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## **Intra-CDCC Trade And Investment**



ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN  
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# INTRA-CDCC TRADE AND INVESTMENT

## Introduction

World trade and investment have grown substantially during the 1990s. The growth of the former has been particularly more robust, even surpassing the growth in world output. Global foreign direct investment (FDI) flows grew from US\$202.3 billion in 1990 to US\$1270 billion in 2000. This significant growth in world trade and investment has been facilitated by the implementation of economic reforms, including trade and financial liberalisation, privatisation as well as liberalisation of foreign investment regimes. As a result of these market opening opportunities as well as the desire to achieve competitiveness, transnational corporations have been increasingly shifting some operations of their production, especially labour-intensive activities to developing countries. Owing to their geographic proximity to the United States markets as well as their comparative advantage in relatively low wages, Caribbean Development and Cooperation Committee (CDCC) countries have experienced an increase in offshore assemblies, all specialising in labour-intensive activities, such as apparel, textiles and electronics. This has influenced trade and investment flows in the Caribbean.

Global CDCC export grew at on average at a rate of 5.9 per cent between 1985 and 2000. The two most important export products in 2000 were petroleum and garments, which accounted for 20 per cent and 16 per cent, respectively, of total CDCC exports. The largest CDCC exporters have been Trinidad and Tobago and the Dominican Republic. In line with the growth in trade, CDCC inward FDI has also grown considerably. Data for the CDCC countries confirm the closer relationship between trade and investment. The countries that have been the largest recipients of FDI have also, at the same time, tended to be the largest exporters, not only to extraregional markets but also intraregionally.

The share of intraregional trade as a percentage of total exports increased from 8 per cent in 1985 to 12 per cent in 2000. The increase in intraregional trade has, however, not changed the position and weight of the various CDCC countries. Intraregional trade is highly concentrated in three of the largest economies, Trinidad and Tobago, Jamaica and Barbados. At the product level, the empirical evidence indicates that the export composition has not significantly changed either. The most notable variations include the decrease in the importance of agricultural export and the increase of mineral fuels, lubricants and related matters. Also, the pattern of intraregional export specialisation tends to correspond with the import necessities of CDCC countries. When classified by natural resource and technological content, the pattern of specialisation tends to favour manufactures based on natural resources in terms of the export share and manufactures with low technological content in terms of import shares.

Similarly, intraregional investment in the Caribbean has also grown in importance in the 1990s. Although detailed analysis of intra-CDCC investment is hampered by a lack of comprehensive and comparable data, recent balance of payment statistics point to a growing phenomenon of intra-CDCC investment. Similar to intraregional trade flows, intra-Caribbean investment flows are dominated by the three of the four More Developed Countries<sup>1</sup> (MDCs). These countries, with the exception of Guyana, tend to direct substantial amounts of investment among each other, as well as to other Caribbean countries, notably the smaller Organisation of Eastern Caribbean States (OECS) countries. Not surprisingly, Trinidad and Tobago is the largest outward investor among the MDCs as well as in the whole Caribbean subregion. FDI to the services sector has increased in line with the growing importance of the services sector in the global economy. The growing importance of intraregional investment has also been reflected in the increase in the number of regional firms with cross-border operations in other CDCC countries. This has been influenced by the desire of companies to gain competitiveness in an increasingly globalised and competitive world economy.

This report analyses intraregional trade and investment for CDCC economies. The structure of the paper follows. After a brief introduction, Part I of the paper examines the evolution of intra-CDCC trade and is divided into four sections. The first section describes, albeit briefly, the evolution of global CDCC trade for the period 1985-2000. The second section analyses the evolution and performance of intra-CDCC trade. Section Three analyses the competitiveness of intra-CDCC trade, utilising the Competitive Analysis of Nations (CAN) methodology developed by the Economic Commission for Latin America and the Caribbean (ECLAC). Section Four examines whether there is a bias in trade favouring intraregional trade relative to extraregional trade. Part II of the paper looks at the evolution of intra-CDCC investment. Section One situates intraregional investment within the context of global financial developments in the 1990s. Section Two examines global investment flows to the Caribbean. Section Three analyses trends and developments in intra-CDCC investment flows and examines, first, the flows to the non-OECS countries and then to the OECS countries. Finally, Section Four presents the main conclusion of the report.

## **I. INTRA CDCC TRADE (1985-2000)**

### **1. CDCC global trade performance: A brief overview**

Between 1985 and 2000, global CDCC exports grew at an average rate of 5.9 per cent. However, the share of CDCC countries in world imports decreased from 0.43 per cent in 1985 to 0.31 per cent in 2000 (See Table 1). Only a few CDCC economies improved their standing in international trade markets. Amongst the larger economies, only the Dominican Republic increased its share, probably due to its strong economic performance during the second half of the 1990s (during 1995-2000, the Dominican Republic grew at an average rate of 7 per cent) as a result of structural change and export dynamics. With the exception of Aruba and the British Virgin Islands all the smaller economies registered declining or stagnant market shares.

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<sup>1</sup> These include Barbados, Guyana, Jamaica and Trinidad and Tobago.

**Table 1**  
**The evolution of CDCC's share in world imports (1985 – 2000)**  
**(in percentages)**

	1985	1990	1995	2000
<b>Dominican Republic</b>	<b>0.077</b>	<b>0.072</b>	<b>0.09</b>	<b>0.089</b>
Trinidad and Tobago	0.102	0.057	0.049	0.058
Jamaica	0.043	0.044	0.041	0.029
Netherlands Antilles	0	0.04	0.032	0.028
<b>Aruba</b>	<b>0</b>	<b>0.007</b>	<b>0.016</b>	<b>0.026</b>
Cuba	0.037	0.039	0.024	0.016
Bahamas	0.067	0.035	0.017	0.014
Guyana	0.015	0.01	0.012	0.01
Suriname	0.021	0.017	0.011	0.01
Haiti	0.029	0.014	0.004	0.006
Belize	0.006	0.005	0.006	0.006
Barbados	0.016	0.005	0.005	0.004
<b>British Virgin Islands</b>	<b>0</b>	<b>0.002</b>	<b>0.003</b>	<b>0.004</b>
Antigua and Barbuda	0	0.002	0.002	0.002
Dominica	0.003	0.004	0.003	0.002
Saint Lucia	0.004	0.005	0.003	0.002
Saint Vincent and the Grenadines	0.003	0.004	0.003	0.002
Grenada	0.001	0.001	0.001	0.001
Saint Kitts and Nevis	0.007	0.001	0.001	0.001
Montserrat	0.001	0	0.001	0
Anguilla	0	0.001	0	0
<b>Total</b>	<b>0.43</b>	<b>0.37</b>	<b>0.32</b>	<b>0.31</b>
Note: The data are presented in decreasing order for 2000. Source: CAN (2001)				

The most important CDCC export products in 2000 were petroleum products (20 per cent), garments (16 per cent), ores and concentrates of base metals (6 per cent), sugar and honey (4 per cent), alcoholic beverages (2 per cent), inorganic chemicals (2 per cent), medical instruments (2 per cent), manufactured tobacco (2 per cent), and crustaceans and molluscs (2 per cent). The composition of exports reflects the importance of Trinidad and Tobago, the main petroleum and chemical product exporter in the region, and in the case of some countries (notably the Dominican Republic) the success of policies oriented to the development of free trade zones as shown by the significant improvement in the ranking of garment and apparel exports between 1985 and 2000 (See Table 2).

**Table 2**  
**Composition of CDCC global exports 1985 and 2000 (as percentage of the total)**

Product	1985	Product	2000
Petroleum products, refined	16.661	Petroleum products, refined	19.891
Ores and concentrates of base metals n.e.s.	9.434	Under garments, knitted or crocheted	6.527
Sugar and honey	9.428	Ores and concentrates of base metals n.e.s.	6.056
Coffee and coffee substitutes	3.037	Outer garments, men's and boys' of textile fabrics	5.196
Fruit and nuts (not oil nuts) fresh or dried	2.714	Sugar and honey	3.466
Crustaceans and molluscs, whether in shell or not	2.153	Outer garments, other articles, knitted/crocheted	2.973
Inorganic chemical elements, oxides and halogen salts	2.141	Outer garments, women's, and girls' of textile fab.	2.605
Under garments, knitted or crocheted	1.968	Alcoholic beverages	2.282
Gold, non-monetary	1.737	Inorganic chemical elements, oxides and halogen salts	2.149
Outer garments, women's, and girls' of textile fab.	1.729	Medical instruments and appliances, n.e.s.	2.143
Pig iron, spiegeleisen, sponge iron, ferro-alloys	1.671	Tobacco, manufactured	2.059
Outer garments, men's and boys' of textile fabrics	1.55	Crustaceans and molluscs, whether in shell or not	2.014
Cocoa	1.422	Fruit and nuts (not oil nuts) fresh or dried	1.978
Alcoholic beverages	1.326	Alcohols, phenols, phenol-alcohols and their derivatives	1.658
Tobacco, unmanufactured; tobacco refuse	1.083	Pig iron, spiegeleisen, sponge iron, ferro-alloys	1.573
Tobacco, manufactured	0.87	Ships, boats (incl. hovercraft), floating struct.	1.536
Rice	0.835	Fish, fresh (live or dead), chilled, dried or frozen	1.359
Iron and steel bars, rods, angles, shapes, sections	0.83	Non-ferrous base metal waste and scrap, n.e.s.	1.315
Manufactures of leather, parts of footwear, etc.	0.823	Gold, non-monetary	1.257
Jewellery, goldsmiths' and silversmiths' wares, etc.	0.817	Jewellery, goldsmiths' and silversmiths' wares, etc.	1.136
Under garments, textile fab. (not knitted/crocheted)	0.674	Iron and steel bars, rods, angles, shapes, sections	0.945
Alcohols, phenols, phenol-alcohols and their derivatives	0.646	Manufactures of leather, parts of footwear, etc.	0.897
Ships, boats (incl. hover craft), floating struct.	0.524	Fruit, preserved and fruit preparations	0.781
Other crude minerals	0.502	Under garments, textile fab. (not knitted/crocheted)	0.681

