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The Structure of Trade of the Commonwealth Countries of the Caribbean

Table 1 gives the destination of exports from individual Commonwealth Caribbean countries. In that period 74 per cent of Commonwealth Caribbean exports went to the OECD countries, with almost half going to the US. When the Bahamas – not a member of the CARICOM customs union – with its considerable chemical exports to the US is excluded, the share going to the OECD was slightly smaller.

However, the table also points to the marked dispersion in the Commonwealth Caribbean countries' export patterns. The European export share varied from 1.2 per cent for the Antigua and Barbuda and 5.3 per cent for Trinidad and Tobago to 50 per cent for St. Vincent and the Grenadines. In the case of exports to other developing countries, the share varied from nearly half for Dominica to 7 per cent for Guyana. These discrepancies largely have their source in special trade arrangements, in the European Union for agricultural goods, and in the United States for apparel. This report will subject these to particular analysis. For almost every Commonwealth Caribbean country, one or more of these regimes is of particular importance and they will all to some extent be affected by the UR agreement or NAFTA.

Appendix Table 1 is based on data from the UN Economic Commission for Latin America and the Caribbean and from the CARICOM Secretariat. It does not cover all the Commonwealth Caribbean countries, but for

Table 1: **Geographical destination of Caribbean exports 1992-93(a)** US$m. and per cent

	Expts US$ m.	Industrial countries	US/ Canada	EU	Dev Countries	Western Hemisphere	CARICOM
Antigua	19	n.a.	14.6	1.2	n.a.	n.a.	66.7
The Bahamas	936	87.4	50.9	23.8	11.3	2.6	n.a.
Barbados	206	42.5	18.7	23.3	34.2	34.0	41.7
Belize	126	88.5	48.0	38.5	11.5	8.3	8.0
Dominica	100	52.8	7.0	43.2	46.7	19.6	25.8
Grenada	45	70.0	16.7	48.9	30.0	30.0	28.1
Guyana	387	91.8	46.6	41.7	7.2	6.3	4.3
Jamaica	1419	87.5	55.2	23.2	12.4	8.0	6.3
St. Kitts	27	84. 5	55.8	28.3	15.4	15.1	10.6
St. Lucia	89	82.0	32.4	49.6	18.0	18.0	16.8
St. Vincent	94	64.9	4.8	50.0	31.9	31.9	33.6
Trinidad	1744	56.5	49.1	5.3	37.9	37.9	12.6
CARICOM(b)	5171	74.5	47.7	20.7	19.2	19.2	9.9
CARICOM(c)	4235	71.4	46.8	19.9	22.7	22.7	12.0

(a) except for Antigua (1989), St. Kitts and Nevis (1989-90), St. Lucia (1990). Intra-CARICOM data refer to 1990.
(b) excluding Antigua and Montserrat
(c) excluding The Bahamas

Sources: United Nations Directions of Trade, *1994, CARICOM Secretariat,* Aggregate and Principal Domestic Exports, *1985-1990, 1993.*

those it does cover, the shares of exports going to other Caribbean countries and to countries in South and Central America turn out to be low and falling. Trinidad and Tobago as a market for exports from Barbados, Belize and, in particular, Guyana has shrunk dramatically. Both South and Central America have become much less important markets for Caribbean exports. These trends mirror the growing importance of the United States as an export market. Where the share of exports going to the US is relatively low – Barbados, Guyana, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines – it is largely because trade is distorted by special access arrangements offered by the EU, in sugar or rice or bananas.

This is borne out in Appendix Table 2. Apart from Antigua and Barbuda, which made strides in the export of manufactures to the EU, the greater part of manufactured exports in 1991-92 went to the United States (65.1 per cent for the Commonwealth Caribbean as a whole) while the greater part of food and raw material exports went to the European Union (71.1 per cent). Raw material and fuel exports also tended to go to the US and, at least in the case of former, Canada. In short, there has been a substantial redirection of exports along with the change in composition out of food. Manufactures (including chemicals, i.e. SITC groups 5 to 9) accounted for 35.1 per cent of exports to the OECD. Petroleum and petroleum products, almost entirely owing to Trinidad and Tobago, accounted for 21.1 per cent.

