

# Elements of a trade strategy for growth and development in the Caribbean

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Sheldon McLean

*Coordinator of Economic Development Unit  
ECLAC Subregional Headquarters for the Caribbean*



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# *Structure of the presentation:*

- Events shaping the subregion's current approach to trade and development
- Examination of the Caribbean's trade competitiveness and export structure
- Regional intra-industry trade and structure of Caribbean economies
- Major challenges and possible remedial policy prescriptions



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# Events shaping the subregion's current approach to trade and development



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# Selected imperatives of the West Indian Commission's "Time for Action" report

- Recognized Trade and Regional Integration as Drivers of Economic Growth and Regional Economic Welfare Gains
- Special Consideration for the OECS under the Integration process
- Agriculture, Manufacturing and Tourism to be Developed Symbiotically



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# The 1995 WTO Agreement and increased propensity to negotiate bilateral trade agreements with Latin America

Trade Agreements	Description	Date signed
CARICOM - Venezuela	Agreement between the Caribbean Community and the Government of the Republic of Venezuela on Trade and Investment.	1992
CARICOM - Colombia	Agreement on Trade, Economic and Technical Cooperation between the CARICOM and the Government of the Republic of Colombia.	1998
CARICOM - Cuba	Trade and Economic Cooperation Agreement between the CARICOM and the Government of the Republic of Cuba.	2000
CARICOM - Dominican Republic	Agreement Establishing the Free Trade Area between the CARICOM and the Dominican Republic.	2001
CARICOM - Costa Rica	Free Trade Agreement between the CARICOM and the Government of the Republic of Costa Rica	2004



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# The Economic Partnership Agreement (2008) – A game changer

- The EPA satisfied the requirements of **GATT Article XXIV** - the liberalization of substantially all trade between parties of a free trade area or customs union;
- At the end of **10 years** CARIFORUM is scheduled to liberalize 61.1 percent of EU imports; 82.7 percent at the end of **15 years**; and at the end of the implementation period (**25 years**), 86.9 percent.
- The EPA covers a range of issues relating to trade in goods, trade in services, investment, and development cooperation.



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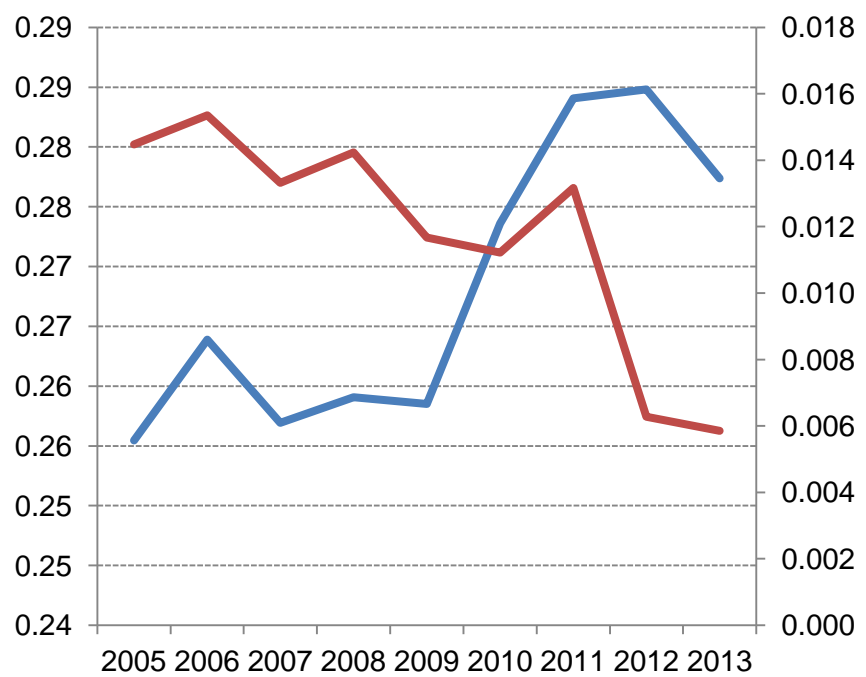
# Examination of the Caribbean's trade competitiveness and export structure



