes: Mexico, Andean Community, CACM, CARICOM and non-grouped countries (Cuba, Haiti, Panama and the Dominican Republic). This implementation is quite similar to the figure adopted by ALADI in 1984 in applying its Regional Preferential Tariff (RPT). In September 2001, the Special Committee on Trade Development and External Economic Relations of the ACS accepted the recommendation of the Executive Board, with respect to not investing further resources in this initiative.

inventory of all tariff and non-tariff restrictions applied by member states to their imports, and which can affect mutual trade (ACSEC, 1999b).<sup>79</sup>

Based on this, the question may arise regarding the suitability and viability of efforts toward establishing a regional preferential tariff in the ACS. Although this may appear to be an expeditious way to intensify the scant trade existing among member states, the experience gained from promoting such schemes among extremely heterogeneous developing countries, especially when there are few previous ties, does not augur well for this effort. Apart from the early demise of the Regional Preferential Tariff (RPT) established by ALADI in 1984, there is the failed UNCTAD initiative to establish a Generalised System of Preferences among developing countries. In both cases, participating countries were quite reluctant to extend significant preferences to a great number of countries. In practice, they excluded from the preference, products with greater trade creation potential, apparently because they were unclear as to the benefits they could obtain in exchange for the cost of these concessions.

Since the end of 1994, the attention of member states has been drawn by a wider ranging and demanding draft trade agreement, the FTAA. This agreement provides for the establishment of a free trade area among all the countries of the Western hemisphere (except Cuba), and includes additional disciplines beyond a free trade area, notably the promotion and protection of mutual investments, which is essential to all participating countries. It would appear that the prospects offered by this initiative and the extreme dedication needed in these negotiations have caused trade agreements among ACS member states to enter into a waiting phase. However, they still continue to conclude bilateral or multilateral trade agreements.

Finally, it should be recognised that other factors can work to promote politics and trade, and the deepening of trade relations in the Greater Caribbean region. In fact, the growing marginalisation from international scenarios faced by many countries in the region, and the fact that they share common objectives can be a driving force that brings together the main sub-groups in the region which use the ACS as a singular meeting space. Similarly, the re-definition of the hemispheric architecture in light of a possible understanding between the Southern Common Market (MERCOSUR) and the Andean Community in the south, and the formation of a space in the north, where strategic objectives are shared through NAFTA, can marginalise many countries in the Caribbean basin who have no option but to

---

<sup>79</sup> In addition, the Secretariat and member states have carried out a number of activities to promote mutual understanding of trade practices, through the Business Forum of the Greater Caribbean, the Forum of Trade Promotion Organisations of the ACS and the creation of an Integrated Information System.



strengthen the regional space in order to bring to bear their interests at hemispheric and extra-regional levels.

In accordance with this redefining of priorities, a mandate was issued by the 2nd Summit of Heads of State and Government of the ACS (Santo Domingo, April, 1999) to the Special Committee on Trade Development and External Economic Relations to focus its attention on the following areas: a) training of negotiators; b) vulnerability of small economies and c) the coordination of positions in different international fora. The possibilities for training negotiators are being coordinated with other integration Secretariats from the Caribbean Basin. On the subject of small economies and special and differential treatment, the Special Committee on Trade Development and External Economic Relations is working on agreement for discussion at the 3rd Summit of Heads of State and Government of the ACS. Finally, the ACS has been used as the forum for discussing and coordinating positions among countries vis-à-vis third parties on matters relevant to trade in the region.

During the 3<sup>rd</sup> Summit of Heads of State and/or Government of the States, Countries and Territories of the Association of Caribbean States (Margarita Island, Nueva Esparta State, Venezuela, December 11-12, 2001), the leaders confirmed the need for the Greater Caribbean region to be established as a Cooperation Zone. They also agreed with the multilateral negotiations process in a globalised world, provided that the principles of special and differential treatment and the spirit of the declarations of the Ministerial Meeting in Doha regarding developing countries are maintained. They also reiterated the significant links that unite trade to finance and proposed the Business Forum of the Greater Caribbean as an essential mechanism for promoting trade and investment in the region. The Plan of Action adopted at the 3<sup>rd</sup> Summit includes among others, the signing, ratification and implementation of the Convention Establishing the Sustainable Tourism Zone of the Caribbean, the development of external relations (reduction of trade barriers, development and implementation of the Integrated Information System of the Greater Caribbean), the implementation of the programme to unite the Caribbean by air and sea and the improved, more efficient response by countries to natural disasters.

Trade and investment promotion has been carried out essentially through the Business Forum of the Greater Caribbean. With respect to regional negotiations, the ACS Secretariat is developing a programme to prepare two studies: (a) The Future of Special and Differential Treatment in the FTAA; and (b) The possible structure of a Regional Cooperation Fund taking into consideration the Hemispheric Cooperation Programme of the FTAA.

