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Monitoring trade agreements: improving export performance and promoting industrialization in the goods-producing economies of the Caribbean

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UNITED NATIONS



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This document has been prepared by Sheldon McLean, Coordinator of the Economic Development Unit of the Economic Commission for Latin America and the Caribbean (ECLAC) subregional headquarters for the Caribbean, and Ranjit Singh, consultant.

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Abstract

This study focuses on the identification of the challenges and capacity constraints faced by enterprises in the sub-region in exploiting trade opportunities provided by Free Trade Agreements (FTAs) and Partial Scope Agreements (PSAs). It concentrates on the goods sector and case studies for Belize, Suriname, and Trinidad and Tobago, and seeks to develop a strategic framework aimed at addressing these challenges and constraints, thereby creating a platform for economic diversification and export expansion. It explores the recent trade performance of the countries in question under selected trade agreements; identifies challenges and constraints faced by exporters in these countries; and presents possible avenues for strengthening export expansion both at the intensive and extensive margins.

The technological sophistication of Caribbean exports is examined, showing that the sub-region's exports have largely been characterized by primary products and relatively low levels of technological intensity in production. This study suggests that the Caribbean's efforts at diversification have traditionally been horizontal in nature, and prescribes an approach which seeks to integrate the private sector into an agenda of government policy interventions.

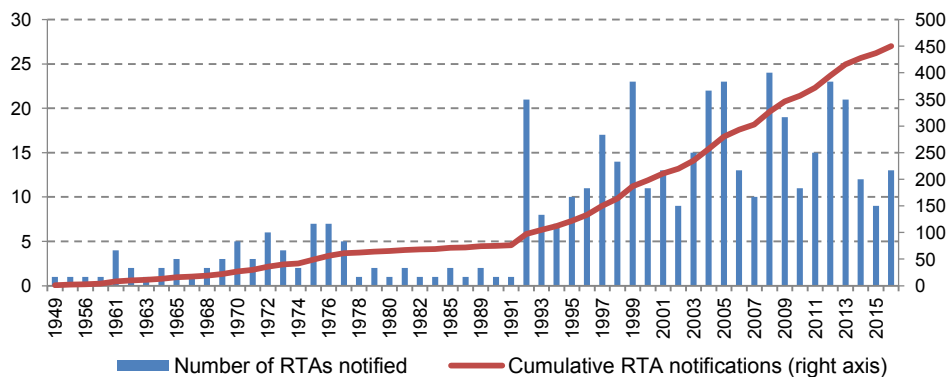
The study concludes that successful integration of individual Caribbean economies into the multilateral trading system necessitates not only increased market access but also investment and policy frameworks geared towards inducing the requisite structural change. In other words, it is important to create a delicate balance between integration into the global economy and generating welfare gains from increased trade. However, for small economies of the Caribbean, this would require moving the pivot (i.e. policy prescription in this instance) decidedly closer towards formulating coherent private sector embedded industrial policy¹, where the State plays a deeper coordinating role.

¹ This not only integrates trade-related policy measures but informs same.

Introduction

The World Trade Organization (WTO) Agreement (1995), and its predecessor, the General Agreement on Tariffs and Trade (GATT, 1947, -) ushered in an era of international commerce which has been characterized by the gradual removal and lowering of barriers to trade, as well as trade distorting measures such as quantitative restrictions, subsidies and tariffs. With the gradual dismantling of trade restrictions, the WTO's policy regime established the basis for freer trade and improved market access for exports. At the same time the number of regional trade (preferential) agreements (RTAs)² has steadily increased since the establishment of the WTO, as groups of economies attempt to secure favourable improved market access conditions among themselves (see figure 1).

Figure 1
Regional trade agreements notified per year and cumulative
1949-2016



Source: WTO RTA-IS.

² A regional trade arrangement (RTA) is a free-trade agreement, customs union or common market consisting of two or more countries.

It is estimated that over 450 RTAs have been notified to the WTO, 289 of which are currently active. Many view the RTAs as building blocks for a freer non-discriminatory multilateral system (see Lynch, 2010), whilst others view them as agents for its undermining. In respect of the latter, Jagdish Bhagwati (2008) pointed to the traditional objection to preferential trade agreements (PTAs), which was that they could divert trade from cost-efficient non-member countries to relatively inefficient member countries. This notion was first discussed by Viner (1950), when attempting to distinguish between the possible advantages and disadvantages of economic integration. Bhagwati (1995, 2008) also expressed the view that the systemic problem from discriminatory trade liberalization under PTAs arises when a country becomes a party to several PTAs. This leads to a situation where the same commodity may be subject to differing tariff rates across trading partners as the pace of tariff reduction often varies from one FTA to the next. Further, commonly with PTAs, tariffs on specific commodities are governed by rules of origin (ROO)³, with each PTA having its own rules of origin. Hence with the proliferation of PTAs, the trading system can be expected to become chaotic – a mish-mash of preferential trade barriers, which Bhagwati described as the ‘spaghetti bowl’ phenomenon.

Notwithstanding the divergence of views, an important feature of most RTAs - particularly the Association of Southeast Asian Nations (ASEAN) (25 per cent), the North American Free Trade Agreement (NAFTA) (50 per cent) and the European Union (EU) (60 per cent) - has been the significance, and in some instances dominance, of intra-regional trade.

All Caribbean Community (CARICOM) Member States, with the exception of The Bahamas and Montserrat, are members of the World Trade Organization (WTO) and are therefore bound by commitments enshrined in the General Agreement on Tariff and Trade (GATT), the General Agreement on Trade in Services (GATS), and the Trade-related Aspects of Intellectual Property Rights (TRIPS) (CARICOM Regional Aid for Trade Strategy, 2013). In addition, the Caribbean Community (CARICOM) has entered into a number of trade agreements which offer improved or preferential market access, including bilateral Free Trade Agreements (FTAs) and Partial Scope Agreements (PSAs). However, more than twenty years after the establishment of the WTO, the Caribbean has seen very little trade expansion and, indeed, has witnessed the decline in exports for some of its key commodities such as sugar, rice and bananas⁴.

This was regarded as necessary to generate additional demand to boost exports as well as to exploit opportunities for joint production. In relatively small, open economies such as those in the Caribbean, the export sector plays a strategic role in fostering the diversification of a country’s economic base and improving growth rates on a sustainable basis. This is possible due to a liberalized global trading environment, which offers significant opportunities for expansion of economic activity via increasing exports. However, capitalizing on such opportunities requires focused policies and strategies, including those related to investments, as well as the provision of support services to enterprises in meeting the many challenges associated with international trade. It is within this context that this study focuses on the identification of the challenges and capacity constraints faced by enterprises in the subregion in exploiting trade opportunities provided by Free Trade Agreements (FTAs) and Partial Scope Agreements (PSAs). The study seeks to provide the outline of a strategic framework aimed at addressing these challenges and constraints, thereby creating a platform for export expansion and diversification.

The analysis is largely limited to the goods sector and to case studies for Belize, Suriname, and Trinidad and Tobago. For each case study, two trade Agreements were selected as the basis for trade

³ Laws, regulations and administrative rulings applied by governments to determine the country of origin of goods, services or investment. A decision by a customs authority on origin can determine whether a shipment falls within a quota limitation, qualifies for a tariff preference or is affected by an anti-dumping duty (Goode, 2004).

⁴ A number of studies have commented on this situation, including studies conducted by ECLAC e.g. An Assessment of the Performance of CARICOM Extra-regional Trade Agreements: An Initial Scoping Exercise (LC/CAR/L.455/Rev.1), Regional Integration in the Caribbean: the Role of Trade Agreements and Structural Transformation (LC/CAR/L.448, as well as the Five Year Review of the CARIFORUM-EU Economic Partnership Agreement (CF-EU EPA) European Commission, DG TRADE. Monitoring the Implementation and Results of the CARIFORUM – EU EPA AGREEMENT. Sept 2014. (EUROPEAID/129783/C/SER/multi - Lot 1: Studies and Technical assistance in all sectors) ([url: trade.ec.europa.eu/doclib/html/154237.htm](http://trade.ec.europa.eu/doclib/html/154237.htm)).

performance analysis – a Free Trade Agreement (FTA), and a Partial Scope Agreement (PSA). This paper explores the recent trade performance of the member states in question under the selected trade agreements; identifies challenges and constraints faced by exporters in these countries; and presents possible avenues for strengthening export expansion of new and existing products.

In respect of the methodological approach employed, recent trade was analyzed, particularly export performance with respect to selected trade agreements with partner countries at both the sub regional level and level of selected member States. Additionally, consultations were also conducted in Belize, Suriname and Trinidad and Tobago with a view to identifying challenges and constraints that exporters and potential exporters face in attempting to exploit the opportunities for trade created by various trade Agreements to which the Caribbean Community is signatory. There was a dedicated focus on small and medium enterprises (SMEs) given their limitations including resources, technical know-how and expertise, lack of export experience, marketing capabilities and knowledge of export markets. An evaluation of the export challenges identified by stakeholders within the context of the national trade policy environment, including the provision of trade facilitation and capacity building provisions was also undertaken. It also included proposals on strategies to address identified challenges and constraints.

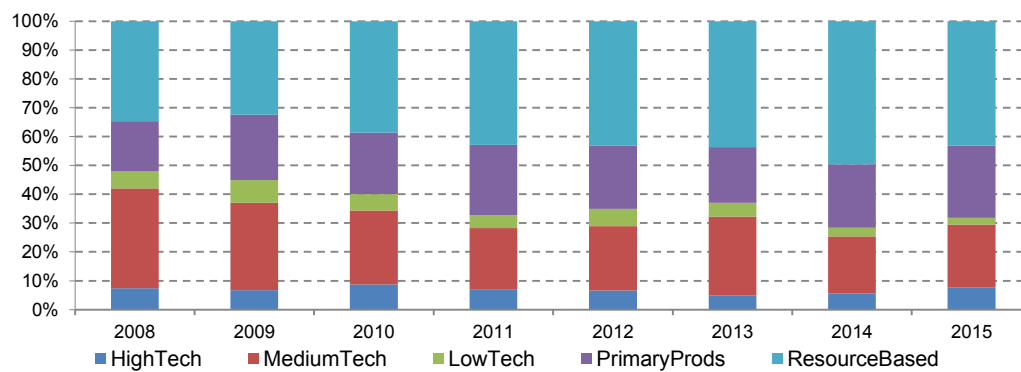
Further, a combination of, *inter alia*, an analysis of trade flows, as well as trends in indicators such as Revealed Comparative Advantage (RCA), Trade Complementarity Index (TCI), Grubel-Lloyd index⁵, the technological intensity of the subregion's exports and preference utilization rates were utilized to assess the region's trade performance. Ultimately, the objective here is to elicit valuable insights into possible policy prescriptions for placing the region on a faster growth trajectory.

The types of analysis foreshadowed above are generally useful in identifying missing elements of a strategy for expanding the region's exports. Case in point, an examination of the technological sophistication of Caribbean exports shows that the sub-region's exports have largely been characterized by primary products and relatively low levels of technological intensity in production (see figure 2).

On average, about 98 per cent of the exports of both Guyana and Suriname fall in either the category of primary products or in that of a relatively low level of technological intensity in production. With respect to Belize and Trinidad and Tobago, these two categories make up 73 per cent and 66 per cent of all exports, respectively, on average. This highlights the need for regional economies to move further up the value chain and into the production of more manufactured goods as well as engage in more value-added to existing goods.

⁵ The Grubel-Lloyd index is commonly used to measure the extent of intra-industry, and by extension provides an indication of the extent of inter-industry, trade. The index assumes a maximum value of one (1) when all the trade being investigated is intra-industry in nature and has a minimum value of zero (0) when there are no products in the same product classification imported or exported between the countries or groups of countries examined. Grubel and Lloyd (1975) used this index in support of their hypothesis that a significant proportion of the expansion in global trade between industrialized countries observed in the 1960's, had its foundation in the similarity in factor endowments. The index captures various types intra-industry commerce such as (i) horizontal trade in similar (with regard to for instance price and market segment) products differentiated by brand etc. (e.g cars); (ii) trade in vertically differentiated products based on quality and price; and (iii) vertical specialization of production (OECD 2002). Grubel-Lloyd index in the range 0.1-0.7 suggests potential for bilateral intra-industry trade, while an index value in-excess of 0.7 indicates the existence on some a greater intensity of intra-industry trade. A Grubel-Lloyd index lower than 0.1 indicates that existing bilateral trade is largely inter-industry, with no production integration.

Figure 2
Technology intensity of Caribbean exports
(Percentage of total exports)

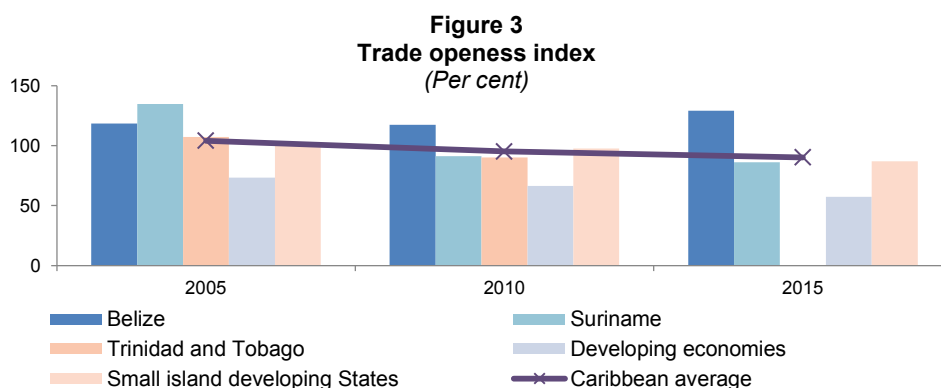


Source: COMTRADE via WITS.

Note: Antigua and Barbuda, the Bahamas, Barbados, and Dominica have no data available. Hence the figures reflect data from all other Caribbean Community member states.

I. Trade openness and the structure and performance of the Caribbean's exports

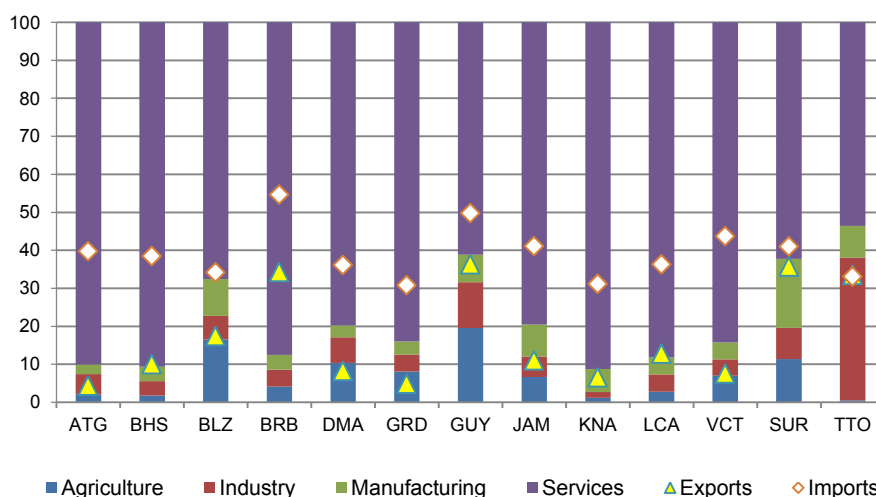
Trade openness commonly denotes the extent to which a country is receptive to international trade competition. Caribbean countries are relatively open when compared to other economies, with many subregional economies having trade openness indices (the sum of exports and imports expressed as percentage of GDP) in excess of 100 per cent. On average Caribbean economies have been consistently more open than small island developing States (SIDS) on average, and developing countries in general. Among the Caribbean goods producers, Belize's trade openness index was over 120 per cent in 2015 while Suriname's trade openness has steadily declined over the last decade. Belize has managed to maintain trade openness indices above the Caribbean average (see figure 3). It is noteworthy that the small resource and production base of many Caribbean countries predispose them to be highly dependent on extra-regional imports, including strategic imports such as food, energy and inputs into production. This makes them particularly vulnerable to shocks in availability as well as cost of these imports.



Source: UNCTAD.

With regard to the structure of Caribbean economies, for instance, Belize, Guyana, Suriname and Trinidad and Tobago, are considered the “goods producing” economies in the Caribbean. As such, agriculture, industry and manufacturing contribute more than 30 per cent to the total value added in the economy. In 2015, the contribution of these sectors was 32.5 per cent for Belize⁶, 37.7 per cent for Suriname and 64.4 per cent for Trinidad and Tobago. In contrast, among the service producers, the service sector accounted for in excess of 80 per cent of total value-added in the individual economies of the Eastern Caribbean Currency Union (ECCU), as well as the Bahamas and Barbados in 2015. For Jamaica, however, agriculture, industry and manufacturing accounted for just over 20 per cent of value added (see figure 4).

Figure 4
Sectoral share of GDP and goods trade, 2015
(Per cent of value added)

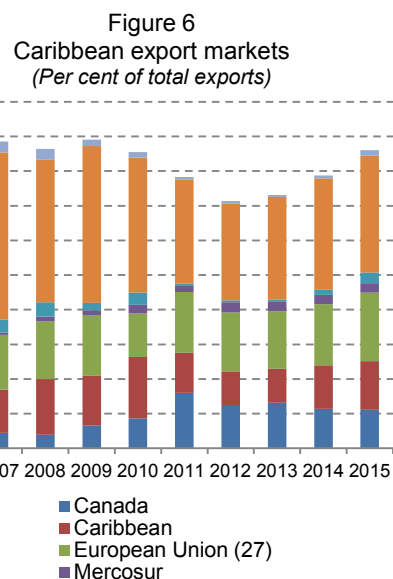


Source: ECLAC on the basis of local data.

Note: BHS, GUY and JAM GDP data for 2014 and BLZ data for 2013.

Examination of figure 5 below demonstrates that the Caribbean Community’s share of world trade is very small, and has been falling for the past 11 years to 0.14 per cent in 2015. While Latin America accounts for a relatively higher share of global trade, a similar trend has been observed since 2012 (5.35 per cent) with its world trade share declining by almost 1 per cent over to 2015 (4.39 per cent) (see figure 5).

⁶ 2013 data.



Caribbean exports are typically concentrated in a few major markets, particularly the US and the EU where the region's exports benefit from preferential trade arrangements, with the intra-regional market being the third largest⁷. Further, intra-regional trade has been shrinking over time and export market concentration increasing. In 2005, the US was the Caribbean's major export market the majority of this trade went to the United States, which accounted for 49.4 per cent of Caribbean exports. Interestingly, over the ensuing years, the importance of the US market diminished; in 2015 it commanded only 33.7 per cent of Caribbean exports. The market share lost by the United States has largely gone to Mercosur, which grew from 0.6 per cent to 2.4 per cent; the EU, which grew from 15.3 per cent to 19.8 per cent; and Canada, which grew from 4.2 per cent to 11.1 per cent of Caribbean exports (see figure 6).

In view of the trends observed above, at this juncture it is useful to engage in a brief examination of the shift in the Caribbean's trade concentration⁸ as well as technological sophistication of its exports. Perusal of the trend in the Herfindahl-Hirschmann Index (Product HHI) for the Caribbean reveals that the degree of product concentration of the Caribbean's exports has steadily declined over the period 2005 to 2015. This suggests that while, on average, the Caribbean trade concentration can be considered to be relatively high, [] the region's exports have increasingly become more homogeneously distributed among a series of products. A perusal of the trade concentration index⁹ shows that Caribbean countries are far more specialized in fewer products compared to the world average or even to that of the small islands developing States (SIDS) on average. As a matter of fact, many Caribbean countries depend on the export of a few agricultural products or mineral resources for foreign exchange earnings¹⁰ (see figure 7).

