

GENERAL
LC/CAR/G.773
2 January 2004
ORIGINAL: ENGLISH

**ISSUES, EFFECTS AND IMPLICATIONS OF
THE FREE TRADE AREA OF THE AMERICAS (FTAA) AGREEMENT
FOR CARICOM ECONOMIES**

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Introduction

The Free Trade Area of the Americas (FTAA) negotiations involve 34 countries with significant differences in size and social and economic development. From the outset, the negotiations have explicitly recognized the differences in size and levels of development although the focus is mostly on size considerations.

The expectations of negotiating countries are that the FTAA will deepen and solidify market access, leading countries to maintain their preferential market access and act as a springboard for export development and promotion. It is also expected that the FTAA will lead to greater foreign direct investment, and economic growth, will facilitate labour mobility and allow for the transfer of technology among negotiating countries.

These expectations have their underpinnings on traditional static trade theory. Key issues pertaining to regional free trade agreements, such as the analysis of the advantages and disadvantages of regional and multilateral liberalization in services, the relationship between growth and regional free trade areas or that between foreign direct investment and domestic investment and free trade areas remain unexplored. The empirical evidence on regional free trade areas or on bilateral trade agreements is not conclusive. While some studies argue that free trade agreements enhance the development potential of member States, others view them as leading to increased concentration of benefits among a few and rising income inequality.

The objective of this document is to analyse some of the main issues, effects and implications of the FTAA for Caribbean Community (CARICOM) economies. It also considers when relevant and for comparison purposes the cases of non-independent States. It is subject to important limitations. To embark on an exercise whose objective is to identify the main issues posed by an FTAA and to ascertain, to some degree, its effects and implications on regional subgroupings is a risky undertaking. Any analysis involving different causal variables and whose interaction evolves in a historical setting which is itself subject to change is ridden with uncertainty. In addition, the fact that parts of key FTAA draft texts are plagued with unknowns or are simply incomplete makes this exercise even more unpredictable.

A way to overcome these constraints is to exclude speculative or normative analyses and to focus instead on those variables, and aspects which can be derived or ascertained from the existing empirical evidence. This involves examining, among others, the patterns of intra and extraregional trade in goods and services, and market access conditions for the major export products of CARICOM. It also means examining the relationship between imports and tariffs and determining the extent to which CARICOM Caribbean governments are dependent on trade taxes and how import liberalisation will affect them.

The document is divided into seven sections. Following the introduction, the second section describes, albeit briefly, the main issues that are found in the Free Trade Areas literature. The third section introduces the FTAA participants highlighting their economic and social disparities. The fourth section centers on the FTAA underlying principles as stated in the most important legal texts. The fifth section focuses on the institutional and economic context of CARICOM. This section describes the state of progress in the creation of the Single Market and

Economy (CSME) and the main traits on intraregional trade. The fifth section examines the extraregional performance of CARICOM in goods and services in relation to FTTA trade partners. The sixth section analyses the potential effects of tariff reductions focusing on price and government revenue effects. The final reflections are found in the conclusion.

1. The main issues confronting free trade areas (FTAs)

The literature on FTAs hereafter has confronted mainly three issues. The first refers to the question of whether preferential trade agreements (PTAs) are stumbling or building blocks for trade liberalization. The second focuses on the comparative static welfare analysis of trade creation versus trade diversion. Its scope of analysis applies to only first generation trade agreements. That is, trade agreements that do not take into account capital (investment) or labour mobility. The third issue centers on the dynamic effects of FTAs. From a dynamic point of view the important issues are growth, investment, and technology transfer.

PTAs can be building blocks as they constitute a means and a bridge for developing countries to pursue further economic liberalisation strategies. Preferential trade arrangements can pressure countries to implement and 'lock in' economic reform in order to attract foreign direct investment.

A related argument is that PTAs can enhance and extend trade liberalisation further than a multilateral agreement and thus in fact be a more flexible tool for trade liberalisation. It can avoid the complexities inherent in a multilateral trade negotiating process.

PTAs can also lead to a reduction in the overall tariff level through competition. The specific example to illustrate this point refers to two sets of producers of intermediate goods facing differential tariff rates. The set of producers faced with the higher tariff rate faces higher production costs and, for given fixed and variable costs, lower profits. As a result it is in their interest to lobby for lower tariff rates.

The arguments stating that PTAs are not building blocks but rather stumbling blocks for trade liberalisation sustain that PTAs have a bias towards intraregional trade orientation. Also PTAs do not in fact provide any incentive to adopt multilateral trade liberalization measures and tend to create a feeling of 'intraregional complacency'. Finally in a resource-constrained world, PTAs can crowd-out resources that could be used for multilateral rather than bilateral or plurilateral trade agreements and multilateral agreements that promote free trade are a 'first best' option.

Trade creation refers to a change in production of a good from a high-cost domestic source to a lower-cost source in a partner country. In this case given the fact that the product was not imported there is no loss in exports for any country. Trade diversion refers to a change in production from a lower-cost producer not belonging to the free trade area to a higher-cost producer belonging to the free trade area. This case assumes a discriminatory tariff reduction giving a member of the FTA or PTA a comparative cost advantage over a non-member by reducing its production costs. As a result the member increases its production efficiency over the non-member. A free trade area is said to be welfare improving if trade creation is greater than

trade diversion. Note that a member of a free trade area can increase its welfare gain by individually reducing tariffs.

In his seminal contribution, Jacob Viner (1950) identified the conditions that if met by the FTA could improve its efficiency. These included the geographical extension of the FTA, the level of the external tariff adopted by the members following the formation of the FTA relative to the previous tariff level, the degree of complementarity, differences in unit costs, and the level of tariffs prevailing outside the FTA.

The greater the geographical extension, the greater are the opportunities for trade creation. A greater geographical extension means a greater extension of the market and thus a greater scope for trade specialization and the generation of economies of scale. Also a greater geographical area can also involve a greater stock of natural resources implying the possibility of a more diversified export base.¹

Finally a greater geographical area can help to reduce transaction costs, when these are defined to include 'transportation, communications, bureaucratic red tape and transshipping costs.' The reduction in transaction costs increases profits and thus the incentives to export.

The relationship between the degree of complementarity and that of a trade diversion and trade creation of a FTA can be seen from different perspectives. A low degree of complementarity in the production structures of States forming as FTA reduces the scope for trade diversion. Notwithstanding the formation of the FTA, member States will continue to trade with the rest of the world. In the same way a high degree of complementarity may enhance intraregional trade widening the possibilities for trade diversion.

Contrarily it may also be stated that countries with a low degree of complementarity are also more vulnerable to asymmetric shocks, thus reducing the possibilities for trade.

Lower tariff levels in a FTA reduce the possibilities of using tariffs to promote intraregional trade at the expense of extraregional trade and thus implicitly the use of subsidies to maintain inefficient production. Available empirical evidence indicates that certain regional trading blocs such as the Southern Cone Common Market (MERCOSUR) or even CARICOM use their common external tariff to protect determinate products (motor vehicles in the case of Mercosur and agricultural products in the case of CARICOM). In other cases (i.e., North American Free Trade Area (NAFTA)) the evidence indicates that tariffs have not been used as a tool to promote intraregional trade.

Other factors to take into consideration in analysing the issue of trade diversion and trade creation are the presence of imperfect markets and the variations in the terms of trade. Trade creation can be enhanced when an FTA member faces high tariffs from the rest of the world in

¹ Recent findings also indicate that at least in the case of the United States, population is a factor that can account for greater innovation. As put by Hernández-Murillo (March, 2003): 'Recently economists have found that densely populated areas are increasingly providing the best environment to facilitate the diffusion of new ideas, in addition to serving as the location for the production of goods. The reason is that the agglomeration of people and firms in urban areas promotes a faster exchange of information and ideas and this generates new technologies.'

products where it has decreasing costs or when, due to size considerations, the scale of production is too small to yield an optimum scale of production. The existence of economies of scales can lead to trade creation through production, consumption and cost reduction effects. The production effect allows the transfer of production to the lower cost trade partner. The consumption effect refers to the gain in the consumer surplus due to a decline in price. The cost reduction effect denotes a change to cheaper sources of supply.

More recently, Dunn and Muti (2000) identify three effects that can increase the efficiency of a free trade area: (i) a shift in output, where price is greater than average cost; (ii) a scale effect, where firms' average costs of production fall when output expands; (iii) increase in trade allows for the expansion of the variety of final goods and intermediate inputs that are traded.

Finally, member States forming a free trade area and more specifically, a customs union can impose a level of tariffs as to provoke an increase in the terms of trade for the members of the union. In this case the welfare gains are at the expense of the rest of the world and this case does not consider the possibility of retaliation. An increase in the terms of trade via a rise in tariffs creates trade deviation and is thus not a welfare enhancing measure. There are however two points of view to this story.

The empirical studies analysing the welfare effects of the formation of free trade areas find that the evidence is ambiguous. Panagariya (2000) distinguishes two approaches to this issue. The first is based on some type of general equilibrium models whereby starting from a base model with a given structure and parameters tariff barriers among trade partners are removed. The second type of approach is based on gravity equation estimates. According to Panagariya (Ibid. p.326) writes: 'Consider first the simulation approach. It is relatively easy to manipulate the structure of the model, functional forms and parameter values in these models to obtain one's desired results'. Regarding gravity equation estimates the criticism focuses on the fact that the success of the FTA is based on aggregate trade creation or diversion when in fact the question is to identify whether trade creation and trade diversion has occurred at the sectoral levels which in fact demands significant information requirements, which are difficult to obtain. Finally, it is to be noted that the analytical exercise in trade creation-trade diversion does not contemplate two crucial aspects for trade negotiations, trade in services which for the smaller economies of the Caribbean is the main form of international trade and the relationship between foreign direct investment and free trade areas.

The analyses of the dynamic effects of the FTA include its impact on the rate of growth, capital formation and technology transfers. A review of the literature identifies two strands.

The first strand postulates a relationship between the rate of growth of exports and economic growth; and a relationship between the rate of growth of exports and productivity growth and/or technological progress and innovation. A crucial feature of these models is the introduction of a variable termed GAP, which seeks to account for the differences in the productivity levels between the follower and the leader country. In their general form the models are set formally as follows,

$$(1) \quad y = f(x) \text{ [the rate of growth of output is a function of the rate of growth of exports (x)].}$$

- (2) $x = f(\text{wd}, \text{pr})$ [the rate of growth of exports is a function of world demand (wd) and the rate of growth of productivity (pr)].
- (3a) $\text{pr} = f(y, \text{I/O}, \text{GAP})$ [the rate of growth of productivity is a function of capital accumulation (I/O), and the productivity gap (GAP)].
- (3b) $\text{pr} = f(y, \text{I/O}, \text{GAP}, q, \text{edu})$ [the rate of growth of productivity is a function of capital accumulation, the productivity gap, learning-by-doing (q), the level of education (edu)].

Equation (1) specifies the rate of growth of output as a function of the rate of growth of exports. This implies that exports are the major component of autonomous demand. The next step is to identify the determinants of the rate of growth of exports. Two options are available. The first one consists of specifying the standard export equation derived under the assumption of imperfect substitutes. Exports depend on world demand and the difference between internal and external prices. In turn, given that external prices are exogenous, domestic prices are determined by the difference between the rate of growth of nominal wages and that of productivity (Léon-Ledesma, 2002). Productivity is thus introduced indirectly into the export equation via the determination of internal prices. The second option is to introduce productivity directly into Equation (2) arguing as Targetti and Foti (1997, p.33) that: ‘in the medium run exports are linked to the productivity growth differential, which represents gains in competitiveness more adequately than price differentials’.

The third equation determines productivity. Again the existing literature posits two specifications. The first postulates that productivity is determined by the rate of growth of output, embodied technical progress and the productivity gap. The second which tries to provide a more complete picture states that the rate of growth of productivity is a function of the rate of growth of output, embodied technical progress, learning-by-doing, education levels and the productivity GAP. The productivity GAP is defined as ‘one minus the ratio of productivity between a leader economy and its followers’. (Léon-Ledesma, 2002, p.205)

$$(4) \text{GAP} = 1 - R/R^*$$

Where, R and R* are the productivity of the country leader and its followers respectively.

This type of exercise leads to defining the conditions for stability and analysing the relationship among the different variables in the model described above. In what concerns stability, the model is stable if ‘the sensitivity of output growth to productivity growth is smaller than the sensitivity of productivity growth to output growth’ (Léon-Ledesma, 2002, p.214). In terms of the relationship among the variables considered in the model, in line with existing research, it is found that with a few exceptions the productivity gap affects productivity dynamics; education and innovation affects exports positively and that the degree of innovation and education have a positive effect on the country’s productivity and actually acts as a force that reduces the technological gap. In cases where the focus of analysis has been mostly developing countries, the relationship between the productivity gap and productivity dynamics is found to be weak (Targetti and Foti, 1997).

2. The Free Trade Area of the Americas Agreement: Participants and prospects

The FTAA negotiations involve 34 countries with important differences in size, population, economic structure, economic performance and stability and welfare.² Member countries also belong to different regional groupings with heterogeneous degrees of integration and external orientation. Countries exhibit no other common denominator than that of belonging to the Americas in the broadest sense of the term and, to some varying extent, to be economically dependent on the United States market.

Some inter-country comparisons can illustrate the disparities involved. The United States GNP is more than 8 000 times that of all FTAA countries with the exception of Brazil. Similarly, the population size of the United States, Brazil, and Mexico is above or close to a hundred million inhabitants, while that of 11 countries (Caribbean Islands) is below one million inhabitants. GDP growth rates also are dissimilar in terms of levels and their volatility (See Table 34 in the annex).

A similar situation is reflected in the FTAA members' GDP per capita levels. The FTAA grouping comprises, at one extreme high income level, countries such as the United States, the Bahamas, Antigua and Barbuda and Canada that have GDP per capita above US\$12,000. At the other extreme, it includes countries such as Honduras, Guyana, Haiti and Nicaragua whose GDP's per capita are of the order of US\$500 or US\$600. Three of the latter four countries (Guyana, Haiti, and Nicaragua) are considered Highly Indebted Poor Counties (HIPC's). In between, at the lower end of the GDP per capita scale are the member countries of the Organisation of Eastern Caribbean States (OECS) and other Central American countries with a GDP per capita within the range of US\$2,000-3,000. Overall the mean GDP per capita is US\$5,535. The standard deviation, which is higher than the mean is US\$6,887.

² The FTAA comprises nine negotiating groups. These are: market access, agriculture, government procurement, investment, competition policy, intellectual property rights, services, dispute settlement, subsidies, antidumping and countervailing duties.

Table 1 FTAA participants Indicators of the differences of size and development (2000-2001)											
Country	GDP/per capita USD	Economic Structure			Unemployment rate	Education Primary gross enrolment ratio	Illiteracy rate as% of population	Net migration rate per 1000 habitants	Life expectancy at birth	Size	
		Ag	Ind.	Ser						Population Thousands	Area Km2
NAFTA											
Canada	22778	3	33	65	7	105		4.79	79	30757	9970609
Mexico	5811	4	28	67	2	114	9	-3.26	72	98872	1958200
United States	34637				4	102		4.53	77	283230	9363520
Mercosur											
Argentina	7695	5	28	68	13	120	3	0.67	73	37032	2766889
Brazil	3494	7	29	64	10	154	15		67	170406	8511969
Paraguay	1368	21	27	52	8	115	7		70	5496	406750
Uruguay	5908	6	27	67	11	113	2	-0.98	74	3337	177410
Andean Community											
Bolivia	994	22	15	63	4		14	-0.89	61	8329	1098580
Colombia	1931	14	31	56	20	112	8	-0.99	70	42105	1138910
Ecuador	1076	10	40	50	12	113	8		70	12646	283560
Peru	2084	8	27	65	8	126	10	-1.14	68	25662	1285220
Venezuela	4985	5	36	59	15		7		72	24170	912050
Central America											
Costa Rica	3940	9	31	59	6		4	5.28	76	4024	51100
El Salvador	2104	10	30	60	7	111	21	-1.27	69	6278	21040
Guatemala	1668	23	20	57		102	31	-2.81	64	11385	108890
Honduras	924	18	32	51	4		25	-0.66	66	6417	112090
Nicaragua	473	32	23	45	13		33	-2.53	68	5071	130000
Panama	3463	7	17	76	12		8	-1.01	74	2856	75520
Caricom											
Antigua and Barbuda	10617	4	19	77						65	440
Bahamas	15837				8	93	5		69	304	13880
Barbados	9718	6	21	73	9	87		-0.94	76	267	430
Belize	3625	21	27	52	13	113	7	-2.33	74	226	22696
Dominica	3827	17	23	59	23					71	750
Grenada	4389	8	24	68	15					94	340
Guyana	936	41	33	26		102	2	-10.64	64	761	214970
Haiti	497	28	20	51		152	50	-2.68	52	8142	27750
Jamaica	2874	6	31	62	16	98	13	-7.36	75	2576	10990
St. Kitts and Nevis	8164	4	26	70						38	360
St. Lucia	4785	8	20	72	18			-6.96	73	148	620
St. Vincent and the Grenadines	2939	10	25	65						113	390
Suriname	2028	10	20	70	11	119		-10.29	70	417	163270
Trinidad and Tobago	5649	2	43	55	13	102	2	-3.13	74	1294	5130
Non-Grouped											
Chile	4638	11	34	56	10	106	4	-0.61	75	15211	756950
Dominican Republic	2349	11	34	55	16	133	16	-1.40	67	8373	48730

Source: UNCTAD (2002). Note: Blank spaces denote that data is unavailable.

Welfare indices, such as the illiteracy rate and the gross enrolment ratio, do not show a significant narrowing of these disparities. The average primary gross enrolment ratio for FTAA member countries is 113.3 and the standard deviation is 16.6.³ The mean illiteracy rate as a percentage of the population is 12.7% and the standard deviation is 11.8%.

Member countries also exhibit different levels of industrialisation and heterogeneous economic structures. At one end of the spectrum economies like the United States, Canada, Mexico, and Brazil are relatively highly industrialised with a low contribution of agriculture to output relative to manufacturing and services (5%, 30% and 65% for agriculture, industry and services, respectively). At the other end of the spectrum, in countries such as Belize, Bolivia, Guatemala, Guyana, Honduras, Nicaragua and Paraguay agriculture contributes close to a third of GDP. Within this subgroup, Guyana is the only country in which the contribution of agriculture is greater than those of industry and services (41%, 33% and 26%, respectively).