This justifies the need for ACS member states to first of all, appreciate the true potential of the FTAA, which is the greater framework to which they belong. It also seems logical that they should continue to negotiate bilateral and multilateral agreements among themselves, and have goals beyond a preferential or free trade zone. They should also devote themselves fully to the other objectives of the Association – the promotion of transport and tourism and joint action in response to natural disasters, all of great importance to the sub-region, but which are apparently not covered by the objectives of the FTAA.

## **2. The facilitation of mutual trade**

In a specialised seminar organised by ECLAC in 1997, it was noted that the factor that probably conspired the most against the development of trade in the ACS was the mutual lack of knowledge among the different sub-regions (ECLAC, 1997). The final report of the seminar stated: “While integration among the different sub-groupings in the region is progressing according to the concept of open regionalism, the dimension of the inter-sub-regional space does not seem to receive the same attention. This potential means that there are productive and commercial similarities among the sub-regions that are perhaps much greater than those existing within the sub-regional markets. Since there are no reliable statistics on trade in services, sufficient attention has not been paid to their potential for strengthening mutual integration. This is one area where many Caribbean islands have a diversified and competitive supply”.

The importance of improving sources of mutual information was recognised at an early stage by the ACS Special Committee on Trade Development and External Economic Relations, and was expressed in its recommendation to establish a trade information mechanism that should serve the interests of the entrepreneurs in the region. This should be accompanied by continued action toward trade liberalisation and more intense export promotion activities.

Having recognised that market access liberalisation is not sufficient to strengthen trade within the Association, and that a complementary business culture would have to be created, the ACS Secretariat has been promoting the Business Forum of the Greater Caribbean. The first edition of the forum (Margarita Island, Venezuela, October 2000) was attended by 350 companies from 22 countries, and more than 1,500 business contacts were made. The meeting also provided an opportunity for entrepreneurs, government authorities and individuals to discuss the main issues on the agenda of international trade, and how they

relate to business development in the Greater Caribbean.<sup>80</sup> The last Forum was held in San José, Costa Rica and was attended by 409 representatives of 302 companies from 20 countries. It was estimated that there were 767 business meetings held. The 4<sup>th</sup> Business Forum of the Greater Caribbean will take place in Santiago de Cuba, Cuba in 2003.

In response to this concern, another forum was created for consultation and cooperation, the Forum of Trade Promotion Organisations of the ACS, the objectives of which are: promote the shared use of resources among these organisations and the exchange of experiences; create a network of allies; participate in and promote fairs, seminars and events in member states; support trade missions; support in market intelligence; prepare lists of potential products that could be sent to the region; establish links among the different Internet sites, and promote and support the ACS Business Forum.

In the area of trade information, work is also being done on the design of an Integrated Information System for the Greater Caribbean, with participation from CARICOM, the Central American Integration System (SICA), the Central American Economic Integration Secretariat (SIECA), the Latin American Economic System (SELA), ECLAC and other entities involved in cooperation and integration in the Caribbean Basin such as the Andean Community, the Organisation of Eastern Caribbean States (OECS), Caribbean Export Development Agency and the Regional Negotiating Machinery. The objectives of this Information System are: a) develop and apply a multilingual system (English-Spanish-French) that would respond to the need to generate, manage and disseminate information required in the ACS by organisations participating in the project, by member states of the Association, and by the public in general and b) design an information system available on the Internet that would respond to the specific information requirements of each country, and which would be homogenous in order for information to be compared across the region, and which would also take into account existing initiatives. The proposal for the project to create the Integrated Information System of the Greater Caribbean was approved at the 2<sup>nd</sup> Meeting on Inter-Secretariat Cooperation in the Greater Caribbean, convened in May 2001. For this purpose, the terms of reference have been prepared for a consultant to be contracted to identify different strategies and alternative proposals, in order to implement and sustain the economic and trade information module of the project to create the Integrated Information System of the Greater Caribbean.

Efforts to facilitate trade among ACS countries can complement similar advances made within the FTAA, but not replace them. As regards the latter, the agreements reached by the Trade Negotiations Committee (TNC) of the FTAA are among the most important results achieved in that forum, and cover a

---

<sup>80</sup> The 2nd Business Forum of the Greater Caribbean was held in Mexico City in October 2001, sponsored by the Banco de Comercio Exterior de Mexico (BANCOMEXT) and the Secretariat of the ACS. The 3rd Business Forum was held in San José, Costa Rica, in 2002, and the 4th will take place in Havana, Cuba in 2003.

much broader market than the ACS. The FTAA Ministerial Meeting in Toronto (November 1999) supported this progress and decided that business facilitation would focus on two distinct areas. The first is customs procedures, and its objective is to contribute significantly to business among member states by reducing the cost of transactions and creating a more consistent and predictable business environment. The second is the need for information delivery to be more transparent for the business community.

In the first area, eight specific measures were approved for implementation from the start of 2000. These provisions include the temporary importation of specific goods related to business travellers; express shipping; simplified procedures for low cost shipments; compatible electronic data interchange systems and common data elements; harmonised system for the designation and codification of goods; dissemination of customs information; codes of conduct applicable to customs officials and risk analysis and methods of selection.