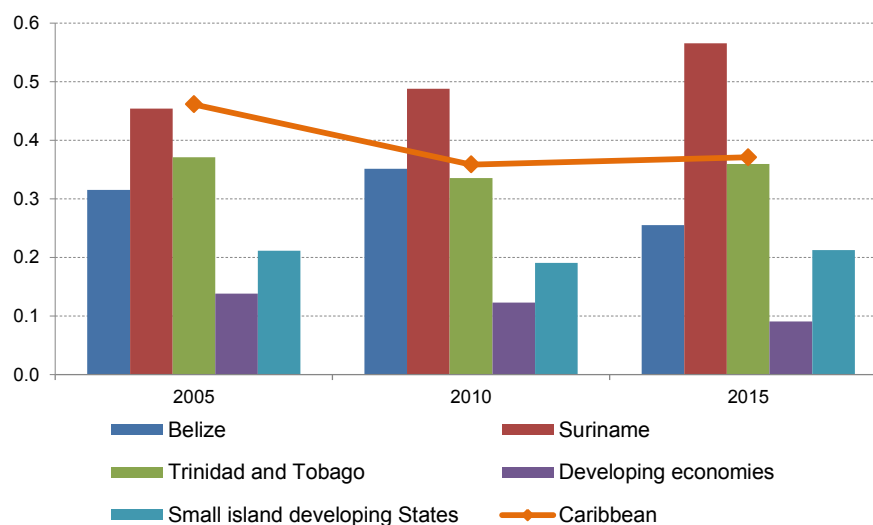
⁷ In this regard, over the period 2006 to 2015 70 to 90 per cent of Caribbean exports were to Canada, the Caribbean, the European Union, the Mercosur bloc, the SICA bloc, the United States and the wider Caribbean region.

⁸ Concentration index, also named Herfindahl-Hirschmann Index (Product HHI), is a measure of the degree of product concentration. An index value closer to 1 indicates a country's exports or imports are highly concentrated on a few products.

⁹ This index is also known as Herfindahl-Hirschmann index which can measure the degree of given market's concentration – in this case, export. The index obtains values from 0 to 1. The value of the index decreases when the number of products increases and share of each product falls. Contrary, the value approaches to 1 when export structure is specialized in a fewer products.

¹⁰ Given the instability global commodity prices, Caribbean economies need to diversify their export structure in order to mitigate the possible trade shocks.

Figure 7
Product concentration index



Source: UNCTAD.

Furthermore, the fact that the subregion's exports are constructed on a narrow base of products and exports markets increases the Caribbean's vulnerability to fluctuations in global demand and prices.

Another particularly troubling feature of the tale of the Caribbean's trade is its weak trade complementarity¹¹ (i.e. below 0.25) with not only other global economies, but also its major trading partners (US and the EU) as well as Latin America (see annex II). This suggests that the region's export specialization profile does not complement the import specialization of other global economies, and more importantly that the Caribbean's major trading partners are not its natural trading partners. Hence, transforming the Caribbean's export specialization to ensure that the region increasingly produces goods and services that western hemispheric economies import should be seen as a crucial first step in the right direction. This, however, would necessitate first formulating a coherent regional industrialization policy.

A. Trade complementarity, preference utilization and intra-industry trade

The changing global trading landscape, as well as precarious economic and fiscal circumstances of many Caribbean economies, necessitates a reshaping of the current regional model for not only optimizing economic growth rates but also the achieving of the sustainable development goals (SDGs). Over the past three years, service-based Caribbean economies have begun to grow at a faster rate than their goods-based counterparts. This notwithstanding, both sets of economies continue to search for avenues for economic diversification. A closer look the trade complementarity, preference utilization rates and intra-industry trade of selected goods-producing Caribbean economies (i.e. Belize, Suriname, and Trinidad and Tobago) may provide useful insights with horizontal applicability.

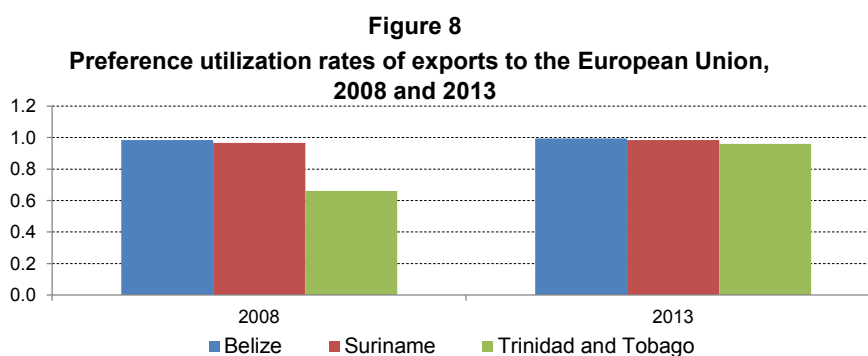
The Caribbean goods producers generally possess different factor endowments when compared to the service-based economies, which allow agriculture, industry and manufacturing to account for over 30

¹¹ The trade complementarity index measures the extent to which the export profile of one country (or country group) complements or matches the import profile of another country (or country group). An index value of zero indicates no correspondence between both countries, while a value of one indicates a perfect match in their export/import pattern.

per cent of value-added in their economies, while exports are largely dominated by commodities. The inability of the goods producers to transform production systems and move higher up the value-chain, as well as the failure to achieve Caribbean-wide production integration in general, has limited the region's export specialization to a few primary products and kept trade complementarity low¹². As such, economic and export diversification must be addressed as part of a holistic development strategy which is guided by a policy framework for industrial restructuring, which seeks to transform the productive base of Caribbean economies and, in turn, influence its trade.

Using the computation of Trade Complementarity Indices (TCIs), the analyses have shown that Belize, Suriname and Trinidad and Tobago all have their strongest trade complementarity with the countries of the Caribbean Community (2003-2013). There has been a marked decline in Belize's trade complementarity with major trading partners (i.e. the USA and EU) since 2008, with the United States and the EU following CARICOM with the next highest TCI values. For Suriname, in 2013, Canada moved into second place, followed by MERCOSUR, the EU and US, respectively. The EU and MERCOSUR were the trading partners with the second and third highest trade complementarity with Trinidad and Tobago. Of the countries and groups of countries examined, Canada consistently had the lowest trade complementarity with Trinidad and Tobago (see annex IV). The results suggest that the export structures of Caribbean goods producers match the import profiles of the rest of the Caribbean more so than they do extra-regional trading partners. However, high transportation and transaction costs have limited the ability of Caribbean economies to capitalize on the relatively higher intra-regional trade complementarity. Hence if the existing structural and other impediments are addressed, the region may be able to capture the potential for intra-regional trade-led growth that currently exists.

There is a collective recognition of the crucial role that special trade preferences, granted to small developing economies of the Caribbean, play in promoting and maintaining the viability of these countries, as well as an appreciation of their role in supporting the region's determined efforts at economic transformation. Hence, not surprisingly, amongst the goods producers examined, (extra-regional) preference utilization¹³ has been increasing. For Belize and Suriname, preference utilization was close to 1 in both 2008 and 2013. For Trinidad and Tobago, its utilization rate was much lower in 2008, at 0.66, but grew to 0.96 in 2013 (see figure 8). This coupled with the observation that the region's major extra-regional trading partners are not necessarily its natural trading partners, suggests that other factors beyond trade complementarity, such as the existence of non-reciprocal trade preferences (particularly in the US, Canada and EU markets (prior to the signing of the Economic Partnership Agreement in 2008)), influence the region's competitiveness and by extension export flows¹⁴.



Source: Eurostat.

¹² Theory suggests that if two countries or groups of countries share strong bilateral trade complementarity in diverse products, then greater trade can be generated from a free trade arrangements between them (Schiff (2001). However, high transportation and transaction cost may limit the actual gains that accrue from trade between trading partners which possess strong trade complementarity.

¹³ Preference utilization refers to the rate at which exports which are eligible for preferential treatment actually enter markets under these rates.

¹⁴ See also Khadan J. And Hosein, R., The Role of Trade Complementarity in CARICOM's Extra-regional Trade, 2013.

The Grubel-Lloyd index captures various types intra-industry commerce such as (i) horizontal trade in similar products (with regard to, for instance, price and market segment) differentiated by brand etc. (e.g. cars); (ii) trade in vertically differentiated products based on quality and price; and (iii) vertical specialization of production (OECD 2002). Grubel-Lloyd index in the range 0.1-0.7 suggests potential for bilateral intra-industry trade, while an index value in-excess of 0.7 indicates the existence on some a greater intensity of intra-industry trade. A Grubel-Lloyd index lower than 0.1 indicates that existing bilateral trade is largely inter- industry, with no production integration. As a rule of thumb, if bilateral trade (at the three digit level of the Standard International Trade Classification or SITC) between a pair of countries or groups of countries is predominantly intra-industrial, this can be deemed evidence of stronger production linkages.

Computation and examination of trade weighted Grubel-Lloyd indices, for intra-regional trade (goods) within the Eastern Caribbean Currency Union (ECCU), over the period 2000-2015, reveals that only Grenada and Saint Vincent and the Grenadines have potential for bilateral intra-industry trade with other economies within the Economic Union. Hence, while making relatively greater strides towards deepening its economic integration - when compared to the rest of the Caribbean - almost all the intra-regional trade within the ECCU is inter-industry in nature, suggesting that there exists little or no production integration, either horizontal or vertical, between these economies (see table 1).

In examining the wider Caribbean, the data suggests that intra-industry trade is either low or nonexistent (see annex IV).

In order to facilitate the identification of a broader spectrum of challenges and capacity constraints faced by regional enterprises in exploiting trade opportunities, the analysis, including of diagnostic challenges, may need to be further filtered down at the country and sectoral levels. As such, the next three chapters will be dedicated to this undertaking, through case studies of Belize, Suriname and Trinidad and Tobago. Chapter 5 will engage in a discussion of possible elements of a trade and industrial development strategy focusing on the agriculture, agro-industrial and small-scale manufacturing sectors in Belize, Suriname and Trinidad and Tobago. The final chapter will provide concluding ideas and propose areas of further work for ECLAC.

Table 1
Organization of the Eastern Caribbean States (OECS) intra-industry trade

	Anguilla	Antigua	Dominica	Grenada	Montserrat	Saint Kitts and Nevis	Saint Lucia	Saint Vincent and the Grenadines	British Virgin Islands
2000	0.01	0.14	0.13	0.34	0.01	0.17	0.11	0.26	0.08
2001	0.02	0.13	0.10	0.34	0.00	0.15	0.11	0.24	0.08
2002	0.01	0.15	0.05	0.27	0.00	0.13	0.08	0.23	0.13
2003	0.04	0.18	0.12	0.35	0.00	0.13	0.14	0.17	0.15
2004	0.04	0.21	0.32	0.32	0.00	0.11	0.15	0.33	0.29
2005	0.05	0.18	0.16	0.16	0.08	0.11	0.10	0.34	0.11
2006	0.09	0.17	0.18	0.22	0.02	0.08	0.08	0.27	0.10
2007	0.02	0.18	0.25	0.14	0.01	0.07	0.09	0.33	0.10
2008	0.01	0.15	0.11	0.22	0.01	0.05	0.08	0.29	0.20
2009	0.01	0.16	0.23	0.27	0.00	0.06	0.08	0.43	0.17
2010	0.10	0.14	0.12	0.23	0.00	0.13	0.08	0.27	0.13
2011	0.13	0.09	0.17	0.41	0.00	0.08	0.05	0.34	0.40
2012	0.00	0.07	0.12	0.36	0.01	0.10	0.04	0.02	0.19
2013	0.00	0.26	0.44	0.07	0.00	0.01	0.07	0.00	0.06
2014	0.01	0.55	0.22	0.49	0.00	0.15	0.19	0.43	0.32
2015	0.01	0.01	0.04	0.54	0.01	0.04	0.04	0.13	0.04

Source: Organization of Eastern Caribbean States (OECS).

II. Case study: Belize

A. Belize: examination of exports and main trading partners

This chapter seeks to examine Belize's export performance, recommend credible avenues for export diversification and provide broad policy recommendations for addressing supply-side capacity challenges which have constrained export expansion. More specifically, an analysis of Belize's export performance under the EU-CARIFORUM Economic Partnership Agreement (EPA) and the Caribbean Basin Initiative (CBI), a system of unilateral non-reciprocal preference provided to beneficiary Caribbean economies by the United States (USA), will also be undertaken to assess trade performance and unearth possible areas for diversification.

Belize's mechanized exports comprised goods exported by both the Domestic Market and the Corozal Free Zone (CFZ). While aggregate data are available with respect to CFZ exports, disaggregated data on products and markets which are of interest in this study were not readily available¹⁵. Belize's total exports grew by approximately 25 per cent over the ten year period 2006-2015. However, there was rapid growth in exports (48 per cent) between 2010 and 2013 after which there was a decline of 15 per cent from USD 416 MN in 2013 to USD 352 in 2015¹⁶ (see figure 9). The observed fall in total exported value during 2013 and 2015 is partly driven by adverse price movement for a few of the major exported commodities and also by declining production for others. This issue will be discussed further in the sub-section on individual product performance.

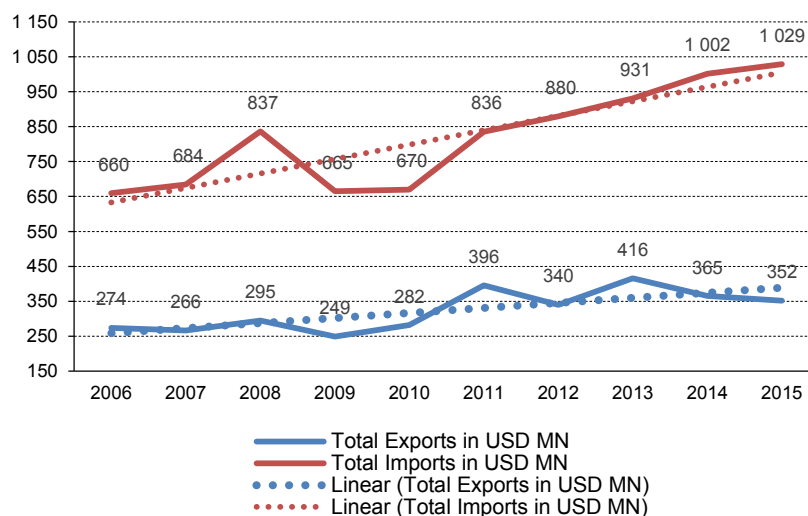
If we were to have included the export data for the (Corozal Free Zone) CFZ, then the total exports for 2013, 2014 and 2015 would be, respectively, USD 565 MN, USD 541 MN and USD 480

¹⁵ On the other hand the comprehensiveness of the ITC database in terms of the scope of country and product coverage as well as the use of mirror data where there are gaps in the data reported by a country makes this source more appropriate for the type of analysis being conducted in this study. Getting a more accurate estimate of total exports would have been necessary had the study focused on merchandise trade deficit / surplus but this is not the case.

¹⁶ The export data on banana for 2015 as reported by Belize (both the SIB Website and the Belize Central Bank Statistics Annex) appear to be understated. The data reported by the EU on its imports corresponds more closely to the export value reported by the Banana Industry. Accordingly, our estimate of the total Domestic exports for 2015 is USD 352 MN.

MN. The decline in exports 2013 – 2015 would have been -18 per cent as opposed to the -15 per cent as reported above. Total imports, on the other hand, showed a general upward trend over the period, increasing from USD 660 MN in 2006 to USD 1 029 MN in 2015, an overall increase of 56 per cent. The exception to the above was a dip in imports between the years 2008 and 2009, which coincided with the global financial crisis, when imports fell from USD 837 MN to USD 665 MN. Comparing the trend lines for imports and exports we note that, in the later years of the time series, the growth in the value of total imports exceeded the movement (growth) in exports, suggesting a widening trade deficit for Belize.

Figure 9
Belize: trends in total Imports and exports
2006 -2015
(Millions of dollars)



Source: ITC Trade map.

With regard to the distribution of exports, the top five exports in 2015 accounted for three quarters of the total exported value (74.2 per cent), with each product earning over USD 20 MN. Moreover, in 2015, bananas replaced Crude Oil as the top export at USD 73 MN followed closely by Sugar at USD 70 MN. The combined exported value of these two products was USD 143 MN or 43 per cent of the total for the year. The other top four exports were Citrus Juices, Preparations of Vegetables & Fruits, Fish & Crustaceans and Mineral Fuels, which are all primary products with little value-added (see figure 10(b)).

Mineral Fuel, Machinery, Vehicles, Electrical Equipment and Tobacco products are the top five imports and together they account for 41.3 per cent of the total value of imports. Other imported products of significance were Plastic Articles, Articles of Iron or Steel, Apparel and Accessories and Beverages and Spirits. These products each account for less than 4.0 of the total value of imports (see figure 10(a)).

Figure 10(a)
Belize: top imports in 2015
(percentage of total imported value)

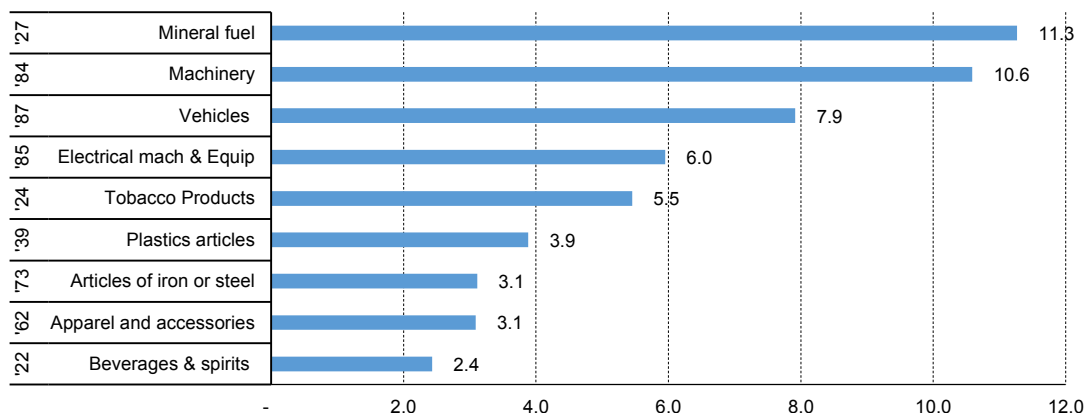
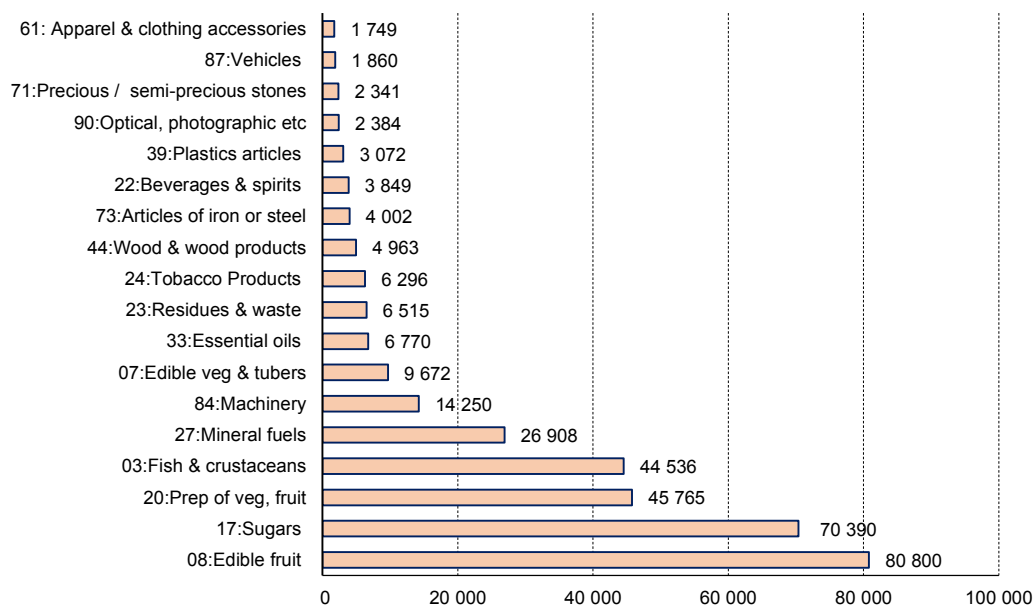


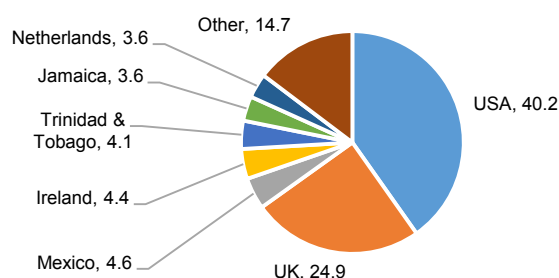
Figure 10(b)
Belize top exported products in 2015
(Millions of dollars)



Source: ITC Trade map.

