

ASSOCIATION OF CARIBBEAN STATES (ACS)

EXECUTIVE SUMMARY ON THE FLOW OF TRADE WITHIN THE ACS REGION AND OPPORTUNITIES FOR ENHANCED TRADE AND INVESTMENT

The ACS was formed to deepen cooperation and integration among the countries of the Caribbean Basin. The establishment of this wider grouping was in recognition of the greater benefits that could be derived from expanded trade, investment and functional cooperation, including in areas such as tourism, transport policy, cultural exchange and environment management among others.

Trade is recognised as an important engine of growth in the Association of Caribbean States (ACS) member states. In fact, the relatively small size and fairly undiversified production structures in most countries mean that the member countries rely heavily on trade. Exports are essential for generating foreign exchange and imports contribute to domestic investment and consumption. The ACS has been actively working through projects and others initiatives to help to increase the quantity and quality of traded goods and services among countries of the region as a catalyst for growth, employment and strengthened integration.

It has been noted that in 1997, two short years after its establishment that the countries of the ACS represented “a population of 220 million inhabitants which represented 45.3% of the population of Latin America and the Caribbean (LAC), generating above 694 billions of dollars of gross domestic product, which was more than a third (34.3%) of that generated in the entire subcontinent.” (ACS Obstacles to Trade Study, 1999)

The ACS grouping today still remains an important market for the development of trade and investment opportunities that will redound in even greater benefits to the countries of the region. Although it originated essentially as a cooperation agreement, the ACS has been targeting other areas of integration to increase the benefits for the sub-region. A key plank of this deeper mandate is the facilitation of measures to increase the quantity and quality of traded goods and services and investment in the Greater Caribbean. This is deemed critical to increasing employment, raising living standards, reducing inequality and promoting social cohesion in the region.

Intra-ACS Exports

In relation to intra-ACS exports the study revealed that in reflecting the importance of size, market demand and import capacity, the Group of Three (G-3) was the dominant market for ACS exports during the period (2000-2009). Average exports from this grouping almost tripled from US\$4.792 million in 2000 to US\$14.84 million in 2009, the majority coming from Venezuela.

For Central America, exports grew on average by nine percent (9%) over the decade, almost doubling from US\$6.87 million in 2000 to US\$13.351 million in 2009. This reflected double-digit growth in exports from the region to countries of the grouping, except Panama¹ (non-grouped), Guatemala and El Salvador.

Meanwhile, although exports from CARICOM were smaller than other regions, except the Associate Member states, it expanded at an annual average rate of almost fourteen percent (14%) from US\$3.291 million in 2000 to US\$7.289 million in 2009. The majority of the exports from CARICOM came from the larger economies of Jamaica, Trinidad and Tobago and the Bahamas. Exports from the non-grouped countries also posted a dynamic growth of 17.6%, lifting their exports from US\$3.92 million in 2000 to US\$7.773 million in 2009.

For the ACS member countries, intra-ACS exports represented 7.2% of their total exports to the world in 2000 and this increased to 10.8% in 2009. This indicates that intra-regional exports have been growing in importance for the sub-region, yet not enough to make a significant difference to the structure and orientation of trade.

Intra-ACS Imports

Within the ACS the study showed that intra-ACS imports expanded from US\$22.396 million in 2000 to US\$42.231 million in 2009. A full sixty percent (60%) of imports within the sub-region came from the G-3 countries, whose imports to the ACS averaged sixty percent (60%) of the total for the grouping from 2000 to 2009. This was followed by Central America whose imports averaged a quarter (25%) during the period, while CARICOM, the non-grouped and the Associate Members accounted for ten percent (10%), seven percent (7%) and five percent (5%), respectively.

¹ The Republic of Panama is identified as Central America in data and statistics examined (pg. 57, 62, 65) though classified within the ACS as a non-grouped category.

Intra-ACS imports averaged only 9.7% of total ACS imports from the world, underscoring the small size of intra-regional merchandise trade.

The level of the product composition of trade provides a measure of the quality of the specialisation of countries in the region. In 1999, the majority of intra-ACS exports consisted of other manufactured goods, including fuels and chemical products. Other manufactured goods accounted for 26.3% of total exports in that year, while fuel represented 26.2% and chemicals 15.5%.

ACS exports of services to the world expanded by eleven percent (11%) between 2000 and 2009, rising from US\$39.017 million to US\$62.835 million. The G-3 grouping was also the main exporters of services from the region influenced partly by tourism and other services in Mexico and transport and other services in Colombia and Venezuela.

The export of services by Central America posted fairly strong average growth of 14.2% lifting them from a low base of US\$6.229 million in 2000 to US\$13.382 million in 2009. Panama² (non-grouped), Costa Rica and Guatemala dominated services exports from Central America. Reflecting its relative specialisation, CARICOM's services exports represented sixteen percent (16%) of the total for the ACS. The Bahamas and Jamaica together accounted for more than half of CARICOM's share, underscoring the importance of tourism exports in these two countries.

Trade within the ACS has been hindered by a number of factors which pervade the trading environment. It has been highlighted that these challenges involve issues ranging from trade facilitation, access to information to trade policy, and measures existing within individual states.

Transport and Logistics

Logistics refer to a series of actions including transportation, consolidation of cargo, warehousing, border clearance, and product distribution within country and payments systems, which facilitate trade (Arvis et. al., 2007). The cost, efficiency and productivity of transport and logistics systems are important indicators of profitability of trade. Despite some measures to improve them, the member countries of the ACS lag behind many countries in Asia and the developed countries in the supply and quality of transport and logistics services.

² The Republic of Panama is identified as Central America in data and statistics examined (pg. 57, 62, 65) though classified within the ACS as a non-grouped category.

Trade Policy in the ACS

Trade policy and strategy in the ACS have evolved to accommodate the emphasis on export-led growth in the context of open regionalism. In the last decade, countries have focused on completing the process of trade liberalisation, while maintaining adequate safeguards, developing more competitive exchange rate regimes and developing their capability to trade.

Access to Information

It has been recognized that among the most fundamental obstacles to trade, experienced by economic entities of Member States and Associate Members, is the lack of knowledge regarding regulations and processes to achieve their commercial purposes.

The Study sought to offer recommendations which would aid in the increase of trade among member states, and also present other opportunities and prospects that can be viewed as viable for new areas of trade and investment in the Greater Caribbean region.

Areas for potential investment and the increase of trade across sectors represent the emerging sectors; the untapped markets; and the innovative spirit that exists in each member country of the ACS region. There are also the benefits that can be realized from reformed policies and strategy approaches in the quest for sustainable development and viable economic growth.

The ACS should be considered as a facilitator of intra-regional trade in supporting the development of the region. In this context, work needs to continue on the initiatives to dismantle barriers and obstacles to intra-regional trade, improve the possibilities for transport, among others.

Port and customs efficiency are also critical to increasing intra-ACS trade. Currently, many ports lack proper equipment for dealing with large bulk cargo and customs procedures are often bureaucratic and cumbersome.

New lines of co-operation and exchange could be consolidated, such as intra-regional foreign investment. This calls for improvement and innovative techniques in the current export promotion mechanisms.

The ACS must create joint strategies to promote the export of services. The region's global trade is in services, primarily tourism, which is an important source of development. A number of other niche services areas are gaining prominence and represent a departure from the traditional idea of service economy into fields where innovation and creativity have become watchwords.

The development of the creative industries field as well as other specialty products are also critical areas where the capacity existing in this region can be harnessed and exploited to the benefit of member countries.