But the most striking single aspect of change in the pattern of Caribbean exports over the last two decades has been the move out of food into manufactures. Table 2 illustrates this. Though the data refer to the Caribbean as a whole, not simply the Commonwealth Caribbean countries, the trends have been very similar. Despite these major steps to diversification, in most Commonwealth Caribbean countries the share of food and raw materials, SITC groups 0 to 4, still comfortably exceeds 50 per cent. There remains an important degree of dependence on traditional exports, sugar, rum, rice and bananas commodities whose markets are subject to special trade regimes rather than participation in the world markets. Among the new manufactured exports, apparel is particularly important, but here again Caribbean exports depend on special access terms to the US.

Table 2: **Caribbean exports, shares by broad categories; 1970, 1980, 1985 and 1992, per cent**

	1970	1980	1985	1992
all foods and feeds	35.2	16.4	21.3	21.8
agric. materials	1.1	0.3	0.4	0.3
mineral fuels	21.4	56.3	34.4	11.9
ores, non-ferrous metals	19.8	7.1	4.0	5.2
manufactures	19.9	18.8	37.4	58.4

Source: WB (1994a)

This shift to manufacturing has been much more evident in some countries than in others. Data on the significance of particular agricultural and clothing exports to the Commonwealth Caribbean countries, and their dependency on those exports, are given in Appendix Table 3 for 1991-92. In the case of Barbados 52 per cent of exports consisted of sugar industry products and clothing, with the former alone contributing 40 per cent. In the case of Dominica, St. Lucia and St. Vincent and the Grenadines, bananas dominated with 79, 73 and 58 per cent of exports respectively. For six countries out of 11, agricultural products (including fish) and clothing accounted for more than 50 per cent of exports to the OECD, for eight countries they accounted for more than 40 per cent of those exports. Agricultural products alone accounted for more than 50 per cent in four cases and more than 4 per cent in seven cases out of eleven.

For the countries as a whole, the share of manufactures has all but tripled in the period since 1970. Most of the dynamic export products have been manufactures. They cover a wide and impressive range, including boats, organic chemicals, office machines and toilet preparations

(Bahamas), inorganic chemicals (Bahamas and Jamaica), aircraft and aircraft parts (Bahamas and Guyana), footwear and cotton fabrics (Jamaica), travel goods and handbags (Antigua and Barbuda), power generating machinery (Trinidad and Tobago), and electric power machinery (Barbados). The list could be extended to include goods of a lower export value. However, the fact remains that most growth in manufactures has been in the apparel sector.

The major factors affecting the evolution of the overall levels of exports and changes in their geographical pattern over the past decade include:

- the expansion of opportunities for duty-free (CBI) access to US market and CARIBCAN access to Canada;
- the establishment of CARICOM;
- improved access to EU markets through the Lomé Convention;
- loss of preferential margins with the expansion of special access to new countries, in particular to the andean Pact and to Eastern Europe;
- loss of competitiveness – in some cases through an overvalued exchange rate arising through Dutch disease problems (especially Trinidad and Tobago);
- economic crises in some of the larger Caribbean countries – Jamaica, Guyana, Trinidad and Tobago, Barbados – which damaged trade linkages with the smaller islands;
- weakness in the US dollar which led to the closure of a number of US subsidiaries in the Caribbean countries in the 1980s;
- recession in OECD countries from 1989 or 1990 onwards.

This report cannot make an exhaustive study of the roles of these factors. But they emphasise the importance of factors outside the textbook process of finding and developing new market opportunities as they emerge through changes in technology, tastes or income growth, with the potential exporter basing his competitiveness, if not on comparative advantage, then on product differentiation and economies of scale. Among the Commonwealth Caribbean countries, changes in export structure have largely resulted from changes in the formal barriers to access to different markets.

Improving access to the regional market was, of course, the justification for CARICOM. The role of the customs union, which was established in 1973, can to some extent be judged by the growth of intra-union trade, though tariff-free trade among member states is not yet fully realised. The share of intra-union exports in total domestic exports has fallen from 12.2 per cent in 1985 to 11.9 per cent in 1990 (CARICOM 1993). For Barbados it rose from 14.2 per cent to 41.7 per cent. For the member states of the OECS it fell from 41.2 per cent to 23.1 per cent. In particular for St. Vincent and the Grenadines it fell from 61.7 per cent to 33.6 per cent. For Jamaica it fell slightly – from 7.5 per cent to 6.3 per cent. Again the shares of intra-union trade reflect the importance of special preferential arrangements with the DMEs and the evolution of these arrangements.