Furthermore, Belize’s exports are essentially concentrated in two markets, which together account for approximately 70 per cent of exports – the USA (40.2 per cent) the EU (30.4 per cent) in 2015 (see figure 11). Within the EU, the UK is Belize’s major export market destination, accounting for 82 per cent of total exports to the EU in 2015. Additionally, there are other markets where demand is growing, with possible potential for exploitation, including Mexico, Ireland, Trinidad and Tobago and Jamaica – all with market shares ranging from 3.6 – 4.6 per cent of exports.

Figure 11
Belize main export market destinations in 2015
(Percentage)



Source: ITC Trade map.

1. Performance analysis of Belize's global trade

Shifting to a consideration of selected trade performance indicators for, inter alia, Belize's overall export performance, as well as some of Belize top exports¹⁷. This will be undertaken with a view to identifying avenues for export diversification. In this regard, it is noteworthy that there was an overall increase of 25 per cent in Belize's exports over the period 2006 – 2015. Most of this growth was achieved between 2010 and 2013, while during 2013 – 2015, export values were down by -15 per cent. Among the products that accounted for this decline were Crude Oil, which saw its export earnings decline by -67 per cent over the period; Citrus Juices by -16 per cent; and Fish & Crustaceans by -21 per cent. On the positive side, sugar exports, increased by 22 per cent over the 2013 – 2015 period; Bananas by 21 per cent; and Beans by 17 per cent.

The characteristics of Belize's basket of top exports to the EU expose the country's export earnings to volatility to market fluctuations (price and demand). The first is the concentration of the export basket among five products with the top two, bananas and sugar, accounting for approximately two thirds of the total export value. This exposure is compounded by the fact that most of these are commodities and are subject to commodity price cycles which have the potential to severely depress export earnings.

The composition of the basket of top exports has changed very little over the period 2006 -2015. In 2015 the top exports on a value basis included: Bananas, Sugar, Fish & Crustaceans, Citrus Juices and Crude Oil. Together this group represented 75 per cent of the exported value in 2015.

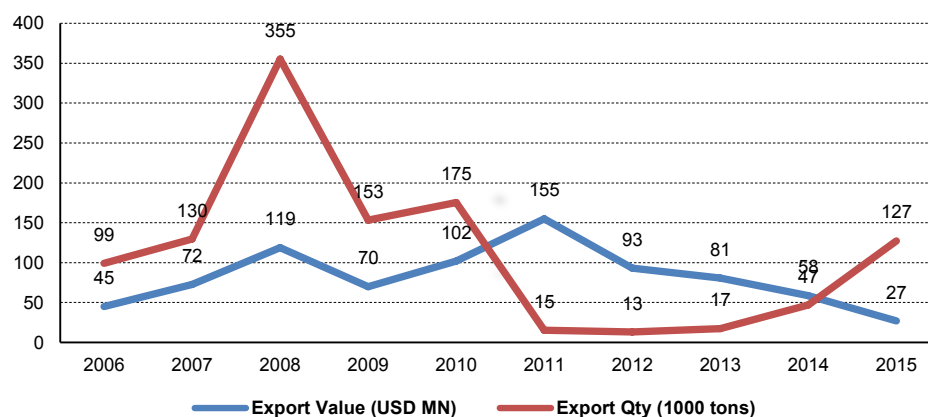
It is also noteworthy that Belize produces and exports two main products within the classification HS27 (mineral fuels) – HS270900: Crude Oil and HS271019: Medium Oils. Medium Oils comprise approximately one-third of the value of exports of the HS27 Cluster and its principal market is the British Virgin Islands, whereas Crude Oil accounts for the remaining two thirds of the total value of mineral fuels exports, all of which goes to the USA.

Driven by both fluctuations in production levels and the price of crude in the global market, the overall trend in Belize's export value of the Product Group HS27 (Mineral Fuels (Crude + Medium Oils)) has changed dramatically over the period 2006 – 2015. It is important to recall that the first discovery of petroleum and gas deposits in Belize was made by Belize Natural Energy Ltd. (BNE) in 2005 at its well in Spanish Lookout. BNE remains the only company producing oil in Belize. BNE's production, and by extension exports, peaked in 2008 (an estimated 5,000 barrels a day) but then bottomed out (2,600 barrels per day) at USD 13 MN 2011-2012, a drop in earnings of -96 per cent (see figure 12). In fact

¹⁷ i.e HS27: Mineral Fuels, HS17: Sugar, HS08: Fruits, HS03: Fish & Crustaceans, HS07: Vegetables and HS20: Preparations of Vegetables, Fruits & nuts.

despite having 13 wells operating at Spanish Lookout, and four (4) more in Never Delay, BNE's production experienced a gradual decline during the period 2008-2012. It is estimated that BNE's oil reserves will face depletion in by 2021¹⁸. As a result, the movement in exported value, the relative contribution of Mineral Fuels to Belize total export earnings moved from third ranking position in 2006 to top ranking for the subsequent years, 2007 to 2014, declining in 2015 to fifth.

Figure 12
Belize export trends in crude oil and mineral fuels
value and quantity, 2006-2015
(Millions of dollars and thousands of tons)



Source: ITC Trade map.

The performance of the Belize Oil industry in terms of export earnings is in line with the decline in the global market prices for this product in recent years. While the industry is likely to continue to contribute to the country's export earnings, price volatility and its impact on the domestic economy is inescapable. This observation therefore strongly supports the case for a greater and more urgent focus on the country's export diversification programme.

During the period 2011 – 2015 Belize's Sugar (*HS17*) exports grew at an annual average of 11 per cent and in the last year, 2014 – 2015 growth was almost doubled at 21 per cent. In comparison, world imports of sugar contracted at an annual average of -7 per cent over 2011-2015. Belize's export performance relative to that of the global market indicates the advantage in recent years of having preferential market access to two major markets – the USA under the CBI Agreement and the EU market under the Sugar Protocol with both markets providing duty free access. Export shares were 59 per cent and 39 per cent for the UK and USA, respectively.

It is interesting to note that while production levels increased by 20 per cent during 2013 -2015, the price of sugar in both the USA and EU markets declined. Moreover, the EU price for ACP raw Sugar declined from Euro 650 / tonne in 2013 to Euro 380/ tonne in 2015; and that of US No 11 Sugar fell from USD 16.96 cents/ lb to 12.45 cents / lb over the same period. The combined effect of both the improvement in supply and market forces (prices) was a 17 per cent improvement in export revenue over the period 2013 - 2015. Overall the industry performance in these markets was superior to that which would have obtained in the free market during this period.

¹⁸ See: <http://www.reporter.bz/business/higher-oil-prices-could-save-belizes-petroleum-industry/>; <http://www.nytimes.com/2006/02/21/business/worldbusiness/touched-by-oil-and-hope-in-belize.html>; <https://www.breakingbelizenews.com/2017/07/02/problems-belizes-struggling-oil-industry/>; <https://www.sanpedrosun.com/business-and-economy/2012/10/27/belize-oil-production-in-decline-by-50/>; and <https://www.belize.com/oil-exploration-in-belize>.

In addition, while Papaya has been a successful and valuable export crop for Belize for a number of years, the crop has established its susceptibility to diseases in all growing regions of the World. It is high value but also high risk. Accordingly, not only is proactive biological control and good agricultural protocols important but Belize also needs to consider a strategy of establishing production clusters in various agro ecological zones with aim of minimizing the impact of a wipe out of the total production.

What is also crucial to note is that the product composition of the basket of top exports is such that it has the potential of introducing significant volatility in the level of export earnings. Crude oil and shrimp are two products associated with markets that are characterized by significant volatility. In the case of Crude Oil, cyclical price movement and, more recently, structural market factors, could impact negatively on export earnings. Belize's recent experience of a free fall in export earnings of crude is testimony.

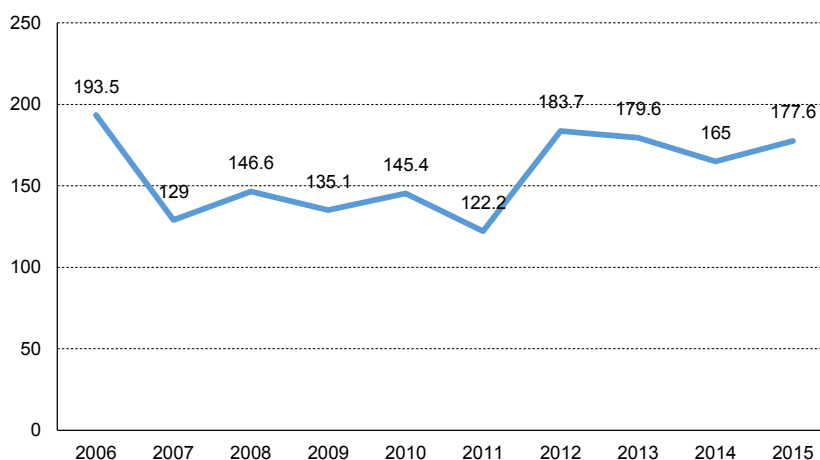
2. The European Union market

The CARIFORUM-EU Economic Partnership Agreement (EPA) provided for immediate duty free access for most exports from CARIFORUM member States, effective from the coming into force of the Agreement at the end of 2008. Belize's total exports to the EU are examined for the period 2006 to 2015 (see figure 13). While over this period, there were annual fluctuations in the value of total exports, the trend suggests a gradual decline over the period 2006 to 2011. In 2012, exports regained the value attained in 2006 and thereafter generally remained at about the same level.

The country's exports to the EU are concentrated among a few commodities, with eight products accounting for over 90 per cent of exports. Banana and Sugar are the major sources of export earnings to the EU, accounting for 41.2 per cent and 32.3 per cent of total exports in 2015, respectively. In 2015, the EU accounted for 89 per cent of Belize's sugar exports. Other important exports to the EU included Frozen Shrimp (6.3 per cent), Sport Footwear (3.4 per cent), Yellow Fin Tuna (3.0 per cent) and Orange and Grapefruit Juices at 2.3 per cent and 1.4 per cent, respectively.

With respect to trends over the period 2006 – 2015 for the top exports, there was a general upward movement in the value of exports for Bananas. However, sugar exports fluctuated but showed no significant growth. Exports of Fish & Crustaceans declined over the period. Among the top exports in 2015 two products - Orange Juice and Tuna - made their entry into EU market on the implementation of the EPA (2008-2010) and along with Bananas and Grapefruit Juice would have accounted for the observed increases in export value post EPA.

Figure 13
Belize total exports to the EU (27)
(Millions of dollars)



Source: ITC Trade map.

Analysis of the trade data has shown that with the exception of orange juice all of Belize top exports to the EU enjoyed duty free access to the EU under ACP Preferences prior to the EPA. Accordingly, we conclude that market access would not have been a factor in explaining the observed increases in export levels of some of the top exports. However, some of Belize's exports of Orange Juice to the US appear to have been diverted the EU market on the coming into force of the EPA to take advantage of the improved market access – going from 5.7 per cent Ad Valorem Equivalent tariff prior to the EPA in 2008 to duty free post EPA. Orange Juice, Grapefruit Juice and Tuna are among the top exports that benefited from improved market access afforded by the EPA.

3. The United States market

In trying to identify markets for Belizean agricultural and agro-industrial products, the obvious target is the USA, given its proximity and duty free access for Belizean exports. While the wider EU market should not be discounted as a longer term target, the current challenges with respect to transport logistics and cost, especially for fresh produce, renders this market less attractive than the USA at this time.

Before attempting to identify potential market opportunities in the USA for agro-based products that Belize has the potential to produce, we will first review Belize's current exports to that market. Two product clusters of interest are Vegetables (HS 07) and Fruits (HS 08). All of Belize's exports to the USA, except sugar, enjoy duty free access under the CBI. Sugar enters at the equivalent ad valorem charge of 9 per cent. In 2015 two commodities belonging to these two product clusters were prominent – Sugar and Orange Juice. Together they accounted for approximately 33 per cent of Belize's exports to the USA at a value of USD 35 MN. Other agricultural based products in the export basket to the USA in 2015 and having an export value exceeding USD 100,000 were the following: papaya (10.3 per cent of exported value at USD 8.4 MN); bean & peas (2.3 per cent of exported value at USD 2 MN); cocoa bean (0.3 per cent of exported value at USD 210,000); and essential oils – 0.1 per cent of exported value at USD 104,000.

Clearly, Belize's current agricultural exports to the USA are rather limited. When one considers the huge absorption capacity of the US market, the changing demographics along with changes in taste and consumption patterns as well as the fact that most of Belize's exports are afforded duty free access, there are obvious opportunities to be exploited. Belize also enjoys relatively close proximity to the USA compared to many countries in the Americas and Asia that have developed a good export trade with the USA in tropical agro-based products. In terms of export performance, sugar exports over the period 2011 - 2015 showed phenomenal growth of 147 per cent on an annual average basis. Belize's Papaya exports to the USA declined by 10 per cent on average over this period due to the impact of virus on production. However, the USA market for Papaya continues to grow, expanding at annual average rate of 12 per cent over the period 2011 -2015. Exports of Orange Juice (not frozen) also grew at a rate of 10 per cent over this period but this is significantly below the USA market expansion, with the country's imports of this product increasing by a robust 77 per cent during the same period. In the case of R.K. Beans, exports by Belize over the period 2011-2015 increased at annual average of 6 per cent which was in line with the growth in World imports by the USA for this product.

Generally, the trade data show that most of Belize's exports to the USA, excluding papaya, experienced growth over the 2011 -2015 period, sugar showing strong growth. However, the expansion in exports of these products was generally below the rate of expansion in the USA's imports from World sources.

4. Challenges in exploiting export market opportunities – perspectives of exporters

Along with the need for export diversification with the aim of broadening the range of products in the basket of top exports there is also the need to strengthen the ongoing efforts aimed at enhancing export capacity of enterprises and improving export facilitation services. Further, commitment to strong institutional collaboration between the private and public sectors, and among government agencies, with a view to correcting coordination externalities where they exist is a key driver of trade and economic performance.

In this regard, Belize has three institutions that are strategic to facilitating export development particularly in the agriculture and agro-industrial products sector – BAHA, Belize Bureau of Standards and Beltraide. The feedback from stakeholders on the support services these institutions provide to the development of their enterprises is very positive and well appreciated. With limited professional staff and resources the scope of work and range of services they provide in facilitating business development is noteworthy. In comparison with other jurisdictions that are better endowed in terms of institutions and resources, much more is being achieved. However, with respect to trade facilitation issues, it is imperative to highlight the policy interventions and support services identified by stakeholders as being central to improving production efficiency and export competitiveness. These included, inter alia,

- Improving access to finance – many stakeholders were of the view that the general risk averse behaviour of financial lending institutions together with the perceived riskiness of lending to export oriented start-ups partially explains both their reluctance to provide financing, their demands for excessive collateral and relatively high interest rates;
- Strengthening the Phyto-sanitary (SPS) infrastructure by establishing a certified Packing-house for fresh product handling –intended either for entry into processing or the export fresh market;
- Furthering the development transformation of the Belize Bureau of Standards;
- Modernization of Customs administration including the establishment of a Single Electronic Window;
- Encouraging sectoral investments through the establishment of a comprehensive incentive package for SMEs;
- Developing trade infrastructural linkages with Central America (TIM project) and the linkage with Mexico.

Stakeholders also intimated that exporters and potential exporters generally have limited knowledge of export markets and market opportunities, given the absence of broad-based market intelligence support. This included information in respect of regulatory measures such as Sanitary and Phyto-sanitary (SPS) requirements for entering the respective, including intra-regional, markets; information on market structure and competition; and administrative procedures for market entry.

In an effort to provide entrepreneurs with the tools necessary to engage in commercial and export activity Beltraide has developed a suite of training and capacity building interventions addressing the capacity and knowledge gaps that commonly exist. These include training in business management, sensitization of export procedures, market intelligence support, investment planning, assistance in accessing technical support and conduct of trade clinics in collaboration with other agencies. All of this is accomplished within the context of limited resources but benefiting from strong intra-institutional collaboration.

Several key initiatives have been identified as being central to redressing the capacity gaps, key bottlenecks and leading supply-side capacity constraints to improving export competitiveness and increasing exports. First, it is imperative that a Food Technology and Engineering Unit be established, the purpose of which would to provide the R&D for product and process development to support an agro based value added export thrust. Additionally, this Unit would provide the much needed technical back stopping and advisory services to agro processors. It is envisaged that the Unit will be comprised of at least two professionals – a Food Technology specialist and a Food Engineer specializing in food process technology and engineering.

Secondly, consideration should be given to exploring avenues for providing additional funding to Beltraide in order to enable the organization to provide exporters with product and market specific intelligence data and advice, which are essential for market entry strategizing. Such information is not readily available on free databases. In this regard, subscriptions to industry and product level databases, such as Euro Monitor, are recommended. Further, the participation in trade missions are costly and sometimes with little payback especially when enterprises are not fully export ready. However, trade

missions to markets of interest could be productive if there are a suite of fully ready export enterprises. Hence, creative mechanisms should be explored in order to make additional resources available to support such initiatives.

Thirdly, development of a programme to strengthen on-farm SPS and improve food handling practices including the provision of extension personnel with training in SPS and Global GAP; as well as crafting and implementing a training programme for farmers in adopting Good Agricultural Practices (GAP) to be delivered by trained extension personnel.

Accordingly, the vision for an agricultural transformation that could aggressively address the supply constraints is one that includes a new fourth component to the existing structure. This vision for a fourth component is one that introduces innovative technology and scale to achieve the production levels and competitiveness that are essential to realizing the potential of agriculture and agro- industry in the context of export growth. The Vision is one which views production as being organized spatially in large clusters so as to realize scale economies in technology adoption, synergies among enterprise in the cluster and the establishment of a productive base to support modern food handling systems and the incentive for the establishment of value added enterprises.

