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Latinoamericano y del Caribe

Latin American and Caribbean
Economic System

Sistema Econômico
Latino-Americano e do Caribe

Système Economique
Latinoaméricain et Caribéen



An analysis of trade flows between the CARICOM and Latin America. Policy recommendations for its promotion, stabilization, and diversification

Intra-Regional Relations

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F O R E W O R D

This study has been elaborated in order to fulfil the activity I.2.1 of the Work Program of the SELA Permanent Secretariat for 2014 "Analysis of the trade flows of goods and services between the countries of the CARICOM and Central America with the rest of countries of Latin America and the Caribbean. Elements and recommendations to promote and diversify these relations."

The document is organized as follows: Section Introductory presents the main goals and reach of the document; Section I explores the macroeconomic performance of the CARICOM for the period 2000-2013; Section II examines the structure of the exports of the CARICOM to the world and to LATAM; Section III studies the quantitative evolution for the period 2000-2013 of the goods exports from the CARICOM to LATAM, and the goods imports to the CARICOM from LATAM; Section IV reviews the trade agreements in effect within LATAM, and identifies those treaties that involve the CARICOM as whole and its individual members; Section V, evaluates the situation of the CARICOM in terms of a series of factors that are fundamental for competitiveness in international trade and for growth; Section VI, presents the main policy recommendations derived from the issues examined in the study.

The Permanent Secretariat expresses its gratitude to Dr. Victor Olivo for his dedication in the elaboration of this study.

EXECUTIVE SUMMARY

The main purpose of this document is to analyze the trade flows of goods and services of the Caribbean Community (CARICOM) regional block with Latin America (LATAM), in order to diagnose its situation and propose policies that could contribute to its growth, stabilization, and diversification.

The study examines the data available about the current overall structure of goods and services exports of the CARICOM, and the composition of goods exports from the CARICOM to LATAM. Additionally, it evaluates the behavior of the trade flows in goods (exports and imports) between the CARICOM and LATAM using annual data for the period 2000-2013.

The document also assesses the macroeconomic performance of the CARICOM, examines the current state of trade agreements between the CARICOM and Latin America, and explores the situation of the CARICOM in terms of certain factors that are crucial for stimulating growth and international trade: the administrative process for trading across borders; the shipping connectivity of the region; the state of its economic infrastructure, with special emphasis on that more directly linked to international trade; its general environment for doing business and entrepreneurship; the capacity of its education system to provide the necessary workforce in quantity and quality; the advances in the process of regional integration; and the flexibility of its labor market.

The research relies on data obtained from the statistics data bases of the main multilateral institutions: the International Monetary Fund (IMF), the World Bank (WB), the United Nations Conference on Trade and Development (UNCTAD), and the Economic Conference for Latin America and the Caribbean (ECLAC).

When possible and relevant, the document divides the CARICOM member economies in two big categories depending on the economic activity in which they are predominantly specialized: the Tourism Services Producers (TSP), and the Commodity Producers (CP).

The analysis of the trade structure and the trade flows between the CARICOM and LATAM indicates that:

- Exports of goods from the CARICOM to LATAM have grown at a faster rate than exports from CARICOM to the rest of the world, particularly, since 2010.
- Imports of goods to CARICOM from LATAM have increased at a faster rate than imports to CARICOM from the rest of the world, but they exhibit a downward trend since 2008 in nominal terms, and around 2011 in real terms.
- Exports of goods from the CARICOM to LATAM are more concentrated --mineral fuels, lubricants, and related materials-- than those from the CARICOM to the world.
- Few LATAM countries appear as the top five destinations of goods exports from the CARICOM economies.
- In the majority of the CARICOM economies exports of tourism services are the main export item, and they are mainly demanded by the United States and European Union countries.

To increase, stabilize, and diversify exports from the CARICOM to LATAM, the study proposes, as a first option, to put in place a strategy for the negotiation of new comprehensive trade agreements with LATAM's regional trading blocks and individual countries. A revision of the existing trade agreements within LATAM indicates that currently, the CARICOM has treaties with relatively few countries in the region.

In addition, it is important for the region to take advantage of the existing accords. The CARICOM and the national governments should strengthen their actions to promote exports. They could play a valuable role by improving the information available to the private sector about the opportunities offered by the existing trade agreements, instruct diplomatic representations to increase their ties with the business communities in the LATAM countries in which they operate, and organize meetings between CARICOM exporters and LATAM businesses.

However, to take full advantage of wide-ranging trade agreements and other mechanisms of trade promotion, the CARICOM needs to address additional fundamental issues that are hampering its international competitiveness and capacity to maintain a robust output growth.

The main argument of the document is that the CARICOM needs to design and implement a coherent set of reforms in different areas that are essential to promote its exports of goods and services to LATAM, and to the rest of the world. Without these critical reforms, the CARICOM will not be able to extract the full potential for trade promotion embedded in existing and future trade agreements.

Based on the analysis of the data, the document considers that the implementation of a set of coordinated policy recommendations are essential to stimulate trade flows with LATAM, and more generally, transform the CARICOM member countries in genuine exports oriented economies:

- **Correcting fiscal and macroeconomic imbalances:** for TSP countries it is necessary to implement fiscal adjustment and debt relief/restructuring programs gear to reduce their debt burden and achieving a sustainable fiscal position.
- **Investing in trade infrastructure:** the CARICOM should design a strategic plan with a regional approach to improve the level and the quality of the economic infrastructure, particularly that more closely related to international trade.
- **Strengthening the regional integration process:** given the small size of the Caribbean economies, pushing ahead regional integration is a central element for gaining competitiveness in a globalized world.
- **Developing new services sectors beyond tourism:** apart from exploring new niches in tourism services, the CARICOM economies should encourage investments in new areas such as high value financial services, information technologies, telecommunications, and maritime transport.
- **Augmenting shipping connectivity:** The CARICOM and the ACS should join forces to improve the overall connectivity of the block and attaining convergence of the region economies in this area.
- **Improving and standardizing the administrative processes related to trade across borders:** the indicators examined suggest that the majority of the CARICOM countries have plenty of space to improve the institutional arrangements related to international exchange.
- **Reinforcing the climate for doing business and entrepreneurship:** the indices analyzed indicate a marked dispersion in this area; several countries in the CARICOM need to make considerable efforts to improve their situation in this aspect.
- **Reforming the education system:** the public and private sector should combine efforts to confront the weaknesses that the education system in the Caribbean exhibits at all levels.
- **Making labor markets more flexible:** the CARICOM countries should moderate labor markets rigidities that can have substantial negative effects on the competitiveness in a globalized world.
- **Foreign aid:** to complement domestic and foreign investment, it is important to design a long-term strategy for the efficient use of the resources provided by foreign aid.

INTRODUCTION

The main purpose of this document is to analyze the trade flows of goods and services of the Caribbean Community (CARICOM) regional block with Latin America (LATAM)¹, in order to diagnose its situation and propose policies that could contribute to its growth, stabilization, and diversification.

The study examines the data available about the current overall structure of goods and services exports of the CARICOM, and the composition of goods exports from the CARICOM to LATAM. Additionally, it evaluates the behavior of the trade flows in goods (exports and imports) between the CARICOM and LATAM using annual data for the period 2000-2013.

The document also assesses the macroeconomic performance of the CARICOM, examines the current state of trade agreements between the CARICOM and Latin America, and explores the situation of the CARICOM in terms of certain factors that are crucial for stimulating growth and international trade: the administrative process for trading across borders; the shipping connectivity of the region; the state of its economic infrastructure, with special emphasis on that more directly linked to international trade; its general environment for doing business and entrepreneurship; the capacity of its education system to provide the necessary workforce in quantity and quality; the advances in the process of regional integration; and the flexibility of its labor market.

The research relies on data obtained from the statistics data bases of the main multilateral institutions: the International Monetary Fund (IMF), the World Bank (WB), the United Nations Conference on Trade and Development (UNCTAD), and the Economic Conference for Latin America and the Caribbean (ECLAC).²

When possible and relevant, the document divides the CARICOM member economies in two big categories depending on the economic activity in which they are predominantly specialized: the Tourism Services Producers (TSP), and the Commodity Producers (CP).³ The Tourism Services Producers category comprises: Antigua & Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Jamaica, Saint Kitts & Nevis, Saint Lucia, and Saint Vincent & the Grenadines. The Commodity Producers include: Guyana, Suriname, and Trinidad & Tobago.

The study finds that: a) goods exports from the CARICOM to LATAM increased at a faster rate than goods exports from the CARICOM to the rest of the world, specially, since 2010; b) imports of goods to CARICOM from LATAM have increased at a faster rate than goods imports to CARICOM from the rest of the world, but they exhibit a downward trend since 2008 in nominal terms, and since 2011 in real terms; c) exports of goods from the CARICOM to LATAM are more concentrated in mineral fuels, lubricants and related materials than those from the CARICOM to the world; d) few LATAM countries appear as the top five destinations of goods exports from the CARICOM economies; e) exports of tourism services are the main export item for the majority of the CARICOM economies, and are principally consumed by the United States and European Union countries.

To increase, stabilize, and diversify exports from the CARICOM to LATAM, the study proposes, as a first option, to put in place a strategy for the negotiation of new comprehensive trade agreements

¹ Latin America (LATAM) includes all Latin countries of Central America including Mexico, all Latin Countries of South America, and in the Caribbean the Dominican Republic and Cuba (when the information is available).

² The analysis excludes Montserrat for which the data available is very limited. The IMF Direction of Trade (DOT) also excludes Antigua & Barbuda.

³ This distinction excludes Haiti that does not fit in any of these two categories.

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with LATAM's regional trading blocks and individual countries. A revision of the existing trade agreements within LATAM indicates that currently, the CARICOM has treaties with relatively few countries in the region. The main argument of the document, however, is that the CARICOM needs to design and implement a coherent set of reforms in different areas that are essential to promote its exports of goods and services to LATAM, and to the rest of the world. Without these critical reforms, the CARICOM will not be able to extract the full potential for trade promotion embedded in existing and future trade agreements.

The document is organized as follows: after this introductory section, Section I explores the macroeconomic performance of the CARICOM for the period 2000-2013; Section II examines the structure of the exports of the CARICOM to the world and to LATAM; Section III studies the evolution for the period 2000-2013 of the goods exports from the CARICOM to LATAM, and the goods imports to the CARICOM from LATAM; Section IV reviews the trade agreements in effect within LATAM, and identifies those treaties that involve the CARICOM as whole and its individual members; Section V, evaluates the status of the CARICOM in terms of a series of factors that are fundamental for competitiveness in international trade and for growth; Section VI, presents the main policy recommendations derived from the issues examined in the study.

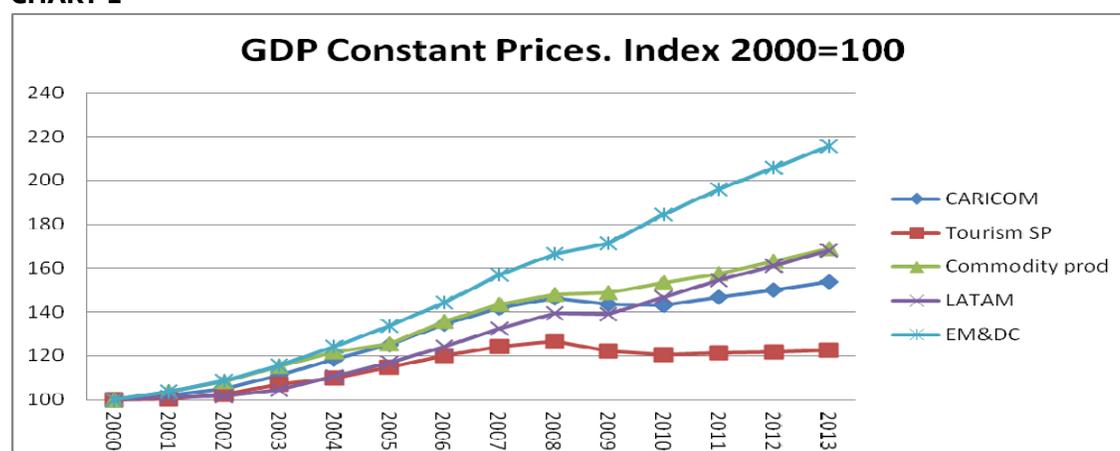
I. MACROECONOMIC PERFORMANCE IN THE CARICOM

This section evaluates the behavior of key macroeconomic variables in the CARICOM block for the period 2000-2013. The evolution of the CARICOM macroeconomic performance is compared to that of Latin America (LATAM) and Emerging Markets and Developing Countries (EM&DC).⁴

GDP at constant prices in the CARICOM grew at an average rate of 2.10 percent during the period 2001-2013 (Chart 1). This rate is well below that registered in LATAM (4.08 percent) and EM&DC (6.1 percent). A similar result is observed when we evaluate the evolution of Purchasing Power Parity (PPP) per capita GDP (Chart 2). This variable grew at an average rate of 3.38 percent for the CARICOM, vs. 4.58 percent for LATAM, and 6.64% for EM&DC.

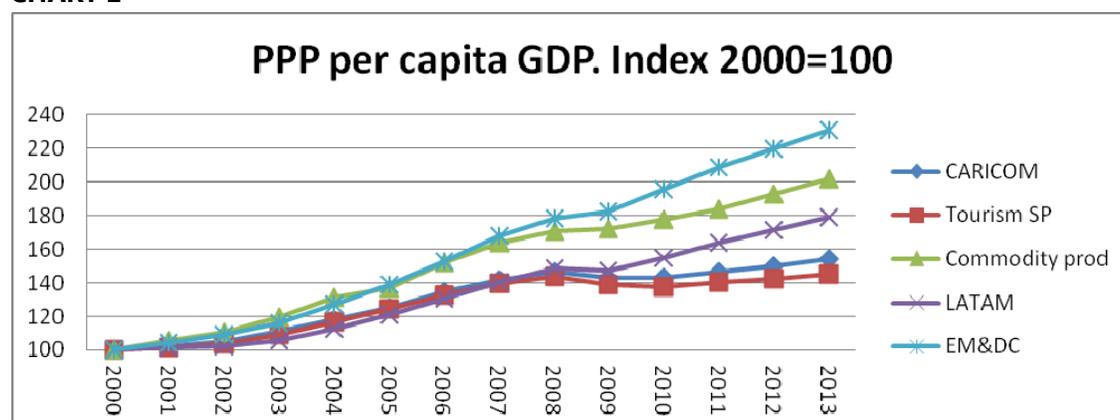
It is important to note, however, that both, GDP at constant prices and PPP per capita GDP, increased at a similar rate to that of LATAM during the period 2001-2007. It is since 2007 that these variables started to grow at a slower pace in the CARICOM with respect to LATAM. But still the marked underperformance of the CARICOM relative to EM&DC is an issue of concern.

CHART 1



Source: IMF-WEO and author's own calculations

CHART 2



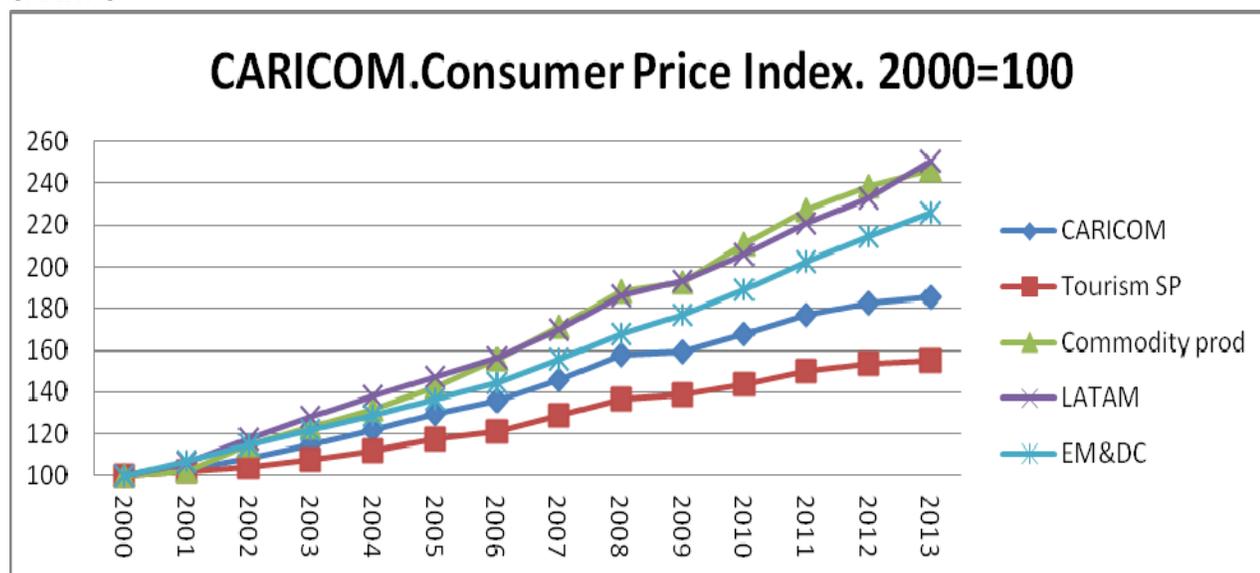
Source: IMF-WEO and author's own calculations

⁴ The document uses the definition of Emerging Markets and Developing Economies (EM&DC) of the IMF World Economic Outlook (WEO). This category is composed of 153 countries. For a complete list of the countries included, see the WEO databases in the IMF web page.

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A separation of the CARICOM macro data between the main two types of countries that it comprises is very revealing. As shown in Charts 1 and 2, CARICOM countries more specialized in the production of tourism services (TSP) present substantially smaller growth rates than those specialized in the production of commodities (CP). For the TSP the average growth rate of GDP at constant prices (2001-2013) was 1.59 percent against 4.12 percent for CP. PPP per capita GDP grew at an average rate of 2.89 percent in the TSP compared to 5.54 percent in the CP.

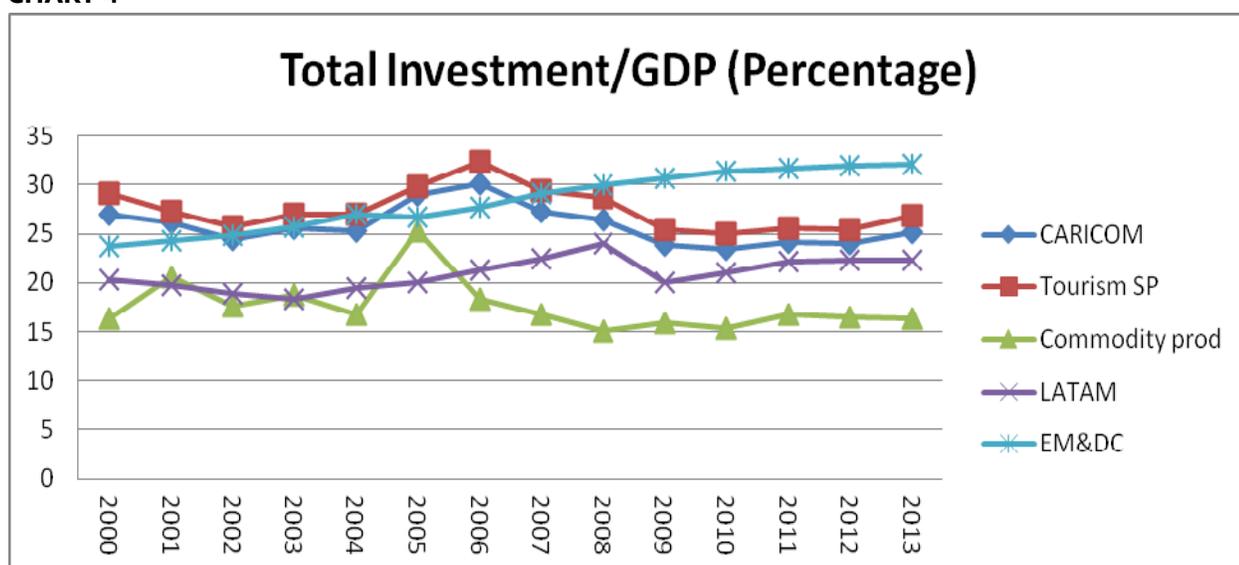
Consumer prices in the CARICOM block (Chart 3) have increased at a slower pace than in LATAM and EM&DC. CARICOM's consumer prices expanded on average 4.9 percent during the period 2001-2013, against 7.31 percent in LATAM, and 6.5 percent in EM&DC. Again separating CARICOM countries between the main two categories is important. TSP countries exhibited a much lower average inflation rate (3.45 percent) compared to 7.19 percent in CP countries. Thus inflation is not an evident problem in the TSP countries of the region, but in the CP countries is somewhat high, at least relatively to the average inflation of the EM&DC.

