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TRADE ISSUES AND DEVELOPMENT PROSPECTS OF
ISLAND DEVELOPING COUNTRIES OF THE CARIBBEAN

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INTRODUCTION

1. The economic prospects of Caribbean island economies are dependent on their ability to anticipate opportunities and threats resultant from exogenous trends in the world trading system. The economic history of the Caribbean region bears eloquent testimony to the costs and benefits which have resulted from earlier epochal changes in the world trading regime. A number of economic 'hurricanes' are currently looming on the horizon. In fact, several Caribbean economies already have begun to experience the early warning signals of increasing 'atmospheric' turbulence.

2. Chapter 1 provides a review of the trade performance of Caribbean economies and the importance of trade to overall economic performance in these small, open economies. Chapter 2 turns to the identification of the principal trade issues and the prospects for Caribbean island economies in the context of trade liberalisation. Chapter 3 addresses the question of the scope for sustainable trade diversification while Chapter 4 looks at the issue of Regional Cooperation in the quest for exploiting trade opportunities for sustainable economic development. Chapter 5 provides a conclusion and advances recommendations.

Chapter I**TRADE PERFORMANCE OF CARIBBEAN ISLAND ECONOMIES¹**

3. Caribbean exporters can be grouped into four categories in terms of main exports: agricultural, mineral, tourism and mixed. The countries with a significant export dependence on agriculture include Dominica, Grenada, Cuba and Haiti. The countries largely dependent on minerals are Trinidad and Tobago, Jamaica and the Netherlands Antilles, up to 1985. There has been a relative decline in the significance of the export contribution of the mineral and agricultural sectors. In the case of the Netherlands Antilles, for example, there has been a precipitous fall in the contribution of the export oil refining sector to total export earnings from 48.5% in 1980 to 1.2% in 1990². In Trinidad and Tobago, the share of the oil sector to total export earnings fell from 73% in 1980 to some 50% in 1993. In Jamaica, the bauxite sector recorded a halving of its share in total export earnings from 52% in 1980 to 22 % in 1993.

¹ Data used in the preparation of this report will be made available in a separate annex document.

² This follows the closure of the offshore oil refineries in Curacao and Aruba.

TABLE 1**Major Export Products of CDCC Countries by Product Group**

GROUP	PRODUCT	MAIN CDCC EXPORTERS
Agricultural Products (non-tropical)	<ul style="list-style-type: none"> • Essential Oils/Fats • Fish/Shrimp 	<ul style="list-style-type: none"> • Cuba • Belize, Suriname, Guyana
Tropical Agricultural Products	<ul style="list-style-type: none"> • Beverages • Spices (Nutmeg, Mace) • Rice, Tobacco • Sugar • Bananas • Fruit & Vegetables 	<ul style="list-style-type: none"> • Trinidad & Tobago • Grenada • Suriname, Guyana, Dominican Republic, Trinidad and Tobago • Belize, Cuba, Guyana, Dominican Republic, Jamaica, St. Kitts/Nevis, Barbados • Antigua & Barbuda, Dominica, Grenada, St. Vincent, Jamaica, Suriname • Cuba
Natural Resource Based Products	<ul style="list-style-type: none"> • Mineral Fuels • Alumina/Bauxite/Aluminum • Gold/Silver/Mineral Ores 	<ul style="list-style-type: none"> • Trinidad & Tobago • Jamaica, Suriname, Guyana • Guyana, Cuba, Dominican Republic
Manufactures	<ul style="list-style-type: none"> • Clothing/Garments • Handicraft • Chemicals 	<ul style="list-style-type: none"> • Belize, Barbados • Haiti • Trinidad & Tobago

Source: *Nicholls, Shelton An Overview of the Implications of the Uruguay Round for CDCC Member Countries (November 1995)*

4. The Caribbean countries which are significantly dependent on tourism are the Bahamas, Barbados and more recently Jamaica and the Dominican Republic. The tourism sector has increased its contribution to total export earnings in virtually all Caribbean economies since 1980. The Bahamas is an exception with a change is from 81% in 1984 to 72% in 1990. Jamaica and the Dominican Republic can be classified in the mixed categories with tourism, minerals, agriculture and manufacturing all contributing to export earnings. The data for Haiti are not fully reflective of the underlying trade patterns after 1985 given the political turmoil which has prevailed for much of the last decade. Data for Cuba were not readily available in the post-1987 period. However, it is well known that sugar exports have declined in this period with growth in export earnings from tourism and pharmaceutical.

5. A more detailed, country by country analysis of export performance shows that the export earnings of Trinidad and Tobago are dominated by crude oil and oil products.³ In the case of Barbados, the major exports are tourism services, sugar and manufacturing exports (electronic components and garments). In the case of Jamaica, the major export earners are tourism, minerals (bauxite and alumina), agriculture (predominantly sugar and bananas) and some assembly-type manufacturing (especially garments). For the Bahamas, tourism is overwhelmingly important. The Dominican Republic has an export profile which resembles that of Jamaica including tourism, sugar, coffee, cocoa and some export manufacturing (especially garments). Haitian exports also tend to be shared between tourism, coffee, cocoa, and assembly-type manufacturing.