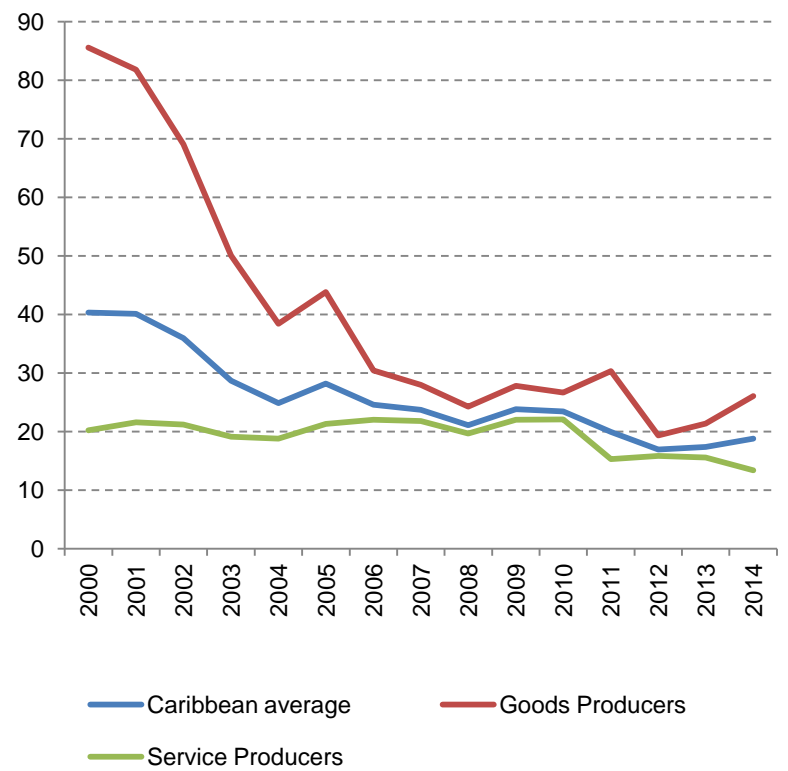
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# Declining competitiveness of Caribbean economies

**EXPORTS OF GOODS AND SERVICES**  
(Per cent of world exports)



**TOURISM COMPETITIVENESS RATIO**  
(Share of expenditure over share of arrivals)



Latin America Caribbean [right axis]

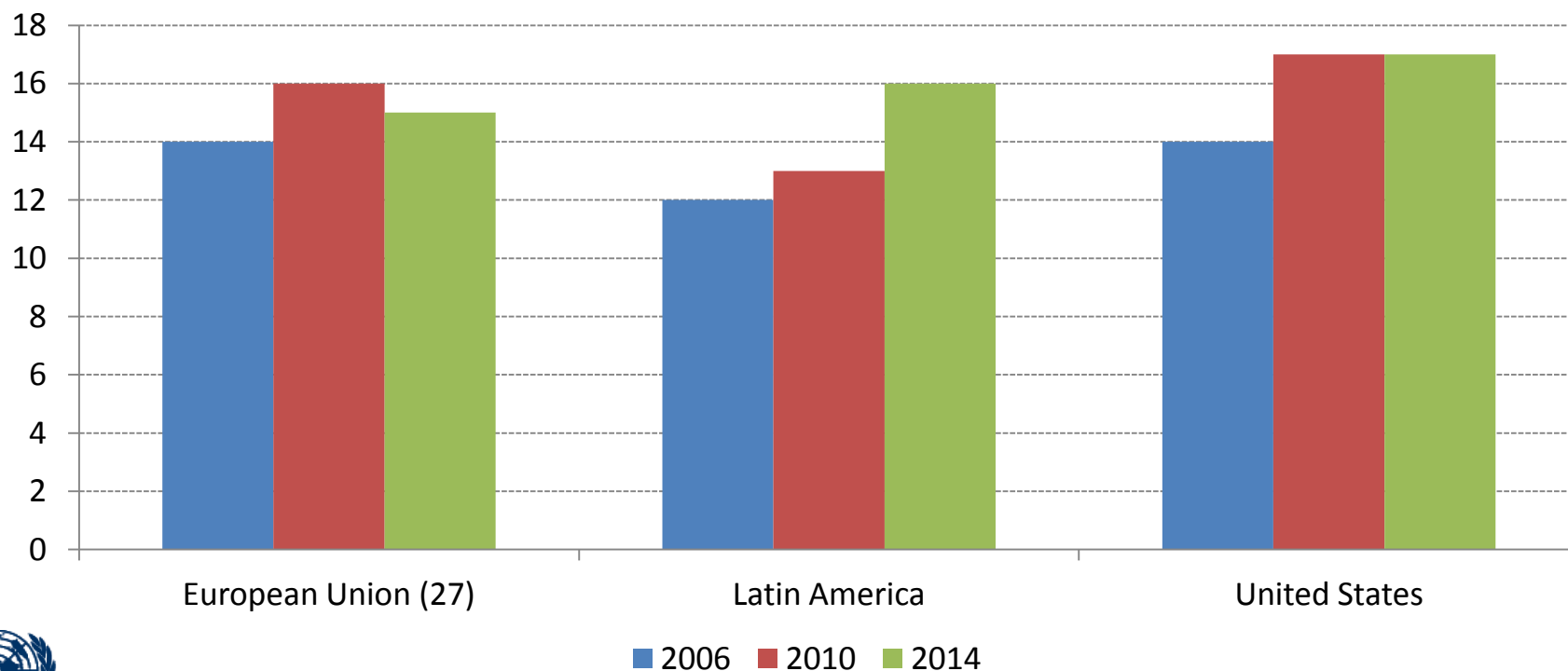
Caribbean average Goods Producers Service Producers



