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$3b opportunity in China

by Shawn Cumberbatch

China is potentially a market for Barbados exports worth more than $3 billion – most of it in services. But the barriers to achieving even a fraction of this include distance and stringent regulatory entry requirements by the Asian giant. The International Trade Centre (ITC), based in Geneva, Switzerland, provided BARBADOS BUSINESS AUTHORITY with a briefing note on China-Barbados Trade in Goods And Services. It found that Barbados’ services export potential to China was $3 billion and also that Barbados was now only exploiting 45 per cent of the $61.4 million in export potential related to the sale of goods to China.

The travel services sector is where the opportunity is for Barbados. Product-wise, the opening could be found through the provision of items, including alcoholic beverages, electronic equipment, optical products, watches and medical instruments, sugar, food products, paper products, and pharmaceutical components.

The ITC, whose chief of staff is Barbadian trade expert Matthew Wilson, is a multilateral agency which has a joint mandate with the World Trade Organisation and the United Nations through the United Nations Conference on Trade and Development. The organisation explained in the briefing note that its calculations were “based on the export potential and diversified assessment methodology”. The information was provided ahead of the global spread of the coronavirus pandemic, which is expected to have major economic repercussions, including trade-related issues.

Regarding Barbados services exports to China, the ITC said the large majority of the potential $3 billion (97 per cent) “lies in the travel sector”. “China is the largest market in terms of export potential of services, followed by Poland, the United States of America and the United Kingdom,” it noted.

The travel body said so while pointing out that “data on trade in services between Barbados and China is not available, as neither of the two countries reports services trade data to/from each other”. “However, Barbados reports its services exports to the world and China reports its services imports from the world. With this information, we can calculate Barbados’ potential to export services to China. Projections are for 2023 as the underlying services trade data is incomplete in 2018,” the note added.

“Barbados services exports increased between 2005 and 2008, going from $3 billion to $3.6 billion. After that, they dropped to $2.2 billion by 2014. Since then, services exports increased again to $2.6 billion in 2018. Travel exports have followed a similar trend, although the share of travel in total services exports has been increasing since 2005.” There was also untapped potential for Barbados goods exports to China. Barbados’ current main export to China is artificial parts of the body – specifically eye lenses manufactured here by Lenstec. ITC said this category of item was responsible for the “steady increase over the past decade” of goods exports to China.

“China’s share of Barbados’ goods exports has also increased steadily to over five per cent in 2018. Barbados’ exports to the world have remained rather stable over the same timeframe. The ITC export potential methodology suggests that Barbados has an export potential of $61.4 million in China, of which 55 per cent currently remains untapped,” said the ITC.

“The export potential is calculated by multiplying a projection of market share in a given product with a projection of this product’s market imports and ease of trade between two countries. The result gives a potential export value that could be realised by 2024 if investments were put in place and market frictions overcome,” it explained.

While exports from Barbados to China are heavily concentrated in artificial parts of the body (HS code 902139), additional exports seem possible in other sectors, including alcoholic beverages ($7.6 million in untapped potential), electronic equipment ($86 million), optical products, watches and medical instruments ($4.6 million) and sugar ($4.2 million),” the note outlined. In an article written as part of the Shridath Ramphal Centre for International Trade Law, Policy & Services (SRC), University of the West Indies’ Cave Hill Campus Trading Thoughts series, SRC trade research assistant Alicia Nicholls suggested how Caribbean firms could explore the China market. “Caribbean firms seeking to establish or expand their presence in China should undertake sound market research to assess the level of demand for any goods or services they wish to offer, the level of competition in the market and whether, at a firm level, they have the capacity to meet demand,” she said.

“It also requires an appreciation of the legal and regulatory context, such as approval processes, tax and labour laws, intellectual property rights protection and any laws governing repatriation of profits.”

Source: combination of direct and mirror reports, Trade Map (2020)

Barbados’ export growth to China has been dominated by one category of items – artificial eye lenses. (GP)

China’s share of Barbados’ goods exports have grown over the years, but dipped in recent times. (GP)

Figure 1: goods exports from Barbados to China, 2001-2018

Figure 2: share of China in Barbados’ goods exports to the world

Figure 5: Barbados’ export potential of services in China, by sector

Services has the biggest export potential is. (GP)

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