

Relations between CARICOM and Central America and the Dominican Republic: a window of opportunity for trade and investment



UNITED NATIONS



Organization of
American States

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Organization of
American States

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FOREWORD

This publication represents a contribution by the Economic Commission for Latin America and the Caribbean (ECLAC) and the Organization of American States (OAS) to an analysis of the potential and the opportunities for trade, investment, and strategic partnerships between Central America, the Dominican Republic, and the Caribbean.

In October 2011 the OAS and FUNGLODE hosted a forum on "Economic Perspectives and Challenges for Central America and the Caribbean in the Global Economy" in Santo Domingo, the Dominican Republic, where President Leonel Fernández and OAS Assistant Secretary-General Albert Ramdin asked for the support of ECLAC in conducting a study of the potential and the challenges for fostering trade and investment between Central American and Caribbean countries.

This initiative expresses the spirit resulting from the meeting, in August 2011, of the Heads of State and Government of the Central American Integration System (SICA, for its acronym in Spanish) and the Caribbean Community (CARICOM) that met in San Salvador, El Salvador, to launch a new era of cooperation between Central America and the Caribbean. The Government of El Salvador, serving at that time as *pro tempore* chair of SICA, suggested that SICA-CARICOM integration should be a priority, and it organized the third SICA-CARICOM Summit.

Recognizing that only with greater integration can the two sub-regions address common challenges of such a scale as the global economic crisis, the OAS and the *pro tempore* SICA chair convened a SICA-CARICOM Meeting of CEOs with a view to boosting economic relations and promoting the creation of businesses, as well as fostering trade and investment.

The challenge for both sub-regions is to promote economic diversification that will take account of their human potential, labour markets and institutional capacity for sustaining the conditions that are key to growth and prosperity in their societies.

This study covers the 14 countries of CARICOM: Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago. It also analyzes the countries of Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama) and the Dominican Republic, treating them as a single group under the denomination Central America and the Dominican Republic (CA&DR), in recognition of their similarity and their membership (or, in the case of the Dominican Republic, associate membership) in the Central American Integration System.

ECLAC and the OAS are making this report available to governments and the general public in Latin America and the Caribbean as a way of demonstrating the importance of relations between the countries of the Caribbean and those of Central America. The organizations hope in this way to contribute to a better understanding of the advantages and challenges facing both sub-regions, and in particular to highlight the potential for achieving greater integration and creating better living conditions for their citizens.

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INTRODUCTION

Since 1992, when the countries of CARICOM and the countries of SICA held their first ministerial conference in Honduras, the countries of both economic blocs have adopted the idea of strengthening their economic, social, and political relations by establishing a permanent mechanism for cooperation between the two sub-regions. Over the last 20 years these countries have joined together to achieve significant progress. However, there are still areas where work needs to be done to reduce gaps and to bolster their trade and investment relations as a means of securing greater economic and social development. The principal objective of this document is to provide a brief overview of the main characteristics of the two sub-regions and their points of convergence or divergence, and to identify those areas that could benefit from greater cooperation and investment and trade opportunities.

This document is divided into five chapters. The first provides a brief description and comparison of the general features of the countries examined, including questions relating to language, territory, population, and economic activities. It also tracks and analyzes the economic relations among countries. The purpose of this chapter is to offer the reader a general overview of what these two sub-regions are all about, their points of convergence, the progress they have made and the challenges they will need to address jointly.

The second chapter looks at exports of goods between the two sub-regions. It is divided into two parts: the first analyzes exports of goods from CARICOM countries to Central America and the Dominican Republic, by bloc and bilaterally, using data reported by CARICOM as the export organization. The second part examines the exports from CA&DR to CARICOM, by bloc and bilaterally, using data reported by Central America and the Dominican Republic as exporters.

The third chapter seeks to identify services exports between the two economic blocs and to illustrate the importance of trade in services for the economies examined. As in the previous chapter, the first part discusses exports of services from CARICOM, while the second part deals with those from CA&DR. The chapter highlights the importance of tourism and transport services.

The fourth chapter identifies investment flows between the two blocs, the firms that have made those investments, and the experience that these investments can bring to efforts to boost relations between the two sub-regions. The first section covers investments from CARICOM in CA&DR, while the second part looks at the reverse flows.

Finally, the fifth chapter discusses some opportunities for trade and investment that countries of CARICOM and CA&DR could seize. It also highlights the experience of some key firms in the two sub-regions, as a source of guidance for new undertakings and of pointers for those responsible for negotiating and designing public policies.



I.OVERVIEW OF THE COUNTRIES OF CARICOM, CENTRAL AMERICA AND THE DOMINICAN REPUBLIC

A. CHARACTERIZATION OF THE COUNTRIES OF THE TWO SUB-REGIONS

- CARICOM was created on 4 July 1973 with signature, initially by Barbados, Guyana, Jamaica, and Trinidad and Tobago, of the Treaty of Chaguaramas. CARICOM currently has 15 full members: Antigua and Barbuda (1974), the Bahamas (1983), Barbados (1973), Belize (1974), Dominica (1974), Grenada (1974), Guyana (1973), Haiti (2002), Jamaica (1973), Montserrat (1974), Saint Lucia (1974), Saint Kitts and Nevis (1974), Saint Vincent and the Grenadines (1995), Suriname (1995), and Trinidad and Tobago (1973). The main objectives of CARICOM are to strengthen regional economic integration, to encourage coordination of members' external policies, and to boost functional cooperation for economic, social, and cultural development as well as cooperation in specific areas such as health, education, and telecommunications.
- As most of the members belong to the British Commonwealth, the official language is English. Although CARICOM members share similar histories they reveal sharp differences in terms of economic size and levels of development. The richest country in the community, the Bahamas, had a GDP per capita of \$21,985 in 2010 while the figure for the poorest country, Haiti, was only \$671. In terms of geography, the greater portion of the territories is insular and coastal. Guyana is the biggest country, with a land area of 196,850 km², which is greater than Nicaragua, the largest Central American country.
- The countries of CARICOM share three principal characteristics that classify them as "Small Island Developing States" (SIDS): i) as islands, they have small territories with little possibility for agricultural activity and are geared primarily to tourism; ii) they are remote from major markets, a fact that entails high transport costs and a lack of transport infrastructure; and iii) they are highly vulnerable to economic and natural shocks because of their great dependency on international trade. Although the United Nations recognized the particular features of these states in 1994, no official criteria have been established for classifying countries as SIDS.
- The term CA&DR refers to the Dominican Republic and the following Central American countries: Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama. These six countries have a significant level of integration within the SICA institutional framework. That system was constituted on December 13, 1991 with signature of the Protocol to the Charter of the Organization of Central American States (ODECA). It entered formally into operation on February 1, 1993, and now has the Dominican Republic as an associate state. The basic objective of SICA is to pursue the integration of Central America in order to constitute it as a sub-region of peace, freedom, democracy, and development, sustained by the respect, protection, and promotion of human rights.
- The official language of the countries of CA&DR is Spanish (see figure 1). Although their histories reveal many points in common, these countries are fairly heterogeneous, if to a lesser degree than those of CARICOM. In 2010, Costa Rica and Panama had a GDP per capita of \$7,691 and \$7,589, respectively (less than in the richest countries of CARICOM), while the figure for Nicaragua was \$1,132 (more than in the poorest countries of CARICOM). In terms of surface area, Nicaragua has the largest territory, at 120,340 km² (less than the largest CARICOM countries) while El Salvador, with 20,720 km², was the smallest (but larger than many of the smaller CARICOM countries).

FIGURE 1
CARICOM, CENTRAL AMERICA AND THE
DOMINICAN REPUBLIC: OFFICIAL LANGUAGES, 2010

Antigua and Barbuda	Bahamas	Barbados
Belize *	Costa Rica	Dominica
El Salvador	Grenada	Guatemala
Guyana	Haiti	Honduras
Jamaica	Nicaragua	Panama
Dominican Republic	Saint Kitts and Nevis	Saint Lucia
Saint Vincent and the Grenadines	Suriname	Trinidad and Tobago

■ Spanish
 ■ English
 ■ French
 ■ Dutch

Source: ECLAC, based on official information from each country.

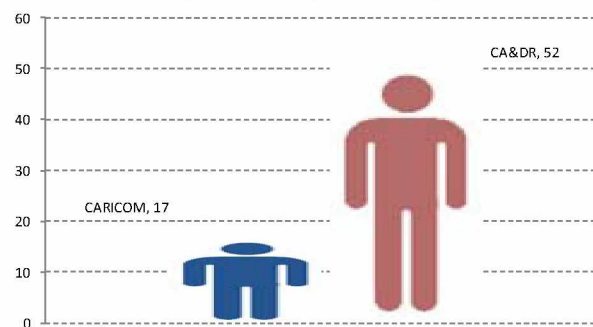
* 45% of the population speaks Spanish.

- Apart from Haiti and Suriname, where the official language is French and Dutch, respectively, most CARICOM countries have English as their official language. In the case of Belize, although the official language is English, 45% of the population speaks Spanish. In CA&DR, Spanish is the official language of all countries.
- Language could be a barrier to fostering closer trade and investment relations between CARICOM and CA&DR, but it could also be an incentive and a point of rapprochement for achieving greater complementarity.

- The population of the CARICOM countries stands at nearly 17,000,000, or 2.5 million more than the total population of Guatemala, the most populous Central American country (see graph 1). As the most heavily populated CARICOM country, Haiti has 60% of the community's total population. Yet in terms of population density, Barbados comes first, at 635 inhabitants per square kilometer, while in Guyana and Suriname, the countries with the largest land area, located in South America, population density is only 3.8 and 3.4 inhabitants per square kilometer, respectively.

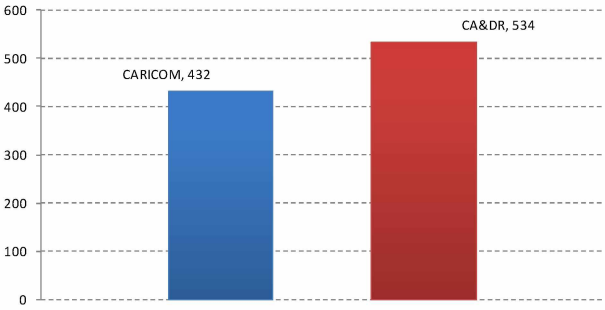
- The population of the CA&DR countries amounts to more than 50 million. Guatemala, the most populous country, has 14.4 million inhabitants, accounting for more than 25% of the total CA&DR population. The least populous country, Panama, has 3.5 million. In terms of population density, El Salvador stands first at 299 people per square kilometer.

GRAPH 1
CARICOM, CENTRAL AMERICA AND THE
DOMINICAN REPUBLIC: POPULATION, 2010
(In millions of inhabitants)



Source: ECLAC, on the basis of information from *World Development Indicators*.

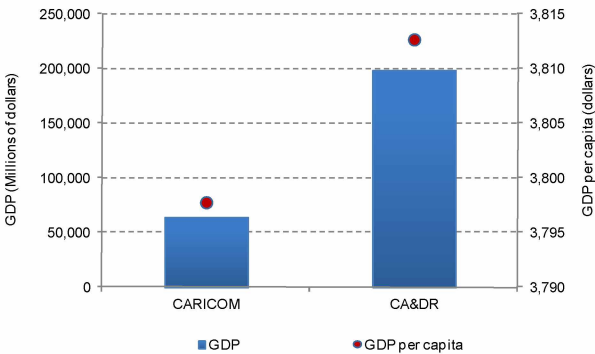
GRAPH 2
CARICOM, CENTRAL AMERICA AND THE
DOMINICAN REPUBLIC: SURFACE AREA, 2010
(In thousands of kms²)



Source: ECLAC, on the basis of information from World Development Indicators.

- The land area of CARICOM is 432,000 km², equivalent to 81% of the surface area of CA&DR. Excluding the land area of Guyana and Suriname, which are located in South America, the CARICOM countries would have the equivalent of 15% of the CA&DR land area, i.e. a land area similar to that of Panama (see graph 2). Partly as a reflection of this small surface area, services and industry play a greater role than agriculture in the economies of these countries, as measured by GDP.
- CA&DR has a land area of 534,000 km². All countries have coastlines, and the Dominican Republic is indeed an island. Nicaragua, Honduras, and Guatemala, the largest countries in geographic terms, account for more than 60% of the CA&DR land mass (more than 20% each), while El Salvador, with the smallest surface area, accounts for less than 4%. These economies are also more heavily geared, in terms of GDP, to services and industry.