CHART 3

Source: IMF-WEO and author's own calculations

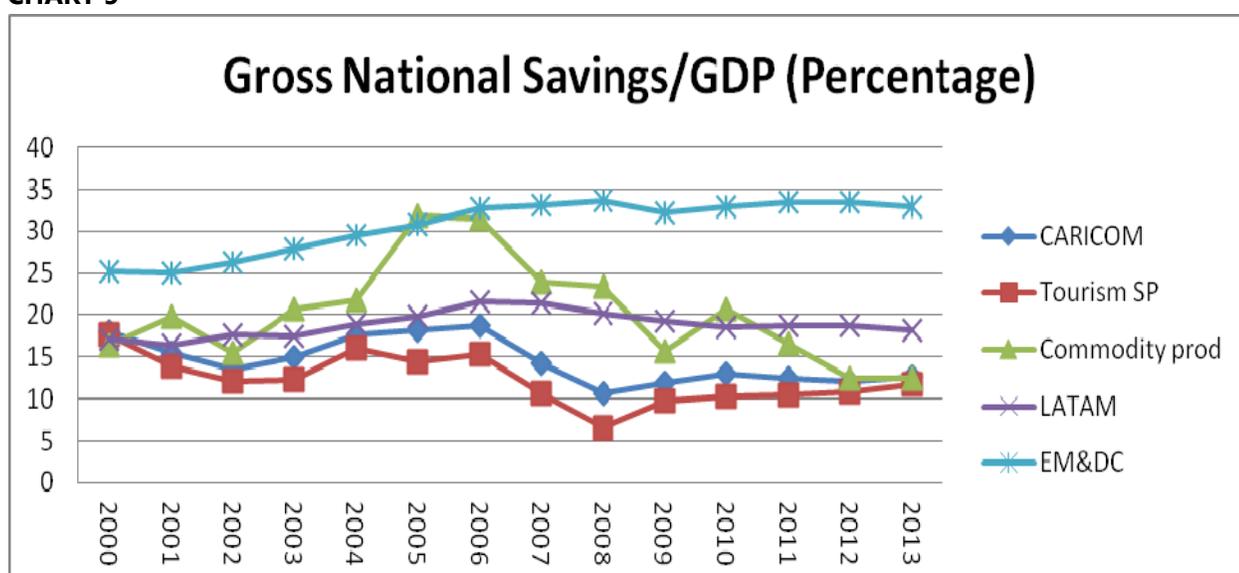
Average investment over GDP in the CARICOM block was 25.85 percent during the period 2000-2013 (Chart 4). This value is higher than that observed in LATAM (20.88 percent), but lower than the one registered in EM&DC (28.38 percent). In the CARICOM TSP countries the investment/GDP ratio averaged 27.5 percent vs. 17.62 percent in CP countries. Additionally, the investment/GDP ratio in the CARICOM as a whole and TSP countries is considerably higher than their respective gross national savings/GDP ratios (Chart 5). In the CARICOM the gross saving ratio averaged 14.52 percent in the period 2000-2013, while in the TSP countries the averaged was 12.26 percent. This contrast with the saving ratios of the CP countries (17.62 percent), LATAM (20.88), and EM&DC (28.38) that are more balanced with their investment/GDP ratios.

CHART 4



Source: IMF-WEO and author's own calculations

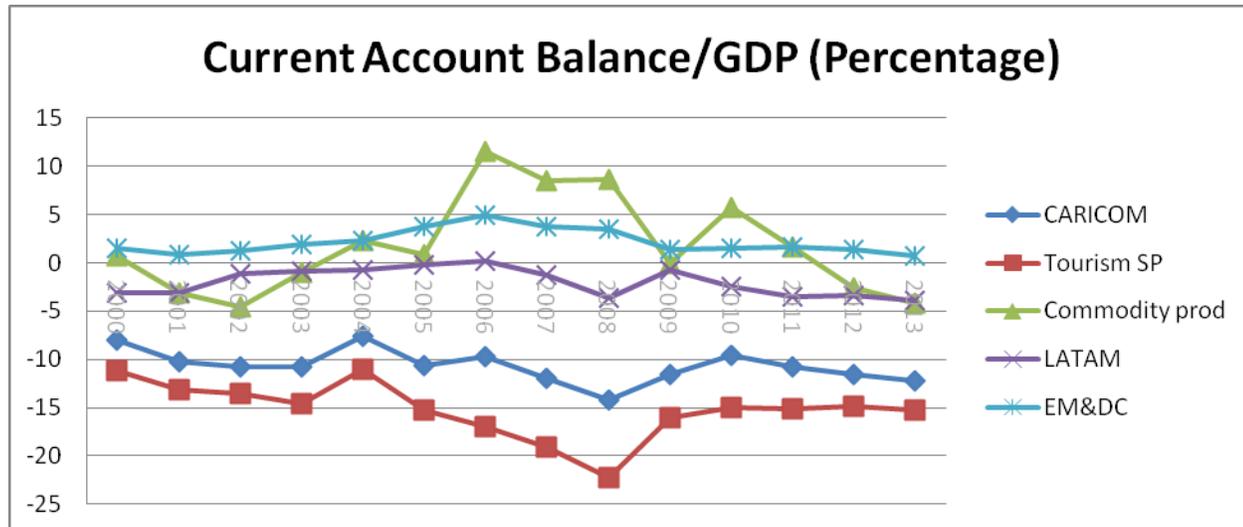
CHART 5



Source: IMF-WEO and author's own calculations

For the CARICOM as whole and its TSP countries, the substantial gap between investment and savings is reflected in an enormous current account deficit relative to GDP (Chart 6). The average 2000-2013 current account/GDP ratio for the CARICOM block was -10.68 percent, while for the TSP countries its value reached -15.25 percent. The CP countries exhibited an average current account/GDP surplus of 1.73 percent, although in 2013 they showed a deficit of 4.15 percent. Reflecting a more balanced situation between investment and savings, the current account to GDP ratio for LATAM presented an average deficit of 2.02%, and for EM&DC there was a surplus of 2.15 percent

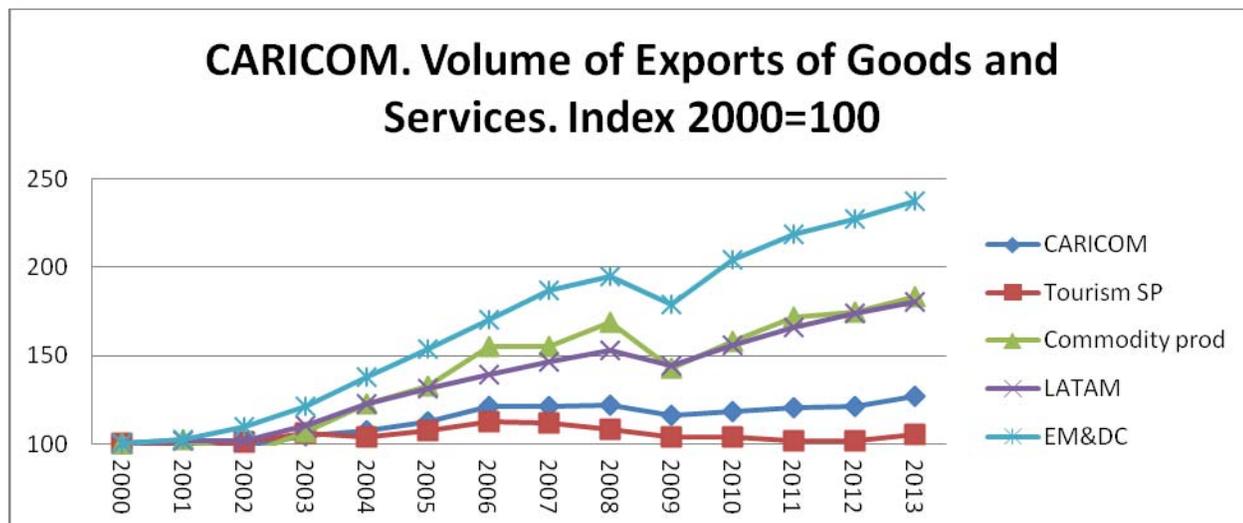
CHART 6



Source: IMF-WEO and author's own calculations

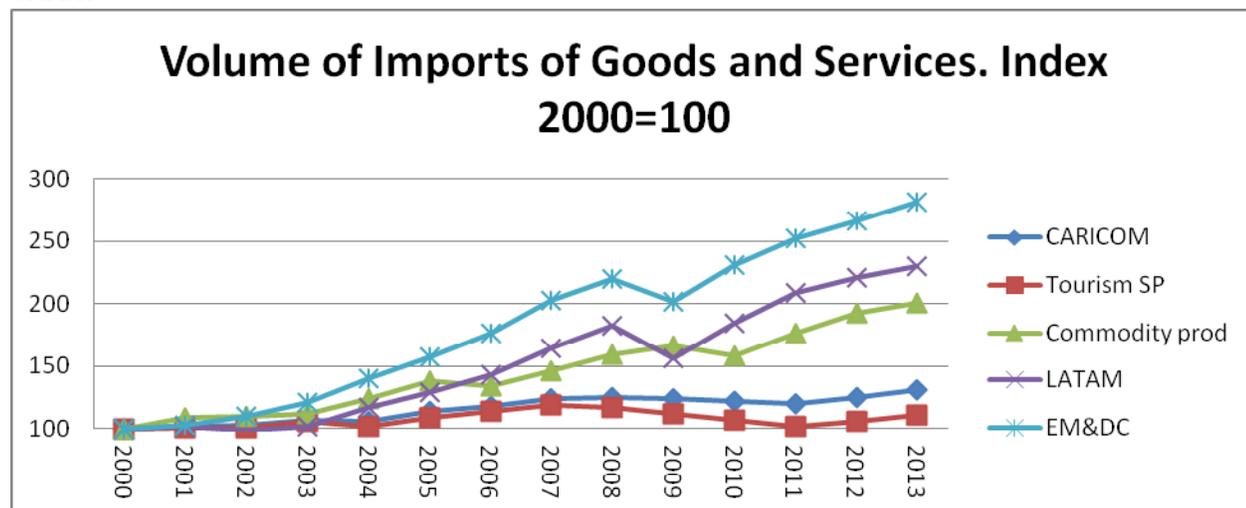
The behavior of the volume of trade is shown in Charts 7 and 8. For the CARICOM as whole the average growth rate of the volume of exports of goods and services (2001-2003) was 1.83 percent, the corresponding Chart for the CARICOM TSP countries was 0.39 percent, and 4.76 percent for the CP countries. For the CARICOM and its TSP countries, their exports growth averages compare unfavorably with those of LATAM (4.64 percent), and EM&DC (6.89 percent). CP countries exhibit a rate of growth of exports similar to that of LATAM, but inferior to the one registered by EM&DC. On the volume of imports side, the CARICOM block exhibited an average expansion of 2.08 percent, the TSP countries 0.76 percent, and the CP countries 5.5 percent. The average growth rates for the CARICOM and its TSP countries are considerably smaller than those observed for LATAM (6.61 percent), and EM&DC (8.28 percent). The CP countries average rate of growth of imports, though substantially higher than those of the TSP economies, still lag behind the values in LATAM and EM&DC.

CHART 7



Source: IMF-WEO and author's own calculations

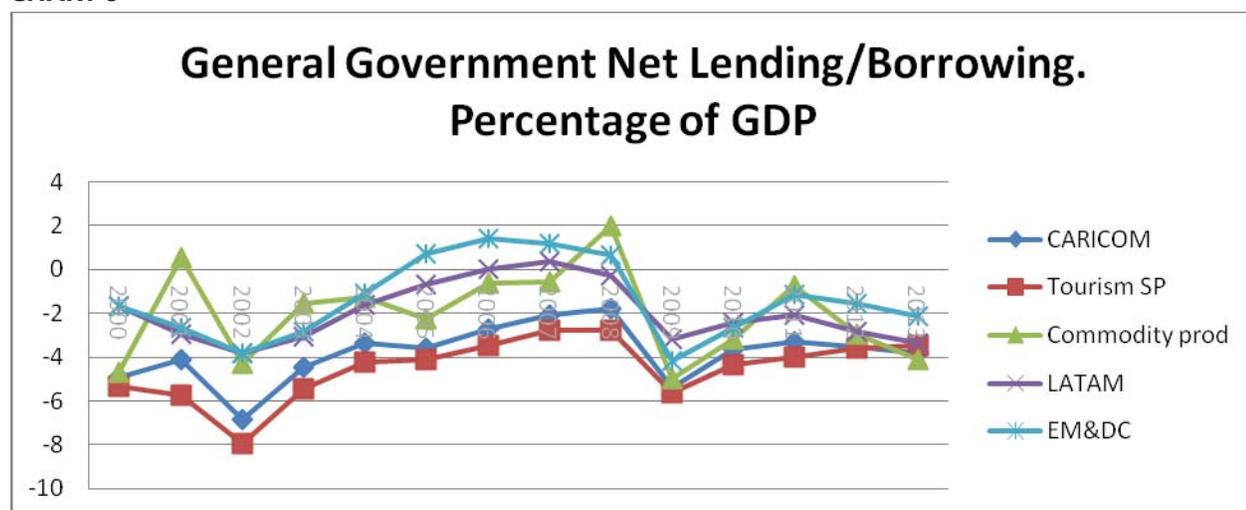
CHART 8



Source: IMF-WEO and author's own calculations

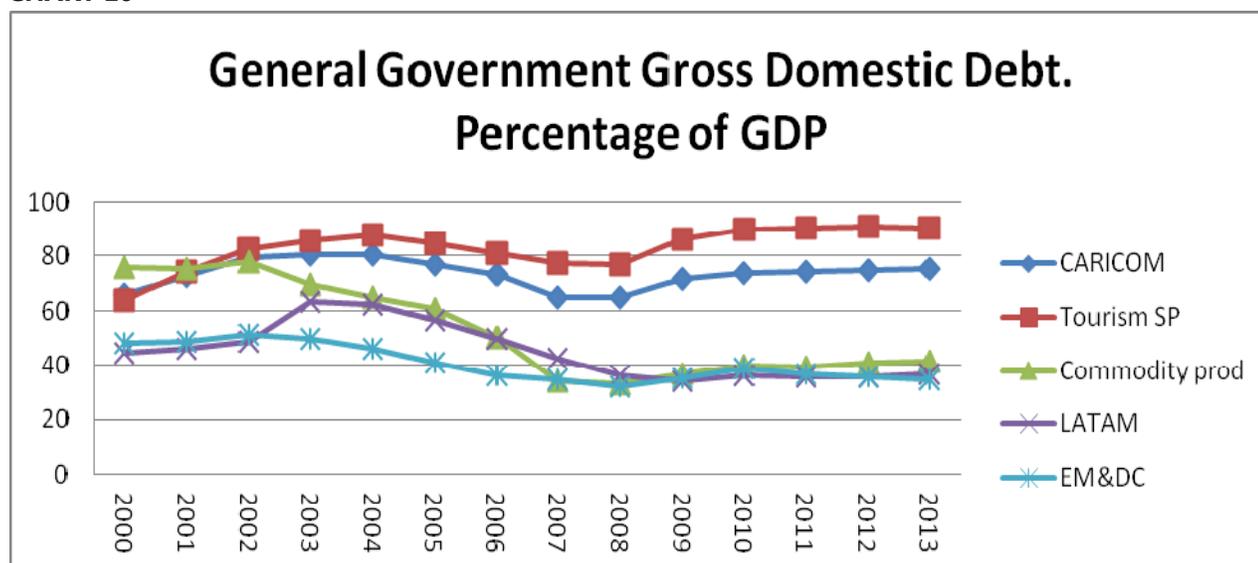
Charts 9 and 10 present an overview of the fiscal situation in the CARICOM region. Chart 9 shows that the average financial fiscal balance of the General Government for the CARICOM was -3.83 percent for the period 2000-2013, -4.49 percent for the CARICOM TSP, -2.05 percent for the CARICOM CP, -1.96 percent for LATAM, and -1.41 percent for EM&DC. The higher financial fiscal deficits in the CARICOM and the CARICOM TSP in particular, are closely related to their elevated debt burden. Chart II.10 illustrates that the debt burden in the CARICOM, and specially, in the TSP countries, is considerably higher than in LATAM, and EM&DC. In 2013 the General Government gross debt as a percentage of GDP reached a level of 75.08 percent in the CARICOM as a whole, 90.61 percent in the TSP countries, and 41.23 percent in the CP countries, vs. 36.77 percent in LATAM, and 34.47 percent in EM&DC. The SELA document Debt Burden and Fiscal Sustainability in the Caribbean Region (2014), presents evidence that points to a fiscal unsustainable situation in several of the countries of CARICOM more specialized in the production of tourism services.

CHART 9



Source: IMF-WEO and author's own calculations

CHART 10



Source: IMF-WEO and author's own calculations

The evolution for the period 2000-2013 of the key macroeconomic variables indicates that the lackluster performance of the CARICOM block, in terms of output, is basically determined by the poor GDP growth of the countries that specialize in the production of tourism services (TSP). The CARICOM TSP countries also present a serious mismatch between investment and savings that translates in a massive current account deficit. This current account deficit, in turn, is closely related with a fiscal situation that exhibits strong signs of unsustainability in several countries of the block (SELA, 2014). It is also a cause of concern that the relatively high level of investment as a percentage of GDP observed in the TSP countries does not translate into higher GDP growth as it seems to do in the EM&DC. In addition, the TSP countries present a very low growth in real exports that contributes, both to the disappointing expansion in output, and the substantial current account deficit.

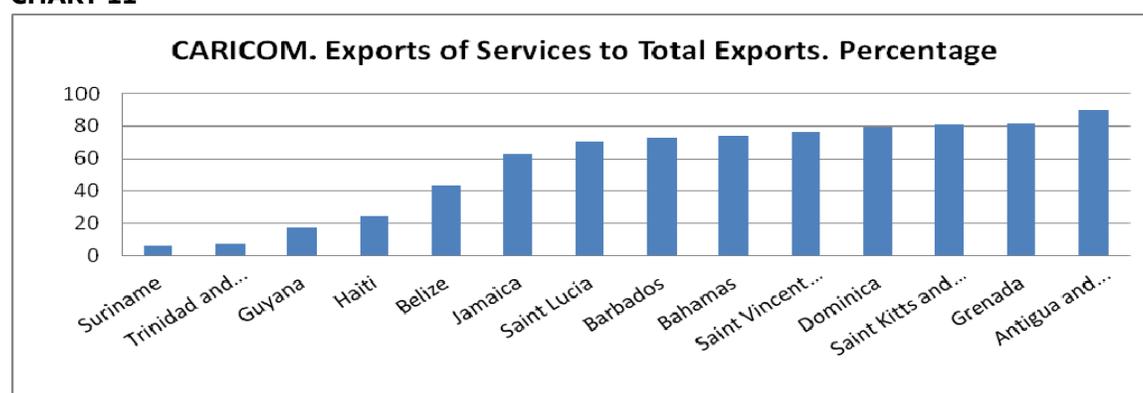
The CARICOM countries specialize in the production of commodities (CP) present a more balanced macroeconomic situation in comparison with the TSP countries. However, it is important to note that, although the output and exports growth of the CARICOM CP keep pace with that of LATAM, they show inferior results to those reported for EM&DC. Thus it seems that for CP countries in the CARICOM, there is still space for actions that could increase exports and output growth. From a macroeconomic point of view, the inflation rate of the CP countries is high in relation to the EM&DC, thus policies designed to lower inflation could contribute to stimulate competitiveness. It would also be interesting to explore macro policies directed to increase savings and investment towards levels more in line to those observed in the EM&DC. A more disciplined fiscal policy could contribute to reduce inflation, and stimulate investment, savings, and exports. In 2013 the overall fiscal deficit of the CARICOM CP countries as a percentage of GDP (-4.12 percent) was higher than that registered by the TSP countries (-3.48 percent), LATAM (-3.39 percent), and EM&DC (-2.17 percent).

II. STRUCTURE OF EXPORTS IN THE CARICOM

The CARICOM countries are very open economies. According to the World Bank's World Development Indicators (WDI) for 2012⁵, exports plus imports of goods and services represented on average 103 percent of GDP. For countries specialized in tourism services, the openness ratio was 95.30 percent, and 143.33 percent for the commodity producers. Exports alone represented 44 percent of GDP for the CARICOM in 2012, 40 percent for the TSP countries, and 67.7 percent for the CP economies.