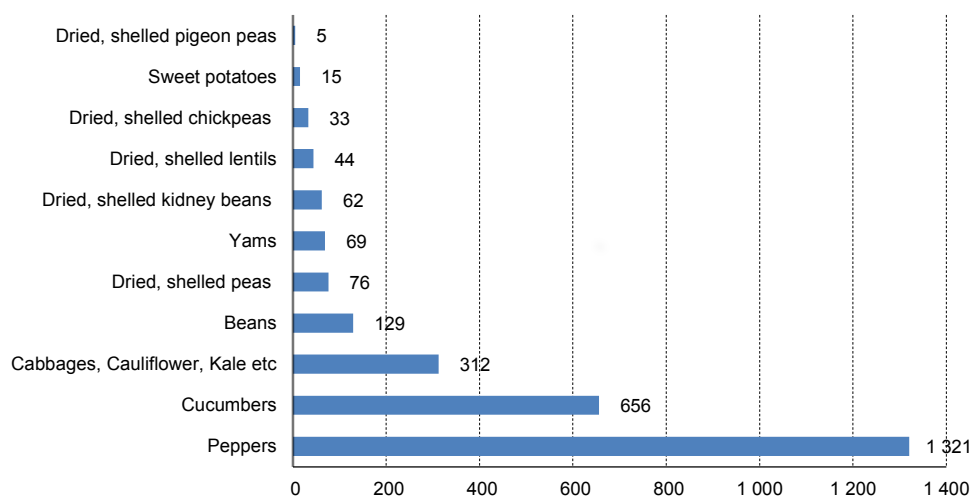
As a development initiative the government has a role to play in providing the land resource base, basic infrastructure and access to development finance. In essence the proposal is to establish Agro Enterprise Clusters. Belizeans, both entrepreneurs and those trained in modern farming, should be considered for leases of the farm, but subject to strict conditionality with respect to choice of technology, productivity and loan pay back performance. Foreign investors also have a critical role to play as partners as they could introduce technology, provide the market linkage into global value chains and finance.

In an attempt to explore market possibilities for Belizean exports in the near future we thought it prudent to focus on agriculture and agro-processed products given the country's resource endowments, production potential and its export development focus. While Belize recognizes its current supply capacity constraints we are of the view that an innovative development plan for the agriculture sector could pay dividends over time. We note also that in any aggressive expansion of the agriculture production base, value added entrepreneurial investments would be a natural outcome if encouraged via an appropriate package of fiscal incentives and technical support for investments in agro processing. However, even with an attractive investment incentive package for value added this component of development takes time. Accordingly, the export expansion strategy must necessarily include a combination exports in both fresh produce and value added products.

5. Possibilities for expanding production and exports

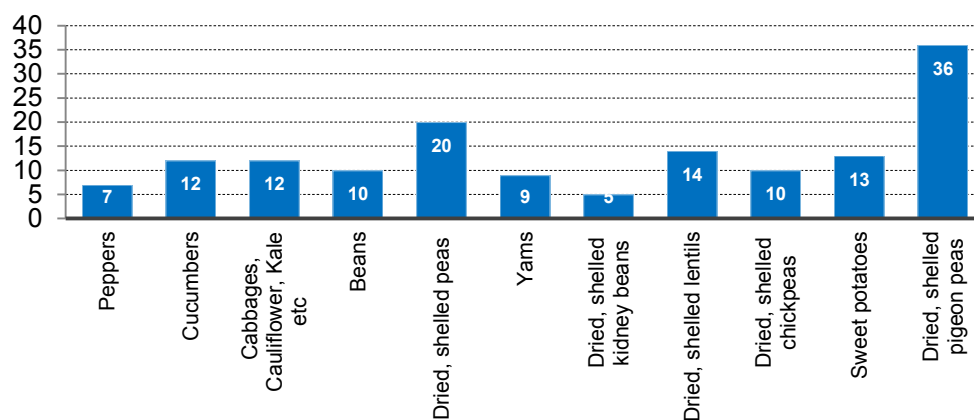
The Product Cluster vegetable products (HS07), includes edible vegetables and nuts. Analyses of total value of imports into the USA in 2015; annual growth in imported value between 2011 – 2015 (per cent per annum); annual growth in imported value between 2014 – 2015 (per cent per annum); an annual growth in world exports for the product of aforementioned product cluster have identified twelve products that offer good prospects for export growth in the USA market. The products selected are commonly grown in Central America and we expected should be suited to Belizean agro ecological conditions. The products identified have been highlighted and are presented in figures 14 and 15. The products with export potential for Belize include hot pepper; cucumber; cabbage; fresh and chilled vegetables; beans; peas; yams; chick peas; pigeon peas; and sweet potatoes.

Figure 14
US imports of vegetables and root crops in 2015
(Millions of dollars)



Source: ITC Trade map.

Figure 15
US vegetable import: average annual growth in import value during 2011-2015
(Per cent)



Source: ITC Trade map.

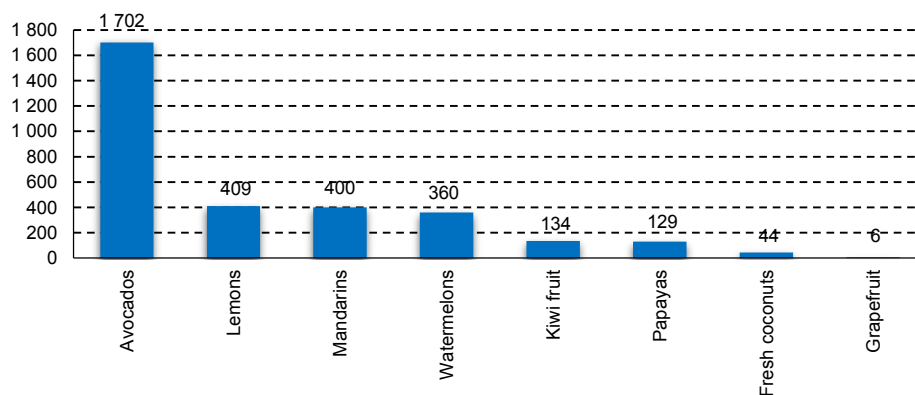
Given its proximity to and longstanding trading relationship with the USA, coupled with preferential market access under the North American Free Trade Agreement (NAFTA), as expected, Mexico is the market leader for vegetable exports to the USA, accounting for almost 60 per cent of imports in 2015 at a value of USD 5535 MN. However, we note that Belize's Central and South American neighbours are also significant players in the export of vegetables to the USA. Peru was the third largest exporter of vegetables to the USA, Guatemala ranked fifth with an export value of USD 209 MN, Costa Rica was at the seventh spot with exports of USD 114 MN and Ecuador and Honduras in the tenth and eleventh position with vegetable exports of USD 64 MN and USD 53 MN, respectively.

With regard to tropical fruits (HS08), among the list of fruits imported by the USA, twenty three (23) of these appear to be suited to the agro ecological conditions in Belize. These are illustrated in figure 16 and import growth rates in figure 17. Within this group there are nine fruits that demonstrate good market prospects for exports to the USA market. Firstly, we note that the group includes two products that are now grown in Belize and exported to the USA – papaya and coconuts.

The second observation with respect to the range of fruits identified is the levels of importation of products in the citrus family. Given Belize's experience and know how in the growing of commercial citrus as well as the country's agro ecological suitability for citrus we are of the view that the following products are worthy of serious consideration as part of the diversification effort. Review of the data also reveals that USA imports of products of the Citrus family e.g. lemons (import value of USD 410 MN in 2015) and mandarin (import value of USD 401 MN in 2015) are as substantial. In addition, watermelon, avocado and frozen fruits have also been flagged for consideration; the respective average annual growth in imports of the fruits listed above over the period 2011 -2015 were 12 per cent, 19 per cent and 12 per cent.

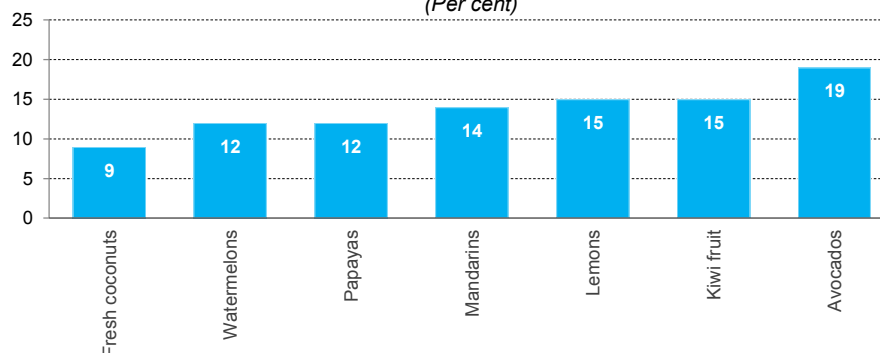
South American and Central American countries supply a large share of the USA imports of tropical fruits and vegetables. Some of these countries, e.g. Guatemala and Peru appear to be aggressive in their export thrust. If Belize wishes to capitalize on these opportunities then any attempt at market entry calls for establishment of an efficient production base and supply capacity, efficient logistics and quality produce with assurance on food safety.

Figure 16
US Imports of selected fruits in 2015
(Millions of dollars)



Source: ITC Trade map.

Figure 17
US imports of selected fruits: annual growth in value
during 2011-2015
(Per cent)



Source: ITC Trade map.

As noted earlier, when one considers the huge absorption capacity of the US market, the changing demographics, emerging taste and consumption patterns and the fact that most of Belize's exports are afforded duty free access there are obviously opportunities to be exploited. Belize also enjoys relatively close proximity to the USA compared to many countries in the Americas and Asia that have developed a good export trade with the USA in tropical products.

Critical to harnessing the country's development potential of its agricultural sector is the adoption of a development model that provides space for the creation of an innovative farming subsector in non-traditionals that is strongly business oriented operating alongside the traditional corporate and small farm sectors. Successful pursuit of the country's export diversification thrust calls for a rethinking of the sectoral development model for agriculture and agro based product development. However, without a technological base and an attendant strategy for industrial restructuring, Belize would not be able to produce beyond basic goods and in doing so reap little value added.

III. Case study: Suriname

A. Review of Suriname's trade performance

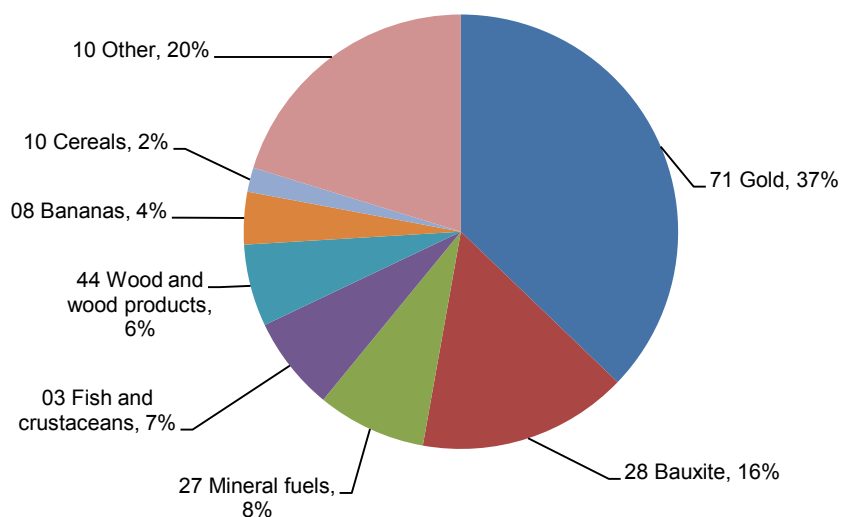
Two bilateral trade agreements, the CARIFORUM-EC EPA, a reciprocal Free Trade Agreement, and the CARICOM–Cuba partial scope agreement (PSA) have been selected for specific scrutiny of trade performance.

Mention must be made of the fact that Suriname has a relatively diversified export market with eleven trading partners accounting for 94 per cent of the country's exports in 2015 (table 2). The top market destinations for 2015 were: Switzerland (25.6 per cent), India (17.6 per cent), Belgium (11.3 per cent), the USA (11.2 per cent) and France (9.6 per cent). Suriname's global exports are however concentrated, with the top six product clusters accounting for 78 per cent of the total. In 2015, gold was the top exported item accounting for 37 per cent of total value of exports at US \$1,400 million. The other products were inorganic chemicals at 16 per cent of total exports, mineral fuels (8 per cent), fish (7 per cent), wood (6 per cent) and bananas (4 per cent) (see figure 18).

Switzerland is Suriname's main market destination for gold; India and China are the main markets for wood exports. Canada and the USA are the main markets for Suriname's bauxite exports. France is the main market for Suriname's mineral oils and bananas exports, whilst Jamaica was the main market for rice exports.

Suriname's imports are concentrated in a narrow range of supplying markets with three countries supplying approximately 60 per cent of total imports in 2015. The USA was the source of 30.1 per cent of the country's imports, Netherlands 15.1 per cent and China 13.7 per cent (table 3). Other major sources of imports were Japan, accounting for 5.4 per cent of the country's imports in 2015, and Canada 4.5 per cent.

Figure 18
Suriname Top Global Exports by HS2 Product Clusters, 2015
(Percentage)



Source: ITC Trade map.

Table 2
Suriname main exports markets and trade performance in 2015

Importers	Trade indicators			
	Value exported in 2015 (USD thousand)	Share in Suriname's exports (percentage)	Growth in exported value between 2011 and 2015 (per cent per annum)	Growth in exported value between 2014 and 2015 (per cent per annum)
Total	1400 300	100	0	-21
Switzerland	359 082	25.6	286	-17
India	242 393	17.3	161	174
Belgium	158 869	11.3	-10	-16
United States	157 445	11.2	-11	-67
France	133 854	9.6	19	53
Canada	96 708	6.9	-17	-24
China	50 841	3.6	37	-3
Jamaica	41 750	3	2	4
Netherlands	32 566	2.3	-7	-1
Guyana	31 711	2.3	-22	-73
Germany	14 668	1	21	-43
Total		94		

Source: ITC Trade map.

Table 3
Suriname global imports main supplying countries, 2015

Exporters	Trade indicators				
	Value imported in 2015 (USD thousand)	Trade balance 2015 (USD thousand)	Share in Suriname's imports (per cent)	Growth in imported value between 2011-2015 (per cent, per annum)	Growth in imported value between 2014- 2015 (per cent, per annum)
Total	1 476 481	-76 181	100	1	-3
United States of America	444 143	-286 698	30.1	1	-14
Netherlands	232 353	-199 787	15.7	-3	-15
China	202 207	-151 366	13.7	8	14
Japan	79 011	-73 243	5.4	2	13
Canada	66 242	30 466	4.5	32	314
Brazil	38 430	-37 311	2.6	-15	-16
Panama	33 231	-29 528	2.3	6	-30
Germany	31 234	-16 566	2.1	4	-20
France	29 184	104 670	2	6	133
Belgium	26 787	132 082	1.8	-1	-14
Finland	25 995	-25 971	1.8	158	762
Italy	22 641	-22 192	1.5	4	66
United Kingdom	19 615	-19 457	1.3	-6	8

Source: ITC Trade map.

Suriname's total imports remained relatively flat over the period 2011-2015 but in 2014 -2015 total imports declined by 3 per cent. There was significant decline in imports from some of the main supplying markets in 2015, with imports from the USA falling by -14 per cent and the Netherlands by -15 per cent. However, imports from China increased by 14 per cent, Japan by 13 per cent, France by 133 per cent, Canada by 314 per cent and Finland 762 per cent.

Products within the top seven HS2 product clusters accounted for 78 per cent of the country's total imports of US \$1,476 million in 2015. Machinery was the major product group imported at a value of USD 256 MN or 17 per cent of total imports. The USA, Netherlands and China were the major suppliers. Imports of vehicles represented the second largest outflow at 12 per cent of the total imports, with Japan and the USA being the main suppliers. The third and fourth largest imports were electrical machinery (9 per cent of total imports) and iron & steel (6 per cent).

1. Suriname's global export performance

In an attempt to assess Suriname's export competitiveness, the country's export growth performance over the period 2011 – 2015, was compared to the general performance of world imports from all sources over the same period. The performance of bauxite, cereals, bananas and beverages were below that of world imports. Specifically, Suriname's bauxite exports declined by -17 per cent versus a decline of -5 per cent for world imports, while cereals exports declined by -5 per cent compared to the decline of -2 per cent for world imports from all sources. In the case of bananas, Suriname's export increased by 1 per cent compared to an increase of 5 per cent for world imports and exports of beverages remained unchanged versus a growth of 1 per cent for world imports.

Suriname's gold, fish and wood exports outperformed the global imports. In the case of wood, Suriname's exports recorded a growth of 33 per cent versus the growth in world imports of 2 per cent. Gold exports increased by 2 per cent versus a decline of -1 per cent for world imports and fish exports increased by 7 per cent versus flat world imports.

Hence, while Suriname's global exports for its top exports appear to be spread among a range of export markets, the composition of the country's exports is concentrated among a few products, mostly commodities. Generally, export competitiveness up to the period 2011 - 2014 compared favourably with

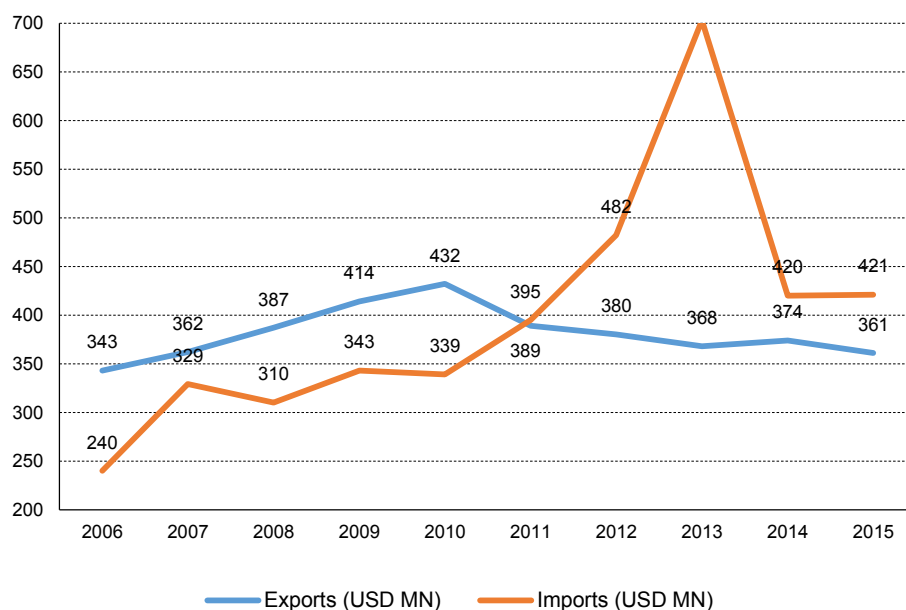
that of the global market. However the vulnerability of the country's export earning capacity is evidenced by its overall declining performance recorded over recent years, notwithstanding the growth shown by some products during the same period. Given the general volatility of commodity prices, the recent economic decline of the Surinamese economy reflects the fact that the country's top exports are concentrated in a few items and further they are all primary commodities, rather than value added products. As such Suriname's export earnings are vulnerable to commodity price swings. These observations support the country's current export policy, which focuses on export diversification aimed at addressing current vulnerabilities.