**Table 2 (continued)**  
**Composition of CDCC global exports 1985 and 2000 as percentage of the total**

<b>Product</b>	<b>1985</b>	<b>Product</b>	<b>2000</b>
Outer garments, other articles, knitted/crocheted	0.437	Clay construction materials; refractory materials	0.659
Fruit, preserved and fruit preparations	0.421	Residual petroleum products, n.e.s.	0.492
Carboxylic acids and their derivatives	0.207	Coffee and coffee substitutes	0.485
Spices	0.173	Rice	0.477
Ores and concentrates of precious metals, waste, scrap	0.112	Tobacco, unmanufactured; tobacco refuse	0.436
Stone, sand and gravel	0.105	Clothing accessories, of textile fabrics, n.e.s.	0.409
Non-alcoholic beverages n.e.s.	0.061	Cocoa	0.228
Meal and flour of wheat and flour of meslin	0.052	Stone, sand and gravel	0.177
Animals, live, n.e.s.	0.047	Spices	0.145
Medical instruments and appliances, n.e.s.	0.014	Meal and flour of wheat and flour of meslin	0.062
Coin (other than gold coin), not legal tender	0.008	Animals, live, n.e.s.	0.033
Source: CAN (2002)			

## **2. Evolution and performance of intra-CDCC trade**

Intra-CDCC trade as a percentage of total trade has increased since the 1980s from 8 per cent to 12 per cent of total exports. Intraregional trade is highly concentrated in Trinidad and Tobago, which accounts for close to 60 per cent of total trade (See Table 3). Trinidad and Tobago's export composition to CDCC is shown in Table 4. The most important product is petroleum, accounting for more than 60 per cent of the total. However, other commodities, such as non-alcoholic beverages, soap, paper and paperboard and iron, are also significant in explaining the pattern of export specialisation prevailing in Trinidad and Tobago.

**Table 3**  
**Intra-CDCC trade as a percentage of the total (1985 - 2000)**

	1985	1990	1995	2000	Average
<b>CDCC</b>	<b>8.15</b>	<b>10.07</b>	<b>9.92</b>	<b>12.17</b>	<b>10.2</b>
<b>Antigua and Barbuda</b>	0.11	0.08	0.05	0.05	0.08
Bahamas	0.13	0.14	0.09	0.06	0.12
<b>Barbados</b>	<b>1.01</b>	<b>0.84</b>	<b>0.90</b>	<b>1.07</b>	<b>0.90</b>
<b>British Virgin Islands</b>	0.0	0.0	0.01	0.01	0.01
Cuba	0.03	0.0	0.21	0.49	0.16
Dominica	0.26	0.23	0.24	0.23	0.25
Dominican Republic	0.33	0.29	0.19	0.19	0.26
Grenada	0.13	0.13	0.09	0.10	0.11
<b>Haiti</b>	0.04	0.01	0.0	0.01	0.03
<b>Jamaica</b>	<b>1.32</b>	<b>1.15</b>	<b>0.79</b>	<b>0.54</b>	<b>1.0</b>
Montserrat	0.02	0.0	0.0	0.0	0.01
Netherlands Antilles	0.0	1.74	0.44	0.46	0.95
Aruba	0.0	0.07	0.01	0.01	0.07
St. Kitts and Nevis	0.07	0.04	0.03	0.02	0.03
Anguilla	0.0	0.0	0.0	0.0	0.004
St. Lucia	0.26	0.27	0.21	0.15	0.24
<b>St. Vincent and the Grenadines</b>	0.73	0.35	0.30	0.23	0.40
<b>Trinidad and Tobago</b>	<b>2.81</b>	<b>4.08</b>	<b>5.32</b>	<b>6.96</b>	<b>4.67</b>
Belize	0.22	0.18	0.09	0.12	0.16
Guyana	0.62	0.35	0.53	0.73	0.52
Suriname	0.06	0.14	0.42	0.74	0.28
Source: CAN (2002)					

Between 1985 and 2000, most countries decreased their contribution to intraregional trade. Barbados, the British Virgin Islands, Cuba, Guyana and Suriname, which represent 28 per cent of the total are the countries that have exhibited the opposite tendency and have increased their share over time. The share of Trinidad and Tobago in intraregional trade grew the fastest.



**Table 4**  
**Trinidad and Tobago export structure to CDCC countries**

<b>Products</b>	<b>1985</b>	<b>1990</b>	<b>1995</b>	<b>2000</b>
Fish, fresh (live or dead), chilled, dried or frozen	0.14	0.33	0.29	0.50
Meal and flour of wheat and flour of meslin	.....	.....	0.05	0.39
Cereal preparations and preparations of flour, starch	2.33	4.36	4.75	3.52
Vegetables, roots and tubers, prepared or preserved	0.10	0.36	.....	.....
Fruit, preserved and fruit preparations	0.66	1.29	1.07	1.80
Sugar confectionery (except chocolate), other sugar prep.	0.35	0.54	0.76	0.46
Coffee and coffee substitutes	0.47	0.23	0.26	0.18
Chocolate, other food preparations containing cocoa, n.e.s.	0.41	0.97	0.70	0.32
Margarine and shortening;	0.09	0.41	0.56	0.43
Edible products and preparations, n.e.s.	1.02	1.75	.....	.....
<b>Non-alcoholic beverages n.e.s.</b>	<b>1.51</b>	<b>2.69</b>	<b>4.69</b>	<b>2.75</b>
Alcoholic beverages	0.97	2.70	.....	.....
Tobacco, manufactured	.....	.....	0.26	1.00
<b>Petroleum products, refined</b>	<b>63.63</b>	<b>43.35</b>	<b>35.68</b>	<b>49.56</b>
Residual petroleum products, n.e.s.	1.84	1.03	.....	.....
Gas, natural and manufactured	.....	.....	3.92	2.99
Fixed vegetable oils, soft, crude, refined or purified	0.01	0.74	.....	.....
<b>Soap, cleansing and polishing preparations</b>	<b>2.45</b>	<b>2.77</b>	<b>2.95</b>	<b>2.40</b>
Fertilisers, manufactured	.....	.....	1.33	0.53
Wood manufactures, n.e.s.	0.12	1.38	1.45	1.36
<b>Paper and paperboard, cut to size or shape, articles of</b>	<b>1.00</b>	<b>3.17</b>	<b>6.02</b>	<b>4.33</b>
Lime, cement, and fabricated construction materials	0.07	1.78	2.91	2.08
Glassware	1.12	1.77	1.84	0.93
<b>Iron and steel bars, rods, angles, shapes, sections</b>	<b>4.94</b>	<b>5.76</b>	<b>2.89</b>	<b>1.97</b>
Outer garments, other articles, knitted/crocheted	.....	.....	0.49	0.32
<b>Total</b>	<b>83.22</b>	<b>77.38</b>	<b>72.37</b>	<b>77.47</b>
Source: CAN (2002)				
Note: "....." Denotes not available.				

Table 5, shows the direction of trade for each CDCC country for which the data was available in terms of the share of imports and exports. The table shows that Jamaica, Trinidad and Tobago and Barbados are the most important destinations for the region's exports. Bahamas, Belize and Dominica export 47 per cent, 52 per cent and 43 per cent, respectively, of their total external sales to Jamaica. Saint Lucia, Jamaica and Grenada export 34 per cent, 21 per cent and 22 per cent, respectively, of their total exports to Barbados. Finally, 27 per cent, 27 per cent, 31 per cent and 20 per cent, respectively, of the total exports of Barbados, Belize, Jamaica and Saint Vincent and the Grenadines are destined to Trinidad and Tobago.