"The production and trade structures of the Caribbean countries show that they are predominantly services economies." (World Bank, 2009). According to data from the United Nations Conference on Trade and Development (UNCTAD), the median of the ratio of exports of services to total exports for the CARICOM economies is 71.47 percent (2013). Chart 11 shows the values of this ratio for the individual CARICOM economies. The maximum value is 89.34 percent in Antigua & Barbuda, and the lowest is reported in Suriname (6.17 percent).

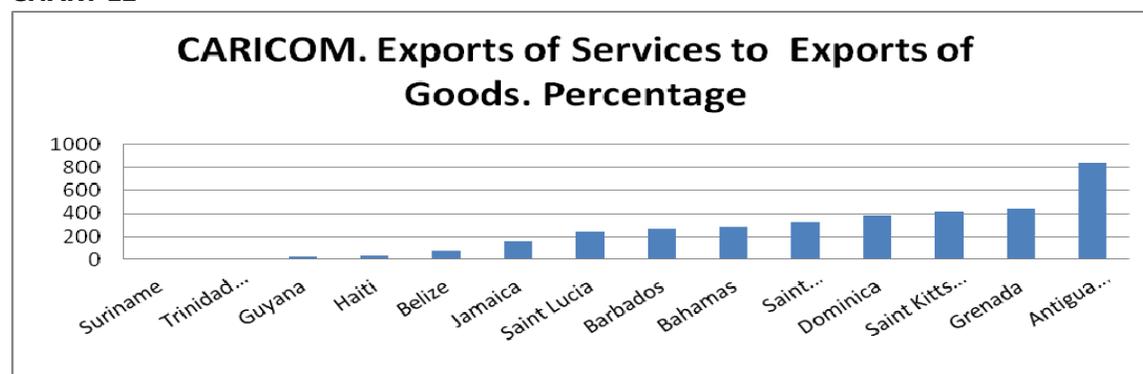
CHART 11



Source: UNCTAD; Charts are the most recent available between 2010-2013.

Chart 12 presents the values of the ratio of exports services to exports of goods for the CARICOM members. The median of the ratio of exports of services to exports of goods was 251.2 percent (2013). The maximum value for this indicator is 837.82 percent in Antigua & Barbuda, and the lowest is 6.57 percent in Suriname.

CHART 12



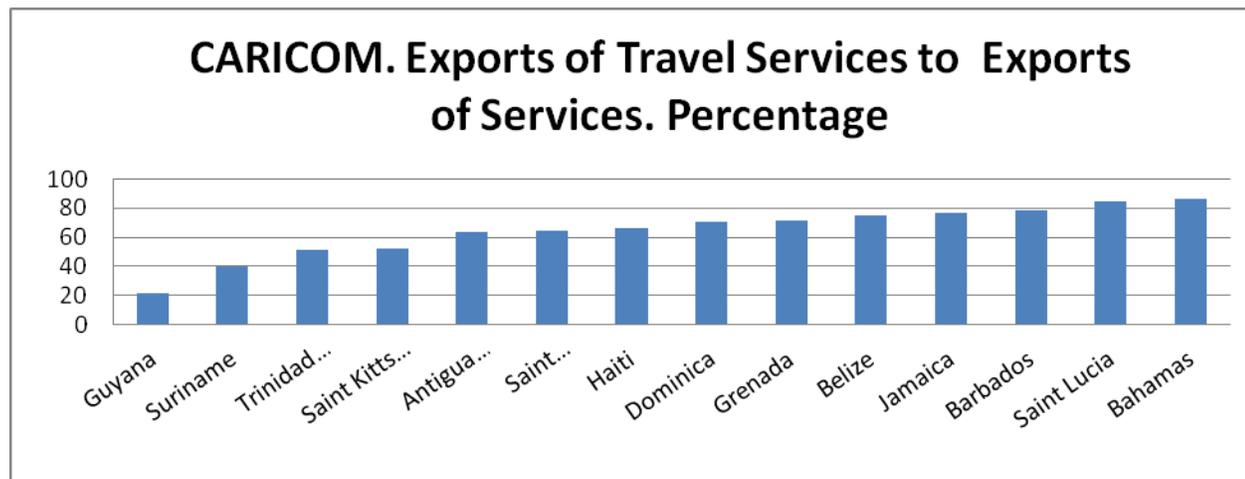
Source: UNCTAD; Charts are the most recent available between 2010-2013.

⁵ In the World Bank's World Development Indicators the information for Belize and Trinidad & Tobago is available up to 2011; for Guyana and Suriname the data is for 2005.

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In the services sectors, tourism services are remarkably dominant. Charts obtained from the UNCTAD data base indicate that the ratio of travel services exports to total exports of services exhibited a median value of 68.27 percent in 2013. Chart .13 reports the values of travel services exports to exports of services for the CARICOM countries (2013). The maximum value is observed in The Bahamas (86.49 percent), while Guyana registered the lowest (21.8 percent).

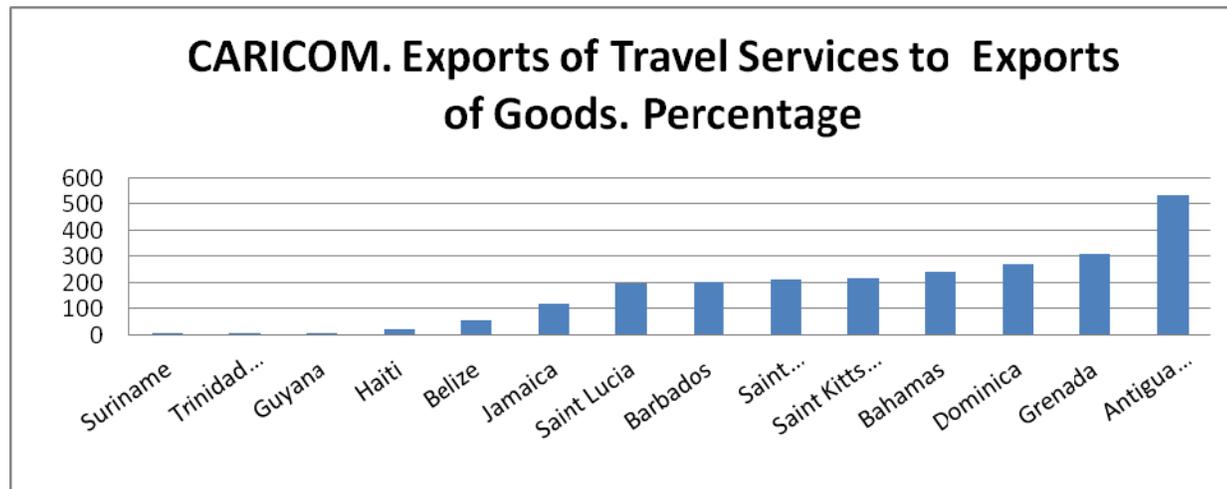
CHART 13



Source: UNCTAD; Charts are the most recent available between 2010-2013.

Chart 14 registers the data of the ratio of exports of travel services to exports of goods for the CARICOM economies. The median value of this indicator was 201.23 percent (2013). The ratio exhibits a maximum value in Antigua & Barbuda (536.05 percent), and a minimum value in Suriname (2.76 percent).

CHART 14



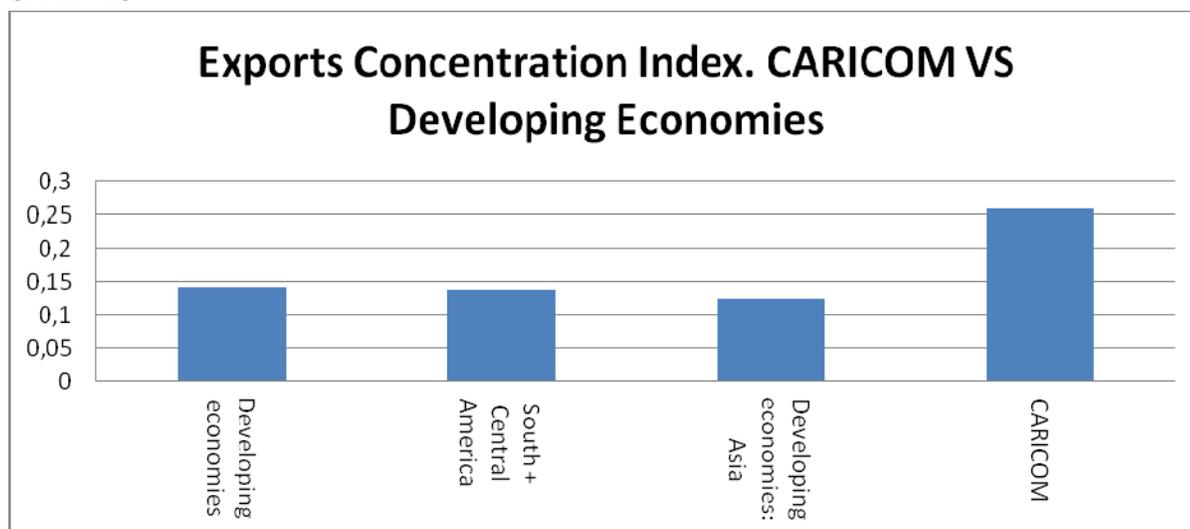
Source: UNCTAD; Charts are the most recent available between 2010-2013.

The limited data available regarding services exports, indicates that tourism services are mainly demanded by the United States and European Union countries (World Bank, 2009).

Concentration indices of exports of goods calculated by the UNCTAD (2012) are higher (indicating more concentration of exports) in the CARICOM in comparison to developing economies as a

whole, and in developing economies in other regions.⁶ Chart 15 shows that the concentration index for the CARICOM exports of goods (0.258) is substantially larger than those observed in the categories Developing Economies (0.141), South and Central America (0.138), and Developing Economies: Asia. (0.125).

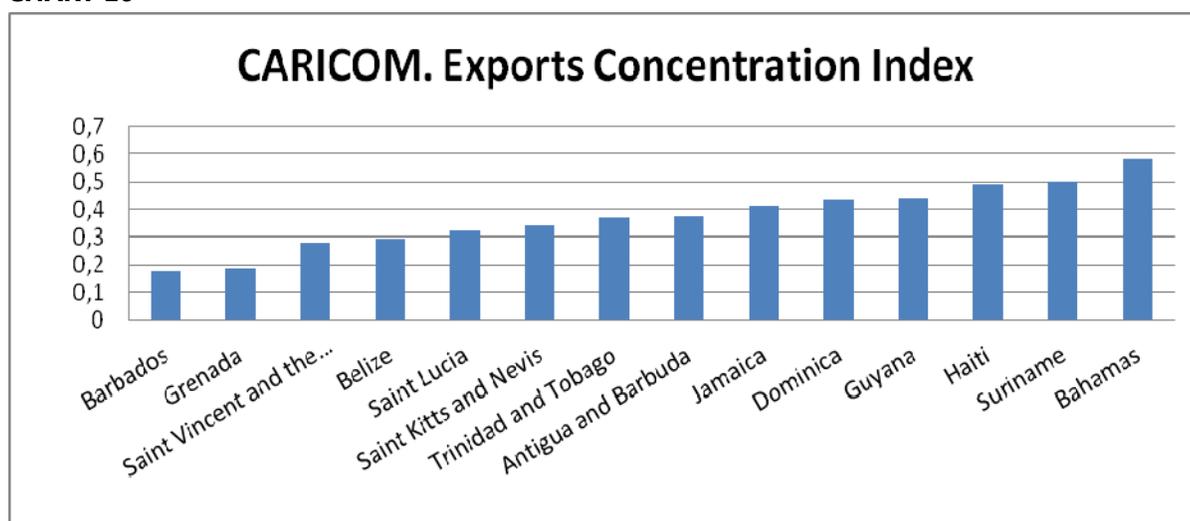
CHART 15



Source: UNCTAD

Chart 16 shows the individual concentration indices of goods exports of the CARICOM member economies for 2012. The Bahamas is the country with the highest concentration index of goods exports (0.58), while Barbados with 0.17 is the smallest. TSP countries present an average concentration index of goods exports of 0.34, which is lower than the one for CP economies (0.44).

CHART 16



Source: UNCTAD

The UNCTAD statistics also provide the composition of exports of goods (as a percentage of total exports) from the CARICOM to LATAM and to the world. Charts 13 and 14 indicate that the

⁶ Concentration indices calculated by the UNCTAD are based on the Herfindahl-Hirschmann index that is a measure of the degree of market concentration. It has been normalized to obtain values ranking from 0 to 1 (maximum concentration).

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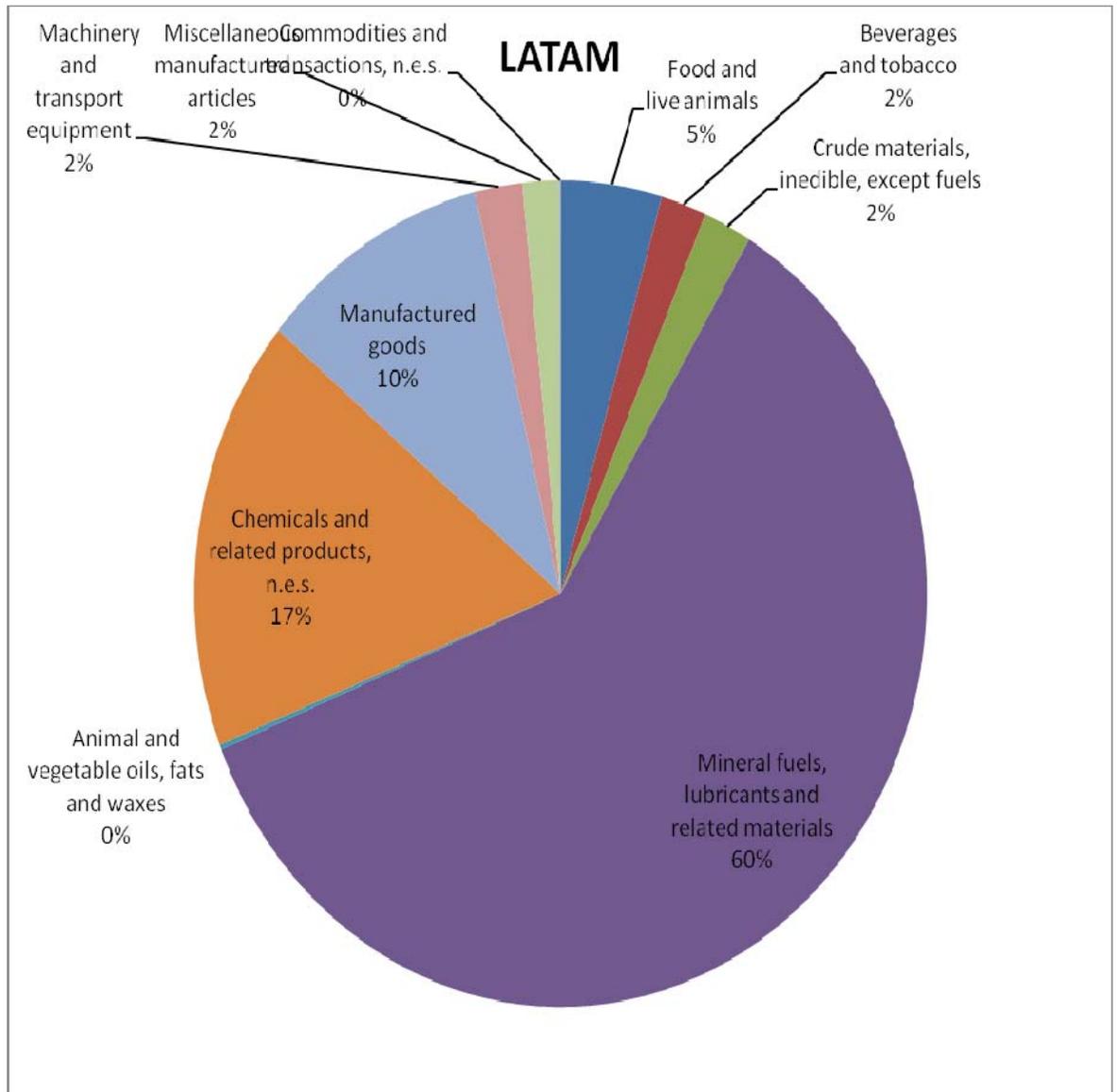
structure of goods exports from the CARICOM to LATAM is, in general, similar to that from the CARICOM to the World. In both cases, exports of Mineral fuels, lubricants, and related materials represent by far the largest proportion of goods exports from CARICOM, follow by Chemicals and related products. The exports of goods from the CARICOM to LATAM, however, seem slightly more concentrated than those to the world. The main export category (Mineral fuels, lubricants, and related materials) represents 60 percent of the goods exports from the CARICOM to LATAM, vs. 45 percent of the goods exports from the CARICOM to the world.

In Annex, shows the top five exports goods and the top five exports destinations of the CARICOM economies, as reported by The Observatory of Economic Complexity. The economies more specialize in tourism services (TSP), export, primarily, agricultural products, processed food, some manufactured goods, and mineral commodities. The countries more dedicated to the production of commodities (CP), export mainly minerals and agricultural products. Exports of goods in the TSP countries look moderately more diversified than in CP economies. For example, in Guyana gold accounts for 45 percent of total goods exports; in Suriname aluminum oxide and gold represent 60 percent of total goods exports; and in Trinidad and Tobago petroleum gas and refined petroleum account for 54 percent of goods exports.

The United States is the main destination of the goods exported from the CARICOM economies. As shown in Table A.1 (Annex), the United States appears in the top five destinations for good exports of all CARICOM member countries, except for Antigua & Barbuda, Dominica, and St. Vincent and the Grenadines. Canada and the United Kingdom also appear as important destinations of goods exports for several CARICOM countries.

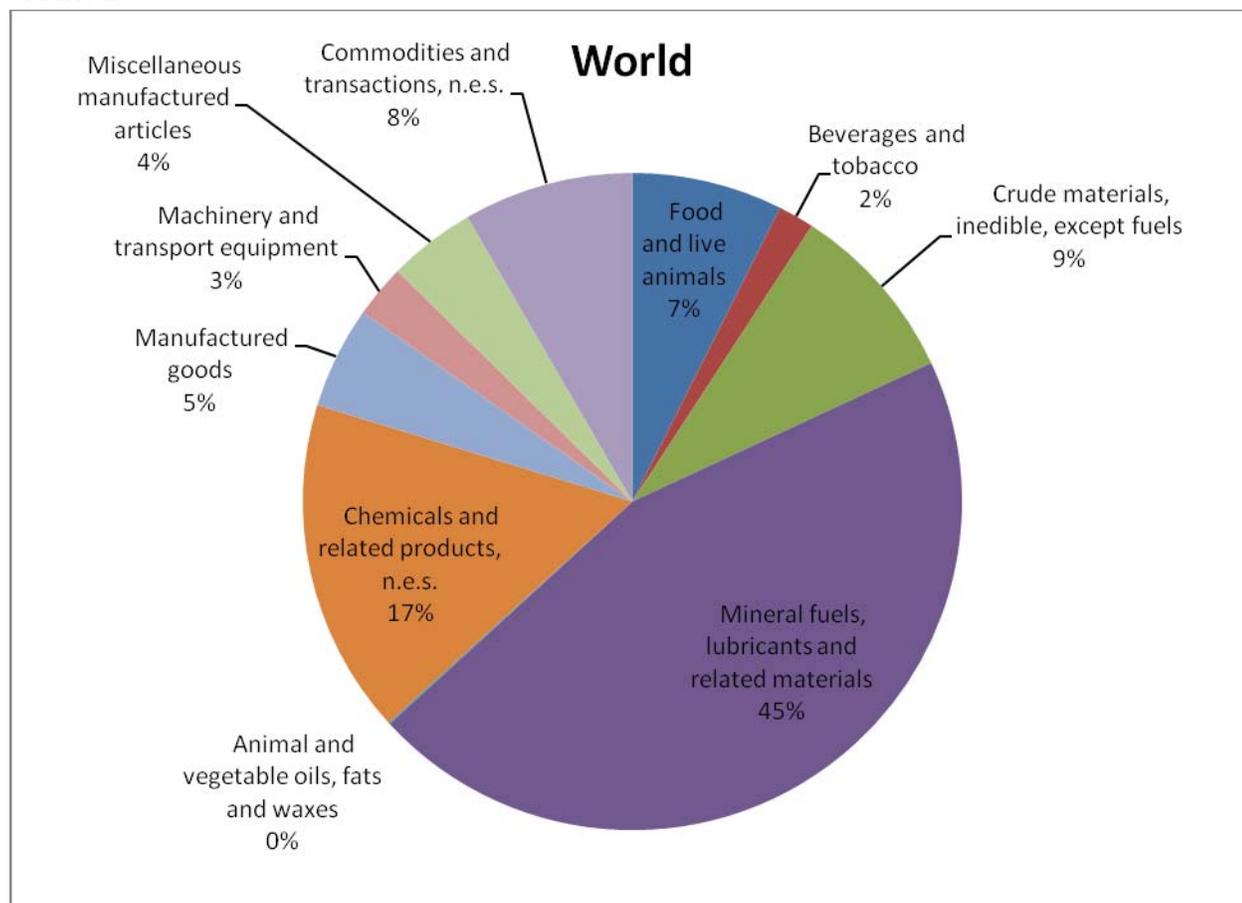
Few Latin American economies appear as the top five destinations for exports of goods from the CARICOM. Ecuador (5.5 percent) and the Dominican Republic (5.3 percent) appear in the top five destinations of goods exports from The Bahamas; Costa Rica (2.1 percent) for goods exports from Belize; Paraguay (16 percent) for goods exports from Dominica; Venezuela (6.2 percent) for goods exports from Guyana; the Dominican Republic (1.3 percent) and Mexico (1.2 percent) for goods exports from Haiti; Argentina (6.5 percent) for goods exports from Trinidad and Tobago.

