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Opportunities and challenges for agrifood trade

between Central
American Integration
System and Caribbean
Community countries



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Opportunities and challenges for agrifood trade between Central American Integration System and Caribbean Community countries

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Abbreviations

CAFTA-DR	Free trade agreement between the United States of America, Central America and the Dominican Republic
CARICOM	Caribbean Community
CARIFORUM	Caribbean Forum of African, Caribbean and Pacific States
EPA	Economic Association Agreement
FAO	Food and Agriculture Organization of the United Nations
FCL	full container load
GDP	gross domestic product
HS	Harmonized Commodity Description and Coding System
LAC	Latin America and the Caribbean
LCL	less than container load
MFN	most-favoured nation
NTM	non-tariff measure
PSTA	Partial scope trade agreement
RCA	revealed comparative advantage
RTA	regional trade agreement
SECAC	Executive Secretariat of the Central American Agricultural Council
SICA	Central American Integration System
SIECA	Permanent Secretariat of the General Treaty on Central American Economic Integration
TFA	Trade Facilitation Agreement
WTO	World Trade Organization

Executive summary

The objective of this document is to **identify opportunities to promote trade in agrifood products** between the Central American Integration System (SICA)¹ and the Caribbean Community (CARICOM)² countries, **in order to contribute to the reduction of food insecurity, generate more sources of employment, reactivate economies, and improve living conditions in general for the inhabitants of these subregions.**

For the purposes of this document, agricultural, livestock and fishery products are defined as agrifood products, both in their primary and processed forms that are included in chapters 1–24 of the Harmonized Commodity Designation and Coding System (HS).

Trends in agrifood trade

- In recent years, **the participation of low- and middle-income economies in global agrifood trade has increased**, new players have appeared, and the number of trade networks and relationships has increased.
- **The global food trade network has become more decentralized and regionalization, or the tendency of countries to trade more within the same region, has increased**, often for reasons of geographical proximity and the deepening of economic integration processes fostered by RTAs.
- **Of the total agrifood trade, 70 percent corresponds to processed products, including meats, fats and oils, wine, various prepared foods, and cheeses, among others.**
- **There has also been an increase in the use of non-tariff measures (NTM)s applicable to agricultural products.** On average, an agrifood product is subject to eight different NTMs compared to fewer than two measures applicable to manufactured products or goods produced in other sectors.
- **The agrifood trade showed high resilience to the shocks experienced in recent years**, although their effects in Latin America and the Caribbean (LAC) countries have varied.

Trade between SICA and CARICOM countries

- **Nearly 50 percent of the exports from SICA countries are agrifood products.** The main exporters in the subregion are Guatemala, Costa Rica and Honduras.
- **In CARICOM, 8.1 percent of exports correspond to agrifood products.** The main exporters are Jamaica, Trinidad and Tobago and Guyana.
- **The SICA subregion maintains an agrifood trade surplus, with the exception of some products that are key for food security such as wheat, corn and rice. In CARICOM, more than 60 percent of the food consumed is imported**, and half of its Member States import more than 80 percent of their food.

¹ The Central American Integration System (SICA) is the institutional framework for the integration process of the Central American countries, created by Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. Belize and the Dominican Republic joined as full members in 2000 and 2013, respectively.

² CARICOM members are: Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Saint Lucia, Suriname, and Trinidad and Tobago. In addition, it has five associate members: Anguilla, Bermuda, British Virgin Islands, Turks and Caicos Islands, and Cayman Islands. The Bahamas, Montserrat and Haiti do not participate in the Single Market Initiative, nor do the associate members.

- In terms of global trade, **the main supplier of agrifood products, for both subregions, is the United States of America**, with the subregion itself as the second main origin of these products while the European Union ranks third.
- Despite the geographical proximity of the SICA and CARICOM countries, **trade in agrifood products between the two subregions is relatively low**, representing just over 0.1 percent of LAC's agricultural trade.
- **Agrifood trade is more concentrated in the Caribbean countries** than in the Central American countries and the Dominican Republic.
- **The Dominican Republic is the main buyer of CARICOM agrifood, while Trinidad and Tobago** is the most important importer of products from SICA.
- **The most relevant intraregional supplier/buyer countries are those that are geographically closest and have, due to the existence of a regional trade agreement (RTA), tariff advantages over third parties.** Such is the case of the Dominican Republic with the CARICOM countries or Guatemala with Belize. A third relevant supplier for the Caribbean countries is Costa Rica, which has a trade relationship with the subregion under the framework of the CARICOM–Costa Rica free trade agreement.

Market access conditions in SICA and CARICOM countries

- **Countries in both CARICOM and SICA maintain high tariffs on agricultural products**, although countries in the former subregion have a higher average tariff (18.6 percent) than in the latter (11.5 percent).
- **Each of the subregions has an internal preferential tariff regime that is more favourable than that applied to goods from third countries.** Negotiations with third parties have not resulted in the reduction of tariffs on products with the highest protection, with the exception of the products included within the framework of the Free trade agreement between the United States of America, Central America and the Dominican Republic (CAFTA–DR) negotiated by the SICA countries.

Methodological approach

- **The research was carried out based on two types of analysis:** a quantitative analysis, using the revealed comparative advantages (RCA) index, the economic complementarity index and other criteria that allow the identification of growth opportunities in bi-regional trade; and a qualitative analysis, involving a series of interviews conducted with key informants in both regions.

Opportunities for the development of intraregional agrifood trade

Findings

- Based on the methodology used, **80 subheadings (671 combinations) were identified with the greatest potential to expand trade between both regions, which represent a total potential market of USD 2.77 billion.** Of this amount, 79 percent corresponds to opportunities for the CARICOM countries and 21 percent for the SICA countries.
- **Of these subheadings, 64 percent correspond to processed food products, while the remaining 36 percent apply to agricultural goods in primary forms.** Primary products include beef, some dairy products (powdered milk and cheese), tomato, cauliflower and broccoli, beans and

other vegetables, bananas and coffee. As for processed food products, these include preparations based on mixtures of vegetable oils, sausages, canned tuna, raw sugar, pasta, cereal-based products, pineapple juice, sauces and seasonings, bottled water and animal feed.

- **Guatemala, Costa Rica and Honduras are the countries in the SICA subregion with the greatest number of products with trade expansion potential; while, in CARICOM, Jamaica, Barbados and Trinidad and Tobago have the most products in this category.**

Main challenges

The main constraints faced by both regions to expand bilateral trade are identified below:

- **Sanitary and phytosanitary concerns.** There is a “lack of trust” in the mechanisms applied by each country to guarantee “acceptable” risk levels, which ensure the safety and health of products imported from third countries. This is especially the case in CARICOM, where some countries do not have the technological resources, human capital, and infrastructure necessary to verify that imported agrifood products meet the food safety requirements demanded.
- **Deficient transportation and distribution between subregions and with third parties.** The second relevant priority for boosting agrifood trade flows is related to the availability of transportation and distribution. Deficiencies in port infrastructure, the lack of maritime and air routes, the low shipping frequency, and the specific characteristics of different means of transport all raise the costs of trade between the two subregions. This is not a new problem, but rather a long-standing concern that has been present for decades.
- **Limited cargo volume is unattractive for transportation companies.** According to the logistics experts consulted, in both subregions there is greater availability and frequency of transportation for full container loads (FCL) than for partial container loads (LCL), which contrasts with the available supply of agrifood products.
- **The response capacity of the institutions responsible for trade-related procedures is inadequate.** There is a need to strengthen the capacities of institutions linked to foreign trade, especially due to the impact that their decisions and response times have on the costs of companies.
- **Tariffs remain high for agricultural products, which impacts trade costs. All countries maintain tariff peaks on certain products.** In regional trade agreements (RTA) with third parties, tariff protection has been maintained, with the exception of the CAFTA–DR.
- **Cultural barriers also hinder bi-regional agricultural trade.** One of these barriers is language. For companies with little experience in internationalization processes, this situation can mean a disincentive to export or import.

Conclusions and recommendations

- **Trade in agrifood products between the two subregions is relatively low and, therefore, has potential for growth.** This is the case despite the geographical proximity of their markets, the degree of complementarity of the SICA and CARICOM countries, and the existence of some preferential market access opportunities.
- To overcome the high tariffs in the agrifood sector, **a potential RTA between SICA and CARICOM could have favourable outcomes for Caribbean exports to the Central American market by**

enabling them to match the margins of preference currently enjoyed by products originating in the United States of America, the European Union or Mexico. It could also ensure that the SICA countries have better access conditions than their main competitors in CARICOM.

- **The existence of structural limitations inhibits realizing the full potential of any trade liberalization process.** Improving infrastructure, capacities and confidence in quality control systems, overcoming lags in logistics connectivity and transport limitations, as well as achieving an efficient response capacity of entities involved in trade-related procedures and even overcoming cultural barriers are some of the main challenges that both regions face to promote trade.
- **The coordination between the sanitary and phytosanitary authorities of both subregions,** through the creation of forums that allow the exchange of best practices, requirements and quality control mechanisms for agricultural products, **creates a space for the negotiation of regulatory convergence mechanisms, equivalence or mutual recognition agreements, and the signing of phyto- and zoosanitary protocols for specific products where trade potential has been identified.**
- **In terms of logistics and transportation, it is necessary to have a comprehensive and accurate diagnosis of the current state of port infrastructure,** including both Central American and Caribbean countries, which includes the availability and frequency of routes, transit times, the modality of cargo and type of transport, as well as the costs associated with logistics and intra- and extraregional transport.
- **A coordinated logistics and transport policy would promote greater trade flows towards the most efficient hubs or trans-shipment centres in each of the subregions.** In addition, policies should consider the convergence and modernization of maritime and port legislation, the use and improvement of existing infrastructure, incentives for the development of a cabotage or alternative transport network for short distances (for example, ferries) and the design of policies and procedures that allow a more efficient port operation, among others.
- **Promote public-private partnerships, which represent an alternative to improve the infrastructure of developing countries** and complement public investment. Some countries in the subregion have experience with the implementation of projects of this type.
- **To overcome volume limitations and generate greater economies of scale, it is important to identify value chains that can be developed at the subregional level.** Through an integrated analysis of trade efficiency, the necessary actions can be designed to overcome the main “bottlenecks”.
- **The creation of single windows for foreign trade to expedite import and export procedures would contribute to improving the response capacity of trade-related institutions.** In this regard, both regions should strengthen policies designed to promote the full implementation of the Trade Facilitation Agreement (TFA) of the World Trade Organization (WTO), including the use of simplified requirements, the creation of control mechanisms based on better risk analysis, and the development of practices that promote greater transparency. International cooperation agencies could play a key role in strengthening capacities and implementing these instruments that would facilitate agricultural trade between both subregions.
- **Advances in any of these areas will contribute to boosting trade flows of agricultural products and improving food security in both regions,** in order to ensure food availability, access, utilization and stability of supply.

1. Introduction



This study is part of a series of joint projects that the Food and Agriculture Organization of the United Nations (FAO) and the Inter-American Development Bank (IDB) have developed that focus on possible trade solutions to address the food security crisis, as well as the need to generate greater employment opportunities, promote economic recovery and, in general, achieve better living conditions for the population in Central America and the Caribbean.

The slowdown of the tertiary sector worldwide, especially tourism, along with the interruption of supply chains, the increase in the costs of international merchandise transport, and the increase in the cost of some raw materials in 2020 due to the COVID-19 pandemic, followed by the war in Ukraine two years later, have not only exacerbated the inflationary escalation in food prices, but have also slowed the economic reactivation of the economies of the region.

This set of events, most of them unforeseen, has negatively affected the four dimensions of food security in the region: food availability, access, utilization and stability. This is especially the case in Central America and the Caribbean, where the prevalence of moderate or severe food insecurity exceeds the average for Latin America and the Caribbean (FAO *et al.*, 2023). The external sector continues to be key to the growth of the countries of the region, both during the decades of globalization and in recent years of recurring trade shocks and great uncertainty. Therefore, it is important to carry out the necessary reforms and investments that will improve the competitiveness of their economies so that they can adapt and increase their capacity to take advantage of emerging opportunities in a constantly changing environment.

The Secretariat of the Central American Agricultural Council (SECAC) and the Secretariat of Central American Economic Integration (SIECA) raised the need to promote integration spaces in terms of agrifood trade between both subregions. This study was developed in response to their commitment to meet this need and seek trade opportunities, but also to address the challenges in bi-regional agrifood trade.

The document is organized into six sections: (i) an introduction; an abbreviated analysis of agrifood trade trends globally and between the two subregions; (ii) the conditions of access to markets in both subregions; (iii) a section that defines the coverage and methodology used for the research; (iv) the identification of products with trade potential; (v) the main limitations and challenges faced by countries to take advantage of these opportunities and (vi) the conclusions and public policy recommendations aimed at overcoming these challenges and contributing to the objective of expanding and strengthening food security.

2. Trends in agrifood trade



2.1 Recent changes in agrifood trade

During 2021, global exports of agricultural products³ reached close to USD 1.9 trillion;⁴ more than three times the value observed two decades ago (Figure 1). Although the main exporters of agrifood continue to be mainly high-income countries, such as the United States of America, the Netherlands (Kingdom of the),⁵ Germany, France, Spain, Canada and Italy, along with a few exceptions such as Brazil and Indonesia, in recent years the share of low- and middle-income economies in global agrifood trade has also increased.

Since 1995, structural changes have been observed in the trade of this type of product. Not only has a more dynamic increase been observed in agrifood trade, especially from 2000, stimulated to a large extent by the multilateral trade liberalization processes and the signing of RTAs, but the participation of emerging economies and low- and middle-income countries also increased. In addition, the global network of food and agricultural trade has become more decentralized (FAO, 2022). New actors have appeared, and the number of trading hubs and trade relationships have increased, while their share of total trade has decreased. Also, their regionalization or the tendency of countries to trade more within the same region has increased, often for reasons of geographic proximity and the deepening of economic integration processes fostered by RTAs.