6. In the case of Cuba, sugar was the dominant export sector up to 1987. However, since then, as noted earlier tourism and pharmaceutical have increased

³ The latter include oil which is imported and refined locally. Hence the 1980 figure of 63%.

their share - in part as a result of declining sugar production and exports. Up to 1985, the exports from the Netherlands Antilles were dominated by the offshore oil refineries located in Curacao and Aruba (which was then part of this territory). Since then tourism has become much more important, particularly in Aruba, together with offshore financial services.

7. Antigua and Barbuda depends on tourism and some manufacturing exports. For Dominica it is agriculture, predominantly Bananas which contributed close to half (47%) of total merchandise exports in 1994. Grenada reflects a similar profile to that of Dominica in terms of the dominance of agricultural exports, with a mix of bananas, nutmeg and mace and cocoa, each of which contributed some 14% of merchandise exports in 1992. For St. Kitts-Nevis, the major export earners are sugar (37% of 1992 merchandise exports), and tourism. Export earnings in St. Lucia are dependent predominantly on bananas and tourism. In the case of St. Vincent and the Grenadines it is agriculture, again with bananas being the most important crop.

8. The economic dependence of Caribbean economies on trade is reinforced by the fact that 1-3 exports of goods or services dominate export earnings. In other words, there is a significant concentration of exports. For example bauxite and alumina were responsible for 78% of Jamaica's merchandise exports in 1994 with a comparable proportion of 76% in the case of petroleum and petrochemicals in Trinidad and Tobago. This dependence is also underscored of the high trade/GDP ratios.

TABLE 2**Principal Exports and Imports of Selected CDCC Countries**

Country	Principal Exports	% of Total Exports	US\$ val millions	Principal Imports	% of Total Imports	US\$ val millions
Antigua & Barbuda (1991)	Bananas			Manufactures Capital Goods Food Chemicals & fuels	26.50 14.10 68.50 14.30	69.60 36.90 179.70 37.40
Belize (1993)	Sugar Garments Citrus Concentrates Fish Products Bananas	29.00 14.20 9.80 9.20 8.40	41.50 20.30 14.00 13.20 12.10	Machinery Food Fuels Chemical Other Manufactured	27.70 20.00 13.30 10.30 35.60	67.80 49.00 32.50 25.10 87.00
Cuba (1994)	Sugar Minerals Marine Products Fruit & Vegetables Pharmaceutical	49.10 13.50 6.50 2.50 8.20	600.00 165.00 80.00 30.00 100.00	Food Beverages & Tobacco Raw Materials Fuels & Lubricants Chemicals Machinery & Transport	17.00 3.30 29.30 6.40 19.40	720.00 140.00 1240.00 270.00 820.00
Dominica (1994)	Bananas Soap	46.80 28.50	55.37 33.66	Manufactures Capital Goods Food Chemicals & Fuel	24.20 25.80 23.80 9.10	28.50 30.40 28.10 10.70
Grenada (1992)	Nutmeg & Mace Bananas Cocoa	14.50 14.50 13.00	2.90 2.90 2.60	Manufactures Capital Goods Food Chemicals & Fuel	19.40 15.20 35.50 10.50	21.20 16.60 38.90 11.50
Guyana (1993)	Sugar Gold Bauxite Rice Shrimp	27.00 24.20 22.10 8.00 2.80	111.30 99.80 91.10 33.00 11.40	Capital Goods Other Intermediate Goods Consumer Goods Fuels & Lubricants	34.90 26.60 21.30 16.70	169.30 128.90 103.10 80.80
Haiti (1993)	Coffee Cocoa Essential Oils Manufactured Product Handicraft Manufactures	0.80 0.07 0.50 4.40 0.20	0.66 0.06 0.40 3.56 0.16	Food, Beverages & Tobacco Hydrocarbons Oils & Fats Chemicals Manufactures Machinery & Transport Equipment	17.50 11.90 3.40 4.00 5.70 2.40	46.70 31.90 9.00 10.60 15.10 6.40
Dominican Republic (1994)	Ferro-nickel Raw Sugar Gold & Silver Coffee Cocoa Tobacco	28.60 18.50 3.00 9.90 8.80 2.80	181.10 117.10 18.90 62.70 55.50 17.60			