Although the application of these recommendations depends essentially on the action of individual governments, there seems to be a common willingness to implement what has been agreed to (FTAA, 2000 and ECLAC, 2001c). At the same time, and under the supervision of the Trade Negotiations Committee (TNC), the Committee of Experts on Business Facilitation Measures relating to customs matters, was created for the purpose of analysing and promoting the degree of national applications.

There is no doubt that once these measures are applied in the western hemisphere, great strides will have been made in mutual trade facilitation among countries, including all Members of the ACS. Against this backdrop, it would be logical to recommend that a trade facilitation programme, involving only ACS members, focus on implementing data banks and trade facilitation fora especially adapted to the needs of the region. This would complement the activities of other members of the FTAA and improve the use of resources in the region.

In March 2003, the ACS Secretariat launched the study “Obstacles to Trade at the Business Level and Business Facilitation in ACS Member States”, which is expected to be ready by July 2003. The objective of the study is to establish, through a survey, the perception of the private sector of the Greater Caribbean regarding obstacles to trade among the different groups of ACS Member Countries: the Group of Three, CARICOM, the Central American Common Market, the Non-Grouped Countries and Associate Countries. The results will contribute to recommendations being presented to Governments concerning actions toward the elimination of obstacles, thereby improving the environment for increased trade and investments.

Given the border difficulties encountered in recent rapprochements between Central America and CARICOM, the ACS Secretariat will convene in 2003, a meeting of the authorities responsible in order to define possible steps and mechanisms that would facilitate border procedures for the products traded among Member Countries.

### **3. Cooperation in transport, tourism and natural disasters**

#### ***a) Transport***

##### ***i) Some elements of judgement***

International transport, in its different forms, occupies an essential place among and for the economic activities of ACS countries, due to its impact on trade in the region. As previously indicated, the region's economies are very open, making them particularly dependent on international trade in goods and services. In addition, 24 of the 37 countries and territories in the Caribbean Basin are islands and 90% of the cargo flow takes place by sea.

In air transport, the fractured structure of the routes distributed among small national carriers, and the dependence on transport provided by international carriers, are hampering the development of a system that could meet the growing demand for efficient service, and both constitute a barrier to economic development in general and to the growth of tourism activity in particular.

In maritime transport, the fact that the region does not seem to have benefited equally from reduced transport costs around the world is especially significant. A recent article published by a transport expert from ECLAC stated the following: "The cost of insurance and maritime freight for the Caribbean in 1997 was 11.2% of the import value, for the countries of Central America, this cost rose in the same year to 9.3%, while the world average did not exceed 5.2% of the import value" (Hoffmann, 2001). The factors that have a negative impact on the competitiveness of maritime transport in these countries are the result of the small scale on which these services are rendered, low productivity of port labour, little competition among shipping companies, the use of outdated technologies, unnecessary port security costs or excessive waiting periods for vessels and their cargoes.

Another recent publication of the ECLAC Transport Unit highlights a few relevant aspects of transport among the countries of the insular Caribbean, and between these countries and the large ports of the world (ECLAC, 2001d). Firstly, it stresses that Caribbean countries in general face much higher shipping costs than the rest of the world on average. This excess cost is of particular significance for their imports, which for the most part are small volumes of consumer goods shipped in containers. Even in

this scenario, it has been indicated that all Caribbean countries have access to a wide variety of maritime transport services, which also facilitate trade among the smaller countries in the region, through an informal sector, although the volumes and proportions of trade are very small.

It also maintains that it makes no sense to promote transport services toward intensifying mutual trade, since these services usually appear naturally when there is a supply of goods to be shipped. The authors of this publication do not seem to support attempts to create a joint carrier, even if it does not directly exploit merchant vessels. Perhaps for reasons of public interest a subsidy for essential transport services could be justified, including a passenger service in those islands with very small populations.

On the other hand, the area in which major efforts are needed is in the lowering of transport costs in general, and of port costs in particular. Greater efficiency in maritime transport could be achieved through more homogenous import and export flows, both in terms of volume as well as the composition of these flows. Efficiency would therefore be a benefit derived from the growth in and diversification of exports, giving way to the creation of a virtuous cycle. This option, however, can bear fruit only in the long term. In the interim, efforts must focus specifically on the way in which the transport sector is operated.

High port costs could be lowered through the privatisation of ports and labour reform for port workers. Large investments and the introduction of new technologies are also needed for the ports. In this area, an important tool for achieving greater efficiency would be the introduction of vertical portals in a computerised remote access system. To facilitate this modernisation, ECLAC's Transport Unit proposes in its Bulletin, that databases be set up to facilitate port infrastructure investment planning and the transparency of freight markets. It also suggests the introduction of computerised remote access techniques, and in general, the simplification of port and customs procedures to shorten time spent in the port by vessels and in receiving goods.