GRAPH 3
CARICOM, CENTRAL AMERICA AND THE
DOMINICAN REPUBLIC: GDP AND GDP PER CAPITA,
2010



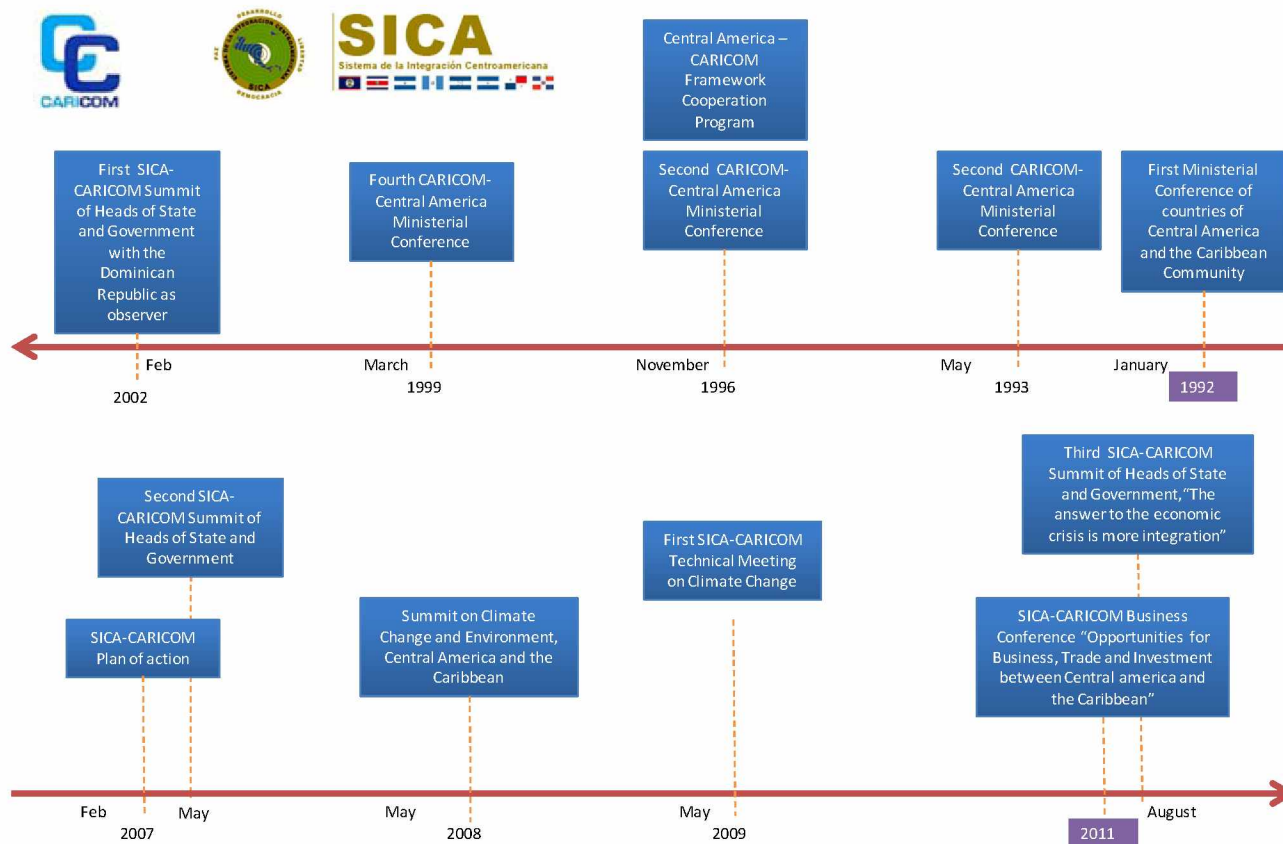
Source: ECLAC, on the basis of official information from each country.

- The GDP of CARICOM countries amounted to \$64 billion in 2010, i.e. 32% of the GDP of CA&DR in that year (see graph 3). Trinidad and Tobago, Jamaica, and the Bahamas accounted for the largest share of CARICOM GDP, at 33%, 21%, and 12% respectively. The principal economic activity in CARICOM countries is services, which contribute more than 64% of GDP. In some cases, such as the Bahamas, this percentage is as high as 97% of GDP. In the cases of Trinidad and Tobago and Guyana, although services are the most important activity in terms of GDP, mining and quarrying (in the first case) and agriculture (in the second case) are very important economic activities.

- GDP per capita in CARICOM is very similar to that in CA&DR: \$3,798 versus \$3,812.70. This similarity suggests roughly equivalent purchasing power and the potential for trade and investment activities.
- The GDP of CA&DR countries amounted to \$198.6 billion in 2010. The Dominican Republic had the greatest output, accounting for more than 26% of total GDP in CA&DR, followed by Guatemala at nearly 21%. Services represent the principal economic activity in CA&DR, contributing more than 60% to GDP in each of these countries except in Honduras, where services represent slightly less than 50% of GDP. In all these countries industry is more important than agriculture in terms of GDP.
- In most of the CARICOM countries, services exports represent a greater proportion of GDP than do goods exports. Only for Barbados, Guyana, Haiti, Suriname, and Trinidad and Tobago do exports of goods outweigh those of services in terms of GDP. Because Trinidad and Tobago accounts for 40% of total exports of goods and services, the community appears in general terms as a greater exporter of goods than of services.
- In all the countries of CA&DR, exports of goods outweigh those of services in terms of GDP. The Dominican Republic is the only country in this group where the value of services exports approaches, without exceeding, the value of goods exports.

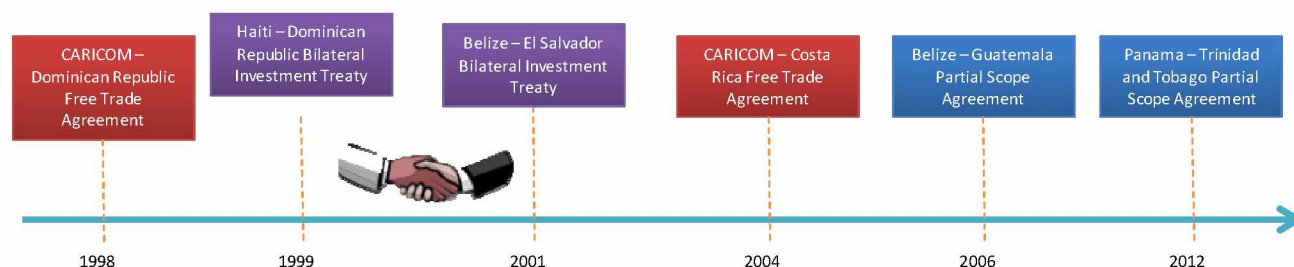
B. COOPERATION ARRANGEMENTS BETWEEN THE TWO SUB-REGIONS

FIGURE 2
CARICOM, CENTRAL AMERICA AND THE DOMINICAN REPUBLIC: MEETINGS AND COOPERATION ARRANGEMENTS, 1992-2011



Source: ECLAC, on the basis of information from SICA and CARICOM.

- CARICOM and SICA have pursued a very active agenda since 1992, when the two sub-regions held their first Ministerial Conference in Honduras. At that first meeting, the objective was to exchange viewpoints on the political and economic challenges facing the two sub-regions, to identify areas of mutual interest and benefit, and to establish a permanent mechanism for cooperation. The intervening years have seen significant progress with cooperative arrangements between CARICOM and SICA, and the ministerial meetings (from 1992 to 1999) have now been replaced by meetings of Heads of State and Government (since 1999). The main topics have related to trade and investment, climate change and integrated risk management, security, cooperation in air and land transport, poverty reduction, coordination of external policy, and tourism (see figure 2).
- Joint business seminars have been organized, such as the meeting of CEOs held in August 2011 to promote strategic partnerships and opportunities in the areas of trade, investment, and tourism. At the same time, improving air and sea transport services has been a fundamental topic for achieving closer commercial relations between the two sub-regions. In this respect, signature of the Air Transport Agreement in the context of the Association of Caribbean States has been an important milestone. The public and private sectors are working jointly to optimize maritime transport, freight services, and the exchange of information on trade flows.

FIGURE 3**CARICOM, CENTRAL AMERICA AND THE DOMINICAN REPUBLIC: TRADE AND INVESTMENT AGREEMENTS**

Source: ECLAC, on the basis of information from SICA and CARICOM.

- Since 1996 the countries of SICA and CARICOM have shown an interest in negotiating a free-trade agreement (FTA).
- The second Summit of Heads of State and Government issued instructions to initiate an FTA between SICA and CARICOM, based on the 2004 agreement between Costa Rica and CARICOM.
- To date there are two FTAs between members of SICA and CARICOM, two Partial Scope Agreements and two Bilateral Investment Treaties. An agreement between the two sub-regions, then, will be a strong incentive to boost trade and investment among member states (see figure 3).
- To encourage tourism within and between the two sub-regions, governments have placed importance on having their tourism institutions collaborate to link the sub-regions in tourism promotion activities. Consideration has also been given to eliminating short-term visas and to issuing business visas.



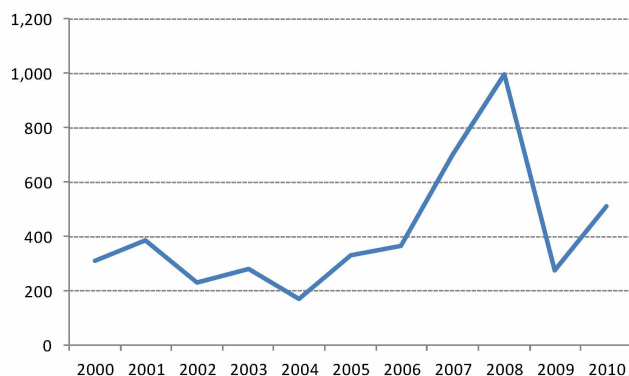
II. EXPORTS OF GOODS

A. EXPORTS OF GOODS FROM CARICOM TO CENTRAL AMERICA AND THE DOMINICAN REPUBLIC

- Exports from CARICOM countries to CA&DR represent only 3.4% of total CARICOM exports. Trinidad and Tobago is responsible for 93% of CARICOM exports to CA&DR. The second-biggest exporter is Belize (3.7%), followed by Guyana (1.4%), Jamaica (0.9%), Barbados (0.6%) and Suriname (0.5%). The remaining Caribbean countries are minor, occasional exporters (see graphs 4 and 5).

GRAPH 4

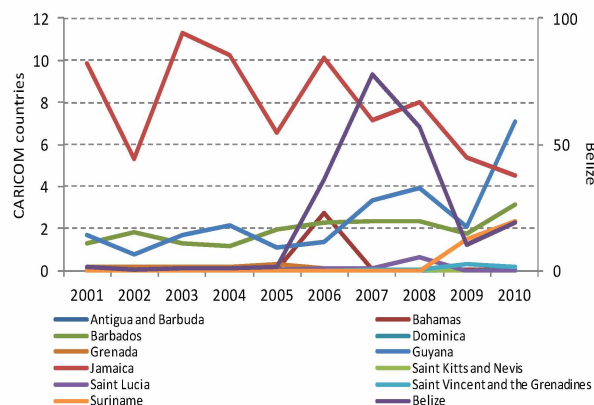
CARICOM: EXPORTS TO CENTRAL AMERICA AND THE DOMINICAN REPUBLIC, 2000-2010
(In millions of dollars)



Source: ECLAC, on the basis of information from COMTRADE.

GRAPH 5

CARICOM (WITHOUT TRINIDAD AND TOBAGO): EXPORTS TO CENTRAL AMERICA AND THE DOMINICAN REPUBLIC, 2001-2010
(In millions of dollars)



Source: ECLAC, on the basis of information from COMTRADE.

CARICOM exports to Central America grew at an average annual rate of 5% between 2000 and 2010. However, as more than 90% of exports come from Trinidad and Tobago, this figure is largely a reflection of that country's performance (5%). Other CARICOM exporting countries recorded much higher annual growth rates than the sub-regional average. Barbados, for instance, reached 17%, Belize 45% and Guyana 22%. Suriname also exported to Central America in 2009 and 2010. Dominica, Jamaica, and Saint Kitts and Nevis saw a slowing in their trade with CA&DR. Saint Vincent and the Grenadines began in 2007 to make some sales to the sub-region.

- The principal destination of CARICOM exports to CA&DR is Panama (33%); exports from Trinidad and Tobago dominate this trade. However, an analysis of bilateral exports from each CARICOM country to CA&DR shows that the principal trading partner for five of those countries is the Dominican Republic, and for another four, Panama. For three countries it is Costa Rica, while Honduras is the principal market only for the Bahamas (see table 1).

TABLE 1
CARICOM: BILATERAL SHARES IN EXPORTS TO CENTRAL AMERICA AND THE DOMINICAN REPUBLIC, 2010
(In percentages)

Destination Exporter	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama	Dominican Republic	Total
Antigua and Barbuda	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100%
Bahamas	0.0%	0.0%	0.0%	77.4%	0.0%	22.6%		100%
Barbados	2.5%	2.0%	0.5%	0.6%	3.6%	6.6%	84.2%	100%
Belize	67.1%	0.1%	23.5%	0.1%	0.0%	0.0%	9.2%	100%
Dominica	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100%
Grenada	95.0%	2.0%	0.0%	0.0%	0.0%	0.0%	3.0%	100%
Guyana	1.7%	1.1%	1.5%	0.0%	0.1%	52.8%	42.8%	100%
Jamaica	11.4%	2.4%	1.8%	3.6%	1.5%	45.5%	33.8%	100%
Saint Kitts and Nevis	88.4%	0.0%	0.0%	0.0%	0.0%	0.0%	11.6%	100%
Saint Lucia	4.7%	0.0%	0.0%	3.1%	0.0%	26.3%	65.9%	100%
Saint Vincent and the Grenadines	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	99.9%	100%
Suriname	5.8%	0.0%	0.0%	0.0%	0.6%	85.8%	7.8%	100%
Trinidad and Tobago	27.4%	0.0%	7.7%	2.5%	0.5%	33.8%	28.1%	100%

Source: ECLAC, on the basis of information from COMTRADE.

