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**THE NETHERLANDS ANTILLES:
TRADE AND INTEGRATION WITH CARICOM**

(REVISITED)

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THE NETHERLANDS ANTILLES: TRADE AND INTEGRATION WITH CARICOM

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Introduction

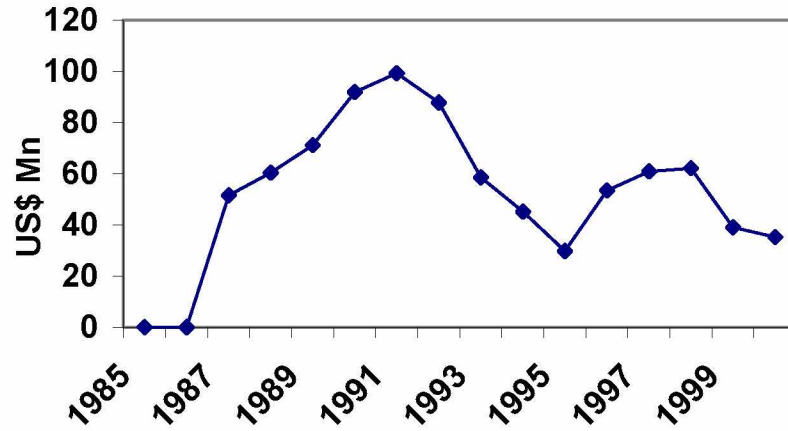
The study of trade and integration (LC/CAR/G.681) between the Netherlands Antilles and the Caribbean Community (CARICOM) was undertaken to assess the nature and extent of trade between the two groups of countries as well as the institutional framework for facilitating such trade. In addition, the study considered integration options for increasing trade, in particular Netherlands Antilles exports to CARICOM. Assessment of the export structures of the two groups revealed similarity in goods and services produced but a more diversified export structure in the case of CARICOM. The pattern of trade shows that the Netherlands Antilles exported more to CARICOM countries than they imported; however, most of the exports consisted of petroleum products whereas imports were more diverse.

The inadequacy of the trade data collected for the study precluded a deeper analysis of the trade relationship between the two sets of countries, although information on existing barriers to trade pointed to the constraints on expanding the level of trade between the countries. The purpose of this paper is to expand the analysis of trade between the Netherlands Antilles and CARICOM using the Economic Commission for Latin America and the Caribbean (ECLAC) Competitive Analysis of Nations (CAN) methodology, which is based on United Nations data for the period 1985 to 2000 and to determine whether this sheds more light on the feasibility of specific integration options.

Trends in the Netherlands Antilles – CARICOM trade

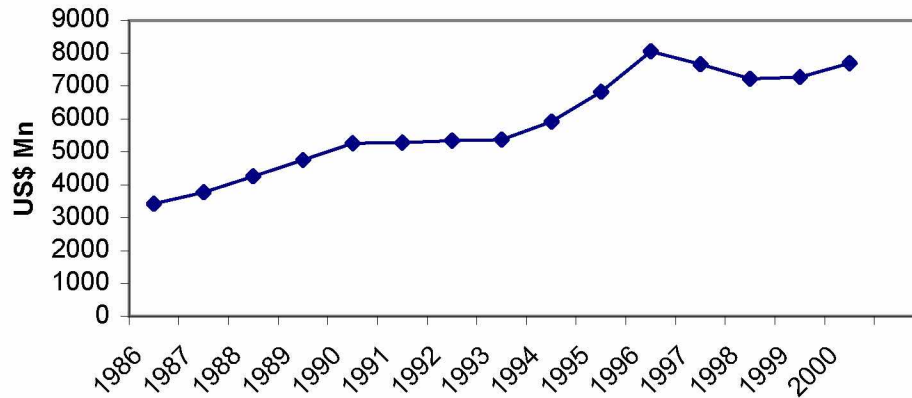
The first point to note in examining trade between the Netherlands Antilles and countries in the CARICOM subregion is the declining trend of exports from the first group to the second group during the 1985 to 2000 period (see Figure 1). The second point to note is the increasing trend of CARICOM imports from the world within the same period (see Figure 2). In other words, the Netherlands Antilles has not benefited from the growth of imports into the CARICOM subregion. However, it is necessary to examine the composition of exports from the Netherlands Antilles.