# Trends in Revealed Comparative Analysis (RCA)

**Comparative advantage with the EU, Latin America and the US 2006, 2010, 2014**

*(Number of products with an RCA greater than 1)*



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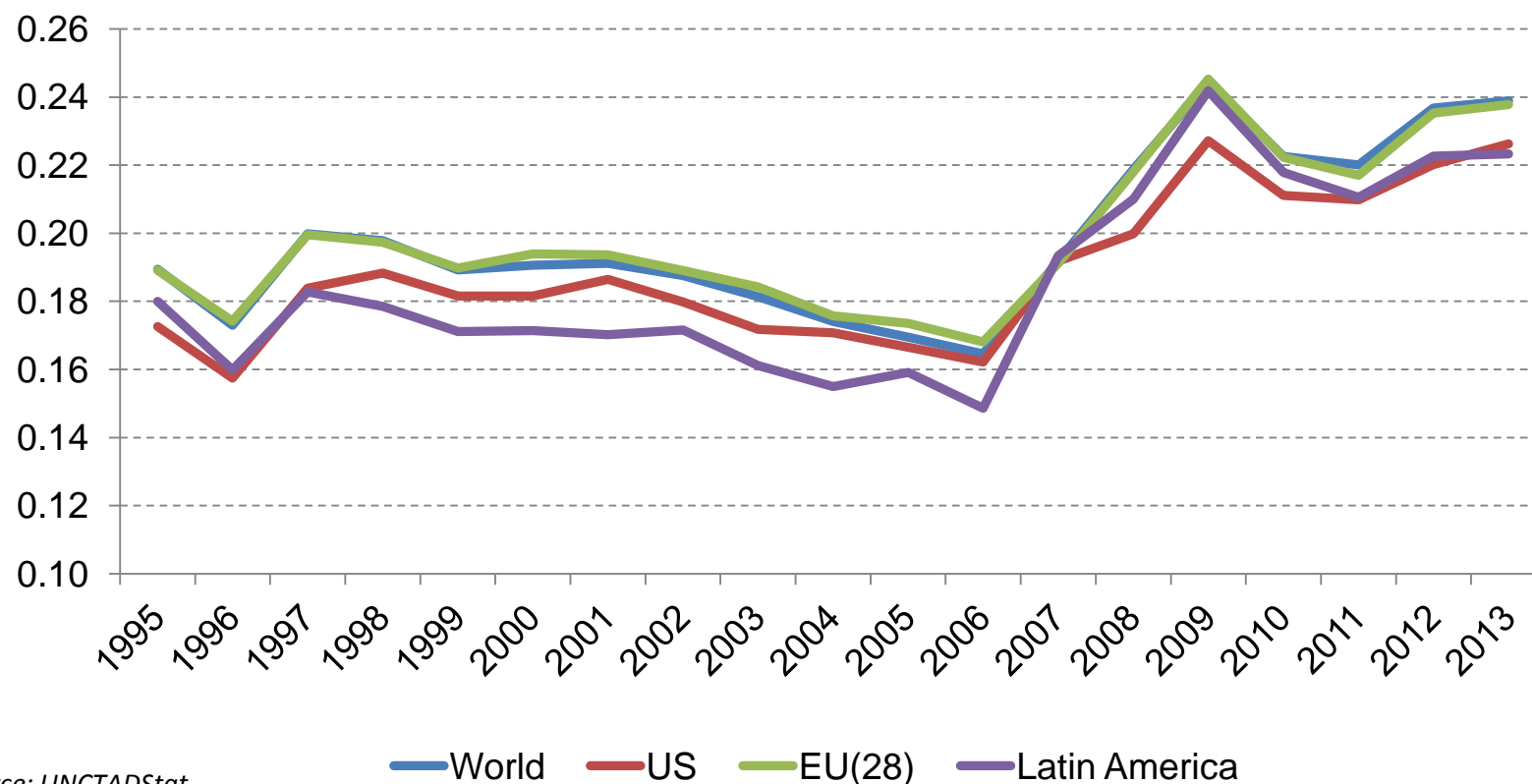
# Top ten products by RCA 2014