- CARICOM exports to Central America face high tariffs, compared to the tariffs that these countries apply to their principal trading partners and among themselves. Central American countries accord the greatest tariff protection to agricultural goods (averaging 10.2% ad valorem). Although the tariff on industrial goods is only 4%, CARICOM exports few industrial products to the sub-region (see table 2).
- In Costa Rica, the FTA signed with the countries of CARICOM has reduced tariffs for those countries that have ratified the agreement: Barbados, Guyana, and Trinidad and Tobago. For agricultural goods the average tariff is 4.5%, and for industrial goods 0.23%. This points to the tariff benefits that countries can obtain by signing trade agreements. Nevertheless, Costa Rica still maintains some peak tariffs of 150% ad valorem on products such as sausages, cold meats, and edible offal. The FTA also has important consequences for non-tariff measures.
- Thanks to the agreement signed between the Dominican Republic and the CARICOM countries, the Dominican Republic's level of protection is lower than that of Central American countries. For agricultural products, the average tariff is 4.8% and for industrial goods, 1.2%. Lower customs barriers and geographic proximity are important elements in the intensifying trade between the two parties.
- CARICOM exports to CA&DR are highly concentrated in terms both of products and of markets. Essentially, CARICOM exports primary goods and natural resources. The main export products are oil, butane, and propane gas, rice, rum and other beverages, paper, orange juice and printed labels. Some countries export only one product to CA&DR (see table 3).

TABLE 2
CARICOM: TARIFFS PAID ON EXPORTS TO CENTRAL AMERICA AND THE DOMINICAN REPUBLIC
(In percentages ad valorem)

	Agricultural	Industrial	HS
Costa Rica (2009)	9.30%	2.63%	3.28%
El Salvador (2009)	10.48%	4.29%	4.91%
Guatemala (2011)	7.49%	3.82%	4.22%
Honduras (2008)	14.52%	5.32%	6.81%
Nicaragua (2010)	8.30%	3.33%	3.83%
Panama (2008)	10.93%	4.74%	5.50%
Dominican Republic (2008)	4.78%	1.16%	1.37%

Source: Market Access Map, on the basis of the Harmonized System.

Note: HS – Harmonized System.

TABLE 3
CARICOM: PRINCIPAL PRODUCT SHARES IN BILATERAL EXPORTS TO CENTRAL AMERICA AND THE
DOMINICAN REPUBLIC, 2010
(In percentages)

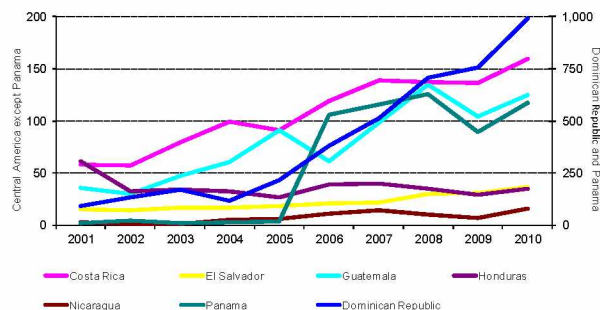
Destination Exporters	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama	Dominican Republic
Antigua and Barbuda							Rum 69% Beer 18% Water 6%
Bahamas				Medicaments 100%		Manufactures of iron or steel	
Barbados	Printed labels 78% Orthopedic inst. 10% Prostheses 9%	Printed labels 95% Organic agents 2.6% Data machines 1.8%	Plastic scrap 55.8% Labels 44% Autom machinery parts 0.2%		Labels 99.9%	Liquors 40.6% Labels 37.6% Glass 7.9%	Bottles 47% Labels 25% Insecticides 10%
Belize	Petroleum oils, crude 99.9%	Petroleum oils 79.9% Maize 10.4% Organe juice 6.1%	Bananas 59.4% Petroleum oils 22.7% Coniferous lumber 6.9%	Orange juice 48.3% Sauces 26.4% Grapefruit juice 7.3%		Organe juice 100%	Orange juice 98.9% Oranges 0.7% Pineapple juice 0.4%
Dominica							Manioc roots 70.9% Grapefruits 21.2% Oranges 4.1%
Grenada (2008)	Stoppers, lids 100%	Soaps 31.4% Rum 13% Chocolate 12.1%					Spices 50.1% Stainless steel household articles 40.9%
Guyana	Sawn lumber 66.5% Rice 18.4% Wood strips and tiles 15.1%	Doors and frames 100%	Rice 99.9% Stoppers & lids 0.02%		Wood strips and friezes 100%	Rice 76.2% Fish filets 11% Molasses 10.6%	Coconuts 67.4% Cane sugar 12.7% Rice 8.7%
Jamaica	Stoppers and lids 26.5% Glass waste, bulk 20.3% Plastic containers 10.3%	Rum 34.9% Paper 29.5% Whisky 17%	Rum 38% Aluminum hydroxide 35.9% Paper 26%	Aluminum sulfates 76.9% Ethylene tubing 22.8% Roasted coffee 0.2%	Paper & paperboard 100%	Sulfonate derivatives 70.2% Rum 11% Edible preparations 4.5%	Orange juice 29.9% Animal feed preparations 12.7% Portland cement 11.9%
Saint Kitts and Nevis (2009)	Stoppers, lids 100%						Animal carcasses 100%
Saint Lucia (2008)	Organic agent preparations 100%			Office furniture, of wood 100%		Milk & cream, powder 24.4% Milk and cream, with fat 16.9% Calzado de caucho o plástico 11.6%	Beer 88.7% Water 2.5% Insecticides 2.1%
Saint Vincent and the Grenadines						Beer 100%	Aluminum doors, frames 100%
Suriname	Deposit containers 76% Live animals 17.6% Data machine units 6.4%	Broadcasting equipment 100%		Cigars 100%	Iron and steel scrap 100%	Rice 97.8% Petroleum oils 1.2% Coin sets 1%	Wheat flour 26.6% Organic agent preparations 24.4% Other organic preparations 18.9%
Trinidad and Tobago	Iron and steel products, unalloyed 41.4% Iron and steel wire 22.9% Propane gas 19%	Paper or paperboard 100%	Petroleum oils 97.3% Iron or steel wire 1.9% Petroleum resins 0.3%	Propane 41.2% Synthetic organic products 25.2% Petroleum oils 19%	Synthetic organic products 97.5% Petroleum resins 1.7% Water 0.3%	Petroleum oils 55.6% Butane gas 28% Propane gas 12.7%	Propane gas 20.5% Iron and steel wire 16.2% Natural gas 16.1%

Source: ECLAC, on the basis of information from COMTRADE.

B. EXPORTS OF GOODS FROM CENTRAL AMERICA AND THE DOMINICAN REPUBLIC TO CARICOM

- CA&DR has increased its goods exports to CARICOM over the last decade (see graph 6). Since 2003 these exports, as a share of total CA&DR exports, have risen steadily each year, to 4.8% in 2010. A country by country analysis shows that the Dominican Republic sends the largest proportion of goods exports (18.5%) to CARICOM, followed by Panama (more than 5%). It should be noted that the data for Panama include the Colón free zone.
- CA&DR exports to Caribbean countries between 2001 and 2010 showed impressive annual growth rates averaging nearly 30%. Panama accounts for a good share of this growth, but nearly all CA&DR countries have been performing well (above 10%) in terms of the annual average growth rate of their exports to CARICOM. Box 1 provides information on the countries of origin and destination of goods exports from CA&DR to CARICOM.

GRAPH 6
CA&DR: EXPORTS TO CARICOM, 2001-2010
(In millions of dollars)^{a)}



^{a)} Estimates for Honduras in 2008 and 2010.

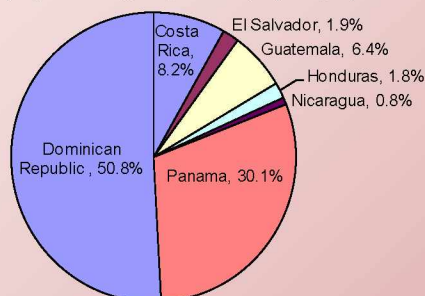
Source: ECLAC, on the basis of information from COMTRADE.

BOX 1

EXPORTS BY COUNTRY OF ORIGIN AND COUNTRY OF DESTINATION

In 2010, the Dominican Republic accounted for 51.8% of CA&DR exports to CARICOM, reflecting the strength of its trade with Haiti. The second biggest exporter is Panama (see graph 7). As noted above, the data for Panama include the Colón free zone. Again thanks to trade with the Dominican Republic, Haiti is the CARICOM country that takes the greatest share of exports from CA&DR (54.7% of the total in 2010). The second biggest destination for exports is Jamaica (13.3%), followed by Trinidad and Tobago (12.2%) (see graph 8).

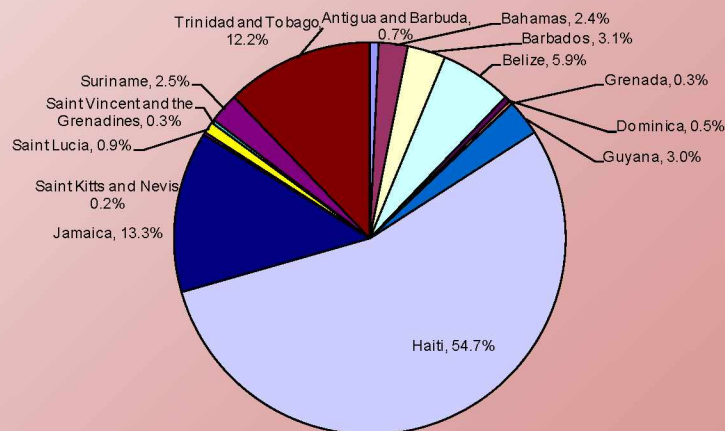
GRAPH 7
CA&DR: EXPORTS TO CARICOM, 2010
(In percentages by country of origin)^{a)}



^{a)} Estimate for Honduras.

Source: ECLAC, on the basis of information from COMTRADE.

GRAPH 8
CA&DR: EXPORTS TO CARICOM, 2010
(In percentages by country of destination)



Source: ECLAC, on the basis of information from COMTRADE.

- An analysis of bilateral exports from CA&DR to the countries of CARICOM in 2010 confirms that Haiti, in addition to taking 87.4% of the Dominican Republic's exports, is the main trading partner for Nicaragua and Panama. The importance of exports to Belize (5.9%) is also explained by that country's strong trading relationships with Guatemala and Honduras. Jamaica is the principal destination for exports from Costa Rica and El Salvador to CARICOM (see table 4).

TABLE 4
CA&DR: BILATERAL EXPORTS TO CARICOM, 2010
(In percentages) ^{a)}

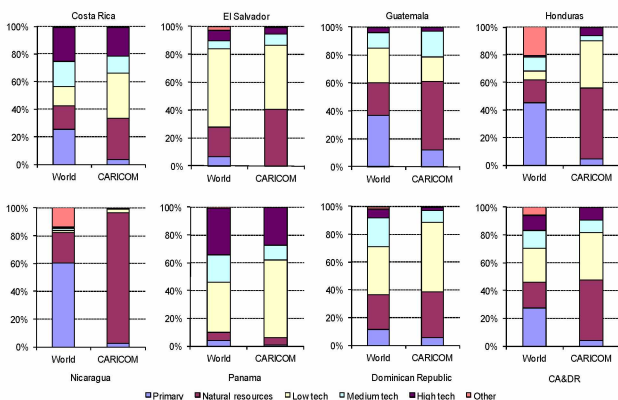
Destination Exporters	Antigua and Barbuda	Bahamas	Barbados	Belize	Dominica	Grenada	Guyana	Haiti	Jamaica	Saint Kitts and Nevis	Saint Lucia	Saint Vincent and the Grenadines	Suriname	Trinidad and Tobago
Costa Rica	1.0	7.2	9.9	4.5	0.3	0.4	1.9	7.4	34.2	0.2	1.0	0.2	3.5	28.2
El Salvador	0.0	3.0	0.8	28.3	0.5	0.0	2.6	16.5	40.5	0.0	0.0	0.1	0.2	7.4
Guatemala	0.3	0.7	1.9	38.2	0.5	0.2	1.6	22.6	14.6	0.1	1.1	0.4	2.8	14.9
Honduras	2.6	2.4	11.1	21.5	0.1	0.0	2.0	17.6	18.2	0.0	9.3	0.3	3.8	11.1
Nicaragua	0.1	0.8	0.7	2.5	0.1	0.0	2.1	65.2	9.1	0.0	3.0	0.0	5.9	10.5
Panama	1.3	4.8	5.5	6.9	0.7	0.4	6.9	24.7	17.8	0.2	1.3	0.4	4.2	25.0
Dominican Republic	0.4	0.3	0.7	0.0	0.4	0.2	1.0	87.4	5.9	0.3	0.4	0.2	1.2	1.6

^{a)} Data for Honduras refer to 2009.

Source: ECLAC, on the basis of information from COMTRADE.

GRAPH 9 CA&DR: EXPORTS BY DEGREE OF TECHNOLOGY, 2010

(In percentages) ^{a)}



^{a)} Data for Honduras refer to 2009.

Source: ECLAC, on the basis of information from SIGCI PLUS.

- In 2010, CA&DR exports to CARICOM were concentrated in natural resources (43.3%) and products with low technology content (34.1%) (see graph 9). Among the most important products are cane sugar, animal feed preparations, textiles and gas cylinders, bottles and flasks (see table 6). The fastest growth in exports from CA&DR to Caribbean countries between 2001 and 2010 took place in low-tech products, raw materials and high-tech products. CA&DR exports on a worldwide basis are more diversified: between 2001 and 2010 the highest growth rates were recorded in low-tech and high-tech products.
- Box 2 demonstrates the importance of customs tariffs in analyzing goods exports from CA&DR to CARICOM.

BOX 2 CUSTOMS TARIFFS

The tariffs on exports of goods from CA&DR to CARICOM are higher than those facing CARICOM exports to CA&DR. CARICOM accords the greatest tariff protection to agricultural goods, with average ad valorem rates of 17.5% (versus 9.2% for industrial goods) (see table 5).