Fig.1
Netherlands Antilles Exports to CARICOM (1985-2000)



Source: ECLAC based on CAN 2002

Fig.2
CARICOM Imports (1986-2000)



Source: ECLAC based on CAN 2002

The main exports of the Netherlands Antilles to CARICOM in 1990 were:

- Petroleum products
- Gas
- Stone, sand and gravel
- Electric power machinery
- Female textile outer garments
- Other crude materials

In 2000 the main exports of Netherlands Antilles to CARICOM were:

- Petroleum products
- Male textile outer garments
- Ships, boats and floating structures
- Knitted or crocheted under garments
- Footwear
- Textile articles

It is clear that petroleum products remain the most important exports to the CARICOM region. Textile and apparel exports also became significant over the period. The Netherlands Antilles imports crude petroleum and exports refined petroleum products. CARICOM imports crude petroleum from countries of the Andean Community – mainly Colombia, Ecuador and Venezuela – and refined petroleum from the Netherlands Antilles, Trinidad and Tobago and Venezuela. However, the Netherlands Antilles has lost market share for refined petroleum in CARICOM. The same is true for natural gas despite the fact that CARICOM imports of gas have been increasing significantly over the years (Tables 1-3).

Table 1 CARICOM Imports of Petroleum Products (US\$mn)				
Product	1985	1990	1995	2000
Crude Petroleum	34.2	292.9	352.7	1032.0
Refined Petroleum	332.3	511.2	291.7	434.9
Gas	9.9	6.6	11.4	32.1
Source: ECLAC based on CAN 2002				

Table 2 CARICOM Imports of Refined Petroleum Products (as % Trading Partner's Exports)				
	1985	1990	1995	2000
Trinidad & Tobago	63.6	43.3	35.6	49.5
Venezuela	84.2	26.1	16.9	0.3
Netherlands Antilles	0	87.4	46.7	42.6
Source: ECLAC based on CAN 2002				

	1985	1990	1995	2000
Refined Petroleum Products	10.1	15.7	4.7	3.4
Residual Petroleum Products	8.3	3.5	14.1	13.0
Gas	19.3	8.1	3.6	4.3

Source: ECLAC based on CAN 2002

	1985	1990	1995	2000
Andean Community	0.5	1.8	1.0	1.1
Central American Common Market	0	0	0.01	0.05
Netherlands Antilles	0	2.6	4.2	3.7
Trinidad & Tobago	3.4	1.5	3.9	3.0
Venezuela	0.6	2.1	1.2	1.0

Source: ECLAC based on CAN 2002

The Netherlands Antilles' main competitor in gas exports to CARICOM is Trinidad and Tobago. Venezuela's share of the CARICOM market has been declining since the 1990s. The CARICOM market imported 3.7% of gas from the Netherlands Antilles and 3% of gas from Trinidad and Tobago (Table 4). The proposed gas pipeline project, which would facilitate gas distribution from Trinidad and Tobago, could adversely affect exports of gas to the subregion by Netherlands Antilles.

Among the top 10 exports from the Netherlands Antilles in 2000 and 2001 were petroleum products, aircraft, furniture, cheese and alcoholic beverages. Some of the most important imports in the CARICOM market include petroleum products, vehicles, aircraft, chemical products, machinery and equipment including radio broadcasting receivers and furniture. However, as was shown earlier, the major exports of Netherlands Antilles to CARICOM have been petroleum products, textile and garments, footwear and ships, boats and floating structures. A competitive analysis of exports of specific products to the CARICOM market is undertaken below.

Competitive analysis of Netherlands Antilles exports to CARICOM

ECLAC CAN software categorizes commodities in terms of a market share competitiveness matrix. Commodities are classified as either dynamic or stagnant. Dynamic

commodities are classified in terms of whether exports are increasing as market demand increases (rising star) or in terms of whether exports are declining as market demand increases (missed opportunity). Stagnant commodities are classified in terms of whether exports are increasing as market demand decreases (declining star) or in terms of whether exports are decreasing as market demand decreases (retreat).

Using this analysis for the two periods 1990-1995 and 1995-2000, it was shown that market share losses by the Netherlands Antilles were greater than market share gains. During the first period, losses were 77%. These remained high during the second period although they were reduced to 66%. The two categories of exports that are significant to examine are those that are declining in the face of increasing market demand and those that are increasing in the face of declining market demand; in CAN terminology these are the missed opportunities and the declining stars. The more important one for the Netherlands Antilles in terms of increasing its exports to CARICOM is that referred to as missed opportunities. This category of exports represented 15% of dynamic exports during 1990-1995 and 59% of dynamic exports during 1995-2000.