In a study by the Inter-American Development Bank (IDB), similar conclusions have been reached in assessing the maritime sector and the policies to be followed toward lowering transport costs by this means. A similar analysis is done on the air transport sector (Jessen and Rodríguez, 1999, pp. 34-38). First of all, it indicates that transport costs depend on the type of cargo, distance and economies of scale, waiting time at ports, port fees and insurance premiums. High transport costs have a disproportionate effect on commercial carriers in the Caribbean, since their imports are quite heterogeneous as compared to their exports. It further expresses that in general, Caribbean ports do not lack capacity nor are there sufficient shipping lines to meet their current needs.

However, the harmonisation of laws and legal reforms is needed to create incentives for improving administrative and management practices, encourage investments to modernise the existing infrastructure and ensure the efficient use of resources in this area. Reform of this sector must focus on increasing competition, promoting regional cooperation and utilising modern management techniques. The ports are particularly affected by a lack of competition since they often occupy a monopolistic position in the territory they serve (hinterland), while many governments in the region are reluctant to privatise. In essence, there is a need to distinguish between the regulatory and operational functions of ports. Greater cooperation between port authorities and shipping companies could facilitate more intense transshipment operations at the larger ports in the region, where the shipping needs of the entire region can be met by using smaller vessels and increasing efficiency. The study also mentions the need to modernise port labour regimes and their technical operating practices. Finally, it states that the implementation of information systems would facilitate cooperation among shipping companies, thereby resulting in more efficient use of cargo space.

It stresses the key role of air transport in international tourism, and in relations with commercial agents and foreign investors. It is felt that the lack of cooperation between the two regional airlines has affected their profitability, and has left the region dependent on a number of extra-regional carriers. The latter do not always serve the interests of the individual islands, or the less profitable routes. The formation of a viable regional carrier would strengthen the region's position in negotiations for opening its airspace. Cooperation among regional airlines can be extended to include information sharing and joint reservations and ticketing systems, aircraft maintenance and support services. As for maritime transport, the study states that the efficiency of airport operations would benefit greatly from the modernisation of the regulatory framework and complementary investments.

ii) ACS action in the area of transport

In response to these difficulties, the ACS established the programme entitled, "Uniting the Caribbean by Air and Sea", which sets the guidelines for its work in the area of transport. This is being supported by public and private efforts as well as the promotion of regional cooperation mechanisms. As a result of this programme and specific mandates received from member states, a range of initiatives are being carried out.

For maritime transport, efforts have been undertaken toward the creation and implementation of a database to increase competence, facilitate the decision-making process, and lend greater transparency to port operations and shipping companies and carriers in general. This initiative is receiving the support of

organisations with experience in the area such as ECLAC, the Central American Commission on Maritime Transport (COCATRAM), the University of New Orleans and the Caribbean Shipping Association (CSA).

Also being developed is the Project “*Creation of a Database of Maritime Port Activities on the Internet*” with collaboration from the Regional Secretariats of the Caribbean, the Caribbean Shipping Association (CSA), the University of New Orleans (UNO), ECLAC and the Central American Commission on Maritime Transport (COCATRAM). The project is aimed at improving maritime transport efficiency in the Greater Caribbean through greater cooperation among the countries of the region.

Cooperation is also taking place in the following training activities: a) ACS - Maritime Transport Training Development Programme (TRAINMAR)-UNCTAD cooperation programme, to encourage participation by the member states of the Association in courses and workshops offered by this institution; b) Joint training programmes with specialised national institutions from countries in the area, such as those in Cuba, Jamaica, Mexico and Panama.

In the area of air transport, discussions were held in 2002 on the proposal for the “Agreement among the Member States and Associate Members of the Association of Caribbean States regarding Air Transport among their Territories”, presented by Cuba. It was agreed that the Agreement would be technically approved by the Air Transport Experts of the ACS. In addition, it was decided that the Agreement would be presented to the Member States and Associate Members at the 8<sup>th</sup> Ordinary Meeting of the Ministerial Council, in Belize, in November 2002. A programme has also been put in place for developing strategic alliances among the national airlines of the region. To date, two meetings have already been held among the senior airline executives of ACS Member Countries, and concrete results have been achieved in functional cooperation among these companies. These efforts will continue in 2002 with the convening of the 3<sup>rd</sup> Meeting of Senior Airline Executives of ACS Member Countries.

## **b) *Tourism***

### **i) Trends in regional and international tourism**

A large number of Caribbean, and some Central American countries are highly dependent on international tourism to finance their balance of payments and create employment. This brings into the region as a whole, annual earnings of 17.7 billion dollars, representing 4.2% of foreign exchange generated internationally by this activity. Tourism brings in a high proportion of the foreign exchange earnings of Antigua and Barbuda, the Bahamas, Barbados, Jamaica, St. Lucia and St. Vincent and the



Grenadines. In all these cases, except for Jamaica, revenue from this source amply exceeded export income in recent years. The construction, agricultural and manufacturing sectors have also benefited from the expansion of tourism in these countries. However, links between the tourism sector and the other sectors of the economy remain limited, although in Barbados and Jamaica, they are much closer than in the smaller OECS countries.