Trade in services: Appendix table 4 gives some details of net balances in overall services and the transport and travel components. The positive balances on the travel account are mainly due to tourism which has been making an increasingly important contribution to the current account balances of several countries. Tourism has expanded rapidly in Barbados, the Dominican Republic, Jamaica and the OECS islands. Its shows a negative balance in Trinidad and Tobago, though the situation there is improving rapidly. For most countries the transport account is a negative item in the balance of payments and, in some cases, a significant drain on foreign earnings. In some cases, Dominica, Grenada and St. Vincent and the Grenadines, it almost offsets the significant earnings on the

Table 3: **Jamaica, exports of commodities, 1992, $ 000**

SITC Section	1988		1992		exports 1992 US $m.		
	$m.	%	$m.	%	US	UK	Canada
Food	171.6	19.4	209.6	19.9	31.6	131.4	5.0
Beverages, tobacco	36.8	4.2	35.3	3.4	12.1	4.8	2.9
Crude materials	472.8	53.5	566.7	53.8	168.4	40.8	107.8
Mineral fuels	18.8	2.1	10.1	1.0	1.5		-
Chemicals	20.7	2.3	25.8	2.5	6.3	1.4	0.1
Manufactured classed by material	15.9	1.8	19.2	1.8	5.6	0.4	0.1
Machinery, transport equipment	19.6	2.2	20.3	1.9	7.1	1.2	0.4
Miscellaneous manufactures	126.9	14.4	165.8	15.7	152.6	0.1	22.8
Total	**883.0**	**100.0**	**1,052.8**	**100.0**	**386.3**	**180.1**	**180.2**

Source: Statistical Institute of Jamaica (1993)

travel account. A number of Caribbean countries have insisted in recent years on the importance of improving their own air services for tourists.

In the case of **Jamaica,** the share of traditional exports (bauxite, alumina, sugar and bananas) has fallen from 92 per cent to 52 per cent between 1980 and 1992, while apparel exports rose 38-fold in dollar terms, or from 13 per cent to 30 per cent of total merchandise exports (see Jamaica Confederation of Trade Unions, 1994). These data refer to total exports, including re-exports. More importantly they include exports of the Export Processing Zones[1], which now account for the greater part of apparel exports.

Largely because of the exports of 807A goods, that is apparel made up from US-formed and cut fabrics, the United States has displaced CARICOM as the principal market for Jamaica's non-traditional exports. Excluding the growth of these exports – directly related to their favourable tariff treatment and the foreign investment they have stimulated – Jamaica's trade at the SITC one-digit level has been stable in recent years (see Table 3). Most traditional agricultural export volumes, including sugar, citrus products, cocoa and coffee, have tended to be flat – apart from weather-related fluctuations – or declining (pimento).

Bananas have been an exception in more than doubling in export volumes since 1988. Bananas account for some 60 per cent of the activities of Jamaica Producers Group Ltd., formerly Jamaica Banana Producers. The change in name reflects diversification into other fruits and vegetables (citrus, mangos, pawpaws, yams, sweet potatoes etc.).

In dollar terms, bauxite and alumina exports combined, despite volatile prices, have been stable. Among non-traditional exports there has been a steady reduction in the value of mineral fuels. Otherwise, there have been small increases over the last five years in chemicals and manufactures, including textiles outside the EPZs.

The only new export products to have been developed in recent years on a substantial scale have been tropical and winter vegetables and tropical fruits. Non-traditional food exports have increased 70 per cent over the last five years. The most important are yams, dasheens, pumpkins and mangoes, but in total, non-traditional foods, which is a broadly defined category, still only account for some 5 per cent of total (non-EPZ) exports.

The tourist industry was boosted by tax advantages instituted in 1992. In 1994 new projects were up 75 per cent and were worth over J$ 8 billion. Alongside traditional beach holidays, operators are moving into ecology tours, and health care and culture packages (*Courier*, No. 146, July-August 1994).