The FTAA was founded on the premise that the negotiations leading to the final agreement should recognise the differences in levels of size and development. However, in practice it recognises mainly the differences in size of the member countries. The issue is not, for example, whether the Bahamas has a GDP per capita that approaches that of the United States and should be considered by virtue of this variable to be closer to a developed country, but that it is smaller in size relative to most other non-English speaking Caribbean economies. In the same way, the issue is not whether Guyana or Nicaragua, both HIPC countries, are at the lower end of the FTAA development scale relative to any other member country, with the exception of Haiti, and are as a result deserving of asymmetric treatment. Rather the issue is whether The Bahamas, Nicaragua or Guyana are or are not smaller in size than other FTAA countries. It is the size variable and not a development variable (as say, education, literacy or poverty indicators) that puts the Bahamas, Nicaragua and Guyana in the same special category in the FTAA, that of smaller economies, and thus subject to the benefits conferred to smaller States.

Yet surprisingly the demarcation criterion between what constitutes a smaller and larger economy has not yet been defined or established. This is, in greater part, due to the fact that in a trade agreement that includes 34 countries with wide economic disparities the concept becomes too relativistic. For example, Ecuador is a bigger economy in relation to Saint Lucia but at the same time it is a smaller economy in relation to Brazil. In turn, Brazil is a smaller economy compared to that of the United States.

Ultimately the implicit and explicit prospects entertained by FTAA negotiating countries are two-fold. First, the FTAA is not 'stumbling block' but a building block for the deepening and development of the ultimate multilateral trade agreement, the World Trade Organization (WTO). Preferential trade arrangements are WTO compatible and even perhaps complementary.

This belief reflects a reality. FTAA negotiating countries are -in their great majority- at the same time members of the WTO and are signatories to a plurality of free trade agreements, involving free trade areas, customs unions and partial agreements. Yet, this spaghetti bowl

³ The primary gross enrolment ratio is defined as the total enrolment in a 'specific level of education, regardless of age as a percentage of the official school-age population corresponding to the same level of education in a given school year.' (UNCTAD, 2002).

configuration of trade agreements, which is still in the making, as Central America is presently negotiating a free trade agreement with the United States and CARICOM is about to sign a free trade agreement with Costa Rica, puts in doubt to a certain extent the real commitment of countries of the American Hemisphere to a regional agreement such as the FTAA.⁴

Second, the recognition of existing disparities also implies that member countries believe that the initial inequality of conditions will not widen and indeed will narrow over time with the implementation of the FTAA. In other words, given due attention to the disparities in size and development, FTAA negotiating countries assume that freer trade and greater market access are basic determinants of a more equal process of integration and indeed the promoters of greater convergence.

To summarize, the beliefs of negotiating countries are that a regional free trade agreement such as the FTAA will: (a) widen and solidify market access leading countries to maintain their preferential market access and act as a springboard for export development and promotion; (b) lead to greater foreign direct investment, which is an essential source of growth; (c) allow for technological transfer; and (d) improve labour mobility.

However the bulk of the literature on FTAs and PTAs fails to address these issues. Indeed, it has limited its analysis to the question of whether preferential trading agreements are stumbling or building blocks for trade liberalisation and to the comparative static welfare analysis of trade creation versus trade diversion.⁵ The scope of analysis of this literature applies mainly to first generation trade agreements, that is, trade agreements that do not take into account capital (investment) or labour mobility, or trade in services. The work which centers on the dynamic effects of FTAs dealing with growth, investment, and technological transfer is still in its infancy and has not yet delivered a comprehensive analysis of the effects of a FTA or PTA on its constituent members. Moreover neither the literature nor the FTAA provisions make reference to the set of initial conditions.

3. The FTAA underlying principles as stated in its main documents

The main documents which spell the underlying principles of the FTAA negotiations are the Guidelines or directives for the Treatment of the Differences in the Levels of Development and Size of Economies (FTAA.TNC/18, November 1, 2002); the Hemispheric Cooperation Program (HCP), the Methods and Modalities for Negotiations (FTAA.TNC/20/Rev.1, October, 18, 2002).

⁴ The terms spaghetti-bowl belongs to Bhagwati. In his chapter the FTAA is not Free Trade in The Wind of the Hundred Days (2002, p.244) Bhagwati writes: ‘The result is what I have called the ‘spaghetti-bowl’ phenomenon of numerous and crisscrossing PTAs and innumerable applicable tariff rates arbitrarily determined and often depending on a multiplicity of sources of origin’.

⁵ Trade creation refers to a change in production of a good from a high-cost domestic source to a lower-cost source in a partner country. In this case given the fact that the product was not imported, there is no loss in exports for any country. Trade diversion refers to a change in production from a lower-cost producer not belonging to the free trade area to a higher-cost producer belonging to the free trade area.

Taken as a whole these documents state the following guiding principles. First, the FTAA trade negotiations should be consistent with Article XXIV of the General Agreement on Tariffs and Trade (GATT) and Article V of the General Agreement on Trade in Services (GATS). Article XXIV authorizes customs unions and free trade zones as an exception to the principle of non-discrimination. The regional agreements and free trade zones are expected to remove barriers to trade with respect to the majority of import products which originated in the constituting members of the customs union or free trade areas. What is meant exactly by the essential of trade is not defined in the legal texts. In addition, Article XXIV also states that country members may maintain trade restriction among members of a trade agreement on the basis of GATT's articles XI, XII, XIII, XV and XX. Finally, Article XXIV seems concerned with avoiding the trade deviation effect of free trade areas or customs unions and explicitly states that in order to avoid trade deviation, tariff and/or other trade measures should be established at a level, which in their aggregate, does not make these more restrictive than those previously imposed by the individual members.

Second, as stated in the previous section the negotiations will take into account the differences in size and development of the countries. This involves mainly the provision of a flexible, transparent, simple and easily applicable framework that takes into account the heterogeneity, the differing needs, the characteristics that are specific to each member, and the differences in market access among the member countries. As part of the recognition of the differences in size and development, member countries agreed on a HCP as a supporting pillar of the trade negotiations. The HCP has six objectives. In a nutshell, these can be summarised as providing a basis for permitting countries to confront and overcome the challenges associated with trade liberalization.

Third, the FTAA explicitly requires all participating countries to progressively liberalize agricultural, non-agricultural goods, services, investment and government procurement. Thus far it has been agreed that in the negotiations in goods, the scope of the negotiations comprise the entire tariff universe. The base for the progressive tariff phase out is the Most Favoured Nation (MFN) applied tariff.⁶ The tariff phase which is linear out will comprise four phases (immediate, less than five years, less than 10 years and greater than 10 years).

Fourth all decisions within the FTAA are taken by consensus and countries have voluntarily agreed to offer trade liberalization schedules and proposals.

4. Main trends in intraregional trade

CARICOM has 15 member States (Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, Saint Lucia, St. Vincent and the Grenadines, Suriname and Trinidad and Tobago). The Bahamas is not a member State of the Common Market. CARICOM has five associate members (Anguilla, Bermuda, British Virgin Islands, Cayman Islands and Turks and Caicos Islands). Aruba, Mexico, Venezuela, Colombia, the Netherlands Antilles, the Dominican Republic and Puerto Rico are observers.

⁶ This refers to the applied tariff on the date of notification (15 August to 15 October 2002).

Six member States are considered more developed countries (Bahamas, Barbados, Guyana, Jamaica, Suriname and Trinidad and Tobago) and eight countries are considered less developed countries (Antigua and Barbuda, Belize, Dominica, Grenada, Haiti, Saint Lucia, St. Kitts and Nevis, and St. Vincent and the Grenadines).

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

More than 10 years after the decision to expand and deepen the integration process among CARICOM countries by introducing the main areas of emphasis of the Common Single Market and Economy (CSME) integration remains a work in progress issue. There are 11 areas on which Caribbean countries still need to advance to establish the CSME. These are: treaty revision, establishment of national and regional administrative structures, enforcement and regulation and supporting institutions, free movement of goods, free movements of services, free movements of persons, free movement of capital, right of establishment, common external policy, public policy and the harmonisation of laws. The most outstanding actions to be taken by CARICOM countries are included in Table 3 below.

The main instrument is the common external tariff (CET). The CET rate structure is divided into inputs and finished goods, which are divided further into competing and non-competing inputs and finished goods. An input or good is said to be competing if it satisfies at least 75% of regional demand. An input or good is said to be non-competing if external sources are the main providers. The CET legislation also includes a list of conditional duty exemptions and a list of ineligibles for duty exemptions. This list includes those items for which CARICOM produces 75% of the total output. In addition the CET can be suspended when the demand for a regional commodity or set of commodities is greater than the supply (See Table 2 below).

Table 2 Structure and evolution of the Common External Tariff							
	Group A	Group B	Group C	Group D Non-basic	Range		Period of application
					MDCs	LDCs	
Inputs							
Primary	0-5	30/10			5 to 30/35 5 to 25/30 5 to 20/25 5 to 20	0-5 to 30/35 0-5 to 25/30 0-5 to 20/25 0-5 to 20	01/93 to 12/94 01/95 to 12/96 01/97 to 12/97 01/98
Intermediate	10/0-5	30/15			5 to 30/35 5 to 25/30 5 to 20/25 5 to 20	0-5 to 30/35 0-5 to 25/30 0-5 to 20/25 0-5 to 20	01/93 to 12/94 01/95 to 12/96 01/97 to 12/97 01/98
Capital	10/0-5	20/10			5 to 30/35 5 to 25/30 5 to 20/25 5 to 20	0-5 to 30/35 0-5 to 25/30 0-5 to 20/25 0-5 to 20	01/93 to 12/94 01/95 to 12/96 01/97 to 12/97 01/98
Final goods	20 (basic category)	30/20 (basic category)	45/20	30/20	5 to 30/35 5 to 25/30 5 to 20/25 5 to 20	0-5 to 30/35 0-5 to 25/30 0-5 to 20/25 0-5 to 20	01/93 to 12/94 01/95 to 12/96 01/97 to 12/97 01/98
Source: WTO (2001) and CARICOM (2002)							

Table 3 CARICOM The State of Intra-regional Integration		
Topic	Action to be taken	Countries
Treaty Revision	Ratify revised treaty and deposit instrument with CARICOM secretariat	All CARICOM countries with the exception of St. Vincent and the Grenadines.
Enforcement, regulation and supporting institutions	Signature of agreement	Dominica, Montserrat, St. Vincent and the Grenadines.
Enforcement, regulation and supporting institutions	Ratification of agreement	Antigua and Barbuda, Dominica, Grenada, Jamaica, Montserrat, St. Kitts and Nevis, St. Vincent and the Grenadines and Suriname.
Enforcement, regulation and supporting institutions	Enactment of agreement into domestic law	All CARICOM countries.
CARICOM Regional Organisation for Standards and Quality	Signature of the agreement establishing the Regional Organisation for Standards and Quality	Dominica Montserrat
CARICOM Regional Organisation for Standards and Quality	Establishment of the Regional Organisation for Standards and Quality	Antigua and Barbuda Dominica Suriname
National Competition Authorities	Establishment of National Competition Authority	Antigua and Barbuda Belize Dominica Grenada Guyana Montserrat St. Kitts and Nevis St. Lucia St. Vincent and the Grenadines Suriname
Free movement of goods	Removal of discriminatory internal taxes and other fiscal charges	All CARICOM members with the exception of St. Kitts and Nevis
Free movement of goods	Removal of unauthorised import licences on goods of Community Origin	Antigua and Barbuda Montserrat St. Lucia St. Vincent and the Grenadines Suriname
Free movement of goods	Implementation of harmonised customs legislation	All CARICOM members.
Free movement of services	Implementation of programmes for the removal of restrictions	Not yet applicable for all CARICOM countries
Free movement of persons	Implementation of skills legislation	Montserrat Suriname
Free movement of persons	Implementation of administrative and other procedure for the movement of skills.	Belize Dominica Grenada Montserrat St. Kitts and Nevis St. Lucia St. Vincent and the Grenadines

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

As Table 3 above shows, CARICOM countries have made slight progress in the creation of a single market and economy and CARICOM is at most a customs union. Still, the degree to which it is a full customs union is still debatable. Despite the fact that most countries have put in place the fourth phase of the CET (with the exception of Antigua and Barbuda, Montserrat and St. Kitts and Nevis) the range of actual tariff rates exhibits a wide disparity and tariff systems are different (see Table 4 below).

Table 4
Tariff indicators and other duties 2001

	Tariff lines	Average tariff	Minimum-Maximum Standard deviation	Other duties/taxes
Antigua and Barbuda	4 077	14.5	0-70 16.1	Customs service tax (5%) Foreign exchange transactions tax (1%) Consumption tax (0%, 15%, 20% and 30%)
The Bahamas		35	0-210	Stamp duties (2%-20%)
Barbados	6 469	16.5	0-243 28.0	Surtax of 75% VAT 15% Environmental levy of varying rates
Belize			5-25	Revenue replacement duties (15%-25%) Specific duties and surcharges Sales tax (12% and 8%) Environmental tax (1%) Foreign exchange levy (1.25%)
Dominica	6 333	13.1	0-200 21.6	Customs service charge (2%) Import surcharge (15%) Consumption tax (25%) Environmental surcharge of 0.25ECS per container applied on imports of alcoholic and non-alcoholic beverages.
Grenada	6 334	11.2	0-40 10.8	Customs service charge of 5% General consumption tax (differential rates) Petrol tax Environmental levy on water and beverages in plastic and glass bottle at the rate of EC\$0.50 and EC\$ 0.25. The environmental levy is also applied on other goods at a rate of 1% to 2%.
Guyana			5-20	Consumption tax with rates ranging from 0% to 85%. Environmental tax is levied on non-returnable metal, plastic, glass or cardboard container of alcoholic and non-alcoholic beverage.
Jamaica			20 40 (agriculture)	Customs user fee is charged on imports Compliance fee of 0.3% Stamp duties (agriculture)
Montserrat				A customs surcharge of 8% applies to all imports Special produce import tax is levied on wine, beer and rum
St. Kitts and Nevis				Customs service charge of 5% Bottle deposit levy of EC\$ 0.30 per bottle
St. Lucia	6 368	10.1	0-70 8.41	General consumption tax Excise tax Customs service charge (4%) Environmental levy (1.5% and 1%)
St. Vincent and the Grenadines	6 237	10.9	0-40 12.11	Customs service charge (4%) Consumption tax Deposit Levy charged on all imported aerated beverages (EC\$ 0.50 per bottle/can)
Suriname				License fee (1.5%) Statistical fee (0.5% and 2%)
Trinidad and Tobago			5-20 40 (agriculture) 25-45 (motor vehicles)	VAT (15%) Inspection fee (0.5%) applied on imported products
Regional Average				

Note: In the case of Barbados the surtax applies to some products. Antigua and Barbuda applies exemptions from import duties to milk, poultry, and basic foods and agricultural products. In Belize, the 12% sales tax applies to alcohol, tobacco and fuel. Dominica's import surcharge applies to apples, fresh grapes and pears and motorcycles. Belize applies the revenue replacement duty on good that are of CARICOM and non-CARICOM origin. In Guyana garments locally manufactured are not subject to the consumption tax.

Source: WTO (2001 and 2002)

This regional strategy has had a mixed effect on the development of intraregional trade or to improve the competitiveness of CARICOM firms, industries and productive sectors.

CARICOM's intraregional trade has expanded whether viewed from the export or import side. Intraregional exports increased from 10% to 20% of the total between 1980 and 2001. Intraregional imports have also risen during the same period accounting for 7% and 11% of the total between 1985 and 2000 (see Table 5 below).

The decomposition of intraregional imports by country also indicates that CARICOM's intraregional trade is highly concentrated. Trinidad and Tobago accounts for more than half of all intraregional imports, while other countries contribute a minimal amount to trade flows. This ultimately means that the workings of an integration scheme depend on the willingness of a few members to maintain the existing arrangements.

Intraregional trade is not only concentrated at the country level but also at the product level. The provision for ineligibility for duty exemptions protects the most important products and producers, and the major traded commodities in CARICOM. This has partly led to the formation of national and regional monopolies with the concomitant associated costs. Examples of monopolies include flat-coated zinc, paints (Antigua and Barbuda), soaps and toothpaste (Dominica), concentrated orange, orange juice, sugar cane (Belize), cement and cigarettes (Trinidad and Tobago), rice (Guyana), carton box (OECS), and wheat and flour (St. Vincent and the Grenadines). Thus, trade and exports are monopoly-based.

	1985	1990	1995	2000
Antigua and Barbuda	0.11	0.08	0.05	0.05
Bahamas	0.13	0.14	0.09	0.06
Barbados	1.01	0.84	0.90	1.07
Dominica	0.26	0.23	0.24	0.23
Grenada	0.13	0.13	0.09	0.10
Jamaica	1.32	1.15	0.79	0.54
Montserrat	0.02	0.00	0.01	0.00
St. Kitts and Nevis	0.07	0.04	0.03	0.02
St. Lucia	0.26	0.27	0.21	0.15
St. Vincent and the Grenadines	0.73	0.35	0.30	0.23
Trinidad and Tobago	2.81	4.08	5.32	6.96
Belize	0.22	0.18	0.09	0.12
Guyana	0.62	0.35	0.53	0.73
Suriname	0.06	0.14	0.42	0.74
Total	7.74	7.96	9.07	11.00

Source: CAN (2002)

As an example, an analysis of intraregional trade at the product level for CARICOM and the OECS shows that the main export products of the OECS to CARICOM are classified under the list of ineligibles for conditional duty exemption. These items comprise those traded goods for which regional output can supply a minimum of 75% of regional demand. In addition, these main export products have, with a few exceptions, a market structure that is non-competitive. In other words, there are grounds for sustaining that the lack of competition has underpinned the export dynamics for these products (see Table 6).

Intraregional trade is still dominated by agricultural products. Using a United Nations Conference on Trade and Development (UNCTAD) classification intraregional imports were classified into four categories: primary commodities; labor-intensive and resource-based manufactures, manufactures with low skill and technology intensity, manufactures with medium skill and technology intensity, manufactures with high skill and technology intensity. Primary commodities represented 47% of the total. Labor intensive and resource-based manufactures accounted for 22% of the total. For their part, manufactures with low, medium and high skill and technology intensity signified 5%, 7% and 17% of total intraregional imports (see Figure 1).