	EU(27)	Latin America	US
1	Metalliferous ores and metal scrap	Animals, live, zoo animals, dogs, cats	Sugar, sugar preparations and honey
2	Sugar, sugar preparations and honey	---	Beverages
3	----	Beverages	Fish, crustaceans, molluscs, preparatio
4	Gold	Gold	Metalliferous ores and metal scrap
5	Fish, crustaceans, molluscs, preparatio	Crude fertilizers and crude materia	Animals, live, zoo animals, dogs, cats
6	Cereals and cereal preparations	Cereals and cereal preparations	Gold
7	Animals, live, zoo animals, dogs, cats	Miscel. edible products and preparat	Crude fertilizers and crude materia
8	Crude fertilizers and crude materia	Artif. resins, plastic mat., cellulose	Cereals and cereal preparations
9	Beverages	Cork and wood	---
10	Cork and wood	Fish, crustaceans, molluscs, preparatio	Electric current



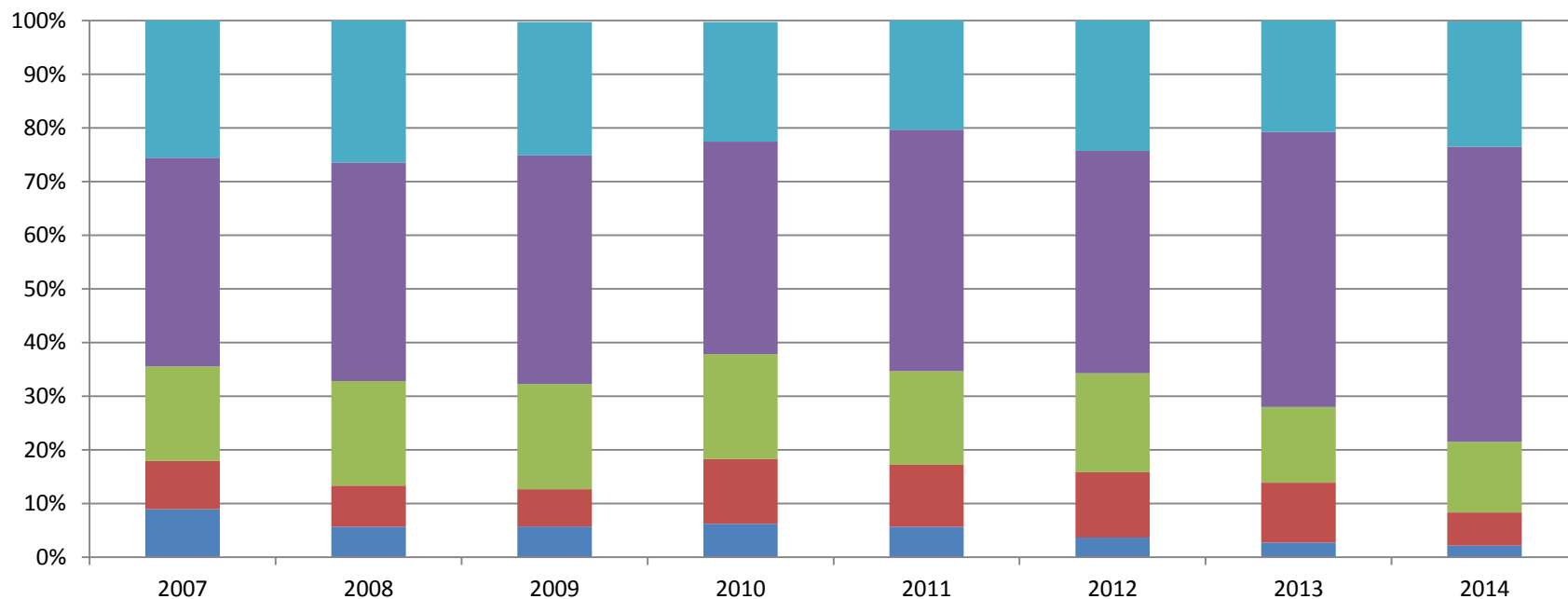
# Trade Complementarity Index

## CARIBBEAN TRADE COMPLEMENTARITY INDEX



# Export Structure

**TECHNOLOGY INTENSITY OF CARIBBEAN EXPORTS**  
*(Percentage of total exports)*



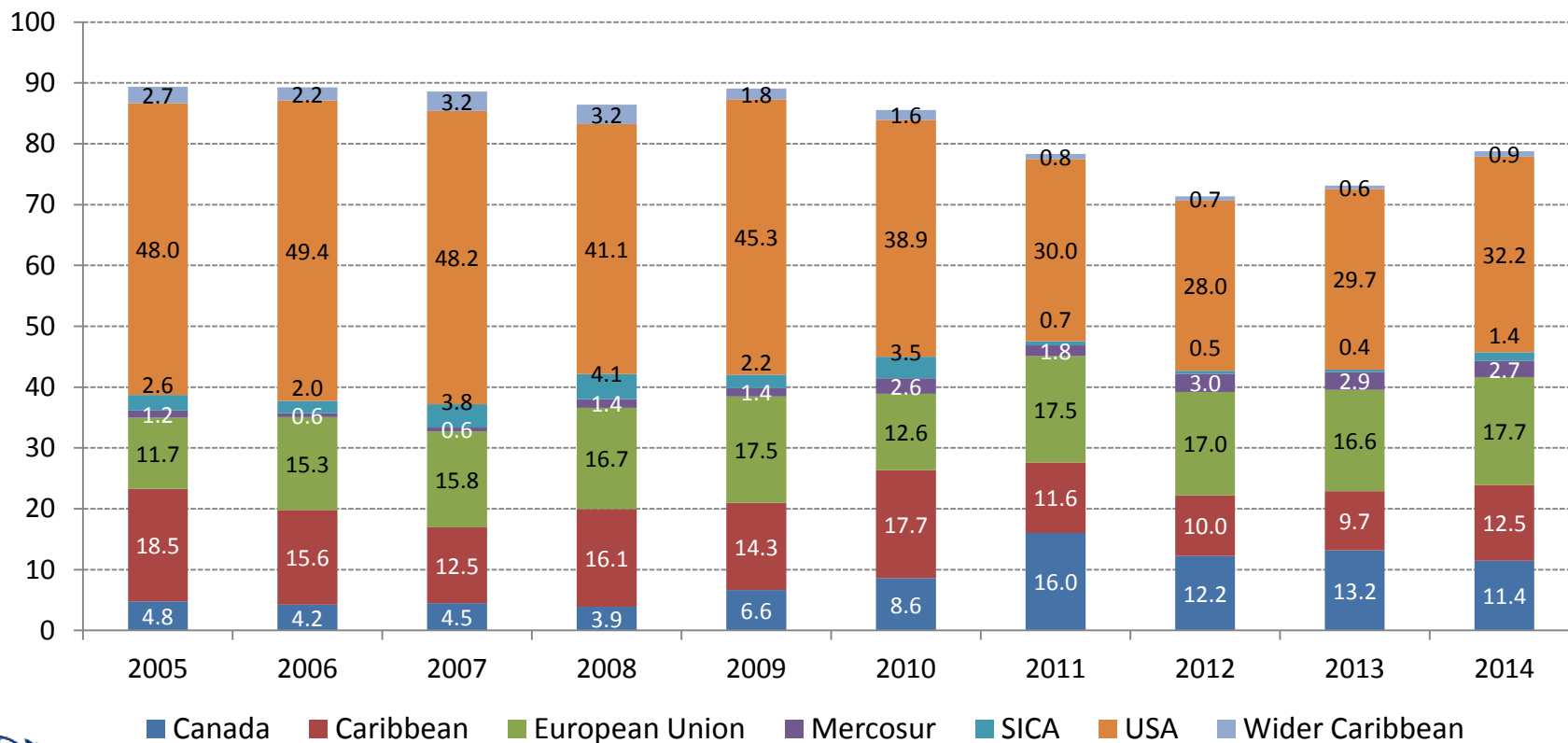
- High Technology manufactures
- Low Technology manufactures
- Medium Technology manufactures
- Natural resource based manufactures
- Primary Products