CHART 17



Source: UNCTAD

CHART 18



Source: UNCTAD

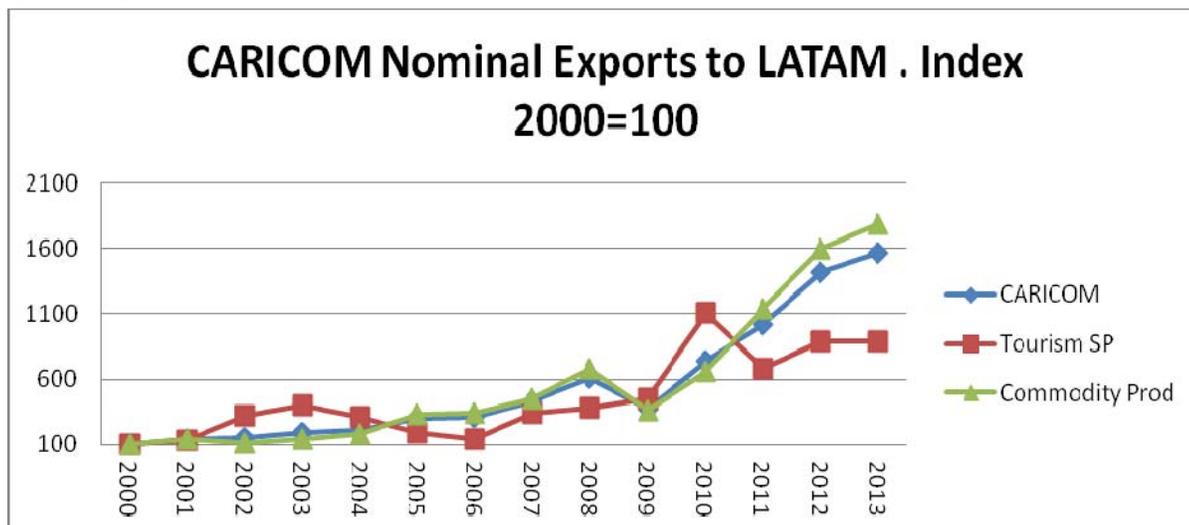
III. TRADE FLOWS BETWEEN THE CARICOM AND LATIN AMERICA

This section reviews the evolution of goods exports from the CARICOM to LATAM, and goods imports to the CARICOM from LATAM for the period 2000-2013. Exports of goods to LATAM and imports of goods from LATAM are analyzed in nominal terms, as a percentage of total goods exports/imports, as a percentage of GDP, and in real terms. To facilitate the analysis, nominal and real Charts of exports/imports are expressed as indices with base year 2000. These Charts are compared to goods exports from CARICOM to the rest of the world, and goods imports to CARICOM from the rest of the world. Charts of goods exports and imports of the EM&DC are also included as a reference.

1. Exports

Chart 19 shows the evolution of nominal goods exports from the CARICOM to LATAM for the period 2001-2013. For the block as a whole, nominal exports increased 23.54 percent on average. In the case of the TSP countries, nominal exports grew on average 18.34 percent, and 24.83 percent for CP countries.

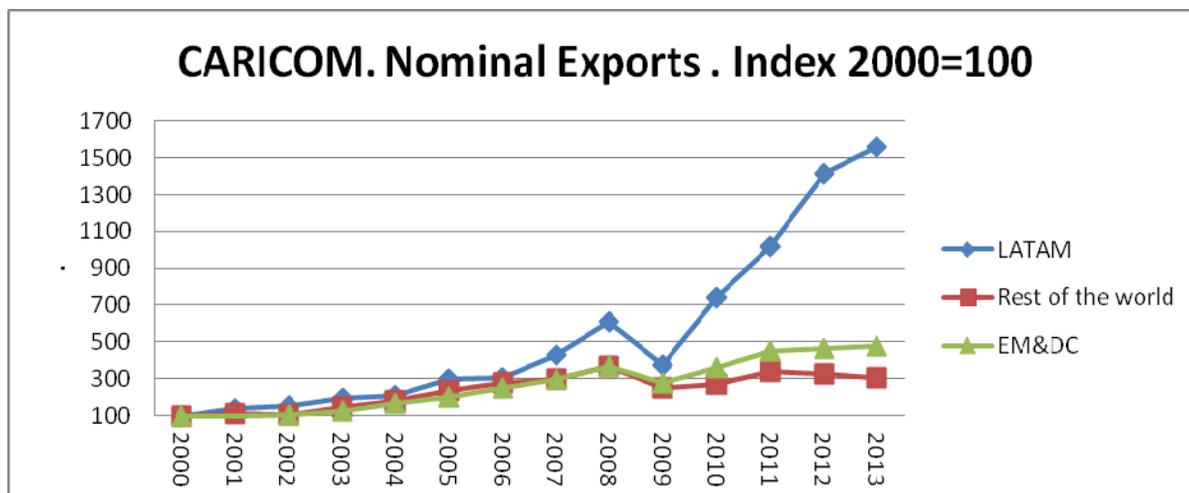
CHART 19



Source: IMF-DOT; author's own calculations

Chart 20 shows that nominal exports from the CARICOM to LATAM grew faster than those to the rest of the world, and that the nominal exports of EM&DC. Exports to LATAM expanded at an average rate of 23.54 percent, against 8.92 percent to the rest of the world, and a 12.77 percent average increase in the nominal exports of EM&DC.

CHART 20



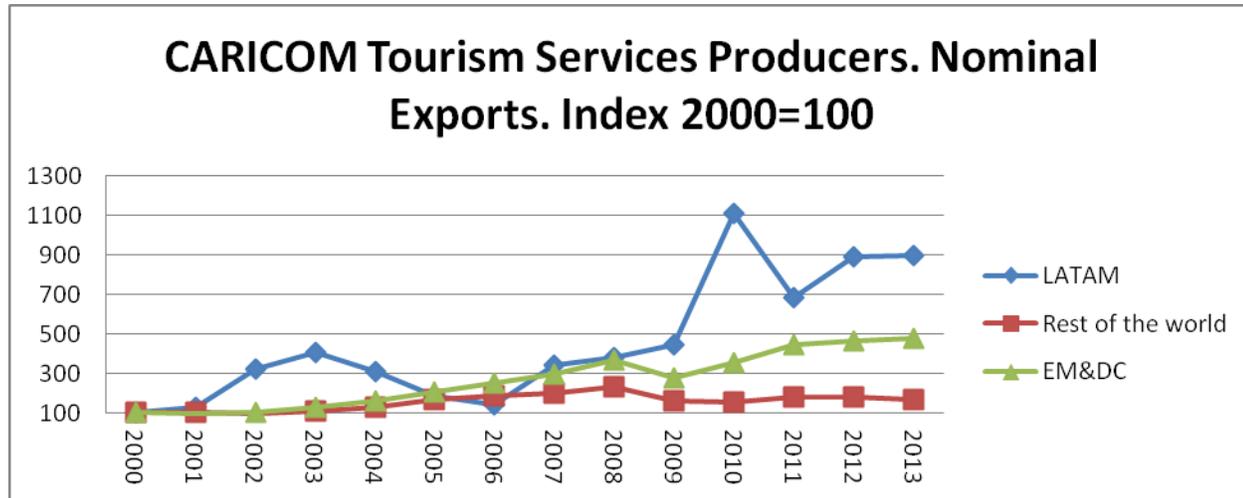
Source: IMF-DOT; author's own calculations

Charts 21 and 22 present the nominal exports to LATAM from the TSP and CP countries, respectively. In both cases nominal exports to LATAM expanded faster than those to the rest of the world and the exports of EM&DC. For TSP countries nominal exports to LATAM grew at an average rate of 18.34 percent compared to 4.05 percent to the rest of the world. In the case of CP countries, nominal exports to LATAM grew on average 24.83 percent vs. 11.37 percent to the rest of the world. EM&DC exports increased 12.77 percent on average during the period 2001-2013.

It is important to note that the average growth rate of nominal exports from the CARICOM to LATAM exhibits a significant acceleration starting in 2010. This acceleration in goods exports from

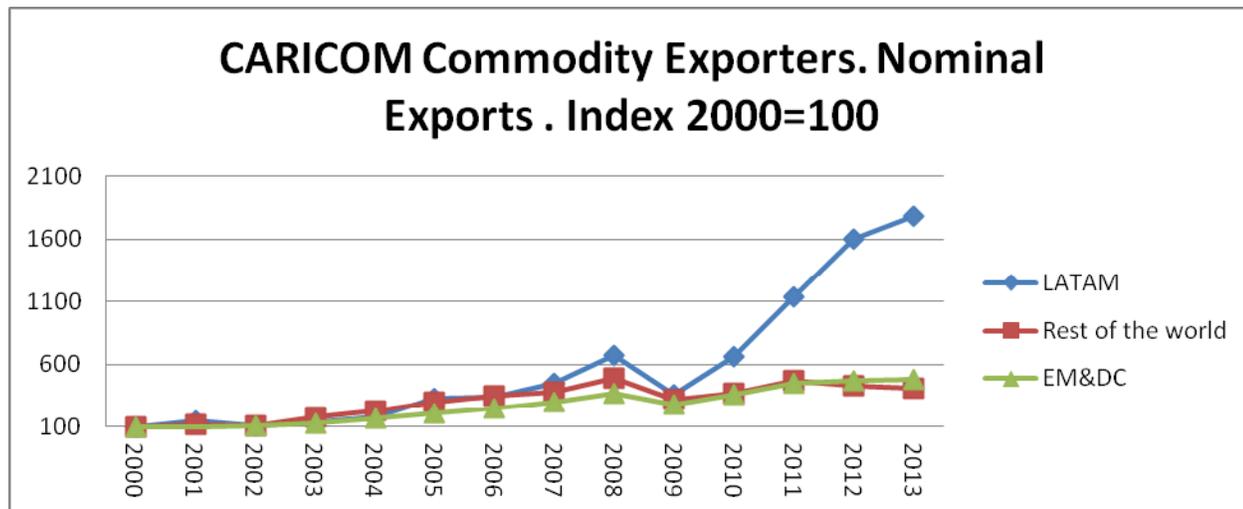
the CARICOM to LATAM since 2010 is mainly attributable to the export activity of the CP economies.

CHART 21



Source: IMF-DOT; author's own calculations

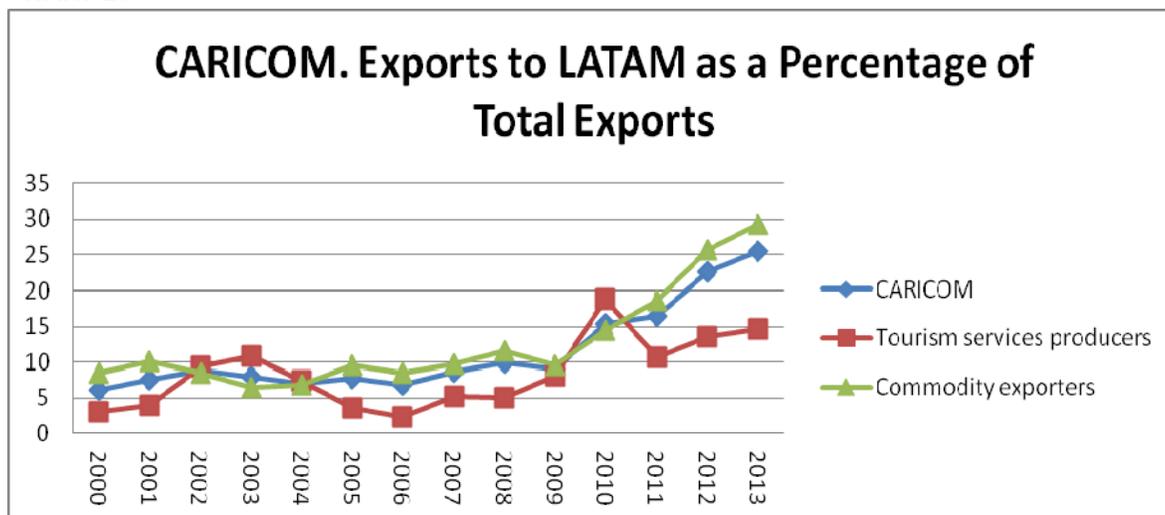
CHART 22



Source: IMF-DOT; author's own calculations

Chart 23 illustrates how the faster expansion of nominal exports from the CARICOM to LATAM with respect to exports to the rest of the world has raised considerably their participation in total exports. This increase in the participation of exports to LATAM in total exports is more pronounced in the CP countries. For the CARICOM as a whole, exports to LATAM represented 6.23 percent of total exports in 2000 vs. 25.47 percent in 2013. In the TSP countries the participation of exports to LATAM moved from 3.11 percent (2000) to 14.63 percent in 2013. In the case of CP countries exports to LATAM represented 8.57 percent of total exports in 2000 against 29.21 percent in 2013. As was mentioned before, the increase in the participation of exports to LATAM is more pronounced since 2010, when nominal exports to this region started to grow at a faster pace.

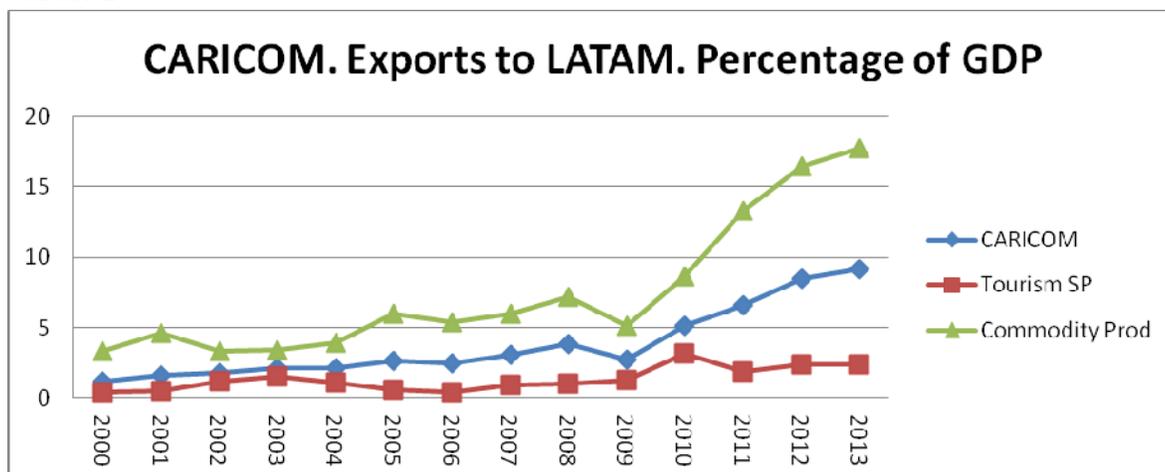
CHART 23



Source: IMF-DOT; author's own calculations

The rapid expansion of exports from the CARICOM to LATAM, particularly since 2010, is also reflected in the increase in their participation in GDP (Chart 24). For the CARICOM as a whole exports to LATAM represented 1.24 percent of GDP in 2000, compared to 9.17 percent in 2013. In the TSP countries exports to LATAM represented 0.4 percent of GDP in 2000 vs. 2.38 percent in 2013. In CP countries exports to LATAM as a percentage of GDP move from 3.36 percent in 2000 to 17.72 percent in 2013.

CHART 24



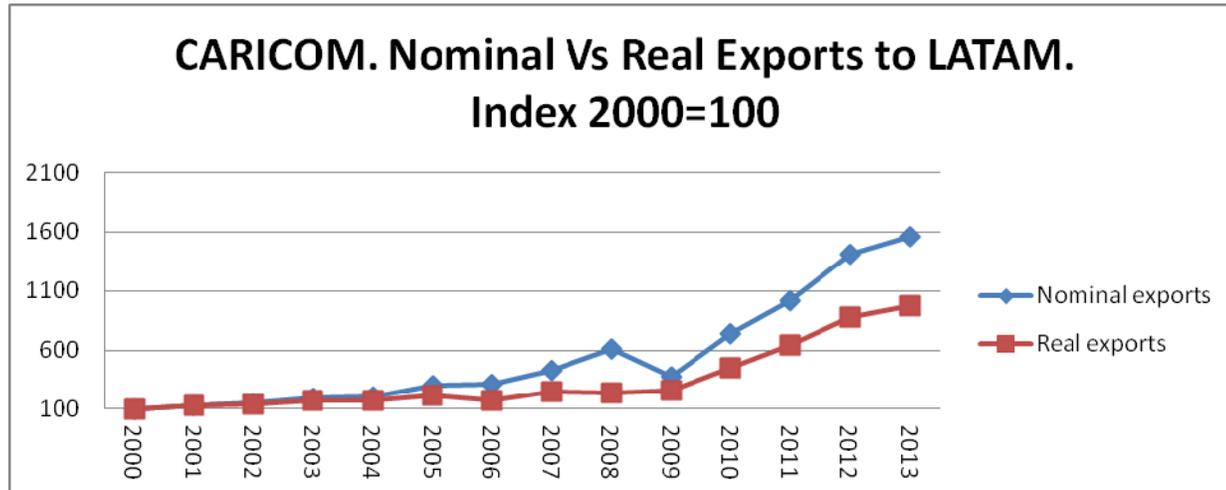
Source: IMF-DOT; author's own calculations

Goods exports in real terms from CARICOM to LATAM expanded at an average rate of 19.18 percent for the period 2001-2013, compared to the 23.54 percent reported for nominal exports (Chart 27).⁷ This means that prices of exports have had a relatively moderate impact in the growth of exports from CARICOM to LATAM.

⁷ Nominal exports from the CARICOM to LATAM were deflated using the exports price deflator for the CARICOM reported by the ECLAC. Because there are not distinct exports price deflators for TSP and CP countries, real exports for each group separately could not be calculated.

From the analysis of exports of the CARICOM for the period 2000-2013, we conclude that exports to LATAM have registered a remarkable expansion during this period. The growth of exports from the CARICOM to LATAM accelerated since 2010, and it is higher for CP countries than for TSP. However, part of the increased growth in exports from the CARICOM to LATAM, specially, in TSP countries, has come at the cost of a decreased in the growth of exports to the rest of the world.