A 70 percent of agrifood trade corresponds to processed products, including meats, fats and oils, wines, various food preparations and cheeses, among others. In 2021, according to the HS classification, 22 percent of world agrifood exports corresponded to products of animal origin (Chapters 1–5 of the HS), 41 percent to those of plant origin (Chapters 6–15) and 37 percent to food industry products (Chapters 16–24) or goods with a higher level of processing.

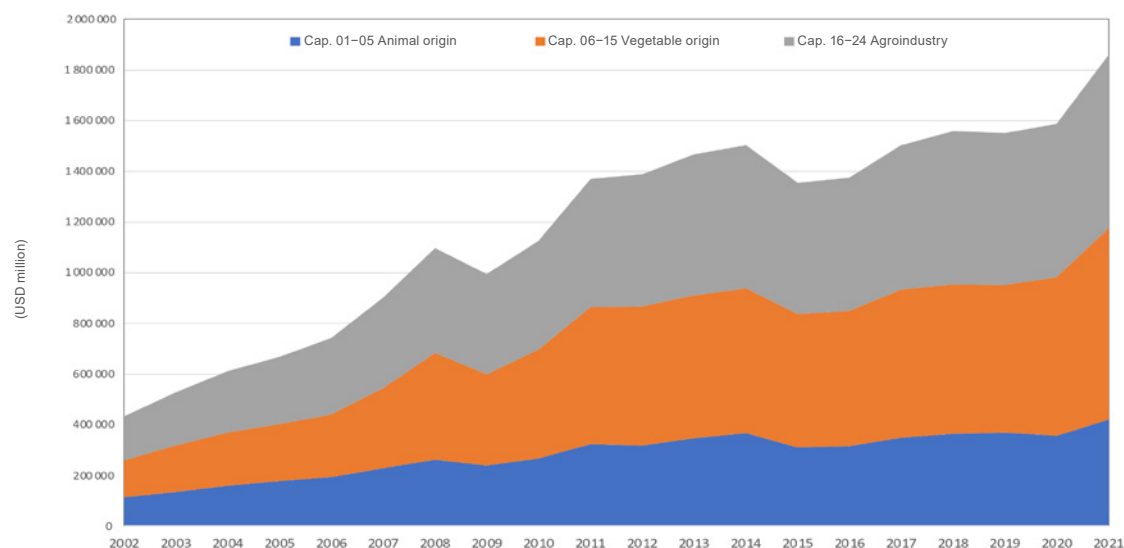
Another relevant characteristic of world agrifood trade is the high use of NTMs in recent years, both in terms of their intensity and scope. According to FAO (2022), practically 100 percent of food and agricultural imports are subject to this type of measure, compared to an average of 40 percent in other sectors. On average, an agrifood product is subject to eight different NTMs compared to less than two measures applicable to manufactured goods or products of other sectors. The trade costs associated with the application of these measures can increase the prices of imports of agricultural products by almost 15 percent in their ad valorem equivalent (Gourdon *et al.*, 2020).

³ The terms “agricultural products” or “agrifoods” include agricultural, livestock and fishery products, both in their primary and processed forms covered by Chapters 01 to 24 of the Harmonized Commodity Description and Coding System (HS).

⁴ In current USD or nominal values.

⁵ Since it is considered one of the main points of entry into the European Union, a significant part of the exports from the Netherlands (Kingdom of the) corresponds to re-exports.

Figure 1. World exports of agricultural products
Chapters 1–24 of the HS (USD million)



Source: Own elaboration with data from the International Merchandise Trade Statistics (UN COMTRADE).

Despite the disruptions caused by the COVID-19 pandemic, the war in Ukraine and the consequent effects on logistics chains and the prices of agricultural inputs, the value of world agrifood trade grew by 2.3 percent in 2020 compared to the previous year, and 17.3 percent in 2021. This reflects a high resilience to the shocks experienced in recent years. In 2022, trade flows maintained their relative dynamism (FAO, 2022), but their effects have varied in different Latin American and Caribbean countries (FAO and IDB, 2023). Those with greater dependence on a few suppliers for their food and agricultural imports showed greater vulnerability to supply chain interruptions than those that were better connected and more diversified in the origin of their external purchases.

In LAC, for example, a region with a surplus from the point of view of agrifood trade, external sales of agrifood represent 30 percent of total exports, but internally there is high heterogeneity. On the one hand, South America, with the exception of the Bolivarian Republic of Venezuela, is a net exporter of this type of product, like most Mesoamerican countries, with the exception of El Salvador, Panama and the Dominican Republic. However, the countries of the Caribbean are net importers, except for Belize, which maintains a relatively balance in agricultural trade (FAO and IDB, 2023).

The war in Ukraine, climatic conditions and prices of fertilizers also affected the increase in the prices of primary agricultural products. According to the agricultural raw materials price index, an average increase of 15.4 percent was observed in 2021, which slowed to 6.8 percent in the first half of 2022. Among the products with the highest price increases during this period are soybeans, coffee and sugar (Giordano, Campos and Michalczewsky, 2022).

Box 1. How does trade contribute to food security?

The prevalence of moderate or severe food insecurity¹ in the countries of Central America and the Caribbean ranged from an annual average of 16 to 56 percent in the period 2019-2021, and up to 83 percent if Haiti is included. Most countries experienced levels well above the LAC average (32.4 percent) during the same period. In 2022, the percentage of households with incomes below the cost of the basic food basket also increased.

During this same period, a deterioration was observed in all aspects of food security. The disruptions in global supply chains caused by the pandemic, while temporarily limiting food **access** and **availability**, caused inflation to escalate, which was exacerbated by the war in Ukraine. In addition, the increasingly extreme weather events typical of this part of the world and the low levels of agricultural productivity result in high volatility of production and cause **instability** in the food supply. In the region, around 30 percent of households report a reduction in the quality of food consumed and, in certain countries, an increase in malnutrition indicators has been observed, which shows insufficient or deficient **use of food**.

Although it does not relieve the urgent need to address structural problems, trade can help balance the supply and demand of food by moving it from areas with surpluses to areas in deficit. It also helps ensure dietary diversity, as goods that cannot be produced domestically can be imported from other countries, thus promoting healthier diets.

International trade is also a strategy to cushion shocks and stresses, allowing countries and regions to maintain food security and overcome growth constraints. In times of scarcity, due to natural disasters or seasonal variations in crops, trade can also contribute to greater stability in the food supply and, therefore, help to strengthen food security.

Another reason to promote trade in agri-food products is the spread of indirect benefits of technology and knowledge between trading partners, as it contributes to improving production processes and increases the quality and availability of new products. Similarly, greater flows of agri-food trade reduce pressures on natural resources – especially water – and help keep prices low by offering goods throughout the year that are subject to seasonality in local markets.

1/ Understood as the percentage of the total population living in households that have experienced a lack of access to food, in various forms: low-quality diets or a reduction in the amount of food they would normally consume due to a lack of money or other resources. When someone is severely food insecure, they have run out of food and gone a day or more without eating due to a lack of money or other resources (FAO, 2023).

Source: Deza et al. 2022. *Food security in Central America, Panama, the Dominican Republic, Mexico and Haiti*. Inter-American Development Bank. doi.org/10.18235/0004590 and FAO. 2022. *The State of Agricultural Commodity Markets 2022. The geography of food and agricultural trade: Policy approaches for sustainable development*. Rome. <https://doi.org/10.4060/cc0471en>.

2.2 Trade between SICA and CARICOM countries

For the SICA countries, agriculture continues to be a fundamental pillar of their economies, representing 7 percent of the total regional gross domestic product (GDP) and generating a fifth of employment, which becomes even more relevant in rural areas. About 50 percent of the exports that this subregion makes to the world correspond to agrifood products. The main exporters are Guatemala, Costa Rica and Honduras, which together generate about 70 percent of agricultural exports to the world from the entire subregion (CAC, 2022).

In CARICOM,⁶ for its part, the added value of agriculture as a percentage of GDP varies between 7 and 17 percent for Belize, Dominica, Guyana, Haiti, Jamaica and Suriname; but it is relatively low (less than 1.5 percent) for other economies such as Barbados, Bahamas, and Trinidad and Tobago (World Bank, 2023). Over the last two decades, agricultural value added has declined, except for continental economies, such as Guyana, Suriname and Belize, where rather dynamic growth has been observed (FAO, 2019). Its agrifood exports represent 8.1 percent of total exports, while the largest volume of exports is concentrated in the non-agricultural sector (oil and its derivatives, some minerals and certain chemical products). The main exporters are Jamaica, Trinidad and Tobago and Guyana.

The SICA subregion, for its part, maintains a surplus in agrifood trade with the world, although it is a net importer of some key products for food security such as wheat, corn and rice. On average, for every dollar of this type of product imported, the subregion exports USD 1.40. Although LAC is an important trading partner for the Central American economies, which receives close to 30 percent of their agrifood exports (FAO and IDB, 2023), only 2.3 percent goes to the CARICOM market and, of this, 2.1 percent goes to Central America and the Dominican Republic.

Practically all CARICOM countries import more than 50 percent of the food they consume, while half buy more than 80 percent from abroad (WTO, 2023). Only three economies (Belize, Guyana and Haiti) produce more than 50 percent of their consumption. Processed foods, cereals (wheat and corn), and livestock products (meat and dairy products) are among the top five food import categories. In recent years, the per capita national production of several essential food groups has decreased, especially in the category of fruits and vegetables. However, some countries remain self-sufficient in certain products. For example, Jamaica, Guyana, Suriname, Belize and Haiti are self-sufficient in roots and tubers, while Guyana and Suriname are net exporters of rice.

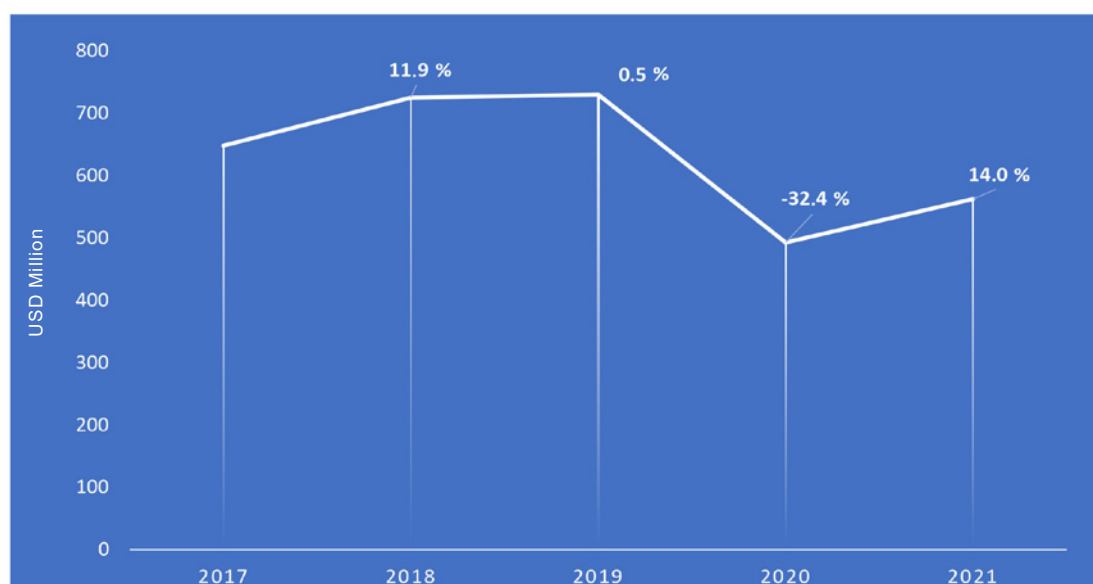
There is sufficient evidence to show that trade volumes are higher between economies of similar size and that are closer geographically. When per capita incomes are similar, countries tend to trade more with each other because it is possible to access a similar basket of goods, which is also reflected in tastes and preferences. Beyond the similar nature of “neighbouring” markets, trade is enhanced when countries in certain regions or subregions are subject to preferential treatment and rules (RTA), which allow them to access differentiated and more favourable conditions than those applicable to the rest of the world (FAO, 2022).

⁶ For statistical purposes, Belize is included in this study only as part of CARICOM.

Despite the relative proximity of the SICA and CARICOM countries, trade in agrifood products⁷ between the two subregions is relatively low, representing just over 0.1 percent of LAC's agricultural trade, which means a large space for its expansion. Central America is the source of 5 percent of CARICOM's agrifood imports and the latter subregion supplies 0.2 percent of the imports reported by SICA countries (Figure 2).

In 2021, trade between SICA and CARICOM countries reached USD 563.2 million, or 14 percent above the level observed in 2020, but still well below that observed in the years prior to the pandemic. Of this volume of trade, 94 percent is exported from Central American countries and the Dominican Republic, while only 6 percent originates in the Caribbean economies.

Figure 2. SICA–CARICOM bilateral trade. Chapters 1–24 of the HS (USD million and annual percentage change)



Source: Own elaboration with data from the International Merchandise Trade Statistics (UN COMTRADE).

2.2.1 Main exporting and importing countries

The Dominican Republic accounts for 62 percent of the agrifood imports of SICA countries from CARICOM. Guatemala and Panama follow in relative importance, purchasing 17 and 15, respectively, of their agrifood imports from CARICOM countries, while the other SICA economies purchase less than 5 percent of their total imports from the Caribbean (Table 1). Considering that bi-regional agrifood trade is not very significant in these other countries, they have greater potential for trade expansion in the future.

⁷ Trade in agrifood products considering the imports and exports reported by the SICA countries with origin/destination of the CARICOM economies in 2021.