**Table 5**  
**CDCC (selected countries) intraregional trade matrix**  
**Share of intraregional exports and imports 1999**

Intraregional exports													
Direction of exports -----→	Antigua /Barb.	Bahamas	Barbados	Belize	Dominica	Grenada	Guyana	Jamaica	St. Kitts and Nevis	St. Lucia	St. Vinc/ Gren	Suriname	Trinidad and Tobago
Bahamas	6.3	1.7	19.9	17.8	0.8	1.1	0.2	46.6					7.3
Barbados	7.0	0.2		2.5	4.7	6.1	5.4	15.9	5.2	12.4	8.4	2.8	27.7
Belize	1.4		7.8		0.4	0.8	9.1	52.3			0.5	0.4	27.0
Dominica	12.9		9.5	0.1		1.0	9.8	42.9	4.8	5.1	1.5	1.3	11.2
Grenada	6.6		22.0		13.8		2.8	2.4	1.5	31.5	6.6	0.2	12.7
Jamaica	5.3	3.7	21.2	7.1	3.0	2.3	11.1		3.4	6.3	2.7	3.1	30.7
St. Lucia	14.3	0.1	34.4	1.4	11.4	11.1	2.6	0.1	3.3		3.8	0.5	17.0
St. Vincent /Grenadines	13.0	0.1	16.9		6.9	6.9	2.0	5.9	11.2	17.1			20.0
Intraregional imports													
Direction of imports -----→													
Bahamas	0.6		76.7	0.7	0.7	0.1	0.1	9.9					11.2
Barbados		0.1		0.6	1.7	0.1	5.4	7.0		3.2	1.9	3.1	76.8
Belize	0.2	0.5	20.6		2.4		19.8	22.9		1.6			31.9
Dominica	2.4		15.9	0.2		4.2	3.3	4.7	1.5	5.9	6.4		55.3
Grenada	7.1		40.1		2.8		13.2	10.5	0.1	6.9	9.8	1.0	8.5
Jamaica		0.9	6.0	1.3	4.0	0.1	6.9				0.7	3.0	77.2
St. Lucia	0.7	0.1	14.1		3.1	2.4	3.9	4.3	0.4		5.6		65.3
St. Vincent /Grenadines	0.4		16.3		2.2	1.9	6.1	3.3	0.1	1.5			67.8
Source: ECLAC (2001) on the basis of official data.													

On the import side, Trinidad and Tobago, followed by Barbados, are the main import sources for the region. Trinidad and Tobago accounts for more than 50 per cent of the total imports of Barbados, Dominica, Jamaica, Saint Lucia and Saint Vincent and the Grenadines. For its part, Barbados accounts for 77 per cent and 40 per cent, respectively, of total imports of Bahamas and Grenada.

To further the analysis, Table 6 shows the market share, the export share and the import share for intraregional CDCC trade by product for the major products at the two-digit level. With the exception of miscellaneous manufactured articles, commodities and transactions not classified, most products have increased their market share. Food and live animals, beverages and tobacco and mineral fuels exhibit the highest market share. The export share is concentrated in food, mineral fuels and manufactured goods accounting for more than 80 per cent of the total.

The export composition has not changed significantly during 1985-2000. However, on closer inspection, the importance of agricultural exports has decreased (26 per cent in 1985 and 17 per cent, respectively, in 2000) while that of product mineral fuels, lubricants and related materials increased by 17 per cent percentage points (27 per cent in 1985 and 44 per cent in 2000).

Finally, the pattern of export specialisation of CDCC countries coincides with their import necessities. With the exception of machinery and transport equipment the export share is the highest in those products that have the highest import share. The cross correlation coefficient of the export and import shares for the year 2000 is equal to 0.47 per cent, if machinery and transport equipment is included in the data set, and 87 per cent if it is excluded from the data set.

In order to highlight the specialization patterns of CDCC countries, exports were classified into commodities, natural resource based manufacturing products, low technology and high technology based manufacturing products. Commodities include mainly agricultural products and those products that are subject to simple production processes. Manufactures based on natural resources include some agricultural products but also mainly petroleum, cement and glassware. Manufacturing products classified as low technology include textiles, jewellery, paper, iron and steel. Finally, manufacturing products classified as high technology refer to machinery, certain chemical products, pharmaceutical products, and transport products.

**Table 6**  
**CDCC intraregional trade**  
**Market share, export share and import share (in percentage)**  
**1985-2000**

	1985	1990	1995	2000
<b>Market share</b>				
Food and live animals chiefly for food	11.77	11.26	13.24	17.88
Beverages and tobacco	28.45	38.66	41.71	40.24
Crude materials, inedible, except fuels	6.14	4.30	5.55	8.03
Minerals fuels, lubricants and related materials	19.90	24.14	28.94	26.88
Animal and vegetable oils and fats, processed and waxes	6.82	18.33	15.86	9.07
Chemicals and related products, n.e.s.	10.17	10.38	12.72	12.48
Manufactured goods classified chiefly by material	6.27	8.89	11.12	10.69
Machinery and transport equipment	0.93	1.45	1.34	1.13
Miscellaneous manufactured articles	8.77	8.40	6.09	8.03
Commodities and transactions not classified elsewhere in the SITC	1.08	0.63	2.93	0.68
<b>Export share</b>				
Food and live animals chiefly for food	25.66	15.06	17.59	17.28
Beverages and tobacco	4.24	4.52	5.91	4.56
Crude materials, inedible, except fuels	2.86	1.68	1.98	1.62
Minerals fuels, lubricants and related materials	26.91	38.46	30.07	44.08
Animal and vegetable oils and fats, processed and waxes	0.97	1.49	1.18	0.41
Chemicals and related products, n.e.s.	11.86	12.55	12.41	9.14
Manufactured goods classified chiefly by material	14.63	15.53	18.58	13.51
Machinery and transport equipment	3.05	3.64	3.86	2.63
Miscellaneous manufactured articles	9.69	7.00	7.12	6.72
Commodities and transactions not classified elsewhere in the SITC	0.12	0.07	1.31	0.05
<b>Import share</b>				
Food and live animals chiefly for food	17.76	13.47	13.18	11.76
Beverages and tobacco	1.22	1.18	1.41	1.38
Crude materials, inedible, except fuels	3.80	3.94	3.54	2.45
Minerals fuels, lubricants and related materials	11.02	16.05	10.31	19.96
Animal and vegetable oils and fats, processed and waxes	1.16	0.82	0.74	0.55
Chemicals and related products, n.e.s.	9.50	12.18	9.68	8.92
Manufactured goods classified chiefly by material	19.02	17.59	16.59	15.38
Machinery and transport equipment	26.62	25.30	28.53	28.47
Miscellaneous manufactured articles	9.00	8.40	11.60	10.19
Commodities and transactions not classified elsewhere in the SITC	0.92	1.08	4.42	0.95
Source: CAN (2002)				

**Table 7**  
**Intra-CDCC trade**  
**Market share, export share and import share by**  
**technological classification of products 1985 - 2000**  
**(Percentages)**

	1985	1990	1995	2000
<b>Market share</b>				
Commodity	9.8	6.4	8.6	13.1
Manufacturing based on natural resource	19.8	25.9	29.8	27.5
Low technology manufacturing	6.9	8.1	8.6	10.0
Higher technology manufacturing	1.2	1.8	1.5	1.2
<b>Export share</b>				
Commodity	22.1	8.8	10.9	11.1
Manufacturing based on natural resource	36.9	51.1	44.3	55.6
Low technology manufacturing	28.3	27.2	31.9	24.6
Higher technology manufacturing	4.1	4.9	4.7	3.1
<b>Import share</b>				
Commodity	18.5	13.8	12.6	10.4
Manufacturing based on natural resource	15.2	19.9	14.8	24.7
Low technology manufacturing	33.2	33.9	36.9	29.7
Higher technology manufacturing	28.3	27.0	30.2	30.3
Source: CAN (2002)				

As shown in Table 7 above, export products classified as manufactures based on natural resources are the most important category in terms of export shares. In 1985, 37 per cent of all exports were manufactures based on natural resources. In 2000, this figure increased to 55 per cent of all exports. In addition, their import share increased from 15 per cent to 25 per cent between 1985 and 2000. Manufacturing exports with a low technological content are the most significant category in terms of import share (33 per cent in 1985 and 30 per cent in 2000). For their part, commodity exports have increased their market share but have registered significant declines in their import and export shares (22 per cent and 11 per cent, respectively, in terms of export shares in 1985 and 2000; 19 per cent and 10 per cent, respectively, in terms of import shares in 1985 and 2000).

These results corroborate the earlier finding that the export composition of CDCC countries corresponds with their import requirements, but it also highlights the fact that there is room for improvement in terms of increasing the importance of low technology manufacturing exports.

### 3. A competitiveness analysis of intraregional CDCC trade

The competitiveness analysis involved combining changes in market share, export share and specialization with changes in import share for three time periods 1985-1990, 1990-1995 and 1995-2000. This gives rise to three types of matrices in which four categories of products are distinguished (see Tables 8-10).

The first matrix (Table 8) combines changes in import share with changes in market share. Products are classified into: (i) dynamic products (products that register an increase in their import share) in which the share of CDCC countries is increasing (rising stars); (ii) dynamic products in which the share of CDCC countries is falling (missed opportunities); (iii) stagnant products (products that register a decline in their import share) in which the share of CDCC countries is increasing (falling stars); and (iv) stagnant products in which CDCC countries experience a market loss (retreats).

The second matrix (Table 9) combines changes in import share with changes in export share. Products are classified into: (i) dynamic products (products that register an increase in their import share) that have increased their export share (rising stars); (ii) dynamic products that have decreased their export share (missed opportunities); (iii) stagnant products (products that register a decline in their import share) that have increased their export share (falling stars); and (iv) stagnant products that have registered a decline in their export share (retreats).

The third matrix (Table 10) combines changes in import share with changes in specialization. Products are classified into: (i) dynamic products (products that register an increase in their import share) that have increased their specialization (rising stars); (ii) dynamic products that have decreased their specialization (missed opportunities); (iii) stagnant products (products that register a decline in their import share) that have increased their specialization (falling stars); and (iv) stagnant products that have registered a decline in their specialization (retreats).