CHART 25

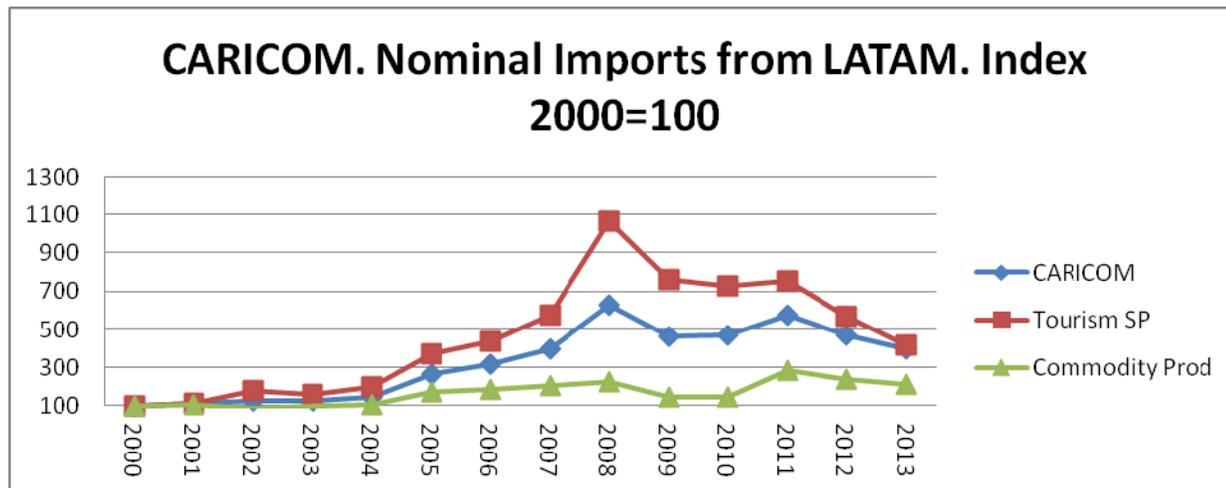


Source: IMF-DOT; author's own calculations

2. Imports

Chart 26 traces the evolution of nominal goods imports of the CARICOM from LATAM for the period 2001-2013. The imports from LATAM for the CARICOM block as a whole increased 11.15 percent on average; 11.56 percent for the TSP countries; and 5.96 percent for the CP countries. The graph reveals that nominal imports of the CARICOM from LATAM grew steadily from 2001-2008, and since then have trended downwards.

CHART 26

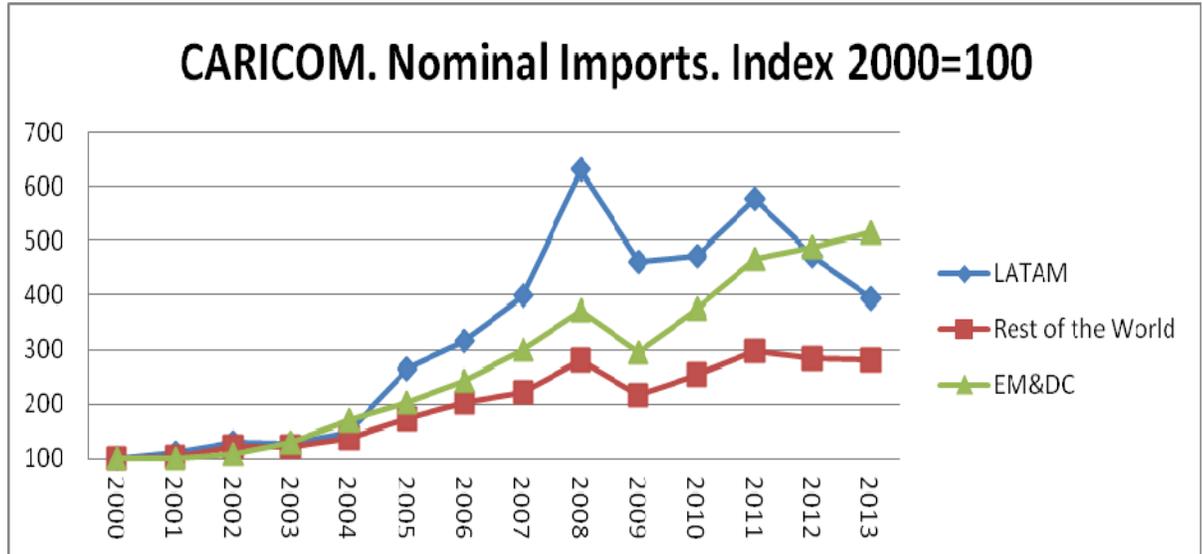


Source: IMF-DOT; author's own calculations

Charts 27, 28, and 29 show the behavior of nominal imports from LATAM of the CARICOM as a whole, TSP countries, and CP countries, respectively, and compares them to their imports from the rest of the world, and the total imports of the EM&DC. For the CARICOM block, nominal imports

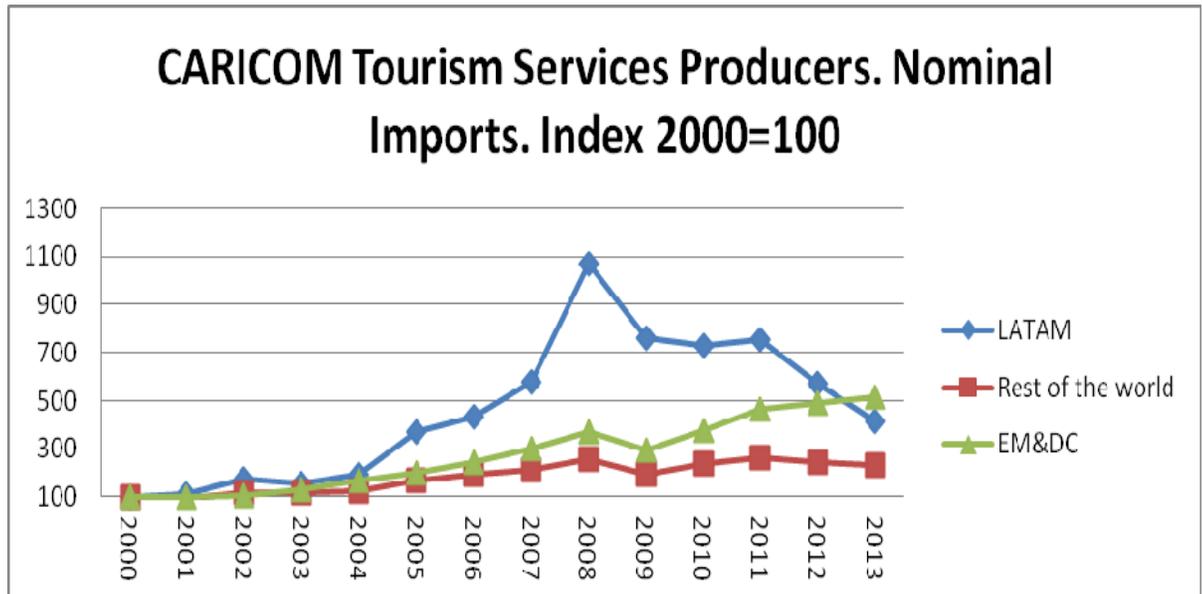
from LATAM grew 11.15 percent, while imports from the rest of the world increased 8.3 percent for the period 2001-2013. In the case of TSP countries nominal imports from LATAM expanded on average 11.56 percent, while imports from the rest of the world increased 6.72 percent. In CP countries nominal imports from LATAM grew on average 5.96 percent, and those from the rest of the world increased 11.45 percent. In general, imports of the CARICOM from LATAM grew faster than imports from the rest of the world, but less than imports of EM&DC (13.45 percent).

CHART 27



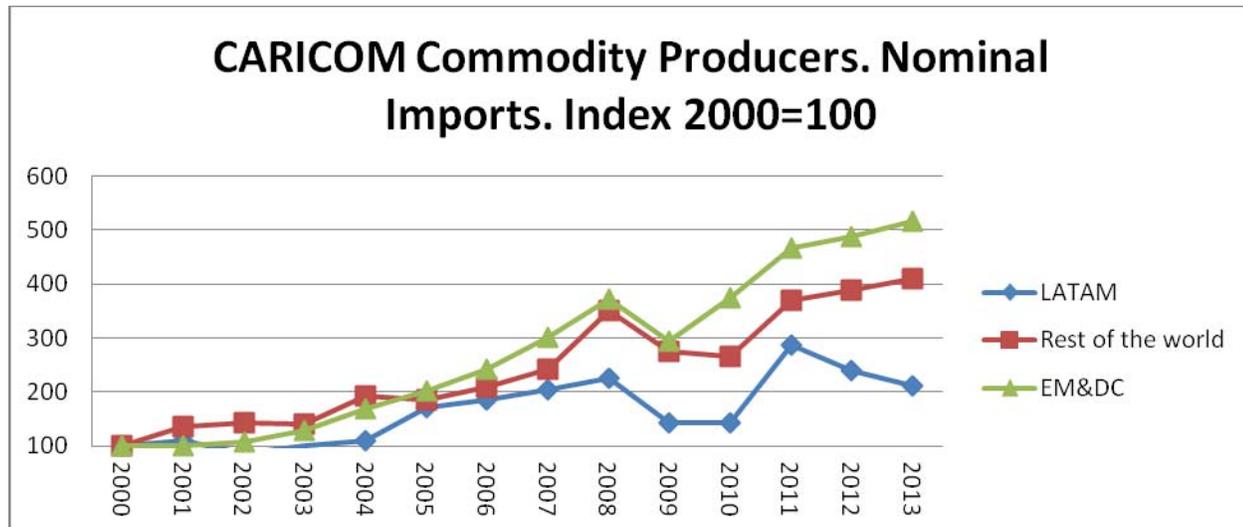
Source: IMF-DOT; author's own calculations

CHART 28



Source: IMF-DOT; author's own calculations

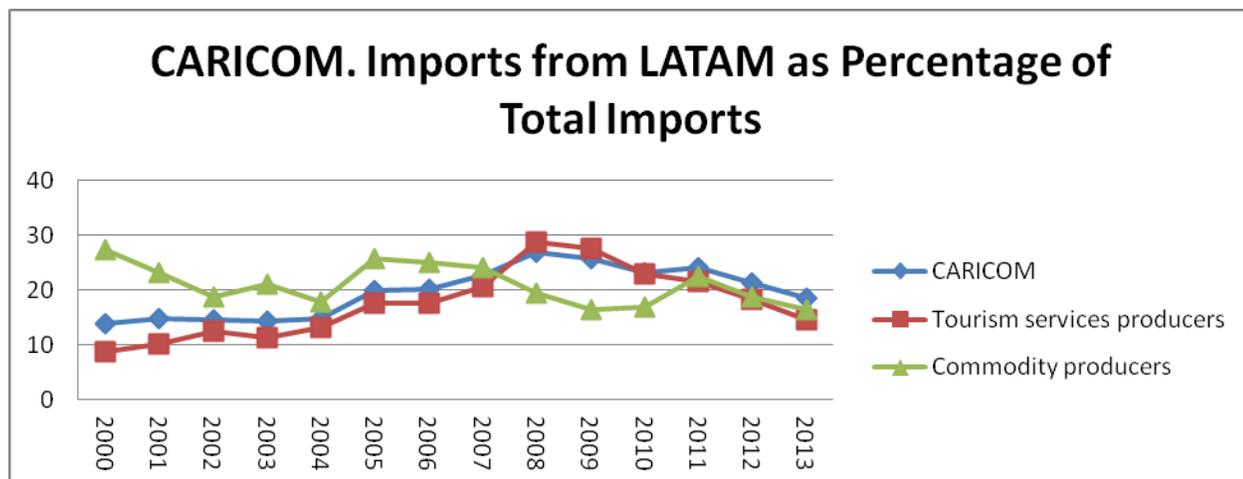
CHART 29



Source: IMF-DOT; author's own calculations

Chart 30 shows that the participation of the CARICOM imports from LATAM in total imports increased from 14.01 percent in 2000 to 18.58 percent in 2013, but it has been decreasing steadily since 2008. For TSP countries the share of imports from LATAM in total imports moved from 8.81 percent in 2000 to 14.68 percent in 2013, but it has declined gradually since 2008. In the case of CP countries imports from LATAM decreased from 27.37 percent of total imports in 2000, to 16.35 percent of total imports in 2013.

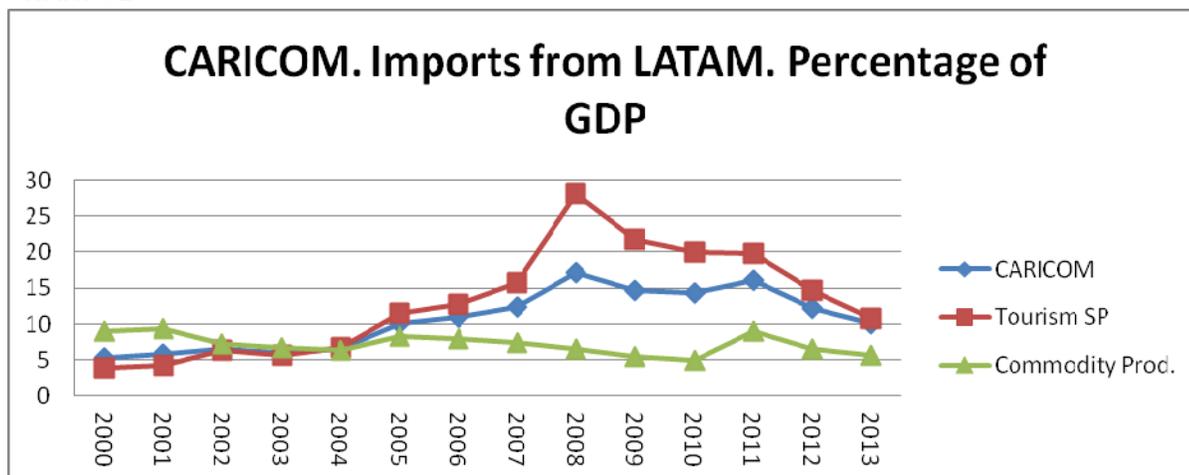
CHART 30



Source: IMF-DOT; author's own calculations

Chart 31 presents the ratio of imports from LATAM with respect to GDP. For the CARICOM block as whole imports from LATAM represented 5.35 percent of GDP in 2000 and 10.04 percent in 2013. But this ratio has diminished gradually since 2008 when it reached a value of 17.16 percent. In the case of TSP countries the ratio moved from 3.88 percent in 2000 to 10.72 percent in 2013. But after a substantial jump to 28 percent in 2008, it has declined steadily. For CP countries the imports from LATAM as a percentage of GDP decreased from 9.04 percent in 2000 to 5.67 percent in 2013.

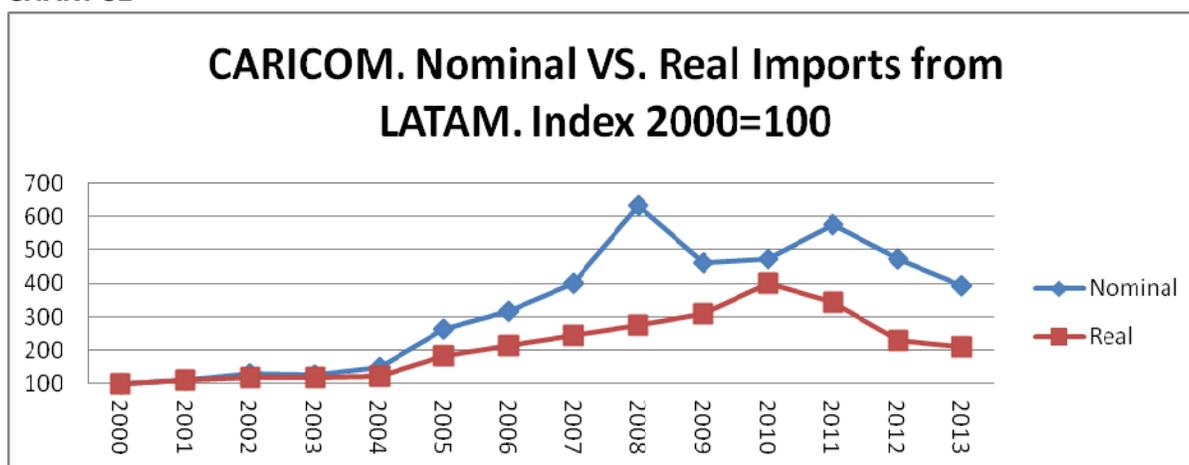
CHART 31



Source: IMF-DOT; author's own calculations

Chart 32 compares the evolution of imports of the CARICOM from LATAM in nominal and real terms. In real terms imports of the CARICOM from LATAM grew at an average rate of 5.94 percent in the period 2001-2013, compare to 11.15 percent in nominal terms.⁸ Real imports from LATAM increased steadily from 2001 to 2010, but have declined gradually since then.

CHART 32



Source: IMF-DOT; author's own calculations

The previous analysis indicates that during the period 2001-2013, imports of the CARICOM as a whole from LATAM increased at an acceptable rate in relation to imports from the rest of the world, and the EM&DC imports. This growth was determined basically by the behavior of imports of TSP countries from LATAM. However, nominal goods imports of the CARICOM from LATAM have been trending softly downwards since 2008. Real goods imports of the CARICOM from LATAM have been trending downwards since 2011. In the case of CP countries, nominal imports from LATAM grew less than imports from the rest of the world, and the imports of EM&DC. In CP countries, imports from LATAM have diminished their share in total imports and GDP.

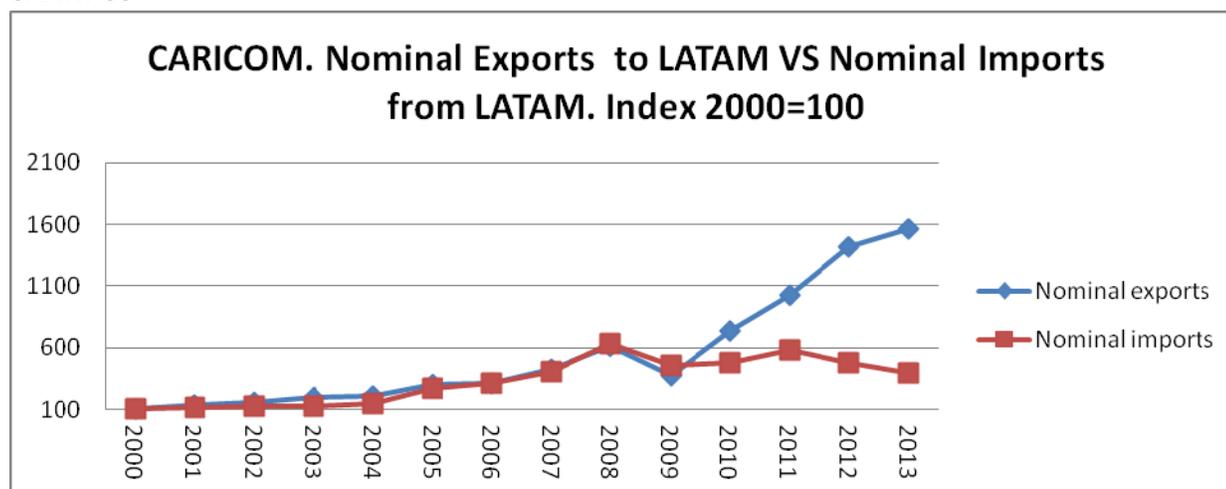
⁸ Nominal imports of the CARICOM from LATAM were deflated using the imports price deflator for CARICOM reported by the ECLAC. Because we do not have distinct imports price deflators for TSP and CP countries, we could not obtain real imports for each group separately.

3. Exports vs. imports

Charts 33, 34 and 35 show that during the period 2001-2013 nominal goods exports from the CARICOM to LATAM expanded faster than goods imports of the CARICOM from LATAM.

For the CARICOM as a whole (Chart 33), nominal exports to LATAM exports grew at an average of 23.54 percent against 11.15 percent for nominal imports from LATAM. However, nominal exports to LATAM and nominal imports from LATAM expanded at a very similar pace for the period 2001-2009. It is since 2010 that nominal exports to LATAM began to increase faster than nominal imports from LATAM.