TABLE 5

CA&DR: TARIFFS PAID ON EXPORTS TO CARICOM *(In percentages ad valorem)*

Importer Type of goods	Agricultural	Industrial	Harmonized system
Antigua and Barbuda	14.5	9.7	10.5
Bahamas	21.2	29.9	28.5
Barbados	32.4	9.9	13.6
Belize	34.4	8.6	12.4
Dominica	17.7	9.4	11.0
Grenada	16.1	9.1	10.0
Guyana	21.8	6.4	8.6
Haiti	7.4	5.0	5.3
Jamaica	11.9	4.5	5.5
Saint Kitts and Nevis	14.3	8.0	8.8
Saint Lucia	14.0	8.5	9.3
Saint Vincent and the Grenadines	15.1	9.9	10.8
Suriname	12.4	6.5	7.4
Trinidad and Tobago	11.9	4.1	4.7

Source: Market Access Map, on the basis of the Harmonized System.

In 2010, Costa Rica and the Dominican Republic paid the lowest average tariffs to export to CARICOM, as these are the countries that have free trade agreements in effect with various Caribbean countries. This demonstrates the tariff advantages associated with free trade agreements. The existence of an FTA also brings greater clarity to non-tariff measures.

TABLE 6
CA&DR: PRINCIPAL PRODUCT SHARES IN BILATERAL EXPORTS TO CARICOM, 2010
(In percentages) ^{a)}

Destination Exporter	Antigua and Barbuda	Bahamas	Barbados	Belize	Dominica	Grenada	Guyana
Costa Rica	Prepared medicaments (65.6%)	Prepared medicaments (37%), cane sugar, raw (31.7%)	Prepared medicaments (29.5%), food preparations (19%)	Food preparations (30.5%), cans to be closed by soldering (12.8%), rat poison and the like (11.6%)	Herbicides (26.2%), rat poison and the like (18.1%), medical instruments and appliances (14%)	Food preparations (54.9%), crown corks of base metal (20.5%)	Food preparations (57.4%), surface-active agents for retail sale (10.8%)
El Salvador	Toilet paper (77.9%), parts for centrifugal pumps (20.9%)	Oils from petroleum or bituminous materials (77.7%)	Paper sacks and bags (53.1%), prepared medicaments (18%)	Oils from petroleum or bituminous materials (13.8%), boxes of corrugated paper or paperboard (13.7%)	Printing machines (72.5%)	Oils from petroleum or bituminous materials (81.6%)	Toilet paper (93.3%)
Guatemala	Cane sugar, raw (73.4%), surface-active agents for retail sale (14.6%)	Cane sugar, raw (52.7%), gas cylinders, glass bottles and flasks (21.6%)	Gas cylinders, glass bottles and flasks (49.6%), cane sugar, raw (21.2%)	Animal feed preparations (19.1%), fertilizers with nitrogen, phosphorus & potassium (11.1%)	Cane sugar, raw (49.3%), toothpaste (24.8%)	Cane sugar, raw (52.3%), gas cylinders, glass bottles and flasks (21.3%), manufactures of wood (14.4%)	Cane sugar, raw (34.6%), sauces and preparations (14.3%), soups or stocks and preparations (13.5%)
Honduras	Sawn coniferous lumber (95.6%)	Cigarettes (57.9%), windows, wooden (16.5%)	Sawn coniferous lumber (74.3%), sawn lumber, other (20.8%)	Corrugated paper or paperboard boxes (57.3%), animal feed preparations (10.8%)	Crown corks of base metal (85.9%)		Cane sugar, raw (94.8%)
Nicaragua	Bakery products (87.6%), sweet biscuits (12.4%)	Cigarettes (61.5%), bakery products (38.5%)	Bakery products (54%), sweet biscuits (45.7%)	Footwear (20.1%)	Sawn tropical lumber (100%)		Bakery products (92.8%)
Panama	Prepared medicaments (21.2%), medicaments with suprarenal cortex hormones (14.6%)	Prepared medicaments (39.7%), medicaments with suprarenal cortex hormones (18.5%)	Prepared medicaments (28.6%), medicaments with suprarenal cortex hormones (16.7%)	Cigarettes (22.1%)	Medicaments with suprarenal cortex hormones (7.9%)	Prepared medicaments (22.7%)	Women's trousers of other textile materials (5.4%)
Dominican Republic	Iron bars, grooved (43%), Portland cement (23.4%)	Portland cement (31.5%), oils of petroleum or other bituminous materials (16.8%)	Fertilizers with phosphorus and potassium (18.5%)	Tubes and accessories of plastic (55.9%), printed advertising materials and the like (11.5%)	Iron bars, grooved (38.4%), fertilizers with phosphorus and potassium (19.3%)	Iron bars, grooved (44.9%), fertilizers with phosphorus and potassium (12.8%)	Portland cement (27.3%), fertilizers with phosphorus and potassium (16.4%)

Continues

TABLE 6 (concluded)

Destination Exporter	Haiti	Jamaica	Saint Kitts and Nevis	Saint Lucia	Saint Vincent and the Grenadines	Suriname	Trinidad and Tobago
Costa Rica	Food preparations (40.9%), gas cylinders, glass bottles and flasks (24.6%)	Gas cylinders, glass bottles and flasks (36.2%), prepared medicaments (16.6%)	Food preparations (53.4%), crown corks of base metal (19%)	Gas cylinders, glass bottles and flasks (22.1%), food preparations (20.2%)	Food preparations (39.4%), plates, sheets and films of ethylene (23.2%), gas cylinders, glass bottles and flasks (12.5%)	Food preparations (57%)	Prepared medicaments (24.9%), food preparations (21.7%)
El Salvador	Cane sugar, raw (42.9%)	Gas cylinders, bottles & flasks of plastic (48.6%)	Toilet paper (98.7%)	Toilet paper (95%)	Prepared binders for molds (12.1%), ceramic molds (11.7%)	Brushes (36.4%), manufactures of plastic (33.6%), furniture, wood (19.3%)	Gas cylinders, bottles & flasks of plastic (36.9%), containers of iron or steel (28.3%)
Guatemala	Cane sugar, raw (72.8%)	Cane sugar, raw (46.7%), gas cylinders, glass bottles and flasks (21.6%)	Cane sugar, raw (54.8%), bus and truck tires (20.5%), tires for tourism vehicles (24.7%)	Cane sugar, raw (80%)	Cane sugar, raw (72%), oils from petroleum or bituminous materials (15.5%)	Cane sugar, raw (34.1%), refrigeration chests, cupboards and cabinets (12.7%), sauces and preparations (12.5%), gas cylinders, glass bottles and flasks (12.2%)	Cane sugar, raw (64%)
Honduras	Paper or paperboard boxes, not corrugated (39.4%), crown corks of base metal (23.4%), strippable lids for containers (21%)	Cane sugar, raw (44.35%), vitamins and derivatives (23.5%), sawn coniferous lumber (10.9%)		Sawn coniferous lumber (81.4%), sawn lumber, other (11.1%)	Sawn coniferous lumber (100%)	Gas cylinders, bottles & flasks of plastic (82.1%), cane sugar, raw (14.2%)	Cane sugar, raw (50.7%), machines for preparing tobacco (18.7%), sawn lumber, other (15.2%)
Nicaragua	Cane sugar, raw (71%), cane sugar (27%)	Cane sugar, raw (51.8%), sweet biscuits (22.8%), bakery products (22%)		Cane sugar, raw (100%)	Seats, wooden frame (53.7%), footwear (41.3%)	Cane sugar, raw (76.1%), bakery products (23.1%)	Cane sugar, raw (71.1%), sweet biscuits (11.8%)
Panama	Women's shirts and blouses of the other textile materials (8.6%)	Prepared medicaments (19.2%), medicaments with suprarenal cortex hormones (14.9%)	Sports footwear with rubber or plastic soles and leather uppers (13.9%)	Prepared medicaments (8.2%)	Prepared medicaments (4.4%), women's trousers of other textile materials (4.3%)	Corrugated paper or paperboard boxes (21.2%)	Prepared medicaments (16.5%), medicaments with suprarenal cortex hormones (12.2%)
Dominican Republic	Fabrics of raw cotton (23.2%), men's pajamas, knitted, of synthetic fibers (10.2%)	Iron bars, grooved (24%), Portland cement (15.1%)	Iron bars, grooved (55.6%), Portland cement (17%)	Iron bars, grooved (34.1%), fertilizers with phosphorus and potassium (21.9%)	Iron bars, grooved (26.2%), Portland cement (23.3%), fertilizers with phosphorus and potassium (22.2%)	Iron bars, grooved (33.1%), Portland cement (31.7%)	Alkyd resins (11.9%)

^{a)} Data for Honduras refer to 2009.

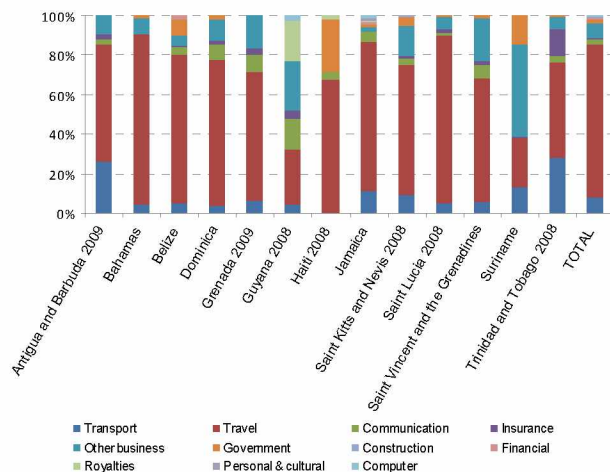
Source: ECLAC, on the basis of information from COMTRADE.



III.EXPORTS OF SERVICES

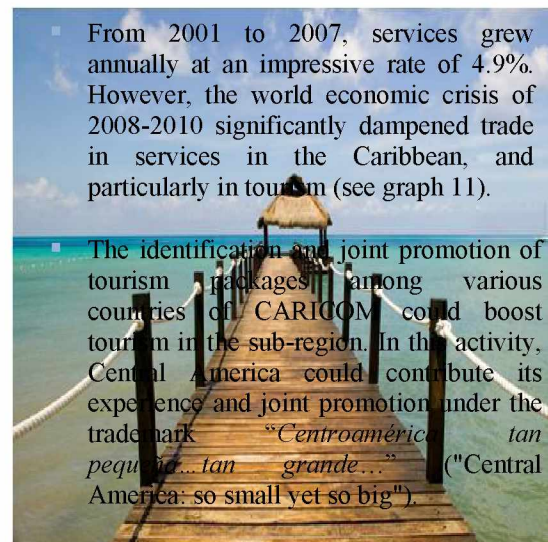
A. EXPORTS OF SERVICES FROM CARICOM TO CENTRAL AMERICA AND THE DOMINICAN REPUBLIC

GRAPH 10
CARICOM: EXPORTS OF SERVICE BY ECONOMIC ACTIVITY, CIRCA 2010
(In percentages)

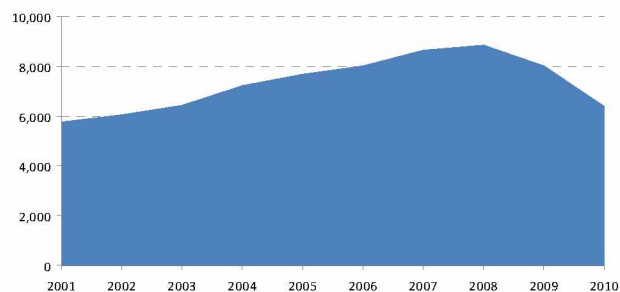


Source: ECLAC, on the basis of information from UN ServiceTrade.

- The majority of Caribbean countries are essentially exporters of services. While in Belize, Guyana, Haiti, Suriname, and Trinidad and Tobago the export of services represents a significant part of the economy, goods exports are more important in terms of GDP.
- Tourism constitutes the main service exporting activity in the sub-region. Overall, 78% of sub-regional service exports fall under this heading. With the exception of Suriname, all the countries are dedicated primarily to tourism. Another important service activity is transportation, accounting for 8% of Caribbean service exports. In third place comes "other business services", which are most important in Suriname (see graph 10).

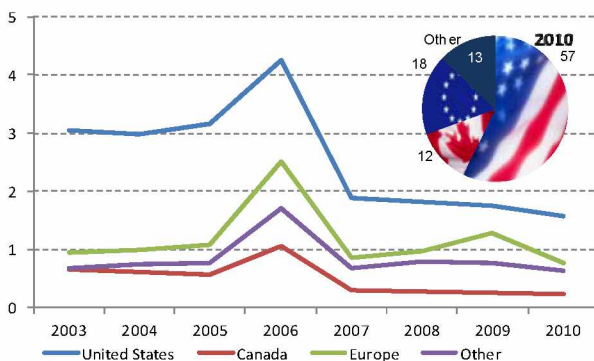


GRAPH 11
CARICOM: TREND IN SERVICE EXPORTS, CIRCA 2010
(In millions of dollars)



Source: ECLAC, based on information from UN Service Trade.

GRAPH 12
CARICOM: TOURISM ARRIVALS BY MAIN
POINTS OF ORIGIN, 2003- 2010
(In millions of tourists and percentages in 2010)



Source: ECLAC, based on information from The Caribbean Tourism Organization.