The first two matrices (Tables 8 and 9) show that the share of dynamic products in relation to the total has increased significantly. Correspondingly, the share of stagnant products has decreased. According to the matrix showing market share and product dynamics (Table 8), the share of dynamic products increased from 22 per cent in the period 1985-1990 to 63 per cent in the period 1995-2000. The second matrix (Table 9), which combines export shares and product dynamics, also shows a similar increase in the share of dynamic products. The shift towards dynamic products has been accompanied, on the one hand, by gains in market share (40 per cent in 1985-1990 and 77 per cent in 1995-2000) and, on the other hand, by declines in export shares (78 per cent in 1985-1990 and 52 per cent in 1995-2000).

In the first time period considered (1985-1990), 40 per cent of all products gained market share. In the third time period considered (1995-2000), 77 per cent of all exported products had gained market share. The combination of improved product positioning with an increasing market share for the majority of the products exported resulted in an increase in the number of products classified as rising stars. These represented 14 per cent of all exported products in 1985-1990 and their proportion increased to more than half in 1995-2000 (57 per cent of the total).

The results presented in the third matrix (Table 10) provide further evidence of the results presented. More specifically, it shows that CDCC countries have tended to specialise in dynamic products (i.e., products for which there is a growing intraregional demand).

**Table 8**  
**Competitiveness matrix for the CDCC (market share and product dynamics)**  
**(1985-1990; 1990-1995; 1995- 2000)**

<b>Changes in market share</b>	<b>Product dynamics</b>	
	<b>Stagnant products</b> First period: 70.76 Second period: 47.52 Third period: 30.53	<b>Dynamic products</b> First period: 22.84 Second period: 52.48 Third period: 63.28
<b>Gains in market share</b> First period: 40.45 Second period: 69.4 Third period: 77.46	<b>Declining stars</b> First period: 26.35 Second period: 42.5 <b>Third period: 20.10</b>	<b>Rising stars</b> First period: 14.10 Second period: 26.9 Third period: 57.36
<b>Losses in market share</b> First period: 53.15 Second period: 30.6 Third period: 16.35	<b>Retreats</b> First period: 44.41 <b>Second period: 5.02</b> <b>Third period: 10.43</b>	<b>Missed opportunities</b> First period: 8.74 Second period: 25.58 Third period: 5.92
Source: CAN (2002)		

**Table 9**  
**Competitiveness matrix for the CDCC (export share and product dynamics)**  
**(1985-1990; 1990-1995; 1995- 2000)**

<b>Changes in export share</b>	<b>Product dynamics</b>	
	<b>Stagnant products</b> First period: 70.75 Second period: 47.55 Third period: 30.35	<b>Dynamic products</b> First period: 22.84 Second period: 52.4 Third period: 63.27
<b>Gains in export share</b> First period: 78.58 Second period: 61.25 Third period: 52.36	<b>Declining stars</b> First period: 56.22 Second period: 15.55 <b>Third period: 8.70</b>	<b>Rising stars</b> First period: 22.36 Second period: 45.8 Third period: 43.66
<b>Losses in export share</b> First period: 15.01 Second period: 38.6 Third period: 41.44	<b>Retreats</b> First period: 14.53 Second period: 32.0 <b>Third period: 21.83</b>	<b>Missed opportunities</b> First period: 0.48 Second period: 6.60 Third period: 19.61
Source: CAN (2002)		

**Table 10**  
**Competitiveness matrix for the CDCC (specialization and product dynamics)**  
**(1985-1990; 1990-1995; 1995- 2000)**

<b>Changes in specialization</b>	<b>Product dynamics</b>	
	<b>Stagnant products</b> First period: 47.55 Second period: 36.95 Third period: 31.43	<b>Dynamic products</b> First period: 52.4 Second period: 63.02 Third period: 68.56
<b>Increasing specialization</b> First period: 73.05 Second period: 74.25 Third period: 54.23	<b>Declining stars</b> First period: 42.75 Second period: 22.08 <b>Third period: 11.92</b>	<b>Rising stars</b> First period: 30.3 Second period: 52.2 Third period: 42.31
<b>Decreasing specialization</b> First period: 26.9 Second period: 25.69 Third period: 45.76	<b>Retreats</b> First period: 4.8 Second period: 14.87 <b>Third period: 19.51</b>	<b>Missed opportunities</b> First period: 22.1 Second period: 10.82 Third period: 26.25
Source: CAN (2002)		

Finally Table 11 summarises the empirical results, by calculating the adaptability index which is computed as the ratio of dynamic to non-dynamic products for each competitiveness matrix: market share, export share and specialization. Computing the index for the case of the market import structure served to complement the analysis. During 1985-1990, the adaptability index was 0.28, 0.32, 0.28 and 1.14 in each of the cases mentioned. This means in the first case that during the said period the market share in dynamic products was 0.28 times the market-share in non-dynamic products. In the case of the export share matrix, the adaptability index shows that the export share in dynamic products was 0.32 times the export share in non-dynamic products. For all the cases considered the adaptability index increased to a value greater than one between 1985-1990 and 1995-2000 indicating a clear improvement in the competitiveness of the products that are traded intraregionally.

**Table 11**  
**The adaptability index (1985-2000)**

	<b>1985-1990</b>	<b>1990-1995</b>	<b>1995-2000</b>
Market share	0.28	0.87	1.67
Country export structure	0.32	1.10	2.07
Specialization	0.28	0.87	1.67
Market import structure	1.14	1.27	1.24
Source: CAN (2002)			



#### 4. The bias in intraregional CDCC trade

The previous analysis showed that intraregional CDCC trade has increased its overall share and that its competitiveness standing has improved. The share of dynamic products relative to non-dynamic products has increased over time. More to the point, the empirical evidence shows an increased number of dynamic products in which CDCC's trade share has risen (rising stars). This section examines if this result responds to a bias in trade favouring intraregional trade. To this end, it tests that hypothesis for the main 25 products traded at an intraregional level, which represent 67 per cent of the total at the three-digit level of the Standard Industrial Trade Classification (SITC).

The methodology follows that of Yeats (1997). It comprises two steps. The first is to identify the products that exhibit the highest rate of growth in intraregional CDCC trade as a percentage of extraregional CDCC trade. The second step consists of calculating for each of these products an indicator of the prevalence of extraregional trade relative to that of world trade.

More precisely, this indicator is computed as the ratio of extraregional exports for a given product over total extraregional exports divided by the ratio of world exports of that product over total world exports. Formally, it is defined as:

$$(X_{ike}/X_{te})/(X_{wk}/X_w)$$

where,

$X_{ike}$  = extraregional exports of country or region i of product k  
 $X_{te}$  = total extraregional exports  
 $X_{wk}$  = world exports of product k  
 $X_w$  = total world exports

A high rate of growth of intraregional trade for a product relative to its extraregional trade combined with a high value of the indicator of the prevalence of extraregional trade of that product relative to that of world trade suggests the absence of a bias in intraregional trade in that product. The product is traded intraregionally as well as extraregionally indicating that it is produced internally under competitive conditions.

A high rate of growth of intraregional trade for a product relative to its extraregional trade combined with a low value of the indicator of the prevalence of extraregional trade of that product relative to that of world trade suggests a bias in intraregional trade in that product. The product is traded regionally but is not traded extraregionally. This suggests a lack of external competitiveness of the product indicating, in turn, special conditions (such as protection or restrictive trade measures) that allow the product to be traded mostly intraregionally.

**Table 12**  
**Index of the prevalence of extraregional trade**  
**relative to that of world trade (1990-1999)**

	1990	1992	1995	1999
Sugar and honey	21.34	31.05	23.30	15.16
Petroleum products, refined	5.25	7.61	7.82	11.36
Tobacco, manufactured		3.00	0.00	8.73
Polymerisation and copolymerization products		0.06	0.00	8.19
Crustaceans and molluses, whether in shell or not	5.59	4.98	4.82	6.83
Stone, sand and gravel		1.35	0.00	5.89
Alcoholic beverages	2.80	3.37	3.41	4.41
Fruit and nuts (not oil nuts) fresh or dried	5.08	5.10	4.65	3.63
Tobacco, unmanufactured; tobacco refuse	5.69	4.56	5.00	3.39
Fish, fresh (live or dead), chilled, dried or frozen	0.76	1.06	2.28	3.10
Fruit, preserved and fruit preparations	1.59	1.65	2.24	3.03
Residual petroleum products, n.e.s.	0.98	1.52	2.51	2.71
Rice	3.90	5.16	9.78	2.58
Gas, natural and manufactured	0.27	0.47	0.50	2.45
Coffee and coffee substitutes	4.41	3.48	2.92	1.87
Other crude minerals	2.39	2.65	3.06	1.41
Chocolate, other food preparations containing cocoa, n.e.s.		0.46	0.00	1.28
Fertilisers, manufactured	1.49	1.54	1.81	1.06
Petroleum oils, crude, also from bituminous minerals	1.21	1.20	0.78	0.99
Cocoa	4.40	3.99	4.63	0.89
Cereal preparations and preparations of flour, starch	0.75	0.54	0.77	0.85
Edible products and preparations, n.e.s.	0.39	0.40	0.70	0.79
Vegetables, fresh, chilled, frozen or simply preserved	0.75	0.68	0.68	0.76
Non-alcoholic beverages n.e.s.	0.38	0.31	0.68	0.53
Veneers, plywood, reconstituted wood, etc.	0.06	0.08	0.80	0.47
Soap, cleansing and polishing preparations	0.17	0.25	0.25	0.19
Wood, simply worked and railway sleepers		0.10	0.00	0.13
Medicinal and pharmaceutical products	0.84	0.51	0.61	0.11
Perfumery, cosmetic and toilet preparations	0.24	0.00	0.10	0.00
Rubber tyres, tyre cases, tubes, treads, etc.		0.00	0.00	0.00
Source: CAN (2002); International Trade Statistics Yearbook (1994 and 1999)				

The empirical results which are shown in Table 12 represent the 30 fastest growing products in intraregional trade. The results are ranked in decreasing order for 1999. Only 10 out of 30 products exhibit a trade prevalence indicator that is lower than one, indicating a bias in favour of intraregional trade. In the majority of the cases there is no sign of an intraregional trade bias. The products for which the trade prevalence indicator was lower than one comprise a wide variety of products ranging from cereal preparations to medicinal and pharmaceutical products.