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# Caribbean Export Markets

**CARIBBEAN EXPORT MARKETS**  
(Per cent of total exports)



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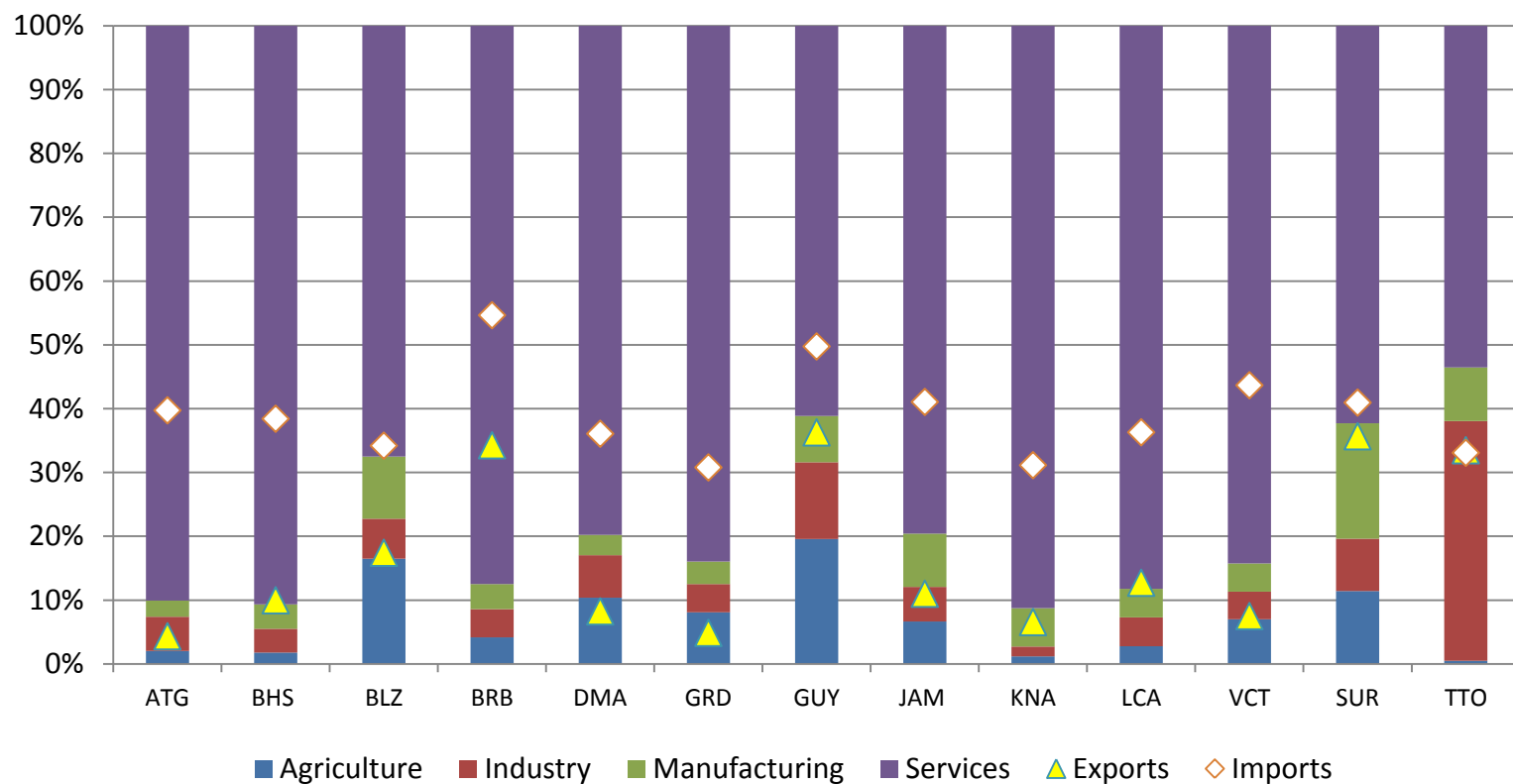
# Regional intra-industry trade and structure of Caribbean economies



