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## SMALL STATES IN TRANSITION – FROM VULNERABILITY TO COMPETITIVENESS

### REGIONAL COOPERATION AND IMPACT ON COMPETITIVENESS - IMPLICATIONS FOR THE NATIONAL STRATEGIES

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## **1.0 CONSTRAINTS IMPACTING ON BUSINESS DEVELOPMENT AND INTERNATIONAL COMPETITIVENESS**

The expansion of the regional economic base will contribute to an increase in business opportunities, improve attractiveness for investments and achieve greater economies of scale hence regional approaches are highlighted within the region's development strategy.

Programmes being developed which seek to facilitate this needed expansion of the region's economic base must address the specific problems identified as constraints to export development in an increasingly competitive world. To build and maintain international competitiveness requires a sustained effort to make the required changes throughout the value chain.

Some of the constraints and suggested actions to overcome these are noted below:

- 1.1 Investment into the export sector is a critical factor for increased export earnings and increased productivity; introducing new products and services; and developing new skills to assist in exploiting new market opportunities.  
While Governments are addressing constraints at the business environment level, the investment opportunities arising from the various Trade Agreements the region has negotiated must be identified and promoted.
- 1.2 At the enterprise level, productivity levels are low and production costs of the exportable goods or services are high. Human resource development is urgently required to address individual productivity, while a clustering approach can positively impact production costs and access to technology to improve organizational productivity.
- 1.3 Companies are faced with challenges from new and demanding public health regulations, which require a higher level of conformance to technical standards, sanitary and phytosanitary and other requirements of the international markets. The CARICOM Single Market and Economy (CSME) will also introduce a regulatory framework that will place immediate demands on the private sector to increase their competitiveness in these areas.  
  
The requirements of the CSME will need to be simplified for the private sector. Similarly matters within the context of the FTAA, "post Cotonou" and other global market arrangements must remain on the agenda of the private sector and strategies must be developed to exploit opportunities created by these new arrangements.
- 1.4 Critical mass for promoting higher levels of competitiveness is difficult to attain. There are insufficient efforts to forge strategic alliances and strengthen business linkages at the national and regional level. Approaches are needed to address this. Success stories where they exist, should be promoted for a demonstration effect for firms in the region, while support for the formation of clusters and the development of appropriate group strategy will be critical.
- 1.5 Preferential markets for traditional export sectors, particularly in the smaller economies, are being lost. Market intelligence and information on new markets as well as technical assistance will need to be provided to support market and product diversification efforts.
- 1.6 Business support at the National, Sub regional and Regional levels is inadequate. The role and function of many Business Support Organizations (BSOs) have not sufficiently adjusted to meet the new demands of the business environment. Many BSOs do not have the capability and experience to provide support to the development of knowledge-based industries, nor to benchmark export sectors to compare with the competition particularly in light of the loss of preferences in the traditional markets.

There is an urgent need to develop the capabilities of BSOs and bring them together in a functional network for benchmarking and information sharing. National Trade Promotion Organizations (TPOs), Sub-regional and Regional organizations as well as private sector support organizations are critical for this development.

## **2.0 WHY A CARIBBEAN REGIONAL APPROACH**

- 2.1 Production bases and home markets are relatively small for many companies who must increase their domestic market share as well as expand into the export market if they are to remain viable businesses. While the environment at the national level may be created to facilitate exports, it is the entrepreneurs that must become internationally competitive in order to successfully trade. This transition to international competitiveness is quite challenging and expensive for many of the small and medium enterprises (SME's).

The challenges and constraints faced are in many cases not unique to a particular country but are quite common across the Caribbean. Enterprises require technical assistance and other interventions at all levels of the value chain, from research and development through to delivery to the international buyer.

- 2.2 While there are critical roles and interventions that must be managed at the national level, a regional approach to addressing various critical issues has proven to be effective. e.g. Networking, co-operation and coordination are required to avoid overlaps, to learn from experiences; to make effective use of available human and financial resources; and to create impact particularly at the regional and international levels.

## **3.0 CARIBBEAN EXPORT DEVELOPEMNT AGENCY**

### **3.1 The Agency**

The Caribbean Export Development Agency (Caribbean Export) has been serving as a Regional Agency, collaborating with entrepreneurs and various organisations and on activities which cuts across the board from “hand holding” through to joint marketing interventions and implementing regional programmes on behalf of international funding agencies.