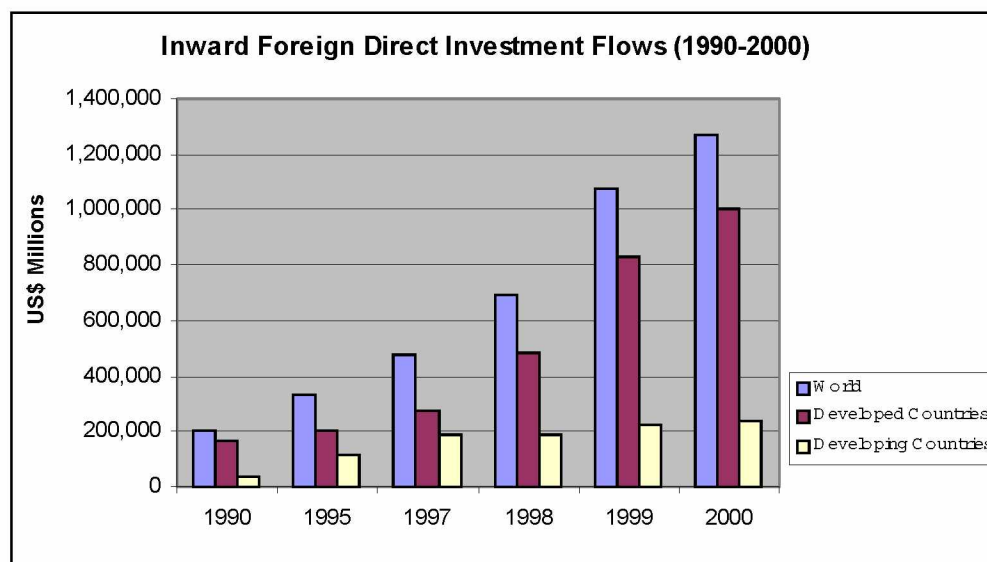
The absence of a clear pattern may suggest the existence of peculiar conditions particular to each product rather than the conscious design to favour intraregional trade for targeted products.

## II. INTRA-CDCC INVESTMENT

### 1. Trends in global investment flows

World inward FDI flows have grown significantly during the last decade, rising from US\$202.3 billion in 1990 to US\$1271 billion in 2000. Such flows averaged a substantial US\$879.1 billion per annum during the period 1990-2000. Inward FDI flows are still largely concentrated in the developed countries, which accounted for 79.1 per cent of global FDI inflows in 2000. However, developing countries have also become important destinations for foreign direct investments. FDI inflows to developing countries grew from US\$37.2 billion in 1990 to more than US\$240 billion in 2000. Although many developing countries, with the notable exception of sub-Saharan Africa, have shared in the tremendous surge in FDI, such flows are still heavily concentrated in developing Asia. In 2000, Asia's share in total FDI inflows to developing countries was a substantial 60.0 per cent. The Latin America and Caribbean region also continued to receive substantial amount of FDI, accounting for 35.9 per cent of flows to developing countries.

Figure I. Inward Foreign Direct Investment



Source: UNCTAD, at [www.http://stats.unctad.org/fdi](http://stats.unctad.org/fdi)

This surge in foreign direct investment has been propelled by the growth in international production, which is attributed to transnational corporations. Encouraged by economic reforms, which have been implemented in developing countries, particularly the liberalisation of trade and foreign investment regimes, transnational corporations have expanded their operations to far remote corners of the world.

Although the bulk of foreign direct investment (both inward and outward) tend to be extraregional, there has also been an increase in intraregional or intra-bloc investment in recent years. The region that has seen significant growth in intraregional investment flows has been the European Union (EU). This growth was quite remarkable, particularly in the early 1990s, probably as a result of the advanced stage of its economic integration. However, the growth of intra-EU investment has been less impressive when compared to that of extraregional investment in the late 1990s. For example, intra-EU outflows as a percentage of total outflows declined from 73 per cent in 1992 to 39 per cent in 1997. Similarly, intra-EU FDI inflows as a percentage of total inflows declined, albeit modestly, from 59.0 per cent in 1992 to 52.0 per cent in 1997.<sup>2</sup> This is quite surprising since the adoption of the European Monetary Union (EMU) and the single currency (the Euro) were expected to provide a stimulus to intra-EU investment flows. The bulk of EU investments in recent years has been directed at extraregional destinations or markets, especially the United States, which accounted for a disproportionate share of 69 per cent of EU total FDI outflows in 1998. This has been influenced by the booming United States economy, which provided profitable opportunities for world investors, including from the EU.

The North American region has also seen a significant growth in intraregional investment, especially since 1995. This has been influenced by the conclusion of the North American Free Trade Agreement (NAFTA) among the United States, Canada and Mexico. Not surprisingly, the United States has been the predominant investor in the regional trading bloc. American firms have taken advantage of NAFTA by shifting some operations of their production in which they do not have comparative advantage to other countries (i.e. labour-intensive activity to Mexico). This has led to cross-border integrated manufacturing with Canada specialising in the production of motor vehicles and auto parts, while Mexico specialises in garment textile. As a result, United States direct investment to its NAFTA partners grew from US\$100,371 million in 1995 to US\$129,785 million in 1998.<sup>3</sup>

In the developing world, the region that has experienced the fastest growth in intraregional investment has been Asia-Pacific. According to the Asian Development Bank (2001), the share of investment in South and South East Asia that is sourced from the region has been consistently averaging 50 per cent per annum since 1993. Quite surprisingly, the largest outward investors in the Asia region have been Asia's Newly Industrialising Economies<sup>4</sup> (NIEs), of which Hong Kong's investment in China accounts for a substantial share of the NIEs' total investment. Japan is the second largest outward investor in the Asia region. It is worth mentioning that Japanese transnational companies do not have a significant presence across the whole Asian region. Their investments are heavily concentrated in the group of NIEs. The major host countries of NIEs investment have been the Association of South East Asian Nations (ASEAN) countries, most notably Indonesia and Thailand. Intra-ASEAN FDI flows are also significant. In 1997, for example, 28 per cent and 38 per cent of total outflows from Malaysia and Thailand, respectively, were directed at other ASEAN countries.

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<sup>2</sup> See UNCTAD, (1999), *World Investment Report, Foreign Direct Investment and the Challenges of Development*, Geneva.

<sup>3</sup> See for example, USITC, (1999), *Production Sharing: Use of U.S. components in foreign assembly operations, 1995-98*.

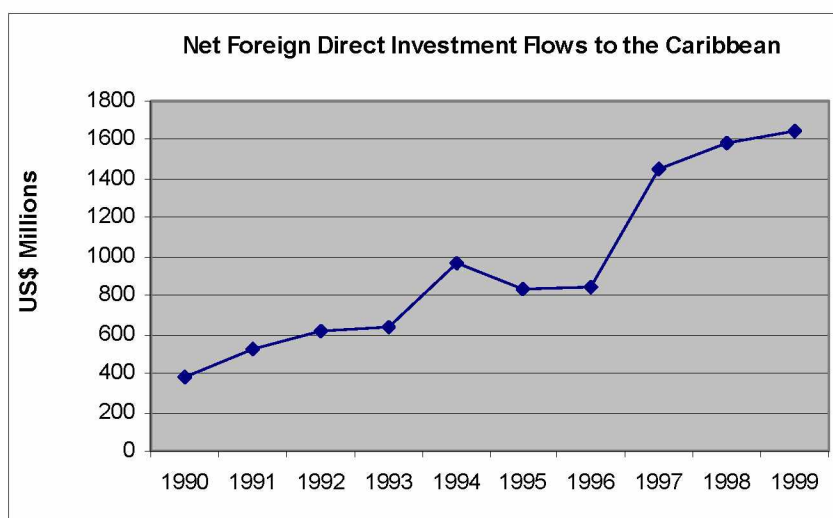
<sup>4</sup> These include Hong Kong, Singapore and Taiwan Province of China.

Intraregional investment has also grown in importance in the Latin American and Caribbean (LAC) region. Most of the Latin American and Caribbean countries tend to have sizeable investments in other LAC countries. The only notable exception is Mexico whose investments in other Latin American countries are minute relative to its size. Intra-LAC investment is dominated by the Southern Cone Common Market (MERCOSUR) countries, especially the two largest member countries, Argentina and Brazil. Detailed analysis of the magnitude of this phenomenon is, however, constrained by data. According to the United Nations Conference on Trade and Development (UNCTAD) World Investment Report, the only authoritative source on investment, outward FDI flows from Latin America and the Caribbean directed to countries in the region grew from US\$89 million in 1986 to US\$1457 million in 1992 (the latest period for which data is available).