In general, tourism revenue can vary tremendously from one year to the next, and even decline systematically, depending on events such as natural disasters, international fashions, the discovery of cheaper or more attractive tourism destinations in other regions and political and social instability. For example, in the IDB study mentioned earlier, it is stated that the growth of the Caribbean tourism industry has declined recently due to the limited capacity of supply and competition from other regions (Jessen and Rodríguez, 1990, pp. 32 and 33).

It should be pointed out that the general development of tourist activity is relatively recent in the Greater Caribbean, since it was only during the '70s and '80s that it became more intense. Following this, the sector grew rapidly, bringing in negative external elements resulting from the poor management of resources. There has also been premature ageing of the tourism infrastructure in many destinations, increasing social, economic, cultural and environmental imbalances and consequently, reduced participation in the world market and loss of profitability in the long term. At the same time, consumer preferences worldwide have changed, and demand is now directed at environment and culture friendly destinations.

It seems that the future expansion of the tourism supply depends on the development of destinations that are not often visited, the extension and improvement of popular destinations, the development of specific services to satisfy niche markets (health tourism, retirees, congresses, eco-tourism) and regional cooperation for the promotion of tourism, the operation of airlines and support services. Expanding capacity and developing new destinations will require the investment of large sums, which will come mainly from outside the region.

## ii) Activities of the ACS

The foregoing explains the interest of ACS countries to further develop international tourism. It is recommended that in promoting regional tourism, the ACS should concentrate on cooperation activities that would maximise the impact in the region as a whole. It is therefore of extreme importance to bring together the diverse interests of member states, which have been competing keenly among themselves to attract international tourism and international operators.

The different threats to tourism development brought about by the over exploitation or inappropriate management of resources and changes in consumer preferences, have had an effect on the political will of the governments of the countries in the Caribbean Basin to pay special attention to the creation of the Sustainable Tourism Zone of the Caribbean (STZC). Their main objective is to change the way in which the sector grows, through a model that would guarantee increased employment and foreign exchange, aimed at environmental and cultural conservation, and local community participation in the planning of activities and in the benefits to be derived.

The establishment of the STZC is the result of a deliberate and concerted policy among member states to facilitate action in the public and private sectors, as well as regional cooperation in the framework of planning, which would permanently and harmoniously articulate the profitable operation of the tourism sector and the other objectives mentioned earlier. The concept of the STZC originated in the following principles and strategies.<sup>81</sup>

The principles are sustainability as a condition of development; the region as a unit (a cultural, socio-economic and biologically rich and diverse unit); tourism as the axis of economies; cooperation as a means toward achieving the objectives of tourism sustainability; consensus as the basis of sustainability; and sustainability as a condition for competitiveness.

The strategies include aspects such as: culture and identity, community participation, environment, technology for sustainability, economic policies and instruments, tourism market, education, legal framework, sustainability indicators, air and maritime transport, coordination with the private sector and an information centre.

In addition, the ACS Secretariat acted on two different fronts simultaneously: it identified immediate actions not requiring a binding instrument for their application, and at the same time, commenced efforts to draft said instrument.

During the 3<sup>rd</sup> Summit of ACS Heads of State and Government held on December 12, 2001, the Convention Establishing the Sustainable Zone of the Caribbean (STZC) was signed by 23 Member Countries and two Associate Members. One of the priority objectives for 2002-2003 is the signing and ratification of the Convention by all ACS Member States and Associate Members.

---

<sup>81</sup> At the 2<sup>nd</sup> Summit of Heads of State and Government of the ACS, the Heads adopted the Declaration for the Creation of the Sustainable Tourism Zone of the Caribbean. They also instructed the Ministers of Tourism to carry out the immediate plan of action and support the strategies for the creation of the Zone defined in the Memorandum of Understanding signed by the Ministers of Foreign Affairs.

This legal instrument has been completed, and was signed at the 3rd Summit of Heads of State and Government of the ACS in December 2001. It establishes procedures for the destinations in different countries to be incorporated into or removed from the Sustainable Tourism Zone. Obviously, minimum sustainability criteria and values will be needed in order to evaluate conditions in the destinations. These indicators must be consistent with those established by the main tourism operators in the world so that the Caribbean Basin could climb a few steps in its world placing.

**c) *Joint response to natural disasters***

ACS activity in relation to natural disasters is the responsibility of the Special Committee on Natural Disasters. This has its legal basis in the Framework Cooperation Agreement among the Member States and Associate Members of the Association of Caribbean States for Regional Cooperation in Disasters, signed in Santo Domingo, the Dominican Republic, in April, 1999, and also in the rationalisation and prioritisation process carried out at the 6th Meeting of the Ministerial Council of the ACS in December 2000.