Table 1. Agrifood imports of SICA countries from CARICOM countries (USD million), 2021

	Antigua y Barbuda	Bahamas	BRB	Belize	Grenada	Guyana	Haiti	Jamaica	Suriname	Trinidad and Tobago	Sub-total	Percent of total (%)
Costa Rica	3	-	9	-	-	-	-	91	-	862	965	3
Dominican Republic	-	5	304	6	22	9 560	310	806	134	10 496	21 643	62
El Salvador	-	-	-	102	12	128	-	2	-	-	244	1
Guatemala	-	-	-	5 451	-	337	-	-	-	-	5 788	17
Honduras	-	18	-	155	-	1 361	1	51	-	45	1 632	5
Nicaragua	-	-	-	-	-	35	-	34	-	-	69	0
Panama	-	-	-	225	-	835	28	13	-	3 370	4 471	13
Total	3	23	313	5 940	34	12 256	339	995	134	14 774	34 811	100

Source: Own elaboration with data from the International Merchandise Trade Statistics (UN COMTRADE).

According to the latest import figures reported by CARICOM countries, two thirds of agrifood purchases from SICA countries are made by Jamaica and Trinidad and Tobago, which are also the two main points of entry for goods in the Caribbean subregion. Costa Rica, Guatemala and Panama, and the Dominican Republic are the main agrifood suppliers from SICA to CARICOM countries.

Table 2. Agrifood imports of CARICOM countries from SICA countries (USD million), 2021 ^{a b}

	Costa Rica	Dominican Republic	El Salvador	Guatemala	Honduras	Nicaragua	Panama	Subtotal	Percent of total (%)
Antigua and Barbuda	388	2 549	17	70	205	24	637	3 890	1,9
Bahamas	1 896	918	-	16	236	11	1 017	4 093	2,0
Barbados	7 107	2 442	-	-	6	-	2 730	12 283	6,1
Belize	4 876	68	1 253	9 899	1 084	147	2 294	19 621	9,7
Grenada	1 406	1 028	-	127	-	-	759	3 320	1,6
Guyana	2 618	2 114	-	2 239	11	-	6 414	13 396	6,6
Jamaica	25 933	20 693	22	4 389	18	895	7 806	59 755	29,5
Montserrat	-	4	-	41	-	-	62	107	0,1
Saint Kitts and Nevis	-	759	-	416	86	-	498	1 759	0,9
Saint Lucia	2 274	4 086	-	1 856	26	-	2 555	10 797	5,3
Saint Vincent and the Grenadines	95	165	-	51	5	-	20	336	0,2
Suriname	3 233	435	-	1 537	-	-	881	6 086	3,0
Trinidad and Tobago	31 432	17 191	93	15 482	218	30	2 925	67 369	33,2
Subtotal	81 257	52 451	1 384	36 123	1 895	1 106	28 598	202 815	100,0

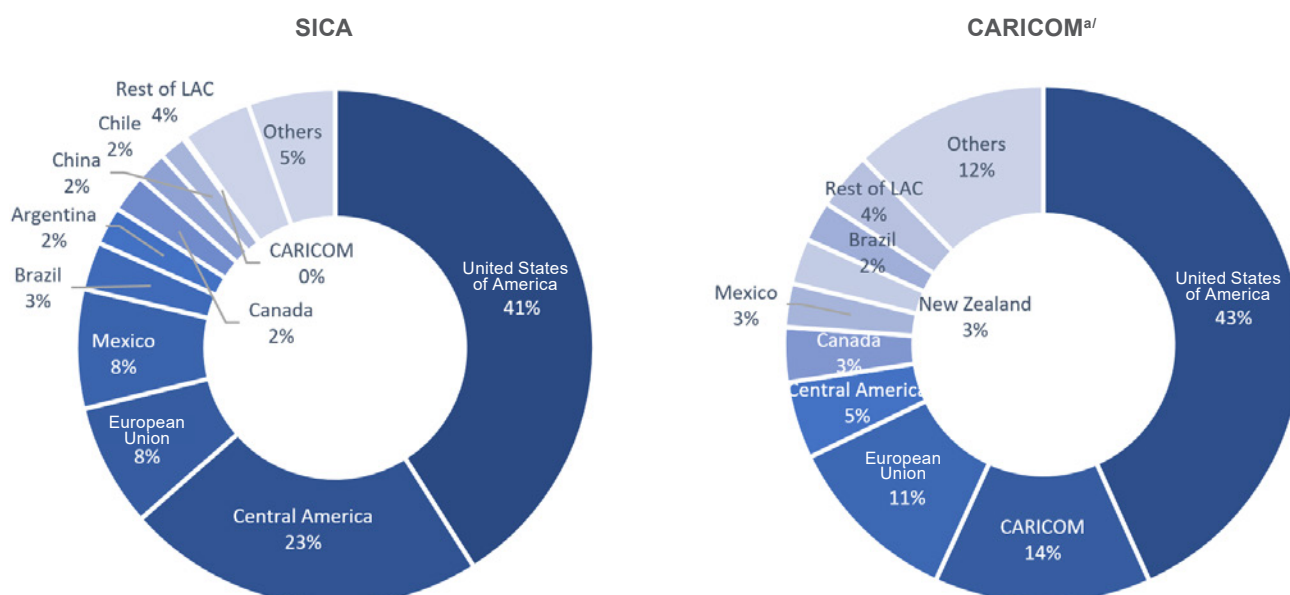
^{a/} Chapters 1–24 of the HS.

^{b/} For Bahamas, Montserrat and Saint Lucia, the data correspond to imports in 2020. For Antigua and Barbuda, the available data corresponds to 2019, and in the case of Saint Kitts and Nevis to 2017.

Note: No data is available for Dominica and Haiti for the period analysed.

Source: Own elaboration with data from the International Merchandise Trade Statistics (UN COMTRADE).

The main supplier of agrifood products, for both regions, is the United States of America, showing a participation of between 41 and 43 percent of the total imported. The products imported from this country are mostly processed foods, although in the case of CARICOM a third of imports correspond to fruits and vegetables. The subregion itself is the second main origin of agrifood products and the European Union ranks third. In the case of the SICA region, some South American countries, such as Brazil, Argentina and Chile, have become important sources of food imports; in particular, for products such as cereals and soybeans.

Figure 3. Main supplier countries of agrifood products, 2021

^{af} Figures for 2020, including the Bahamas, Belize, Barbados, Grenada, Guyana, Jamaica, Saint Lucia, Saint Vincent and the Grenadines, Suriname and Trinidad and Tobago.

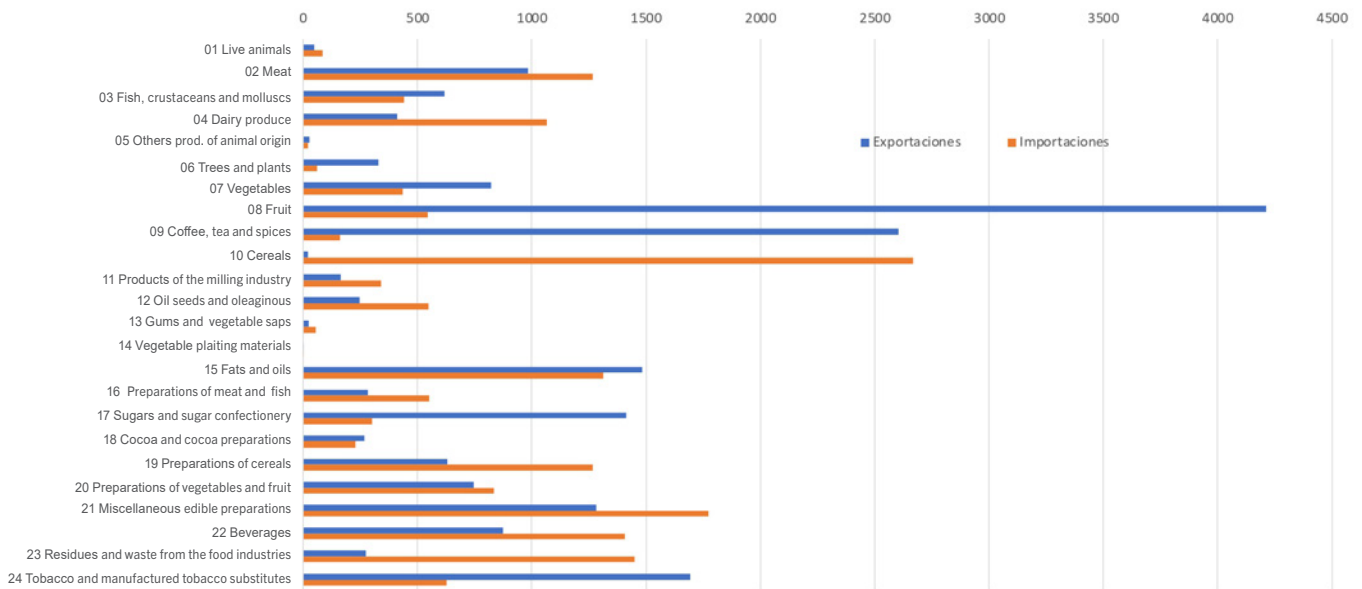
Source: Own elaboration with data from the International Merchandise Trade Statistics (UN COMTRADE).

2.2.2 Main agrifood products traded

When analyzing trade by type of product (HS Chapters 1–24), the Central American economies and the Dominican Republic show a surplus, especially in fresh or low-processed foods, such as fish and seafood (03), plants, flowers and foliage (06), vegetables (07), fruits (08), coffee (09), vegetable oils (15), cocoa (18), sugar (17) and tobacco (24). On the other hand, they are net importers of meat (02), grains, cereals (10) and related products (Chapters 11 and 19), as well as miscellaneous food preparations (19), beverages (20) and animal feed (23), as shown in Figure 4.

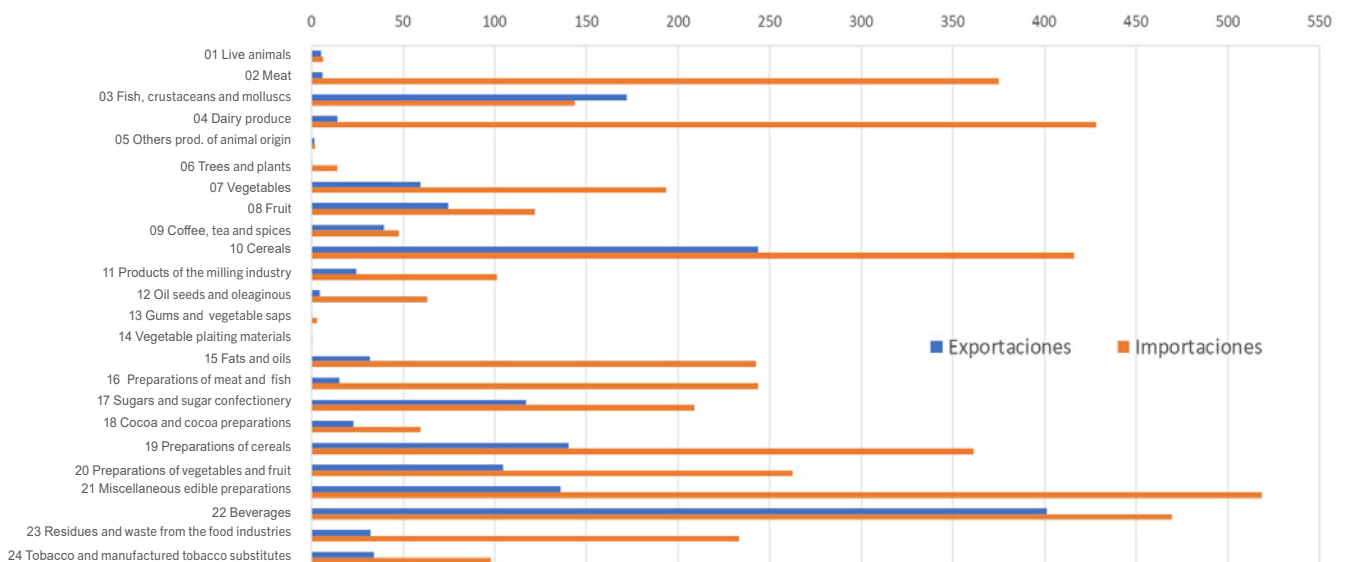
CARICOM, for its part, is a net importer in all HS chapters except for fish, crustaceans, molluscs and other aquatic invertebrates (03) (Figure 5).

Figure 4. Agrifood trade of the SICA countries with the world, by HS chapter (USD million), 2021



Source: Own elaboration with data from the International Merchandise Trade Statistics (UN COMTRADE).

