

# ITC in The Caribbean



## Situation Analysis

The Caribbean is often perceived as prosperous, with economies based on tourism, services and selected agricultural products. This image belies the reality of the diversity. Guyana and Suriname are the largest countries, though sparsely populated. English-speaking small island states also have small populations. Spanish-speaking Cuba, the Dominican Republic and French-speaking Haiti are by far the most populated. GDP per capita ranges from Bahamas at \$16,728 to Haiti, an LDC, at \$420. Latest GDP growth rates range from 11.9% in Trinidad and Tobago to 0.9% in Grenada, but figures fluctuate widely from year to year, reflecting the strong reliance on a few economic activities and the impact of natural disasters. Income concentration is historically high in Haiti and the Dominican Republic, but growing elsewhere. Crime rates, associated with underemployment, illicit drug trade and deportees, are a problem in some countries and growing in others.

Cuba, the Dominican Republic and Jamaica have relatively diversified economies. Other countries have narrow productive structures with high transaction costs. Tourism is a significant source of income for most countries, excepting Haiti, Suriname and Guyana. Trinidad has a strong oil and gas sector. All depend heavily on imports, for both food staples and processed goods.

Most countries face structural challenges following trade liberalization. The sugar, bananas and textile sectors have suffered from preference erosion. Many countries are re-profiling, re-training displaced workers and exploring service sector opportunities. But transformation will be slow. Enterprises are mostly small and unable to meet demands, even when their products or services are internationally competitive. A lack of dynamic local opportunities and global need for skilled workers has resulted in a brain drain.

Caribbean Community (CARICOM), which seeks to advance Caribbean economic integration, recently became a single market. It encourages free movement of goods, services, capital and persons; coordinates macroeconomic policies and economic relations; and harmonizes trade and economic laws within the common market area. It also provides for full application of a Common External Tariff.

The Caribbean Regional Negotiating Machinery (CRNM) is the principal regional intergovernmental organization mediating the Caribbean's encounter with the global trading system. Tasked by CARICOM, the CRNM has primary responsibility for coordinating and spearheading a cohesive, coherent trade policy on strategic and technical issues under negotiation. This entails developing and maintaining an effective framework to coordinate negotiating resources, and spearheading or leading negotiations where appropriate.

Cuba and the Dominican Republic are CARICOM observers. Cuba has negotiated more than 20 free trade bilateral and plurilateral agreements, while the Dominican Republic has joined Central American countries to negotiate with the US and Europe.

On the trade development side, the Caribbean Export Development Agency seeks to coordinate and support national trade promotion efforts throughout the region. A primary goal is to strengthen the institutional capacity and regional networking of business support organisations.

In an era of globalisation, exports of services (besides tourism) and niche products hold the best promise to counterbalance the reduced competitiveness of traditional exports. New strategies for rural development and job creation in urban areas are needed. A new generation of national and regional trade support institutions could help identify opportunities and transform economic structures. Trade promotion organizations in some countries have begun the process, with some success, but national trade development institutions in the region are still young or nonexistent. A principal role for international trade cooperation will be to strengthen such institutions to coordinate efforts across countries, build economies of scale in specific functions, and exploit potential synergies in the region..

### The Caribbean export performance

Country	Exports (US\$ million)	Exports to GDP (%)	Exports per capita (US\$)	Growth of export value (% p.a.)	Share of exports to the region (%)	HDI ranking (out of 177)
Trinidad and Tobago	9,598	76	7,354	17	24	57
Dominican Republic	5,856	31	658	5	0	94
Bahamas	2,521	48	7,803	24	1	52
Cuba	2,054		182	9	3	50
Jamaica	1,802	22	678	4	3	104
Suriname	902	81	2,008	15	2	89
Haiti	581	16	68	18	0	154
Guyana	536	68	714	3	21	103
Barbados	356	14	1,319	9	43	31
Belize	207	19	709	3	11	95
Antigua and Barbuda	118	15	1,457	10	36	59
Saint Lucia	62	9	376	9	54	71
Dominica	41	15	570	-1	61	68
Grenada	34	8	321	-15	26	85
Saint Kitts and Nevis	34	9	705	3	4	51
Total for the region	24,702		736	14		

1/ For the purposes of this paper, the Caribbean includes all independent island countries, Belize, Suriname and Guyana.

Source: ITC TradeMap, WB, UNDP Human Development Indicators. Data refer to 2005 and growth rates to 2001-2005. Export figures only include trade in goods.

# Trade Challenges

## ITC's Strategic Objectives

### Trade Policy and Regulations

#### Integrated strategies to realize export potential...

The design of coherent trade development strategies has taken a backseat to negotiating trade pacts. Reaping the benefits of free trade agreements will require coordinated policies to identify concrete opportunities to diversify the export offer and target markets. Regional cooperation is a key to exploiting synergies in the design of successful strategies. The small countries need to pool their resources and competences to build the scale necessary to achieve international competitiveness.

In moving away from the traditional sectors scale limitations could be overcome by focusing on skill-based service exports and niche value-added products. These should be based on existing human capital and competitive advantages, and not rely on natural resources or external preferences. Governments need to identify the infrastructure and regulatory needs to facilitate the transformation, and tap the creativity and nimbleness of the private sector to ensure successful strategy implementation. Public-private sector dialogue should broaden along these lines.