In this regard, specific action by the Committee has focused on three projects: “Hemispheric Consultation on Early Warning”; “Information and Training Centres for Disaster Relief and Prevention”; “Feasibility study on the Creation of a regional Post-Disaster Fund for ACS Member Countries”; “Updating Building Codes of the Greater Caribbean for Winds and Earthquakes”; and, “Inventory of Human and Technical Resources for Emergency Relief”.

During the 4<sup>th</sup> Meeting of the Special Committee on Natural Disasters held in March 2002 in Guatemala City, Guatemala, the status of the progress made in the last three projects mentioned above was reviewed. These were approved at the 3<sup>rd</sup> Meeting of the Technical Group of the Special Committee on Natural Disasters convened in Curacao in 2001.

## EPILOGUE

This report has sought to provide an inventory and analysis of the main factors affecting current and future integration and cooperation activities in the ACS. The planning and execution of these activities appear complex at this time, when there are major uncertainties and many changes in the regional, hemispheric and global scenarios. Since its inception, the ACS has not had an easy task, due to the large number of its member states, their heterogeneous nature and the fact that there are no significant traditional trade and cooperation links that cover them all. It is perhaps for these reasons that agreements adopted in this Association thus far do not seem to entail great commitment, while the ACS Secretariat has limited resources to conduct follow up. This is why this report has argued in favour of being selective of the areas to be dealt with and in making commitments. However, there are many areas where joint efforts in the framework of the ACS can be fruitful. It should be added that future agreements can be put into effect only to the extent that they have the full commitment of member states, adequate resources to face challenges and the minimum institutional infrastructure needed.

## ACRONYMS

ACP	Africa, Caribbean and Pacific Group of States
ACS	Association of Caribbean States
ALADI	Latin American Integration Association
ALTEX	Programa de Concertación con Empresas Altamente Exportadoras (Coordination Programme with Highly Export Oriented Businesses)
APEC	Asia Pacific Economic Cooperation
ATPA	Andean Trade Preference Act
CACM	Central American Common Market (MCCA – Mercado Común Centroamericano)
CAME	Consejo de Ayuda Mutua Económica
CMEA	(Council for Mutual Economic Assistance)
CARICOM	Caribbean Community
CBI	Caribbean Basin Initiative
COCATRAM	Comisión Centroamericana de Transporte Marítimo (Central American Commission on Maritime Transport)
CSA	Caribbean Shipping Association
DMO	Disaster Management Organisations
FDI	Foreign Direct Investment
FTAA	Free Trade Area of the Americas
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
IDB	Inter American Development Bank
INTAL	Instituto para la Integración de Latin America y el Caribe (Institute for Latin American and Caribbean Integration)
MFN	Most Favoured Nation
NAFTA	North American Free Trade Agreement
OECS	Organisation of Eastern Caribbean States
PITEX	Programa de Importación Temporal para Producir Artículos de Exportación (Temporary Import Programme for Producing Export Items)
RPT	Regional Preferential Tariff
SAC	Sistema Arancelario Centroamericano (Central American Tariff System)
SELA	Sistema Económico Latinoamericano (Latin American Economic System)
SICA	Sistema de la Integración Centroamericana (Central American Integration System)
SIECA	Secretaría de Integración Económica Centroamericana (Central American Economic Integration Secretariat)
STZC	Sustainable Tourism Zone of the Caribbean
TELGUA	Telecomunicaciones de Guatemala
TNC	Trade Negotiations Committee
TRAINMAR	Programa de Desarrollo de la Capacitación en Materia de Transporte Marítimo (Programme for Training Development in Maritime Transport)
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organisation

## BIBLIOGRAPHY

ACS (Association of Caribbean States)(2000), *Report of the Chairman of the Special Committee on Tourism on the 5th Meeting of the Special Committee on Tourism of the Association of Caribbean States*, San José, Costa Rica, 31 May and 1 June.

\_\_\_\_\_ (1999a), Some preliminary ideas for establishing a plan of action to be approved at the 2nd Summit of Heads of State and Government in April in Santo Domingo, Port of Spain, March.

\_\_\_\_\_ (1999b), Study on Obstacles to Trade by the Association of Caribbean States (ACS/99/Trade), Third edition, Port of Spain, October.

\_\_\_\_\_ (1996), Final report of the 1st meeting of ACS Special Committee on Trade Development and External Economic Relations (DC/001/96), Caracas, 11 and 12 November.

Aguilar, José Victor (1996), El Salvador: Trade liberalisation and Central American Integration. Alternatives for Development # 38. FUNDE.

ALADI (Asociación Latinoamericana de Integración) (1997), The evolution of negotiations and trade in the countries of Central America and the Caribbean (ALADI/SEC/di912), Montevideo, 6 February.

FTAA (Free Trade Area of the Americas) (2000), Dissemination of business facilitation measures with reference to customs matters (FTAA.TNC/cbf/w/01/Rev.6), Trade Negotiations Committee, 10 November.

APEC (2002a), APEC Electronic Individual Action Plan (e-IAP): Chile, (<http://www.apec-iap.org/>).