Figure 5. Agrifood trade of the CARICOM countries with the world, by HS chapter (USD million), 2021^{a/}

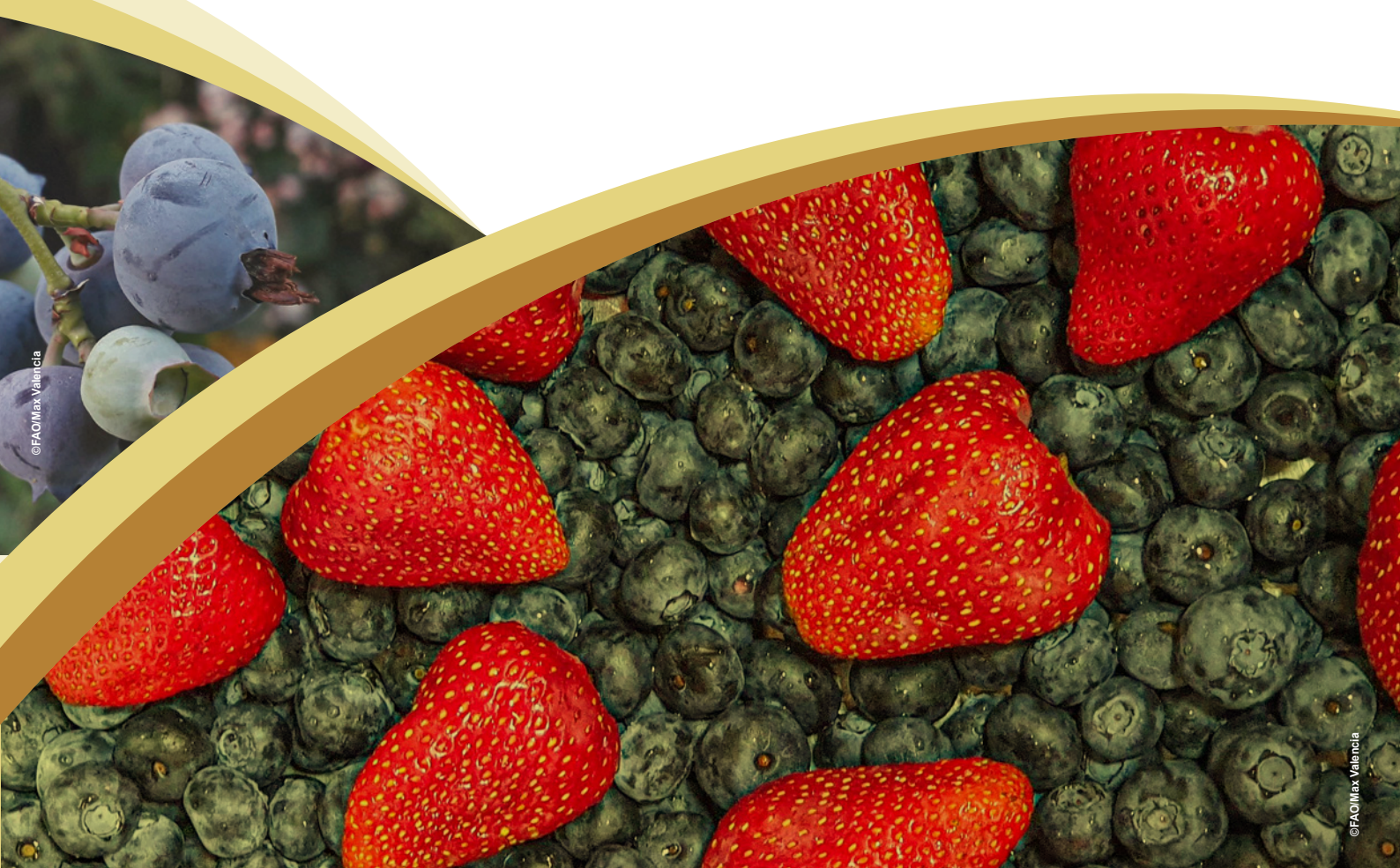


^{a/} For the Bahamas, Montserrat and Saint Lucia, the data corresponds to imports for 2020. For Antigua and Barbuda, the data available is for 2019 and in the case of Saint Kitts and Nevis for 2017.

Source: Own elaboration with data from the International Merchandise Trade Statistics (UN COMTRADE).

Bilateral trade between the two subregions is more concentrated for the Caribbean countries than for the Central American countries and the Dominican Republic. For the Caribbean countries, three quarters of the exports destined for the SICA subregion are accounted for by three groups of products, distributed under five subheadings: puffed or toasted cereal-based products, dry coconut, and residual products of soybean oil extraction (flours, cakes, etc.) While for the SICA countries, 17 subheadings represent 75 percent of agrifood exports to CARICOM, among which are sauces, soups and other diverse food preparations, sugar, carrots and turnips, beef, bananas and powdered milk.

3. Market access conditions in SICA and CARICOM countries



3.1 Common external tariff

With the exception of Costa Rica and the Dominican Republic, agrifood merchandise traded between the SICA and CARICOM countries is subject to most-favoured nation treatment.

The Central American Common External Tariff (CET) is governed by the provisions of the Agreement on the Central American Tariff and Customs Regime, signed in December 1984 by Costa Rica, El Salvador, Guatemala and Nicaragua. Honduras incorporated these tariff commitments in 1992, when the country's Congress approved the agreement, and Panama did so 20 years later, albeit gradually.

The goal was to achieve a total harmonization of tariffs applicable to third parties by July 1985. However, the countries' dependence on import taxes, coupled with the negotiation of individual commitments within the framework of the WTO and the difference in the sensitivities of the productive sectors, especially the agricultural sector, has only allowed harmonization of up to 96 percent of tariffs. With the incorporation of Panama in the Economic Integration Subsystem, this percentage of harmonization among the six members was reduced (Santamaría and Zúñiga, 2016). Since 1996, the Central American countries maintain the following tariff structure presented in Table 3.

Table 3. Tariff structure of Central American countries

DAI*	Type of merchandise
0 %	for capital goods and raw materials not produced in Central America
5 %	for raw materials produced in Central America
10 %	for intermediate goods produced in Central America
15 %	for final consumer goods
> 15 %	for goods with some "special" situation

* Import customs duty.

Source: Consejo de Ministros Responsables de la Integración Económica Regional. 1995. *Objetivo de Política Arancelaria y Modificación del SAC*. [Tariff Policy Objective and Modification of the Harmonized System]. COMRIEDRE. Resolución No. 13-95.

The revised Treaty of Chaguaramas constitutes the legal foundation of the CARICOM Single Market and Economy, which aims to integrate all member countries into a single economic entity that allows the free movement of people, capital, goods and services to establish a common market in terms of economic, investment, fiscal and monetary policies. Each country has incorporated this regional instrument into its national legislation at different times. It was planned that, by 2016, CARICOM would be established as a "single economy", but this goal has been delayed due to unresolved administrative, fiscal and legal issues (WTO, 2019). The creation of this market is a process that is still in progress.

The CARICOM countries apply a common external tariff, partially harmonized, with a tariff protection that is low for semi-finished goods, high for products with a lower degree of processing, and very high for certain final products. Each country maintains a group of exceptions to the common external tariff (CET) included in lists A and C of the treaty mentioned above. The national exceptions listed in List A include products with levels equal to or lower than those established for the external tariff, which vary according to the sensitivities of each country, and do not have a defined term for their harmonization. While, in List C, goods are included for which minimum tariffs were agreed, but that each member can increase up to the levels negotiated within the framework of the WTO.

The average most-favoured nation (MFN) tariff for the SICA economies, in the agricultural sector, is 11.5 percent, where the Dominican Republic is the country with the highest average (14.6 percent). In CARICOM, this percentage rises to 18.6 percent and Barbados maintains the highest level of tariff protection (27.5 percent). However, Belize, Dominica and Guyana have tariffs that are almost twice the Central American average, as shown in Table 4. When compared with the LAC average tariff (13.9 percent), the Central American countries are below this level, while the economies of the Caribbean are almost four percentage points above.

Table 4. Most-favoured nations (MFN) tariffs by country for agricultural products
Simple ad valorem averages in percentage (2021)

Subregion / Country	Total (%)	Agricultural products
SICA	5,9	11,5
Costa Rica	5,6	11,6
El Salvador	6,0	11,8
Guatemala	5,6	9,5
Honduras	5,8	10,3
Nicaragua	5,7	10,6
Panama	5,1	12,1
Dominican Republic	7,6	14,6
CARICOM ^{b/}	11,5	18,6
Antigua and Barbuda	9,9	16,3
Bahamas ^{a/}	32,5	17,1
Barbados	11,7	27,5
Belize	11,9	22,6
Dominica	10,7	22,2
Guyana	11,7	22,2
Haiti	4,9	9,7
Jamaica	8,6	19,3
Saint Kitts and Nevis	9,2	13,2
Saint Vincent and the Grenadines	10,0	17,4
Saint Lucia	9,2	17,2
Suriname	10,4	18,5
Trinidad and Tobago	8,3	19,1

^{a/} Bahamas corresponds to 2018.

^{b/} Grenada and Montserrat not available.

Source: WTO. 2023. *Trade Policy Review: OECS-WTO Members*. Geneva.

https://www.wto.org/english/tratop_e/tpr_e/tp537_e.htm

3.2 Preferential tariffs between the two subregions

Internally, each of the subregions applies a preferential tariff regime that is more favourable than that granted to third countries, which is established through legal instruments that are designed to promote deeper integration (see Boxes 2 and 3). This regime, added to the geographical proximity, the similarity of customs and the shared language of the countries, explains why each subregion is the second most important supplier of agrifood products in the subregion itself.

In the past, there have been some initiatives to facilitate trade between the two subregions; however, few have been materialized or realized their full potential. As of March 2023, there were four partial scope bilateral trade agreements with limited coverage for agrifood products: Belize–Guatemala, and those signed by Trinidad and Tobago with Panama, El Salvador⁸ and Guatemala,⁹ of which only the first two are in force. In addition, CARICOM has free trade agreements in force with Costa Rica and the Dominican Republic.

The coverage of the partial scope trade agreements (PSTA) is not only limited but is usually asymmetric in the sense that each country generally grants access to products of particular interest to its counterpart that do not compromise the sensitivities of their productive sectors. As can be seen in Table 5, while Trinidad and Tobago granted Panama preferential access to 100 tariff codes for products in the agrifood sector, Panama did so only to 46. Belize, for its part, granted preferential access to only five specific products originating in Guatemala, while the latter granted preferential access in 54 tariff lines.

Despite the limited scope of these agreements, trade in agrifood products between Guatemala and Belize has been dynamic, although much more so for the latter. Between 2017 and 2021, imports registered by Guatemala from Belize grew at an average annual rate of close to 13 percent, while exports did so at a rate of 1.2 percent. A similar situation occurs in agrifood trade between Panama and Trinidad and Tobago, while Panamanian exports slowed down during the last five years, bilateral imports grew, on average, at 22 percent per year.

⁸ Official sources from the Ministry of Economy of El Salvador indicate that this PSTA has completed its legal review process, but as of the date of this publication, it has not been ratified by Congress.

⁹ This agreement was approved by the Guatemalan Congress in February 2017. However, as of the date of this publication, it had not been ratified by the relevant authorities in Trinidad and Tobago.

Box 2. Agrifood trade conditions between SICA countries

Of the goods originating in SICA, 99 percent are covered by free trade agreements in five of the six countries that make up the Economic Integration Subsystem, which means most products traded within the subregion, that comply with the Central American rule of origin, are not subject to the payment of import customs duties, except those included in “Annex A” of the General Treaty of Economic Integration or goods exempted from the application of a zero preferential tariff.

Before the incorporation of Panama in the Economic Integration Subsystem, in June 2012, coffee and sugar were the only two agricultural products subject to tariffs within the subregion, although some tariff restrictions also applied in two or three countries for ethyl alcohol, some distilled beverages and certain petroleum derivatives. With the entry of Panama to the Economic Integration Subsystem, the list of products excluded from free trade (Annex A) was considerably expanded and, although tariffs only apply bilaterally between Panama and some other Central American economies, a larger number of goods have been excluded from the agreement. The products subject to customs duties in Panama that are imported from the other five countries in the subregion are: chicken thighs, coffee (including instant), rice, vegetable oils and vehicles for the transport of people. Additionally, Panama maintains a list of products that are in transition towards free trade, including chicken meat, fresh or frozen; fluid and powdered milk; wheat flour and some types of sausages.

As for the Dominican Republic, it maintains bilateral agreements with Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua, which also enjoy the benefits of the CAFTA-DR multilateral trade agreement. Under this agreement, although the obligations assumed by each signatory country were different, the tariff benefits granted by each of these countries to the United States of America also apply to their counterparts in the region. Specifically, in the case of agrifood trade, the longest term for tax relief ends in December 2024. So, as of this date, only fresh onions and potatoes (in the case of Costa Rica) and white corn (in the case of the other four countries) would continue to receive most-favoured-nation treatment. The Dominican Republic did not negotiate exceptions for any products.

In terms of non-tariff measures, the Central American countries have made significant progress in the harmonization of technical regulations. Currently, the subregion has more than 70 harmonized Central American Technical Regulations and mutual recognition of registries for food and beverages, medicines for human use, cosmetics, hygiene products, veterinary medicines, fertilizers, animal feed, and pesticides for domestic and professional use.

Each country retains the right to protect the health and life of its people, animals and plants, through the implementation of sanitary and phytosanitary measures based on its own analysis and risk levels, while ensuring that this protection does not become an unnecessary obstacle to trade. However, there have been differences of interpretation between the countries that have escalated to the Central American Dispute Settlement Mechanism.

1 Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.

Table 5. Coverage of agrifood products in the partial scope trade agreements in force between some SICA and CARICOM countries

Partial scope trade agreement between Trinidad and Tobago and Panama	
Date of signature/ entry into force	October 2013/April 2016
Preferential tariffs granted by Trinidad and Tobago	Of the 258 negotiated tariff lines (at the HS 8-digit level), 100 are agrifood products including: beef and pork in different preparations and some offal; certain types of fish and seafood; cheeses; bird eggs; flowers; some vegetables and tubers; dried coconut; melons; spices; wheat flour; sauces and soups, among others. Most of these tariff lines were free of duty at the time the agreement entered into force or will become so from 2025. A small number of fresh products, such as carrots, lettuce, beets and certain roots and tubers, were granted seasonal preferential tariffs (between June and December of each year).
Preferential tariffs granted by Panama	Of the 230 negotiated tariff lines (at the HS 8-digit level), 46 are agrifood products, especially processed food products, among which are: chewing gum; cocoa and its preparations; cereals; dried fruit preparations; mustard; water and liquors. Most of these tariff lines were duty-free at the time of entry into force of the Agreement or will become duty-free as of 2025.
Partial scope trade agreement between Belize and Guatemala	
Date of signature/ entry into force	June 2006/April 2010
Preferential tariffs granted by Belize	Of the 78 negotiated tariff lines (at the HS 8-digit level), five are agrifood products, such as: bovine live animals, plant extracts, palm stearin and mixes for the preparation of cakes. All these products are subject to zero tariffs.
Preferential tariffs granted by Guatemala	Of the 72 negotiated tariff lines (at the HS 8-digit level), 54 are agrifood products, among which are: some types of fish, squash, peas, beans, cassava, yams, a variety of fruits (bananas, pineapple, guava, mango and orange), yellow corn, jams, fruit juices and sauces. All these products are subject to zero tariffs since the entry into force of the agreement, although in the case of corn and beans preferential access is through tariff quotas.