2. The CARIFORUM – EU Economic Partnership Agreement: trends in Suriname's imports and exports

As mentioned earlier, the Economic Partnership Agreement (EPA) between CARIFORUM States and the European Union (EU) came into force in December 2008. The Agreement provided for immediate duty free access to the EU for most goods from CARIFORUM. In turn, CARIFORUM States were to gradually reduce tariffs on EU exports. There were sustained but moderate increases in Suriname's exports to the EU in the years leading up to the EPA. Increases in exports continued up to the year 2010 when it peaked at US \$432 million, representing an increase of 26 per cent over export levels in 2006. Over the years 2010 to 2015, exports to the EU showed a gradual downward trend, falling to US \$361 million by 2015, a contraction of 16 per cent relative to the value in 2010.

Suriname's imports from the EU over the period 2006 onwards showed a similar upward trend as exports and were below that for exports until 2011 (see figure 19). Post 2011, imports continued the upward trend and peaked at US\$703 million in 2013. Post 2013 imports registered a sharp decline, falling to a value of US\$421 million by 2015¹⁹.

Figure 19
Suriname - EU Trade: 2006 -2015
(Millions of dollars)



Source: ITC Trade map.

¹⁹ As a consequence of falling commodity prices from 2014 onwards, Suriname's economy struggled to maintain positive growth, with the annual growth rate in 2015 standing at -2.7%. International reserves fell to critically low levels. The country also transitioned to a floating exchange rate, inflation rates began to increase steadily and imports showing a sharp decline.

3. Assessing the influence of the EPA on Suriname's exports to the European Union

While the magnitude of the decline in Suriname's exports to the EU was not large, there was nonetheless a reduction in exported value post EPA, rather than the anticipated increase on the implementation of the EPA. This observation of export trends limits the conclusion we might draw with respect to the effect of the EPA. In particular, we can only conclude that, thus far, the EPA did not have a discernible positive impact on exports to the EU.

Furthermore, the top exports to the EU prior to 2008, and following the coming into force of the EPA, all enjoyed duty free access into the EU market under African, Caribbean and Pacific (ACP) Preferences, under Successive Lomé and Cotonou Agreements. The minor exception was rice (both brown and milled), which incurred a tariff equivalent rate of 8.43 per cent for brown rice, and a tariff equivalent rate of 24.83 per cent for milled rice prior to 2008.

4. The Cuban market: import profile and possible market opportunities for Suriname

The CARICOM–Cuba partial scope agreement (PSA) came into effect in 2001. Under the Agreement exports of selected products from CARICOM member States are to be accorded duty free access to the Cuban market. Exceptions include seasonal provision of duty free access for some products in recognition of the domestic production of these goods in Cuba during particular seasons. In terms of reciprocal access, CARICOM MDCs would provide duty free access for selected Cuban exports. There is no obligation for LDCs to provide duty free access to Cuban exports.

From the review of the list of Cuban imports in 2015, based on the HS2 product classification, eleven (11) product clusters have been identified, which may include products that offer export possibilities for Suriname. Within these eleven Product Clusters nine specific products were considered most relevant. They include: milled rice (HS100630); soaps (HS340120); beer (HS220300); wood in the rough (HS4403); sawn wood (HS4407); vegetables fresh or chilled (HS0709); cereals (HS190410); chocolates (HS1806); and cocoa powder (HS1805). The findings with respect to the market evaluation of the specific products were articulated above and summarized in table 4.

Soaps (HS341020) provide an attractive export opportunity for Suriname, since Cuba's imports of the product are large, valued at US \$47.6 million in 2015. Cuba's soap imports have also registered good growth over recent years at an annual average of 37 per cent. Consideration of the foregoing, together with Suriname's production and export capability for this product, provide a sound basis for exploring this market. However, Suriname export of soaps is not currently accorded duty free access. Thus it would face a tariff of 6 per cent to the Cuban market. Beer (from malt) imports into Cuba have shown significant growth in recent years with an annual average of 113 per cent, driven in part by the country's growth in tourism. As such this market is likely to continue to experience higher growth in the future. Exports by Suriname would attract a tariff of 30 per cent. In addition, it is important to note that the Cuban import market is characterized by strong competition from established breweries from Brazil, the Netherlands and the Dominican Republic. In this regard, the Dominican Republic has a much lower unit cost than the others, and would be a factor to consider.

While the import demand for both Wood in the Rough and Sawn Wood are relatively small (US \$2.2 million and US \$16.9 million), there are likely to be niche market opportunities for tropical species since much of the current imports appear to be temperate species. Given Suriname's supply capability with respect to both of these products as well as the provision of the duty free access under the PSA, this market should be explored.

Cuba's imports of (mixed) vegetables (fresh or chilled) are rather small. Additionally, given the perishability of these products, transport logistic would make exporting it rather challenging. As such this does not appear to be a worthwhile pursuit in terms of an export activity for Suriname.

Furthermore, although Prepared Cereals Products import levels by Cuba are relatively small at US \$0.8 million in 2015, the market for this product is likely to experience good growth in the future, as the economy begins to progressively open and anticipated growth on the tourism sector materializes. It also offers Suriname a market opportunity given its export diversification thrust into agro-based products. Key issues to address in product development are product composition, texture and flavour based on preferences in the Cuban market, both the domestic and tourism segments.

Although Cuban imports of Chocolates & Cocoa Powder are relatively small, like cereals these cocoa based products offer an excellent opportunity for Suriname's export diversification.

Table 4
Market evaluation of Suriname's export possibilities to the Cuban market:
supplying countries and trade competitiveness indicators, 2015

HS product code	Product	Supplying country	Value of imports (USD MN)	Market share (per cent)	Average annual growth 2011-2015	Unit/cost (USD)	Import tariff/tariff equivalent (per cent)	Applicable tariff for Suriname's export (per cent)
100630	Milled rice	Total	91.6	100	28	455		
		Brazil	76.3	83	26	448	0	
		Argentina	14.7	16.5	132	507	0	0 (15)
340 120	Soaps	Total	47.6	100	37			
		China	35.7	74.8	49	1223	5.7	
		Brazil	9.2	19.4	119	854	0	
		Mexico	1.5	3.1	(33)	956	0	
220 300	Beer	Total	30.8	100	113	711		6
		Brazil	8.4	27.1		985	0	
		Netherlands	8.3	26.8	113	858	30	
		Dominican Republic	8.2	26.4		489	30	
		Mexico	2.8	9.2	61	989	30	
4 403	Wood in the rough	Total	2.2	100		697		
		Finland	0.8	37.4		733	0.2	
		Denmark	0.6	30.6		615	0.2	
		Sweden	0.4	15.9		851	0.2	
		Canada	0.3	13.8		632	0.2	
4 407	Sawn wood	Total	16.9	100		502		0
		Brazil	10.3	60.6		444	1.4	
		Spain	3.8	22.3		654	1.6	
		Italy	1.1	6.7		624	1.6	

Table 4 (concluded)

HS product code	Product	Supplying country	Value of imports (USD MN)	Market share (per cent)	Average annual growth 2011-2015	Unit/cost (USD)	Import tariff/tariff equivalent (per cent)	Applicable tariff for Suriname's export (per cent)
0709	Vegetables fresh or chilled	Total	3.0	100	(36)	1500		
		Belgium	1.0	33.3			4	
		Panama	1.0	33.3			3.8	
		Spain	1.0	33.3	(45)		4	0
190 410	Prepared cereals (e.g. breakfast cereal)	Total	0.8	100	18	1 510		
		Mexico	0.5	58.4	28	3519	8.8	
		Italy	0.1	17.1		448	10	
		Spain	0.1	11.8	26	2 065	10	0
1 806	Chocolates	Total	5.0	100	(1)	4 473		
		Spain	1.3	25.1	67	3 854	30	
		Mexico	1.0	19.7	(2)	3 591	27.5	
		Chile	0.8	15.8	(19)	7 458	14.5	0
1 805	Cocoa powder	Total	3.3					
		Ecuador	3.3	100	(1)	2 150		
				98.3	5	2 132	0	30

Source: ITC Trade map.
 Note: Duty free market access for rice is limited to seasonality in Cuba. MFN tariff of 15 per cent would apply during "in season" for domestic supply. Bracket values () indicate negative values.

5. Challenges and constraints in conducting export business – feedback from stakeholder consultations

While the Suriname Ministry of Trade and Industry (MTI) has not yet formalized its trade policy, staff indicated that the key elements of the impending policy have been agreed to. Suriname's MTI has highlighted that the country faces two major challenges with respect to growing exports: i) the requirement to provide quality assurance certification for exported products; and ii) transport logistics. Discussions with a wide range of stakeholders in the industry highlighted further challenges to increasing Suriname's exports, both at the intensive and extensive margins. These include:

- Limited knowledge of export markets and market opportunities along with the absence of market intelligence support. The latter included access to information on regulatory measures such as Sanitary and Phyto-sanitary (SPS) requirements for entering the respective, including intra-regional, markets; information on market structure and competition; and administrative procedures for market entry;
- Difficulties in meeting the quality assurance standards and regulatory requirements of export markets and inadequate infrastructure for certification;
- Structural deficiencies among private sector entities. There is a propensity of the business community to concentrate on import trade rather than export, and they have a tendency to be risk averse;
- Transportation logistics – limited availability and high cost;
- Finance – limited availability and high cost;
- Absence of critical market development support;
- Low agriculture productivity and inadequate supply.

6. Measures to address the challenges

Given the potential for the accrual of significant economic benefits to the Suriname economy from the growth of exports, it is in the public interest to address some of these challenges. This is especially so given that the majority of potential enterprises in exports are SMEs, many of whom do not have the capacity or resources to address some of these challenges by themselves.

Whatever approach is proposed to harnessing the export potential of the country's private sector needs to be holistic, in that a number of complementary services and measures are needed to build a dynamic and competitive export sector. This requires a package of support measures and services that are well integrated into a holistic enabling environment.

a. Trade policy and strategy component

A well designed trade policy must stimulate and create the interest and provide the incentive to the private sector to make the necessary investments in export oriented enterprises. Accordingly, the trade policy should, *inter alia*:

- Identify strategic sectors and industries that are targeted for industrial restructuring and export development;
- Identify priority actions and projects that would create the enabling export environment;
- Include guidelines and a framework for promoting and facilitating strong collaboration among trade related government ministries and institutions with respect to:
 - Implementing priority actions;
 - Ensuring effective and timely implementation of actions / projects;
 - Adopting of a culture of collaboration and joint responsibility; and

- Including provisions for private sector collaboration.
- Have a well-organized implementation process which identifies:
 - Institutional and team leadership / project champion;
 - Collaborating public and private sector entities;
 - Deliverables which should be time bound;
 - resources;
 - A periodic reporting schedule.
- Make provision for the conduct of periodic results-based monitoring and evaluation on the outcomes. An independent Unit is recommended for this task.
- Provide oversight body (cabinet) with periodic reports on the findings of the results-based monitoring and evaluation (M&E) conducted by the MTI.

b. Trade facilitations support services component

The export sector in Suriname currently benefits from a number of Trade Facilitation services. These include customs administration, port services, the bureau of standards, and freight forwarders services provided by the MTI, other ministries and agencies. However, a number of key services are currently weak or absent. Accordingly, we recommend that efforts be made to achieve the following with regard to **trade facilitation services** and facilities for exporters:

- Improving access to affordable finance;
- Establishing a certified pack-house for fresh produce export;
- Strengthening of the SPS infrastructure;
- Establishing a residue lab;
- Providing technical advice on food process technology and food engineering.

c. Export capacity building component

With regard to export capacity building, the following should be accorded priority status:

- Sensitization of exporters and potential exporters to export market opportunities and regulatory requirements for market entry into markets of interest;
- Sensitization on export procedures and logistic issues for developing an export trade to a specific market;
- Product- and market-specific advice on:
 - Export market structure and operations;
 - Quality requirements and standards for the product in a specific market;
 - Packaging and labelling requirements for a given market and product;
 - Sources of competition in a given market and a given product;
 - Private industry standards - where they exist - in a given market.

IV. Case Study: Trinidad and Tobago

The following sub-section examines the case of Trinidad and Tobago with respect to export performance in the context of various trade agreements. It also reports on the feedback from exporters on the challenges and constraints faced in exploiting opportunities created by such agreements. An examination of these challenges is conducted within the context of the enabling policy environment provided for the export sector as well as the provision of capacity building support. The following two Trade Agreements, a free trade agreement (FTA) and a partial scope agreement (PSA), were selected for the performance analysis:

- The trade agreement with Colombia under the CARICOM – Colombia Partial Scope Agreement (PSA), which was selected for its duration, having been signed into force in January 1995;
- The EU-CARIFORUM Economic Partnership Agreement (EPA) between CARIFORUM member States and the European Union.

A. Review of trade performance: The CARICOM – Colombia Agreement

CARICOM member States entered into a Partial Scope Agreement with Colombia in January 1995. The initial provisions included immediate duty free access for a number of CARICOM exports into the Colombian market. However, this Agreement did not initially provide for duty free treatment of Colombian exports into CARICOM member States. In June 1998 the Agreement was reviewed to include duty free entry of a number of products exported by Colombia into the Region but duty free entry was limited to the CARICOM MDCs. A supplemental list of products was added to the duty free list in January 1999. It is important to note that this analysis is centered on goods and not services.

B. Trinidad and Tobago's exports to Colombia

Among CARICOM member States Trinidad and Tobago is the main exporter to the Colombian market, generally accounting for over 90 per cent of CARICOM's total exports to Colombia. Exports, however,

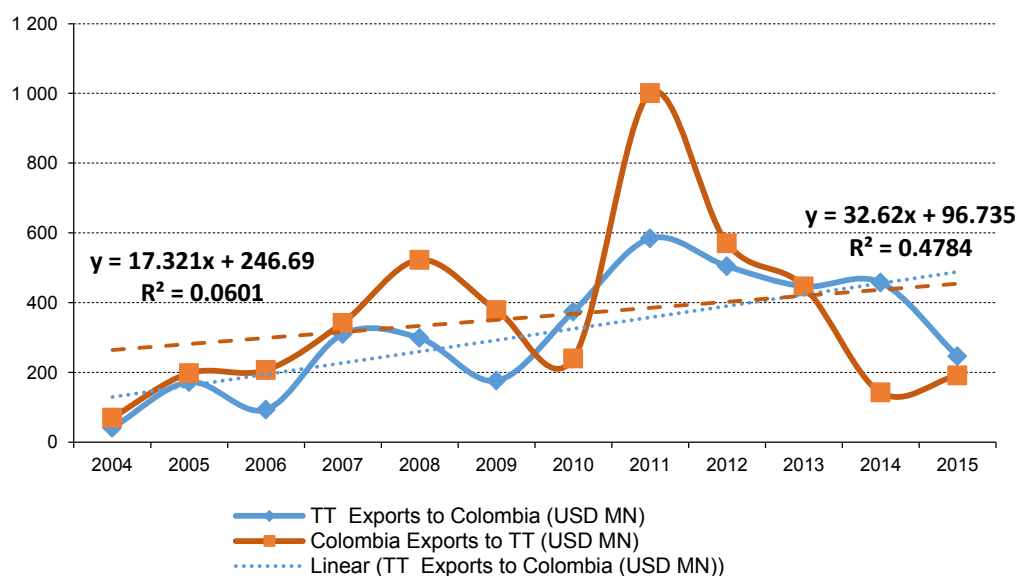
are highly concentrated among a few hydrocarbon-based commodities including the following (listed by HS2 product group): HS 28, Inorganic chemical; HS 29, Organic Chemicals; HS 31, Fertilizers; HS 72, Iron and steel.

The total value of Trinidad and Tobago's exports to Colombia showed significant increases over the period 2004 to 2011, except for the year 2009 when there was a fall off. However, over the period 2011 to 2015 there was a sharp decline in the value of exports (see figure 25). Whereas in 2004 Trinidad and Tobago exported USD 41 MN in goods to Colombia, by 2011 exports had increased by a factor of over 14 to USD 584 MN. However, over the period 2011 to 2015 the value of total exports declined sharply to USD 246 MN, a drop in earnings of 58 per cent.

C. Colombian exports to Trinidad and Tobago

The trends in Colombian exports to Trinidad and Tobago generally mirrored the movement that was described above with respect to Trinidad and Tobago exports (figure 20). Whereas Colombia exported USD 70.5 MN to Trinidad and Tobago in 2004, by 2010 exports had increased by a factor of 14. However, as observed with respect to Trinidad and Tobago's exports, Colombian exports into Trinidad and Tobago declined sharply after 2011, reaching a level in 2015 that was approximately 19 per cent of the value in 2011.

Figure 20
Trade between TT and Colombia: Exports & Imports
(Millions of dollars)



Source: ITC Trade map.

Taking this into consideration and notwithstanding the concentration of products in the trade basket of both countries, the trade data indicate strong growth in export values in the early years of the Agreement (2004 -2011) – both by Trinidad and Tobago and by Colombia. The growth in value of exports, in both directions, is driven in part by price increases over this period, particularly with respect to the main exports. However, quantities exported in both directions have also increased. The rather sharp decline in export value for both countries between 2011 and 2015 was driven largely by the precipitous fall in energy-based prices, particularly the sharp decline in crude oil prices of 62 per cent over the period 2014 -2015. There was some reduction in the volume of exports for some products reflecting a price induced market response.

The data supports the view that both the observed growth and decline in export values by both countries were largely fuelled by market forces and not a withdrawal of market interest in the Agreement by the private sector. Where quantities declined, these were related mainly to energy-based products and, as noted above, appear to be market induced.

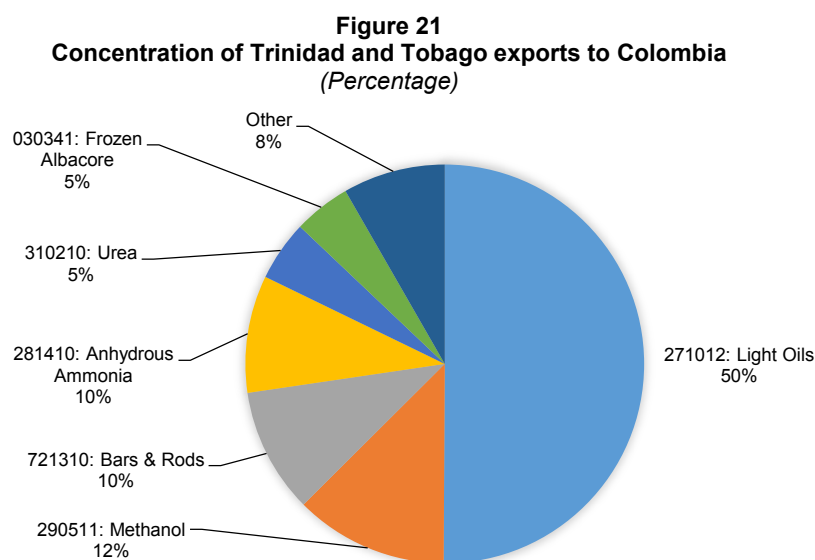
D. Composition of Trinidad and Tobago exports to Colombia

An examination of Trinidad and Tobago exports to Colombia indicates that exports are dominated by a few commodities of hydrocarbon origin and iron products. For example, in 2004, 2007 and 2010, the products within the following three product clusters accounted for most of the exports: HS 28: Inorganic Chemicals, HS 31: Fertilizers, HS 72: Iron and Steel.