Export Product					CET	Competition	Increasing market share			Increasing percentage of exports		
	1985	1990	1995	2000			85-90	90-95	95-2000	85-90	90-95	95-2000
554 Soap, cleansing and polishing preparations;	9.542	17.097	18.047	14.022	I	NC	13.7	-18.47	.....	79.17	5.56	.....
046 Meal and flour of wheat and flour of meslin;	5.868	8.407	11.962	11.708	I	NC	46.21	35.75	.....	43.26	42.29	.....
112 Alcoholic beverages;	1.977	4.271	5.488	10.602	C	NC	34.69	15.10	51.27	116.02	28.51	93.17
642 Paper and paperboard, cut to size or shape, articles of;	7.482	10.934	11.488	6.786	I	NC	4.44	85.41	.....	46.14	76.31	.....
042 Rice;	0	3.478	8.517	6.785	...	NC	147.04	.....	.....	144.88	.....	.....
553 Perfumery, cosmetic and toilet preparations;	0.068	1.12	0.656	6.318	I	NC	.....	.....	689.52	.....	.....	862.72
111 Non-alcoholic beverages n.e.s.;	0.804	2.189	2.675	4.563	I	NC	73.06	-41.86	52.85	172.42	22.23	70.54
057 Fruit and nuts (not oil nuts) fresh or dried;	8.83	3.033	3.503	4.226	I	NC	.....	-16.82	-21.95	.....	15.50	20.63
533 Pigments, paints, varnishes and related materials;	0.94	2.289	3.262	3.631	I	NC	46.32	5.76	-14.78	143.57	42.46	11.32
674 Universals, plates and sheets, of iron or steel;	6.227	3.791	2.367	3.374	I	NC	.....	.....	24.35	.....	.....	42.55
054 Vegetables, fresh, chilled, frozen or simply preserved;	27.09	.....	0.462	3.141	I	NC	.....	.....	395.61	.....	.....	579.59
081 Feeding stuff for animals (excl. unmilled cereals);	2.928	2.677	2.948	2.746	I	NC	11.60	-12.75	.....	-8.57	10.12	.....
591 Disinfectants, insecticides, fungicides, etc.;	.....	0.128	2.229	1.907	I	NC	.....	1277.64	.....	.....	1645.77	.....
846 Under garments, knitted or crocheted;	2.415	1.705	1.295	1.381	B	C	.....	.....	89.74	.....	.....	6.62
893 Articles, n.e.s., of materials of division 58;	0.283	0.904	1.822	1.15	I	....	120.60	29.67	.....	219.61	101.44	.....
273 Stone, sand and gravel;	.....	.....	0.384	1.061	I	NC	.....	.....	96.48	.....	.....	176.06
048 Cereal preparations and preparations of flour, starch;	.....	0.464	1.14	1.017	C	NC	81.42	69.04	.....	179.50	145.69	.....
793 Ships, boats (incl. hover craft), floating struct;	.....	0.309	1.69	0.846	I	C	.....	60.76	.....	.....	446.55	.....
678 Tubes, pipes and fittings, of iron or steel;	.....	.....	0.009	0.764	I	NC	.....	.....	5968.08	.....	.....	8150.59
592 Starches, inulin and wheat gluten, etc.;	.....	0.164	0.483	0.643	I	NC	.....	135.42	13.92	.....	195.58	33.02
661 Lime, cement, and fabricated construction materials;	.....	.....	0.458	0.635	I	NC	.....	251.76	0.15	.....	601.00	38.62
635 Wood manufactures, n.e.s.;	.....	.....	0.119	0.603	I	NC	.....	.....	258.02	.....	.....	405.42
091 Margarine and shortening;	1.98	1.799	1.268	0.583	I	NC	.....	.....	.....	.....	.....	.....
821 Furniture and parts thereof;	2.344	.....	0.402	0.558	I	NC	-0.17	.....	-22.35	.....	2256	38.59
562 Fertilizers, manufactured;	.....	.....	0.289	0.553	I	NC	.....	.....	225.86	.....	.....	91.37
Percentage of total exports	78.778	64.759	82.963	89.603								

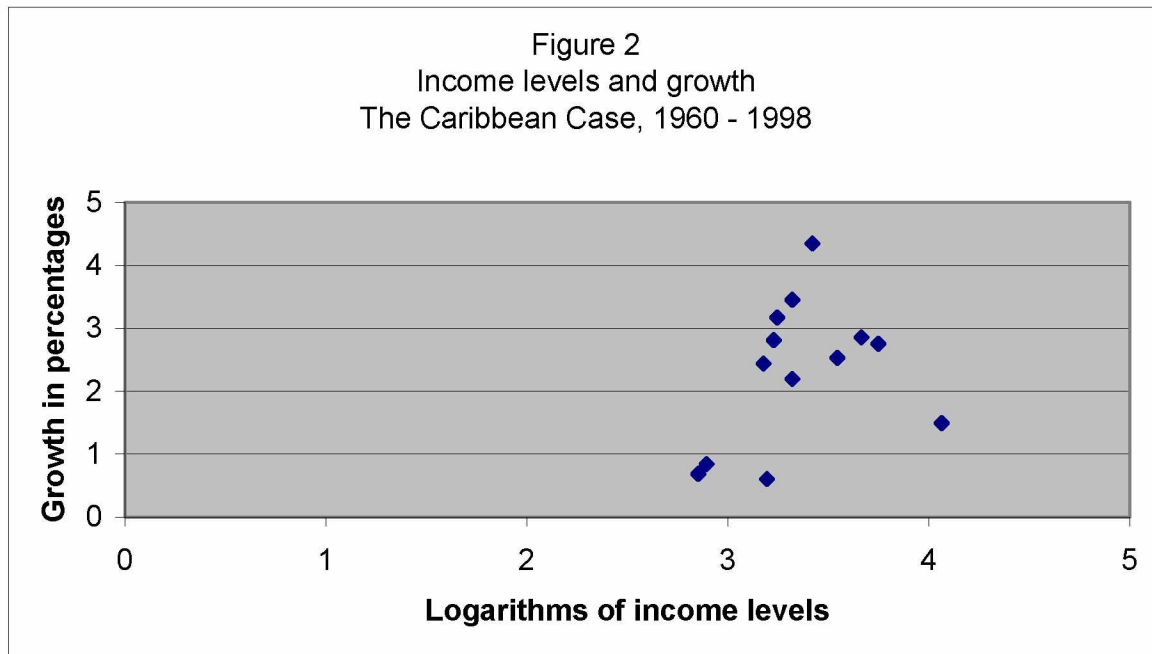
Note: C and B refer to the Lists B and C of the CET. I denote products forming part of the List of Ineligibles for conditional duty exemptions. NC denotes not competitive. C denotes competitive.
Source: CAN (2000).

[INSERT FIGURE 1]

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

Countries have resorted to the suspension of CET and derogation of the rules of origin as a way of increasing their competitiveness and region and their intraregional export market share. The country that has made the most use of this facility is Trinidad and Tobago, which has the most dynamic and diversified export structure in the CARICOM region.

Overall this strategy has not helped Caribbean countries to converge or to narrow their asymmetry in economic fluctuations. Figures 2 and 3 below which plot the relationship between the starting level of income per-capita and the rate of growth of income for CARICOM countries and convergence type- σ (the standard deviation of the logarithm of per capita income across Caribbean nations) for 1960-1998. The standard convergence theory shows that if countries with lower starting levels of output grow faster than countries which started with higher levels of output the dispersion across countries (convergence type- σ) should decline over time. In the case of CARICOM the fastest growing countries are not the countries that started at the lower end of the income bracket (see Figure 1) and the dispersion among countries has actually increased (see Figure 2). The discontinuity in Figure 3 is explained by the absence of a consistent data set for the entire time domain considered.



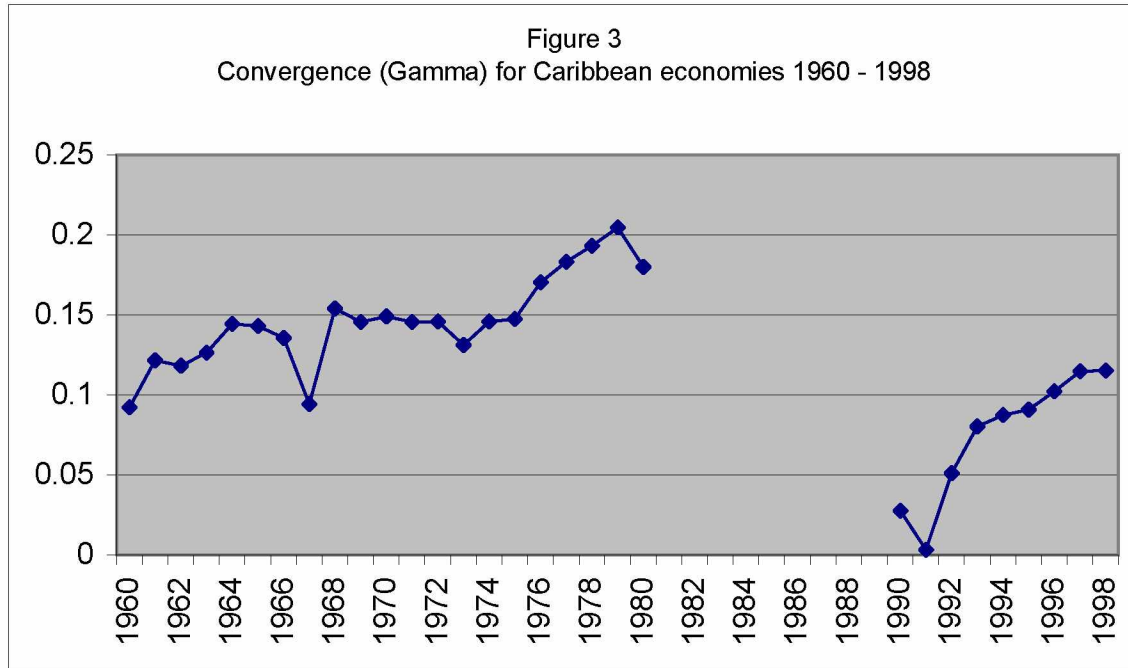


Table 7 presents the results of an exercise correlating the deviation in each country's rate of growth of GDP from the regional average. The exercise starts by constructing an unweighted average rate of growth for the region for the available time domain, which in this case is 1960-1998. The next step is to obtain the deviations of each country from the regional average for each year. Finally, the correlation coefficient between the deviations of each country member from the average to each other country member is computed and the pair wise coefficients are reported in Table 7. A negative (positive) coefficient between any two countries, especially when its value is significant, implies that both are out of phase (move together) in the business cycle. Close to a half of the computed correlation coefficients are negative but with a few exceptions yield insignificant values. The positive correlation coefficients also have low values (only in three cases are the positive correlation coefficients greater than 0.30). These results reflect the fact that economic fluctuations within CARICOM are, for the most part, unsynchronized which can undermine the success of any set of macroeconomic or trade coordination policies.

Table 7
CARICOM
Synchronicity of economic fluctuations in GDP
Correlation coefficients
Deviation from the average
1960-1998

	Trinidad and Tobago	Barbados	Bahamas	Suriname	Guyana	Belize	Jamaica	St. Lucia	St. Vincent and the Grenadines	Dominica	Grenada	Antigua and Barbuda	St. Kitts and Nevis
Trinidad and Tobago	1.000	-0.007	0.048	0.092	0.054	0.042	-0.024	-0.334	-0.393	-0.238	0.122	-0.283	-0.153
Barbados	-0.007	1.000	0.248	-0.014	0.143	-0.201	0.032	-0.194	-0.272	-0.375	0.143	-0.026	-0.160
Bahamas	0.048	0.248	1.000	-0.340	-0.398	-0.319	-0.411	-0.125	0.201	-0.235	0.136	0.156	-0.116
Suriname	0.092	-0.014	-0.340	1.000	0.304	0.124	0.015	0.006	-0.271	-0.131	-0.233	-0.498	-0.323
Guyana	0.054	0.143	-0.398	0.304	1.000	0.159	-0.007	-0.287	-0.309	-0.252	-0.028	-0.259	0.033
Belize	0.042	-0.201	-0.319	0.124	0.159	1.000	0.195	0.011	-0.204	-0.036	-0.284	-0.143	-0.001
Jamaica	-0.024	0.032	-0.411	0.015	-0.007	0.195	1.000	0.019	-0.220	0.068	0.072	-0.082	-0.272
St. Lucia	-0.334	-0.194	-0.125	0.006	-0.287	0.011	0.019	1.000	0.079	0.072	-0.286	0.084	-0.121
St. Vincent and the Grenadines	-0.393	-0.272	0.201	-0.271	-0.309	-0.204	-0.220	0.079	1.000	0.328	-0.204	0.035	0.076
Dominica	-0.238	-0.375	-0.235	-0.131	-0.252	-0.036	0.068	0.072	0.328	1.000	-0.305	0.119	0.009
Grenada	0.122	0.143	0.136	-0.233	-0.028	-0.284	0.072	-0.286	-0.204	-0.305	1.000	0.008	0.034
Antigua and Barbuda	-0.283	-0.026	0.156	-0.498	-0.259	-0.143	-0.082	0.084	0.035	0.119	0.008	1.000	0.345
St. Kitts and Nevis	-0.153	-0.160	-0.116	-0.323	0.033	-0.001	-0.272	-0.121	0.076	0.009	0.034	0.345	1.000

Source: On the basis of INTAL (2001)

5. Main trends in extraregional trade flows

At the same time that CARICOM economies have gained market share at the intraregional level they have lost market share in the most important extraregional export markets. In 1985 CARICOM represented 0.71% of NAFTA's total imports. Fifteen years later its share had declined to 0.27%. For the same period in the case of Western Europe, CARICOM's share also decreased, albeit by a lower margin (0.15% to 0.10% between 1985 and 2000). CARICOM's market share increased only in the cases of the Andean Community and the Central American Common Market (CACM) (0.40% and 0.20% to 0.96% and 0.92% between 1985 and 2000) (see Table 8 below).

Regional bloc	1985	1990	1995	2000
NAFTA	0.71	0.43	0.32	0.27
Western Europe	0.15	0.13	0.12	0.10
Andean Community	0.40	0.96	0.41	0.96
Mercosur	0.30	0.34	0.19	0.34
CACM	0.20	0.18	0.38	0.92
CARICOM (imports)	9.71	9.20	9.77	11.2
CARICOM (exports)	13.3	12.3	16.6	20.0

Source: Competitive Analysis of Nations (2001) and data provided by the CARICOM Secretariat (2003).

In terms of its trade relationships with FTAA member countries, CARICOM's main trade partner is the United States accounting for one third of its exports and for close to 40% of its imports. Other FTAA groupings have visible trade relations with one or two CARICOM countries. Due to its geographical location, Belize has, leaving aside the United States, a non-negligible trade relationship with Central America and Mexico. Both represent 12% and 18% of its exports. Also to be noted is the trade relation between Dominica and Mexico (5% of the former's exports are destined to the latter's market) and between Grenada and the Andean Community. With these exceptions, FTAA countries do not have any significant trade ties with the rest of the American Hemisphere.

As with CARICOM, the non-independent countries, Anguilla, Aruba, the Netherlands Antilles and Montserrat have a definite trade orientation towards the United States and a partial orientation towards the rest of the hemisphere as evidenced by the relationships between The Netherlands Antilles and the Andean Community; The Netherlands Antilles and the Central American Common Market; Aruba and the Andean Community. Most of these trade relationships center on Venezuela and on petroleum products. For 2002, Venezuela was the first destination of Bonaire's exports (see Figure 4 below).

Table 9
Caribbean export market share to FTAA groupings and countries (2001)

	Mercosur	Andean Community	CACM	United States	Canada	Mexico
Anguilla	0.00	0.00	0.00	25.37	0.00	0.00
Antigua And Barbuda	....	....	....	....	....	....
Aruba	0.00	33.29	8.56	31.52	0.00	0.00
Barbados	0.94	0.25	8.67	15.0	1.21	0.25
Belize	1.03	2.33	11.68	29.44	2.19	17.98
Netherlands Antilles	0.25	4.91	6.46	0.14	0.65	0.05
Dominica	0.00	0.01	0.04	14.74	0.16	4.55
Grenada	0.79	6.73	0.66	12.71	1.90	0.00
Guyana	0.00	0.66	0.89	18.42	1.13	0.00
Jamaica	0.00	0.17	2.04	34.0	0.86	0.03
Montserrat	0.00	0.00	0.00	9.58	0.17	0.00
St. Lucia	0.01	0.35	0.42	7.46	3.78	0.00
St. Kitts/Nevis	0.00	0.00	0.03	4.73	0.82	0.03
St. Vincent And The Grenadines	0.00	0.01	0.00	1.85	21.20	0.00
Trinidad And Tobago	0.62	1.97	1.11	0.32	0.49	0.15

Note: Denotes not available.

Source: Caribbean Trade Data Base. Caribtrade. ECLAC (2003).

Table 10
Caribbean import market share from FTAA groupings and countries (2001)

	Mercosur	Andean Community	CACM	United States	Canada	Mexico
Anguilla	2.53	1.31	2.32	5.71	16.37	1.21
Antigua And Barbuda	-	-	-	-	-	-
Aruba	0.99	13.86	3.63	2.71	0.04	0.11
Barbados	0.56	8.88	6.71	2.74	0.67	0.78
Belize	0.56	4.58	7.76	1.88	0.80	17.15
Netherlands Antilles		-	-	-	-	-
Dominica	11.82	8.64	4.06	3.04	16.35	0.79
Grenada	1.61	0.23	1.57	27.33	2.07	0.13
Guyana	0.84	0.37	9.96	15.47	3.19	3.88
Jamaica	0.96	0.63	0.41	10.08	0.70	0.39
Montserrat	2.71	4.57	11.40	0.92	0.44	1.28
St. Lucia	0.25	0.79	0.50	10.43	19.06	2.48
St. Kitts/Nevis	0.90	1.24	1.75	4.14	1.29	9.77
St. Vincent And The Grenadines	1.94	1.16	7.40	6.11	1.40	4.75
Trinidad And Tobago	0.15	4.84	9.41	40.30	1.07	1.03

Note: Denotes not available.