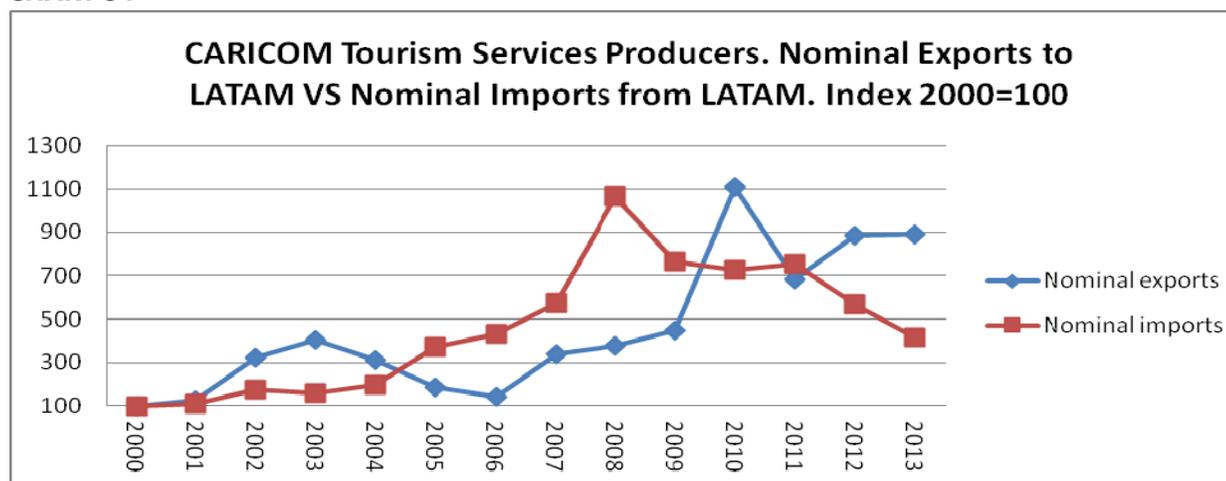
CHART 33



Source: IMF-DOT; author's own calculations

In the case of the TSP countries (Chart 34), nominal exports to LATAM increased 18.34 percent on average vs. 11.56 percent for imports from LATAM for the period of analysis (2001-2013). But it is important to note that, during 2001-2008, nominal imports from LATAM grew faster than exports to LATAM. It is since 2009 that nominal imports from LATAM started to show a decreasing trend.

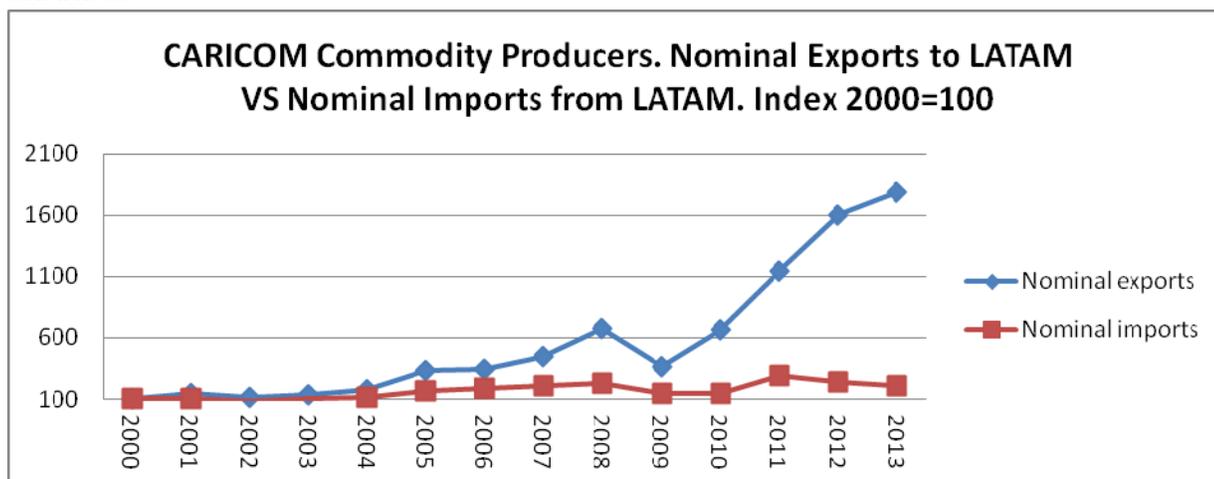
CHART 34



Source: IMF-DOT; author's own calculations

For CP countries (Chart 35), exports to LATAM expanded 24.83 percent compared to 5.96 percent for imports from LATAM during the period 2001-2013. For the period 2001-2004 exports to LATAM and imports from LATAM expanded at a similar pace. From 2005 to 2008, exports to LATAM started to grow faster than imports from LATAM. After a fall in 2009, the rate of growth of exports to LATAM accelerated considerably since 2010.

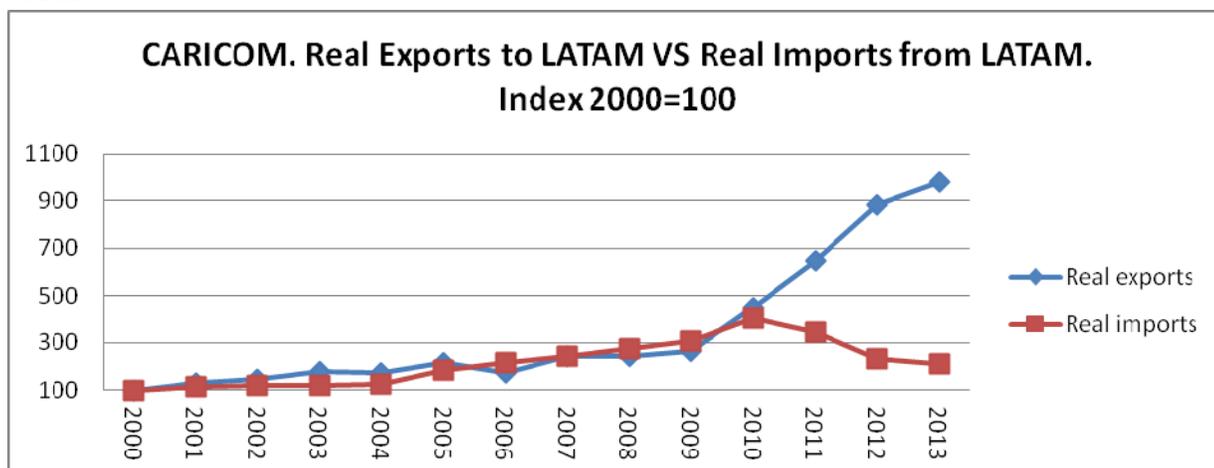
CHART 35



Source: IMF-DOT; author's own calculations

Chart 36 compares real goods exports from CARICOM to LATAM with real goods imports from LATAM to CARICOM. For the period 2001-2013, real exports from CARICOM to LATAM increased 19.18 percent on average vs. 5.96 percent for imports from LATAM to CARICOM. Real exports from CARICOM to LATAM expanded at similar rate to that of imports from LATAM to CARICOM for the period 2001-2010. It is since 2011 that real exports from CARICOM to LATAM accelerate their rate of growth, while real imports from LATAM to CARICOM started to diminish.

CHART 36



Source: IMF-DOT; author's own calculations

Thus in general, the data analyzed indicates that goods exports (in nominal and real terms) from CARICOM to LATAM grew faster than goods imports from LATAM to CARICOM for the period 2001-2013. The greater dynamism of CARICOM goods exports to LATAM with respect to goods imports from LATAM started clearly since 2011.

IV. STIMULATING TRADE BETWEEN THE CARICOM AND LATIN AMERICA

The analysis of the trade flows between the CARICOM and LATAM contained in Sections II and III can be summarized in the following basic facts:

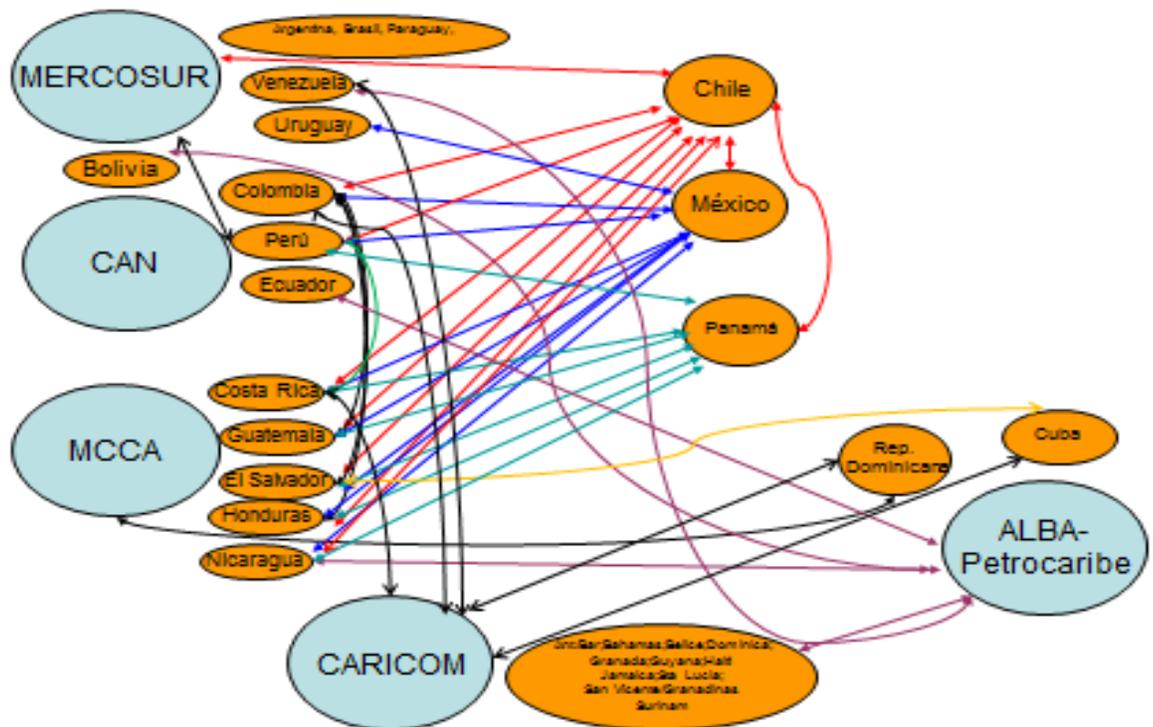
- Exports of goods from the CARICOM to LATAM have grown at a faster rate than exports from CARICOM to the rest of the world, particularly, since 2010.
- Imports of goods to CARICOM from LATAM have increased at a faster rate than imports to CARICOM from the rest of the world, but they exhibit a downward trend since 2008 in nominal terms, and around 2011 in real terms.
- Exports of goods from the CARICOM to LATAM are more concentrated --mineral fuels, lubricants, and related materials-- than those from the CARICOM to the world.
- Few LATAM countries appear as the top five destinations of goods exports from the CARICOM economies.
- In the majority of the CARICOM economies exports of tourism services are the main export item, and they are mainly demanded by the United States and European Union countries.

The most direct way to maintain the dynamism and stabilize the exports of goods to LATAM, diversified those exports, and recover the growth of imports from LATAM, is through the negotiation of comprehensive free trade agreements. This section explores whether there is room available to increase the commercial links between the CARICOM and LATAM through the negotiation of free trade agreements.

Chart 37 illustrates the considerable proliferation of trade agreements in the Latin America and the Caribbean (LAC) region, a phenomenon that follows a worldwide trend, and is frequently called the "spaghetti bowl" of trade agreements for its graphical appearance. The main sources of information of Chart V.1 are the list of Regional Trade Agreements reported by the World Trade Organization (WTO), and the Foreign Trade Information System of the Organization of American States (OAS). The WTO list does not report any trade agreements between the CARICOM as a whole or for any of its individual members with other regional trade agreements of LATAM or individual LATAM countries. The OAS Foreign Trade Information System reports two Free Trade Agreements: CARICOM – Costa Rica, and CARICOM – Dominican Republic. It also registers two Partial Preferential Agreements: CARICOM – Colombia, and CARICOM – Venezuela. The World Bank (2009) includes a trade and economic agreement between the CARICOM and Cuba. The other, rather special, trade agreement that connects some of the CARICOM members with LATAM is the alliance ALBA-Petrocaribe sponsored by Venezuela and officially created in 2005. This initiative that is not reported in the WTO list or the OAS system includes all members of the CARICOM with the exception of Barbados and Trinidad & Tobago. The CARICOM has also been maintaining conversations with the Central America Integration System, and the Common Market of the South (MERCOSUR), but no formal trade agreements are reported up to date.

CHART 37

Latin America and the Caribbean: “Spaghetti Bowl” of Regional Trade Agreements



Thus, this revision yields a relatively short list of trade agreements between the CARICOM and LATAM. This suggests that a potentially fruitful alternative to increase, diversify, and make more stable the flows of trade between the two regions is through the negotiation of mutually beneficial agreements focus on trade, but that extends to other areas that can contribute to stimulate international exchange. In this sense, it is important to note that countries like Chile, Mexico, and Panama have been very active in negotiating bilateral agreements with other countries in Latin America and the rest of the world.

Productive international agreements should go beyond government treaties focused on tariffs and the speeding of bureaucratic procedures linked to international trade, and put more emphasis on issues related to trade in services, intellectual property, investment, competition policy, movement of labor and capital, trade facilitation, standards and certification, technical barriers to trade. In order to take full advantage of existing agreements, governments should direct their efforts to establish close links between the private sectors of the participant parties. Governments could play an important role gathering and providing information, and serving as brokers that help to put in contact private sector agents.

Although the rules governing the CARICOM do not prohibit explicitly to its members the negotiation of bilateral trade agreements, it would be desirable that these agreements were discussed by the CARICOM as a block. Given the small economic size of its members, negotiation through the CARICOM block would enhance the bargaining power of the region, and would contribute to reinforce the process of regional integration of the Caribbean economies.

V. SOME KEY FACTORS AFFECTING THE COMPETITIVENESS OF THE CARICOM

Although the negotiation of comprehensive free trade agreements is an important tool to stimulate, stabilize, and diversified trade between the CARICOM and LATAM, there are other relevant factors that can severely restrict trade flows. This section studies the situation of the CARICOM in terms of certain factors that are crucial for stimulating growth and international trade: the administrative process for trading across borders; the shipping connectivity of the region; the state of its economic infrastructure, with special emphasis on that more directly linked to international trade; its general environment for doing business and entrepreneurship; the capacity of its education system to provide the necessary workforce in quantity and quality; the advances in the process of regional integration; and the flexibility of its labor market.

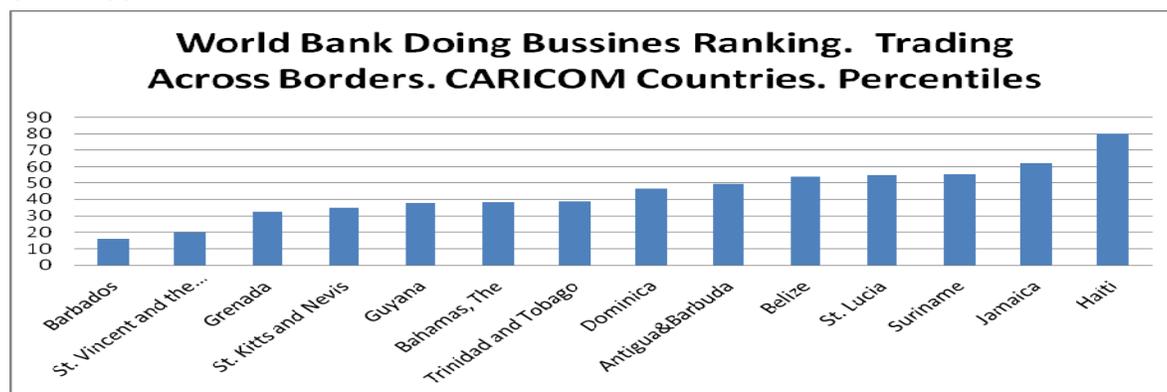
1. Trading across borders in the CARICOM

The analysis of the efficiency of the administrative arrangements for trading across borders in the CARICOM is based on the summary index of *Trading Across Borders*, that is one of the ten categories included in the global *Doing Business* (DB) index produced by the World Bank. According to the methodology of the *Trading Across Borders* index, it covers the following aspects of the international trading process: “*Doing Business* measures the time and cost (excluding tariffs) associated with exporting and importing a standardized cargo of goods by sea transport. The time and cost necessary to complete every official procedure for exporting and importing the goods are recorded; however, the time and cost for sea transport are not included. All documents needed by the trader to export or import the goods across the border are also recorded. For exporting goods, procedures range from packing the goods into the container at the warehouse to their departure from the port of exit. For importing goods, procedures range from the vessel’s arrival at the port of entry to the cargo’s delivery at the warehouse.”

For the analysis, the positions of the CARICOM economies in the *Trading Across Borders* category among the 189 economies surveyed by the World Bank (2014) are taken, and expressed as percentiles. The median of the percentiles for each member of the CARICOM is used as a summary measure of the block efficiency for trading across borders. The median of the percentiles of the *Trading Across Borders* index of the CARICOM economies is compared with the one obtained for LATAM, and additionally as, a control group, with the median of the block of countries described as the ASEAN-5 (IMF): Indonesia, Malaysia, Philippines, Thailand, and Vietnam.

Chart 38 shows the ranking expressed in percentiles of the CARICOM economies in the *Trading Across Borders* category.

CHART 38



Source: World Bank

The CARICOM economy with the best position in the *Trading Across Borders* category is Barbados, which is located in the 16th percentile. This implies that only 16 percent of the countries included in the *Doing Business* survey register a better position in the *Trading Across Borders* ranking than Barbados. The CARICOM country that is furthest in the ranking is Haiti, which is located in the 80th percentile. That is, 80 percent of the countries included in the *Doing Business* survey register a better position in the *Trading Across Borders* ranking than Haiti. The median of the percentiles of the *Trading Across Borders* index of the CARICOM economies is 42.59.

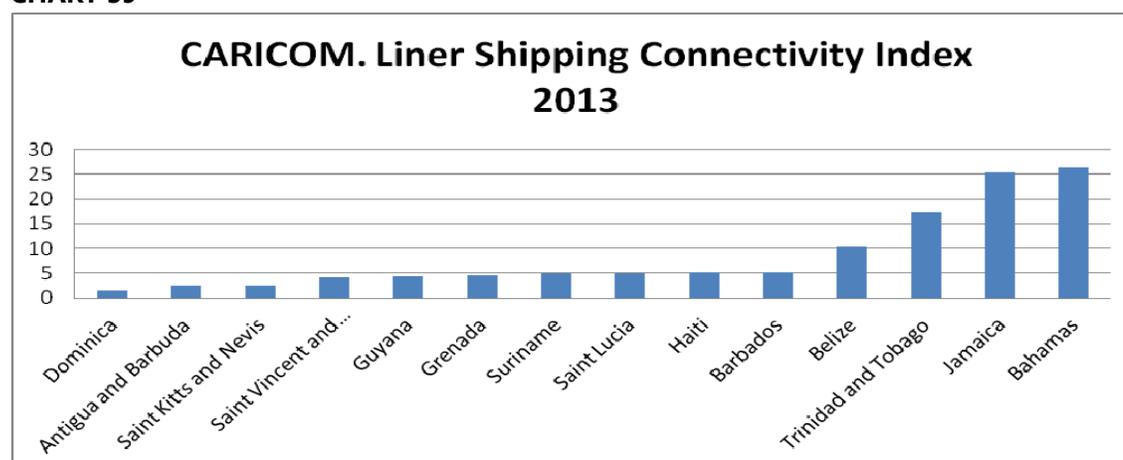
The CARICOM median compares favorably with the one obtained for LATAM, which is 46.03, but it is substantially higher than the median of the percentiles for the ASEAN-5, 22.22. In LATAM, the country in the best position of the *Trading Across Borders* category is Panama, which is located in the 6th percentile. In the ASEAN-5, the best performer in this category is Malaysia located in the 3th percentile.

2. Shipping connectivity

Countries' access to world markets depends largely on their transport connectivity, especially as regards regular shipping services for the import and export of manufactured goods. The UNCTAD calculates the Liner Shipping Connectivity Index (LSCI) which indicates a country's integration level into global liner shipping networks. The index base year is 2004, and the base value is on a country showing a maximum Chart (connectivity) for 2004 (China 2004 value equals 100). UNCTAD's Liner Shipping Connectivity Index (LSCI) aims at capturing a country's level of integration into global liner shipping networks. The current version of the LSCI is generated from five components: (a) the number of ships; (b) the total container-carrying capacity of those ships; (c) the maximum vessel size; (d) the number of services; and (e) the number of companies that deploy container ships on services from and to a country's ports.

Chart 39 shows the LSCI for the CARICOM countries. The Bahamas exhibits the maximum value for the LSCI index of the CARICOM (26.41), followed closely by Jamaica (25.32). The lowest LSCI in the CARICOM corresponds to Dominica (1.59). In general, the CARICOM economies display relatively low LSCIs. The average LSCI for the CARICOM is 8.50, and the median 4.92. Most countries in LATAM present much higher LSCI values than the CARICOM members: Chile (32.98), Colombia (37.49), Peru (32.84), Panama (44.88). In the ASEAN-5 block, all countries, except the Philippines (18.11), show higher LSCI than the Bahamas, the best performer in the CARICOM: Indonesia (27.41), Malaysia (98.18), Thailand (38.32), Vietnam (43.26).