In 2015 ten products accounted for over 95 per cent of Trinidad and Tobago's exports to Colombia. The major export commodity was Light Oils (HS 271012) which accounted for just over one half of all exports. The next three products in order of their contribution to total exports were Methanol (12.4 per cent), Bars and rods (10.1 per cent) and Anhydrous Ammonia (9.5 per cent). Exports of Urea were fifth at 4.9 per cent of total exports and Frozen Albacore at sixth position making up 4.6 per cent (figure 21).

It can be noted also, that among the top 30 products exported by Trinidad and Tobago to Colombia in 2015 only three of these products are in the basket of goods to receive duty free access into Colombia under the Agreement²⁰, suggesting that duty-free access under the PSA was not a primary driver of Trinidad and Tobago's exports to Colombia.

- HS 281410: Anhydrous Ammonia – Export value USD 23.4 MN
- HS 720720: Semi Finished Iron Products – Export Value USD 8.6 MN
- HS 252328: Portland Cement – Export Value of USD 0.147 MN



Source: World Integrated Trade Solution (WITS).

²⁰ This is based on products listed as being accorded duty free access into Colombia (as indicated in the CARICOM – Colombia PSA Agreement on the OAS, SICE database). However, ITC's Market Access Database has a number of additional products exported by Trinidad & Tobago that are accorded duty free entry into Colombia under Preferential market access.

E. Composition of Colombian exports to Trinidad and Tobago

Colombian exports to Trinidad and Tobago are more concentrated than the latter country's exports into Colombia. In 2015, the total value of exports to Trinidad and Tobago was USD 191.5 MN with the top export, HS 270900: Petroleum Oils, for refining, accounting for 73.4 per cent of total exports. While the basket of Colombia exports comprises a wider range of products than Trinidad and Tobago's exports, most of these account for less than 1 per cent of the total value of its exports.

F. The role of the Partial Scope Agreement (PSA) in trade growth and expansion

A review of trade between Trinidad and Tobago and Colombia indicates very few of the products traded are among the list of products accorded duty free access under the PSA (based on the Annexes to the Agreement). Specifically, there were three products in the basket of the top 30 exports by Trinidad and Tobago to Colombia that were included in the Agreement for duty free treatment; and only one product in the top 10 exports by Colombia included for duty free access. However, most products traded in either direction face a duty of 0 per cent and were deemed by the ITC Trade database as being accorded preferential market access. Given this discrepancy, it can be assumed that all traded products indicated by ITC as being accorded duty free tariff under Preferential Agreement would be treated as being part of the CARICOM – Colombia preferential arrangement.

Based on the foregoing it can be concluded that trade between Trinidad and Tobago and Colombia is largely driven by the duty free provisions of the PSA. In the case of Trinidad and Tobago most of the products exported are benefiting from duty free access to that market and thus the interest in exploiting these opportunities. In the case of Colombian exports to Trinidad and Tobago, seven out of the top ten exports are traded under the duty free concession of the PSA.

G. Performance of Trinidad and Tobago's exports to Colombia

Of the top 10 products that were exported to Colombia in 2015, seven have demonstrated competitiveness (i.e. increasing market share) in this market over the period 2011-2015:

- **Methanol** – Unlike the other energy based products, Trinidad and Tobago's Methanol has not suffered the same decline in exported value in the Colombian market over the period 2011 - 2015. In fact, the country's Methanol exports have shown steady growth in this market; today it is the dominant player. It is clearly a very competitive export of Trinidad and Tobago.
- **Anhydrous Ammonia** – Trinidad and Tobago is a major exporter of Ammonia and in 2015 commanded 100 per cent of the Colombian market. The annual average decline in the value of Trinidad and Tobago's Ammonia sales during 2011-2015, both globally and to Colombia, is explained in part by the reduction in demand associated with significant escalation in prices during the period 2008-2014.
- **Frozen Albacore** – Over the period 2011-2015, Trinidad and Tobago has been increasing the value of this export, while Colombia's imports from global suppliers declined by 8 per cent. The increased value of exports by Trinidad and Tobago are likely a reflection of increases in both market share and value as the price of Frozen Albacore tuna firmed up during the latter part of 2015.
- **Semi-finished Products of Iron & non Iron Steel** – Trinidad and Tobago's recent entry into this market and its ability to secure second ranking in the value of exports suggests a rather aggressive marketing effort and strong competitiveness for the exporters of this product.
- **Toilet or Facial Tissue** – The fact that Trinidad and Tobago was able to achieve strong market position in Colombia in the limited period (2014-2015) at a time when Colombian

imports from global sources were showing a significant decline is an indication of the competitive strength of this export.

- **Sulphur** – On a relative basis Trinidad and Tobago appears to hold a rather strong competitive position in the Colombian market for Sulphur, having fared far better in maintaining its total value of exports at a time when the market shrunk sharply by 35 per cent.
- **Prepared Foods from Cereals** – Trinidad and Tobago was able to expand its share of the Colombian market over the 2011-2015 period at the expense of other suppliers, achieving annual growth of 22 per cent at a time when Colombian global imports increased by only 4 per cent.
- The three remaining products appear unable to compete against the other suppliers to the Colombian market:
- **Light Oils** – Trinidad and Tobago's competitiveness in the export of Light Oils has deteriorated as the country is unable to maintain its market position and is losing market share to competitors.
- **Bars & rods** – Trinidad and Tobago does not appear to be fully capturing the growth opportunities presented in the Colombian market for this product; a significant share in the growth of the market is going to competitors.
- **Urea** – Trinidad and Tobago was unable to maintain its share of the Colombian market, experiencing a more severe curtailment in earnings than other exporters in this market. This suggests inability to compete with the other major exporters, viz China, Bolivarian Republic of Venezuela, Russia and United Arab Emirates.

H. Review of trade performance – the Economic Partnership Agreement

Trinidad and Tobago, as a member of the CARIFORUM States, is a signatory to the Economic Partnership Agreement (EPA) – the free trade Agreement with the EU. The Agreement, which came into effect on December 2008, offered CARIFORUM States duty free entry into the EU for most goods from the region, subject to Rules of Origin provisions. On the other hand, CARIFORUM member countries were to gradually reduce import tariffs on goods originating from EU member States. The following section examines trade flows between Trinidad and Tobago and the European Union with a view to determining the effects, if any, resulting from the implementation of the Agreement.

I. Trinidad and Tobago / European Union exports

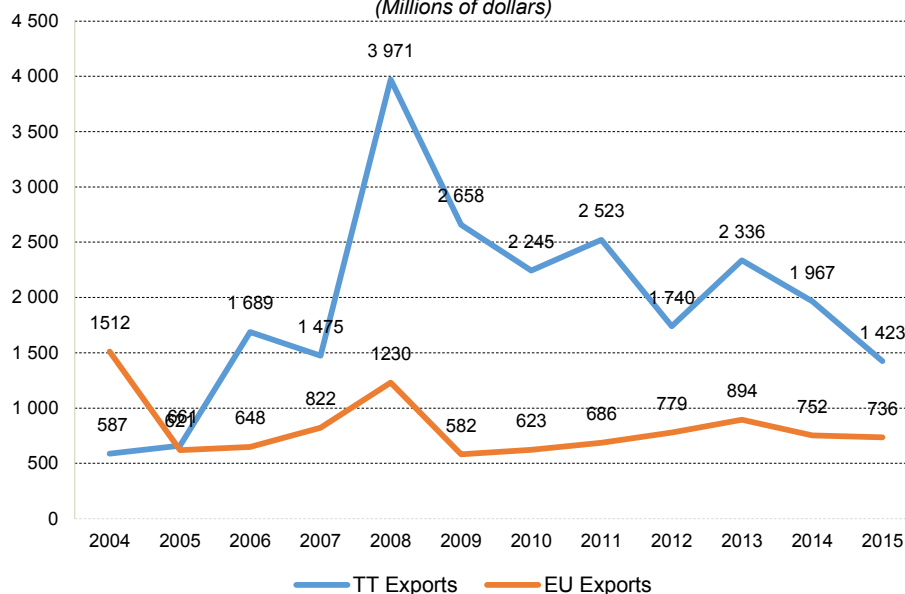
The value of goods exported by Trinidad and Tobago into the EU was examined for the period 2004 -2015 thus including, both pre EPA years and post EPA. Figure 22 shows the trends in export values in USD millions. It is noteworthy that there were sustained increases in exports to the EU prior to 2008 when total exported value peaked at USD 3871 MN. Over the period 2004-2008 the value of exports increased by a factor of more than 6, from a base level of USD 587 MN in 2004. Post EPA trade flows show a sustained decline in the value of exports reaching a low of USD 1423 MN in 2015, reflecting a decline in value of 64 per cent from the peak in 2008.

Export value of goods by the EU (27) to Trinidad and Tobago is also shown in figure 22 for the period 2004-2015. The value of EU exports into Trinidad and Tobago does not reflect the same amplitude of change noted with respect to Trinidad and Tobago's exports value. However, EU exports value also peaked in 2008 at USD 1230 MN, increasing by a factor of 1.8 from a low of USD 661 MN in 2005. Post 2008, EU exports value to Trinidad and Tobago first declined sharply to USD 582 MN in 2009 but thereafter showed gradual increases, reaching USD 736 MN in 2015.

Thus, while Trinidad and Tobago's exports to the EU experienced sustained and steep value declines over the period 2008 – 2015, EU exports value only declined temporarily during the one year

(2008-2009) and experienced a muted rebound thereafter, from 2009 to 2015. The issue therefore is the identification of the drivers of change that would explain the trends noted with respect to both exports and imports.

Figure 22
Trade between Trinidad and Tobago and the EU (27)
(Millions of dollars)

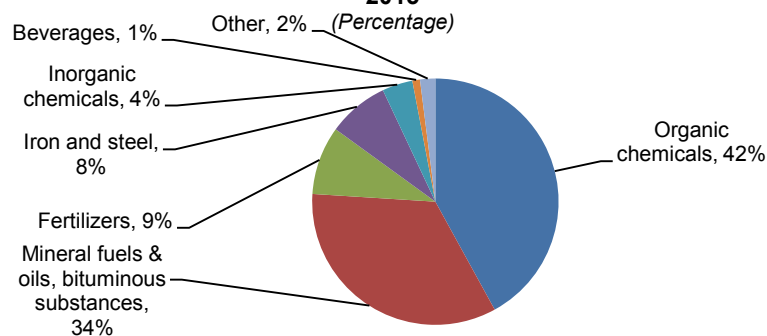


Source: ITC Trade map.

J. Composition of Trinidad and Tobago’s exports to the European Union

Trinidad and Tobago’s exports to the EU are concentrated in energy-based product clusters (HS27, HS28, HS29), which together accounted for approximately 80 per cent of exported value in 2015 (figure 23). Organic chemicals (HS29) and Mineral Fuels (HS27) are the top exports, comprising 42.3 per cent and 34.0 per cent of total exports, respectively. Additional product clusters in the top 10 were Fertilizers (HS31) and Inorganic Chemicals (HS28,) each representing 8.5 per cent of exports; Beverages (HS22) with 1.0 per cent of exports and Iron or Steel (HS73) with 8 per cent of exports in 2015.

Figure 23
Top Trinidad and Tobago exports to the European Union, 2015
(Percentage)



Source: ITC Trade map.

The individual products within the top 10 Clusters were examined to identify trade performance trends over the period 2004 – 2015. These comprise the 13 top product exports in 2015. The dominant export position was held by two energy based products which together accounted for 62.2 per cent of total exports in 2015. These were HS290511: Methanol, which accounted for 33.0 per cent of exported value in 2015; HS271111: Natural Gas, Liquefied (29.2 per cent).

The third, fourth and fifth ranking exports were HS720310: Ferrous Products (8.3 per cent), HS310280: Mixtures of Urea & Ammonium Nitrate (7.9 per cent) and HS281410: Anhydrous Ammonia (3.4 per cent). There were only two non-energy-based products in the top 13 products. These were:

- HS220840: Rum: with 0.8 per cent of total exported value in 2015;
- HS210390: Preparations for sauces & Prepared Sauces: also with 0.8 per cent of total exported value in 2015.

K. Impact of the Economic Partnership Agreement

The expectation of the EPA, which offered duty free access to most of Trinidad and Tobago's exports to the EU after 2008, was that exports to the EU would have expanded following its coming into force. On the contrary, the data showed that the total value of exports showed significant decline over the period 2008 – 2015. Further, the basket of top exports has remained virtually unchanged over the 2004 – 2015 period and is dominated by energy-based products²¹. Despite the region's overall interest in increasing exports both at the intensive and extensive margin, there was no major diversification of exports by Trinidad and Tobago following the signing of the EPA. It is important to note that the basket of top 13 exported goods to the EU in 2015 all enjoyed duty free market access prior to the coming into force of the EPA in 2008; as such, there would have been no additional incentive to trigger export growth post 2008 in response to the EPA.

Given the absence of a positive EPA effect, the issue remains as to what are the factors that explain Trinidad and Tobago's observed export performance to the EU over the period 2004 to 2015. In this regard, one obvious factor is the global recession of 2008 - 2010 that had severely impacted major economies and global trade performance. The majority of Trinidad and Tobago's exports to the EU are products used as intermediate inputs in industry. The rapid expansion of exports prior to 2008 and the sharp decline thereafter mirrors the trends in industrial output in the EU. The EU Index of Industrial output increased from a base of 100 in 2000 to 115 in 2008 but showed a sharp decline after 2008. Similar movement was observed with the EU GDP index. The data suggest that Trinidad and Tobago's export to the EU are driven by demand factors within the EU market. Accordingly, the sustained increases in Trinidad and Tobago's exports in the years leading up to 2008 as well as the sharp decline post 2008 appear to be related to the industrial demand conditions in the EU for this country's exports rather than the influence of the much expected EPA-effect.

L. Challenges in exploiting export market opportunities - perspectives of exporters

Consultations of a cross section of exporters as well as the trade related institutions, both public agencies and the business support organizations (BSOs), allowed for the identification of challenges and constraints that export enterprises encountered in attempting to exploit opportunities in export markets. In summary, a total of ten issues were identified as key challenges faced by exporters, although their relative importance varied across stakeholders. The following were the top ten issues identified, listed in order of the level of importance among all stakeholders as a group:

²¹ Two non-energy products (Rum and Preparations of Sauces) have been part of the basket since 2004.

- Access to Finance/credit – Stakeholders were of the view that the general risk averse behaviour of financial lending institutions, together with the perceived riskiness of lending to export oriented start-ups, probably explains their reluctance to provide financing and their demands for excessive collateral;
- Quality related issues – Lack of awareness of quality assurance demands in international markets; limited knowledge of the quality assurance, certification systems and the technical know-how to develop these; absence of a standard for food in Trinidad and Tobago as well as the absence of a food residue lab; and the limited number of farmers who attempt to adopt Good Agricultural Practices;
- Limited knowledge of the operations of export markets – The level of knowledge of the destination market on the part of SMEs and start-ups is limited, including knowledge of export procedures. Firms wishing such detailed industry, product and market-specific data must often retain the services of consultants;
- The high cost of entering export markets – The cost of entering an export market, including plant upgrades, consultant costs, and developmental costs, could be considerable for the SME;
- Weak coordination of trade policy/strategy and export support services – Stakeholders were also of the view that there was limited coordination and collaboration among trade support service providers. This not only introduces additional bureaucratic obstacles for enterprises in developing an export business, but also increases the cost and time for doing business;
- Logistics issues – The exporters consulted reported some challenges with respect to the logistics in moving goods to destination markets, both with respect to ocean and air freight. Availability of services is limited, particularly for shipments to Central American markets. Freight services are also costly, particularly with the small volumes of goods being exported by smaller exporters (less than a container load);
- High cost of packaging and labelling – New, small firms often face high packaging costs due to their small orders lacking economies of scale;
- Labour-related issues – Exporters have highlighted two labour-related issues: (i) the high turnover of factory personnel; and (ii) a mismatch between the needs of manufacturers and available skills on the market;
- Raw material availability – The challenges with respect to raw material availability relates primarily to the difficulty in accessing foreign exchange to make overseas purchases;
- Limited awareness of cutting edge technology in manufacturing and processing – Some exporters appear to have held on to technologies that are part of the cottage-type operation. The reluctance to invest in more efficient and state of the art technologies appear related to both the unwillingness to invest as well as lack of knowledge of the business transformation that would be possible, both in terms of cost efficiencies and product marketability.

V. Summary of the case study findings

With respect to export performance of the three countries examined in this study, we first highlight the issues arising from the composition of the basket of top exports, since they expose export earning capacity to considerable volatility. The similarity in characteristics in this regard includes, firstly, the fact that the basket of top exports includes only a few products. Accordingly, a declining market for any one export has a significant impact on total earnings – this is the current case with energy-based exports. Secondly, many of these products in the basket of top exports are primary commodities, and thus their vulnerability to the typical price cycles associated with commodities. The current decline in export earnings for the three countries is a reflection of the challenges and market risks associated with an export product profile as described above. In the case of energy-based products, the structural change in recent years in the global market for this product group accounts for the sustained depressed prices. Its impacts are being felt in all three countries, more so Trinidad and Tobago given the weight of this group of products in the country's export basket.

Generally, the case studies found that with respect to the trade with the European Union (EU) under the Economic Partnership Agreement (EPA), the Agreement had not triggered any significant change for any of the countries in the study. The basket of exports remained virtually unchanged. The study also showed that the global recession of 2008 generally had a more pronounced effect on trade performance than the coming into force of the Agreement. Specifically, there was significant fall off in export earnings post-recession when compared to the period prior to 2008. In the case of Trinidad and Tobago, with respect to its PSA with Colombia, the analysis found significant growth in exports in the period leading to the global recession in 2008, but with sharp declines thereafter reflecting the depressed prices of energy-related products. The study also explored opportunities for Surinamese exports to the Cuban market and for Belizean exports to the USA market with respect to fresh fruits and vegetables.

Based on consultations with exporters and trade related institutions, key challenges and constraints to export expansion related primarily to the need for strengthening the export enabling environment, specifically with respect to trade facilitation services and trade capacity development for individual exporters and export enterprises. If one takes a closer look at the export performance of the individual countries a number of observations can be made.

In the case of Belize, in 2015, the top five exports accounted for three quarters of the total exported value (74.2 per cent) with each product earning over US \$20 million. Moreover, in 2015,

banana replaced crude oil as the top export at US\$73 million, followed closely by sugar at US \$70 million. The combined exported value of these two products was US \$143 million or 43 per cent of the total for the year. The other top four exports were citrus juices, preparations of vegetables and fruits, fish and crustaceans, and mineral fuels.

With regard to the impact of the CARIFORUM-EU EPA, with the exception of orange juice, all of Belize's top exports enjoyed duty free access to the EU market under ACP preferences prior to the coming into force of the EPA. Accordingly, the study found that market access would not have been a factor in explaining the observed increases in export levels of some of the top exports. However, the data suggest that some of the country's exports of orange juice to the US were diverted to the EU market on the coming into force of the EPA to take advantage of the improved market access – going from 5.7 per cent ad valorem equivalent tariff prior to the EPA in 2008 to duty free entry post EPA.

The analysis also highlighted that for Belize, consideration of export to the US market should be given for agricultural products such as hot pepper, cucumber, cabbage, fresh and chilled vegetables, beans, peas, yams, chick peas, pigeon peas, sweet potatoes, papaya, coconuts, lemons, mandarin, watermelon, avocado and frozen fruits. In addition, orange as well as grapefruit juice should be considered for increased exports to the EU given the increasing competitiveness in this market.