Source: Caribbean Trade Data Base. Caribtrade. ECLAC (2003).

Table 11
Imports of CARICOM from FTAA countries (Ordered by country market share)
1985 -2000 (In percentages)

	1985	1995	1990	2000
United States of America	40.563	44.756	40.802	38.872
Venezuela	4.297	3.403	5.993	7.227
Canada	5.955	3.547	4.562	3.306
Mexico	0.913	1.815	2.705	2.988
Colombia	0.555	2.611	0.573	2.961
Brazil	1.89	2.105	3.324	2.068
Panama	0.251	0.383	0.327	0.481
Guatemala	0.224	0.361	0.148	0.439
Honduras	0.666	0.149	0.183	0.3
Costa Rica	0.163	0.273	0.269	0.278
Ecuador	1.003	0.113	0.088	0.276
Argentina	0.368	0.213	0.505	0.201
Dominican Republic	0.333	0.195	0.288	0.193
El Salvador	0.106	0.044	0.068	0.159
Uruguay	0.024	0.024	0.03	0.116
Chile	0.043	0.056	0.046	0.111
Peru	0.031	0.068	0.043	0.085
Bolivia	0	0.008	0.002	0.025
Nicaragua	0.001	0.005	0.005	0.017
Paraguay	0	0.011	0.002	0.002
Total	57.053	59.945	59.675	59.912

Source: CAN (2002)

Table 12
CARICOM imports from FTAA countries
Share of FTAA exports (PE%) and share of CARICOM imports (PI%) 1985 - 2000

	1985		1990		1995		2000	
	PE%	PI%	PE%	PI%	PE%	PI%	PE%	PI%
011 Meat and edible meat offals, fresh, chilled or frozen;	1.667	2.02	1.439	1.387	1.781	1.458	1.342	1.178
022 Milk and cream;	0.509	1.461	0.358	1.25	0.224	1.068	0.233	0.809
041 Wheat (including spelt) and meslin, unmilled;	2.411	1.38			1.174	0.743		
042 Rice;	1.46	1.345			0.963	0.765		
044 Maize (corn), unmilled;	2.25	1.284			1.19	0.715		
048 Cereal preparations and preparations of flour, starch;	0.428	0.796	0.335	0.842	0.702	1.056	0.807	1.035
054 Vegetables, fresh, chilled, frozen or simply preserved;	1.497	1.564	0.985	0.957	0.817	0.755	0.904	0.865
061 Sugar and honey;	1.055	0.86	0.853	0.771	1.238	0.996	0.675	0.758
081 Feeding stuff for animals (excl. unmilled cereals);			0.793	0.594			0.856	0.641
098 Edible products and preparations, n.e.s.;	0.733	0.736	0.489	0.655	0.685	0.773	1.032	1.036
112 Alcoholic beverages;			0.112	0.66			0.22	0.678
222 Oil seeds and oleaginous fruit, whole or broken, for soft oils;	0.766	0.469			1.089	0.666		
248 Wood, simply worked and railway sleepers;	2.795	1.768	1.422	0.93	1.497	0.966	1.573	1.039
281 Iron ore and concentrates;	0.656	0.375			1.526	0.983		
333 Petroleum oils, crude, also from bituminous minerals;	0.996	0.986	7.107	5.568	7.69	5.172	18.053	13.419
334 Petroleum products, refined;	11.749	9.294	10.004	9.718	2.837	4.276	2.358	5.656
522 Inorganic chemical elements, oxides and halogen salts;	1.251	0.925			1.874	1.295		
541 Medicinal and pharmaceutical products;	1.342	1.69	1.357	1.738	1.309	1.62	1.579	1.8
553 Perfumery, cosmetic and toilet preparations;	0.337	0.497	0.3	0.472	0.675	0.676	0.727	0.689
554 Soap, cleansing and polishing preparations;	0.281	0.604	0.201	0.654	0.337	0.73	0.405	0.624
583 Polymerization and copolymerization products;	0.926	0.784	1.645	1.247	1.223	0.928	1.2	1.06
591 Disinfectants, insecticides, fungicides, etc.;	0.363	0.62			0.531	0.669		
598 Miscellaneous chemical products, n.e.s.;	1.155	1.046	1.199	1.099	1.096	0.861	1.274	1.002
625 Rubber tyres, tyre cases, tubes, treads, etc.;	0.566	0.527	0.436	0.516	0.682	0.762	0.568	0.652
641 Paper and paperboard;	2.947	2.129	3.167	2.299	2.68	1.885	2.186	1.581
642 Paper and paperboard, cut to size or shape, articles of;	1.051	1.067	0.776	1.026	0.876	1.203	0.908	1.112
653 Fabrics, woven, of man-made fibers;	0.869	1.055	0.536	0.756	0.423	0.728	0.273	0.611
661 Lime, cement, and fabricated construction materials;			0.361	0.382			0.495	0.76

Table 12
CARICOM imports from FTAA countries
Share of FTAA exports (PE%) and share of CARICOM imports (PI%)
1985 – 2000 (Continued)

662 Clay construction materials; refractory materials;			0.405	0.439			0.514	0.662
673 Iron and steel bars, rods, angles, shapes, sections;	0.124	0.459			0.303	0.764		
674 Universals, plates and sheets, of iron or steel;	0.211	1.008	0.551	0.966	0.317	0.756	0.192	0.725
678 Tubes, pipes and fittings, of iron or steel;	1.326	1.165	1.38	1.136	1.128	0.938	1.275	1.065
699 Manufactures of base metal, n.e.s.;	1.398	1.307	0.966	1.012	0.965	0.958	1.014	0.966
713 Internal combustion piston engines and parts;	0.478	0.57			0.808	0.806		
714 Engines and motors, non-electric, parts, n.e.s.;			0.277	0.242			0.866	0.766
723 Civil engineering and contractor's plant/eqpt.;			1.082	0.893			0.573	0.612
728 Other machinery and equipment, specialized;			0.781	0.795			0.962	0.875
741 Heating and cooling equipment and parts;	1.046	1.012	1.148	1.056	2.301	2.157	1.523	1.63
743 Pumps (excl. pumps for liquids), compressors, fans;			0.636	0.541			0.749	0.631
744 Mechanical handling equipment, and parts;	0.563	0.592	0.612	0.602	1.277	1.101	1.187	1.093
749 Non-electric parts and accessories of machinery;	1.685	1.544	1.548	1.415	1.207	1.081	1.207	1.039
752 Automatic data processing machines, units thereof;	0.302	0.232	0.568	0.403	1.703	1.126	1.965	1.318
759 Parts, n.e.s., of and accessories for 751 and 752;			0.627	0.444			0.835	0.615
764 Telecommunications equipment, n.e.s.;	2.273	1.836	2.066	1.704	2.167	1.615	3.117	2.214
772 Elec. apparatus for making and breaking elect. circuits;	1.297	0.997	0.859	0.781	1.04	0.863	1.062	0.857
773 Equipment for distributing electricity;	0.797	0.859			0.647	0.845		
775 Other household type, electrical and non-elec. eqpt.;	0.545	0.593	0.604	0.633	1.055	0.864	1.126	0.882
778 Electrical machinery and apparatus, n.e.s.;	0.94	0.972	0.843	0.9	0.817	0.875	0.921	0.85
781 Passenger motor cars (excl. public service type);	0.093	3.122	0.288	2.296	0.712	3.765	0.434	3.875
782 Motor vehicles for the transport of goods/materials;	0.265	1.058	0.571	1.413	1.156	2.013	0.734	1.679
784 Parts and accessories, n.e.s. of the motor vehicles;			0.371	0.748			0.354	0.765
792 Aircraft and associated equipment, and parts;	3.255	1.901	4.206	3.771	0.289	1.923	3.803	2.325
793 Ships, boats (incl. hover craft), floating struct;	0.671	1.2	0.317	0.275	1.047	0.805	0.894	0.64
821 Furniture and parts thereof;	0.366	0.475	0.409	0.4	0.77	0.687	1.071	1.025
844 Under garments, textile fab. (not knitted/crocheted);	0.171	0.151			3.059	1.901		
846 Under garments, knitted or crocheted;	0.659	0.478	0.633	0.467	2.397	1.562	1.016	0.734
874 Measuring, checking, analyzing, control instruments;	1.066	0.788	1.092	0.816	0.87	0.675	0.889	0.665
892 Printed matter;	1.057	1.08	0.722	0.923	0.834	1.066	0.737	0.898
893 Articles, n.e.s., of materials of division 58;	1.242	1.235	1.278	1.229	1.827	1.647	2.274	2.065
897 Jewelry, goldsmiths' and silversmiths' wares, etc.;			0.269	0.268			0.681	0.637
931 Special transactions and commodities not class.;	0.133	0.523	0.087	0.697	3.587	4.368	0.403	0.886

Source: CAN (200

[INSERT FIGURE 4]

Caribbean member States (including CARICOM members and non-independent territories) have registered for the past five years, if not more, a persistent and in most cases increasing deficit in their merchandise balance with each of the subgroupings that form the FTAA. The decomposition of the trade deficit by regional subgrouping shows that NAFTA accounts for 52% of the trade deficit followed by Central America accounting for 25% of the deficit and Mercosur (14%) (see Table 13 below).

The analysis at the product level shows that CARICOM member States exhibit a high degree of concentration. The breakdown of product share by major import market shows that the first five commodities represent more than 50% of the total and in some cases up to 85% of the total. Standard computations of an index of concentration and diversification validate these results.

	Mercosur	Andean Community	CACM	United States	Canada	Mexico
Anguilla	1,341,444	1,919,165	2,562,791	18,552,961	17,120,362	1,385,275
Antigua And Barbuda	1,065,451	15,198,260	990,483	154,997,515	9,155,959	1,301,039
Aruba	2,014,457	5,184,646	465,762	2,224,578	1,659,984	1,075,469
Barbados	13,025,086	40,412,342	32,515,690	2,481,839	9,771,270	5,291,406
Belize	6,180,853	5,855,729	58,791,793	30,958,606	12,163,397	16,355,839
British Virgin Islands	294,431	782,836	53,062,952	139,971,825	2,317,534	500,031
Netherlands Antilles	23,990,349	10,245,439	3,263,939	9,674,916	8,472,976	1,608,734
Dominica	1,465,579	1,684,386	5,425,677	11,055,377	7,216,858	7,449,931
Grenada	2,919,578	22,971,975	7,245,580	71,675,649	11,634,445	5,275,136
Guyana	20,140,319	64,972,377	47,747,142	64,068,458	9,403,629	172,580,220
Jamaica	21,827,745	72,476,601	288,527,598	33,243,740	51,351,284	790,889
Montserrat	80,388	112,219	121,051	964,268	5,318,701	14,968,550
St. Lucia	6,708,150	2,755,187	4,768,815	13,885,352	12,136,897	29,849,183
St. Kitts/Nevis	42,318,718	2,276,426	75,951,490	28,656,898	58,118,515	64,451,886
St. Vincent And The Grenadines	261,402,810	54,990,455	166,905,564	304,709,551	103,008,785	28,458,263
Trinidad And Tobago	31,373,908	6,589,384	19,400,247	72,984,809	53,128,468	1,385,275
Total	404,775,358	301,838,043	748,346,327	863,131,184	318,850,596	351,341,851
Percent contribution by regional grouping	14	10	25	29	11	12

Note: The balance of trade for all countries is negative except the corresponding number is highlighted. In that case the trade balance is positive.
Source: Caribbean Trade Data Base. Caribtrade. ECLAC (2003).

Table 14					
CARICOM					
Import-Export Similarity Index					
1985, 1990, 1995, 2000					
Year	CACM	Mercosur	Andean Community	NAFTA	G-3
1985	0.67	0.50	0.40	0.65	0.50
1990	0.62	0.50	0.45	0.69	0.59
1995	0.72	0.52	0.43	0.67	0.60
2000	0.59	0.54	0.49	0.60	0.64

Note: The trade compatibility index is equal to $1 - (\sum m_{ij} - x_{ik})/2$, where m_{ij} is share of good i in total imports of the home country (i.e., country j), and x_{ik} is the share of good i in total exports of country k (the partner country). $m_{ij} - x_{ik}$ is calculated in absolute value.
Source: On the basis of CAN (2002)

In spite of the small volume of trade flows and the persistent trade imbalances, the computation of the import-export similarity indices indicate that there is trade potential between CARICOM and different FTAA regional subgroupings. The export-import index compares import structure of a 'home country' with that of a partners' export structure. It can take two extreme values 0 and 1. A value of 0 indicates that there is no compatibility in trade and that the partner country does not export any commodity or group of commodities that the home country imports. At the other extreme, a value of one indicates that there is full trade compatibility between two trade partners and that the composition of the partner country exports coincides with that of the home country's imports. The index is highest in 2000 for the G-3 (Mexico, Colombia and Venezuela) most likely dominated by petroleum and petroleum product transactions and NAFTA. In the latter case a facilitating factor is the number of preferential market access programmes granted by the United States to Caribbean countries (see Table 14 above).

The United States has five special import programmes. These are the Caribbean Basin Trade Partnership Act (CBTPA), the Caribbean Basin Initiative (CBI), the Generalized System of Preferences (GSP), the Civil Aviation Programme, and the special treatment to pharmaceuticals.⁷ The most significant is the CBI which accounts on average for 37% of all exports to the United States. Still 64% of all CARICOM Caribbean exports to the United States are not included in any specific program (see Table 15 below).

An analysis of the major products that are not exported under any programme shows however that these are imported by the United States with a 0% ad valorem tariff rate and that only in some cases do other import charges apply (see Table 16 above). Another measure of the degree to which the United States import market is effectively open to Caribbean imports that are not included in any programme is the collected import tariff rate measured as the ratio of import charges to the total C.I.F value of imports. In most cases this ratio is very low.

⁷ There is also the production sharing programme, which refers to United States goods exported abroad for processing and returned to the United States. These are mainly textile exports and in the case of CARICOM Caribbean economies represent a small percentage of the total.

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

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

Table 16
Tariff conditions for the main products exported by CARICOM Caribbean countries to the United States that are not included into any special programmed 2002

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

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

Belize	03061300	Shrimps and prawns, cooked in shell or uncooked, dried, salted or in brine, frozen	20.42	MFN text rate	Free
				Ad-Valorem rate	0%
				Specific component	\$0
				Collected tariff rate	
	03061100	Rock lobster and other sea crawfish, cooked in shell or uncooked, dried, salted or in brine, frozen	9.66	MFN text rate	Free
				Ad-Valorem rate	0%
				Specific component	\$0
				Collected tariff rate	
	98010010	U.S goods returned without having been advanced in value or improved in conditions while abroad.	2.18	MFN text rate	Free
				Ad-Valorem rate	0%
				Specific component	\$0
				Collected tariff rate	
	33049950	Beauty or make-up preparations & preparations for the care of the skin, excl. medicaments but incl. sunscreen or sun tan preparations, nesoi	2.02	MFN text rate	Free
				Ad-Valorem rate	0%
				Specific component	\$0
				Collected tariff rate	
Grenada	03023200	Yellowfin tunas, fresh or chilled, excluding fillets, other meat portions, livers and roes	31.91	MFN text rate	Free
				Ad-Valorem rate	0%
				Specific component	\$0
				Collected tariff rate	
	09081000	Nutmeg	27.97	MFN text rate	Free
				Ad-Valorem rate	0%
				Specific component	\$0
				Collected tariff rate	
	33012950	Essential oils other than those of citrus fruits, nesoi	21.66	MFN text rate	Free
				Ad-Valorem rate	0%
				Specific component	\$0
				Collected tariff rate	
	99999500	Estimated imports of low valued transactions	9.47	n.r.	
	98010010	U.S goods returned without having been advanced in value or improved in conditions while abroad.	3.61	MFN text rate	Free
				Ad-Valorem rate	0%
				Specific component	\$0
				Collected tariff rate	

Guyana	26060000	Aluminum ores and concentrates	32.62	MFN text rate Ad-Valorem rate Specific component \$0 Collected tariff rate	Free 0%
	03061300	Shrimps and prawns, cooked in shell or uncooked, dried, salted or in brine, frozen	28.68	MFN text rate Ad-Valorem rate Specific component \$0 Collected tariff rate	Free 0%
	71023400	Nonindustrial diamonds, unworked or simply sawn, cleaved or bruted	4.67	MFN text rate Ad-Valorem rate Specific component Collected tariff rate	Free 0% \$0
	71022110	Miners' diamonds, unworked or simply sawn, cleaved or bruted	2.37	MFN text rate Ad-Valorem rate Specific component \$0 Collected tariff rate	Free 0%
Jamaica	26060000	Aluminum ores and concentrates	19.91	MFN text rate Ad-Valorem rate Specific component Collected tariff rate	Free 0% \$0
	28182000	Aluminum oxide, other than artificial corundum	12.94	MFN text rate Ad-Valorem rate Specific component Collected tariff rate	Free 0% \$0
	98010010	U.S goods returned without having been advanced in value or improved in conditions while abroad.	3.61	MFN text rate Ad-Valorem rate Specific component \$0 Collected tariff rate	Free 0%
St. Lucia	85334080	Electrical variable resistors, other than wirewound, including rheostats and potentiometers	14.42	MFN text rate Ad-Valorem rate Specific component Collected tariff rate	Free 0% \$0
	98010010	U.S goods returned without having been advanced in value or improved in conditions while abroad.	8.53	MFN text rate Ad-Valorem rate Specific component Collected tariff rate	Free 0% \$0
	99999500	Estimated imports of low valued transactions	4.43	n.r.	
	85332100	Electrical fixed resistors, other than composition or film type carbon resistors, for a power handling capacity not exceeding 20 W	3.73	MFN text rate Ad-Valorem rate Specific component \$0 Collected tariff rate	Free 0%

St. Vincent and the Grenadines	03034100	Albacore or longfinned tunas, frozen, excluding fillets, other meat portions, livers and roes	54.90	MFN text rate Ad-Valorem rate Specific component Collected tariff rate	Free 0% \$0
	97011000	Paintings, drawings (o/than of 4906) and pastels, executed entirely by hand, whether or not framed	5.94	MFN text rate Ad-Valorem rate Specific component Collected tariff rate	Free 0% \$0
	98010010	U.S. goods returned without having been advanced in value or improved in condition while abroad	2.36	MFN text rate Ad-Valorem rate Specific component Collected tariff rate	Free 0% \$0
	99999500	Estimated imports of low valued transactions	2.04	MFN text rate Ad-Valorem rate Specific component Collected tariff rate	Free 0% \$0
Suriname	28182000	Aluminum oxide, other than artificial corundum	81.05	MFN text rate Ad-Valorem rate Specific component Collected tariff rate	Free 0% \$0
	03061300	Shrimps and prawns, cooked in shell or uncooked, dried, salted or in brine, frozen	8.65	MFN text rate Ad-Valorem rate Specific component Collected tariff rate	Free 0% \$0
Trinidad and Tobago	27111100	Natural gas, liquefied	23.72	MFN text rate Ad-Valorem rate Specific component Collected tariff rate	Free 0% \$0
	28141000	Anhydrous ammonia	14.26	MFN text rate Ad-Valorem rate Specific component Collected tariff rate	Free 0% \$0
	27101125	Naphthas (exc. motor fuel/mtr fuel blend. stock) fr petroleum oils & bitumin minerals (o/than crude) or preps 70%+ by wt. fr petroleum oils	3.32	MFN text rate Ad-Valorem rate Specific component Collected tariff rate	10.5 0% 0.105
	27101905	Distillate and residual fuel oil (including blends) derived from petroleum or oils from bituminous minerals, testing under 25 degrees A.P.I.	3.29	MFN text rate Ad-Valorem rate Specific component Collected tariff rate	5.25 cts.p/bbl 0% \$0.0525
Source: On the basis of information provided by USTIC (2003) and MAGIC (2003).					