The main products in this category are:

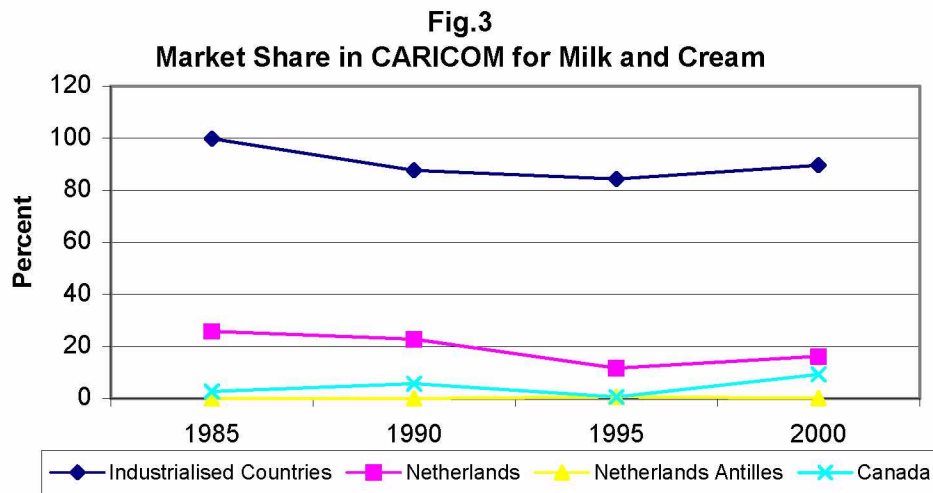
- Petroleum products
- Stone, sand and gravel
- Textile articles
- Travel goods
- Alcoholic beverages
- Household equipment
- Glassware
- Furniture and parts
- Perfumery, cosmetic and toilet preparations
- Radio-broadcast receivers

The Netherlands Antilles' share of petroleum products in the CARICOM market has been declining as was shown earlier. However, increasing exports of these products may not be an option given special arrangements that CARICOM countries have for the supply of such products. One of the constraints on exports to CARICOM is the relatively high level of tariff barriers. The following table (Table 5) gives an indication of the tariff constraints.

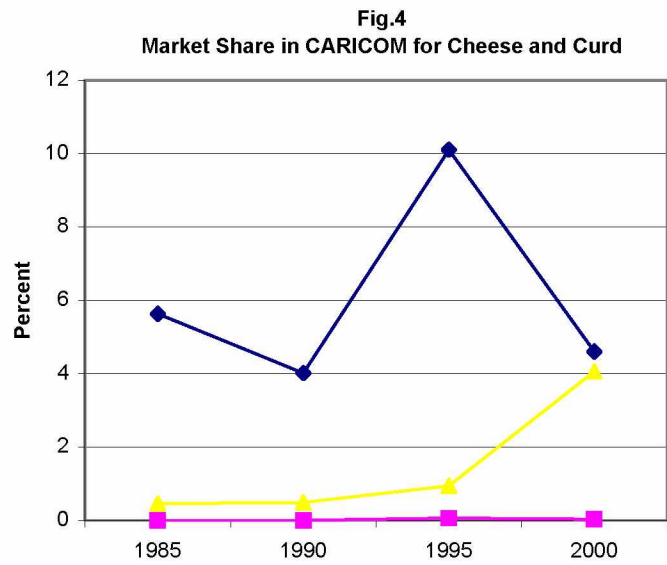
Alcoholic Beverages	100
Textile Articles	35
Furniture & Parts	35
Perfumes, Toiletries	35
Household Articles	20
Glassware	5
Source: ECLAC, LC/CAR/G.681, 21 December 2001	

If one looks at alcoholic beverages for example, it is not only to CARICOM markets that these exports have declined. There is an overall decline in the Netherlands Antilles' export performance. Added to that is the high tariff levied on such imports into CARICOM. Hence, a reduction in tariff may stimulate increased exports from Netherlands Antilles. Reduction in tariffs on furniture, perfumery and textile articles may also induce increased exports. One would, however, have to look at these items at a more disaggregated level to determine the specific products that are likely to benefit from free trade. In the case of glassware, the Netherlands Antilles significantly reduced their specialization in this product (from 1.19 to 0.62) over the period 1995-2000.