APEC (2002b), APEC Electronic Individual Action Plan (e-IAP): Peru, (<http://www.apec-iap.org/>).

Betancour, Mauricio (2003) Colombian Investment Abroad: Procedures and Evolution. Preliminary Report. Universidad ICESI. Research Project: Colombian Investment Abroad. March.

World Bank (2000), Report of the Commonwealth Secretariat/World Bank Joint Task Force on Small States: Meeting Challenges in the Global Economy, Washington, D.C., April.

Caribbean Community Secretariat (2000), Caribbean Trade & Investment Report 2000 – Dynamic Interface of Regionalism & Globalisation, Kingston, Jamaica, Ian Randle Publishers.

CARICOM (Caribbean Community) (2001), "Establishment of the CARICOM Single Market and Economy-key Elements", July ([www.CARICOM.org](http://www.CARICOM.org)).

CCS (Caribbean Community Secretariat) Caribbean Trade & Investment Report 2000. Dynamic interface of regionalism & globalisation, Coles Printery, Kingston (Barbados).

ECLAC (2003a), *Panorama of the International Insertion of Latin America and the Caribbean, 2001-2002*. Economic Commission for Latin America and the Caribbean. United Nations, Santiago de Chile, LC/G.2189-P, March.

ECLAC (2003b), *Foreign Investment in Latin America and the Caribbean, 2002*. Economic Commission for Latin America and the Caribbean. United Nations, Santiago de Chile, LC/G.2198-P, March.

ECLAC (1996) *Evolution and Perspectives of Intra-regional Trade and Investments*. International Trade, Transport and Financing Division. Document LC/R.1623, February.

ECLAC (2003), *Foreign Investment in Latin America and the Caribbean, 2002*. Economic Commission for Latin America and the Caribbean. United Nations, Santiago de Chile, LC/G.2198-P, March.

ECLAC (Economic Commission for Latin America and the Caribbean)

\_\_\_\_ 2002 *The economic survey of the Caribbean*. LC/CAR/G.687. August 2002.

\_\_\_\_ 2002 *The effects of globalisation on CARICOM Caribbean economies*. Final draft July 2002.

\_\_\_\_ 2002 *Intra-CDCC trade and investment*. LC/CAR/G.694. June 2002.

\_\_\_\_ 2002 *Foreign investment in Latin America and the Caribbean*, edition 2001, (LC/G.2178-P), Santiago de Chile, April. Publication of the United Nations, N° S.01.II.G.47.

\_\_\_\_ 2001. *The Netherlands Antilles: Trade and Integration with CARICOM*. LC/CAR/G.681. December 21, 2001

\_\_\_\_ (2001b), *Panorama of the international insertion of Latin America and the Caribbean*, edition 1999-2000, (LC/G.2085-P), Santiago de Chile, March. Publication of the United Nations, Sales N°: S.00.II.G.17.

\_\_\_\_ (2001c), “Trade Facilitation and transport in Latin America and the Caribbean”, *Boletín FAL*, N° 175, Santiago de Chile, March.

\_\_\_\_ (2001d), “International trade in the Caribbean and its shipping”, *Boletín FAL*, N° 173, year 25, Santiago de Chile, January ([www.eclac.cl](http://www.eclac.cl)).

\_\_\_\_ (2000a), “Equity, development and citizenship, Vol III - Agenda Económica, second edition, Bogotá D.C., Editorial Alfaomega, November.

\_\_\_\_ (2000b), *The Cuban Economy – Structural reform and performance in the nineties*. Second edition, Mexico D.F., Fondo de Cultura Económica.

\_\_\_\_ (2000c), *Economic and social development in the Dominican Republic: the last twenty years and prospects for the 21st century* (LC/MEX/R.760), Mexico, D.F., 27 July.

\_\_\_\_ (2000d), *The North American Free Trade Area and the performance of Mexico’s economy* (LC/MEX/L.431), Mexico, D.F., 14 June.

\_\_\_ (1999a), *The Impact of Trade Liberalisation on Government Finances in Jamaica* (LC/CAR/G.547), Port of Spain, Sub-regional Headquarters of ECLAC for the Caribbean.

\_\_\_ (1999b), *The Impact of Trade Liberalisation and Fluctuations of Commodity Prices on Government finances: The case of Saint Lucia*, (LC/CAR/G.586), Port of Spain, Sub-regional Headquarters of ECLAC for the Caribbean.

\_\_\_ (1998), *Latin America and the Caribbean: policies for improving insertion in the world economy*, second version revised and updated, Santiago de Chile, Fondo de Cultura Económica.

\_\_\_ (1997), Summary of the Seminar on intra-regional trade and investment promotion in Latin America and the Caribbean, (LC/R.1763), Santiago de Chile, 20 November.