	Agriculture				Industry				Textiles			
	Mean	Min	Max	Std	Mean	Min	Max	Std	Mean	Min	Max	Std
Argentina *	9.955836	0	20	5.044032	12.1311	0	35	8.787546				
Antigua	81.27237	220	0	46.29171	9.573491	130	0	9.237718	11.73733	30	0	7.516805
Bahamas	24.5183	0	210	16.50543	32.56193	0	100	11.25507	26.83505	0	50	7.648334
Belize	79.60411	0	110	41.36096	9.810867	0	110	10.79577	11.64046	0	30	7.443927
Bolivia *	14.11828	0	20	6.653583	10.82812	0	20	5.793216				
Brazil *	9.997778	0	20	5.032044	5.937572	0	20	4.404416				
Barbados	92.62477	0	236	57.65587	11.70311	0	145	15.18438	20.50417	0	117	22.06786
Canada *	4.256436	0	238	13.76331	4.150169	0	25	5.500081				
Chile *	7.417375	6	98	8.248934	5.969316	0	6	0.428005				
Colombia *	16.2043	0	80	11.10916	11.94827	0	35	5.956335				
Costa Rica *	13.53189	1	151	17.0037	5.672632	0	15	5.537712				
Dominican Republic	94.47802	0	150	52.62149	9.639817	0	165	16.36414	10.60291	0	30	8.312341
Dominica *	13.12614	0	40	9.304134	7.91506	0	20	7.492357				
Ecuador *	16.2043	0	80	11.10916	11.94827	0	35	5.956335				
Grenada	59.91211	0	200	51.7862	11.18982	0	100	16.31758	11.65084	0	30	7.423772
Guatemala *	9.894614	0	40	8.109054	6.166463	0	23	7.200483				
Guyana	77.93762	0	100	40.2295	10.06323	0	100	10.24196	11.69811	0	35	7.412534
Honduras *	9.410735	0	55	7.031922	5.472086	0	15	6.32509				
Jamaica	77.8792	0	100	41.21036	6.750926	0	100	10.52259	9.218274	0	100	10.31013
St Kitts & Nevis	83.91642	0	250	53.36496	9.076763	0	100	11.53263	12.5	0	25	10.38937
St Lucia	91.98916	0	250	54.64563	12.30233	0	130	24.80764	12.34177	0	30	10.81676
Mexico *	24.86513	0	260	39.74767	15.65201	0	35	8.183964				
Nicaragua *	9.422093	0	62	8.164047	4.550733	0	15	5.608197				
Panama	15.63281	0	286	22.08288	7.415865	0	85	6.427952	8.214614	0	15	6.427952
Peru *	14.32829	0	25	6.954073	10.18604	0	20	5.74752				
Paraguay *	9.89781	0	20	5.065128	12.13228	0	35	8.78757				
St Vincent & Grenadines	108.1845	5	250	39.06243	13.2243	0	130	22.13222	11.82613	0	30	7.41124
Suriname	18.87029	5	50	6.640523	11.37039	0	45	10.3367	18.19149	0	25	9.463466
Salvador *	11.19312	0	40	9.887837	4.59447	0	30	7.35142				
Trinidad & Tobago	92.33909	0	156	27.16302	7.628951	0	70	10.05357	9.357585	0	30	9.724051
Uruguay *	9.89781	0	20	5.065128	12.13228	0	35	8.78757				
USA *	8.445646	0	350	30.18092	3.879015	0	48	5.106188				
Venezuela *	16.2043	0	80	11.10916	11.94827	0	35	5.956335				

* Industrial figures include Textiles values.
Source: FTAA Website (2003)

On the services side the most important facts to highlight with respect to the FTAA is that CARICOM countries have a higher specialisation in services compared to most FTAA member countries. For the period 1980-2000, CARICOM's index of specialisation in services was higher than that recorded for the rest of FTAA groupings. Within CARICOM and as Table 18 below shows, the OECS has the highest specialisation index among the FTAA regional groupings followed by CARICOM. The results obtained for the non-grouped countries reflect the services orientation of the Dominican Republic (3.83; 2.85 and 2.06 for 1980-2000, respectively). The table also shows once again an increased specialisation over time in the cases of CARICOM, the non-grouped countries and especially the OECS. For the latter regional grouping, the index doubles from 1980-1985 to 1995-2000. As expected two of the non-independent countries (Aruba and Montserrat), which are included in Table 18 only for comparison purposes, have the highest specialisation ratings.

Averages/Country groupings	1980-1985	1985-1990	1990-1995	1995-2000	1980-2000
CARICOM	2.54	2.73	2.85	3.18	2.85
OECS	2.20	3.71	3.90	4.41	3.83
MERCOSUR	1.31	1.21	1.23	1.30	1.26
Andean Community	0.87	0.88	0.77	0.70	0.81
MCCA	1.41	1.56	1.64	1.59	1.55
NAFTA	0.93	0.98	0.91	0.82	0.91
Non-grouped	1.62	1.99	2.26	2.37	2.06
Aruba	...	5.17	4.94	4.92	4.99
Montserrat	....	4.91	4.66	4.23	4.55
Netherlands Antilles	1.23	2.29	2.43	2.56	2.08

Note: The non-grouped countries include the Dominican Republic, Panama and Chile.
Source: On the basis of UNCTAD (2002) data.

The decomposition of the services category (transport; travel; communications; construction; computer and software; insurance, financial services; royalties and license fees, other business services; and personal, cultural and recreational services) shows that travel is the most important component of CARICOM and OECS representing three quarters of services exports (see Table 19 below).

In spite of the increased specialisation in services, CARICOM lost half of its market share relative to the FTAA regional grouping as a whole consistently since 1980. In that year CARICOM's share of commercial services represented 3.6% of the total and declining to 1.8% in 2000. In the sub-category of travel, CARICOM has also shown a decline, albeit a more moderate one. Available data shows that in 1990, CARICOM accounted for 37% of tourist arrivals to the Caribbean region (inclusive of non-independent territories and the Hispanic Caribbean). By the end of that decade CARICOM's share declined to 34% (see Figures 6 and 7).

[FIGURE 5]

[FIGURE 6]

Table 19
CARICOM
Percentage contribution of export services subcategories to the total, 1985 -2000

	1980-1985	1985-1990	1990-1995	1995-2000
OECS				
Transport	0.44	9.40	10.94	9.31
Travel	88.91	79.20	77.12	73.83
Other services	10.49	11.39	11.95	16.93
Communications	....	1.64	1.27	....
Construction	....	....	0.12	0.08
Computer and information services	....	....	....	....
Insurance	....	1.01	1.20	2.01
Financial services	....	....	....	1.78
Royalties and license fees	....	....	0.12	....
Other business services	10.49	7.70	9.17	11.92
Personal, cultural and recreational services	....	....	....	....
Government services n.i.e.	....	1.71	1.02	1.44
Non-OECS CARICOM				
Transport	16.64	10.85	9.49	10.34
Travel	71.87	75.57	75.29	73.66
Other services	14.97	13.63	15.24	18.54
Communications	0.65	0.74	2.74	5.22
Construction	0.00	0.00	0.00	0.04
Computer and information services	0.00	0.00	0.50	1.65
Insurance	1.86	1.71	1.55	2.03
Financial services	0.00	0.00	0.22	1.46
Royalties and license fees	2.53	1.32	2.23	0.56
Other business services	8.36	6.71	6.71	5.18
Personal, cultural and recreational services	1.14	0.44	0.28	0.66
Government services n.i.e.	16.64	10.85	9.49	10.34
Non-independent States				
Transport	29.71	14.63	13.77	7.90
Travel	43.99	49.39	52.30	75.91
Other services	26.31	35.96	33.94	16.15
Communications	....	....	0.01	0.44
Construction	....	....	0.08	0.61
Computer and information services	....	....	....	....
Insurance	....	....	0.13	0.83
Financial services	....	....	0.79	0.31
Royalties and license fees	....	....	0.01	....
Other business services	24.50	33.08	30.50	11.73
Personal, cultural and recreational services	....	....	....	....
Government services n.i.e.	1.77	2.79	2.38	2.15
Source: On the basis of UNCTAD (2002)				

[INSERT FIGURE 7]

6. The tariff question

6.1. Tariffs, prices and import growth

As part of the gradual conformation of the FTAA, countries have committed themselves to tariff reductions and the majority have submitted tariff reduction offers. Depending on a set of assumptions, tariff cuts can affect prices, import growth and government fiscal revenues. This, in turn, can have a significant effect on macroeconomic stability and in general on the policy orientation of the authorities. The overall price level in any economy is a weighted average of the domestically produced finished goods and imported goods. The price of domestically produced goods is a function of normalized unit costs of production weighted by intermediate materials and their corresponding tariff rates. The price of imported goods is a function of its corresponding tariff and the exchange rate.⁸ In the case of CARICOM, there is limited data availability to establish or define the relationship between tariffs, costs and prices.

The effect on import growth will depend, other things being equal, on the income elasticity of the demand for imports to a price change. In the standard formulation imports are a function of domestic income and the real exchange rate. Formally,

$$(2) M_t = Y^{\xi} (P_{fdc}/P_t)^{\pi}$$

From the previous reasoning it follows that a change in tariffs will affect import demand to the extent that it affects prices and to the extent that prices affect the demand for imports. If a change in tariffs does not affect prices then imports will not bulge. In the same vein if tariffs affect prices but import demand is insensitive to prices, a reduction in tariffs will not lead to an increase in the demand for imports. More to the point, if the price elasticity of the demand for

⁸ Formally,

$$(1) P_t = (P_d)^{\beta} P_{fdc}^{(1-\beta)}$$

$$(2) P_d = \mu U(w, \omega, \tau_i \phi)$$

$$(3) P_{fdc} = \tau_f (e P_{ffc})$$

Where,

P_t is the overall domestic price level.

P_d is the price of domestic goods.

P_{fdc} is the price of imported goods expressed in domestic currency.

P_{ffc} is the price of imported goods expressed in foreign currency.

e is the nominal exchange rate.

τ_i and τ_f are the tariff rates applied on the value of intermediate imported good and final goods.

$U(\dots)$ is normalised costs of production.

μ is a mark-up.

ω is the weight of imported raw materials in the production of the domestic good.

ϕ is the weight of domestic raw materials in the production of the domestic good.

w is the weight of the wage bill.

β and $(1-\beta)$ are the shares of domestically and foreign produced consumer goods and services in total expenditure.

Substitution of (3) and (2) in (1) yields,

$$P_t = (\mu U(w, \omega, \tau_i \phi))^{\beta} (\tau_f (e P_{ffc}))^{(1-\beta)}$$

imports is less than 1, a reduction of tariffs of 1% will result in an increase in imports of less than 1%. At the other extreme, if the price elasticity of the demand for imports is greater than 1, a reduction of tariffs of 1% will result in an increase in the demand for imports that is greater than 1. Thus in the latter case tariff reduction will lead to import growth.

The available empirical evidence shows that the relationship between relative prices (the real exchange rate) and imports is weak. Real exchange rates in the Caribbean have shown a tendency to appreciate over time making imports cheaper. Yet total imports as a percentage of GDP have declined for the majority of Caribbean countries not responding to the relative price change. On average, the real effective exchange rate moved from 100 to 111.1 between 1980 and 1999 signalling an appreciation of 11%. Contrary to what would be expected during the same period, imports as a percentage of GDP decreased from 83% to 58%. The degree of association of both variables is weak.

Additional quantitative analysis provides further evidence for these findings. Table 20 below shows the correlation coefficient between the ratio of imports of goods and services to GDP and the real effective exchange rate and, when available that between the ratio of total imports of goods to GDP and the effective real exchange rate. The correlation coefficient is with a few exceptions negative or below 0.40, reflecting a low degree of association between both variables. Table 20 below also shows the results of the application of cointegration techniques to both variables.

Table 20 Cointegration equations results												
Country	RER	Imports/GDP				Correlation coefficient		Cointegration Results				Cointegration equation
	Mean	Mean		Coefficient of variation		Total	Goods	Ho	Ha	Johansen	CV	
		Total	Goods	Total	Goods							
Antigua and Barbuda	109.6	71.03	67.58	0.16	0.24	0.63	0.47	r=0 r<1	r=1 r=2			
Bahamas								r=0 r<1	r=1 r=2			
Barbados								r=0 r<1	r=1 r=2			
Belize	111.4	58.5		0.195		0.20	....	r=0 r<1	r=1 r=2			
Dominica	108.3	58.4	53.2	0.15	0.22	-0.57	-0.23	r=0 r<1	r=1 r=2			
Grenada	106.3	56.2	52.4	0.11	0.14	0.05	0.08	r=0 r<1	r=1 r=2			LM=0.006+0.98LRER 2.97 0.63
Guyana	306.3	75.74		0.25		-0.78		r=0 r<1	r=1 r=2	14.78	13.81	LM=5.65-0.25LRER 0.21 0.04
Jamaica								r=0 r<1	r=1 r=2			
St. Kitts and Nevis								r=0 r<1	r=1 r=2			
St. Lucia								r=0 r<1	r=1 r=2			
St. Vincent and the Grenadines								r=0 r<1	r=1 r=2			

Source: On the basis of IMF Financial Statistics (2002); ECCB National Accounts Statistics (2002) and ECLAC Economic Overview of Caribbean Economies (2002).

Cointegration is a standard technique for testing the presence of a stable long-run relationship among a set of variables. It consists of a two-step procedure. The first step establishes the order of integration of each variable –that is the number of times that the variable must be first-differenced to obtain stationary series. Once it has been verified that the variables under study have compatible orders of integration, the second step consists in determining whether there is at least one linear combination of them that is stationary. In such case the variables are said to be cointegrated and the specific values of the stationary linear combinations are called cointegrating vectors. This step was carried out using the Johansen procedure.⁹

The results of the cointegration exercise show that the method followed identifies the existence of a long-run relationship between the effective real exchange rate and imports of goods and services as a percentage of GDP. However, the cointegrating equations, which were obtained by adding an over-identifying restriction to the cointegrating vector show that the real effective exchange rate is not statistically significant.

The results here obtained are by no means new. They mirror those of earlier studies. Table 21 below presents a selection of the price elasticity and its statistical significance from a World Bank document.

Country	Price elasticity	T-statistic
Bahamas	1.50	1.91
Belize	0.66	2.04
Grenada	0.22	0.46
Haiti	0.69	3.80
Jamaica	0.24	1.69
St. Kitts and Nevis	2.80	1.59
St. Vincent and the Grenadines	1.09	2.30
Trinidad and Tobago	0.81	28.34

Note: * denotes not statistically significant.
Source: Devarajan et. Al. (1999). Policy research Working Paper 2162. World Bank.

⁹ The Johansen procedure is a maximum-likelihood method to test the the existence of a stable long-run relationship between sets of variables.

6.2. *Tariffs and government revenue*

The impact of a tariff reduction on fiscal revenues will be determined by the above stated price and import growth effects and by the importance of import and international trade taxes as a source of government revenue

Government revenue on imports refers both to trade tax revenues which comprises trade taxes, *per se*, that is, import duties, airport tax, hotel and guest house tax and the like and to domestic taxes levied on imported goods (consumption tax, valued added tax and any other indirect tax). The data drawn from the fiscal accounts is generally presented in two forms.

The first consists of the separation of import duties and other trade taxes from the rest of indirect tax lines. The second form adds all taxes levied on imports under the rubric of international trade and transactions. Both have important limitations. The former does not allow for the determination of the degree to which a government is indeed dependent, for a given tax base, on taxes levied on imports. Taking into account only trade taxes may underestimate the tax revenue that can be obtained from imports. The second method of presenting the fiscal data gives a full view of import tax dependency but does not allow an analysis of the components of import taxes. In some analyses both are mixed together under international trade taxes leading to misleading comparisons within Caribbean countries and among FTAA members.

Table 22 below shows, when available, the breakdown of taxes on international trade and transactions by country for the year 2002. These taxes include, trade taxes *per se* import duties, embarkation tax, foreign currency tax, customs service charge, stamp taxes, that is, taxes levied at the country frontier when goods cross a country border and taxes levied domestically on the consumption of foreign products. The latter are considered domestic taxes.

All countries, with the exception of Barbados, Guyana and Trinidad and Tobago report government revenue from international trade and transactions. These report only government revenue from import duties. This is only a part of international trade taxes which makes it difficult to establish the degree to which government revenues are dependent on trade.