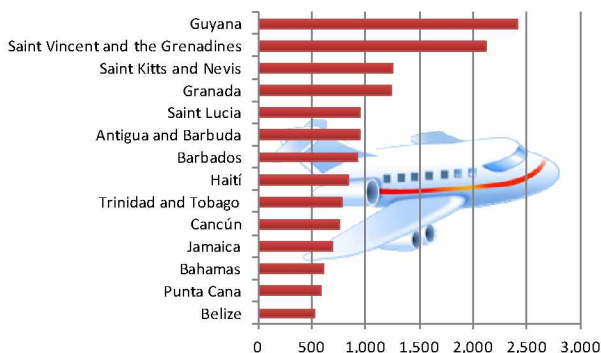
- The principal source markets for the tourism sector are the United States, Europe, and Canada (see graph 12). Few tourists from Central America visit CARICOM countries. For reasons of language, cost of travel, and lack of direct routes between sub-regions, Central American tourists prefer other Caribbean destinations such as Mexico, Cuba, or the Dominican Republic. Nevertheless, there is room to increase the flow of tourists to the Caribbean islands, Jamaica and Trinidad and Tobago in particular, especially from Panama and Costa Rica.
- The greatest poles of tourism attraction in CARICOM are Jamaica (with 36% of the sub-region's total tourism) and the Bahamas (26%). Barbados is also an important tourist destination (10%).

- The four main companies offering flights from Central America to the Caribbean are American Airlines, COPA, TACA and US Airways. There are only a few direct flights, and they leave from El Salvador or Panama. From the remaining countries, a trip to the Caribbean can involve up to five stopovers, as it might be the case when traveling from Costa Rica to Guyana.
- A flight to the Caribbean from Costa Rica, for example, can cost between \$521 to Belize and \$2,411 to Guyana. Most flights to CARICOM countries must make a stopover at some point in the United States, which necessitates having a visa for that country (see graph 13). The establishment of direct flights between Central America and the CARICOM countries could help reduce transportation costs and times, to the benefit of both tourism and business travel between the two regions.

GRAPH 13

COSTA RICA: COST OF FLIGHTS TO CARICOM AND OTHER CARIBBEAN DESTINATIONS, 2011

(In dollars at the most economical round-trip tourist-class price)^{a)}



Source: ECLAC, using price information from American Airlines, COPA, TACA and US Airways.

^{a)} Prices subject to much variability.

- Although there are no available statistics on the flow of service exports from CARICOM to CA&DR, firms based in CARICOM countries are known to have made various investments in CA&DR. Among the most important are investments in financial and transportation services, which are key sectors for boosting trade and investment between the two sub-regions (see box 3).

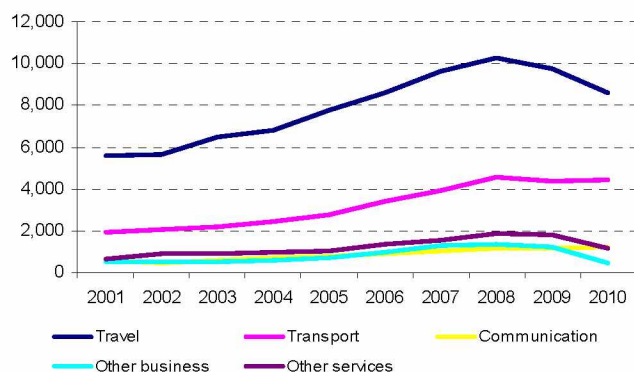
BOX 3
EXAMPLES OF INVESTMENTS IN SERVICES

FINANCIAL SERVICES	TRANSPORT SERVICES	OTHER SERVICES
<p>The Royal Bank of Trinidad and Tobago (RBTT), with Canadian and British capital, has begun a process of expansion beyond the English- and Dutch-speaking market, and established its first office in Costa Rica in 2005. Its strategy is to strengthen its brand recognition in the markets of Guatemala, Honduras, El Salvador, and Panama. RBTT has financed two major electrical projects in Costa Rica.</p> <p>Jamaica Money Market Brokers Limited (JMMB Group), based in Jamaica, has opened a branch in the Dominican Republic in a move to develop the money market in one of the biggest Spanish-speaking Caribbean islands.</p> <p>The First Citizens Group is one of the leading financial services groups in Trinidad and Tobago. It offers a full range of retail, corporate, and commercial banking services, as well as asset management, trust, and brokerage services. The major member of this group is the First Citizens Bank, which will be expanding into Central America with plans to open an office in Costa Rica in 2012. This bank is seeking markets with long-term stability, a welcoming and competitive environment, and opportunities for future growth.</p>	<p>Almo International Corporation, headquartered in the Bahamas, has strategic partnerships with the Honduran firm Sistemas de Logistica Avanzada for offering transportation services.</p> <p>The TACA Group, owned by Salvadoran and Colombian interests, has established its headquarters in the Bahamas, from which it conducts operations in Panama and El Salvador through Aerolíneas Pacífico Atlántico and Grupo TACA Holdings, respectively, in scheduled and unscheduled air transport.</p>	<p>Goddard Enterprises, of Barbados, has established a presence in Guatemala, El Salvador and Honduras, for the provision of catering services.</p> <p>Digicel Caribbean Limited, with Irish capital and headquarters in Jamaica, has been expanding into the Central American market from its Caribbean base.</p>
SERVICE CONGLOMERATES		
<p>ANSA McAL Limited is one of the biggest conglomerates in Trinidad and Tobago, with assets of more than \$1.7 billion as of 31 December 2010. Its business activities include manufacturing, brewing, insurance, finance, real estate, communications media, transportation, marketing and distribution, and retail trade in industrial and automotive equipment. Subsidiaries of ANSA McAL are operating in the Caribbean, including Trinidad and Tobago, Barbados, Saint Kitts and Nevis, Saint Lucia, Guyana and Grenada, as well as in the United States. In recent years the group has taken steps to expand its business to Central America.</p> <p>The Neal/Massy Group is another conglomerate in Trinidad and Tobago. It has been operating in many of the Caribbean English-speaking countries for more than 85 years. It has a broad range of interests, including retail trade, distribution, consumer finance, industrial and automotive equipment, energy, insurance, and information and communication technologies. Although it does not currently have a presence in Central America, its new vision statement declares that <i>“our vision for the future of the Group holds strong those fundamental values and directs us towards growth as a group of companies with managed investments throughout the Caribbean Basin, including non-English speaking countries which border the Caribbean Sea”</i>.</p>		

B. EXPORTS OF SERVICES FROM CENTRAL AMERICA AND THE DOMINICAN REPUBLIC TO CARICOM

- Goods outweigh services in exports from CA&DR (the level of services exports is only 41.6% the level of goods exports). The Dominican Republic is the country where service exports come closest to rivaling goods exports (77.3%), followed by Panama (53.4%).
- Between 2001 and 2008, service exports from CA&DR grew at a heady pace, averaging more than 11% a year. That trend slowed with the crisis of 2009, but growth is expected to resume in coming years (see graph 14).

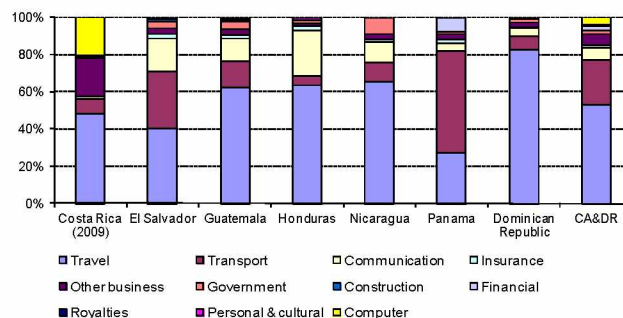
GRAPH 14
CA&DR: TREND IN SERVICES EXPORTS, 2001-2010
(In millions of dollars)



Source: ECLAC, on the basis of information from UN Service Trade.

- The principal services exported by CA&DR are tourism (53.1% of total service exports) and transportation (24.1%). Tourism is the main service export activity in CA&DR (see box 4), except for Panama, where transportation dominates and the Panama Canal is a key factor. Other important service exports relate to communications and other business services (see graph 15).

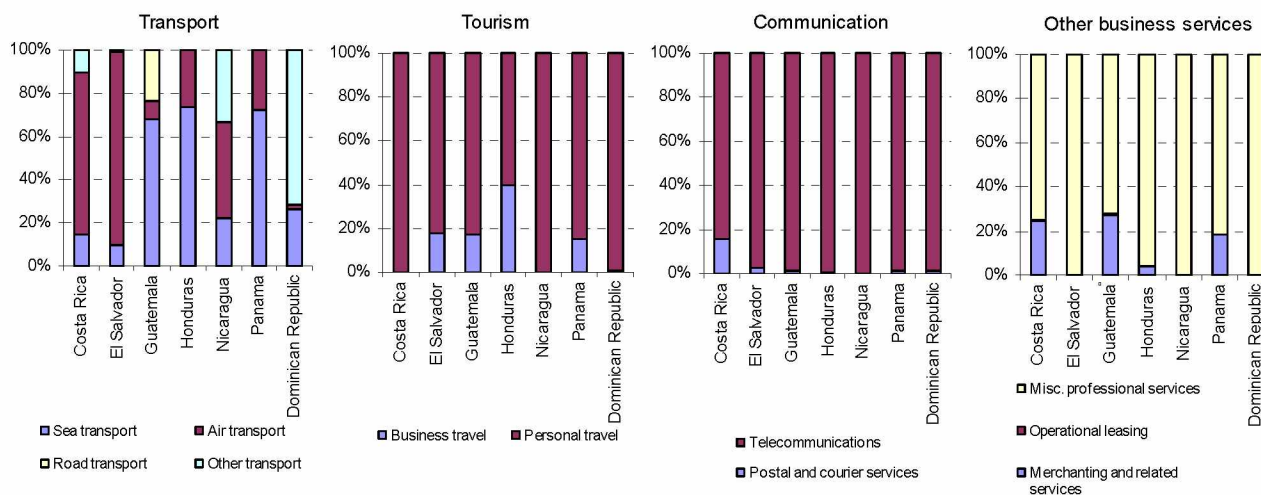
GRAPH 15
CA&DR: EXPORTS OF SERVICES BY ECONOMIC ACTIVITY, CIRCA 2010
(In percentages)



Source: ECLAC, based on information from UN Service Trade.

- In all countries of CA&DR, "personal", i.e. not business related, tourism predominates. Communication services relate essentially to telecommunications and "other business" services are essentially professional services. In Central America, maritime and air transport services are the most important (see graph 16).

GRAPH 16
CA&DR: EXPORTS OF SERVICES, BREAKDOWN BY TYPE OF ECONOMIC ACTIVITY, 2009
(In percentages)

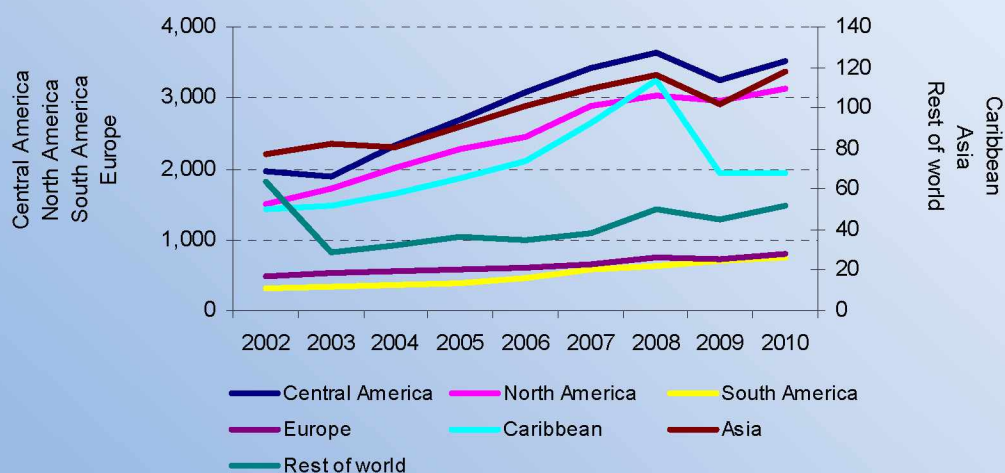


Source: ECLAC, on the basis of information from UN Service Trade.

BOX 4 TOURISM SERVICES

The major tourism pole in CA&DR is the Dominican Republic, which accounted for more than 40% of total tourism to the sub-region in 2010, followed by Costa Rica and Panama. A number of important strategies have been adopted in Central America for development of the sector, under the slogan “*Centroamérica tan pequeña... tan grande...*” (“Central America: so small yet so big”). These include the sub-regional strategy of promotion and marketing by market groups, the development of multiple destination products and the creation of routes and facilitation of transversal conditions (e.g. security, migration and institutional issues). There may be some excellent opportunities for collaboration between CA&DR and CARICOM, not only by drawing upon Central American experience with tourism promotion but also by verifying the feasibility of joint promotion and the offer of tourism packages.

GRAPH 17
CENTRAL AMERICA: TOURISM EXPORTS BY MARKET OF ORIGIN, 2002-2010
(In thousands of visitors)



Source: ECLAC, on the basis of information from the Consejo Centroamericano de Turismo.