Support policy-makers in integrating the business sector into the global economy

### Trade Development

#### Cooperation builds strength...

A new generation of networked national and regional institutions can guide the economic transformation. Small economies cannot afford to develop on their own the whole range of trade support institutions needed to effect change. Trade finance, standards and quality assurance, logistics and marketing, among others, are areas where only regional agencies can achieve the necessary scale economies. But national agencies still need to be created or strengthened to add critical services requiring localized knowledge and to liaise with national stakeholders.

#### Moving into service and product niches...

Once the broader lines of trade development have been defined, the efforts should shift to designing sector-specific strategies and integrating producers into global supply chains. Caribbean Export and similar organizations will be called to provide training, specialized market intelligence and assistance in product development. Knowledge-based and education services, and the creative industries are sectors that hold particular promise. A thorough assessment of their strengths, relative weaknesses, linkages to the existing tourism industry, and potential opportunities should be at the top of the agenda.

Develop the capacity of trade service providers to support businesses

### Building Production Capacity

#### Strengthening SMEs and learning from success...

The Caribbean hosts small enterprises by international standards. Many individual enterprises have succeeded in foreign markets by focusing on unique products and services, or relying on specialized human competences. As they enter the international arena, small- and medium-sized enterprises (SMEs) should draw on these examples. The challenge will lie in internalising the lessons of success stories, while maintaining the particular identity of the enterprise; an element of *cooperative competition* should emerge. International cooperation can provide targeted assistance in strategic planning and understanding better business practices.

Strengthen the international competitiveness of enterprises

# ITC Responses

## Promoting regional synergies

ITC offers various programmes to enhance the capacity of policy-makers to design and implement export strategies and strengthen trade facilitation institutions. In this region, ITC proposes to:

- organise public-private fora to evaluate the export opportunities resulting from the changing trading relationships and provide coherent responses,
- determine and differentiate the role of regional and national trade support institutions,
- promote regional cooperation in areas where synergies can be exploited or scale economies are required,
- assist in modernising regulatory systems,
- provide analytical tools to decision-makers to evaluate diversification possibilities,
- assess competitive advantages and needs to sustain or develop international competitiveness.

## Developing new sectors for the future

ITC will continue to assist the region's trade support institutions in their efforts to identify promising export services and products. ITC's expertise at the trade-support level will be applied to:

- identify and help address critical gaps in trade support institutions,
- strengthen the institutional effectiveness of trade promotion organisations (TPOs),
- build the capacity of national agencies to help SMEs identify new opportunities, liaise with regional partners, and improve international networking,
- developing export-led poverty reduction programmes in underprivileged communities,
- strengthen trade support institutions offering technical services in areas such as trade finance, standards and quality assurance, electronic commerce and marketing,
- analyse the strengths, weaknesses and opportunities of emerging service and niche product sectors,
- bring together producers and relevant stakeholders to develop sector-specific strategies,
- address capacity-building needs in a changing competitive environment.

## Promoting 'cooperative competition'

A cornerstone of ITC's mission is to help small enterprises to face the challenges of globalisation. In the Caribbean ITC proposes to:

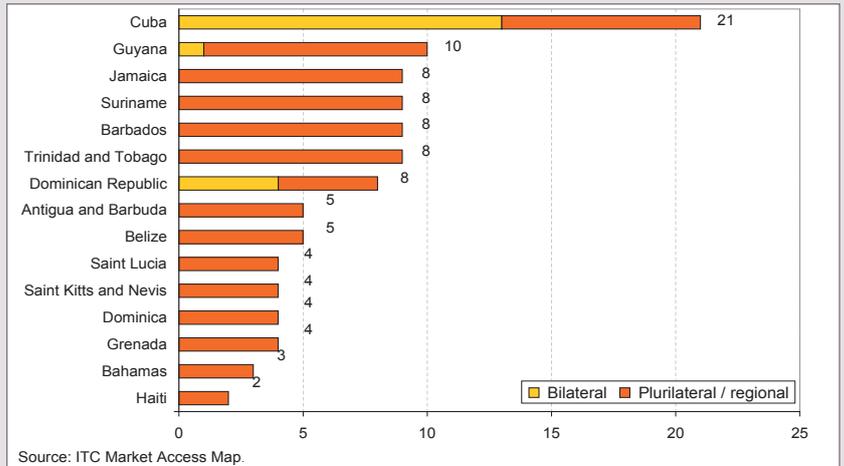
- promote the development of region-wide enterprise networks to increase competitiveness,
- help emerging entrepreneurs to take advantage of region-wide sectoral strategies,
- research case studies of successful exporters and help other enterprises draw lessons from their experience,
- strengthen the capacity of enterprises to analyse and anticipate demand,
- build capacity at SME-level in designing and implementing export-oriented business plans,
- link producers in poor communities to foreign markets for their goods or services.

Coordination and networking can help address structural challenges facing small Caribbean economies. International cooperation can play an important role in helping to fill the gaps in trade support services and encouraging diversification into sectors that build on the region's competitive advantages.

## Strengthening Links

### Trade Agreements in Force or under Negotiation

Cuba leads the region in negotiating FTAs. The remaining countries have largely pursued trade negotiations as a group.



## Doing Business

### Representative Indicators

There is wide variation in the business environment of the region. The best performers are at the level of developed countries.



## Concentrated or Diversified?

### Product and Market Concentration

- Wide variation in export market size.
- Exports in all countries are highly concentrated to a few markets, primarily the US and the UK.
- Except for the Dominican Republic, countries exports are highly concentrated in a few products.