To get a better idea of market decline one has to look not only at the absolute decline of the Netherlands Antilles' exports of specific products but also at those exporters that have gained market share at the expense of the Netherlands Antilles. Two examples will suffice – milk and cream (Code 022) on the one hand, and cheese and curd (Code 024), on the other. It can be seen from the following charts (Figs.3 and 4) that Canada gained market share vis-à-vis the Netherlands Antilles in the case of the milk and cream and vis-à-vis the Netherlands Antilles and the Netherlands in the case of cheese and curd during the period 1995-2000. The intensification of trade liberalization in CARICOM countries during the 1990s seems to have shifted competitive advantage to countries such as Canada, which gained significant market share in a number of product groups. Dairy products are some of the areas in which Canada gained significant market share (see Table 6 for example).



Source: ECLAC based on CAN 2002

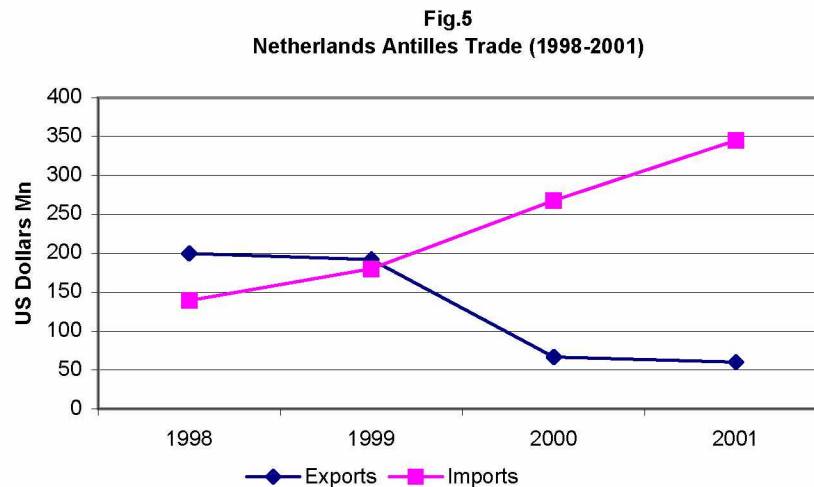


Source: ECLAC based on CAN 2002

	1995	2000
Netherlands Antilles	0.65	0.12
Canada	0.60	9.30
Source: ECLAC, based on CAN 2002		

Looking at the other side of the trade equation, one finds that CARICOM exports to the Netherlands Antilles consisted mainly of: dairy products (from Trinidad and Tobago); seafood from Jamaica, Guyana, Suriname and Trinidad and Tobago; cereals mainly from Suriname; oil and mineral fuels from Trinidad and Tobago; pharmaceutical products mainly from the Bahamas, Barbados and Trinidad and Tobago; washing preparations and household articles from Trinidad and Tobago. CARICOM exports to the Netherlands Antilles are more diversified than exports from the Netherlands Antilles to CARICOM.

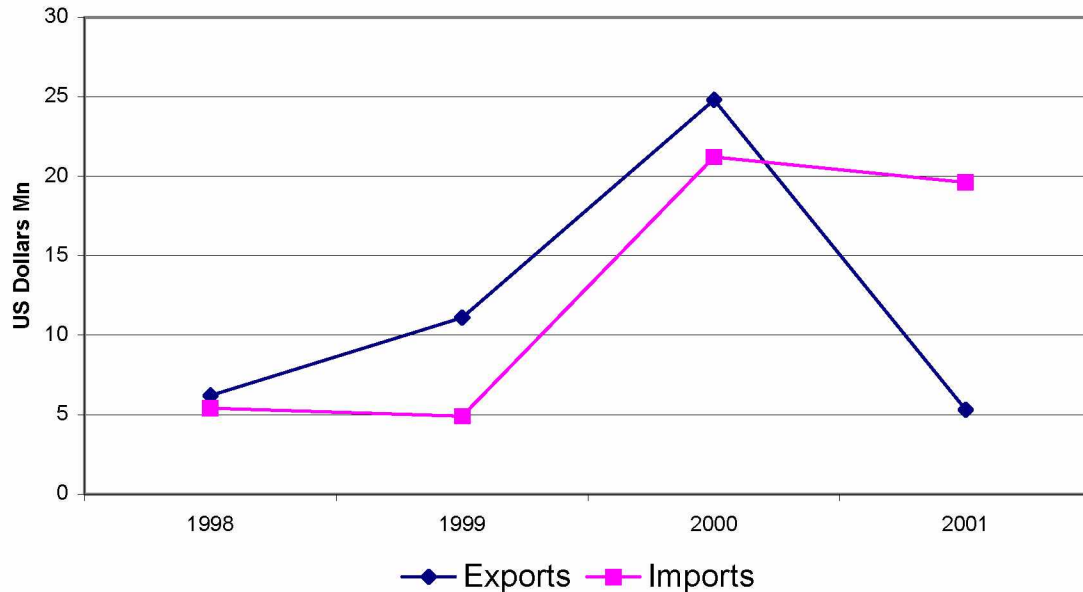
An examination of the export and import trends of the Netherlands Antilles gives an indication of how that group is moving towards increasing trade with countries in CARICOM. This is done using the ECLAC trade database, which was established as a major part of the Netherlands-funded trade database project. The following charts (Figs. 5 and 6) show a four-year trend in Netherlands Antilles trade with the world and also with the CARICOM group of countries.