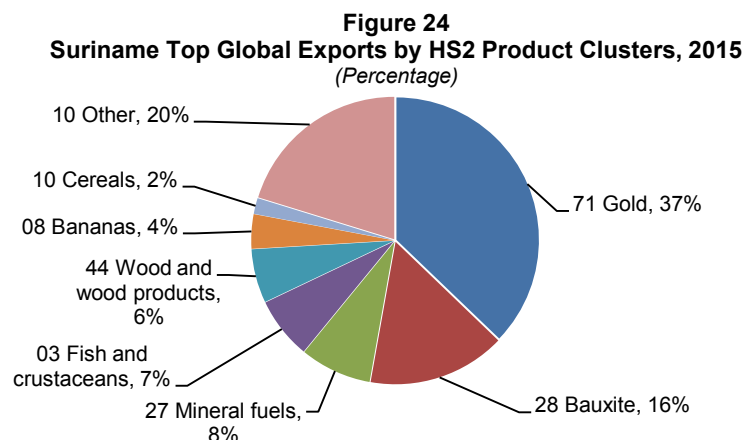
However, increasing exports at the intensive margin, that is expanding existing exports, may not necessarily address the vulnerability of the economy's export earnings to volatility. There is high concentration of the export basket among five products with the top two markets, bananas and sugar, accounting for approximately two thirds of the total exported value. This exposure is compounded by the fact that most of these are commodities and as such are subject to commodity price cycles.

Given Belize's experience and know how in the growing of commercial citrus as well as the country's agro ecological suitability for citrus we are of the view that the citrus family e.g. lemons and mandarin are has substantial export potential for the USA market. In addition, watermelon, avocado and frozen fruits have also been flagged for consideration. Furthermore, if Belize wishes to capitalize on the opportunities for exports of tropical fruits and vegetables into the USA, which are currently exploited by South American and Central American countries (e.g. Guatemala and Peru) this would require the establishment of an efficient production base and supply capacity, efficient logistics and quality produce with assurance on food safety.

Moreover, addressing the challenge of price volatility of Belize's major exports calls for visioning of a development model aimed at expanding the productive base in commercial agriculture (fresh produce and agro-processed products), which is focused on international competitiveness with respect to product quality, food safety and commercially viable export volumes. This clearly supports the case for urgent action on Belize's export diversification thrust aimed at broadening the export basket by inclusion of other products (and indeed services) that are subject to less price volatility. In that regard the choice of manufactures, agriculture and agro-processed products could introduce some stability in export earnings.

Suriname has a relatively diversified export market with eleven trading partners accounting for 94 per cent of the country's exports in 2015. The top market destinations in 2015 were: Switzerland (25.6 per cent), India (17.6 per cent), Belgium (11.3 per cent), the US (11.2 per cent) and France (9.6 per cent). Suriname's global exports are, however, concentrated, in the top six product clusters accounting for 78 per cent of the total. In 2015, gold was the most exported item accounting for 37 per cent of total value of exports at US\$1,400 million. The other products were inorganic chemicals at 16 per cent of total exports, mineral fuels (8 per cent), fish (7 per cent), wood (6 per cent), and bananas (4 per cent) (see figure 24). ECLAC is currently building on these results, by assessing the performance at the extensive (i.e. growth in exports of new products) and intensive margins.

Switzerland is Suriname's main market destination for gold; India and China are the main markets for wood exports. Canada and the USA are the main markets for Suriname's bauxite exports. France is the main market for Suriname's mineral oils and bananas exports, whilst Jamaica was the main market for rice exports.



Source: ITC Trade map.

Suriname's export performance of bauxite, cereals, bananas and beverages were below that of world imports. Specifically, Suriname's bauxite exports declined by -17 per cent versus a decline of -5 per cent for world imports, while cereal exports declined by -5 per cent compared to the decline of -2 per cent for world imports. In the case of bananas, Suriname's exports increased by 1 per cent compared to an increase of 5 per cent for world imports, while exports of beverages remained unchanged versus a growth of 1 per cent for world imports.

Moreover, Suriname's gold, fish and wood exports have outperformed global imports, suggesting that there exists considerable potential for expanding exports of these commodities, all of which are primary products.

With regards to Suriname's trade with the EU under the EPA, the study concluded that, to date, there appears to be no discernible effect of the EPA on exports, either in terms of growth in exported value or in the composition of the export basket. With respect to the performance of mineral exports, both lower production levels and softening of prices appear to have contributed to declining export earnings. However, in the case of agricultural related industries, the rice sector experienced a significant reduction in international prices in recent years. In the case of rice and vegetables, food safety issues as well supply issues appear to be impacting on export performance. The issue of quality, if not attended to, could limit options to increase export revenue from these products in the future.

Trinidad and Tobago's export performance with respect to both the PSA with Colombia and the EPA with the EU indicates strong similarities in terms of the product composition of the export basket as well as trade performance over the years of analysis, 2004-2015. In both cases, the products comprising the top ten exports, in value terms, were dominated by hydrocarbon based products. As a consequence, export performance was largely driven by a single factor, i.e., the movement in energy prices. Accordingly, in both cases export showed rapid growth over the period 2004 – 2008 and a subsequent sharp decline over the 2008 – 2015 period.

Trinidad and Tobago's export performance trends over the period 2004 – 2015 underscore the vulnerability to commodity price swings when the basket of top exports is narrowly concentrated, especially since the majority of its exports is comprised of energy-based products whose performance is essentially driven by one factor, energy prices. While there doesn't appear to be an EPA-effect on the country's exports to the EU, the data seems to suggest that Trinidad and Tobago's exports to the EU are primarily driven by fluctuations in industrial demand within the EU, particularly since the majority of the country's exports to the EU are products used as intermediate inputs.

As such, it would seem that Trinidad and Tobago is in need of an export diversification strategy that is rooted in a broader industrial policy, which seeks to guide the country towards increased production of downstream high-value manufacturing. This approach should also prioritize other energy intensive industries and services, rather than focus on intermediate products, since the former are

generally subject to lower levels of market volatility. Furthermore, these sectors would earn more value added than intermediate products.

In this regard, moving a little beyond the case studies, it is important to consider export growth at the intensive (old products to old markets) and extensive margins (i.e. both old and new products to new markets; and new products to old markets). Interestingly, Trinidad and Tobago while exporting a total of 197 products²², 33 were at the intensive margin, but only 5 products were at the extensive margin.

While these countries were not included on the study, Guyana exported 80 products (at the 3 digit level) in 2015, with 20 products falling in the intensive margin and 3 at the extensive margin. The Eastern Caribbean Currency Union (ECCU²³) economies exported on 38 products, with only 5 products at the intensive margin (i.e growth in the exports of old products) and only 2 products at the intensive margin (i.e. growth in new products). It should be noted here that Guyana is also a Caribbean goods producing economy while the ECCU countries are largely services-producers.

These results suggest that whenever the region experiences growth in exports it is typically derived from growth in the export of old products, rather than the diversification into new product areas. The data suggests that not only do Caribbean countries achieve little diversification into new products but also even less geographic diversification. Furthermore, the relatively small number of products with intensive or extensive margins suggests that the 10 countries examined have achieved weak export growth.

With regard to international comparative advantage²⁴ (ICA), Trinidad and Tobago possessed comparative advantage in the production and export of only 12 product groups out of 252 product groups in 2015. Guyana possessed comparative advantage in only 10 product groups, while the ECCU had comparative advantage in 13 products.

The uneven matching between the ICA and the intensive and extensive margins suggests that the growth in exports of the 10 Caribbean countries examined was not purely based on comparative advantage. This again lends credence to the view that for regional economies export growth is not primarily driven by competitiveness factors but more so by the existence of preferential and historical trading arrangements.

²² At the S.I.T.C rev. 3 three digit level, using data from 2005-2015.

²³ i.e. Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines

²⁴ At the S.I.T.C rev. 3 three digit level, using data from 2005-2015.

VI. Elements of a new trade and development strategy

A. Diversification and economic restructuring

This section offers recommendations for a comprehensive trade policy framework. This policy framework is to be geared towards placing Caribbean economies on a policy-path which would allow the diversification and growth of exports to be a platform for building economic resilience. Indeed the notion of economic diversification is not new to the Caribbean and was one of the leading drivers of its regional integration movement as far back as the 1950's²⁵. However, the global economic crisis of 2008-2009, which precipitated a 40 per cent decline in the region's exports, brought this idea back to the fore. For the Caribbean, the spill-over effects of the economic crisis laid bare the perils of having a narrow range of exports and markets, since it magnified the income volatility of small vulnerable economies and negatively affected medium term growth²⁶.

This notwithstanding, the Caribbean's efforts at diversification have traditionally been horizontal in nature, focusing on changing the mix of exports through an expansion in the number of export sectors. The primary objective of this approach was mitigating the deleterious effects of fluctuations in global commodity prices. In many instances, however, this was done without reverence to the requisite need for restructuring of the economic base as well as the concomitant importance of engaging vertical diversification. The latter of these entails supplying a range of different innovative products by moving up the supply chain through, inter alia, manufacturing, processing, marketing or bundling. From a strategic standpoint this allows economies to spread risks and build economic resilience by offering a number of products in different markets, while facilitating flexibility to move away from mature or declining markets into new growth areas.

²⁵ As well as a major objectives of the CARIFORUM-EU Economic Partnership Agreement.

²⁶ Chris Papageorgiou and Nikola Spat.(2014) Economic Diversification in LICs: Stylized Facts and Macroeconomic Implications. IMF staff Discussion Note. December 14, 2012 SDN/12/13.

This economic restructuring entails a process of redesigning policies and instituting economic infrastructure with a view to facilitating entry into more dynamic sectors such as non-traditional services, manufacturing, industry, non-traditional agriculture and agro-industry.

Rodrik (2004), in considering the issue of industrial policy for developing countries in the 21st century, proposed an intermediate approach between import substitution and trade-related economic liberalization. The prescribed approach sought to integrate the private sector *and its entrepreneurial pursuits* into an agenda of government policy interventions which fosters economic restructuring, technology development and diversification²⁷. Market forces will still be the leading drivers of this industrial restructuring, but the state would play a deeper coordinating and guiding role, which goes beyond the mere creation of a facilitatory environment.

In this way the first step towards teasing out the essential missing elements of a credible industrial policy for small vulnerable economies of the Caribbean, which induces the necessary economic diversification, is viewing industrialization as a process of self-discovery. The latter entails the private and public sectors working together to discover the goods and services which are already established in the world market that can be produced domestically at sufficiently low cost²⁸. The evolution of new product lines, creation of new technology and adaptation of imported ones to suit domestic conditions, are all an integral part of this self-discovery process (Imbs and Wacziarg 2008). The intuition is that intended diversification and specialization which leads restructuring of a country's economy arises from successful self-discovery initiatives, which are followed by imitative entry, which fuels industry growth.

The recent export performance of all three countries examined in this study strengthens this argument in favour of export diversification of both products and markets, to address instability in export earnings. Further, perusal of figure 25 reveals that between the period 2006-2015 only Trinidad and Tobago, and to a much lesser extent Belize, managed to generate positive trade balances with other CARICOM member States. Additionally, when compared to other regional integration movements such as MERCOSUR, ASEN, SICA and the EU, the Caribbean has relatively lower levels of intra-regional trade as a share of total trade, while only the EU achieved lower growth rates (2006-2015), (see figure 26). Reversing the trend of low growth, vulnerability to commodity price swings, declining export performance and marginal intra-regional trade may require a fundamental shift to an approach to economic development and regional integration, which is predicated upon broader comparative advantage-based production specialization. The intuition here is that the exploitation of trade opportunities created by the sub-region's entry into the various bilateral and plurilateral free trade agreements, either as a regional body or as individual member States, is not automatic as there are many pre-conditions for successful export expansion and participation in these markets, some of which are touched on below.

Moreover, there seems to be a general agreement amongst the private sector participants consulted that national efforts to carve a path towards trade-led economic growth have been beset by, among other things, weak institutions and, in many instances, the absence of the requisite policy environment for fostering export diversification and redressing supply-side capacity constraints. In this respect, deficient economic infrastructure, such as ports, freight logistics, internal, maritime and air transport and communications networks. During the consultations stakeholders also identified a number of key challenges that they confront in developing an export enterprise. These include lack of knowledge on the following: market opportunities, export procedures, market entry requirements such as standards, SPS and other regulatory measures, logistic issues and product and market specific market intelligence. It was felt that a comprehensive programme is therefore needed to address these challenges.

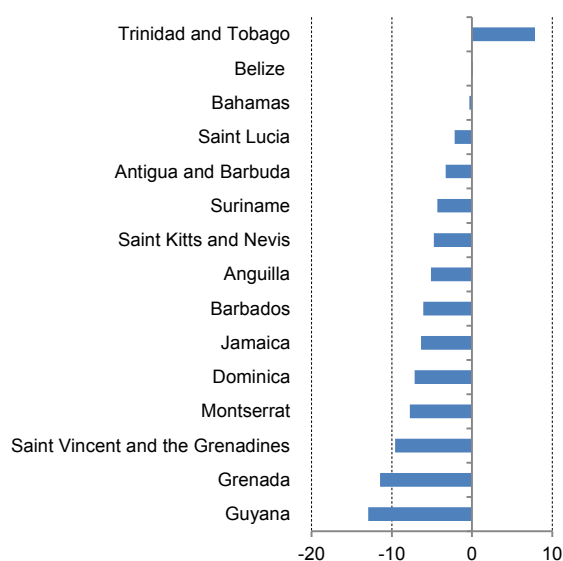
²⁷ Rodrik, Dani, 2004. Industrial Policy for the Twenty-First Century. Faculty Research Working Papers Series, Harvard University.

²⁸ Hausmann, Ricardo and Dani Rodrik, 2002. Economic Development as Self Discovery. National Bureau of Economic Research, Working Paper 8952.

B. Addressing structural bottlenecks and capacity constraints

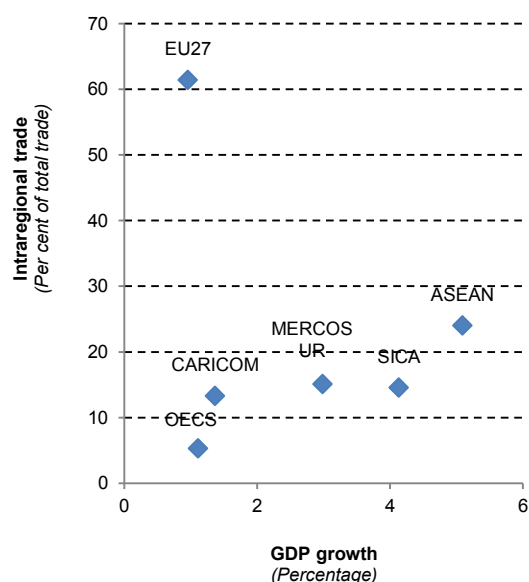
Structural bottlenecks may cause greater challenges to trade intra-regionally rather than extra-regionally. Indeed, high transportation and logistics costs have also limited extra-regional trade, and have emerged as a substantive barrier to increasing exports. This has also limited the ability of the private sector to capitalize on existing opportunities for intra-industry intra-regional trade. Hence, improving regional connectivity in the areas of transportation infrastructure (road, maritime and air), as well as freight logistics²⁹ and ICT should be viewed as essential to building a new platform for economic restructuring and diversification.

Figure 25
Trade balance with CARICOM, 2006-2015 average
(Per cent of GDP)



Source: COMTRADE and UNCTADStat.

Figure 26
Average intraregional trade and GDP growth
2006-2015



Source: COMTRADE and UNCTADStat.

From a policy-setting perspective, it is to be noted that expansion in global production and trade has increasingly been fueled by global value chains (GVCs), thereby fragmenting the production process and offering up opportunities for participation in segments. This has made innovation, information, communication and technology drivers of trade performance. Hence, the sub-region should see the production of economic infrastructure-related public goods as a necessary lever for removing supply-side constraints in many territories. Governments must encourage the regionalization of production, which would ensure that the Caribbean generates the critical mass of specialized production activities that would allow value chain (VC) participation.

If the region is to make the best of opportunities to participate in global and regional value chains which have fueled growth in global trade since the 1990s, it is crucial that policy makers see the

²⁹ With regard to transport and logistics, improvements in port facilities could significantly improve efficiency and throughput thus reducing shipping costs. Additionally, with specific reference to Belize it was suggested that greater utilization could be made of other ports in Belize such as Commerce Bight Port.

accumulation of physical (technology) and human capital, which facilitates more efficient use of available resources, as necessary ingredients for economic diversification. In this way, investing in a sub-regional framework for promoting innovation, intellectual property protection, research and development (R&D) as well as technology transfer and absorption would provide a crucial lever for increasing region-wide total factor productivity and diversification of the goods and services produced in individual member states.

Inadequate access to financing for SMEs to engage in production for export, trade financing, export insurance schemes and loan guarantees, as well as the absence of a harmonized suite of incentives and region-wide export strategies targeting sectors earmarked for vertical and horizontal diversification, were thought to serve as formidable obstacles to export expansion and economic diversification. It was largely felt that these issues should engage the attention of regional policy makers, private sector bodies and international development partners (IDPs).

With regard to the issue of access to finance, it is noteworthy that crowd-funding is becoming an important source of financing for start-ups globally, tapping into non-traditional financial sources – the small investor. It offers a potential source of finance for start-up investors through three options – equity, loans and donations. The crowd-funding business model is based on the concept of accessing small amounts of capital from a large number of individual investors using the services of a crowd-funding platform, which brings together a large number of small investors and the entrepreneur of the start-up. The platform connects to a vast network of people via social media. While there are a large number of platforms globally, country-specific financial regulations may exclude the participation of entrepreneurs of a start-up from another country.

In an attempt to introduce crowd-funding to the Caribbean, countries would first need to develop financial regulations aimed at protecting small non-accredited investors as well as regulating the operation of any crowd-funding platforms that may eventually be developed. Should the entrepreneur wish to use the services of a crowd-funding platform in another country, then due diligence is required to ensure legality and appropriateness for the purpose at hand.

In speaking with exporters, there appears to be a major knowledge gap in what Caribbean countries have to offer in terms of raw material and products required as inputs in manufacturing or processing as well as small scale equipment. While information on the availability within Caribbean countries of the major agricultural commodities is known or could be easily accessed, in terms of final products or products that constitute intermediate inputs in manufactured, these are not easily available. Better access to information on products and their producers could significantly expand trade. Towards that end we suggest that the sub-region seeks to establish an electronic regional data base on commerce and trade which would provide the following:

- A **registry of businesses** and the products and services they provide. Such a registry could be provided on a subscription basis.
- A **buyer and seller forum** where buyers wanting a specific product would post their requirement(s) and specification(s). Sellers of products could also post their products on offer including specs, quantity and asking price. This information allows a buyer to then contact the seller and execute a private transaction without third party involvement. A buyer – seller forum could also significantly expand production and trade, since a binding trade agreement could be reached on delivery of produce in the future, depending on the needs of the buyer and the gestation period associated with production. Such an arrangement has the advantage of reducing marketing risk for both buyers and sellers. It allows for planned production and a reduction of marketing and transaction costs, thus making it mutually beneficial to both parties.

It is also imperative to establish a framework for the periodic conduct of market intelligence and export potential research of export markets of interest, inclusive of a mechanism for the dissemination of

the results to individual member states³⁰. This sub-regional framework should also conduct dedicated market research on behalf of and made available to small and medium enterprises (SMEs), which invariably do not have the requisite resources. A crucial element of this framework should be the establishment of a functional relationship with the Council for Trade and Economic Development (COTED) and other regional organization such and ECLAC in using the results of empirical research as well as the registry of businesses and buyers and seller forum discussed above to facilitate greater intra-regional trade in the Caribbean.