## 2. Investment flows to the Caribbean

The tremendous surge in capital flows that has been observed globally has also been evidenced at the regional level, albeit at a relatively slower pace.

**Figure 2. Investment flows to the Caribbean**



Source: ECLAC, Foreign Investment Latin America and the Caribbean

As can be seen from Figure 2, net foreign direct investment to the subregion grew substantially from US\$651 million in 1990 to US\$3465 million in 1999. FDI to the Caribbean averaged US\$1520.4 million per annum during the 1990s. The largest recipients of FDI flows in the Caribbean have been the Dominican Republic and Trinidad and Tobago. Other countries, most notably Jamaica and Aruba and some of the smaller OECS countries, have received a significant amount of FDI flows. The bulk of foreign direct investment into the Dominican Republic has been influenced by the United States production sharing programme (tariff code 9802) and has been directed at the textile, apparel and electronics industries in the export

processing zones. Jamaica and Haiti have also benefited from this programme, albeit not to the same extent as the Dominican Republic. Under this programme, apparel exports assembled from fabric made wholly and cut in the United States enter that (USA) market at reduced duty. It is no surprise that United States textile and clothing imports originating from the export processing zones in the Caribbean Basin countries have grown considerably in the 1990s.<sup>5</sup>

In the case of Trinidad and Tobago, the lion's share of FDI has been channeled mainly into the petroleum industry (exploration, production and refining facilities and petrochemical firms (ECLAC, 1998 and 1999). The United States followed by the United Kingdom are the largest outward investors in Trinidad and Tobago. India has also become an important source of foreign investment in Trinidad and Tobago, especially since 1997. A number of transnational corporations such as BP Amoco, British Gas, Enron, and the Spanish firm, Repsol, are actively exploiting natural gas in Trinidad and Tobago (ECLAC, 2001). The service-oriented smaller economies have also attracted a significant amount of direct foreign investment relative to size. The bulk of these FDI flows were channeled to the services sector, especially tourist resorts, telecommunication and financial services.

It is worth noting that although the bulk of foreign direct investment into the Caribbean countries originates from outside the subregion, notably the United States, the United Kingdom and Canada, to a lesser extent, part of it has emanated from within the Caribbean. This phenomenon of intra-Caribbean investment flows is increasing in importance.

### **3. Intra-Caribbean investment in the 1990s**

Intra-Caribbean investment, particularly among the Caribbean Community (CARICOM) countries is becoming a real phenomenon of growing importance. Although comprehensive and reliable data on intra-Caribbean investment flows is not readily available, there are preliminary indicators that point to increased intraregional cross-border flows of capital in the region. Not surprisingly, foreign direct investment remains the dominant component of intra-Caribbean investment flows. Underpinning this has been the liberalisation of foreign investment regimes as well as privatisation programmes which have been implemented in many Caribbean countries. Given the intense competition that many smaller Caribbean firms face for investing in the more advanced economies, they have begun increasingly to look at subregional markets as attractive destinations for their investments. Some people have suggested that these firms are using subregional markets as springboards for their gradual insertion into the global market of finance and capital. This is being facilitated by efforts aimed at regional integration, particularly the ongoing implementation of the Caribbean Single Market and Economy (CSME), especially Protocol II.

It was established in Part One of this paper that intraregional trade in goods has grown, although modestly. Whether the same could be said about intraregional investment is not certain at this stage. Thus far, little attention has been paid to the phenomenon of intraregional investment. This part of the paper seeks to fill this gap.

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<sup>5</sup> UNCTAD, (1998), World Investment Report, "Trend and Determinants".

### 3.1. Caribbean investment in the non-OECS Caribbean countries

Similar to intraregional trade flows, intra-Caribbean investment flows are dominated by three of the four MDCs<sup>6</sup>. Apart from being the largest outward investors in other Caribbean countries, these countries, with the exception of Guyana, also tend to direct a substantial amount of investment among each other. Not surprisingly, Trinidad and Tobago is the largest outward investor among the MDCs as well as in the whole Caribbean subregion. Detailed analysis of intra-Caribbean capital flows, including direct investment, is hampered by the lack of comprehensive and comparable time series data. However, recent balance of payment statistics for many Caribbean countries, albeit incomprehensive, point to the growing phenomenon of intra-Caribbean investment.

According to a survey conducted by the CARICOM Secretariat for its Trade and Investment Report, a number of companies from the MDCs have indicated that they have cross-border operations in other MDC countries. These cross-border operations have been influenced by the desire of companies to achieve competitiveness in an increasingly globalised and competitive world economy. A number of mergers and acquisitions have been undertaken in recent years, mostly in the financial services sector. These have been influenced by weaknesses and inefficiencies in some regional financial institutions. As indicated in Table 14, only companies from Barbados, Jamaica and Trinidad and Tobago have cross-border operations in other MDCs. Companies from the latter have been particularly more active in acquiring firms from other Caribbean countries. Trinidad Cement Limited, for example, has operations in Barbados and Jamaica. Royal Castle from Trinidad and Tobago has operations in Guyana. West Indies Biscuit Company and Barbados Life, both from Barbados, have cross-border operations in the MDCs, especially in Trinidad and Tobago and Jamaica.

The company that has been more aggressive in investing in other more developed Caribbean countries has been the Royal Bank of Trinidad and Tobago. It has cross-border operations in Barbados and Jamaica. These investments have been directed at the financial services sector, especially in the banking subsector. Very recently, in 2000, the Royal Bank of Trinidad and Tobago acquired Union Bank of Jamaica, after the bank was intervened in and restructured by the Financial Sector Adjustment Company (FINSAC) following the Jamaican financial crisis.<sup>7</sup> Unfortunately, the amount or value of that investment is not available. Similarly, some banks in Guyana, notably the National Bank of Industry and Commerce, were acquired by the Republic Bank of Trinidad and Tobago. This has been influenced by financial liberalisation, including privatisation of State-owned banks, which has been pursued in virtually all the Caribbean countries.

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<sup>6</sup> These include Barbados, Guyana, Jamaica and Trinidad and Tobago.

<sup>7</sup> See FINSAC Limited, Annual Report 2000.

**Table 13**  
**Selected CARICOM cross-border operations in the MDCs**

<b>Name of company</b>	<b>Head office</b>	<b>Locations outside head office</b>	<b>Kind of business</b>	<b>Mode of entry</b>
Royal Bank of TT	Trinidad and Tobago	Barbados	Banking Banking	N.A
Republic Bank of TT	Trinidad and Tobago	Barbados Guyana	Banking Banking	100 % 51 %
Guardian Life	Trinidad and Tobago	Jamaica  Barbados	Insurance services  Insurance	Joint venture  Joint venture
Grace Kennedy and Company Ltd	Jamaica	Barbados Guyana Belize	Agricultural distribution, shipping and financial services	Wholly owned subsidiary
West Indies Biscuit Company	Barbados	Trinidad and Tobago	Manufacturing and distribution	N.A
Life of Barbados	Barbados	Trinidad and Tobago Jamaica	Insurance	Overseas office
Trinidad Cement Ltd	Trinidad and Tobago	Barbados Jamaica	Cement manufacturing	Wholly owned subsidiary
Royal Castle	Trinidad and Tobago	Guyana	Food services	N.A
Source: CARICOM, 2000				

Data compiled by the Central Bank of Trinidad and Tobago point to significant growth in the country's investment in other Caribbean countries. As shown in Tables 15 and 16, expenditure on foreign acquisition by Trinidad and Tobago companies amounted to US\$88.7 million and US\$12.7 million in 1999 and 2000, respectively. The largest outward investment was US\$30.1 million by Guardian Holdings Ltd. for the acquisition of a number of insurance companies in Jamaica, which were privatised by FINSAC after they were acquired and restructured by the government in the aftermath of the Jamaican financial crisis.



**Table 14**  
**Trinidad and Tobago direct investment in the Caribbean**  
**(US\$ millions – 1999)**

<b>Local company</b>	<b>Regional destinations</b>	<b>Type of business</b>	<b>Value</b>
Neal & Massy	Barbados	Shipping	24.6
Guardian Holdings Ltd.	Jamaica	Life insurance	30.1
Republic Bank Ltd.	Guyana	Banking	5
Trinidad Cement Ltd.		Manufacturing	29
<b>Total</b>			<b>88.7</b>
Source: Central Bank of Trinidad and Tobago, 2002			

**Table 15**  
**Trinidad and Tobago direct investment in the Caribbean**  
**(US\$ millions – 2000)**

<b>Local company</b>	<b>Regional destinations</b>	<b>Type of business</b>	<b>Value</b>
Angostura Holdings	Suriname	Manufacturing & distribution	0.75
Royal Bank	Suriname	Banking	8.9
Prestige Holdings	Dominican Rep.	Food services	1.9
Prestige Holdings	Dominican Rep.	Food services	0.62
<b>Total</b>			<b>12.17</b>
Source: Central Bank of Trinidad and Tobago, Balance of Payments of Trinidad and Tobago, 2000.			

In 2000, the largest outward investment was once again in the financial sector, this time an investment of more than US\$8.9 million by Royal Bank for the acquisition of ABN, Amro Bank in Suriname. It would seem that the widening and the deepening of the regional integration project in CARICOM is presenting opportunities for regional companies to direct their investment in places that would have been considered far flung a decade ago.