Established in 1996 as a regional organization of the Forum of Caribbean States (CARIFORUM), through collaborative relationships with Regional and International Trade Promotion Organizations, Private Sector Associations and Independent Technical and Market Development Specialists in the Caribbean, Latin America, North America and Europe, the Agency facilitates the development of international competitiveness and export-earning capabilities among Caribbean enterprises.

Caribbean Export is active in some 22 countries of the region, with the Headquarters located in Barbados and a Sub-regional Office (SRO) in Dominican Republic serving this country along with Haiti and the Bahamas. A Trade Facilitation Office (TIFO) with commercial orientation exists in Cuba. The Agency also has a network of business advisors serving CARIFORUM countries. Since 1996, the Agency has also been executing the EU funded cost-sharing competitiveness grant scheme that has benefited many companies across most productive sectors (goods and services).

## **3.2 Linkages**

Caribbean Export works extensively in the region, interacting with agencies and programmes to increase complementarities and collaboration efforts and to avoid duplication of resources. The Agency over the years has formed various strategic partnerships with many Organisations/Agencies in the delivery of service to clients. Such partnerships have added significant value to its core functions in export development, which have been funded primarily by the European Union and member states of CARIFORUM.

Such collaboration include the following:

- USAID C-Tradecom (regional trade and consumer promotions)
- ITC (joint publication, promotion of ICT, e-commerce)
- CFTC (services development, capacity building)
- CARICOM (CSME- investment in services, non tariff barriers, free trade zones)
- CRNM (joint workshop, publications, collaboration of studies)
- CAIC (joint activities, collaboration on work programmes).
- CIDA ( CPEC HRD -regional hot pepper project)
- CDE (promoting herbal products)

Its business networking activities also seek to link into other programmes of intervention for the Caribbean such as PROINVEST

## **4.0 SOME EXPERIENCES OF CARIBBEAN EXPORT**

The Agency has contributed significantly to improving the competitiveness of many businesses across CARIFORUM. Various projects implemented in collaboration with national organizations have provided the exposure, the market intelligence, and guidelines on the path to be taken towards achieving international competitiveness. However, implementation in particular in the case of the SME's, required further in-depth support of the national organizations.

A few of these experiences will be briefly mentioned below.

### **4.1 Food Sector**

The support to the regional processed food sector over the past 10 years has facilitated the most successful specialty food exporters in the Caribbean to establish a foothold in the North American market where their sales have been extensive (in the USD millions). Caribbean Export coordinates annually the Caribbean Pavilion at the New York Summer International Fancy Food and Confection Show. National TPOs as well as individual companies continue to support the need for a Caribbean Pavilion as they confirm that exhibiting as a regional group allows maximum exposure and benefit from the Show.

The Caribbean Pavilion gives exhibitors the prominence to exhibit and attract buyers that they cannot achieve on their own. It allows the region to be on par with other international country pavilions (all of whom have recognized the benefit of exhibiting under a country/collective pavilion).

It offers "one stop" shopping for a region, which is attractive to attendees with a limited time frame to complete the show. Buyers often seek out the Caribbean Pavilion to see what is new, to track companies, meet new ones and to meet with their existing suppliers. This Pavilion is always visited by the trade press thus giving the exhibitors additional publicity in the media and specialty publications.

New exporters benefit from being in the pavilion as it provides an excellent opportunity for research on the competition and priceless feedback garnered through sampling of their products. Additionally, their products are also brought to the attention of buyers and other visitors who visit the more established exporters also exhibiting in the pavilion.

Having established distribution in the market place, Caribbean Export periodically implements consumer promotions in chain stores to expose the products to the consumers at the retail level thus providing a boost to sales. Here again, the impact of a Caribbean presence for several companies with the appropriate promotion etc is extremely significant and the pull created by the stronger products in the market can assist the new or less established ones.

Strategies to implement the required changes at an individual firm level (e.g. in product development and packaging) highlighted from the intelligence garnered at such trade promotions often need the support from the national BSOs. In cases where such interventions are not followed through then the products remain uncompetitive in the market.

A common example is where buyers are interested in a particular product which can be positioned as a specialty item but the packaging is that of the mass market (e.g. shape and size of bottle) so the product cannot command the required price. BSO's are encouraged to fully participate in these marketing events in order to be kept aware of the needs of their clients and the required interventions .