Source: Own elaboration based on each partial scope agreement.

Of the Central American region, only Costa Rica has a free trade agreement in force with the CARICOM countries.¹⁰ Through this instrument, preferential tariffs are granted bilaterally and reciprocally to products originating from Barbados, Guyana, Jamaica, Suriname and Trinidad and Tobago. For its part, Costa Rica unilaterally grants duty-free access for goods originating from the smaller countries of this trade bloc (Antigua and Barbuda, Belize, Dominica, Grenada, Saint Lucia, Saint Kitts and Nevis, and Saint Vincent and the Grenadines), except for products excluded from tariff reduction commitments and fats, oils and soaps, which enjoy special treatment.

In the countries with the largest economies of the subregion,¹¹ close to 70 percent of agrifood products are subject to zero tariffs, while differentiated access by country was negotiated for 6.5 percent of products, including 5.5 percent that corresponds to fresh agricultural products that enjoy preferential tariffs during certain months of the year. A total of 14 percent of agricultural products do not have any tariff benefits, while vegetable oils are pending further negotiation, which as of the date of this publication has not materialized. Among the products without tariff benefits are pork and poultry, fish and crustaceans, fluid and powdered milk, certain types of beans, malanga, bananas, pineapples and citrus fruits, coffee, rice, sugar, chocolates, pasta, some types of juices, beer, rums and spirits, and cigarettes, among the most relevant.

The most recent evaluation of the results of this trade agreement shows a slowdown in trade between the two partners since 2014, mainly explained by the drop in Costa Rica's natural gas imports from Trinidad and Tobago. During the last decade, Costa Rican exports to this Caribbean market grew by 88 percent, while imports fell by a similar amount. Of the products that CARICOM sells to Costa Rica, 94 percent are non-agricultural, while Costa Rica's exports to the Caribbean market are more diversified. Among the agrifood products exported by Costa Rica are: food preparations, beef, carrots, canned tropical fruits, pasta, sauces and other preparations.

The trade agreement between the Dominican Republic and CARICOM provisionally entered into force in December 2001. It is an instrument with a very similar structure to the one negotiated with Costa Rica, except for some additional exclusions to preferential treatment in products such as beef, onions, coconut and tobacco. Also in this case, the rights and obligations are reciprocal between the Dominican Republic and the more developed economies, but asymmetric conditions apply in favour of the less developed countries¹² of the community.

¹⁰ Signed in 2004 by the governments of Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago, on behalf of CARICOM. Currently it is only valid between Costa Rica and the following countries: Trinidad and Tobago (November 15, 2005), Guyana (April 30, 2006), Barbados (August 1, 2006), Belize (March 10, 2011), and Jamaica (June 1, 2015).

¹¹ Barbados, Guyana, Jamaica, Suriname and Trinidad and Tobago.

¹² Expressly defined in the treaty in force between the two trading partners.

3.3 Preferential tariffs granted to third parties

Since the mid-1990s, Central America, due to the formation of its customs union (see Box 2), has been building a network of trade agreements with third countries, as part of the process of consolidating its foreign trade platform. Seven free trade agreements, which include two of the largest economies in the world, the United States of America and the European Union,¹³ and 20 other trade agreements negotiated bilaterally with eight different partners, some with highly dynamic emerging economies such as China, Singapore and Taiwan, are part of the legal framework that governs trade in the region. This allows 90 percent of all regional imports to be covered by the rules of a trade agreement, in at least one of the Central American countries. In other words, only 10 percent of imports cannot opt for preferential tariffs in at least one of the six countries.

In addition to the agreements in force between both subregions that are mentioned in the previous section, in 2008 the CARICOM countries,¹⁴ along with the Dominican Republic, signed the Economic Association Agreement (EPA) with the European Union. Under the EPA between the European Union and the Caribbean Forum of African, Caribbean and Pacific States (CARIFORUM), the Caribbean countries excluded 17 percent of the negotiated tariff lines¹⁵ from the tariff reduction obligations, which correspond mainly to agricultural products. The rest of the goods will be subject to zero tariffs by 2033. In addition, the community is guaranteed some flexibility in the rules of origin, the possibility of applying special measures for agriculture and safeguards. The European Union, for its part, granted duty-free access for all goods originating in CARICOM and the Dominican Republic.

Guyana, Suriname and Saint Kitts and Nevis, for their part, grant bilateral preferential tariffs to goods originating in Brazil in most tariff lines for agrifood products. Among the Brazilian products that receive zero tariffs are: beef, pork and poultry, sausages, certain types of fish, shrimp and lobster, bananas, citrus fruits, papayas and other fruits, coffee, corn starch, cocoa and chocolate, soups, sauces and other food preparations. Although Brazil still does not appear as an important supplier of agrifood products to the Caribbean (it only supplies 2 percent of the total imported, see Figure 3), it has achieved better access conditions for products that have historically been excluded from tariff reduction obligations in the trade agreements signed by this group of countries.

¹³ In the European Union-Central America Association Agreement (CAAAEU), close to 4 percent of eight-digit Central American tariff lines were excluded from tariff reduction commitments for goods originating from the European Union, all of which correspond to agrifood products. This includes goat and sheep meat; rooster or chicken meat; parts and offal of birds and turkeys; edible bovine offal; powdered, condensed and evaporated milk; yoghurt; buttermilk; eggs; tomatoes; corn and durum wheat; rye, barley and oats; broken rice; cereal flours; sausage; sugar; cocoa and prepared bird feeds. As of 2023, around 4 percent of the products are still in the process of tariff reduction, which will conclude in January 2028.

¹⁴ The signatory countries of this agreement, on behalf of CARICOM, are: Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Saint Lucia, Saint Vincent and the Grenadines, Saint Kitts and Nevis, Suriname and Trinidad and Tobago.

¹⁵ Among the agrifood products excluded from the EPA by CARICOM are: beef, pork and poultry, certain species of fish, dairy products, tomato, onion, carrots, lettuce, cucumbers and other vegetables, bananas, papayas, coffee, pepper, ginger, rice, sorghum, corn, soybeans, some vegetable oils, sausages, sugar and confectionery products, chocolates, fruit jams, other food preparations and some types of animal feed.

Box 3. Agrifood trade conditions among CARICOM countries

The Treaty of Chaguaramas, signed in 1973, gave rise to the Caribbean Community. In 2001, this instrument was revised and the CARICOM Single Market and Economy was established, which aims to create a single market among its member states by removing obstacles to the free movement of people, capital, goods and services, and the incorporation of companies. Members of this scheme are: Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Saint Lucia, Suriname, and Trinidad and Tobago. CARICOM also has five associate members: Anguilla, Bermuda, British Virgin Islands, Turks and Caicos Islands, and the Cayman Islands. The Bahamas, Montserrat and Haiti do not participate in the Single Market initiative, nor do the associate members.

Although most agrifood products are subject to zero tariffs in the Single Market, as long as they meet the criteria relating to the rules of origin negotiated within the framework of this instrument, each country reserves the right to apply a tariff to the importation of products included in List I. In the case of Belize, for example, practically all agrifood products imported from its CARICOM partners are subject to zero tariffs; however, if deemed necessary, some vegetables, fruits, spices, rice, vegetable oils, fruit juices, and animal feed are some of the products that could be exempted from this agreement.

In terms of non-tariff measures, it is estimated that the CARICOM countries have advanced in the standardization or recognition of around 60 percent of the community sanitary and phytosanitary regime. The entry into operation of the Caribbean Agricultural Health and Food Safety Agency (CAFSA), in 2014, has facilitated coordination and organization for a more effective and efficient regional sanitary and phytosanitary (MSF) regime. However, there are still areas for improvement, not only in terms of standardization and recognition, but also capacity building.

A relevant aspect of community agricultural policy is the implementation of the Agrifood Systems Strategy, through which the CARICOM Heads of Government have committed to reducing food imports in the region by 25 percent by 2025. The objective of this strategy is the implementation of various programmes to improve productivity, resilience and the supply of products produced in the region, such as poultry, corn, soybeans, meat (goat, sheep and beef), rice and vegetables, in order to improve food security and reduce the vulnerability of the region to external shocks.

Source: Own elaboration based on interviews and the Secretariat of CARICOM.

Although the United States of America, which is the main trading partner of both subregions, enjoys preferential tariff conditions in the Central American market and the Dominican Republic, its exports enter the CARICOM market under most-favoured nation treatment. A similar situation occurs with Mexico, which is the fourth largest supplier of agrifood products in Central America. Additionally, the preferential tariff conditions that European Union products receive in its agreement with the Central American countries cover a greater number of products than in the EPA.

The greatest tariff advantage is clearly held by the countries of the subregion itself, which enjoy more favourable access conditions than those granted to third countries. However, an eventual SICA-CARICOM bi-regional trade agreement could be favourable for both groups of countries, in order to ensure their exports benefit from the same preferential tariffs granted to products from the United States of America, Mexico, the European Union, Brazil and the subregion itself, which are all important competitors in the agrifood sector.

4. Methodological approach



4.1 Area of coverage

This study examines the opportunities to promote agrifood trade between the subregions comprised of the SICA and CARICOM countries. Although Belize is part of both blocs, it only enjoys preferential tariffs within the CARICOM framework. Therefore, for the purposes of this investigation and the analysis of trade flows, only part of the latter group of countries will be considered.

Agrifood or agricultural products are understood to be those included in Chapters 1–24 of the Harmonized Commodity Description and Coding System (HS), including products and by-products from fishing and aquaculture.¹⁶

The agricultural trade statistics were taken from the Own elaboration with data from the International Merchandise Trade Statistics (UN Comtrade), at the subheading or six-digit level, using only values greater than USD 1 000 and, for most of the countries, the products are classified in the VI Amendment of the HS (2017), with the exception from the figures reported by Antigua and Barbuda, Saint Kitts and Nevis, Saint Vincent and the Grenadines and Suriname, which are found in HS 2007. For Haiti and Dominica, no data is recorded in the period analysed. The data reported by each country corresponds to total trade, not including re-imports or re-exports.

4.2 Methodology

The methodological focus of the research has two main components: a quantitative one, which uses the instrument of revealed comparative advantages (RCA), the economic complementarity index and other criteria that allow the identification of growth opportunities in bi-regional trade; and a qualitative component, made up of a set of interviews conducted with key informants in both subregions, which served to define the main challenges faced by countries in seeking to take better advantage of the trade opportunities identified through the quantitative results.

4.2.1 Quantitative approach

For the selection of the products with the greatest trade opportunities and potential demand in the group of countries analysed, the RCA index of exports was used, as proposed by Balassa (1965; 1977; 1979; 1986; 1989), and subsequently modified by various other authors. This indicator reflects the relative costs and the level of efficiency in an economy when exporting a good. In other words, the level of export competitiveness that a country has when trading its products in the international market.

In order to select only those products where there is a “real” potential to increase trade, two additional parameters were applied: one that measured the relative importance of the product within the total agrifood exports for a given country, and another that reflects its growth potential. Each of these criteria is detailed below:

¹⁶ This classification also includes some non-food goods such as tobacco and derivatives, gums and resins in their primary forms, some fibers and plaiting materials, as well as certain inedible plant materials. It does not include plant products that are classified in other HS chapters, such as essential oils, starches or modified starches, dressings, hides and skins, silk, wool, cotton, flax and hemp.

a. Degree of complementarity

For each subheading, the complementarity relationships between the countries were identified, so that those with comparative advantages were linked to those with comparative disadvantages. According to Balassa (1977), the RCA of exports is calculated as follows:

$$(1) \quad RCA_{ij} = \frac{\frac{X_{ij}}{X_i}}{\frac{X_{jw}}{X_w}}$$

where:

X_{ij} = Exports of country i of product j .

X_i = Total exports of country i .

X_{jw} = World exports of product j .

X_w = Total world exports.

Therefore, if the share of product i in the exports of country j is greater than that of the product in world exports ($RCA > 1$), then country i is considered to have a revealed comparative advantage in product j . On the contrary, if the index is less than unity ($RCA < 1$), country i has a revealed comparative disadvantage in product j .

In accordance with this criteria, those products were selected where at least one country, from one of the two subregions analysed, presented comparative advantages (potential exporter), and at least one other country in the counterpart subregion presented comparative disadvantages (potential importer).

Note that for these calculations the total agrifood exports from each country were used; that is, what each country exports to the world and not only bi-regional trade, in order not to make the analysis subject to existing trade.

b. Degree of relevance in agrifood trade

For the products that met criterion 1, a subset of subheadings that reached a minimum participation threshold was selected, in order to exclude from the analysis those products that presented very low trade values. Thus, only those products that represented 1 percent or more of the total agrifood exports of the exporting country (i), while also having a relative importance within the total agrifood imports of the importing country (k) greater than zero, were considered. In other words, the subheadings that met the following two conditions were selected:

$$(2) \quad \frac{X_{ij}}{X_{ia}} \geq 0,01 \quad y \quad \frac{M_{kj}}{M_{ka}} > 0$$

where:

X_{ij} = Exports of country i of product j .

X_{ia} = Total agrifood exports of country i .

M_{kj} = Imports from country k of product j .