Source: ECLAC Trade Database based on national data

What is evident is the widening deficit on merchandise trade between the Netherlands Antilles and the rest of the world after 1999. In the case of trade with CARICOM the deficit widened after 2000 largely on account of the significant decline in exports.

Fig.6
Netherlands Antilles Trade with CARICOM (1998-2001)



Source: ECLAC Trade Database based on national data

The potential for increased exports from the Netherlands Antilles to CARICOM would seem to be limited given the export structure of the Netherlands Antilles. Merchandise exports are concentrated in two free trade zones and one industrial park. Exports from the free trade zone are directed towards Latin America and exports from the industrial park are directed towards the European Union and the United States. Diversification of production and exports is necessary in order to take advantage of increased trade relations with not only CARICOM but also with countries that will form the Free Trade Area of the Americas (FTAA).

Services exports, namely tourism, offshore financial services and transportation, dominate the export structure of the Netherlands Antilles. The latter is a net exporter of freight services, construction services and computer and information services. There is, however, a lack of data on the destination of services exports. In any event, the expansion of services exports to CARICOM would depend on the extent of trade liberalization under the General Agreement on Trade-in-Services (GATS). Services exports, such as construction, depend on commercial presence and/or movement of natural persons whereas exports of computer and information services require either the above or cross-border access, which has not yet been developed. The absence of a services trade database at this time precludes an analysis of trade in services and

hence consideration of the export potential of the Netherlands Antilles in the CARICOM services market.

For the Netherlands Antilles to improve their export performance in respect of the CARICOM market they would have to diversify their production structure since there is a similarity of goods and services produced in both Netherlands Antilles and in CARICOM. They would also need to reduce their own trade barriers against imports from CARICOM countries. The Netherlands Antilles trade regime is complex with a wide range of tariff bands (40), import surcharges and economic levies. The economic levies are in addition to regular import tariffs and can be as high as 90% of the CIF value. However, Curacao, which is the largest economy in the Netherlands Antilles, began to reform its trade policy in 2000. Import bans and quota regulations were abolished and economic levies are to be phased out over a five-year period. These reforms have so far not resulted in improved performance in exports as can be seen from the above figures.

Conclusion

The initial study on the Netherlands Antilles-CARICOM trade relations recommended participation of the Netherlands Antilles as an associate member in CARICOM complimented with a partial scope trade agreement (reciprocal exchange of limited tariff concessions on specific products). This could be followed subsequently by a free trade arrangement in preparation for eventual participation in the FTAA.

The economies of the Netherlands Antilles are similar in structure to those of CARICOM. They are open and dependent on tourism, offshore finance, oil refining and shipping. Adverse economic shocks affected the foreign exchange earnings of Curacao during the last couple of decades. One of the objectives of the Netherlands Antilles is to expand trade with the CARICOM countries in order to boost foreign exchange earnings and diversify exports. However, membership – full or associate – in CARICOM is not a necessary condition for achieving that objective. CARICOM integration did not significantly alter the historical trade relations of member countries. It is the economic reforms pursued by CARICOM countries during the past couple of decades that have been contributing to the change in the structure of trade relations.

An economic partnership agreement between the Netherlands Antilles and CARICOM, including the opening of specific areas to free trade, is one that should be explored, especially within the context of the economic partnership arrangement that is to be negotiated between CARICOM and the European Union. At the same time, the Netherlands Antilles would need to consider how to improve the competitiveness of its exports, especially those products whose exports declined during the latter part of the 1990s. Services exports may have the greatest potential but this area requires more analysis, which is presently constrained by an inadequate services database.