## 4.2. **Music Industry**

The music industry has been proven to have tremendous export capabilities and great demand in the tourism sector in several countries, however the Caribbean Music industry was not a part of any national or regional development or trade policy.

In the new global economy, the cultural industry is among the fastest growth sectors. In this regard therefore, the Caribbean music industry should be viewed as a prime target for private investment and institutional support in the regional diversification initiative.

In 2000, Caribbean Export commissioned a study on the export potential of the music industry in the region. The study aimed to assess the current state of the industry and its forays into the export market as well as to produce recommendations on the policies and infrastructure needed for furthering the development of the sector. Research was carried out in a number of countries in CARIFORUM.

The main areas examined in the study were domestic policy, human resource development, export marketing, income generation and institutional capacity.

### 4.2.1 Conclusions of the study

The Caribbean music industry requires institutional support in order to upgrade its creative and entrepreneurial capabilities, to facilitate balanced growth in the home market, to maximize on the trade potential of diasporic markets and to make further inroads into global music markets. The Caribbean music industry can be well positioned to secure export markets for performers, technicians and other specialists. Yet the local markets must develop an appreciation of the industry's significance - economically and culturally – if it is to grow. This must be reflected in government policy, corporate commitment, broadcast presence and consumer support.

Industry professionals will need to develop representative associations, pursue training, explore regional and international partnerships and lobby their relevant governments to

provide the infrastructure necessary for the viability of the sector. Industry members should also consult facilitating agencies such as Caribbean Export for assistance in the marketing and promotion of their goods and services.

Discussion forums on the detailed findings have been held with industry personnel and TPOs and at the national and regional levels various initiatives would have evolved. Caribbean Export provided grant assistance to various groups within the industry to assist them in their export planning and implementation of aspects of the plans. Programmes of investment support have evolved as a result of this sector being highlighted by Caribbean Export. It is now up to national interests to follow through with these initiatives and to develop national strategies to move the sector forward..

This study has served as a basis for a major project of PROINVEST to include music as a priority sector.

### **4.3 Artisanal Products**

#### **4.3.1 Art and Craft**

For a region that attracts over 18 million visitors each year, endowed with an abundance of creative artisans with access to indigenous raw materials, this sector is poised to take advantage of the existing opportunities. The Gift and Craft sector globally is a significant economic sector estimated to be well over US\$3 billion.

The level of development of the handicraft industry varies widely and while some very experienced producers of high quality items exist, the industry is often relatively unstructured in most countries in the region.

To capitalize on the potential market that exists the various areas of known weaknesses need to be overcome in order to increase the competitiveness of the items thus facilitating increased trade.

These include: product quality, reliability of supply, variety; pricing; product design and development; packaging; market identification, distribution; business and technical skills; venture and working capital and institutional deficiencies.

#### **4.3.2 Fashion**

Recently published figures support the existence of a growth-oriented regional apparel-manufacturing sector, which, with appropriate nurturing could form the foundation for a regional fashion industry. This industry could be a future significant player in the billion-dollar global fashion industry, providing not only foreign exchange earnings and employment, but also an outlet for the vibrant creativity abundant in the region.

Caribbean Export has provided support at the regional level to groups of companies participating in joint export marketing activities. One such activity is a Caribbean showcase at the Fashion Week of Americas (FWA) an event held annually in Miami Beach, Florida. Achievements at the shows have been significant with most participants getting export orders and awards recognizing creative use of natural materials such as shells and banana leaves have been received. At the 2002 FWA, one Caribbean participant received the prestigious International Prêt-a-Porter style award and subsequently has secured orders from over 30 US based specialty buyers. Caribbean Export has also facilitated the participation of other designers attending as observers

All of the CARICOM based participants in Fashion Week of Americas have also attended the annual regional Caribbean Gift and Craft Show (CGCS) and through this regional trade show developed their negotiating skills through exposure to business opportunities with regional and international buyers. In this way, it can be seen that the CGCS also serves as a springboard for larger international marketing opportunities. Several Caribbean artisans

and fashion designers have, as a result, received top honours and are now recognized as “bone fide”. A footwear designer’s brand for example is now a household name in the Caribbean and her footwear commands a distinct appeal among many in the Caribbean and further a field.

#### 4.3.3 Regional Strategy

Recognizing the vast potential of these products, Caribbean Export developed in collaboration with national BSOs, a strategic development and marketing programme for the region and sought financial support at the regional and international levels for its implementation. While support was not received for its full implementation, various aspects have been implemented at the regional level and also in individual countries.