M_{ka} = Total agrifood imports of country k .

c. Potential to expand bilateral trade

Given the size of regional markets, the margin to expand bilateral trade is limited when there is already a significant participation of the counterparty, as a supplier or exporter, in the bi-regional trade of agrifood products. In addition, in order to promote food security, it is not desirable to promote the concentration of exports or imports in a single partner country. For these reasons, it was included as a third criterion that the selected subheadings should not represent more than 10 percent of the exports or imports of the respective countries. Thus, the selected product groups also had to meet the following condition:

$$(3) \quad \frac{X_{ijk}}{X_{ij}} < 0,1 \quad y \quad \frac{M_{kji}}{M_{kj}} < 0,1$$

where:

X_{ijk} = Exports from country i of product j to country k .

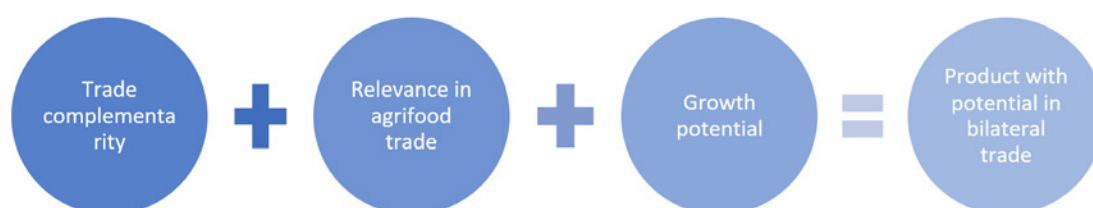
X_{ij} = Total exports from country i of product j .

M_{kji} = Imports of country k of product j from country i .

M_{kj} = Total imports from country k of product j .

In short, for a product to be considered with growth potential in bilateral trade between the two economic blocs, it must meet the three conditions shown in Figure 6.

Figure 6. Criteria for selecting products with trade potential



Source: Own elaboration.

d. Measurement of opportunities

For the analysis of opportunities, the following factors were considered: the number of products with potential and the number of destinations, as well as the size of the market by sector and by country. Although the analysis was carried out at the subheading level, the conclusions related to basic and processed products include considerations at the chapter or description level.

i Number of products with trade potential and possible markets

The number of products with trade potential was identified based on the methodology used by FAO and IADB, 2023, which consists of the sum of subheadings for which export (import) opportunities were identified in each country. While the number of possible destinations or suppliers corresponds to the number of countries where export and import opportunities were identified, as appropriate.

Both indicators provide an idea of the potential for diversifying the export basket in geographical terms, the number of supplying countries and the number of products sold in each destination.

ii Market size by sector

To measure the market size by sector, the products with opportunities for higher levels of imports were identified, regardless of their origin. The value of the market involved with opportunities for each subheading "j" (O_j) consists of the sum of the total imports of the countries k identified as potential importers of that product, according to the previously mentioned criteria:

$$(4) \quad O_j = \sum_{k=1}^N M_{jk}$$

Where:

M_{jk} = Total imports of product j by all countries k selected according to the previously mentioned criteria.

In terms of potential bi-regional bean exports, four Central American countries with export potential were identified – El Salvador, Guatemala, Honduras and Nicaragua – according to previously established criteria, and one country in CARICOM (Belize). The potential market for these exports was calculated as the sum of the total imports of beans from Trinidad and Tobago – the only country with importing potential in the Caribbean – and the imports of Costa Rica and the Dominican Republic, within the framework of SICA.

Although this value corresponds to the current size of the market and cannot be interpreted as an effective estimate of how trade could behave in the future, it provides a close approximation of the market for each particular product. In practice, the potential size of the market can be limited by various factors: infrastructure, productivity, tastes and preferences, costs and availability of transport, the possibility of trade diversion or creation, etc.

4.2.2 Qualitative approach

Although the RCA index reflects the degree of efficiency in producing a particular good, trade flows between countries can be affected by various factors that limit their potential. The implementation of policies, and the existence of distortions or market failures that generally translate into higher costs for exports or imports, can affect the advantages of a country in the production and commercialization of a good. Agricultural and trade policies, such as subsidies and measures at the points of entry or exit of goods – such as customs duties, and sanitary or phytosanitary requirements – can reduce any comparative advantage and even reverse the relationship between comparative advantage and trade flows, causing goods to be exported that otherwise would have been imported and vice versa (FAO, 2022).

For this reason, the quantitative analysis was complemented with a series of in-depth, semi-structured interviews with key informants in both subregions, which included: businesspeople, representatives of some unions in the agrifood sector, public sector officials and trade and investment promotion agencies with offices in one or more of the SICA and CARICOM countries and regional organizations. The list of organizations with officials or representatives who were interviewed is included in Annex I.

5. Opportunities for the development of intraregional agrifood trade



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This section identifies a set of products that, through the analysis of the RCAs, the complementarity indicator and the other elements of the methodology defined in the previous section, have the greatest potential to increase trade between both subregions.

5.1 Findings

5.1.1 General aspects

A total of 442 subheadings that meet the complementarity criterion were identified. That is, where at least one country has comparative advantages as an exporter and at least one other country of the counterpart has comparative disadvantages or is a potential importer. Some degree of complementarity is observed in the trade of both subregions in one or more products in practically all chapters from 1 to 24 of the HS, except for chapters 11 and 14 that correspond to cereal flours and plaiting materials and other products of vegetable origin, respectively.

Viewed by region, 501 6-digit country/subheading combinations were identified in which CARICOM has export potential and SICA countries have comparative disadvantages. While conversely, 866 possible combinations are observed. Note that those combinations where there is potential for intraregional trade have not been included. In other words, where there is potential for trade among Central American countries and the Dominican Republic, or among the countries of the Caribbean Community.

When the criterion of relevance of the product, or set of products, within the export supply and import demand is applied, the number is reduced to 80 different subheadings, for a total of 671 possible subheading-exporter-importer combinations. For many of the countries analysed, agrifood trade is relatively low; therefore, the number of subheadings that represent 1 percent or more of their agrifood exports and, at the same time, have a relative importance within agrifood imports greater than zero is low.

It should be noted that 64 percent of these subheadings correspond to food industry or processed food products (Chapters 15–24), while only 36 percent are agricultural products in primary forms. This last group includes beef, some dairy products (powdered milk and cheese), tomato, cauliflower and broccoli, beans and other vegetables, bananas and coffee. In addition, processed food products with growth potential include some preparations based on vegetable oils, sausages, canned tuna, raw sugar, pasta, cereal-based products, pineapple juice, sauces and seasonings, bottled water and animal feed.

When bilateral trade is excluded where the exporter (importer) represents more than 10 percent of the imports (exports) of the partner country from the other region, the number of subheadings practically does not change with respect to the relevance criterion, since there are few products where a SICA or CARICOM country is among the main suppliers of its counterpart. Only two cases were identified (pasta and various food preparations) where Costa Rica represents 24 and 29 percent, respectively, of the total imports of these products by Trinidad and Tobago. However, other countries in the SICA subregion also showed an RCA greater than one in both products and, therefore, remain as subheadings with potential to expand trade.

The most important supplier/buyer countries, in each region, are those that are geographically closest. Such is the case of the Dominican Republic with the CARICOM countries or Guatemala with Belize.

Another important supplier for the Caribbean countries is Costa Rica, based on the free trade agreement in force between both parties.

5.1.2 Products with potential for expansion of bi-regional agrifood trade

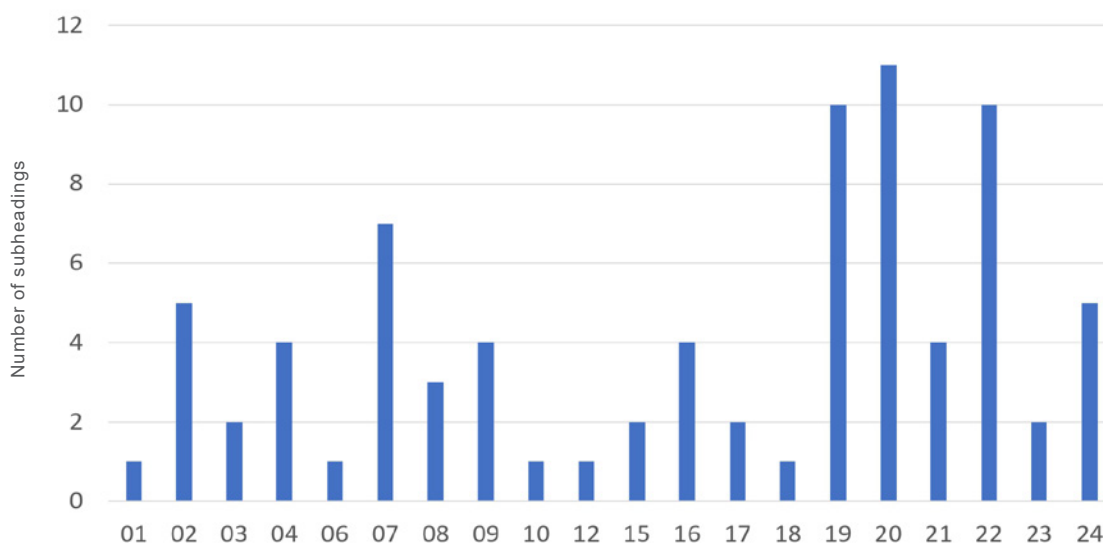
The chapter on fruit and vegetable preparations (Chapter 20) includes the largest number of subheadings with potential for trade expansion between the two subregions (11 subheadings), which generate 80 product–origin–destination combinations. Standing out in this group are preparations or preserves made with vegetables such as onion, tomato, potato, beans or beans, homogenized preparations, nut or shell fruit pastes (walnuts, coconut, etc.), pineapple juice and juice mixes, among others. The SICA countries (Costa Rica, El Salvador, Guatemala, Honduras and the Dominican Republic), along with Jamaica and Trinidad and Tobago, are the countries with the greatest potential for expanding their exports, while Nicaragua, Panama, Bahamas, Belize, Barbados, Guyana and Suriname are shown as possible importers.

Preparations based on cereals, flours, starches and milk, as well as bakery products, ranked as the sub-sector with the second highest number of subheadings with the potential to increase trade. This includes products such as pasta, where Costa Rica, Guatemala, Guyana and Jamaica have a comparative advantage as exporters. In terms of cereal-based products obtained by puffing or roasting, as well as cookies and wafers, practically all SICA countries show export potential and, on the CARICOM side, Jamaica, Barbados and Trinidad and Tobago have potential. These last two countries, along with El Salvador, also have a comparative advantage for the export of parboiled rice. As for bread, the countries with the most export opportunities are El Salvador, Honduras, the Dominican Republic and Suriname. For their part, the Bahamas, Belize, Guyana, Haiti and Suriname are possible importers of this type of product along with, in certain cases, the Dominican Republic, Nicaragua and Panama.

Beverages with, and without, alcoholic content constitute the chapter with the third largest number of possible combinations to expand trade (128 in total). Among the products that stand out are carbonated water with added sugar or another sweetener, malt beer, other fermented beverages, ethyl alcohol, rum and other spirits. The exporters with the most opportunities related to this type of product are all the SICA countries, with the exception of Honduras, as well as CARICOM countries Belize, Barbados, Guyana, Jamaica, Saint Vincent and the Grenadines, and Trinidad and Tobago; while possible destination markets include the Bahamas, the Dominican Republic, Haiti, Suriname, and some Central American markets such as Costa Rica and Nicaragua for certain liquors.



Figure 7. Number of subheadings by HS chapter that meet the criteria of complementarity, relevance, and potential to increase bi-regional trade



Source: Own elaboration.

In fresh or unprocessed products, the chapter of vegetables, roots and tubers showed greater opportunities to expand trade (57 possible combinations). This includes products such as tomatoes, cauliflower and broccoli, chilies and peppers, beans and cassava roots, among other vegetables. The most likely countries of origin are Costa Rica, Guatemala, Honduras, Nicaragua, the Dominican Republic and Belize. For their part, Barbados, Jamaica, Trinidad and Tobago, Saint Kitts and Nevis and Suriname are among the potential importers.

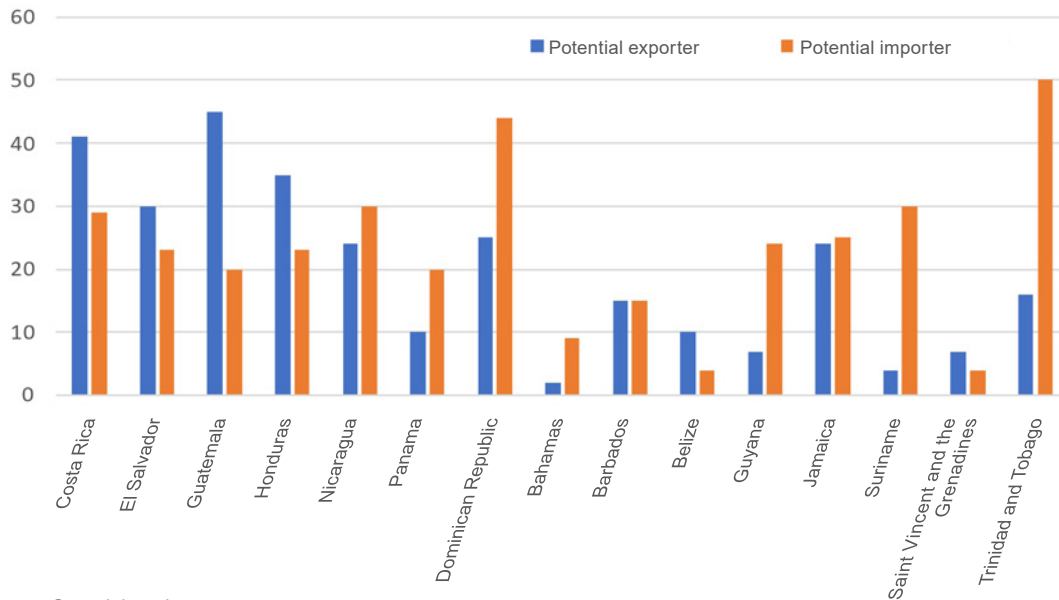
It is interesting to observe that, although the countries of both subregions start from a similar base of primary agricultural products, the greatest potential for trade is found in processed products.