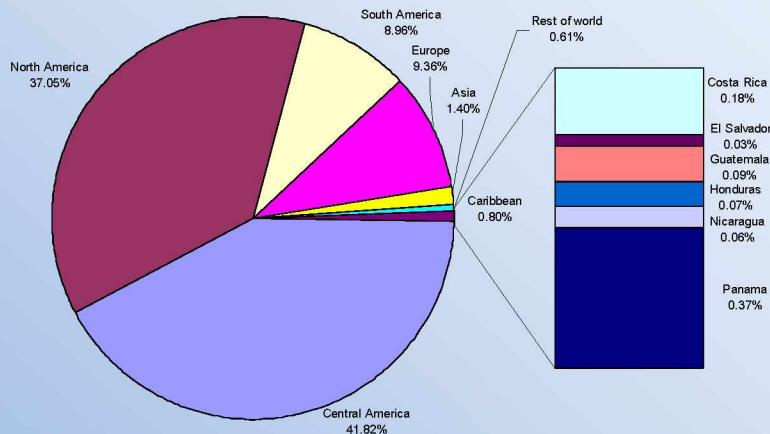
Tourism in Central America is geared essentially to the Central American and North American markets, although Europe and South America are also significant markets. Between 2002 and 2012 Central American tourism receipts grew strongly at an average annual rate of 8.5%. According to data from the World Tourism Organization, international tourism rebounded sharply in 2010 from the 2009 crisis (see graph 17).

There is still much unexploited potential for tourism from the Caribbean to Central America. The main tourist destinations for visitors from the Caribbean are Panama and Costa Rica (see graph 18). The promotion of direct routes and the reduction of travel costs would seem to be significant factors for taking advantage of this potential. For example, for flights from Trinidad and Tobago the cheapest and most direct route is to Panama, the Central American country that receives the most visitors from the Caribbean (see graph 19).

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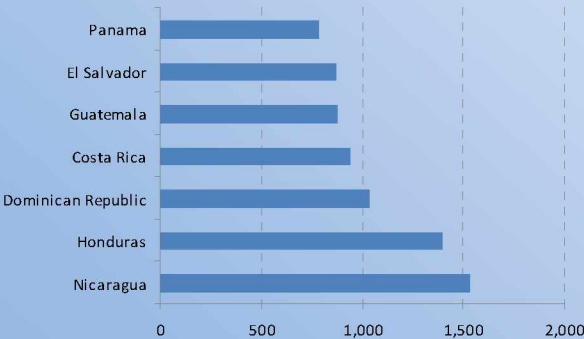
BOX 4 (concluded)

GRAPH 18
CENTRAL AMERICA: TOURISM EXPORTS BY MARKET OF ORIGIN
(breakdown of destinations for the Caribbean market of origin), 2010
(In percentages)



Source: ECLAC, based on information from the Consejo Centroamericano de Turismo.

GRAPH 19
TRINIDAD AND TOBAGO: COST OF FLIGHTS TO CA&DR, 2012
(In dollars, using the most economical round-trip tourist-class prices)^{a)}



Source: ECLAC, based on pricing information from the airlines.

^{a)} Prices subject to great variability.



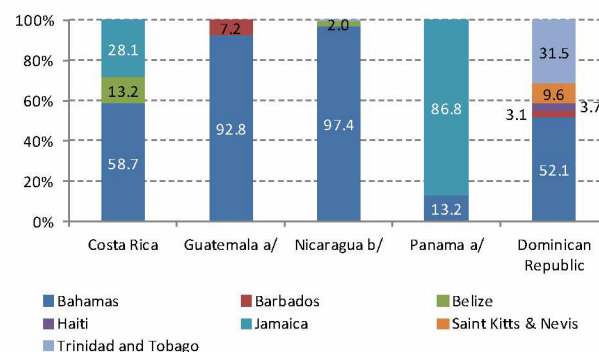
IV. INVESTMENTS

A. INVESTMENT FLOWS FROM CARICOM COUNTRIES TO CENTRAL AMERICA AND THE DOMINICAN REPUBLIC

- The natural market for investments from CARICOM countries is the Caribbean countries themselves. It is important, as well, to bear in mind that some of the CARICOM countries, such as the Bahamas, are major investment sources, and this influences investment results and paths. In other words, there are investors who venture into host countries through firms that are established in these Caribbean investment platforms. In this context, there is a strong tendency for CARICOM countries to invest in Brazil and certain other South American countries, as well as in Asia (China in particular) and the countries of Eastern Europe.

- The Bahamas is the biggest investor in CA&DR. Its investments cover various types of activities: transportation services, meat import and export, imports of oil, fertilizers, automobiles, hardware, plastics and paints, real estate activities, financial intermediation, and electricity services. The main investment destinations are Guatemala and Honduras. Other countries such as Antigua and Barbuda, Belize, Dominica, Haiti, Jamaica, Saint Kitts and Nevis and Trinidad and Tobago have invested in the sub-region in the financial services sector. Barbados has also invested in Panama in the trade sector, in software and in financial services (see table 7).

GRAPH 20
CARICOM: FOREIGN DIRECT INVESTMENT IN COSTA RICA, GUATEMALA, NICARAGUA, PANAMA AND THE DOMINICAN REPUBLIC, 2000- 2010
(In cumulative percentages)



Source: ECLAC, based on information from the Banco Central de Costa Rica, Banco de Guatemala, Banco Central de Nicaragua, the Contraloría General de la República de Panamá and the Banco Central de la República Dominicana.

a/ For Guatemala and Panama the cumulative period is from 2005 to 2010.

b/ For Nicaragua, Trinidad and Tobago accounts for 0.6% of FDI.

- Costa Rica and Panama are the principal destinations for investment from CARICOM in CA&DR, although the amounts are low in comparison with the investment these countries receive from the United States and the European Union, their principal investors. Statistics show that the Bahamas is the largest CARICOM investor in the sub-region, except in Panama, where investment from Jamaica has been greater (see graph 20).

Caribbean firms seeking inputs and expansion

The Bermudez Group, a Trinidadian firm in the food business, has a strategy of expanding abroad and investing in the snacks market in the Caribbean, the United States and the European Union. In 2010 the company decided to invest in Costa Rica to counter the risks to its banana supply, by building a plant to make banana chips for export to the Caribbean. Alimentos Bermudez de Costa Rica has established partnerships with 40 small and medium-sized banana producers in Sarapiquí, and now has 150 hectares under cultivation.

Source: Web page of Alimentos Bermudez and El Financiero Costa Rica.

Caribbean firms in growth mode

One of the leading CARICOM firms is Goddard Enterprises Ltd, headquartered in Barbados and engaged primarily in the provision of catering services to airlines and other big multilateral companies. The group currently has investments in more than 23 countries, including Guatemala, El Salvador, and Honduras. Goddard has been in Guatemala for more than 30 years and it has trained more than 240 individuals; it began operations in El Salvador 16 years ago, and in 2010 it launched Goddard Catering Group Honduras. The new Honduran personnel will be trained by Goddard de El Salvador, an arrangement that demonstrates the benefits of expansion within the same sub-region.

Source: Web page of Goddard Catering Group.

Partnerships and takeovers in the sub-region

Because of the sharp cultural and language differences between entrepreneurs in CARICOM and CA&DR, some businesses have decided to partner with local firms. For example, Guardian Holdings (GHL) of Trinidad and Tobago, an insurance firm, acquired 20% of Grupo Mundial Tenedora in Panama in 2005. Goddard has also invested in Honduras, acquiring a portion of the operations that the Costa Rican firm Casa Proveedora Phillips had in San Pedro Sula.

Source: Barbados Advocate and Business News America

The Caribbean as a big business platform

Grupo Taca Holdings (the result of a partnership between Taca, of El Salvador, and Avianca, of Colombia) chose to set up its operating headquarters in the Bahamas. In similar fashion Digicel, an Irish company, has established an operating center in Jamaica for investing in countries of the Caribbean and Central America, including El Salvador, Honduras and Panama. Other firms making similar moves are BetonSports, a US company established in Antigua and Barbuda with operations in Costa Rica; IFH Peru Ltd, initially established in the Bahamas; RBTT Financial Group, with Canadian and British capital, established in Trinidad and Tobago. Esso Standard Mobil and Stanford International Bank, among others, have made initial investments and then expanded into the Latin American market.

Source: company web pages and newspaper articles.

TABLE 7
CARICOM: INVESTMENTS IN FIRMS OF CENTRAL AMERICA AND THE DOMINICAN REPUBLIC

Home country	Firm	Host country	Firm	Year	Activity
Antigua and Barbuda	BOS (Antigua) Limited	Costa Rica	Bet on Sports (Antigua) Ltd.		Other services
Antigua and Barbuda	Stanford International Bank	Panama	Stanford International Bank	2003	Financial services
Bahamas	Esso Standard Oil, S.A.	Costa Rica	Esso Standard Oil, S.A.		Oil importing
Bahamas	Grupo TACA Holdings Limited	El Salvador	Grupo TACA Holdings Limited	2009	Scheduled air service
Bahamas	Bridgestone Holdings Limited	Guatemala	Nuevos Almacenes	2003	Hardware imports
Bahamas	Byte Group International Limited	Guatemala	Byte, S.A.	1989	Information systems design
Bahamas	Codaca Holdings & Investment Co. Ltd	Guatemala	Motores Hino	1999	Export and import of automobiles and parts
Bahamas	International Coffee & Fertilizer Trading	Guatemala	International Coffee & Fertilizer Trading	1990	Fertilizer imports
Bahamas	Unisource Holding Inc	Guatemala	Fertilizantes Maya	1990	Fertilizer imports
Bahamas	Almo International Corporation	Honduras	Sistemas de Logística Avanzada	2004	Transportation services
Bahamas	ANK OF LONDON & MONTREAL LTD.	Honduras	ANK OF LONDON & MONTREAL LTD.		Financial intermediation
Bahamas	Bristol Investors Co. Ltd	Honduras	Alquimia Internacional S.A.	1999	Plastics and paints
Bahamas	Codaca Holdings & Investments Co. Ltd.	Honduras	Codaca Honduras S.A.	2000	Tractor Imports
Bahamas	Sun Valley Foods of Central America Ltd	Nicaragua	Carnes Industrializadas S.A.	2006	Meat import and export
Bahamas	Grupo TACA Holdings Limited	Panama	Aerolíneas Pacífico Atlántico, S.A.	2000	Non-scheduled air service
Bahamas	IFH Peru Ltd	Panama	INTERGROUP FINANCIAL SERVICES CORP.	2006	Real estate services
Bahamas	Basic Energy Ltd	Dominican Republic	Consorcio Energetico Punta Cana Macao, S.A.	1991	Electricity
Barbados	Goddard Enterprises Ltd	Honduras	Goddard Catering Group Honduras, S.A.	2010	Food catering
Barbados	Mirage Trading Corp.	Panama	Mirage Trading Corp.	1987	Retail trade
Barbados	Sagicor	Panama	Capital de Seguros/Sagicor Panama	2000	Financial services
Barbados	Smartmatic	Panama		2011	Software and ICT services
Belize	Barents RE International Reinsurance	Panama	Barents Re Reinsurance Company Inc		Insurance agents and brokers
Dominica	Provident Capital Indemnity Ltd	Costa Rica	Provident Capital Indemnity Ltd	1991	Insurance agents and brokers
Jamaica	Digicel	Honduras	Digicel	2009	Telecommunications
Jamaica	Digicel	Panama	Digicel	2011	Telephone service
Jamaica	Jamaica Money Market Brokers Limited	Dominican Republic	Corporacion de Credito America S.A.	1971	Personal credit
Jamaica	Jamaica Money Market Brokers Limited	Dominican Republic	Puesto de Bolsa BDI América	2008	Financial services
St Lucia	Digicel Caribbean Limited	El Salvador	Digicel, S.A. de C.V.	2006	Telephone service
Trinidad and Tobago	Grupo Bermudez	Costa Rica		2010	Food and tobacco
Trinidad and Tobago	RBTT Financial Group	Costa Rica	RBTT Financial Group	2005	Financial services
Trinidad and Tobago	Guardian Holding	Panama	Grupo Mundial Tenedora, S.A.	2005	Insurance
Trinidad and Tobago	Republic Bank Limited	Dominican Republic	Republic Bank DR, S.A.	2003	Financial services

Source: ECLAC, based on information from the Investment Map of the Trade Center, Thomson Reuters and “FDi Markets”.

B. INVESTMENT FLOWS FROM CENTRAL CARICOM

- The major cross-border investments between firms of CA&DR and the Caribbean have taken place in the last 10 years, facilitated by trade and investment agreements. For the time being, most Central American countries are giving priority to negotiating investment agreements with European countries, but the signature of bilateral investment treaties between the two sub-regions is an opportunity that should be seized as a way of expanding the number of firms using the sub-regional market to grow their client base and their business.
- Mergers, acquisitions, and investments abroad announced from Central American countries focus almost exclusively on Central America itself, whereas the Dominican Republic is making significant investments in the Caribbean, as is the case with Basic Energy Ltd. and Cervecería Nacional Dominicana C. por A. (Grupo León Jimenes) with acquisitions amounting to \$92.5 million and \$31 million respectively (see box 5). Over the last decade, these were in fact the only investments from CA&DR in the Caribbean registered in the *Investment Map* of the *International Trade Center* (see table 8).

AMERICA AND DOMINICAN REPUBLIC TO

BOX 5 CERVECERÍA NACIONAL DOMINICANA

Cervecería Nacional Dominicana (CND) is the principal producing and marketing unit for beers, malts and rums of Grupo León Jimenes, a group of firms devoted to the manufacture and marketing of mass consumer products. CND is the leader in the beer and malt market in the Dominican Republic, with market shares of around 87% and 66%, respectively. Its local market sales account for more than 90% of consolidated revenue (16.426 billion Dominican pesos), of which 90% represents the beer market.

In August 2009, the company launched International Brewing Ltd. in Saint Lucia, signing a purchase agreement with Royal Unibrew S.A. for \$31 million as part of its growth strategy.