### 3.2. Caribbean investments in the OECS countries

Apart from directing a substantial amount of their investment in the other more developed countries, the larger Caribbean countries, particularly Trinidad and Tobago and Barbados, have also directed significant investments into the countries of the OECS<sup>8</sup>. Owing to the lack of technological and entrepreneurial development in the OECS, they have tended to rely heavily on external capital to propel their development. This, coupled with the stable macroeconomic environment, has made them attractive destinations for investment from within the subregion. Their monetary arrangement, in general, and the use of the common currency, in particular, has contributed to exchange rate stability. This has resulted in a reduction of transaction cost and this may have increased their attractiveness for foreign direct investment.

As can be seen from Table 17, investment by other Caribbean countries into the OECS countries amounted to US\$42.4 million in 1995. Such investments grew considerably to US\$68.7 million and US\$69.3 million in 1997 and 1998, respectively. According to CARICOM (2000), that represented 23 per cent, 37 per cent and 30 per cent of total FDI into the OECS in 1995, 1997 and 1998, respectively.

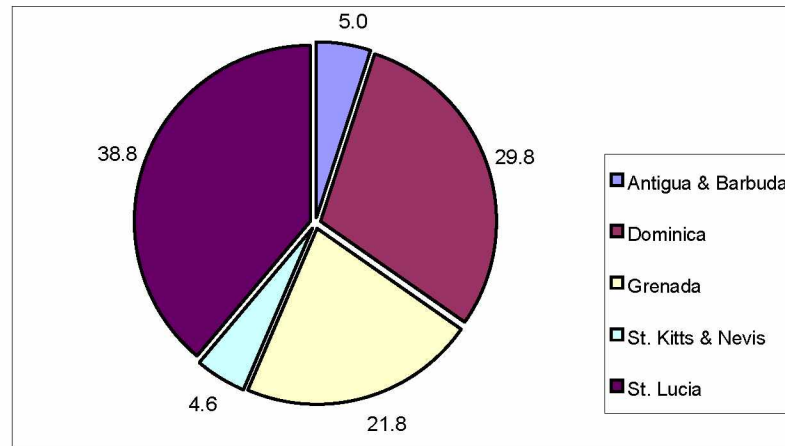
**Table 16**  
**Caribbean investments in the OECS**

Receiving country	1995	1997	1998	Average 1995-1998
Antigua & Barbuda	107.41	8330	555.56	2997.65
Dominica	40291.48	12684.44	737.04	17904.32
Grenada	0	17103.70	22222.22	13108.64
St. Kitts & Nevis	2037.04	4155.56	2185.19	2792.59
St. Lucia	0	26504.07	43592.59	23365.56
<b>Total</b>	<b>42435.93</b>	<b>68777.78</b>	<b>69292.59</b>	<b>60168.77</b>
Source: CARICOM, Trade and Investment Report, 2000				

In terms of the distribution of Caribbean investment to the OECS by country, the bulk went to Saint Lucia, which accounted for nearly 39 per cent of total inward investment from the region. Dominica and Grenada have also been significant recipients of FDI from the Caribbean countries, accounting for average shares of 29.8 per cent and 21.8 per cent of FDI from CARICOM countries, respectively, during the period 1995-1998.

<sup>8</sup> The OECS comprises the following countries: Anguilla, Antigua and Barbuda, Dominica, Grenada, Saint Lucia, St Kitts and Nevis, and Saint Vincent and the Grenadines.

**Figure 3**  
**Percentage share of OECS in inward FDI from**  
**Caribbean countries**



Source: CARICOM, Trade and Investment Report, 2000

Data on the origin and sectoral distribution of Caribbean investment in the OECS is not available. However, as pointed out earlier in this paper, the largest source of FDI in the Caribbean has been the three largest countries, with Trinidad and Tobago being the dominant outward investor in the OECS. A number of companies, such as the Royal Bank of Trinidad and Tobago (RBTT), Republic Bank, CL Financial Ltd., Neal and Massy, CIBC, West Indies Biscuit Company of Barbados and Sandals Resorts of Jamaica, have opened cross-border operations in many OECS countries and this may have influenced the volume of investment. This has been facilitated by liberalisation of the financial sector as well as privatisation of State-owned enterprises. For example, the Government of Grenada started divesting its shares in the National Commercial Bank (NCB) of Grenada as early as 1992. The majority of shares were acquired by Republic Bank of Trinidad and Tobago. The Royal Bank of Trinidad and Tobago, has also acquired shares in the Grenada Bank of Commerce (GBC) when it was privatised in 1996. The bank further increased its shares in the same bank when it purchased 50 per cent in the GBC in June of 1997. By 2000, the government share holding has been reduced drastically to only 10 per cent with the Caribbean Banking Corporation Limited (the parent company of RBTT) holding the majority shares of 62 per cent.<sup>9</sup>

In terms of the distribution of FDI inflows into the OECS countries by sector, it seems that the bulk has been directed to the services sector. As can be seen from Table 17, most of the firms that have cross-border operations in the OECS are services companies. This may have influenced the sectoral distribution of FDI inflows in favour of the services sector. Banking and tourism subsectors have particularly received significant investments compared to other sectors. For example, Royal Bank investments in Antigua and Barbuda, Aruba, St. Kitts and Nevis, Saint

<sup>9</sup> See ECLAC. (LC/CAR/G.671, " The Impact of Privatisation on the Banking Sector in the Caribbean", November 2001.

Lucia, Grenada and Saint Vincent and the Grenadines have all been directed at the financial sector, especially banking. The Sandals Resorts group of companies of Jamaica have also directed substantial investments in the heavily tourist-oriented economies of the Bahamas, Antigua and Barbuda and Saint Lucia. The heavy concentration of FDI into the services sector should not be a surprise since most of the OECS countries are predominantly services-oriented economies.

**Table 17**  
**Selected CARICOM cross-border operations in the OECS**

<b>Name of Company</b>	<b>Head office</b>	<b>Location(s) outside head office</b>	<b>Kind of business</b>	<b>Mode of entry</b>
Royal Bank of TT	Trinidad & Tobago	Antigua & Barbuda Aruba St Kitts/Nevis St Lucia St. Vincent & the Grenadines Grenada	Banking Banking Banking Banking Banking Banking Banking	100 % 20 % 100 %    60 %
Royal Castle	Trinidad and Tobago	Grenada St Lucia St Vincent & the Gren. Suriname	Food services	N.A
Sandals Resorts	Jamaica	Antigua & Barbuda St. Lucia Bahamas	Tourism	Wholly Owned
Super Club	Jamaica	Aruba Bahamas	Tourism	Wholly Owned
S.M. Jaleel	Trinidad and Tobago	St. Lucia	Manufacturer of aerated beverages	N.A
Trinidad Cement Ltd.	Trinidad and Tobago	Anguilla	Cement manufacturing	Wholly Owned Subsidiary
Republic Bank of Trinidad & Tobago	Trinidad and Tobago	Grenada	Banking	51 %
Source: CARICOM, 2000				

While the small OECS countries tend to receive significant investments from the more developed CARICOM countries, their outward investments in other Caribbean countries, not surprisingly, tend to be small. This is understandable since the smaller OECS countries have not reached the level of economic and technological development to become important exporters of

capital. However, according to the Caribbean Trade and Investment Report (2000), some firms from the OECS have indicated that they conduct cross-border operations in the larger Caribbean countries. Such firms are Eastern Caribbean Group of Saint Vincent and the Grenadines and Barons Food Company of Saint Lucia. Both companies have cross-border operations in Guyana. However, due to the lack of data the value and significance of their investment could not be determined.

## **Conclusion**

Intraregional trade and investment among CDCC countries have increased in recent years. The share of intraregional trade as a percentage of total exports has grown from 8 per cent in 1985 to 12 per cent in 2000. The increase in intraregional trade has not changed the position and weight of the different CDCC countries. Intraregional trade is highly concentrated in three of the larger economies, Trinidad and Tobago, Jamaica and Barbados. Trinidad and Tobago remains by far the largest intraregional exporter among the CDCC countries. In terms of export composition of intra-CDCC trade, the empirical evidence indicates that no significant change has taken place at the product level. The most notable variations include the decrease in the importance of agricultural export and the increase of mineral fuels, lubricants and related matters. Also, the pattern of intraregional export specialization tends to correspond with the import necessities of CDCC countries. When classified by natural resource and technological content, the pattern of specialisation tends to favour manufactures based on natural resources in terms of the export share and manufactures with low technological content in terms of import shares. Furthermore, the competitive analysis revealed that overall CDCC countries have improved their competitive standing. They have also increased their market and export share in dynamic products (products that increase their market share).

With reference to intraregional investment in the Caribbean, it was noted that intra-CDCC investment has also grown in importance. The major component of intraregional capital flows remained foreign direct investment. As with intraregional trade, intra-CDCC investment is dominated by the four more developed countries, with the exception of Guyana. Companies from Trinidad and Tobago have been particularly more aggressive in directing their investments to other Caribbean countries. As result of increased competition brought about by the process of globalisation, Caribbean firms are increasingly exploiting all the avenues of competitiveness, including locational advantages and mergers and acquisitions. For example, expenditures by Trinidad and Tobago companies for acquisition of foreign companies amounted to US\$89 million in 1997. The smaller countries have also received a substantial amount of foreign direct investment from other CDCC countries, most notably Trinidad and Tobago, Barbados and Jamaica. Such investments, for example, represented 37 per cent of total FDI inflows into the OECS in 1998. In terms of sectoral distribution of intra-CDCC investment, the bulk continued to be directed at the services sector, particularly financial services, tourism and telecommunications. This has been influenced by financial liberalisation, particularly privatisation of State-owned banks, which has been pursued in virtually all the Caribbean countries.