5.1.3 Supplier and competitor countries

Among the SICA countries, Guatemala, Costa Rica and Honduras have the largest number of products with expansion possibilities; or, they have a comparative advantage in a greater number of subheadings. While, in CARICOM, Jamaica, Barbados and Trinidad and Tobago are the countries with the greatest potential to expand their foreign sales.

Opportunities to increase bi-regional agrifood imports were identified in practically all countries; however, the Dominican Republic and Trinidad and Tobago show the greatest possibilities of diversifying their imports, followed in relative importance by Suriname and Nicaragua (Figure 8). Annex IV shows the export and import potential by product-country.



Figure 8. Number of subheadings per country, according to potential exporter or importer

Source: Own elaboration.

The United States of America is the main competitor outside of both subregions, supplying 14 percent of imports of products identified with potential for expansion in trade, followed far behind by Mexico and the European Union, which supply 5 and 4 percent, respectively, of the total imports of these products. From the United States of America market, the subregion mainly imports meat, cereals, residues from the food industry, various food preparations, beverages and cheeses.

Within the framework of CAFTA–DR, most of these products enjoy zero tariffs for entering the markets of Central America and the Dominican Republic, with few exceptions such as certain dairy products and rice that, by 2023, are in the last phase of the transition period towards free trade. However, in the Caribbean market, goods originating in the United States of America do not have preferential access.

The countries of the same subregion are also important suppliers. For example, SICA countries supply 17 percent of these imports and CARICOM countries 2.7 percent. Individually, Costa Rica (5.4 percent of the total imported), Guatemala (3.8 percent), Nicaragua (2.7 percent), Honduras (2.3 percent), El Salvador (2.3 percent) and Trinidad and Tobago (1.4 percent) are the main suppliers within their own subregions. Intraregional markets are where the best access conditions exist, since there are few products excluded from free trade agreements, as detailed in Boxes 2 and 3.

No product with potential for trade expansion comes exclusively from one of the two subregions analysed. But, in some cases, there is only one significant extra-regional supplier, as is the case with cassava roots, cocoa, bananas and cane molasses. Other suppliers, especially from Asia, have been gaining market share as suppliers of products with growth potential. Such is the case of China, Republic of Korea and Singapore, which have increased their trade with both subregions in various food preparations, fish and non-alcoholic beverages.

Table 6. Products with export and import potential, main suppliers and competitors

Chapter	Product	Potential exporters	Potential importers	Principal suppliers	
				SICA/ CARICOM	Rest of the world
01- Live animals	Bovine species	BLZ	CRI, GTM	BLZ, NIC	USA, MEX
02- Meats	Beef	CRI, NIC, HND, PAN	BRB, BHS, GUY, TTO	JAM, TTO	NZL, EUR, URU, USA
	Beef offal	CRI, NIC	TTO	JAM	NZL, EUR, GBR, USA
03 – Fish and other seafood	Shrimps, prawns and other decapods	HND	BRB, TTO	GUY, JAM, TTO	IDN, ECU, IND, USA, CHN
04 – Dairy and eggs	Fluid milk	CRI, HND, NIC	BRB, JAM, TTO	CRI, DOM, JAM, TTO	BRA, USA, EUR, URY
	Cheeses	HND, JAM, NIC, PAN, SLV	BHS, BLZ, BRB, CRI, DOM, JAM, PAN, SUR, TTO	JAM, TTO	USA, NZL, EUR, GBR
06 – Plants and flowers	Live plants	CRI, HND, DOM, SLV	BHS, BRB, JAM, SUR, SVG, TTO	--	USA, THA, EUR
07 – Legumes and vegetables	Tomatoes	GTM, DOM, HND	BRB, SKN, SUR, TTO	GTM, HND, CRI, PAN	USA, MEX, EUR
	Cauliflower	GTM	TTO	CRI, BRB, GTM, STL	USA, MEX, PER, EUR
	Beans	BLZ, NIC	CRI, TTO	BLZ, NIC	CHN, USA
	Yuca	BLZ, CRI, GTM, HND, NIC	JAM, SUR	CRI, GTM, NIC	USA
08 – Fruits	Bananas	CRI, DOM, GTM, HND, PAN	TTO	CRI, DOM, SUR, STL, SVG	PHL
	Raspberries	GTM	JAM	GTM	CHL, USA
09 – Coffee, tea and spices	Coffee	CRI, DOM, GTM, HND, JAM, NIC, PAN, SLV	TTO	GTM, HND, JAM, NIC, SLV, TTO	BRA, USA, EUR
	Cardamom	GTM	TTO	GTM	USA, IND
	Other spices	JAM	BRB, CRI, DOM, GTM, GUY, SLV	GTM, GUY, JAM, TTO	USA, IND, EUR
10 – Cereals	Milled or semi-milled rice	GUY	BHS, CRI, DOM, HND, HTI, JAM, NIC, PAN, SLV	GUY, SLV	ARG, BRA, USA, PRY, SUR, URY
12 – Oilseeds	Sesame seeds	GTM	JAM	GTM, NIC	BRA, USA, IND
15 – Fats and oils	Vegetable fats and oils and their fractions	GTM, HND, PAN	BRB, TTO	DOM, TTO	ARG, BRA, COL, USA, EUR
	Mixtures of vegetable fats and oils	BRB, CRI, GTM, HND, JAM, SLV	DOM, GUY, NIC, SUR, TTO	GTM, JAM, SLV	ARG, USA, EUR

Chapter	Product	Potential exporters	Potential importers	Principal suppliers	
				SICA/ CARICOM	Rest of the world
16 – Meat and fish preparations	Beef sausages	CRI, GTM, JAM, TTO	BLZ, BHS, BRB, SUR	GTM, JAM, TTO	USA, EUR
	Prepared and canned poultry	BRB, CRI, GTM, JAM, PAN, SLV	DOM, HND, TTO	BRB, CRI, GTM,	BRA, CAN, USA, EUR
	Canned tuna	CRI, GTM, SLV	BRB, JAM, PAN, TTO	CRI, SLV	CAN, CHN, ECU, THA, USA
17 – Sugars and confectionery products	Raw cane sugar	BLZ, BRB, CRI, DOM, GUY, HND, NIC, SLV	BHS, TTO	BLZ, BRB, GTM, GUY, HND	BRA, USA
	Glucose and glucose syrup	GTM, JAM, NIC, SLV	BRB, DOM, PAN, SUR, TTO	PAN, DOM	BRA, USA, MEX, TUR, EUR
	Cane molasses	BLZ, BRB, DOM, GTM, HND, NIC, PAN, SLV	GUY, JAM, SUR	DOM, PAN	MEX
	Chewing gum and jams	CRI, GTM, HND, SLV, TTO	BRB, DOM, JAM, HTI, NIC	GTM, GUY, HND, NIC, SLV, TTO	ARG, COL, USA, MEX, EUR
18 – Cocoa and its preparations	Cocoa beans and paste	BLZ, DOM, HND, NIC, GRD, TTO, SVG	CRI, GTM, PAN, SLV	GRD, NIC,	ECU
	Cocoa powder	BLZ	CRI, DOM, GRD, GTM, PAN, SLV, SVG	JAM, TTO	COL, USA, GHA, MEX, PER, EUR
	Chocolates	CRI, GRD, GTM, JAM, SLV, TTO,	BLZ, DOM, HND, NIC, PAN, STL	CRI, DOM, GTM, TTO	BRA, COL, USA, MEX, EUR
19 – Preparations based on cereals, flours, starches and milk; pastry products	Pastries, cakes and biscuits	CRI, GTM, JAM, HND, SLV	BHS, BLZ, DOM, GUY, HTI, NIC, PAN, TTO	CRI, DOM, GTM, SLV	CAN, COL, USA, MEX, EUR
	Pasta	CRI, DOM, GTM, GUY, JAM, SLV, SUR	HND, NIC, PAN, TTO	CRI, DOM, GUY, JAM, TTO	USA, EUR
	Puffed or toasted cereals	BRB, CRI, GTM, JAM, HND, NIC, SLV, TTO	DOM, GUY, SUR	GTM, HND, SLV, TTO	USA, MEX, EUR
	Bread and biscuits	BRB, CRI, GTM, HND, JAM, SLV, TTO	BLZ, DOM, GUY, HTI, NIC, SUR	BRB, CRI, DOM, GTM, TTO	CAN, COL, USA, IND, MEX, PER, EUR, GBR
20 – Vegetable and fruit preparations	Prepared and canned vegetables	CRI, DOM, GTM, JAM, HND, SLV, TTO	NIC, PAN, SUR	DOM, GTM, HND, TTO	CAN, USA, MEX, EUR
	Jellies and jams	DOM, CRI, GTM, NIC, JAM	BLZ, BRB, GUY, HND, SLV, SUR, TTO	CRI, DOM, JAM, PAN	ARG, CHL, USA, MEX, EUR
	Peanuts, hazelnuts, other nuts and their preparations	BRB, HND, NIC, SLV, TTO	BHS, CRI, DOM, GTM, GUY, JAM, SUR, SVG	CRI, GTM, HND, NIC, SLV, TTO	CHN, USA, IND, MEX,
	Fruit juices	BHS, CRI, DOM, GTM, HND, JAM	BLZ, BRB, GUY, NIC, PAN, SLV, SUR, TTO	BLZ, CRI, HND, JAM, TTO	BRA, USA, MEX, PER, EUR

Chapter	Product	Potential exporters	Potential importers	Principal suppliers	
				SICA/ CARICOM	Rest of the world
21 – Miscellaneous food preparations	Extracts, essences, yeasts and similar products	CRI, GTM, JAM, NIC, TTO	DOM, GUY, HND, SLV	TTO	BRA, COL, USA, MEX, MYS, EUR, GBR
	Extracts, essences, yeasts and similar products	BLZ, CRI, DOM, GTM, GUY, JAM, SLV, SUR, TTO	BHS, NIC, PAN,	BHS, BRB, CRI, GTM, SLV, TTO	CAN, CHN, USA, HND, MEX, EUR, GBR
22 – Beverages	Bottled water	SLV, NIC, GTM, JAM, SVG, TTO	BHS, BRB, CRI, DOM, GUY, HND, PAN, SUR	CRI, GTM, STL, TTO	USA, EUR, GBR
	Non-alcoholic beverages	BLZ, CRI, BRB, GTM, GUY, JAM, SLV, SUR, TTO	BHS, DOM, HND, HTI, PAN	CRI, DOM, GTM	USA, MEX, PER, EUR
	Beer	BRB, GTM, JAM, NIC, SLV, SVG, TTO	BHS, CRI, GUY, HND, PAN, SUR	CRI, NIC, SKN, STL, SVG, TTO	USA, MEX, EUR
	Ethyl alcohol and brandy	BRB, CRI, DOM, GTM, NIC	GUY, SLV, SUR, TTO	BRB, DOM, GTM, PAN,	BRA, COL, USA, MEX, GBR
	Rum and other liquors from sugar cane	BRB, CRI, DOM, GTM, GUY, JAM, NIC, PAN	HND, SLV, SUR, TTO	BRB, GTM, GUY, JAM, HTI, NIC, PAN	USA, MEX, VNZ
23 – Food industry residues and waste	Food industry waste used in animal feed	BLZ, BRB, GTM, HND, JAM, NIC, PAN, SLV, SUR	DOM, SUR, TTO	BLZ, BRB, GTM, GUY, HND, JAM, NIC, SLV, TTO	BRA, COL, ECU, USA, MEX,
	Animal feed	BLZ, BRB, GTM, HND, JAM, PAN, SLV, SVG	GUY, DOM, SUR, TTO	CRI, GTM, JAM, HND, SLV, SVG, TTO	BRA, USA, MEX, EUR
24 – Tobacco	Tobacco	DOM	CRI, HND, NIC	DOM, HND, NIC	BRA, COL, ECU, USA, FLP, IDN, MEX,
	Cigarettes	CRI, DOM, HND, NIC, TTO	BHS, BRB, GUY, SLV, SUR	DOM, HND, NIC, TTO	CAN, CHN, USA, FLP, IND, MEX, SWZ, EUR

Note: For country code definitions please see Annex III

Source: Own elaboration with data from the International Merchandise Trade Statistics (UN COMTRADE).

In the case of the European Union, its situation as a supplier varies. Although there is a trade agreement between the SICA¹⁷ and CARIFORUM countries, as previously mentioned, the number of products excluded from the tariff reduction commitments is greater than in the trade agreements with the United States of America and intraregional agreements.

For the SICA countries, preferential tariffs are clearly an important consideration in the decision of the supplier's origin, as shown by some examples of potential trade opportunities (Table 7). Geographical proximity, the

¹⁷ The Dominican Republic is not part of the AAACEU, but is a signatory country of the EU-CARIFORUM EPA.

availability of multimodal transportation, and the validity of far-reaching preferential trade agreements are some of the factors that explain why the United States of America and the Central American subregion itself, and even the European Union, are the main suppliers of agrifood products in this region.

In the Caribbean, this condition is the same for intraregional trade and with the Dominican Republic, but the prevalence of the United States of America and the European Union as suppliers seems to respond more to other factors than to margins of preference.