Country	Presentation format	Import tax dependency Percentage of total tax revenue (2002)
Anguilla	International trade and transactions	53.87
	Import duties	46.69
	Foreign exchange tax	1.43
Antigua and Barbuda	International trade and transactions	60.40
	Import duties	15.53
	Consumption tax	24.64
	Customs service charge	12.58
	Foreign currency levy	1.97
Bahamas	International trade and transactions	65.26
	Import tax	50.24
	Stamp tax from imports	13.01
	Export tax	1.88
	Stamp tax from exports	.....
Barbados	Import duties	9.98
Belize	International trade and transactions	45.7
Dominica	International trade and transactions	52.71
	Import duties	12.08
	Foreign exchange tax	.....
	Consumption tax	31.71
	Customs service charge	3.70
Grenada	International trade and transactions	57.65
	Import duties	12.07
	Foreign exchange tax	0
	Consumption tax	31.90
	Customs service charge	9.70
Jamaica		
Montserrat	International trade and transactions	45.34
	Import duties	9.21
	Foreign exchange tax	3.63
	Consumption tax	16.44
	Customs service charge	14.86
St. Kitts and Nevis	International trade and transactions	49.17
	Import duties	15.89
	Foreign exchange tax	0.00
	Consumption tax	23.95
	Customs service charge	7.42
St. Lucia	International trade and transactions	52.08
	Import duties	13.97
	Foreign exchange tax	0.00
	Consumption tax	26.64
	Customs service charge	7.45
St. Vincent and the Grenadines	International trade and transactions	48.77
	Import duties	9.84
	Foreign exchange tax	.....
	Consumption tax	30.0
	Customs service charge	6.99
Trinidad and Tobago	Import duties	7.2
Guyana	International trade taxes	11.4
Source: On the basis of official data.		

The rest of the countries detail the breakdown of taxes on international trade and transactions into its different components. Table 22 shows that with the exception of The Bahamas and Anguilla, where the revenue from import duties constitutes the bulk of the revenue from international trade and transactions, import duties are not the major source of revenue from international trade and transactions. In some cases the customs service charge is as important or more important than import duties. Table 23 below shows further computations showing that import duties represent less than a third of government revenue from international trade and transactions. The weight of import duties in total tax revenues oscillates between 7% and 15% for the majority of the countries here considered.

As mentioned above, import duties are complemented by other international trade taxes. In the cases of Antigua and Barbuda (see Table 22 above) and Montserrat, these constitute a significant source of revenue equalling or surpassing tax collection from import duties. For the rest of the countries, these represent only 15% of international trade and transactions.

By far the bulk of revenue collection included under the rubric of international trade and transactions is accounted for by the consumption tax representing close to a quarter of total tax revenue and 40% of international trade and transactions tax revenue. The consumption applied to imports is a tax levied on the CIF value of imports plus the import duty. It is tax that is generally paid by the importer.

However, the consumption tax is considered an internal tax or a tax levied on domestic transactions rather than an international trade tax per-se. This tax is reported in the fiscal accounts of the OECS countries and is prevalent in these economies. The tax structure is country specific. The rates vary from 15% to 30% in Antigua and Barbuda, 5% to 20% in the case of St. Kitts and Nevis, 0% to 65% in the case of St. Vincent and the Grenadines and 0% to 75% in the case of Grenada. Dominica is the only OECS member State with a standard rate (25%).

The bigger economies of the Caribbean, namely Barbados, Jamaica and Trinidad and Tobago, also tax imports through an internal tax, the Value Added Tax. Although not officially reported by these countries, in some cases the Valued Added Tax collection on imports represents as much as half of total Value Added Tax revenue. In the particular case of Jamaica, this ratio was estimated to be 47% (Ebrill et al., 2001, p.50). The difference between both the smaller and larger economies lies in the fact that the former have a range of consumption tax rates rather than a standard rate as in the latter cases.

In addition, if in order to make countries' dependency on trade taxes comparable, tax collection on domestic transactions is classified as taxes on goods and services and international trade taxes are defined as including solely, import duties, customs charges, foreign exchange tax, guest and hotel tax and cruise passenger tax (or embarkation tax), the international trade tax dependency of the smaller economies is higher than that of the larger Caribbean countries but their level of dependency is markedly lower (see Tables 23 to 25 for comparison).

Countries	International trade and transactions as a% of total tax revenue	Import duties as a% of total tax revenue	Import duties as a% of international trade and transactions	Domestic taxes on international trade as a percentage of tax revenue on international trade and transactions	Collected tariff rate on international trade and transactions	International trade and transactions as% of GDP	Import-GDP ratio
Anguilla	53.87	46.69	86.67	0.00	18.72	11.64	62.30
Antigua and Barbuda	60.40	15.53	25.71	40.79	21.63	10.55	48.80
Bahamas	65.26	50.24	76.98	0.00			
Barbados		9.98					34.12
Belize	45.70						57.21
Dominica	52.71	12.08	22.92	60.16	27.21	11.89	43.72
Grenada	57.65	12.07	20.94	0.55	26.81	13.25	49.43
Jamaica		11.40					82.86
Montserrat	45.34	9.21	20.31	36.26	18.26	8.96	49.09
St. Kitts and Nevis	49.17	15.89	32.32	52.82	20.96	10.16	48.46
St. Lucia	52.08	13.97	26.82	51.15	27.38	10.73	39.18
St. Vincent and the Grenadines	48.77	9.84	20.18	61.51	25.25	11.87	47.01
Trinidad and Tobago		7.20					
Source: On the basis of official data							

Table 24
Collected and actual tariff rates, 2001

	Import duties	Customs service charge/other	Imports	Average tariff rate	Average tariff and customs service charge	Collected tariff	Collected customs service charge and other	Total collected import taxes	Total collected import tariff rate/average tariff
Anguilla	30.12	3.58	185			14.00	1.90	15.90	
Antigua and Barbuda	55.5	45.4	904.3	14.5	19.5	5.78	4.78	10.56	0.542
Bahamas	596		1763.8			25.26		25.26	
Barbados	130		884.7			6.84		6.84	
Belize	n.a.		460.5						
Dominica	21.1	6.5	310.6	13.1	15.1	6.36	2.05	8.41	0.557
Grenada	31.9	25.2	531.5	11.2	16.2	5.66	4.53	10.19	0.629
Guyana	3665.4		583.9			3.21			
Jamaica									
Montserrat	1.8	3.5	46			3.77	7.07	10.84	
St. Kitts and Nevis	31.2	13.7	449.5		14.5	6.49	2.96	9.45	0.652
St. Lucia	53.73	28.77	698.49	10.1	14.1	7.14	3.96	11.10	0.787
St. Vincent and the Grenadines	25.04	16.54	442	10.9	14.9	5.36	3.61	8.97	0.602
Trinidad and Tobago	882		17155			4.89		4.89	

Note: On the basis of official data

	Taxes on goods and services	International trade taxes
Anguilla	31.33	66.99
Bahamas	0.00	65.26
Antigua and Barbuda	34.54	35.96
Dominica	33.16	35.84
St. Kitts and Nevis	31.27	27.21
Montserrat	26.35	26.80
St. Lucia	35.46	25.00
Grenada	54.03	21.77
St. Vincent and the Grenadines	33.25	18.56
Guyana		11.40
Barbados		9.98
Trinidad and Tobago		7.20

Source: On the basis of official data.

A final point that should be noted is that in particular in the smaller economies there is a significant difference between the actual and the collected tariff rate (see Table 24 above). In all OECS economies, the collected tariff rate is markedly below the average tariff rate. On average, the ratio of the collected import tariff rate to the actual tariff rate is 0.60. That is, the actual tariff rate represents only 60% of the average nominal tariff rate. This reflects the fact that the actual level of tariff rates is determined by a high percentage of import duty exemptions (i.e., a narrow tax base) which is ultimately responds to a domestic policy decision. In this sense, if it is at all considered that OECS economies are dependent on high import duties, this dependency is the product of a conscious sectoral policy whose main leverage is tax incentives.

The reduction in tariffs that will accompany the conformation of the FTAA will reduce the cost of fiscal incentives and free resources for alternative uses. However, due to the fact that a reduction in tariffs may create or widen the present fiscal gap (see Section 3, above) that will have to be compensated with a broader tax base, a free trade agreement such as the FTAA will severely limit the capacity of the smaller economies within CARICOM to pursue domestic policy objectives unless governments are able to find alternative non-fiscal instruments to promote the development of key productive sectors. The larger economies are less likely to be affected.

Conclusion

The trade pattern of CARICOM economies is characterised by a rising intraregional trade share and a declining extraregional market share. The gain in the intraregional market has been accompanied by a concentration of trade in a few countries and products. In addition intraregional trade is dominated by primary commodities and the products that have registered the most significant intraregional growth are highly protected and their supply structure is non-competitive. At the same time that CARICOM countries have gained in intraregional market

share they have registered an important process of divergence in their economies. CARICOM economies have not converged over time and their business cycle is unsynchronised.

CARICOM economies have lost market share in the most important extraregional markets, the United States and Europe. Both external and internal factors explain this trade performance. External factors include greater competition and special and differential trading arrangements that have not lived to their promise. Internal factors include mainly the lack of a clear export policy and strategy and a lack of coordination between internal and external policy objectives.

CARICOM economies' volume of trade with FTAA member States is minor and for the most part concentrated in the larger economies such as Canada, the United States, Mexico and Venezuela. Central America has also turned out to be an important trade partner relative to the other subregional groupings. CARICOM economies have registered on average a trade deficit. In spite of the low trading volume and unfavourable trading conditions, the import-export similarity indices indicate that potential for increasing trade between CARICOM and the rest of the FTAA exists.

In terms of services CARICOM economies have a higher level of specialisation than most FTAA groupings. For purposes of comparison within the American hemisphere the non-independent states have the highest index of specialisation in services. The decomposition of service export by different sub-category shows that travel represents more than three quarters of the total. Yet in spite of a high and increasing level of specialisation in services, CARICOM economies have lost market share in services in general relative to the FTAA countries in the aggregate and in particular in tourism.

Within FTAA the market access conditions to CARICOM's major trading partner the United States is shaped by preferential market access conditions embodied in five different import programmes. Import programmes are important for the smaller economies of CARICOM comprising half of the exports to the United States. However, at the aggregate level the majority of exports to the United States do not enter under any of the special United States import programmes. Nonetheless, under the No Special Import Programme, CARICOM Caribbean exports enter duty free or with very low duties. The same rules apply in the case of the non-independent territories.

One of the main known effects of the FTAA will be the reduction in tariffs. The empirical evidence presented shows that the reduction in tariffs is unlikely to significantly affect import growth. Rather the reduction in tariffs will force those governments whose equilibrium in the fiscal accounts depends on tariffs to widen the tax base. This will mean a reduction in the amount of tax exemptions and, as a result, may provoke a conflict between trade integration and the freedom of government to pursue domestic policy objectives.

This inevitable conflict, the impact of the FTAA on intraregional trade flows and firm structure, and the growing awareness that a key issue in trade liberalisation is not import growth but export promotion may in fact be the most important outcomes of the FTAA. These are also the ones that need the most significant and pressing attention by CARICOM governments.

In the case of non-independent territories the conformation of the FTAA need not affect their export performance as long as they are able to maintain their current market access conditions to the United States.

Annex

Tables 26-47

Table 26
Tariff average and standard deviation
Agriculture mining and manufacturing, 2001

	Agriculture	Mining	Manufacturing
Antigua and Barbuda	19.6 0.9 CV	7.5 1.7 CV	14.5 0.9 CV
The Bahamas			
Barbados	36.7 53.7		21.3 22.7
Belize			
Dominica	22.8 24.3	6.9 8.8	12.5 21.3
Grenada	21.0 0.9 CV	7.6 1.1 CV	10.5 0.8 CV
Guyana			
Jamaica			
St. Kitts and Nevis			
St. Lucia	20.6 0.9 CV	5.5 1.5 CV	9.4 1.2 CV
St. Vincent and the Grenadines	24.6 0.7 CV	6.9 0.8 CV	10.1 0.9 CV
Suriname			
Trinidad and Tobago			
Regional Average			
Source: WTO (2001 and 2002)			

Table 27
Non-tariff measures applied by CARICOM Member States, 2002

	Rules of origin	Prohibitions	Restrictions	Licensing	Quotas	Contingency and countervailing measures	Price controls and marketing boards
Antigua and Barbuda	75% of the market for alcoholic beverages is reserved for local producers of aerated beverages and brewery products			Non-automatic licenses for arrange of products	Quotas on alcoholic beverages		Central marketing board imports carrots, cabbage, onions, sweet peppers and tomatoes.
Bahamas							
Barbados				Automatic licenses are imposed on the import of CARICOM products such as condensed milk products, oils and fats products.		A countervailing duty is charged on milk products from Trinidad and Tobago	Agricultural marketing and development corporation is the sole importer of chicken wings, backs and necks.
Belize				Automatic licenses are applied on a range of products of CARICOM origin. Non-automatic licenses are applied for wood and upholstered products.			Belize Marketing Board on imports of rice.
Dominica				Non-automatic licenses are applied on candles and aerated beverages, plastic or rubber footwear from MDCs CARICOM			The Dominica Export Import Agency is the sole importer of rice and brown sugar in bulk and in packages larger than 10 lbs.
Grenada				Non-automatic licenses are required for a range of imported products from the MDC's of CARICOM			The Grenada marketing board is the sole importer of bulk sugar, rice and powdered milk.
Guyana				Non-automatic licenses are imposed on imports of wheat flour from CARICOM member states.			The Guyana Sugar Corporation controls the imports of raw brown sugar. Controls on a number of imported products are imposed the Guyana National Bureau of Standards. Importers of a range of products must pay annual registration fee to the Guyana National Bureau of Standards.
Jamaica				Automatic licenses are imposed on milk and milk products			

Montserrat				Non-automatic licenses are imposed on selected CARICOM MDC.	Seasonal quotas are imposed on imports of white potatoes, onions and cabbage.		
St. Kitts and Nevis				Automatic and non-automatic licenses are imposed on a range of products from CARICOM			The supply office in the ministry of trade is the only importer of wheat flour and rice in bulk and packages.
St. Lucia				Non-automatic licenses are applied for imports from MDC's and from Belize. Non-automatic licenses are also applied to a selected range of imports from CARICOM.	Quotas are imposed on liquid bleach imports from CARICOM.		The Supply and Procurement Unit of the Ministry of Commerce, International Financial Services and Consumer Affairs channel the imports of bulked rice, flour and sugar.
St. Vincent and the Grenadines		Imports of bananas and banana products from Grenada and Trinidad and Tobago are prohibited. Imports of coconuts, coconut fibre coconut products, bags hats, mats also from Grenada, Trinidad and Tobago and Jamaica are also prohibited.		Non-automatic licenses are required for a selected range of import products from the MDCs of CARICOM			St. Vincent and the Grenadines Marketing Corporation is the monopoly to import sugar, rice in bulk and other staples.
Suriname							
Trinidad and Tobago				Automatic licenses are applied on imports of oils and fats from CARICOM	Quotas are applied on chlorofluorocarbons allowing only eight firms to import these products.		
Source: CARICOM (2002). Licenses applied on imports for health, safety and environmental reasons are not included.							

Table 28
CARICOM
Intra-regional trade
Percentage of total intra-regional exports, 1985 -2000

	1985	1990	1995	2000
334 Petroleum products, refined;	26.37	25.13	21.69	32.29
333 Petroleum oils, crude, also from bituminous minerals;	0.00	1.67	3.98	7.70
642 Paper and paperboard, cut to size or shape, articles of;	3.76	4.97	6.38	4.16
554 Soap, cleansing and polishing preparations;	4.59	5.78	5.20	2.90
048 Cereal preparations and preparations of flour, starch;	1.59	3.15	3.51	2.84
111 Non-alcoholic beverages n.e.s.;	1.41	2.51	3.57	2.50
042 Rice;	4.43	1.04	1.47	2.38
661 Lime, cement, and fabricated construction materials;	1.00	1.27	2.22	2.29
098 Edible products and preparations, n.e.s.;	1.41	1.94	2.29	2.21
893 Articles, n.e.s., of materials of division 58;	1.45	1.38	2.02	2.17
341 Gas, natural and manufactured;			2.38	1.91
058 Fruit, preserved and fruit preparations;	2.09	2.28	1.20	1.76
061 Sugar and honey;			1.53	1.62
112 Alcoholic beverages;	1.97	2.80	2.34	1.60
034 Fish, fresh (live or dead), chilled, dried or frozen;			0.89	1.40
673 Iron and steel bars, rods, angles, shapes, sections;	1.85	3.09	1.77	1.26
046 Meal and flour of wheat and flour of meslin;	1.43	1.26	1.32	1.25
635 Wood manufactures, n.e.s.;			1.06	1.16
583 Polymerization and copolymerization products;			0.27	1.09
533 Pigments, paints, varnishes and related materials;	1.35	1.49	1.51	1.07
553 Perfumery, cosmetic and toilet preparations;	2.29	2.33	1.58	1.07
892 Printed matter;	0.51	0.92	1.04	1.03
821 Furniture and parts thereof;	1.60	1.12	1.01	1.00
591 Disinfectants, insecticides, fungicides, etc.;	1.18	1.03	1.16	0.92
691 Structures and parts of structures, n.e.s.;	0.98	0.84	1.04	0.82
081 Feeding stuff for animals (excl. unmilled cereals);	0.72	0.98	0.88	0.82
781 Passenger motor cars (excl. public service type);			0.14	0.80
091 Margarine and shortening;			1.01	0.75
634 Veneers, plywood, reconstituted wood, etc.;			0.61	0.73
248 Wood, simply worked and railway sleepers;			0.62	0.71
073 Chocolate, other food preparations containing cocoa, n.e.s.;	0.36	0.95		
424 Other fixed vegetable oils, fluid or solid, crude, etc.;	0.92	1.18		
541 Medicinal and pharmaceutical products;	1.13	1.54		
562 Fertilizers, manufactured;	0.04	0.81		
625 Rubber tyres, tyre cases, tubes, treads, etc.;	0.10	1.13		
665 Glassware;	0.63	1.17		
674 Universals, plates and sheets, of iron or steel;	2.24	1.10		
692 Metal containers for storage and transport;	0.34	1.15		
775 Other household type, electrical and non-elec. eqpt.;	1.22	1.29		

Source: CAN (2002)