Annex**CDCC MARKET SHARE BY SITC PRODUCT CLASSIFICATION**

<b>Table A.1</b>				
<b>Animal and vegetable oils (1985 – 2000)</b>				
	<b>1985</b>	<b>1990</b>	<b>1995</b>	<b>2000</b>
Animal oils and fats	0.04	1.77	0.42	0.29
Fixed vegetable oils, soft, crude, refined or purified	0.90	20.35	25.24	7.68
Other fixed vegetable oils, fluid or solid, crude, etc.	19.24	38.09	28.79	33.72
Animal and vegetable oils and fats, processed and waxes	1.72	0.52	3.26	1.94

<b>Table A.2</b>				
<b>Manufactured goods classified by material (1985 – 2000)</b>				
	<b>1985</b>	<b>1990</b>	<b>1995</b>	<b>2000</b>
Manufactures of leather, parts of footwear, etc.	0.47	4.52	1.93	4.96
Rubber tyres, tyre cases, tubes, treads, etc.	1.57	17.66		
Veneers, plywood, reconstituted wood, etc.			12.41	15.33
Wood manufactures, n.e.s.	8.68	21.99	23.73	27.75
Paper and paperboard, cut to size or shape, articles of	27.31	38.63	48.16	42.06
Textile yarn			2.66	5.40
Cotton fabrics, woven	1.58	6.80		
Special textile fabrics and related products	1.74	3.65	2.42	4.43
Made-up articles, wholly or chiefly of textile mat.	9.27	6.82	6.93	5.14
Lime, cement, and fabricated construction materials	22.61	27.18	34.66	35.84
Mineral manufactures, n.e.s.	0.59	4.55	9.39	11.15
Glassware	8.03	20.71	29.47	17.76
Pig iron, spiegeleisen, sponge iron, ferro-alloys			0.00	12.05
Ingots and other primary forms of iron or steel	20.39	7.83		
Iron and steel bars, rods, angles, shapes, sections	31.16	40.10	22.01	24.19
Universals, plates and sheets, of iron or steel	17.20	9.06	6.64	5.94
Iron or steel wire (excl. wire rod) not insulated	2.88	9.88	24.52	11.46
Tin			6.14	12.64
Structures and parts of structures, n.e.s.	14.57	14.31	17.50	15.42
Metal containers for storage and transport	4.17	20.43	25.24	14.09
Wire products (excl. insulated electrical wiring), fencing grills	5.03	7.61	8.37	11.38
Nails, screws, nuts, bolts, rivets, etc.	0.84	6.20		
Cutlery	13.60	8.97		
Household equipment of base metal, n.e.s.	7.78	12.11	7.22	4.54
Manufactures of base metal, n.e.s.			6.21	4.50

**Table A.3**  
**Beverages and tobacco (1985-2000)**

	1985	1990	1995	2000
Non-alcoholic beverages n.e.s.	47.92	81.14	72.65	66.13
Alcoholic beverages	25.48	33.95	34.11	26.67
Tobacco, unmanufactured; tobacco refuse	13.60	10.44	8.64	14.29
Tobacco, manufactured	68.19	16.32	22.92	50.41

**Table A.4**  
**Mineral fuels and lubricants (1985-2000)**

	1985	1990	1995	2000
Coal, lignite and peat	0.00	0.32	0.07	0.15
Briquettes; coke and semi-coke of coal, etc.	0.17	0.02	0.00	0.03
Petroleum oils, crude, also from bituminous minerals	0.00	2.39	6.97	6.31
Petroleum products, refined	21.97	36.86	54.47	69.97
Residual petroleum products, n.e.s.	18.34	37.78	36.04	79.78
Gas, natural and manufactured	23.56	19.79	46.29	57.60
Electric current	0.00	4.06	0.00	0.00

**Table A.5**  
**Chemical and related products (1985 – 2000)**

	1985	1990	1995	2000
Hydrocarbons, n.e.s. and their derivatives	1.74	8.72	11.28	29.92
Alcohol, phenols, phenol-alcohol and their derivatives	6.70	3.13	5.51	3.45
Carboxylic acids and their derivatives			0.95	1.57
Nitrogen-function compounds			1.53	2.16
Organo-inorganic and heterocyclic compounds	0.03	0.67		
Other organic chemicals	0.16	0.90	0.51	5.37
Inorganic chemical elements, oxides and halogen salts	0.82	1.58	1.77	3.25
Other inorganic chemicals; org. and inorg. compounds	4.80	5.12	5.05	7.45
Radio-active and associated materials	0.00	1.03		
Synthetic organic dyestuffs, etc., natural indigo, colour lakeset			1.08	2.20
Pigments, paints, varnishes and related materials	25.96	25.96	25.61	20.37
Medicinal and pharmaceutical products	5.16	7.16	5.07	3.09
Essential oils, perfume and flavour materials	1.26	1.58	1.33	1.78
Perfumery, cosmetic and toilet preparations	35.64	39.42	21.38	17.58
Soap, cleansing and polishing preparations	59.16	70.45	65.24	53.10
Fertilisers, manufactured	7.84	24.60	24.59	29.03
Explosives and pyrotechnic products			1.79	1.74
Condensation, polycondensation and polyaddition prod.	1.76	1.25	2.33	2.98
Polymerisation and copolymerization products	0.76	2.82	2.89	11.82
Regenerated cellulose; cellulose nitrate, etc.	1.06	5.27		
Other artificial resins and plastic materials	2.86	4.20		
Disinfectants, insecticides, fungicides, etc.	15.05	14.18	16.16	20.39
Starches, inulin and wheat gluten, etc.	13.64	10.02	11.12	12.45
Miscellaneous chemical products, n.e.s.	1.22	1.02	3.07	3.28

**Table A.6**  
**Miscellaneous manufactured articles (1985 – 2000)**

	1985	1990	1995	2000
Sanitary, plumbing, heating and lighting fixtures	4.41	6.74	5.27	4.47
Furniture and parts thereof	26.33	22.95	14.23	11.19
Travel goods (e.g., trunks, suitcases, etc.)	1.75	15.97	9.26	7.32
Outer garments, men's and boys' of textile fabrics	27.97	13.20	9.46	15.16
Outer garments, women's, and girls' of textile fab.	12.00	23.18	24.51	19.63
Under garments, textile fab. (not knitted/crocheted)	20.18	3.83	1.43	8.54
Outer garments, other articles, knitted/crocheted	42.59	33.86	28.08	27.88
Under garments, knitted or crocheted	16.85	12.62	4.21	6.85
Clothing accessories, of textile fabrics, n.e.s.	4.18	3.27	8.81	9.58
Articles of apparel, clothing access., not textile fab.	6.75	5.30	4.50	4.24
Footwear	7.11	12.39	5.84	3.64
Cinematograph film, exposed and developed	1.07	32.59	2.26	2.80
Optical goods, n.e.s.	1.85	1.72	1.26	1.30
Printed matter	3.65	8.00	8.89	12.71
Articles, n.e.s., of materials of division 58	9.20	9.23	11.92	12.47
Baby carriages, toys, games and sporting goods			1.41	1.69
Office and stationary supplies, n.e.s.	5.62	1.88		
Works of art, collectors' pieces and antiques	6.49	12.73	13.73	5.43
Jewelry, goldsmiths' and silversmiths' wares, etc.	1.81	2.91	1.18	1.73
Musical instruments and parts and accessories	9.07	5.78	1.46	6.16
Other miscellaneous manufactured articles	25.22	18.66	11.52	10.64

**Table A.7**  
**Food and live animals (1985-2000)**

	1985	1990	1995	2000
Live animals chiefly for food	23.12	13.67	19.41	25.78
Meat and edible meat offals, prepared or preserved, n.e.s.	5.08	11.47	11.24	14.47
Fish, fresh (live or dead), chilled, dried or frozen	31.33	49.20	49.04	72.89
Crustaceans and molluses, whether in shell or not	60.30	80.72	63.31	61.09
Rice	25.58	9.85	17.44	52.70
Meal and flour of wheat and flour of meslin	30.21	40.67	54.10	65.81
Other cereal meals and flours	4.54	8.27		
Cereal preparations and preparations of flour, starch	15.51	29.90	30.35	30.35
Vegetables, fresh, chilled, frozen or simply preserved			4.63	7.15
Vegetables, roots and tubers, prepared or preserved	11.31	15.48	17.34	8.43
Fruit and nuts (not oil nuts) fresh or dried	38.82	31.49	27.39	17.00
Fruit, preserved and fruit preparations	36.73	47.72	31.22	36.15
Sugar and honey	24.30	12.23	13.98	23.66
Sugar confectionery (except chocolate), other sugar prep.	16.87	42.58	35.99	24.31
Coffee and coffee substitutes	24.46	27.47	28.54	18.75
Cocoa	20.57	22.91	23.39	22.58
Chocolate, other food preparations containing cocoa, n.e.s.	29.77	61.27	23.08	20.42
Spices	11.37	13.92	6.43	7.64
Feeding stuff for animals (excl. unmilled cereals)	7.49	13.28	12.57	14.24
Margarine and shortening	74.96	64.05	38.61	50.16
Edible products and preparations, n.e.s.	14.90	23.79	26.91	23.76