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# Structure of Caribbean Economies

**SECTORAL SHARE OF GDP AND GOODS TRADE, 2015**  
(Per cent of GDP)



# CARICOM: indices of intra-industrial trade by trading partner, 2013-2014 (Grubel-Lloyd Indices)

	ATG	BRB	BLZ	DMA	GRD	GUY	JAM	KNA	LCA	VCT	SUR	TTO
ATG		0.014	0.000	<b>0.132</b>	0.000	0.000	0.000	0.047	0.088	0.000	0.000	0.045
BHS	0.000	0.000	0.000	0.000	0.000	0.000	0.002	0.000	0.000	0.000	0.000	0.000
BRB	0.023		0.019	0.092	0.042	<b>0.221</b>	<b>0.312</b>	0.020	0.097	<b>0.153</b>	0.008	<b>0.181</b>
BLZ	0.000	0.024		0.000	0.000	0.045	0.007	0.000	0.000	0.000	0.000	0.017
GUY	0.036	<b>0.212</b>	<b>0.114</b>	0.037	0.018		<b>0.165</b>	0.002	<b>0.106</b>	0.041	0.040	0.072
JAM	0.046	<b>0.151</b>	0.042	<b>0.150</b>	<b>0.103</b>	<b>0.149</b>		0.001	<b>0.185</b>	<b>0.175</b>	0.015	0.034
LCA	<b>0.455</b>	<b>0.175</b>	0.080	<b>0.185</b>	<b>0.103</b>	<b>0.117</b>	<b>0.111</b>	<b>0.642</b>		0.089	<b>0.154</b>	0.063
SUR	0.038	0.036	0.019	0.090	0.000	0.083	0.018	0.000	0.000	0.039		<b>0.241</b>

Source: World International Trade Statistics (WITS)

Note: The Grubel-Lloyd Index for each country is calculated as the sum over all products, weighting each class by share of total trade



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# Major challenges and possible remedial policy prescriptions



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# Some broad conclusions which should inform policy-setting...

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- Trade complementarity and relative competitiveness have no significant impact on exports due to narrow production base of Caribbean
- Preferential trading arrangements appear to be a major driver of Caribbean exports
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- The region's high trade concentration and import dependency increase its vulnerability to external economic shocks
- Key structural gaps have constrained the Caribbean's export performance



# Major challenges facing the Caribbean

- High Public debt – averaged 72% of GDP in 2014
- Undiversified energy portfolio mix – 90% dependence on fossil fuels
- Insufficient economic diversification – high export concentration; limited movement up the value change



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Maintaining correspondent banking relations

# Key policy prescriptions

- Debt for climate adaptation swaps
- Development of green industries
- Fostering Trade-led economic development
  - Enhancing trade-related economic infrastructure through investment in key public goods
  - Deepening trade with natural trading partners; as well as tapping into avenues for increased intra-industry trade between Caribbean economies
  - Private sector development



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THANK YOU!



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