Table 29
Trade balance of Caribbean Countries with Mercosur, 1995- 2001

Country	1995	1996	1997	1998	1999	2000	2001
Anguilla	-	(\$1,180,009)	-	(\$155,030)	(\$293,354)	(\$93,964)	(\$4,984,864)
Antigua And Barbuda	-	-	-	-	(\$1,065,451)	-	-
Aruba	(\$638,987)	(\$1,661,680)	(\$387,258)	(\$1,158,960)	(\$2,198,472)	(\$6,664,667)	(\$1,391,176)
Barbados	(\$39,523,292)	(\$692,160)	(\$10,976,018)	(\$313,203)	(\$907,998)	(\$34,631,352)	(\$4,131,581)
Belize	(\$14,096,738)	(\$6,283,212)	(\$8,023,423)	(\$7,525,733)	(\$5,538,536)	(\$921,064)	(\$877,266)
British Virgin Islands	-	(\$308,495)	-	(\$280,366)	-	-	-
Netherlands Antilles	-	-	-	(\$4,589,856)	(\$32,907,627)	(\$17,838,702)	(\$40,625,211)
Dominica	(\$113,468)	(\$50,293)	(\$1,150,531)	(\$123,434)	(\$4,313,836)	(\$995,145)	(\$3,512,346)
Grenada	(\$2,691,634)	\$308,678	(\$315,014)	(\$688,994)	(\$3,174,947)	(\$7,446,828)	(\$5,810,953)
Guyana	-	-	(\$7,981,840)	(\$2,566,650)	(\$61,384,427)	(\$719,085)	(\$28,049,595)
Jamaica	(\$29,979,176)	(\$22,713,869)	(\$32,928,588)	(\$7,002,924)	(\$14,126,560)	(\$2,827,280)	(\$43,215,815)
Montserrat	-	-	-	-	(\$96,117)	-	(\$64,659)
St. Lucia	(\$15,945,806)	(\$10,963,419)	(\$4,606,700)	(\$2,950,197)	(\$8,101,838)	(\$1,140,373)	(\$3,248,719)
St. Kitts/Nevis	-	-	-	(\$104,763,201)	(\$9,934,342)	(\$13,759,130)	(\$40,818,199)
St. Vincent And The Grenadines	(\$28,961,456)	(\$12,275,294)	(\$7,194,766)	(\$27,810,921)	(\$1,730,422,883)	(\$16,982,759)	(\$6,171,590)
Trinidad And Tobago	(\$11,684,411)	(\$1,316,122)	(\$8,292,353)	(\$38,722,071)	\$14,857,326	\$23,051,636	(\$197,511,358)

Source: Caribbean Trade Data Base. Caribtrade. ECLAC (2003)

Table 30
Caribbean Countries balance of trade with the Andean Community, 1995-2001

Country	1995	1996	1997	1998	1999	2000	2001
Anguilla	-	(\$3,000,694)	-	(\$1,563,356)	(\$591,792)	(\$1,864,382)	(\$2,575,601)
Antigua And Barbuda	-	-	-	-	(\$15,198,260)	-	-
Aruba	\$4,411,077	(\$31,160,608)	\$32,871,744	(\$46,589,105)	(\$1,311,797)	\$10,685,836	(\$5,199,670)
Barbados	(\$4,169,607)	(\$60,391,416)	(\$34,516,670)	(\$5,199,839)	(\$10,374,654)	(\$68,914,190)	(\$99,320,021)
Belize	(\$2,355,191)	(\$750,794)	(\$4,672,088)	(\$2,651,806)	(\$1,499,622)	(\$21,671,399)	(\$7,389,201)
British Virgin Islands	-	(\$206,316)	(\$1,796,746)	(\$345,445)	-	-	-
Netherlands Antilles	-	-	-	\$3,315,593	(\$4,561,402)	(\$12,889,481)	(\$26,846,464)
Dominica	(\$2,488,765)	(\$2,309,458)	(\$217,546)	(\$2,217,338)	(\$606,885)	(\$3,447,365)	(\$503,343)
Grenada	(\$2,880,590)	(\$4,109,983)	(\$10,787,937)	(\$114,823,335)	(\$6,082,630)	(\$21,115,859)	(\$1,003,490)
Guyana	-	-	(\$54,229,055)	(\$164,471,825)	(\$7,850,840)	(\$82,750,254)	(\$15,559,912)
Jamaica	(\$54,072,222)	(\$106,807,309)	(\$84,831,921)	(\$35,620,637)	(\$36,484,208)	(\$117,437,258)	(\$72,082,654)
Montserrat	-	-	-	-	(\$23,448)	-	(\$200,989)
St. Lucia	(\$2,960,323)	(\$860,721)	(\$1,555,268)	(\$7,779,384)	(\$1,463,504)	(\$307,099)	(\$4,360,011)
St. Kitts/Nevis	-	-	-	\$25,982,014	(\$8,773,356)	(\$1,883,370)	(\$24,430,993)
St. Vincent And The Grenadines	(\$9,284,255)	(\$22,089,770)	(\$2,750,177)	(\$11,724,509)	(\$19,332,091)	(\$13,973,239)	(\$198,380,998)
Trinidad And Tobago	\$6,789,310	(\$20,996,682)	(\$7,866,449)	(\$17,131,623)	\$25,210,798	\$33,852,267	(\$65,983,310)

Source: Caribbean Trade Data Base. Caribtrade. ECLAC (2003)

Table 31
Caribbean Country Balance of Trade with Central America (including Panama)

Country	1995	1996	1997	1998	1999	2000	2001
Anguilla	-	(\$1,931,413)	-	(\$4,556,279)	(\$174,332)	(\$1,572,842)	(\$4,579,089)
Antigua And Barbuda	-	-	-	-	(\$990,483)	-	-
Aruba	(\$2,340,971)	(\$830,102)	\$5,878,649	(\$3,266,684)	(\$7,225,560)	\$5,952,919	(\$1,428,586)
Barbados	(\$720,324)	(\$2,796,511)	(\$70,152,843)	(\$236,325)	(\$49,202,440)	(\$48,884,850)	(\$55,616,535)
Belize	(\$159,579,807)	(\$163,799,164)	(\$17,854,948)	(\$4,852,999)	(\$29,323,692)	(\$23,872,289)	(\$12,259,653)
British Virgin Islands	-	(\$438,247)	(\$134,212,571)	(\$24,538,039)	-	-	-
Netherlands Antilles	-	-	-	(\$3,408,713)	\$319,931	\$149,065	(\$10,116,040)
Dominica	(\$117,336)	(\$4,567,141)	(\$15,142,331)	(\$8,987,590)	(\$1,552,011)	(\$332,458)	(\$3,407,208)
Grenada	(\$842,199)	(\$20,674,136)	(\$1,927,389)	(\$3,318,882)	(\$9,465,292)	(\$86,185,519)	(\$71,091,985)
Guyana	-	-	(\$6,804,031)	(\$55,798,980)	\$5,994,679	(\$173,950,332)	(\$8,177,044)
Jamaica	(\$82,538,046)	(\$596,717,694)	(\$365,427,248)	(\$595,266,230)	(\$135,108,450)	(\$72,124,122)	(\$172,511,399)
Montserrat	-	-	-	-	(\$113,066)	-	(\$129,036)
St. Lucia	(\$11,824,504)	(\$2,216,312)	(\$3,082,557)	(\$3,104,768)	(\$5,053,858)	(\$1,927,344)	(\$6,172,365)
St. Kitts/Nevis	-	-	-	(\$15,972,539)	(\$117,664,268)	(\$14,263,772)	(\$155,905,382)
St. Vincent And The Grenadines	(\$4,787,447)	(\$15,927,448)	(\$103,473,880)	(\$17,788,258)	(\$63,089,970)	(\$577,595,165)	(\$385,676,781)
Trinidad And Tobago	(\$4,496,164)	(\$1,428,168)	\$25,138,037	(\$60,935,370)	\$16,097,985	\$46,013,037	(\$156,191,089)

Source: Caribbean Trade Data Base. Caribtrade. ECLAC (2003)

Table 32
Caribbean Countries' Balance of Trade with Mexico, 1995 – 2001

Country	1995	1996	1997	1998	1999	2000	2001
Anguilla	-	(\$126,208)	-	(\$3,662,069)	(\$173,100)	(\$581,730)	(\$2,383,268)
Antigua And Barbuda	-	-	-	-	(\$1,301,039)	-	-
Aruba	(\$23,329)	(\$18,139)	\$2,391,921	(\$1,217,672)	(\$1,386,585)	(\$4,723,864)	(\$158,694)
Barbados	(\$5,536,270)	\$1,781,623	(\$788,356)	(\$6,910,181)	(\$12,338,849)	(\$3,222,969)	(\$8,243,217)
Belize	(\$13,104,640)	(\$5,606,929)	(\$61,082,995)	\$1,521,285	(\$5,204,167)	(\$2,128,443)	(\$27,363,700)
Netherlands Antilles	-	-	-	\$6,511,775	(\$185,690)	(\$626,837)	(\$2,687,687)
Dominica	(\$749,768)	(\$148,105)	(\$8,079,361)	(\$1,719,725)	(\$488,467)	(\$75,713)	\$1,765,147
Grenada	(\$148,379)	(\$1,086,994)	(\$3,489,066)	(\$935,183)	(\$10,339,377)	(\$8,416,103)	(\$27,734,416)
Guyana	-	-	(\$656,718)	(\$831,001)	(\$4,150,615)	(\$9,230,672)	(\$11,506,675)
Jamaica	(\$463,068,552)	(\$239,473,176)	(\$289,722,758)	(\$280,214,841)	(\$19,243,105)	(\$3,750,926)	(\$20,222,800)
Montserrat	-	-	-	-	(\$948,575)	-	(\$633,203)
St. Lucia	(\$165,912)	(\$310,357)	(\$43,047,216)	(\$3,046,017)	(\$22,576,082)	(\$185,376)	(\$35,448,887)
St. Kitts/Nevis	-	-	-	(\$11,706,983)	(\$1,255,898)	(\$6,548,608)	(\$99,885,241)
St. Vincent And The Grenadines	(\$25,140,803)	(\$2,508,009)	(\$2,813,562)	(\$3,569,632)	(\$262,547,972)	(\$112,433,294)	(\$42,149,927)
Trinidad And Tobago	(\$603,826)	(\$2,108,839)	\$15,801,121	(\$156,131,002)	(\$19,208,061)	(\$13,965,977)	(\$7,190,138)

Source: Caribbean Trade Data Base. Caribtrade. ECLAC (2003)

Table 33
Caribbean Country Balance of Trade with The United States, 1995- 2001

Country	1995	1996	1997	1998	1999	2000	2001
Anguilla	-	(\$15,483,684)	-	(\$263,478)	(\$42,047,905)	(\$31,172,180)	(\$3,797,559)
Antigua And Barbuda	-	-	-	-	(\$154,997,515)	-	-
Aruba	(\$37,253,541)	(\$17,113,102)	\$26,219,786	(\$697,328)	\$3,944,405	(\$396,120)	\$9,723,857
Barbados	\$15,648,538	(\$7,009,045)	(\$10,894,513)	\$37,926,663	\$5,028,635	(\$13,341,351)	(\$29,083,264)
Belize	(\$164,548,134)	(\$28,393,893)	\$4,364,487	\$11,117,589	(\$13,008,071)	(\$8,745,795)	(\$2,014,346)
British Virgin Islands	-	(\$259,481,798)	(\$14,185,093)	(\$146,248,583)	-	-	-
Netherlands Antilles	-	-	-	(\$13,438,098)	\$55,271,326	\$7,286,749	(\$10,420,313)
Dominica	(\$2,382,990)	(\$2,300,336)	(\$2,885,234)	(\$9,974,421)	\$7,253,149	(\$6,813,183)	(\$53,031,476)
Grenada	\$2,307,434	(\$10,506,989)	(\$3,266,035)	(\$146,325,359)	(\$6,303,397)	(\$227,749,950)	(\$107,577,812)
Guyana	-	-	(\$28,492,452)	(\$20,177,159)	(\$25,738,131)	(\$28,896,199)	(\$217,038,347)
Jamaica	(\$156,762,886)	(\$25,129,010)	(\$20,237,640)	(\$2,211,105)	\$32,108,242	(\$19,695,088)	(\$8,670,448)
	-	-	-	-	(\$1,302,876)	-	(\$625,659)
St. Lucia	\$17,571,514	(\$42,170,400)	(\$21,127,080)	(\$3,720,293)	(\$327,136)	(\$17,824,865)	(\$12,027,690)
St. Kitts/Nevis	-	-	-	\$151,585,805	(\$59,090,014)	(\$35,095,598)	(\$106,412,675)
St. Vincent And The Grenadines	(\$190,810,788)	\$187,584,137	(\$16,837,129)	\$29,596,197	(\$125,358,974)	(\$158,271,948)	(\$1,644,914,672)
Trinidad And Tobago	(\$13,617,951)	(\$13,863,209)	(\$4,040,437)	(\$87,643,853)	\$115,941,392	(\$255,114,359)	(\$136,613,852)

Source: Caribbean Trade Data Base. Caribtrade. ECLAC (2003)

Table 34
Caribbean Country's Balance of Trade with Canada, 1995 – 2001

Country	1995	1996	1997	1998	1999	2000	2001
Anguilla	-	(\$38,250,526)	-	(\$12,123,294)	(\$1,732,177)	(\$1,199,020)	(\$32,296,793)
Antigua And Barbuda	-	-	-	-	(\$9,155,959)	-	-
Aruba	(\$230,753)	(\$83,226)	(\$3,229,078)	(\$1,145,334)	(\$2,161,744)	(\$4,716,154)	(\$53,600)
Barbados	(\$73,461)	(\$7,242,462)	(\$9,941,553)	(\$5,169,639)	(\$10,350,595)	(\$30,842,061)	(\$4,779,122)
Belize	(\$11,402,239)	(\$4,860,458)	(\$23,661,906)	(\$5,042,338)	(\$22,095,216)	(\$16,846,026)	(\$1,235,598)
British Virgin Islands	-	(\$853,909)	(\$5,751,744)	(\$346,950)	-	-	-
Netherlands Antilles	-	-	-	\$10,778,636	(\$1,758,790)	(\$1,548,918)	(\$56,003,124)
Dominica	(\$14,549,204)	(\$7,552,332)	(\$488,141)	(\$632,455)	(\$13,808,602)	(\$9,033,173)	(\$4,454,097)
Grenada	(\$1,451,966)	(\$15,838,386)	(\$28,730,057)	(\$3,311,538)	(\$5,315,083)	\$4,417,032	(\$22,377,050)
Guyana	-	-	(\$30,616,127)	\$593,546	(\$8,553,140)	(\$11,062,994)	(\$15,593,141)
Jamaica	(\$10,401,291)	(\$68,198,386)	\$126,380,680	(\$31,054,675)	\$245,393,695	(\$1,214,533)	(\$3,196,405)
Montserrat	-	-	-	-	(\$5,798,694)	-	(\$4,838,708)
St. Lucia	\$59,320,199	(\$50,786,524)	(\$6,569,979)	(\$7,010,635)	(\$16,300,462)	(\$1,118,474)	(\$3,172,205)
St. Kitts/Nevis	-	-	-	(\$75,630,153)	(\$99,466,919)	(\$31,650,168)	(\$25,726,821)
St. Vincent And The Grenadines	(\$297,128,028)	(\$196,999)	(\$124,218,746)	(\$40,230,608)	(\$237,425,831)	(\$21,861,282)	\$27,398,645
Trinidad And Tobago	\$25,120,796	(\$1,477,257)	(\$17,956,298)	\$23,764,845	(\$186,427,158)	(\$63,223,869)	(\$79,049,852)

Source: Caribbean Trade Data Base. Caribtrade. ECLAC (2003)

Table 35
Caribbean's export market share to Mercosur, 1995-2001

	1995	1996	1997	1998	1999	2000	2001
Anguilla	-	0.16%	-	0.00%	0.00%	0.00%	0.00%
Antigua And Barbuda	-	-	-	-	0.00%	-	-
Aruba	0.87%	0.00%	0.59%	0.04%	0.05%	5.86%	0.00%
Barbados	0.05%	0.06%	0.17%	0.96%	2.02%	0.04%	0.94%
Belize	0.00%	0.00%	0.00%	0.00%	0.00%	1.39%	1.03%
Netherlands Antilles	-	-	-	1.33%	3.31%	0.23%	0.25%
Dominica	0.00%	0.00%	0.00%	0.00%	0.00%	0.51%	0.00%
Grenada	0.10%	1.38%	0.13%	0.00%	4.50%	0.01%	0.79%
Guyana	-	-	0.01%	0.00%	0.00%	0.16%	0.00%
Jamaica	0.03%	0.00%	0.00%	0.05%	0.00%	0.02%	0.00%
Montserrat	-	-	-	-	0.00%	-	0.00%
St. Lucia	0.23%	0.00%	0.10%	0.02%	0.00%	0.31%	0.01%
St. Kitts/Nevis	-	-	-	0.00%	0.01%	0.00%	0.00%
St. Vincent And The Grenadines	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Trinidad And Tobago	0.13%	0.60%	0.26%	0.37%	1.87%	1.23%	0.62

Source: Caribbean Trade Data Base. Caribtrade. ECLAC (2003)

Table 36
Caribbean's export market share to the Andean Community, 1995-2001

	1995	1996	1997	1998	1999	2000	2001
Anguilla	-	0.00%	-	0.00%	0.00%	0.00%	0.00%
Antigua And Barbuda	-	-	-	-	0.03%	-	-
Aruba	28.33%	2.44%	19.70%	25.75%	8.73%	59.05%	33.29%
Barbados	2.39%	0.30%	0.19%	0.01%	0.13%	0.42%	0.25%
Belize	0.07%	0.00%	0.01%	0.67%	0.00%	2.19%	2.33%
Netherlands Antilles	-	-	-	2.58%	1.20%	5.97%	4.91%
Dominica	0.20%	0.00%	0.00%	0.29%	0.34%	0.70%	0.01%
Grenada	0.00%	0.31%	0.00%	0.02%	3.92%	0.27%	6.73%
Guyana	-	-	0.95%	4.59%	0.45%	0.40%	0.66%
Jamaica	1.26%	1.10%	0.10%	0.04%	0.12%	0.09%	0.17%
Montserrat	-	-	-	-	0.00%	-	0.00%
St. Lucia	0.46%	0.29%	0.33%	0.60%	1.66%	1.62%	0.35%
St. Kitts/Nevis	-	-	-	8.29%	0.00%	0.00%	0.00%
St. Vincent And The Grenadines	0.01%	0.00%	0.15%	0.01%	0.00%	0.07%	0.01%
Trinidad And Tobago	3.25%	9.55%	1.97%	1.08%	4.72%	1.78%	1.97