#### 4.3.4 Caribbean Gift and Craft Show

Caribbean Export stages an annual Caribbean Gift and Craft Show that provides a forum for artisans from the region to meet and interact, for BSOs to identify needs and for commercial business activity.

The Trade show seeks to: increase the level of exports of the region’s handicraft, gift and clothing sectors; facilitate development of new export markets for the sectors; help to create jobs and increase income for crafts persons in the region.

It assists in the sustainability of new craft businesses and in the preservation of cultural traditions that make each Caribbean country unique.

The Show features:

An average of 200 regional exhibitors showcasing an extensive array of products including natural therapy products, clothing, basketry, ceramics and pottery, glass and metal ware, jewelry, paintings and sculpture, paper products, woodcraft, specialty foods etc.

Approximately 240 buyers from regional and extra-regional countries visit the Show and these include: architects, interior designers, boutiques, craft shops, museum shops, art galleries, department stores, importers, retailers, wholesalers.

The CGCS has been a dominant player in the region where it has earned the reputation of being the premier trade show of its kind. Companies testify to this show being the only one of its kind in the region where they are guaranteed good business opportunities, through interaction with serious buyers from many countries

Caribbean Export does not regard CGCS as an event by itself, but as part of a programme of developmental and support services to the sector. Its priority is to maintain high standards, continually develop the products in line with the changing global market in order to maintain international competitiveness and a sustainable industry. To this end, Caribbean Export is continually seeking to forge alliances with international and regional organizations that can collaborate in providing technical and other developmental assistance to the sector. In 2003, for the first time we were pleased to add the Centre for the Development of Enterprises (CDE) and the Commonwealth Fund For Technical Cooperation (CFTC) as new partners for CGCS.

At the CGCS, Caribbean Export brings various specialists who make assessments and recommend interventions needed, sensitization and training seminars are also held. Such group interventions have included: packaging, product design and development, jewelry making, business practices, targeting niche markets, buyer’s forum among others.

#### 4.3.5 Impact

This regional activity has assisted in creating increased rural employment and income and self-sustaining growth in the craft sector by linking it more closely with the vibrant

Caribbean tourism industry. Expansions of cottage industries have been noted due to increased demand for items. Marketing and promotion channels have been strengthened; overall the quality of crafts produced by artisans in the region has been improved.

Significant incremental export sales have been generated also.

#### 4.3.6 Lessons Learnt and Opportunities

Many artisans need to have a greater business-orientation; there is not sufficient evidence of adequate business planning. The region needs to capitalize on opportunities to diversify products to meet the demands of the different tourism segments and domestic sectors. Re-positioning the image of traditional craft sector in the rural villages into interesting ventures with real economic gains is necessary to attract groups of younger and creative producers.

At the national level, policy makers often decide on development of tourism attractions such as historical sites in towns and villages, but do not sufficiently establish the links with craft centres or cottage industries in those locations.

Marketing of products, national, regional and international, could be improved through the formation of more strategic alliances between producers and buyers (e.g. for design, market intelligence, production),

## 5.0 RESULTS AND CONCLUSIONS

Individual firms cannot become and stay competitive on their own. Interventions to improve competitiveness must involve the various players in a value chain that have a direct impact on a firm's ability to compete in a global market. Working therefore with groups of companies (or clusters) along the chain is desirable. This can involve groups across geographical borders.

Regional programmes have proven to be effective in setting the framework for various interventions, from which national strategies can be developed and implemented. (refer to music industry report).

Regional promotional programmes have facilitated marketing credibility (companies who did not get responses to direct approaches made to buyers, got business from the same buyers after meeting them at a Caribbean regional promotion)

Regional projects are often more economical as they reduce replication of infrastructural expenses to national entities to undertake similar activities. (ref Internationally funded projects). Expenses are also reduced where common areas of need have to be addressed. (research, market intelligence, e-commerce etc)

National and regional organisations must work closely together from conceptualizing programmes through to implementation and evaluation in order to maximize effectiveness.

National Export planning must feed into the development of a regional export strategy, which must respond to issues that affect international competitiveness. National export plans should clearly indicate areas for collaboration at the regional level. Caribbean Export is well placed to propose and coordinate programmes to attract donor funding for a regional approach that meets these needs.

Best practices that have been tested and proven in the Caribbean situation should be made available to other countries in the region with similarities.