TABLE 2 (cont'd)**Principal Exports and Imports of Selected CDCC Countries**

Country	Principal Exports	% of Total Exports	US\$ val millions	Principal Imports	% of Total Imports	US\$ val millions
Jamaica (1992)	Alumina	44.70	471.10	Food	6.00	106.60
	Bauxite	8.40	88.80	Other Consumer Goods	10.30	160.50
	Sugar	7.80	82.50	Fuels	20.90	324.90
	Bananas	3.80	39.60	Other Raw Materials	52.70	818.20
				Construction Materials	5.70	88.80
				Transport Equipment	10.40	161.50
				Other Capital Goods	9.00	139.00
St. Kitts/ Nevis (1992)	Sugar & Molasses	37.40	12.20	Manufactures	20.70	20.20
				Capital Goods	19.20	18.70
				Food	29.00	28.30
				Chemicals & Fuels	10.40	10.10
St. Lucia (1992)	Bananas	55.80	68.50	Manufactures	27.40	74.40
				Capital Goods	13.90	37.60
				Food	35.20	95.50
				Chemicals & Fuels	1.30	3.60
St. Vincent (1992)	Bananas	48.40	37.50	Manufactures	24.70	33.10
				Capital Goods	21.20	28.30
				Food	21.90	29.30
				Chemical & Fuels	12.30	16.50
Suriname (1991)	Alumina	75.60	261.70			
	Aluminum	11.60	40.10			
	Shrimp	8.80	30.40			
	Rice & Products	5.80	19.90			
	Bananas	2.60	9.10			
Barbados (1992)	Sugar, Molasses & Rum	26.20	41.40	Machinery	17.90	83.00
	Chemicals	13.30	21.00	Food & Beverages	21.10	98.20
	Electrical Components	13.10	20.70	Other Consumer Goods	10.90	50.80
	Clothing	3.70	5.90	Construction Material	6.20	28.80
				Chemicals	6.80	31.50
				Fuels	6.40	29.80
Trinidad & Tobago	Mineral Fuels	49.80	933.10	Food	15.10	171.20
	Chemicals	27.50	515.40	Manufactured Goods	21.20	240.50
	Manufactured Goods	12.60	235.8	Machinery & Transport Equipment	29.80	338.20
	Food (including sugar)	5.10	95.40	Chemicals	13.70	155.80
	Beverage & Tobacco	2.10	30.90			

Source: Nicholls, Shelton *An Overview of the Implications of the Uruguay Round for CDCC Member Countries* (November, 1995)

Chapter II

PRINCIPAL TRADE ISSUES AND PROSPECTS OF CARIBBEAN ISLAND COUNTRIES IN THE CONTEXT OF TRADE LIBERALIZATION

9. Most of the larger Caribbean islands⁴ began a process of trade liberalisation in the mid to late 1980s, as part of packages of policy conditionalities linked to "structural adjustment" agreements with multilateral agencies. The objective of this liberalization process is to shift these economies away from inward-looking strategies towards export-oriented productive investment. The expectation is that this structural change will increase the competitiveness of Caribbean economies, thereby contributing to export diversification, and employment creation. However, there are transitional costs.

10. This process of liberalisation has been impacting on those import-competing sectors which were established under systems of import substituting industrialisation. A study of the likely impact of unilateral trade liberalisation on the Trinidad and Tobago economy has estimated that some 14,000 direct jobs of the manufacturing sector will be lost by end of 1996⁵. This would represent 35 per cent of the 40,000 jobs in the manufacturing sector in 1992. Witter came to a similar conclusion on the impact of trade liberalisation on the Jamaican economy⁶. Given several cautions on the accuracy of data, Witter concludes that some 14,500 jobs or 23% of employment in large manufacturing establishments or 11 % of total manufacturing employment would be lost in the short run (6-12 months) from the time of the study in October 1992. The Jamaican manufacturing sector is also reported to have lost some 30,000 jobs between 1990-1992. Now, Caribbean countries are faced with the impact of global liberalisation, as a result of the outcome of the Uruguay Round of multilateral trade negotiations, particularly with regard markets which have provided preferential access to some of the region's major merchandise exports.

A. Recent institutional developments in the world trading system

11. The completion of the Uruguay Round of multilateral trade negotiations (UR) and the creation of the World Trade Organisation represent a fundamental change in the world trading system. The UR marks a substantial advance on earlier world trade negotiating rounds. In addition to incorporating agriculture and textiles/apparel, the WTO Agreement encompasses services and trade-related issues related to both investment, and intellectual property, and non-tariff barriers.

12. The main OECD countries have anticipated the conclusion of the Uruguay Round with the formation of Regional Blocs. In the case of Western Europe, there was the rapid conversion of the European Economic Community into a border-less economic region, after several decades of incremental regionalism. In the North American case, the US-Canada Free Trade Agreement(FTA) has been augmented by the inclusion of Mexico into the North American Free Trade Agreement. There is now agreement, in principle, to create a Free Trade Agreement of the Americas(FTAA) by the year 2005. A regional bloc also is being formed among Pacific Rim

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