CHART 39



Source: UNCTAD

Thus, the UNCTAD's LSCI indicates that most of the CARICOM economies present a relative low level of shipping connectivity which generates a serious limitation for international trade.

3. Economic infrastructure in the Caribbean: a brief assessment

"Economic infrastructure refers to all permanent engineering structures, equipment and physical facilities that are the basis for providing energy, transport, telecommunications, water and sanitation services to productive sectors and households." (ECLAC, 2011). Infrastructure which is publicly provided promotes growth, mainly, by increasing the marginal productivity of private inputs. There has been some controversy about the effect of total public sector investment on private capital formation (Agénor and Montiel, 1999). Some empirical research during the eighties found inconclusive evidence about the impact of public investment on private investment, while studies in the nineties identified a positive effect of public investment on private capital accumulation. When a distinction is made between infrastructural and other types of public investment, however, more significant results emerge. Agénor and Montiel (1999) report that Blejer and Kahn (1984) using panel data for twenty-four developing countries for the period 1971-1979, found that a 1\$ increase in real infrastructure would increase real private investment by 0.25\$. More recently, Calderón y Servén (2004) conducted an empirical evaluation of the impact of infrastructure development on economic growth and income distribution. Using a large data set encompassing 100 countries for the period 1960-2000, they found robust evidence that growth is positively affected by the stock of infrastructure assets.

Assessing the situation of the economic infrastructure of the Caribbean countries is not an easy task given the scarcity of statistical data on the subject. A World Bank study (2009) points out that: "Despite recent improvement, the region's level and quality of infrastructure remains weak. This in turn constitutes an important obstacle to both intra-regional and external trade."

The World Development Indicators (WDI) of the World Bank (2012), suggests that the CARICOM countries (excluding Haiti) exhibit relatively good indicators related to access to Internet. Fixed Broadband Internet Subscribers (per 100 people) in the CARICOM has a median value of 12, which is higher than that of LATAM (6), and the ASEAN-5 (5). Internet Users per 100 people presents a median value of 60, compared to 41 in LATAM, and 36 in the ASEAN-5 block. In terms of Telephones Lines per 100 people, CARICOM countries exhibit a median value of 21, which is higher than the LATAM median (16), but lower than the ASEAN-5 (44).

The World Bank (2009) reports that English-speaking Caribbean countries have achieved electrification rates above 80 percent, and that access to water and sanitation is on average higher than in East Asia and Pacific region, and Latin America and the Caribbean as a whole. However, "Transportation of goods suffers from the deteriorated conditions of existing roads, which more often lack the basic maintenance services." (World Bank, 2009).

The position of some CARICOM countries for which data is available, in terms of the infrastructure related to international trade, is analyzed using the World Bank International Logistic Performance Index (LPI) 2014. "LPI 2014 ranks 160 countries on six dimensions of trade -- including customs performance, infrastructure quality, and timeliness of shipments -- that have increasingly been recognized as important to development. The data used in the ranking comes from a survey of logistics professionals who are asked questions about the foreign countries in which they operate." Here the component *Infrastructure* that refers to the quality of trade and transport infrastructure is examined. The LPI only includes the following CARICOM economies: the Bahamas, Guyana, and Jamaica. The Bahamas is classified in the 41th percentile, Guyana in the 72th percentile, and Jamaica

in the 38th percentile. The Bahamas and Jamaica are better positioned compared to the median of the percentiles of LATAM (50.63), but worse than the median of the ASEAN-5 (27.5). In the ASEAN-5, Malaysia is located in the 16th percentile.

The limited data discussed above, indicates that the CARICOM economies do relatively well in terms of some indicators of infrastructure such as internet, electrification and water services, but there is some evidence that infrastructure more closely related to international trade lags behind with respect to countries in Asia, such as Malaysia, Thailand and Vietnam.

However, this is a subject that given its importance deserves a thorough evaluation. The CARICOM should devote resources and obtain international cooperation to conduct an in depth evaluation of the situation of its infrastructure. This is a key element to design an effective strategy to promote trade and growth in the region.

4. General environment for doing business and entrepreneurship

Baumol et al (2007) argue persuasively that innovation is the key factor for economic growth, and that innovation, in turn, requires a set of institutional arrangements that allows entrepreneurs to thrive. They try to identify a set of rules and institutions that provide the incentives for entrepreneurs to create and disseminate new products and productive techniques. Baumol et al (2007) propose four elements that they deem essential for a successful entrepreneurial economy:

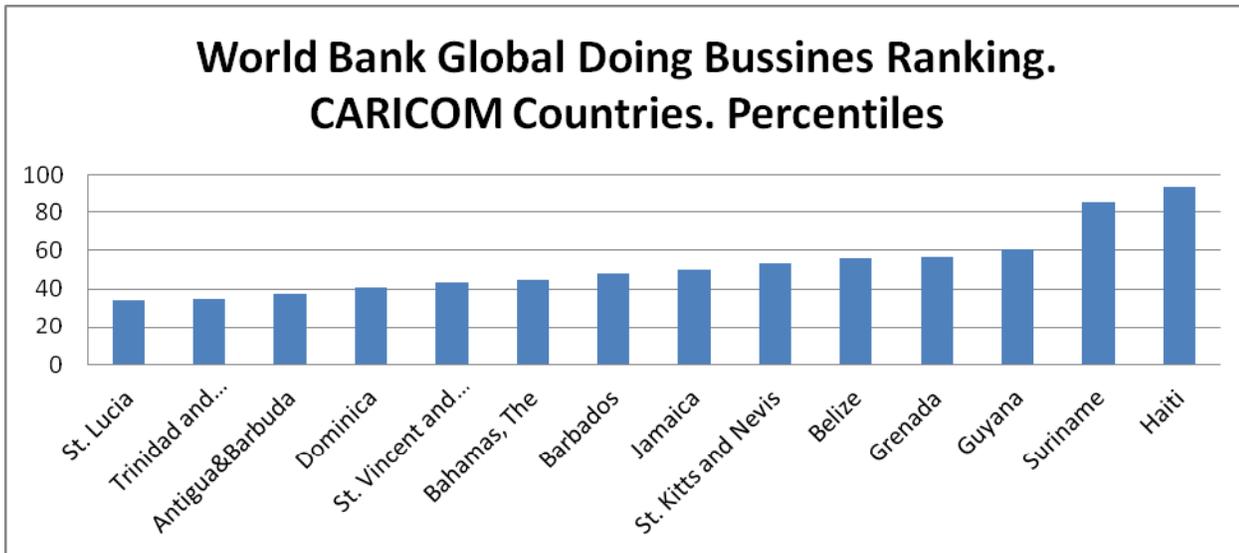
- It must be relatively easy to form a business, without expensive and time-consuming red tape.
- Institutions must reward socially useful entrepreneurial activity. For this, the rule of law is an essential element, particularly in reference to property and contracts right.
- Government institutions must discourage activity that aims to divide up the economic pie rather than increase its size (i.e. rent-seeking activities).
- Government institutions must ensure that successful entrepreneurs and established companies continue to have incentives to innovate and grow. Openness to trade is a fundamental factor to achieve this objective.

The situation of the CARICOM economies in terms of these elements is assessed based on the position of the CARICOM members in the global *Doing Business* index 2014, and in three of its ten categories that can be considered, following Baumol et al (2007), are, specially, relevant for the development of entrepreneurship: *Starting a Business*, *Protecting Investors*, and *Paying Taxes*. As in the analysis of the *Trading Across Borders* index, the position of the CARICOM economies among the 189 economies surveyed by the World Bank is expressed in percentiles, and compared to the median of the positions (in percentiles) of LATAM and the ASEAN-5.

Chart 40 depicts the positions of the CARICOM member countries in the global *Doing Business* ranking. The CARICOM economy located in the lowest percentile is St. Lucia in the 34th percentile, closely followed by Trinidad and Tobago in the 35th percentile. Haiti is the CARICOM country that is placed in the highest percentile (94th). The median of the percentiles for the CARICOM is 48.94, which is lower than the median for LATAM (59.52), and the ASEAN-5 (52.38).

Thus, overall, the CARICOM economies present a more favorable environment for doing business than LATAM and the ASEAN-5. There is still, however, room to make improvements, particularly in countries such as Haiti and Suriname that are located well above the median of the percentiles of the CARICOM.

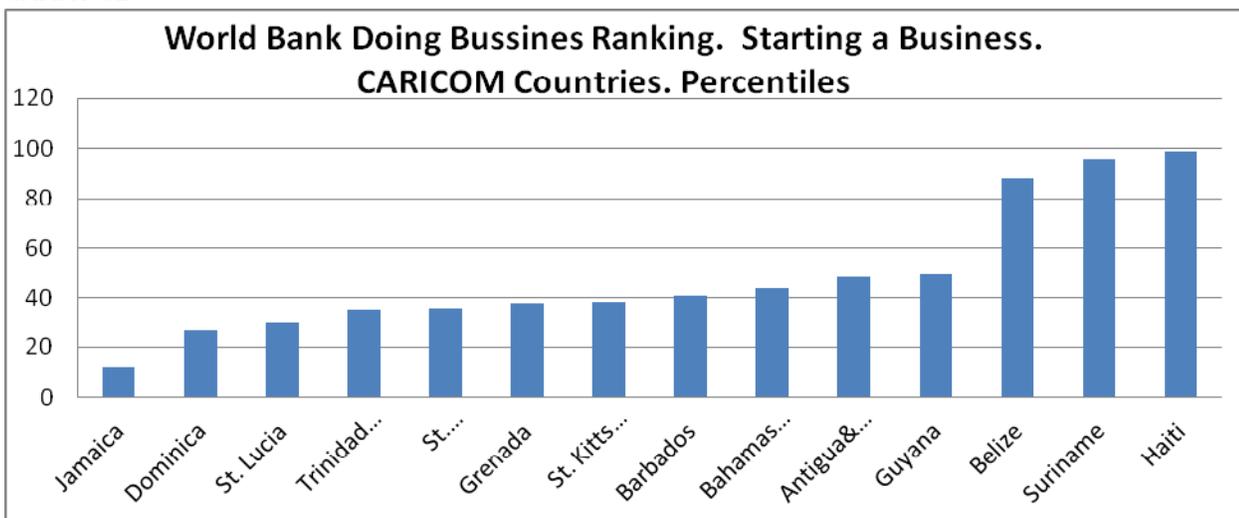
CHART 40



Source: World Bank

Chart 41 records the position of the CARICOM countries in terms of the *Starting a Business* category of the *Doing Business* survey. The CARICOM economy in the lowest percentile of the *Starting a Business* ranking is Jamaica that is located in the 12th percentile. The CARICOM economy that is farthest in the ranking is Haiti that is classified in the 99th percentile. Suriname in the 96th percentile and Belize in the 88th percentile are also poorly positioned in this category. The median of the CARICOM percentiles in the *Starting a Business* ranking is 39.68, which is considerably lower than the one observed for LATAM (65.08), and the ASEAN-5 (57.67). Despite being in a better position in this aspect than the two blocks used as a reference, most of the CARICOM economies still have room to improve this indicator. The experience of Jamaica that is well ranked in this category may be useful for the other members of the CARICOM, particularly those located in the highest percentiles.

CHART 41

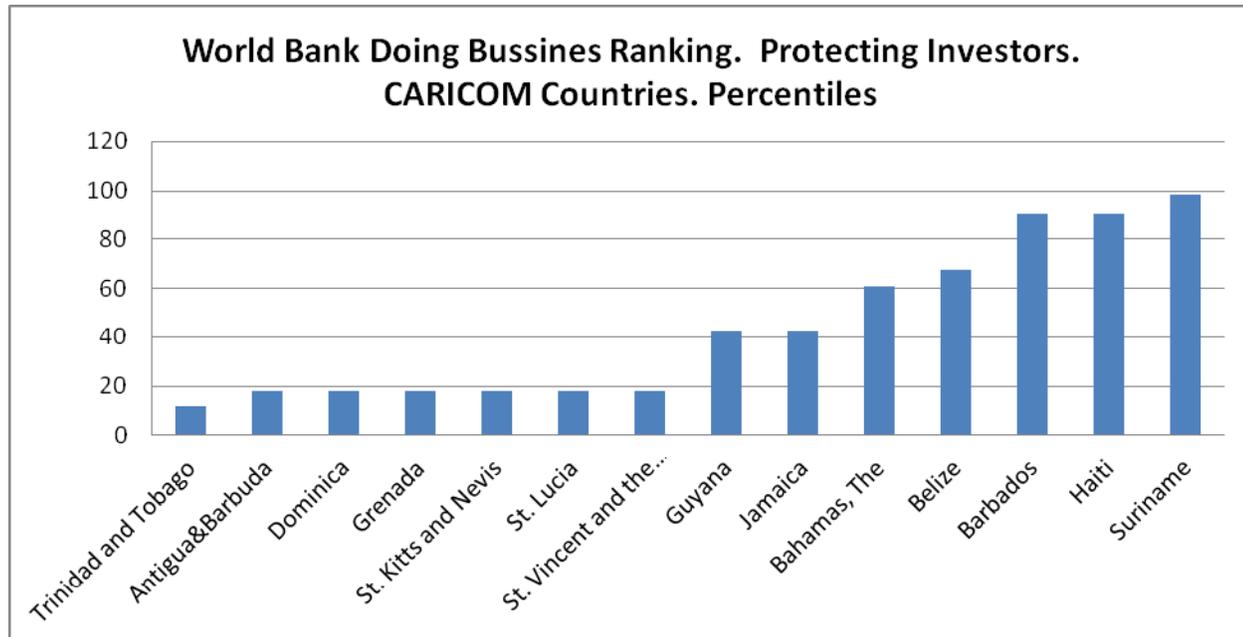


Source: World Bank

Chart 42 registers the position of the CARICOM member countries in the *Protecting Investors* category of the *Doing Business* survey. Trinidad and Tobago in the 12th percentile is the CARICOM country in the best position in this category. Antigua & Barbuda, Dominica, Grenada, St. Lucia, St.

Kitts Nevis, and St. Vincent and the Grenadines are all well located in the 18th percentile. In the other extreme, Suriname is the country in the worst position in the 98th percentile, while Haiti and Barbados are classified in the 89th percentile of the ranking in this category. For the CARICOM the median of the individual countries percentiles is 30.16, which is considerably lower than the corresponding to LATAM (51.85), and slightly below to the median of the ASEAN-5 (37.35). Thus in the Protecting Investors category, the CARICOM is in general, well positioned, although several countries need to make a substantial effort to catch up with the countries that are well classified in this survey. In this aspect, the experience of Trinidad & Tobago can be valuable to its CARICOM peers that do not fare quite well in this category.

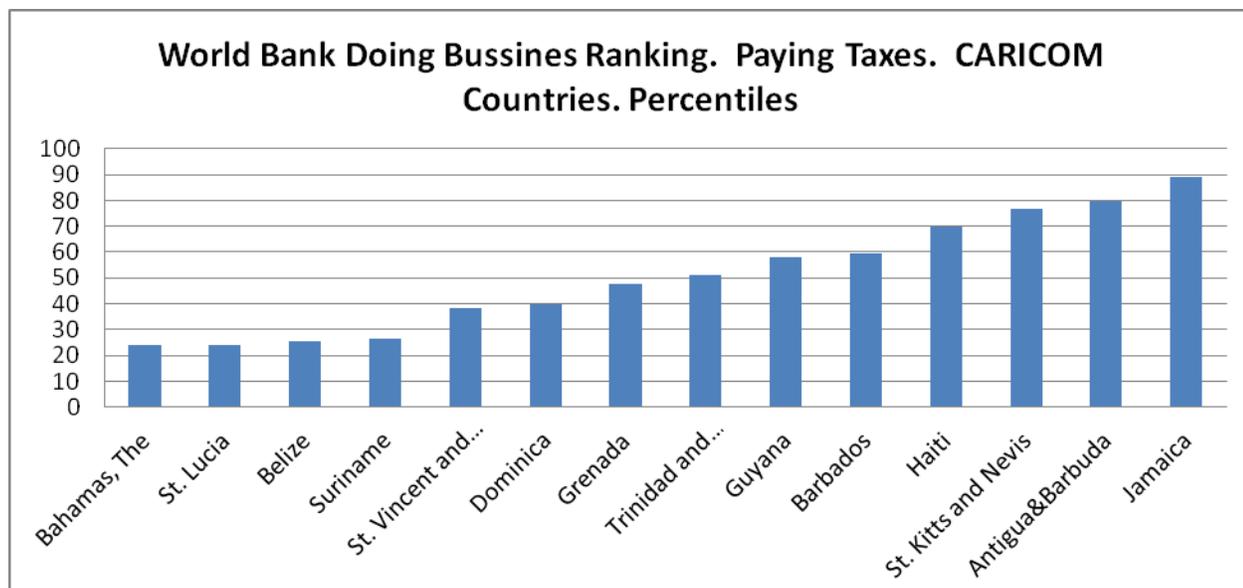
CHART 42



Source: World Bank

Chart 43 portrays the ranking of the CARICOM economies in the *Paying Taxes* category of the *Doing Business* index. The best performers in this category are The Bahamas (24th percentile) and Suriname (26th percentile). Jamaica (89th percentile), Antigua & Barbuda (80th percentile), and St. Kitts and Nevis (76th percentile) are the worst classified in this category. The median of the percentiles for the CARICOM (49.47) is below that of LATAM (74.07), and the ASEAN-5 (69.31). However, as in the other categories of the index, there are several countries in the region that need to make substantial reforms to reach their peers with a better position in this classification.

CHART 43



Source: World Bank

Overall the data suggests that the CARICOM is relatively well positioned in terms of the institutional setting necessary to create a good atmosphere for doing business and entrepreneurship, although there is substantial dispersion among its members.

5. Regional integration in the Caribbean

Given the small size of the Caribbean economies, regional integration is crucial to attain the economies of scale required by many economic activities, and increasing the negotiation power with respect to their main trading partners. Thus, economic integration in the Caribbean might be an important element to stimulate international trade and growth.

Economic integration in the Caribbean region, however, has moved at slow pace. SELA's evaluation of trade in the CARICOM: 1980-2011 (2013), reports that on average, the participation of intra-block trade in total exports in the region is lower than that of Latin America and the Caribbean as a whole. Although the 1973 Treaty of Chaguaramas that created the CARICOM envisioned the establishment of a common market, it was only in 2006 that all CARICOM members, except The Bahamas, joined in the CARICOM Single Market Economy (CSME) – (World Bank, 2009). But the block has a long way to go to become an actual common market. The World Bank (2009) reports a large dispersion in the range of tariffs implemented by CARICOM members on imports from non-members. Hence, a common trade policy with respect to non-CARICOM countries does not effectively exist. Progress is mixed in key elements for an effective common market such as, right of establishment of businesses, and free movement of services, labor, and capital. Although some legal barriers have been removed, there are still many unsettled issues that impede concrete advances in these areas. Another important obstacle to an effective integration is the lack of macroeconomic convergence. As was discussed in Section I, there are marked and persistent differences in the macroeconomic performance of the CARICOM economies more specialized in tourism services (TSP) and those specialized in the production of commodities (CP). Moreover, inside each group, individual economies display considerable differences in the evolution of key macroeconomic variables, particularly those related to fiscal policy. Harmonization of fiscal and monetary policies that is fundamental for macroeconomic convergence will require that countries that currently present unsustainable debt levels embark in carefully designed fiscal consolidation programs combined with schemes of debt relief and restructuring (SELA, 2014).

6. Education in the Caribbean: a brief review of its situation

Most experts recognize that education is a key factor for economic growth, specially, in a world where technology advances constantly. Lucas (1988) *On the Mechanics of Economic Development*, explains how an economy where agents can accumulate human capital through education can grow without limits. In contrast to physical capital which is subjected to diminishing marginal productivity, the marginal product of human capital does not decrease as the quantity of human capital used in production increases. Baumol et al (2007) consider that education is an important aspect for developing entrepreneurial capacities, although some other elements should be present to boost these abilities. Empirical studies in the 90s find statistical support for the contention that education, measured as years of schooling or rates of school enrollment, play an important role in increasing economic growth (Dornbusch, 2000). Most recent empirical literature, however, have focused on the quality of education as a more relevant variable for growth (Hanushek and Woessmann, 2007).