CIDEIBER (Centre for Business Information and Documentation on Latin America) (1998a) Colombia: Investments and programmes, foreign investments. Information on countries. (<http://www.cideiber.com/infopaises/Colombia/Colombia-09-01.html>)

CIDEIBER (Centre for Business Information and Documentation on Latin America) (1998b) Venezuela: Investments and programmes, foreign investments. Information on countries. (<http://www.cideiber.com/infopaises/Venezuela/Venezuela-09-01.html>)

CIDEIBER (Centre for Business Information and Documentation on Latin America) (1998c) México: Investments and programmes, foreign investments. Information on countries. (<http://www.cideiber.com/infopaises/México/México-09-01.html>)

COMEX. Ministry of Foreign Trade of Costa Rica. Measures against Intra-regional Free Trade. May 2003.

Easter, Christopher (1999), *Small States Development: A Commonwealth Vulnerability Index. The Round Table 1999*, London.

Finger, J. Michael, Francis Ng. and Isidro Soloaga (1998), "Trade Policies in the Caribbean Countries: A Look at the Positive Agenda", Washington D.C., unpublished.

Fretz, Deirdre (1999) The new wave: Privatisations are history. It's time to buy stock. Business Section of the Year. *América Economía*, December 16, No. 173. pp. 38-47.

Garrido Celso (2001) Cross-border mergers and acquisitions in Mexico during the nineties. ECLAC.

Garrido, Celso (2000), Production investment by large Mexican companies in Central America and their technological impact in the region. The Metropolitan Autonomous University and International Centre for Economic Policy, November.

Gitli, Eduardo (2000), Mexican Investment in Central America. Production links and technology transfer. The Metropolitan Autonomous University and International Centre for Economic Policy, November.

Hoffman, Jan (2001), "Paying too much", *Trading News*, Santiago de Chile, April.



Instituto de Comercio Exterior, (1996), *Degree of benefit derived from trade and investment agreements between Venezuela and CARICOM*, Caracas, unpublished.

Iturbe de Blanco, Eglé (1997) Trade relations and investment between Colombia and Venezuela. Intal Series. Work Document No. 3, October.

Jank, Marcos Sawaya (2002), Interaction of negotiations on agriculture: FTAA and the WTO. Colombia Competes: 4<sup>th</sup> meeting for productivity and competitiveness Barranquilla, October 2002.

Jessen, Anneke and E. Rodríguez (1999), *The Caribbean Community: Facing the Challenges of Regional and Global Integration*, Buenos Aires, Inter American Development Bank (IDB) / Instituto para la Integración de Latin America y el Caribbean (INTAL), January.

Kouzmine, Valentine (1997), Access by products from Latin America and the Caribbean to the textiles and garments market of the United States, (LC/L.1076), Santiago de Chile, Economic Commission for Latin America and the Caribbean (ECLAC), September.

Latin Trade (1999), Great Business: The 100 top mergers and acquisitions in Latin America, Regional Report. Miami, (pp. 31-40).

Lopez, María Antonia (2003), Central American Investment in Nicaragua grows. Prensa Digital. <http://www-ni.laprensa.com.ni/cgi-bin/print.pl?id=economia-20030219-02>.

Macario, Carla, Export Growth in Latin America. Policies and Performance. Boulder: Lynne Rienner. 2000.

World Trade Organisation. Examination of Trade Policies of Mexico. Report of the Secretariat. WT/TPR/S/97. March 2002.

World Trade Organisation. Examination of Trade Policies of Guatemala. Report of the Secretariat. WT/TPR/S/94. December 2001.

World Trade Organisation. Examination of Trade Policies of St. Kitts and Nevis. Report of the Secretariat. WT/TPR/S/85. May 2001.

World Trade Organisation. Examination of Trade Policies of Costa Rica. Report of the Secretariat. WT/TPR/S/94. April 2001.

World Trade Organisation. Examination of Trade Policies of Barbados. Report of the Secretariat. WT/TPR/S/101. June 2002.

World Trade Organisation. Examination of Trade Policies of El Salvador. Report of the Secretariat. WT/TPR/S/111. January 2003.

World Trade Organisation. Examination of Trade Policies of the European Union. Report of the Secretariat. WT/TPR/S/102. June 2002.

World Trade Organisation. Examination of Trade Policies of the Dominican Republic. Report of the Secretariat. WT/TPR/S/105. September 2002.

World Trade Organisation. Examination of Trade Policies of the Member Countries of the Organisation of Eastern Caribbean States (OECS). May 2001.

Population Reference Bureau (2002), 2002 World Population Data Sheet. Population Reference Bureau, Washington.

Mexican Secretariat of the Economy, General Directorate for Foreign Investment (2002), Dominican Republic Investment in Mexico, September 2002.

SIECA. Status of the Situation concerning Central American Economic Integration up to March 2003.

SIECA. Report of the Activities and Advancements made in the Central American Customs Union Process. March 2003.

West Indian Commission (1992), *Time for Action - The Report of the West Indian Commission*, Barbados, Black Rock.

World Bank (1997), *Global Development Finance, 1997. Volume 1: Analysis and Summary Tables*. Washington, D.C.