Additionally, it is imperative that greater support (institutional and financial) be provided for strengthening the capacity of Caribbean countries to effectively implement and administer the commitments enshrined in, trade agreements to which they are signatory. Another source of information gap that could facilitate trade expansion relates to exporters' difficulty in accessing information on the administrative and regulatory requirements such as SPS for the import of a specific product into a country. It is noteworthy that as bilateral and plurilateral trade agreements reduce tariffs in countries and groups of countries with which the subregion has trade agreements in place, there has been an increase in the use of health, food safety and quality-related measures (i.e. sanitary and phyto-sanitary (SPS) measures³¹, standards, technical regulations (e.g. packaging and labelling requirements), etc.) and other non-tariff measures (NTMs)³², as instruments of trade policy. Indeed, as the importance of tariffs as an instrument of trade policy has diminished, quality-related (non-tariff) measures have grown in importance to the extent that the ability of a country to satisfy standards in an export market and certify the attainment of same are presently strong determinants of competitiveness and influence export performance.

Economic operators in the subregion have expressed concern with regard to the deleterious effect that these measures are having on export diversification and promotion efforts. Hence, beyond attempting to establish a modern, harmonized regime of health and food safety legislation and regulations, as well as quality infrastructure (e.g laboratory, testing and certification, metrology and accreditation) to ensure the exporters meet food and product standards in these export markets, mechanisms should also be instituted to ensure that the regional private sector is made aware of new instruments and regulations, including technical barriers to trade (TBTs)³³, that may affect them. In addition to strengthening national and regional quality infrastructure, it is also crucial that Caribbean economies seek to promote the use of good agricultural practices (GAP) and as well as ensure farmers are GAP certified and agro-processors (as well as manufacturers) secure international product quality certification e.g. Global Food Safety certification. The latter is important to ensuring food safety and brand protection and by extension helps secure new business opportunities in the upstream supply chain. These initiatives particularly strengthening SPS infrastructure invariably require resources which are often beyond the capacity of many Caribbean economies. This is being highlighted in view of the fact that the US and the EU are the major markets for the region's agricultural and food exports, and as such there is concern with regard to the ability of existing and potential exporters to meet the stringent requirements of these countries' ever evolving regulations such as the EU's General Food Law in regulation 178/02, the Feed and Food Regulation 882/04, and the Food Safety Modernization Act (FSMA) of the US.

It is also crucial that regional institutions and councils, including the Caribbean Regional Organization for Standards and Quality (CROSQ), the Caribbean Agricultural Health and Food Safety Agency (CAHFSA) and COTED, work together with the private and international agencies such as the World Trade Organization (WTO) and International Trade Centre (ITC) to bridge the information asymmetry between policy makers and the industry with regard to sanitary and phyto-sanitary (SPS) measures, standards, technical regulations (e.g. packaging and labeling requirements), etc.)

³⁰ This information should be compiled into a database of, *inter alia*, tariffs and non-tariff measures; market entry requirements; business and trade regulations; buyers, suppliers and distributors; business support organizations; and sector profiles.

³¹ Border control measures necessary to protect human health, animal or plant life or health.

³² Government measures other than tariffs that restrict trade flows, such as quotas, import licensing systems, sanitary regulations, prohibitions, etc.

³³ These are impediments to trade resulting from existence of standards and conformity assessment systems.

and other non-tariff measures (NTMs) employed in export markets of interest, particularly where private standards exist.

C. The role of the private sector

In speaking to the issue of value chain participation, the analysis undertaken suggests that the bilateral intra-industry trade relations are either low or non-existent. As part of crafting the region's economic diversification strategy and broad export-development policy, it is necessary to conduct a more detailed analysis of value chains, focusing on industries with the most potential. These areas, together with the products and sectors identified earlier for Belize, Suriname and Trinidad and Tobago, must form an integral part of the thrust towards the development of clusters and value chains which can compete in regional and international markets. In this regard, it is imperative that emerging industries where regional economies can contribute to the innovation and technological inputs, such as the creative industries, green industries, health and education (off-shore) as well as the ICT sectors and niche manufacturing, be given consideration.

A vibrant, dynamic private sector should be seen as a *sine qua non* if the growth and welfare gains of trade and trade liberalization are to accrue to regional economies. The regional private sector has the potential to play a key role in achieving sustained economic growth and poverty reduction. If harnessed and developed properly, it can be an important partner in providing basic services such as economic infrastructure as well as investment in innovation, both of which are central to optimizing output and export growth. This suggests the need for a holistic approach to export diversification, which holds private sector development as key, and therefore seeks to address the structural challenges that have precipitated its underperformance.

The private sector should be central to this industrial restructuring and export diversification process, and therefore embedded within the framework of public policy intervention. Indeed, the private sector should play an integral role in determining the region's trade agenda, including the countries with which free trade agreements are negotiated, as well as be a strategic partner in the negotiating process. It is important for regional policy makers to engage in continuous dialogue with exporters. A dialogue which opens up real possibilities for fashioning the most appropriate policy prescriptions geared towards remedying technological, informational and coordination externalities where they exist as well as addressing production and export expansion in a meaningful way. The objective is to create a policy framework for effectively fostering an industrialization strategy leading to a more diversified production structure that increases economic growth; builds resilience and minimizes rent seeking behavior. Facilitating the entrepreneurial self-discovery process - which should not stray too far from the areas of comparative advantage of each country - is critical in this regard. The private sector has credible information on what are the true constraints to export diversification and sectors (and industries) which may be considered in a diversification thrust. The issue here is not that of picking winners, but ensuring that the requisite targeted policy framework and fiscal investment is provided so as to avoid or minimize failures.

VII. Conclusion

It has become increasingly apparent that the successful integration of individual Caribbean economies into the multilateral trading system necessitates not only increased market access but also investment and policy frameworks geared towards inducing the requisite structural change. Essential in this respect is undoubtedly the facilitation of increased private-public sector collaboration; the strengthening of trade-related infrastructure; the identification of new export sectors; and the reorientation of resource allocation towards diversifying production and exports (i.e. new products and new markets). This would necessitate value-chain analyses and examination of patterns of export diversification in the Caribbean at the intensive and extensive margins, some elements of which were touched in the construct of this paper. ECLAC has already commenced work in this regard, the results of which will be made available in 2018.

This notwithstanding, the results of the analyses and consultations undertaken in pursuit of achieving the articulated objectives of this study have unmasked a distinctly high product and market concentration of the region's exports; as well as an underutilization of bilateral trade agreements; and policy conundrum whereby the region's major trading partner are not its natural trading partners. The data also suggests that not only do Caribbean countries achieve little diversification into new products but also even less geographic diversification. Moreover, the relatively small number of products with intensive or extensive margins suggests that Caribbean countries have achieved weak export growth.

What is instructive in this regard is the observed uneven matching between the international comparative advantage and the intensive and extensive margins of Caribbean economies, which suggests that the growth in exports, where observed in Caribbean countries, was not purely driven by competitiveness issues. Key here may be the impact of longstanding preferential trading arrangements in influencing production and export structures as well as the allocation of resources; and the impact of structural gaps (and bottlenecks) on productivity, export competitiveness and previous efforts at industrial restructuring.

The paper makes useful recommendations for boosting intra and extra-regional exports in the short-term such as, inter alia, the establishment of a registry of businesses, a buyer-seller forum, a regional framework for the conduct of market research and mechanisms to improve access to finance, particularly by SMEs, as well as strengthening regional quality and transportation infrastructure. In addition, given the expressed interest by the private sector of Belize and Suriname in boosting intra-regional trade within other subregional economies, it is crucial that the region begins to focus on creating

a regional integration movement which is predicated upon broader comparative advantage-based production and trade integration, with individual economies resisting the temptation to either engage in anti-competitive conduct or erect non-tariff measures geared at safeguarding sensitive domestic industries beyond that which may be permissible under the Revised Treaty of Chaguramas. This may require increasing the capacity of the CARICOM Competition Commission and extra scrutiny by the COTED.

However, the medium to long-term remedy for delivering broad-based export growth, particularly at the extensive margin, of high-value exports, may lie in the development of a harmonized regional industrial policy, which is guided by existing national as well as informs future national industrial and trade-related³⁴ policies. Such an industrial policy should be expected to instruct the necessary industrial restructuring of the Caribbean, identifying key sectors for export diversification and the attendant elements of the policy framework for developing same. It is, however, crucial that the private sector be central to this industrial restructuring and export diversification process, and therefore embedded within the framework of wider public policy intervention. The region may have been too eager in the past to negotiate trade agreements³⁵ in the absence of the guidance of coherent industrial policy, the private sector as a strategic partner in the negotiating process or consideration of the impact on the welfare of the citizenry.

As such, in moving forward it is important to create a delicate balance between integration into the global economy and generating welfare gains from increased trade. However, for small economies of the Caribbean, this would require moving the pivot (i.e. policy prescription in this instance) decidedly closer towards formulating coherent private sector embedded industrial policy³⁶, where the State plays a deeper coordinating role.

³⁴ And by extension trade negotiating agenda.

³⁵ It is important to note here that there were different factors motivating or influencing the decision to negotiate individual FTAs, e.g. the Economic Partnership Agreement (EPA) between the CARIFORUM States and the European Union (EU) was signed in October 2008 and provisionally came into force on 29 December of the same year. The Agreement sought to satisfy the requirements of GATT Article XXIV as well as bring the EU's trading relations with CARIFORUM into conformity with World Trade Organization (WTO) Most Favoured Nation (MFN) principle. This agreement signaled the end of the decades long regime on unilateral non-reciprocal preferential market access to the EU market enjoyed by CARIFORUM countries under successive Lomé (I-IV) and Cotonou Agreements. The EPA, which is based on essential and fundamental elements of the Cotonou Agreement, marked a radical shift in trade and development relations between the two regions, ushering in a trade regime covering both goods and services, governed by reciprocity.

³⁶ This not only integrates trade-related policy measures but informs same.

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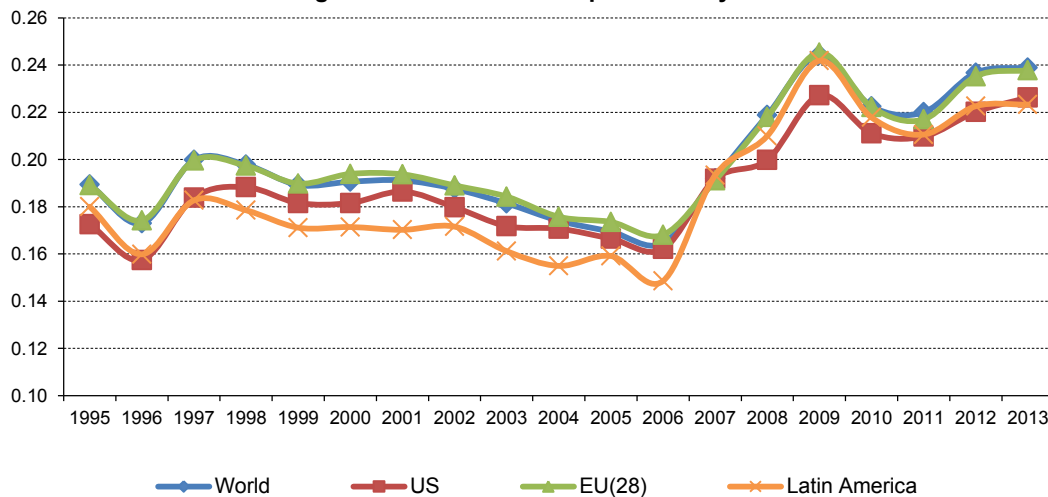
Annex

Table A.1
Phases of economic integration

	Trade liberalization of some goods	Duty free quota free provided to all goods	CET	Liberalized labour and capital	Common economic policy	Monetary union	Common political/national laws and policies
Partial trade agreement	*						
Free trade agreement		*					
Customs Union		*	*				
Common market		*	*	*			
Economic union		*	*	*	*		
Economic and monetary union		*	*	*	*	*	
Political union		*	*	*	*	*	*

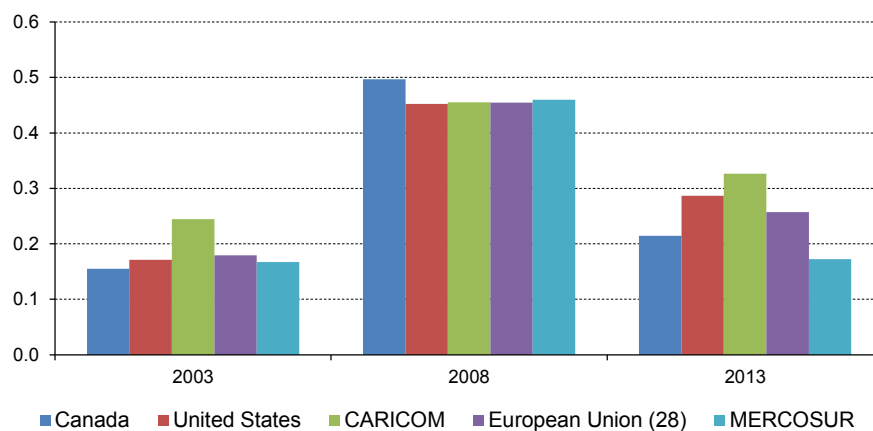
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Figure A.1
Average Caribbean trade complementarity index



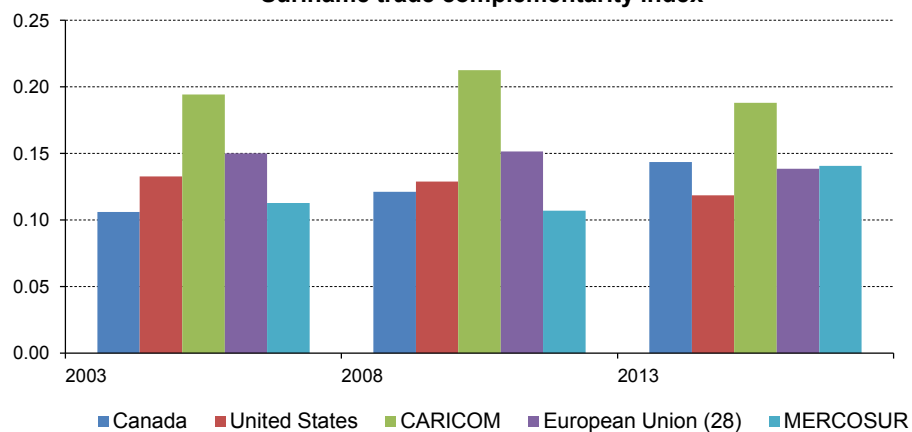
Source: UNCTADStat.

Figure A.2
Belize trade complementarity index



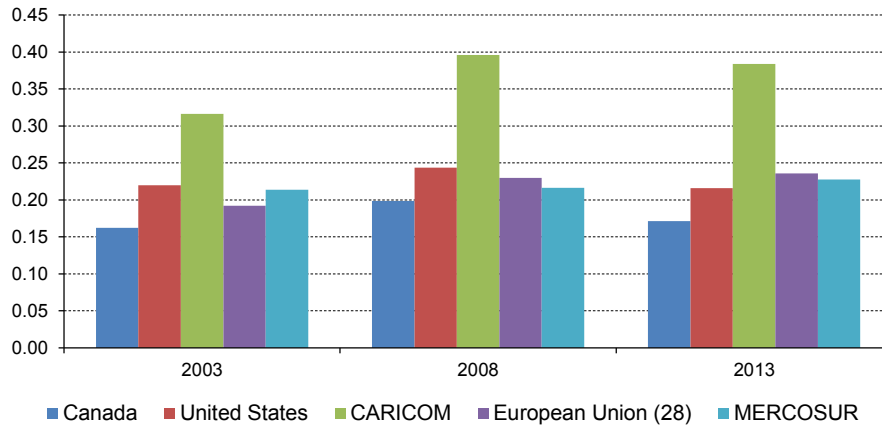
Source: UNCTAD.

Figure A.3
Suriname trade complementarity index



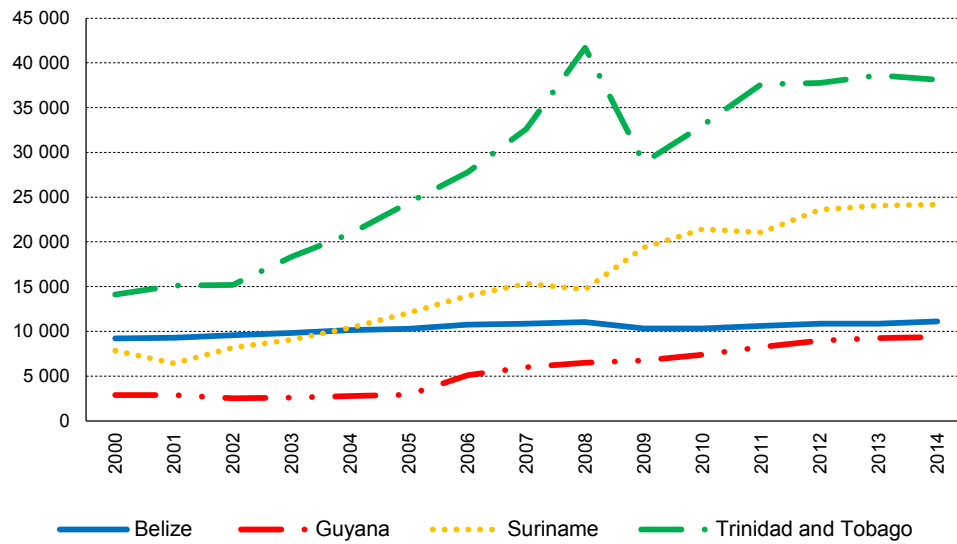
Source: UNCTAD.

Figure A.4
Trinidad and Tobago trade complementarity index



Source: UNCTAD.

Figure A.5
Trends in labour productivity of Caribbean goods producers
2000-2015
(Output per worker in USD)



Source: UNCTAD.

Table A.2
CARICOM: indices of intra-industrial trade by trading partner, 2013-2014
(Grubel-Lloyd Indices)

	Antigua	Barbados	Belize	Dominica	Grenada	Guyana	Jamaica	Saint Kitts and Nevis	Saint Lucia	Saint Vincent	Suriname	Trinidad and Tobago
Antigua		0.014	0.000	0.132	0.000	0.000	0.000	0.047	0.088	0.000	0.000	0.045
Bahamas	0.000	0.000	0.000	0.000	0.002	0.000	0.002	0.000	0.000	0.000	0.000	0.000
Barbados	0.023		0.019	0.092	0.042	0.221	0.312	0.020	0.097	0.153	0.008	0.181
Belize	0.000	0.024		0.000	0.000	0.045	0.007	0.000	0.000	0.000	0.000	0.017
Guyana	0.036	0.212	0.114	0.037	0.018		0.165	0.002	0.106	0.041	0.040	0.072
Jamaica	0.046	0.151	0.042	0.150	0.103	0.149		0.001	0.185	0.175	0.015	0.034
Saint Lucia	0.455	0.175	0.080	0.185	0.103	0.117	0.111	0.642		0.089	0.154	0.063
Suriname	0.038	0.036	0.019	0.090	0.000	0.083	0.018	0.000	0.000	0.039		0.241

Source: CARICOM.



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