Source: Caribbean Trade Data Base. Caribtrade. ECLAC (2003)

Table 37
Caribbean's export market share to Central America, 1995-2001

	1995	1996	1997	1998	1999	2000	2001
Anguilla	-	0.00%	-	0.00%	0.00%	0.00%	0.00%
Antigua And Barbuda	-	-	-	-	0.20%	-	-
Aruba	2.19%	0.13%	3.67%	6.43%	0.07%	26.74%	8.56%
Barbados	0.63%	1.39%	1.55%	2.07%	3.27%	1.12%	8.67%
Belize	1.26%	0.17%	18.41%	16.64%	11.56%	21.89%	11.68%
Netherlands Antilles	-	-	-	2.87%	3.55%	5.31%	6.46%
Dominica	1.48%	0.06%	0.52%	0.11%	0.83%	1.91%	0.04%
Grenada	0.00%	0.00%	0.02%	0.03%	0.02%	0.00%	0.66%
Guyana	-	-	0.15%	0.15%	1.76%	0.60%	0.89%
Jamaica	6.32%	1.57%	25.44%	1.31%	2.93%	1.44%	2.04%
Montserrat	-	-	-	-	0.00%	-	0.00%
St. Lucia	0.41%	0.85%	0.35%	0.13%	1.55%	0.39%	0.42%
St. Kitts/Nevis	-	-	-	0.00%	1.34%	0.00%	0.03%
St. Vincent And The Grenadines	0.00%	0.00%	0.00%	0.03%	0.01%	0.03%	0.00%
Trinidad And Tobago	0.91%	1.68%	8.34%	2.49%	2.85%	1.75%	1.11%

Source: Caribbean Trade Data Base. Caribtrade. ECLAC (2003)

Table 38
Caribbean's export market share to the United States, 1995-2001

	1995	1996	1997	1998	1999	2000	2001
Anguilla	-	10.49%	-	30.30%	5.17%	67.14%	25.37%
Antigua And Barbuda	-	-	-	-	17.65%	-	-
Aruba	5.44%	5.89%	15.46%	5.67%	16.71%	2.06%	31.52%
Barbados	13.19%	5.57%	1.71%	19.44%	5.23%	5.28%	0.76%
Belize	22.15%	30.63%	54.95%	32.15%	8.54%	18.07%	29.44%
Netherlands Antilles	-	-	-	0.69%	30.82%	16.89%	0.14%
Dominica	9.95%	5.19%	2.60%	1.65%	44.04%	19.96%	14.74%
Grenada	13.58%	0.32%	16.39%	15.22%	8.96%	5.10%	12.71%
Guyana	-	-	21.56%	3.30%	1.70%	0.76%	18.42%
Jamaica	5.14%	3.99%	1.53%	1.03%	4.10%	1.05%	1.34%
Montserrat	-	-	-	-	29.31%	-	9.58%
St. Lucia	3.87%	4.93%	2.92%	2.44%	22.50%	24.12%	7.46%
St. Kitts/Nevis	-	-	-	48.61%	7.59%	23.62%	4.73%
St. Vincent And The Grenadines	4.00%	18.04%	6.59%	23.27%	26.24%	43.99%	1.85%
Trinidad And Tobago	1.40%	6.31%	2.00%	0.87%	7.12%	0.68%	0.32%

Source: Caribbean Trade Data Base, Caribtrade. ECLAC (2003)

Table 39
Caribbean's export market share to Canada, 1995-2001

	1995	1996	1997	1998	1999	2000	2001
Anguilla	-	0.00%	-	0.00%	1.79%	0.11%	0.00%
Antigua And Barbuda	-	-	-	-	1.18%	-	-
Aruba	0.00%	0.00%	0.03%	1.11%	0.74%	0.00%	0.00%
Barbados	1.09%	0.87%	2.02%	1.27%	2.81%	4.07%	1.21%
Belize	54.19%	12.42%	0.70%	0.11%	2.28%	0.34%	2.19%
Netherlands Antilles	-	-	-	7.12%	0.01%	0.46%	0.65%
Dominica	1.56%	33.22%	1.23%	0.65%	1.26%	2.37%	0.16%
Grenada	4.48%	6.27%	0.13%	0.08%	1.99%	7.47%	1.90%
Guyana	-	-	2.64%	3.75%	0.74%	0.58%	1.13%
Jamaica	1.55%	0.71%	15.34%	0.10%	29.31%	2.47%	0.86%
Montserrat	-	-	-	-	0.01%	-	0.17%
St. Lucia	16.17%	0.15%	0.30%	0.46%	0.26%	1.29%	3.78%
St. Kitts/Nevis	-	-	-	0.04%	1.15%	0.54%	0.82%
St. Vincent And The Grenadines	0.08%	0.43%	2.92%	0.12%	0.02%	0.53%	21.20%
Trinidad And Tobago	10.74%	0.29%	2.12%	10.37%	0.21%	0.76%	0.49%

Source: Caribbean Trade Data Base. Caribtrade. ECLAC (2003)

Table 40
Caribbean's export market share to Mexico, 1995-2001

	1995	1996	1997	1998	1999	2000	2001
Anguilla	-	0.00%	-	0.00%	0.00%	0.00%	0.00%
Antigua And Barbuda	-	-	-	-	0.03%	-	-
Aruba	0.00%	0.00%	1.48%	0.00%	0.00%	0.00%	0.00%
Barbados	0.02%	1.70%	0.01%	0.27%	0.62%	0.33%	0.25%
Belize	9.86%	9.94%	2.01%	9.15%	2.92%	1.77%	17.98%
Netherlands Antilles	-	-	-	4.67%	0.32%	0.06%	0.05%
Dominica	0.00%	0.00%	0.00%	0.13%	0.00%	0.03%	4.55%
Grenada	0.00%	0.00%	0.55%	0.11%	0.00%	0.11%	0.00%
Guyana	-	-	0.00%	0.01%	0.00%	0.03%	0.00%
Jamaica	0.32%	0.06%	0.12%	2.48%	0.02%	1.37%	0.03%
Montserrat	-	-	-	-	0.00%	-	0.00%
St. Lucia	0.00%	0.00%	0.01%	0.00%	0.02%	0.00%	0.00%
St. Kitts/Nevis	-	-	-	0.11%	0.00%	0.00%	0.03%
St. Vincent And The Grenadines	0.00%	0.00%	0.00%	0.04%	0.00%	0.00%	0.00%
Trinidad And Tobago	0.68%	0.06%	5.78%	0.89%	0.13%	0.05%	0.15

Source: Caribbean Trade Data Base. Caribtrade. ECLAC (2003)

Table 41
Caribbean's import market share to Mercosur, 1995-2001

	1995	1996	1997	1998	1999	2000	2001
Anguilla	-	0.57%	-	0.11%	0.07%	0.07%	2.53%
Antigua And Barbuda	-	-	-	-	0.33%	-	-
Aruba	1.21%	1.59%	1.30%	1.37%	2.21%	10.26%	0.99%
Barbados	6.55%	0.12%	1.47%	0.30%	0.47%	3.75%	0.56%
Belize	2.09%	1.34%	2.59%	5.93%	4.21%	0.62%	0.56%
British Virgin Islands	-	0.07%	0.00%	0.05%	-	-	-
Netherlands Antilles	-	-	-	5.21%	21.81%	6.72%	11.82%
Dominica	0.07%	0.03%	0.69%	0.09%	2.74%	0.68%	1.61%
Grenada	3.68%	0.28%	0.12%	0.14%	1.05%	0.97%	0.84%
Guyana	-	-	0.85%	0.40%	8.59%	0.17%	0.96%
Jamaica	1.04%	0.91%	1.30%	0.26%	0.47%	0.22%	2.71%
Montserrat	-	-	-	-	0.16%	-	0.25%
St. Lucia	0.95%	4.07%	1.79%	1.48%	4.88%	0.59%	0.90%
St. Kitts/Nevis	-	-	-	11.12%	0.78%	0.76%	1.94%
St. Vincent And The Grenadines	1.98%	1.49%	0.29%	1.79%	52.94%	0.64%	0.15%
Trinidad And Tobago	3.31%	0.93%	3.13%	1.43%	1.03%	0.78%	5.98%

Table 42
Caribbean's import market share to the Andean Community, 1995-2001

	1995	1996	1997	1998	1999	2000	2001
Anguilla	-	1.44%	-	1.10%	0.15%	1.31%	1.31%
Antigua And Barbuda	-	-	-	-	4.70%	-	-
Aruba	5.55%	30.04%	0.58%	55.71%	3.65%	6.72%	13.86%
Barbados	1.61%	9.03%	4.54%	0.71%	1.30%	7.51%	8.88%
Belize	0.35%	0.16%	1.51%	2.41%	1.14%	13.70%	4.58%
British Virgin Islands	-	0.05%	0.28%	0.06%	-	-	-
Netherlands Antilles	-	-	-	1.32%	3.81%	6.30%	8.64%
Dominica	1.62%	1.60%	0.13%	1.59%	0.44%	1.98%	0.23%
Grenada	3.90%	2.64%	3.83%	23.80%	1.40%	2.81%	0.37%
Guyana	-	-	5.88%	26.55%	1.60%	4.98%	0.63%
Jamaica	1.99%	4.47%	3.39%	1.26%	1.25%	9.30%	4.57%
Montserrat	-	-	-	-	0.04%	-	0.79%
St. Lucia	0.31%	0.34%	0.64%	3.96%	1.03%	0.55%	1.24%
St. Kitts/Nevis	-	-	-	0.46%	0.69%	0.10%	1.16%
St. Vincent And The Grenadines	0.64%	2.67%	0.12%	0.76%	0.59%	0.53%	4.84%
Trinidad And Tobago	1.10%	14.75%	5.00%	0.72%	3.04%	1.11%	3.42%

Table 43
Caribbean's import market share to the SICA, 1995-2001

	1995	1996	1997	1998	1999	2000	2001
Anguilla	-	0.93%	-	3.22%	0.04%	1.11%	2.32%
Antigua And Barbuda	-	-	-	-	0.32%	-	-
Aruba	4.05%	0.80%	0.34%	4.00%	7.24%	1.66%	3.63%
Barbados	0.37%	0.73%	9.47%	0.59%	6.64%	5.41%	6.71%
Belize	23.69%	35.00%	6.43%	11.84%	23.46%	15.71%	7.76%
British Virgin Islands	-	0.10%	21.00%	4.01%	-	-	-
Netherlands Antilles	-	-	-	6.56%	3.61%	1.26%	4.06%
Dominica	0.25%	3.18%	9.17%	6.32%	1.13%	0.82%	1.57%
Grenada	1.14%	12.73%	0.69%	0.69%	1.39%	11.23%	9.96%
Guyana	-	-	0.74%	8.73%	1.12%	10.25%	0.41%
Jamaica	3.48%	24.10%	24.66%	21.24%	5.42%	5.73%	11.40%
Montserrat	-	-	-	-	0.18%	-	0.50%
St. Lucia	0.78%	0.88%	1.24%	1.57%	3.18%	0.96%	1.75%
St. Kitts/Nevis	-	-	-	1.70%	9.27%	0.79%	7.40%
St. Vincent And The Grenadines	0.33%	1.93%	4.11%	1.15%	1.93%	21.64%	9.41%
Trinidad And Tobago	2.05%	1.79%	1.24%	2.43%	1.80%	0.71%	5.22

Table 44
Caribbean's import market share to Canada, 1995-2001

	1995	1996	1997	1998	1999	2000	2001
Anguilla	-	18.33%	-	8.56%	0.62%	0.85%	16.37%
Antigua And Barbuda	-	-	-	-	2.89%	-	-
Aruba	0.31%	0.08%	3.08%	1.38%	2.36%	5.86%	0.04%
Barbados	0.43%	1.27%	1.72%	1.05%	1.78%	3.78%	0.67%
Belize	2.61%	1.27%	7.67%	4.02%	17.02%	10.61%	0.80%
British Virgin Islands	-	0.20%	0.90%	0.06%	-	-	-
Netherlands Antilles	-	-	-	2.47%	0.99%	0.69%	16.35%
Dominica	9.54%	9.22%	0.42%	0.52%	8.99%	5.36%	2.07%
Grenada	3.62%	11.90%	10.21%	0.69%	1.04%	1.01%	3.19%
Guyana	-	-	3.50%	0.65%	2.02%	1.10%	0.70%
Jamaica	0.52%	2.86%	1.18%	1.12%	0.93%	0.14%	0.44%
Montserrat	-	-	-	-	9.47%	-	19.06%
St. Lucia	1.87%	18.87%	2.57%	3.56%	9.85%	0.83%	1.29%
St. Kitts/Nevis	-	-	-	8.05%	7.84%	1.78%	1.40%
St. Vincent And The Grenadines	20.36%	0.79%	5.08%	2.61%	7.27%	0.87%	1.07%
Trinidad And Tobago	2.89%	0.74%	8.60%	0.13%	6.97%	2.77%	2.58%

Table 45
Caribbean's import market share to the United States, 1995-2001

	1995	1996	1997	1998	1999	2000	2001
Anguilla	-	7.75%	-	2.48%	11.19%	23.64%	5.71%
Antigua And Barbuda	-	-	-	-	48.77%	-	-
Aruba	52.48%	16.77%	0.06%	0.94%	0.54%	1.19%	2.71%
Barbados	2.53%	2.32%	1.78%	0.13%	0.32%	2.01%	2.74%
Belize	24.78%	6.63%	0.57%	6.75%	10.76%	6.07%	1.88%
British Virgin Islands	-	61.79%	2.22%	23.89%	-	-	-
Netherlands Antilles	-	-	-	10.65%	2.15%	1.48%	3.04%
Dominica	2.72%	2.22%	2.00%	7.20%	3.09%	10.28%	27.33%
Grenada	1.89%	6.58%	2.34%	30.64%	2.09%	30.75%	15.47%
Guyana	-	-	4.95%	3.80%	5.49%	2.24%	10.08%
Jamaica	5.92%	1.78%	1.41%	0.36%	0.20%	1.58%	0.92%
Montserrat	-	-	-	-	6.20%	-	10.43%
St. Lucia	0.26%	16.01%	8.53%	2.13%	2.15%	14.12%	4.14%
St. Kitts/Nevis	-	-	-	2.76%	5.00%	3.16%	6.11%
St. Vincent And The Grenadines	13.50%	9.84%	0.98%	2.93%	7.31%	9.85%	40.30%
Trinidad And Tobago	4.99%	9.75%	3.72%	3.24%	1.74%	8.35%	4.05%

Table 46
Caribbean's import market share to Mexico, 1995-2001

	1995	1996	1997	1998	1999	2000	2001
Anguilla	-	0.06%	-	2.59%	0.04%	0.41%	1.21%
Antigua And Barbuda	-	-	-	-	0.40%	-	-
Aruba	0.03%	0.02%	0.11%	1.44%	1.39%	5.87%	0.11%
Barbados	0.92%	0.12%	0.10%	1.01%	1.63%	0.38%	0.78%
Belize	2.11%	1.38%	19.80%	3.21%	4.25%	1.39%	17.15%
British Virgin Islands	-	0.00%	0.00%	0.00%	-	-	-
Netherlands Antilles	-	-	-	2.01%	0.44%	0.25%	0.79%
Dominica	0.48%	0.10%	4.87%	1.22%	0.31%	0.05%	0.13%
Grenada	0.20%	0.67%	1.28%	0.20%	1.52%	1.12%	3.88%
Guyana	-	-	0.07%	0.13%	0.58%	0.54%	0.39%
Jamaica	15.97%	9.56%	11.49%	10.52%	0.65%	0.32%	1.28%
Montserrat	-	-	-	-	1.55%	-	2.48%
St. Lucia	0.01%	0.12%	16.61%	1.53%	13.61%	0.08%	9.77%
St. Kitts/Nevis	-	-	-	1.28%	0.10%	0.36%	4.75%
St. Vincent And The Grenadines	1.72%	0.30%	0.11%	0.24%	8.03%	4.21%	1.03%
Trinidad And Tobago	0.78%	0.79%	1.40%	5.71%	0.81%	0.47%	0.32%

Table 47
Base agricultural tariffs in the FTAA

	Mean	Min	Max	Std
Argentina	9.89781	0	20	5.065128
Antigua	81.29688	0	220	46.30769
Bahamas	24.55954	0	210	16.51358
Belize	79.60411	0	110	41.36096
Bolivia	14.11828	0	20	6.653583
Brazil	9.89781	0	20	5.065128
Barbados	92.6109	0	236	57.70919
Canada	4.256436	0	238	13.76331
Chile	7.417375	6	98	8.248934
Colombia	16.2043	0	80	11.10916
Costa Rica	13.53189	1	151	17.0037
Dom. Republic	94.49355	0	150	52.66074
Dominica	13.13462	0	40	9.308682
Ecuador	16.2043	0	80	11.10916
Grenada	59.95103	0	200	51.80939
Guatemala	9.894614	0	40	8.109054
Guyana	77.93762	0	100	40.2295
Honduras	9.410735	0	55	7.031922
Jamaica	77.53023	0	100	41.43737
St Kitts & Nevis	83.90059	0	250	53.38885
St Lucia	91.92036	0	250	54.67113
Mexico	24.86513	0	260	39.74767
Nicaragua	9.422093	0	62	8.164047
Panama	15.63281	0	286	22.08288
Peru	14.32829	0	25	6.954073
Paraguay	9.89781	0	20	5.065128
St Vincent & Gren.	108.1845	5	250	39.06243
Suriname	18.87029	5	50	6.640523
Salvador	11.19312	0	40	9.887837
Trinidad & Tobago	92.33909	0	156	27.16302
Uruguay	9.89781	0	20	5.065128
USA	8.445646	0	350	30.18092
Venezuela	16.2043	0	80	11.10916

Source: FTAA Website (2003)

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