The purchase from Royal Unibrew S.A. represented 76.5% of the share capital of Saint Vincent Brewery Ltd, 93 % of Antigua Brewery Ltd, 75% of Antigua PET Plant Ltd and 58% of Dominica Brewery & Beverages Ltd. The agreement also includes a license to produce and market Premium beer, the property of Royal Unibrew Vitamalt. These companies, leaders in their respective markets, are currently the owners or licensees of the trademarks Hairoun, Wadadli, Kubuli, Guinness stout, Vitamalt, Duna, Loubiere and carbonated beverages, among others. The “Presidente” brand of beer has established itself as the leader in the Caribbean market, in addition to holding a share in the consumption of imported beer in the United States, resulting from a highly efficient operating strategy that, together with other strong strategies, has won it great international recognition.

Source: CND website; Feller-Rate, 2010.

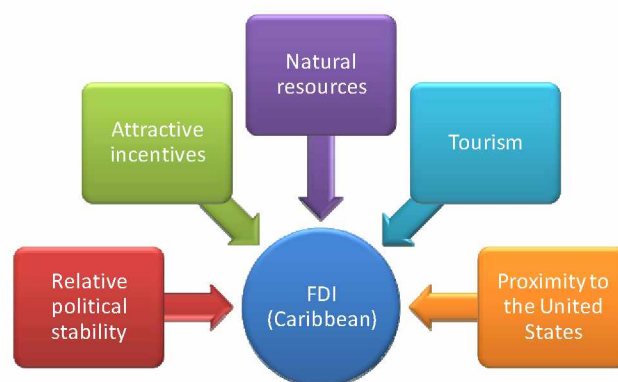
TABLE 8
CA&DR: PRINCIPAL MERGERS AND ACQUISITIONS OF COMPANIES IN CARICOM, 1990-2010

Home country	Firm	Host country	Firm	Year	Area of activity
Costa Rica	Coca Cola Interamerican Corp. Suc. Costa Rica	Trinidad and Tobago	Caribbean Bottlers (Trinidad and Tobago) Ltd.	1997	Bottled and canned soft drinks
Guatemala	Central America Beverage Corporation	Barbados, Jamaica, Trinidad and Tobago	PepsiAmericas Inc.	2009	Bottled and canned soft drinks and beer
Panama	Morgan y Morgan Corporation Services S.A.	Belize	Morgan & Morgan Trust Corporation Belize Ltd	1992	Administrative services
Dominican Republic	Basic Energy Ltda.	Jamaica	Jamaica Energy Partners	2007	Energy
Dominican Republic	E. Leon Jimenes, C. por A.	Antigua and Barbuda	Antigua Brewery Limited	2009	Beer
Dominican Republic	E. Leon Jimenes, C. por A.	Dominica	Dominica Brewery and Beverages Limited	2009	Bottled and canned soft drinks
Dominican Republic	E. Leon Jimenes, C. por A.	Saint Vincent and the Grenadines	Saint Vincent Brewery Limited	2009	Beer

Source: Investment Map, International Trade Center and OAS.

- Figure 4 shows the principal reasons for investing in the Caribbean. One of the sub-region's main attractions for international investors is the efficiency of exporting to third markets, primarily the United States. In the search for natural resources, Trinidad and Tobago stands out as a destination for FDI in the hydrocarbon sector, as does Suriname. On the other hand, Jamaica is important in bauxite mining and alumina.
- Because CA&DR is also a platform for exporting to the United States, the motivations for investment flows from CA&DR to CARICOM countries can be further distinguished. However, as mentioned in chapter III, Caribbean countries are highly focused on exporting services. There is an incentive, then, for investments to develop markets that can import services such as call centers and other support services that have emerged in Caribbean countries with a competitive advantage for some markets, because of the English language.

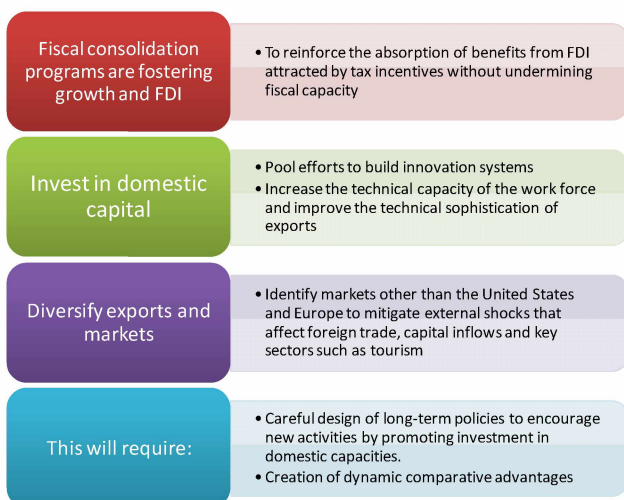
FIGURE 4
CARIBBEAN: MAIN FACTORS OF ATTRACTION FOR FDI



Source: ECLAC (2010).

- Figure 5 shows the main activities that are needed in Caribbean countries to expand the benefits from the FDI they attract and which, if developed, can become major activities that could attract more FDI.

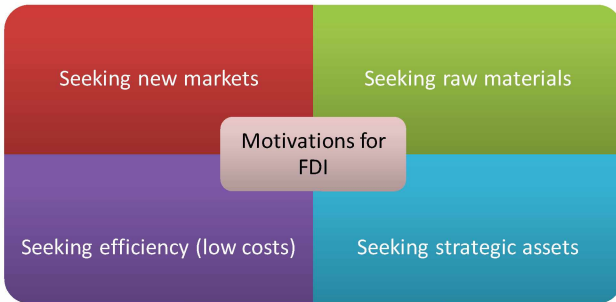
FIGURE 5
CARIBBEAN: ACTIVITIES THAT WILL ATTRACT MORE INVESTMENT



Source: Prepared by the authors on the basis of information from ECLAC (2006, 2011a).

- The Caribbean has succeeded in maintaining the static comparative advantages mentioned in figure 6, and has thus attracted FDI into such sectors as tourism, hotels, transportation and manufacturing (highlighted by beverages and foods and cement). It is important to generate dynamic comparative advantages and, in particular, to encourage the development of a skilled labour force, a scientific, technological and innovation capacity, and local entrepreneurship (ECLAC, 2006).

FIGURE 6
FOREIGN INVESTMENTS BY OBJECTIVE



Source: ECLAC; Duning, 2000.

a/ Minerals, agricultural products, unskilled labour.



V. OPPORTUNITIES

A. TRADE AND INVESTMENT OPPORTUNITIES IN CARICOM COUNTRIES

TABLE 9
CARICOM: PRODUCTS WITH EXPORT POTENTIAL TO THE CENTRAL AMERICAN COMMON MARKET

SITC	Potential exporters	Product description	SITC	Potential exporters	Product description
341	BZ	Fish, fresh or chilled	7239	BZ	Parts for civil engineering machinery
342	BZ, TT	Fish, frozen	7518	BZ, JM, TT	Office machines
548	BB	Vegetable products, fresh or dried	7522	BZ, JM, TT	Digital computers
589	JM	Fruits, prepared or preservad, with/without spirit	7611	TT	Color TV receivers
1110	BS, BB, BZ, DM, HT, JM, SR, TT	Non-alcoholic beverages	7638	BZ, JM, TT	Other sound recording and reproducing apparatus; video recording apparatus
2511	TT	Waste and scrap of paper or paperboard	7643	JM	TV and radio transmitters and receivers
3354	BZ	Petroleum bitumen, petroleum coke and bituminous mixtures	7731	BB	Wires and cables
3413	TT	Petroleum gases, liquified	7754	BZ	Shavers and hair clippers, electric
5231	JM	Salts and peroxysalts of inorganic acids and metals	7851	BZ	Motorcycles
5335	BB	Coloring preparations for ceramics, glass and artists' colors	8211	BS, BZ, HT, JM, TT	Seats and parats thereof
5417	BS, BB, DM	Medicaments (inc. veterinary medicaments)	8310	BS, JM, TT	Handbags, briefcases, suitcases etc
5514	HT	Mixtures of two or more essential oils	8442	HT, JM	Underwear for men and boys of textile fabrics
5530	BS, TT	Perfumery, cosmetic or toilet preps (excl soaps)	8459	HT, JM	Other garments, knitted or crocheted
5989	TT	Chemical products and preparations	8471	BZ, HT, JM	Clothing accessories, of fabric
6359	JM	Manufactured articles of wood	8481	TT	Apparel and clothing accessories of leather
6424	BZ, JM	Paper & paperboard, cut to size or shape	8484	HT	Headgear and fittings
6514	BZ	Sew ing thread of man-made fibers	8510	BS, HT	Footwear
6522	BS	Cotton fabrics, bleached, mercerized and dyed	8720	BB, BZ, TT	Medical instruments and appliances
6531	TT	Textiles, woven, of synthetic filament yarn	8749	BZ	Parts and accessories for instruments and devices for controlling gases and liquids
6535	TT	Textiles, woven, of artificial filament yarn	8924	TT	Postcards, greeting cards, and transfers, printed
6572	DM	Non-wovens, impregnated	8928	AG, BS, BB, BZ, DM, JM, TT	Printed matter
6589	AG, BZ, HT, JM	Other made-up articles of textile materials	8931	DM, HT, TT	Articles for conveyance or packing of goods; lids, caps etc
6731	TT	Iron or steel bars and rods	8933	JM	Household and toilet articles of plastic
6793	BZ	Manufactures of steel or iron, forged or stamped	8994	JM	Umbrellas, walking-sticks and the like
6997	BZ, JM, TT	Articles of iron or steel			

Source: ECLAC, based on information from TradeCan 2011, four digits or the SITC: Standard Classification of International Trade.

Note: AG: Antigua and Barbuda; BS: Bahamas; BB: Barbados; BZ: Belize; DM: Dominica; HT: Haiti; JM: Jamaica; SR: Suriname; TT: Trinidad and Tobago.

Based on the exportable output of CARICOM countries and the growing demand for products in the Central American Common Market (CACM), table 9 lists a number of potential products for export to Central America. For example, fresh or chilled fish is a product for which demand has jumped sharply in the last nine years in the Central American market and which countries such as Belize could export to the sub-region in greater quantities.

Trinidad and Tobago, and perhaps other CARICOM countries, could also take advantage of rising demand for prepared chemical products in the CACM. This analysis is based on assumptions of constant demand, and countries can take steps to create new opportunities.

Table 10 lists the 20 products for which demand in the CACM has risen most strongly in the last nine years. CARICOM countries could take advantage of this growth to launch or increase their exports in some of these products.

TABLE 10
CENTRAL AMERICAN COMMON MARKET: IMPORT
PRODUCTS WITH GREATEST GROWTH IN DEMAND

SITC	Product description
6891	Tungsten (wolfram), molybdenum, tantalum and magnesium, unwrought
2876	Tin ores and concentrates
6999	Semi-manufactures & articles of tungsten/molybdenum/tantalum/magnesium
6552	Knitted and crocheted fabrics, of other than synthetic fibres
5821	Phenol plastics
3221	Anthracite
6672	Diamonds, worked but not set
2875	Zinc ores and concentrates
344	Fish filets, frozen
6725	Square or rectangular forms and ingots
4311	Animal or vegetable oils, boiled, oxidized, dehydrated
6812	Platinum and other metals of the platinum group, unworked
7722	Printed circuits and their parts
5114	Sulphonated or nitrosated derivatives
8933	Household and toilet articles of plastic
6674	Synthetic stones or precious stones
8841	Lenses/prisms/mirrors and other optical elements, of any material
2712	Natural sodium nitrate
7912	Other rail locomotives and tenders
5852	Other artificial plastic materials

Source: ECLAC, based on information from TradeCan 2011, four digits of the SITC – Standard International Trade Classification.

INVESTMENT OPPORTUNITIES

COSTA RICA

Services – Contact centers, back office services, entertainment and media, digital technologies, design and engineering, regional centers.

Manufacturing – Electronics, automotive, aerospace.

Life sciences – Medical devices, biotechnology.

Other sectors – Medical tourism, agriculture, textiles.

EL SALVADOR

Agroindustry – Production and processing of fruits and vegetables, production of ornamental plants and flowers, and marine industries.

Clothing – Textiles, production of fabrics with synthetic fiber content.

Manufacturing and electronics – Auto parts and electronic components.

Other sectors – Call centers, tourism, footwear, logistics.

GUATEMALA

Agroindustry – Juices and beverages, sweets, bakery goods, preserves, forestry products.

Tourism – Archaeological zones, medical tourism, Pacific Coast.

Energy, mining, oil, and gas.

Manufacturing, call centers and BPO.

HONDURAS

Agroindustry – Horticulture, basic cereals, livestock, tilapia.

Energy – Generation, transmission and distribution.

Tourism – Caribbean coast.

Other – Forestry, infrastructure, textiles.

NICARAGUA

Textiles and clothing – Manufacture of undergarments, synthetic fibers and cotton textiles.

Tourism – Hotels and restaurants.

Contact Centers and BPO – Telemarketing, software development, financial analysis, etc.

Light manufacturing and assembly – Medical industry, rehabilitation, automotive.

Agroindustry – Agribusiness, food industry, biofuels, and forestry.

Infrastructure – Power generation, construction of ports, highways and airports.

PANAMÁ

Real estate – Real estate development, ports, sanitation, hotels and restaurants etc.

Banking and finance.


Free zones.

DOMINICAN REPUBLIC

Manufacturing and services, electronics and auto parts, medical devices, textiles and footwear.

Call Centers and BPO; production for the movie industry, software development, medical tourism, alternative energy, mining and infrastructure.