Here some considerations about the situation of education in the Caribbean region based on the World Bank document *Quality Education Counts for Skills and Growth* (2013) are presented. The WB document reports that the Caribbean countries have made substantial efforts to increase

enrollment in primary and secondary education. Following the trend in the international education community, for many years the Caribbean countries focused on increasing access to education and duration of studies. They have achieved considerable advances in these aspects. Since 1960 the average years of schooling of the adult population has increased from 4.3 to 10.3 (2010), a rate very close to that of South America (10.5), and not very far from average of the OECD (12.1). Additionally, many of the Caribbean countries have accomplished near universal enrollment at the primary and secondary level (in the CARICOM, Barbados, Belize, Grenada, and Guyana). Access to higher education, however, remains low with less than 15 percent of secondary school graduates moving to post-secondary education. Moreover, of this group, only a small fraction enrolls in programs that are considered to be in high demand such as: Sciences, Engineering, and Mathematics.

The document also reports that many Caribbean countries devote a significant amount of resources to education. In 2008, St. Kitts & Nevis spent 9.3 percent of its GDP in education, Barbados 6.9 percent, and St. Lucia 6.6 percent. These education expenditures as a percentage of GDP compares favorably to the OECD average of 5.2 percent of GDP.

The WB article points however, that despite the relatively high level of investment, the quality of education in the Caribbean remains low. "The average pass rates for standardize tests in core subjects such as English and Mathematics are less than 50 percent, and many students lack basic skills in information and communication technology and other disciplines deemed critical for success in the work place."

7. Labor market rigidities and high labor costs

The World Bank (2009) points out that "Labor markets in CARICOM member states are characterized by relatively high wages and low flexibility compared to other middle-income countries." According to the World Bank document, there is evidence of a misalignment between wages and productivity that can be attributed to four main factors: a) CARICOM economies are characterized by strong unions that have a large influence on wage setting through their political and bargaining power during collective negotiations; b) CARICOM countries have large public sectors that impact wage setting across the economy; c) rigid labor regulations such as minimum wage laws make difficult to hire and fire workers; d) remittances also affect the labor market by raising the reservation wage.

VI. CONCLUDING REMARKS AND POLICY RECOMMENDATIONS

This document focuses on a detailed examination of the structure of exports of the CARICOM, and the evolution of trade flows between the CARICOM and LATAM for the period 2000-2013, in order to propose policies that could promote, stabilize, and diversified the exchange of goods and services between the two regions.

The data indicates that: a) goods exports from the CARICOM to LATAM increased at faster rate than goods exports from the CARICOM to the rest of the world, specially, since 2010; b) imports of goods to CARICOM from LATAM have increased at a faster rate than imports to CARICOM from the rest of the world, but they exhibit a downward trend since 2008 in nominal terms, and since 2011 in real terms; c) exports of goods from the CARICOM to LATAM are more concentrated in mineral fuels, lubricants and related materials than those from the CARICOM to the world; d) few LATAM countries appear as the top five destinations of goods exports from the CARICOM economies; e) exports of tourism services are the main export item for the majority of the

CARICOM economies, and are principally consumed by the United States and European Union countries.

Based on the analysis of the data, the document considers that the implementation of a set of coordinated policy recommendations are essential to stimulate trade flows with LATAM, and more generally, transform the CARICOM member countries in genuine exports oriented economies.

- **Promoting comprehensive trade agreements with Latin America trading blocks and individual countries**

The most direct way to maintain the dynamism and stabilize the exports of goods to LATAM, diversified those exports, and recover the growth of imports from LATAM, is through the negotiation of comprehensive free trade agreements. A review of the trade agreements in effect in the Latin American and Caribbean region indicates that the CARICOM maintains a relatively short list of these agreements with regional blocks or individual countries in LATAM. Therefore, there is space for a more active policy for negotiating trade agreements with other regional economic blocks or individual countries in LATAM.

The negotiation of new comprehensive trade agreements with LATAM could be a long-run objective that could be achieved through the establishment of partial trade treaties in the short-run. Specific accords in areas such as double taxation and protection of investment could also be useful, while wide-ranging trade agreements are reached.

In addition, it is important for the region to take advantage of the existing accords. The CARICOM and the national governments should strengthen their actions to promote exports of goods and services. They could play a valuable role by improving the information available to the private sector about the opportunities offered by the existing trade agreements, instruct diplomatic representations to increase their ties with the business communities in the LATAM countries in which they operate, and organize meetings between CARICOM exporters and LATAM businesses.

However, to take full advantage of wide-ranging trade agreements and other mechanisms of trade promotion, the CARICOM needs to address additional fundamental issues that are hampering its international competitiveness and capacity to maintain a robust output growth.

- **Correcting fiscal and macroeconomic imbalances**

As illustrated in Section I, the CARICOM region shows a disappointing growth record in comparison to LATAM and EM&DC. From a macroeconomic perspective, this dismal growth performance is closely related to the serious and persistent fiscal imbalances that affects many of the CARICOM economies. For the period 2000-2013, the CARICOM displays larger overall fiscal deficits and gross public debt to GDP ratios than LATAM and EM&DC. The SELA document *Debt Burden and Fiscal Sustainability in the Caribbean Region (2014)* presents empirical evidence that the gross debt to GDP ratio of several CARICOM economies is excessive, leading to fiscal unsustainability. In these countries, the fiscal primary balance has been systematically insufficient to stabilize their debt to GDP ratios at manageable levels, and less yet to reduce these ratios to sustainable values (under 60 percent). The document also discusses econometric evidence that points to a negative relationship between the debt to GDP ratio and the rate of growth of per capita GDP for the period 1999-2011 in the Caribbean region.

Another characteristic of the debt burden situation of the CARICOM countries is that is far from being uniform. In 2013, the average debt to GDP ratio for the region was 75.08 percent. Five

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economies had debt/GDP ratios above 90 percent; five economies displayed ratios between 60 and 90 percent; two economies were in the 30 to 60 percent range; and two economies showed ratios under 30 percent. Jamaica (138.91 percent) and Grenada (115.04 percent) are the countries with the highest debt to GDP ratios in the CARICOM. Haiti (21.32 percent) and Suriname (29.19 percent) present the lowest values. With the exception of Guyana, all CARICOM members with debt/GDP ratios above the 60 percent threshold are TSP countries.

Given the magnitude of the widespread fiscal imbalances in the CARICOM block, a combination of well-designed fiscal consolidation programs and debt relief/restructuring schemes is required. Although fiscal consolidation should stress measures to reduce expenditures, it is very important to preserve investment in infrastructure, particularly, in those projects more closely related to trade. The adoption of fiscal rules for public expenditures and fiscal primary balances together with a medium term fiscal framework could enhance substantially the probability of a successful fiscal adjustment.

Thus, from a macroeconomic perspective, and in particular for the TSP countries in the CARICOM, it would be necessary to implement fiscal adjustment and debt relief/restructuring programs gear to reduce their excessive debt burden and achieving a sustainable fiscal position. Achieving a sustainable fiscal position will improve domestic and foreign private sector expectations and reduce pressures to appreciate the real exchange rate. This in turn, could translate into more efficient investment, and increase exports. Furthermore, achieving a sustainable fiscal position is also vital to reduce the high and persistent current account deficit that seriously affects most economies in the CARICOM block.

Fiscal policy convergence that is fundamental to attain effective regional integration in the form of the Caribbean Single Market Economy (CSME), can only be viable if the current fiscal imbalances are solved. The CARICOM could play a central role in setting realistic goals, timetables for their attainment, and monitoring the process of fiscal convergence.

- **Investment in trade infrastructure**

According to the limited information available, the CARICOM economies exhibit some infrastructure indicators in areas such as electricity, water and sanitation, and internet access which are at par with those of other developing economies. The infrastructure more closely related to trade (roads, transport, and ports), however, shows signs of lagging behind with respect to that of export oriented economies in Asia.

As pointed in Section Introductory, the average investment to GDP ratio of the CARICOM is relatively high compared to that observed in LATAM, and close to that of EM&DC, thus the central problem seems to be the allocation of investment more than its level. Hence, the CARICOM economies should make an effort to maintain their level of investment, but their main focus should be to channel that investment toward the infrastructure that is more closely linked to trade.

It is recommended the adoption of a regional approach to investment in trade infrastructure coordinated by the CARICOM, in the context of a strategic plan with clear, goals, timetables and monitoring indicators. A basic element of such a plan should be the achievement of a balance development of trade infrastructure across all member countries. The plan should also foster the development of regional public goods mainly regional transport links (World Bank, 2009). The design and proper implementation of this plan requires, however, that the CARICOM makes an in depth assessment of the current state of the economic infrastructure in the block.

The CARICOM economies, particularly those exposed to a heavy debt burden, face a difficult challenge to generate the resources required for improving their trade infrastructure. Even if the fiscal adjustment programs necessary in many CARICOM economies are designed to protect public investment, this might be insufficient to provide the amount of resources needed to improve the trade infrastructure to a level competitive with that of the most successful export oriented economies. Therefore, a plan for enhancing trade infrastructure should contemplate measures to attract domestic and foreign private sector partnerships, and foreign aid.

- **Strengthening regional integration**

The CARICOM has a critical role to play in speeding up the process toward an effective common market in the Caribbean region. The CARICOM should buttress its efforts to achieve the goal of the Caribbean Single Market Economy (CSME). It should dedicate resources and obtain international collaboration to identify the restrictions that are slowing down the process, establish realistic goals and timetables for their achievement, and monitoring the advances to make the corrections deem necessary.

Given the small size of the Caribbean economies, strengthening regional integration is a central element for gaining competitiveness in a globalized world. The CARICOM should have a leading role in designing, implementing, and monitoring a regional strategy aimed at achieving macroeconomic, institutional, and infrastructure convergence.

The CARICOM should also boost its capacity to extract the maximum benefits from the existing free trade agreements, and negotiate future treaties that help the region to realize its full potential for exports of goods and services.

To fulfill these roles in the regional integration process, the CARICOM should reinforce its institutional organization, and work closely with other regional organizations such as the Association of Caribbean States (ACS).

- **Moving beyond tourism services**

Section II documents the important weight that tourism services have in the economic activity of many of the CARICOM economies. Section I shows that CARICOM economies that specialize in tourism services (the TSP countries), also display a poor growth performance in comparison with their CP peers, Latin America, and Emerging Markets and Developing Economies. Hence, tourism services have not been able to generate a robust growth in the economies that rely heavily on this activity. The World Bank (2009) argues that: "The region's traditional tourism product, beach resorts, has matured and faces challenges from competitors in other regions such as Asia, and the rapidly changing nature of global tourism demand. The region also faces issues related to its strategy for managing and marketing the sector." Therefore, apart from exploring new niches in tourism services, (i.e. high-end tourism), it is necessary for the CARICOM countries to encourage, in cooperation with the private sector, investments in new areas such as high value financial services, information technologies, telecommunications, and maritime transport.

The Bahamas and Barbados are well established offshore banking centers in the CARICOM. There is also some offshore banking activity in Antigua & Barbuda, Belize, Dominica, Grenada, St. Kitts & Nevis, St. Lucia, and St. Vincent & the Grenadines. Most recently, Trinidad & Tobago has become a leading financial center in the CARICOM (World Bank, 2009)

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Although many services activities can be less dependent on economies of scale and complex supply chains than the production of goods, they require a well-educated work force as any modern economic activity. Thus, the development of a more active and competitive services economy will require solving some of the weaknesses of the education system in the Caribbean region that were discussed previously.

The liberalization of the services sector in the CARICOM region is another factor that is of crucial importance to promote its development, and stimulate the participation of private agents. However, the World Bank (2009) reports problems in the implementation of various aspects of the single market for services.

It is important to note, also, that the lack of reliable data about the services sector, constitute a severe limitation to assess its current state and its potentiality in the region. A thorough research of the services sector by the CARICOM is vital to define a long-term strategy for promoting the production and exports of services.

- **Augmenting shipping connectivity**

Improving transport connectivity of the CARICOM block is a key factor in any strategy gear to transform the region in a global player in the exports of goods and services. Existing and future trade agreements combined with concrete reforms to speed up trade across borders, and a viable plan to upgrade trade infrastructure, could be very important in enhancing shipping connectivity in the region.

The CARICOM should play a central role in devising a plan for improving the overall connectivity of the block and attaining convergence of its individual members in this area. On this issue, the CARICOM could benefit greatly of a closer contact with the Association of Caribbean States (ACS) that through its Directorate of Transport could provide valuable technical expertise.

- **Reforming the education system**

The World Bank (2013) holds that the Caribbean countries education system presents weaknesses at all levels, from early childhood education to higher education. The paper emphasizes that for improving the quality of education in the Caribbean region, it is crucial to combine the efforts of the public and private sector. As the private sector is more attuned to the skills and changing market conditions that affect the Caribbean economies, collaboration between the public and private sector may help to identify the skills required in the labor market, and determine a cost-effective, quality approach through which they can be developed. "This approach could include employers contributing to the design and enrichment of the curriculum, with integration of career and academic courses and providing work-based learning opportunities for students."

The CARICOM countries should promote the teaching of Spanish from an early stage of the schooling process. This could contribute significantly to enhance the cultural and commercial ties between the Caribbean region and Latin America. In addition, post-secondary education in the Caribbean could benefit from an active exchange program with universities and research centers in Latin America. Though the LATAM education system has its own weaknesses, it still could provide to the CARICOM countries the access to education resources that are not available to them because the small size of their economies and financial constraints. In addition, this exchange could promote the cultural and trade links between the two regions.

- **Improving and standardizing the administrative processes for trading across borders**

The analysis of the Trading Across Borders category of the World Bank Doing Business index suggests that the majority of the CARICOM countries have plenty of space to improve the institutional arrangements related to international exchange. A careful revision of the complete process involved in trading across borders, and the best practices adopted in other successful countries could be crucial to improve trade flows of the CARICOM with LATAM and the rest of the world.

The CARICOM should play a central role in standardizing the processes involved in trading across borders as an important factor in strengthening regional integration and reinforcing competitiveness. The experience of Barbados that is well ranked in the trading across borders category could be a good starting point for other economies in the CARICOM that do not fare well in this category.

- **Reinforcing the climate for doing business and entrepreneurship**

Overall the CARICOM is relatively well positioned in terms of the institutional setting necessary to create a good atmosphere for doing business and entrepreneurship. But this does not mean that there is not room for improvements. There is considerable dispersion in the situation of the CARICOM members in the global *Doing Business* index, and the categories examined. Several individual countries in the CARICOM need to make considerable efforts to move their indices related to business environment and entrepreneurship toward the levels of the best performers in the block, or the best performers in other regions, such as Malaysia.

Reform in this area, together with macroeconomic and other institutional adjustments could have relevant positive effects on trade and growth. The CARICOM should aim to improve and standardize the elements involved in doing business and promoting entrepreneurship in the region.

- **Making labor markets more flexible**

In a globalized world, rigidities in the labor markets can have substantial effects on the competitiveness of goods and services exports. The CARICOM countries should promote reforms to make their labor markets more flexible, facilitating the process for hiring and firing workers, and reducing the role of the minimum wage in favor of an approach that favors wage adjustment on a sector by sector basis.

Labor market reforms should also be harmonized across the region, and be compatible with the Caribbean Single Market Economy objective of allowing the free movement of labor.

- **The role of foreign aid**

Given the constraint on resources implied by the need of a strong fiscal adjustment in several CARICOM economies, and the small size of its financial system and private sector in general, foreign aid should play a prominent role as a source for financing the implementation of the policy recommendations discussed so far. Improvements in trade infrastructure, enhancing shipping connectivity, overhauling the administrative processes involved in trade across borders and doing business, promoting the development of new services sectors, and reforming education will require substantial financial and technical resources.

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Foreign aid should follow a regional strategy aimed at promoting the convergence of the CARICOM economies that is required for the effective functioning of the single economy, and their successful integration into the global economy.

For foreign aid to achieve its objectives, however, a strong institutional framework must be developed, that ensures the efficiency, transparency, and accountability in the use of the resources provided through foreign aid programs. The CARICOM must play an important part in developing the institutional structure for defining a long-term strategy for foreign aid, and the proper management of the resources that it makes available.

CARICOM MAIN GOODS EXPORTS AND TOP DESTINATIONS

Country	Top Five Exports – Goods	Top Five Exports Destinations
Antigua & Barbuda	Pasta (78%), Passenger and Cargo Ships (2.6%), Cocoa Beans (2.3%), Crude Petroleum (1.3%), and Industrial Food Preparation Machinery (1.3%)	Nigeria (94%), Poland (2.3%), South Africa (1.3%), Cameroon (0.60%), and Suriname (0.40%)
Bahamas	Refined Petroleum (56%), Passenger and Cargo Ships (12%), Paintings (5.5%), Styrene Polymers (4.8%), and Coal Tar Oil (4.3%)	Singapore (27%), United States (26%), Poland (12%), Ecuador (5.5%), and Dominican Republic (5.3%)
Barbados	Refined Petroleum (24%), Concentrated Milk (8.6%), Non-fillet Frozen Fish (7.6%), Cocoa Beans (4.6%), and Packaged Medicaments (4.1%)	Nigeria (56%), Bunkers (9.8%), Trinidad and Tobago (6.4%), United States (5.7%), and United Kingdom (2.9%)
Belize	Crude Petroleum (18%), Wheat (14%), Fruit Juice (6.4%), Bananas (6.2%), and Cars (5.6%)	Nigeria (41%), United States (25%), United Kingdom (8.6%), Cameroon (3.2%), and Costa Rica (2.1%)
Dominica	Refined Petroleum (16%), Soap (13%), Scrap Iron (9.4%), Bananas (5.5%), and Other Plastic Products (5.1%)	Paraguay (16%), United Kingdom (9.0%), Saudi Arabia (8.8%), Jamaica (8.7%), and Vietnam (8.6%)
Grenada	Nutmeg (33%), Non-fillet Fresh Fish (17%), Scrap Vessels (12%), Wheat Flours (5.9%), and Toilet Paper (4.8%)	United States (19%), Pakistan (12%), Germany (10%), Netherlands (7.1%), and Saint Kitts and Nevis (5.6%)
Guyana	Gold (45%), Rice (12%), Aluminium Ore (12%), Raw Sugar (9.1%), and Railway Cargo Containers (2.9%)	United States (29%), Canada (26%), Venezuela (6.2%), United Kingdom (5.5%), and Jamaica (4.0%)
Haiti	Knit T-shirts (36%), Knit Sweaters (29%), Non-Knit Men's Suits (10%), Scrap Iron (3.8%), and Non-Knit Men's Shirts (2.4%)	United States (85%), Canada (2.9%), Vietnam (2.5%), Dominican Republic (1.3%), and Mexico (1.2%)
Jamaica	Aluminium Oxide (39%), Aluminium Ore (8.8%), Refined Petroleum (7.3%), Alcohol > 80% ABV (6.8%), and Raw Sugar (3.7%)	United States (43%), Canada (16%), United Kingdom (5.6%), Netherlands (4.3%), and Norway (3.7%)
St. Kitts & Nevis	Broadcasting Equipment (20%), Electrical Resistors (15%), Electric Motor Parts (12%), Broadcasting Accessories (10%), and Postage Stamps (7.8%)	United States (62%), Canada (8.9%), Russia (5.2%), Germany (4.0%), and Antigua and Barbuda (1.8%)
St. Lucia	Beer (21%), Bananas (18%), Hydrometers (7.3%), Refined	Barbados (20%), United Kingdom (20%), United States

Country	Top Five Exports – Goods	Top Five Exports Destinations
	Petroleum (5.6%), and Flavored Water (5.5%)	(17%), Guyana (7.4%), and Saint Vincent and the Grenadines (6.1%)
St. Vincent & the Grenadines	Special Purpose Ships (16%), Recreational Boats (13%), Planes, Helicopters, and/or Spacecraft (10%), Wheat Flours (9.2%), and Scrap Vessels (7.8%)	Cameroon (17%), Austria (10%), France (8.9%), Saint Lucia (7.6%), and Sudan (7.6%)
Suriname	Aluminium Oxide (32%), Gold (28%), Refined Petroleum (14%), Bananas (3.1%), and Rice (3.0%)	United States (22%), Canada (17%), Belgium-Luxembourg (16%), Guyana (8.0%), and Barbados (5.6%)
Trinidad & Tobago	Petroleum Gas (32%), Refined Petroleum (22%), Ammonia (13%), Acyclic Alcohols (8.8%), and Crude Petroleum (7.5%)	United States (43%), Argentina (6.5%), Spain (5.0%), South Korea (4.5%), and Jamaica (4.4%)

Source: Observatory of Economic Complexity (MIT)

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