Source: Costa Rica Investment Promotion Agency; Embassy of El Salvador in Argentina; Invest in Guatemala; Honduras is Open for Business; ProNicaragua; Inversión en Panamá; Ministerio de Comercio e Industria de Panamá; Invest in the Dominican Republic



"We decided to move into Central America because of the improved credit rating of countries in that region. As well, Trinidad and Tobago recently signed a free-trade treaty with Costa Rica, which also influenced us"

Lyndon Guiseppi, Director General of RBTT.
Business News Americas, April 2005

"The key criteria for us would be a stable political setting, healthy economic growth prospects, an established and growing insurance market, a business-friendly regulatory regime, and a sound environment of corporate governance"

Jeffrey Marck, General Manager of Guardian Holdings.
Business News Americas, January 2012

"Bermudez Biscuit Company Ltd, based in Trinidad and Tobago, decided that in Costa Rica it could offset in a balanced way the risks relating to banana supply, political and economic instability in comparison to other countries"

T&T firm sets up shop in Sapiquí.
El financiero Costa Rica, October 2009.

B. TRADE AND INVESTMENT OPPORTUNITIES IN CENTRAL AMERICA AND THE DOMINICAN REPUBLIC

TABLE 11
CENTRAL AMERICA AND THE DOMINICAN REPUBLIC: POTENTIAL PRODUCTS FOR EXPORT TO CARICOM^{a/}

SITCCUCI	Potential exporters	Product description	SITC	Potential exporters	Product description
344	NI, PA	Fish filets, frozen	6912	CR	Structuras & parts of structures of aluminum
488	CR	Preparations of flour for children or dietetic use	6940	HO	Nails/screws/nuts/bolts/rivets and the like
565	CR, DO	Vegetables, prepared or preserved	6997	SV, GT, HO	Articles of iron and steel
589	CR, DO	Fruits, prepared or preserved, with/without spirit	6998	CR, GT	Articles of copper, nickel, aluminum, lead, zinc & tin
611	HN, NI	Sugar, solid, unrefined	7161	CR, PA	Motors & generators, direct current
615	SV, HN	Molasses	7188	PA	Engines & motors (wind engines and water-wheels)
711	NI	Coffee, roasted or not, decaffeinated or not	7247	PA	Washing machines and apparatus
712	CR	Extracts, essences and concentrates of coffee and preparations	7431	CR, GT	Air and vacuum pumps, air or other gas compressors
980	HN	Edible products and preparations	7711	DO	Electric transformers
1110	CR, GT, DO, PA	Non-alcoholic beverages	7731	SV, HO	Wires and cables
1124	NI	Ethyl alcohol	7754	PA	shavers and hair clippers, electric
2734	DO	Pebbles and crushed stone	7861	HO	Trailers and containers
5121	CR, DO	Acyclic alcohols	8121	PA	Boilers for central heating
5161	PA	Ethers,, alcohol peroxides and ether peroxides	8219	SV, HO	Other furniture and parts
5411	HO	Provitamins and vitamins, natural	8310	SV, HO	Handbags, briefcases, suitcases
5417	CR, SV, GT	Medicaments (incl. veterinary medicaments)	8422	PA	Men's or boys' suits, of textile fabrics
5621	CR, GT, DO	Mineral or chemical fertilizers, nitrogenated	8429	PA	Other outer wear for men and boys, of textile fabrics
5623	DO	Mineral or chemical fertilizers, potassic	8435	CR, SV, GT	Blouses for women, girls and babies, of textile fabrics
5821	DO	Plastics	8482	CR, GT	Clothing and accessories of plastic or rubber materials
5825	DO	Polyurethanes	8720	HO	Medical instruments and devices
5836	GT	Acrylic and metacrylic polymers	8741	DO	Surveying, hydrographic, navigation, meteorological, geophysical instruments
5989	GT, HO	Chemical products and preparations	8743	GT	Instruments & apparatus for control of gases & liquids
6424	CR	Paper and paperboard, cut to size or shape	8744	PA	Scientific instruments & apparatus, not mechanical or electric
6428	SV	Articles of pulp, paper or paperboard	8841	CR, PA	Lenses/prisms/mirrors and other optical elements of any material
6539	PA	Pile fabrics and chenille fabrics of man-made fibers	8921	CR, SV, GT, DO	Books, pamphlets, maps and globes, printed
6589	CR, SV, GT, DO, PA	Other made-up articles of textile materials	8928	SV, GT, HO	Printed matter
6611	GT, DO	Lime	8933	PA	Household and toilet articles of plastics
6658	GT	Articles made of glass	8947	CR, DO, PA	Other sports goods
6733	PA	Angles, shapes and sections (exc. rails)	8972	GT, DO, PA	Imitation jewelry
6746	DO	Flat-rolled products, of thickness < 3 mm	8996	GT	Orthopedic devices, splints
6782	DO	Tubing, not soldered	8997	HO	Basketware, wickerwork and other plaited articles
6911	GT, DO, PA	Structures & parts of structures of iron and steel			

Source: ECLAC, based on information from TradeCan 2011, four digits of the SITC – Standard International Trade Classification.

a/ In this exercise, CARICOM includes: Barbados, Dominica, Grenada, Jamaica, Saint Lucia and Trinidad and Tobago.

NOTE: CR: Costa Rica; SV: El Salvador; GT: Guatemala; HN: Honduras; NI: Nicaragua; PA: Panama; DO: Dominican Republic.

Based on the exportable output of SICA countries and the growing demand for products in CARICOM, table 11 lists a number of potential products for export to the community. For example, frozen fish fillets are a product for which demand has jumped sharply in the last nine years in the CARICOM market and which countries such as Panama and the Dominican Republic could export in greater quantities.

Table 12 lists the 20 products for which demand in CARICOM has risen most strongly in the last nine years. SICA countries could take advantage of this growth to launch or increase their exports in some of these products.

TABLE 12
CARICOM: IMPORT PRODUCTS WITH GREATEST GROWTH IN DEMAND

SITC	Product description
4234	Peanut oil
2814	Roasted iron pyrites
2683	Fine animal hair
2117	Sheep and lamb skins without wool
4244	Palm oil
7915	Rail freight and maintenance cars
2112	Calfskins
2872	Nickel ores and concentrates
2713	Calcium phosphates, natural
2511	Waste and scrap of paper and paperboard
6831	Nickel and nickel alloys, unwrought
9310	Special transactions and commodities not classified according to kind
7239	Parts for civil engineering plant and equipment
5161	Ethers, alcohol peroxides and their peroxides
3222	Other varieties of coal
6511	Silk yarns
7126	Steam and other vapor turbines
8841	Lenses/prisms/mirrors and other optical elements of any material
2873	Aluminum ores and concentrates
7161	Motors & generators, direct current

Source: ECLAC, based on information from TradeCan 2011, four digits of the SITC – Standard International Trade Classification.

Measures for overcoming trade and investment challenges

To take better advantage of the opportunities identified in the relations between CA&DR and CARICOM, it is very important to overcome the existing challenges and barriers to trade and investment between the two sub-regions. Following is a selected list of measures that could be taken to minimize barriers and take advantage of the potential in CA&DR-CARICOM relations:

- Strengthen the SICA and CARICOM integration processes, recognizing that this is important to address the external impacts and generate markets of a scale that will facilitate integration into the world economy;
- Revise investment legislation to facilitate capital flows between the two sub-regions. Revise tax laws, which may differ significantly between countries;
- Change the mindset of stakeholders involved in trade and investment in order to create a more innovative private sector that accepts the advantages of investing in research and development;
- Reduce travel formalities and facilitate the movement of persons between the sub-regions; in particular, speed visa processes. Business people have mentioned the need to grant economic citizenship and long-term visas to investors, as part of a review of labour permit requirements;
- Business people have also signaled the importance of promoting commercial language training in English and Spanish in specific sectors of economic cooperation. As well, they recognize the importance of information and data on economic and investment opportunities, and on differing laws and regulations affecting business and investment between the two sub-regions;
- Improve transport connections between Central America and the Caribbean. In August 2011 the Heads of State and Government of Central America and the Caribbean agreed to instruct their national authorities to improve sea and air transport between the sub-regions in order to promote trade, investment and tourism, and cultural exchange (see box 6).

Source: OAS documentation for the business conference on "Opportunities for business, trade and investment between Central America and the Caribbean", August 2011, and the special discussion on "Integration and Trade" at the 35th annual conference of the Caribbean and Central America.

BOX 6

INFRASTRUCTURE, TRANSPORTATION SERVICES AND RELATIONS BETWEEN CARICOM AND CENTRAL AMERICA AND THE DOMINICAN REPUBLIC

As mentioned in the chapter on goods exports, in 2010 exports from CARICOM countries to CA&DR accounted for 3.4% of total CARICOM exports. In that same period, exports from CA&DR to CARICOM represented 4.8% of total CA&DR goods exports.

The factors commonly cited to explain why these figures are not higher include questions of history, language difficulties, and tariff and non-tariff barriers. However there are potentials and opportunities that should be explored. This paper has mentioned various routes for seizing those opportunities: these include the negotiation of trade agreements, tariff reductions and the simplification and automation of administrative formalities. As well, mention has been made of the need for public institutions and chambers of commerce to promote trade and opportunities for individual products, and to facilitate trade by reconciling the regulatory and legal framework for trade and investment and providing more information, for example, on commercial law and business practices and potential trade partners in CA&DR and CARICOM.

This debate also discusses the important role that the availability of infrastructure and transportation services during the two sub-regions can play in trade and investment facilitation, recognizing that travel between Central America and the Caribbean can be more expensive than travel between either sub-region and other trading partners (for example the United States).

The availability of information on transport services could be improved, for example by developing greater and better databases on existing services, their costs and, in the case of ports, their productivity. Initiatives could encourage transport service providers to make an effort to reduce prices and improve productivity.

When it comes to maritime transport, the emphasis on service coordination, for example articulating transshipment ports and local services, can lead to economies of scale in scheduled services and cost reductions through direct services.

Efforts to promote competition and market regulation can also have a positive effect on transport service prices, despite the natural constraints imposed by the limited size of the CA&DR and CARICOM markets.

Air transport between CARICOM and CA&DR is constantly evolving. For example, Copa Airlines inaugurated flights between Panama and Kingston in 1983, followed by Haiti in 1984 and Santo Domingo in 1985. More recently, service has been introduced to San Juan and Havana. Since 2008 flights have been inaugurated to Port-of-Spain (2008), Aruba (2008), Saint Maarten (2010), Nassau (2011), Montego Bay (2011) and Curacao (2012).

There are opportunities to improve transport infrastructure between the sub-regions. It is important to have direct services between CA&DR and CARICOM and to ensure their efficiency and productivity.

BOX 7

UNICOMER GROUP: BY LOOKING ABROAD IT FOUND THE PERFECT COMPLEMENT

Unicomer Group, a joint venture of Grupo Simán in El Salvador and Puerto de Liverpool in Mexico, is the leading retailer of home furnishings and appliances in Central America, the Dominican Republic, and the English-speaking Caribbean. The group began operations in 2000 when it took over the Central American assets of the Dutch firm Ceteco. Starting with 120 stores under the trademarks La Curacao and Tropigas, Unicomer Group succeeded over the next five years, guided by its strategic plan, in consolidating its presence in Central America and expanding into the United States and the Dominican Republic.

By 2006, Unicomer already had 287 stores and more than 4,500 employees. In its search for international markets, the group identified the opportunity of growing in the Caribbean through its acquisition of the Courts chain with operations in 11 Caribbean countries. Courts, an English firm founded in 1850, came first to Jamaica in 1959 and from there expanded into other Caribbean territories until it had a significant market share. Courts has been the perfect complement to the Central American operations of Unicomer and its acquisition has allowed the leveraging of synergies: the chains of stores in the two regions sell similar products, for credit or cash, primarily to lower-income segments of the population.

Expanding the group into the Caribbean was not an easy task. Although there are no great barriers to foreign investment, the initial process of accommodation in 11 countries was complex, time-consuming, and costly in financial terms. Immigration procedures limit mobility for Central Americans in the Caribbean, and this increases transaction costs: most Caribbean countries require visas, but not all of them have consulates in Central America. Unicomer sees the recent elimination of visas for Salvadorans in Trinidad and Tobago as a positive development.

What began as a one-off business opportunity in the Caribbean has translated into a successful operation. In recent years Unicomer has consolidated its leadership, increasing its market share in all countries where it has a presence. Part of this success can be laid to the substantial and sustained investments it has made in improving its stores, distribution centers, and computer systems and in developing its human talent. With a presence in various countries it has achieved economies of scale, especially in purchasing and logistics as well as in support infrastructure for streamlining common operations.

Despite the global economic crisis, Unicomer has achieved its objectives for the Courts chain in the Caribbean, boosting its staff by 30% since the end of 2006. It has invested more than \$40 million in the last five years in operating infrastructure in the Caribbean, giving it a solid basis on which to grow and improve. The group expects to step up the pace of its investments in coming years.

Unicomer Group is currently operating in 19 countries, including Antigua and Barbuda, Barbados, Belize, Dominica, Jamaica, Guyana, Saint Kitts and Nevis, Saint Lucia, Grenada, Saint Vincent and the Grenadines, Trinidad and Tobago, and the Dominican Republic. To these may be added operations in the United States, Ecuador, and Central American countries. Unicomer is the biggest employer in the home furnishings and appliances business in the sub-region, with more than 10,000 employees, 3,500 of whom live in the Caribbean, servicing its clientele with more than 600 stores.

Unicomer Group is now looking for other growth opportunities beyond the confines of Central America and the Caribbean.

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