Table 7. Examples of preferential tariffs for current suppliers

Subheading	Importing country	Current supplier			Possible supplier	
		Country	% of total	Tariff applied	Country	Tariff applied MFN
Melted cheese (040630)	CRI	NIC	42	0	JAM	0 ^{a/}
		USA	39	0 ^{b/} 1–13.2		
Common beans (071333)	CRI	NIC	53	0	BLZ	30
		USA	38	0		
	TTO	BLZ	62	0	NIC	20–40
		USA	22	0		
Milled or semi-milled rice (100630)	CRI	USA	55	0–23.8	GUY, SUR	0
	DOM					20
	GTM					23.7
	HND					45
	SLV					40
	NIC					60
	PAN					90
Poultry sausages (160239)	JAM, TTO	USA	98	20	SLV	20
Filled chocolates (180631)	PAN	USA	60	0 ^{a/}	TTO	5
	DOM					20
	CRI, GTM, SLV, NIC					15
Toasted bread and similar toasted products (190540)	TTO, SUR	USA	84	20	GTM, HND	20
Soups, stews and broths (210410)	NIC PAN	USA	36	0 ^{a/}	JAM	0 15
		GTM	29			
		MEX	17			

Preferential tariff.

^{b/} If the product enters under the CAFTA–DR cheese quota.

Source: Own elaboration with data from each country's customs and the WTO/IDB Integrated Data Base.

Note: For country code definitions please see Annex III

Given the high level of tariff protection for some products in CARICOM (between 20 and 40 percent) and certain highly sensitive sectors in the SICA countries, a possible RTA between both subregions would give the Caribbean market a comparative advantage over the current main suppliers and would match the conditions in Central America.

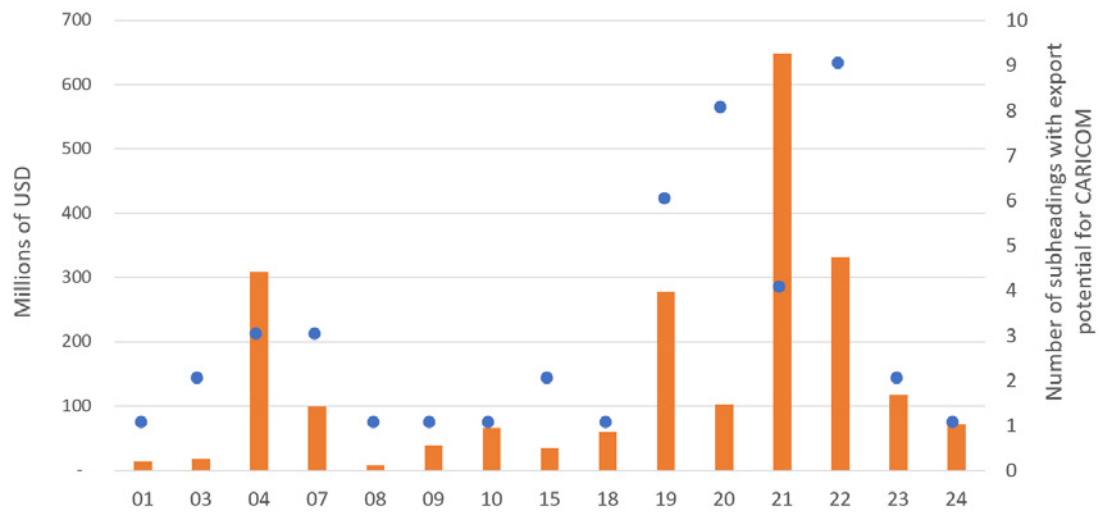
5.1.4 Potential market size

The **80 subheadings** identified represent a **potential market of USD 2.77 billion**, according to the parameters defined in the methodology. Of this amount, 79 percent corresponds to opportunities for the CARICOM countries and 21 percent for the SICA countries.

In the Caribbean, food preparations constitute the group of products with the highest value in terms of market potential (USD 649 million). Within this sub-sector, sauces and condiments stand out, as well as soups, broths and stews. Jamaica is listed as the only CARICOM country with export potential in all subheadings identified. In second place are alcoholic and non-alcoholic beverages (USD 332 million) and, third, processed cheese and other types of cheese such as cheddar (USD 309 million). Within this third group, Jamaica once again presents the largest number of subheadings with export growth potential; while in the case of beverages there are also possibilities of increasing trade in Barbados, Belize, Bahamas, Trinidad and Tobago and Guyana.

For most of the products with the potential to increase exports, there are several CARICOM countries that show a comparative advantage; however, there are certain cases where only one country has such an advantage. For example, Belize has a comparative advantage in the export of live bovine animals and common beans, with a potential market of USD 14.3 million and USD 95.5 million, respectively. Also, Jamaica has a comparative advantage in fats and vegetable oils (USD 12.6 million) and Trinidad and Tobago in filled chocolates (USD 59.2 million).

Figure 9. CARICOM: Potential size of the export market in the SICA countries, according to the HS chapter and number of subheadings



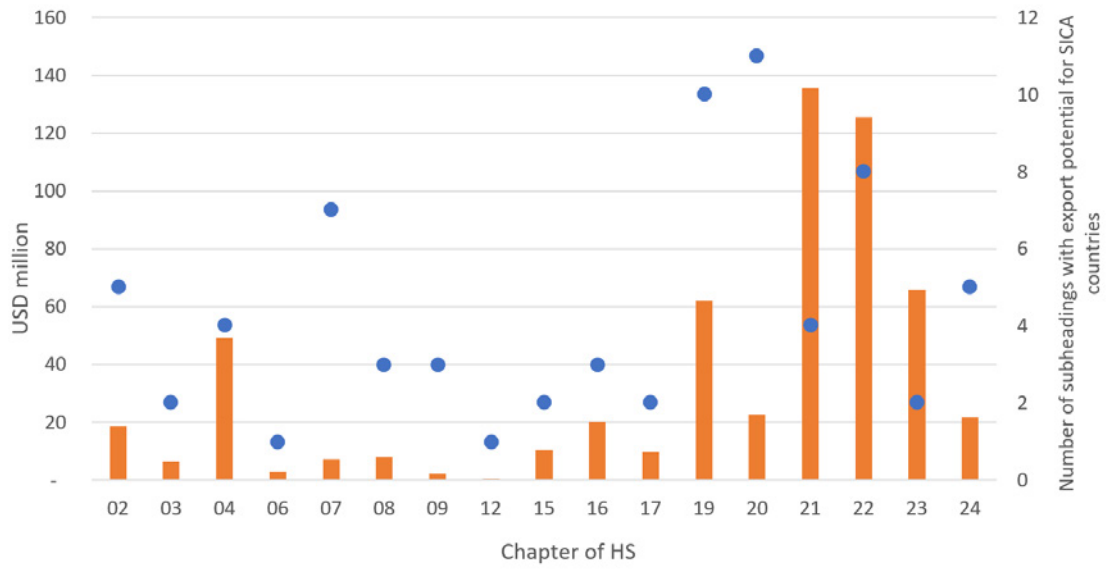
Source: Own elaboration with data from the International Merchandise Trade Statistics (UN COMTRADE).

In the SICA countries, as in the Caribbean, food preparations constitute the group of products with the highest potential market value (USD 135 million), closely followed by alcoholic and non-alcoholic beverages (USD 126 million) and, in third place, animal feed (USD 66 million). Within the first group, El Salvador, Guatemala, Honduras and the Dominican Republic appear as the countries with the largest number of subheadings with export potential. In the second set of products, Guatemala and Nicaragua have the most potential, while in the third, the exporters with the greatest potential are Costa Rica, El Salvador, Guatemala and Honduras.

For some goods, there is only a single exporter with a comparative advantage among the member countries of SICA. Such is the case of Nicaragua in the case of edible bovine offal (USD 4.3 million) and certain types of cheese (USD 42 million); Costa Rica in bananas (USD 7.1 million), sausages (USD 9.4 million), tomatoes and other prepared or canned vegetables (USD 5.4 million); and Guatemala in pasta and cereal-based preparations, where the market potential for both products amounts to USD 6 million.

For CARICOM exports, the SICA destination country with the largest market is the Dominican Republic (USD 601.2 million), representing a quarter of the total potential in the region. Panama and Honduras follow in relative importance, representing 21 and 18 percent, respectively, of total imports with the possibility of increasing trade. While in the Caribbean, the most important destination markets for the export of products from SICA, due to the size they represent, are: Trinidad and Tobago (USD 255.7 million), Guyana (USD 82.5 million), Suriname (USD 70 million) and the Bahamas (USD 62 million).

Figure 10. SICA: Potential size of the export market in CARICOM countries, according to the HS chapter and number of subheadings



Source: Own elaboration with data from the International Merchandise Trade Statistics (UN COMTRADE).

6. Main challenges to expand bi-regional trade



In order to complement the quantitative analysis, interviews were conducted with key informants in both subregions, including businesspeople with experience in the export and import process, representatives of unions in the agrifood sector, public sector officials, regional agencies responsible for sanitary and phytosanitary matters, as well as officials of trade and investment promotion agencies with offices in one or more of the SICA and CARICOM countries. The representatives of the companies and entities interviewed asked to remain anonymous, therefore, Annex I only includes the name of the organization.

The questionnaire used was semi-structured, including open questions, with the objective of understanding those factors that may facilitate or hinder the export/import of agrifood products between both subregions. The interviewees were consulted regarding both issues inherent to the products and the companies involved (for example, price, quality, reliability, etc.), as well as in terms of aspects related to infrastructure, logistics and trade policies (e.g. tariffs and NTMs).

The interviewees identified six areas considered to have the greatest impact on promoting trade: sanitary and phytosanitary requirements, distribution and transportation, the volume of cargo or the difficulty in generating economies of scale, the response capacity of the institutions linked to trade-related procedures and some cultural barriers such as language. To this list must be added two other challenges that have been raised in various studies: transportation costs and tariff barriers that remain high for certain agricultural products. Each of these limitations is discussed below.

Sanitary and phytosanitary concerns. Both in the Central American countries and in CARICOM, efforts have been made to achieve a balance between the right of each country to protect the health and life of people, animals and plants, and the avoidance of measures that constitute an unnecessary barrier to trade, as part of their progress towards the full implementation of the Agreement on Sanitary and Phytosanitary Measures of the WTO. However, there is still some degree of “distrust” in terms of whether the mechanisms applied by each country provide “acceptable” risk levels that guarantee the safety and health of imported products.

In CARICOM, as indicated in the consultations, some countries do not have the technological resources, human capital, and infrastructure necessary to verify that imported agrifood goods meet the safety requirements demanded. For example, in smaller countries it is not possible to carry out maximum residue limit (MRL) measurements, laboratory analysis or inspections to ensure conformity assessment. This limitation makes it preferable to import food from countries with the highest quality standards, such as the United States of America and the European Union, even if this implies paying a higher price. It is no coincidence that 54 percent of agrifood imports from CARICOM countries come from these two countries of origin.

Generating greater confidence in quality control systems and ensuring food safety are key elements to encourage trade, as well as promoting regulatory mechanisms that facilitate the exchange of agricultural products, without compromising the sanitary or phytosanitary status of any of the parties. The heterogeneity of requirements generally translates into higher information costs, derived not only from the need to understand the applicable regulations but also to adapt the products or processes to meet the conditions required in the export markets and demonstrate compliance through the established mechanisms. The lack of information and the disparity in national regulations, inspection procedures or conformity assessment mechanisms, results in delays, trade differences between countries and even acts as a disincentive for companies to export or import.

Inadequate transport and communication infrastructure, as well as limited organizational and technical capacity, make the cost of complying with NTMs higher in low-income countries than in developed economies. NTMs are estimated to be responsible for an additional three percentage point increase¹⁸ in trade costs in low-income economies compared to those in developed countries (UNCTAD and World Bank, 2019).

Faced with this challenge, the coordination between the sanitary and phytosanitary authorities of both subregions, through the creation of forums that allow the exchange of best practices, requirements and mechanisms for quality control of agricultural products, can help to generate higher levels of trust and deepen cooperation between authorities to develop schemes that streamline trade. The aim is to provide a space for the negotiation of regulatory convergence schemes, equivalence and mutual recognition agreements, as well as the signing of phyto- and zoosanitary protocols for specific products which have been identified as having trade potential (for example, beef, cheese, tomato, cauliflower, etc.).

Costa Rica, within the framework of its free trade agreement with CARICOM, has some experience in negotiating protocols for particular products, which would be of great value to other countries in the region.

Poor transportation and distribution between subregions and with third parties. The second highest priority for boosting agrifood trade flows is related to the availability of adequate transportation and distribution. Many agricultural products require short delivery times and temperature-controlled transport, especially when it comes to fresh or perishable products.

In Central America, the logistics and transportation network is highly interconnected and developed, particularly in countries like Panama; however, the low volume of trade with CARICOM has not served as a stimulus for the development of more maritime and air routes between the two subregions.

The strategic position of some Caribbean ports is ideal for trans-shipment centres, such is the case of Freeport, Kingston, Port of Spain or the ports of Belize located on the mainland; however, the different infrastructure conditions make their productivity and efficiency highly variable. For example, Jamaica is a major logistics and trans-shipment hub, moving more cargo than any other Caribbean country, followed by Freeport in the Bahamas, which also ranks as a competitive global logistics hub. The ports of Trinidad and Tobago function more as subregional ports, while the other ports in this trade block are classified as service ports. No more than ten commercial ships arrive weekly at the entry points of Antigua and Barbuda, Dominica, Grenada, Saint Kitts and Nevis and Saint Vincent and the Grenadines, without considering cruise ships (González, 2020). In general, the goods enter through Jamaica and Trinidad and Tobago, to be later distributed in smaller vessels, some of them informal, to the smaller islands. For some representatives of the CARICOM regional bodies, the ability to rapidly move agricultural produce within the subregion continues to be a major challenge.

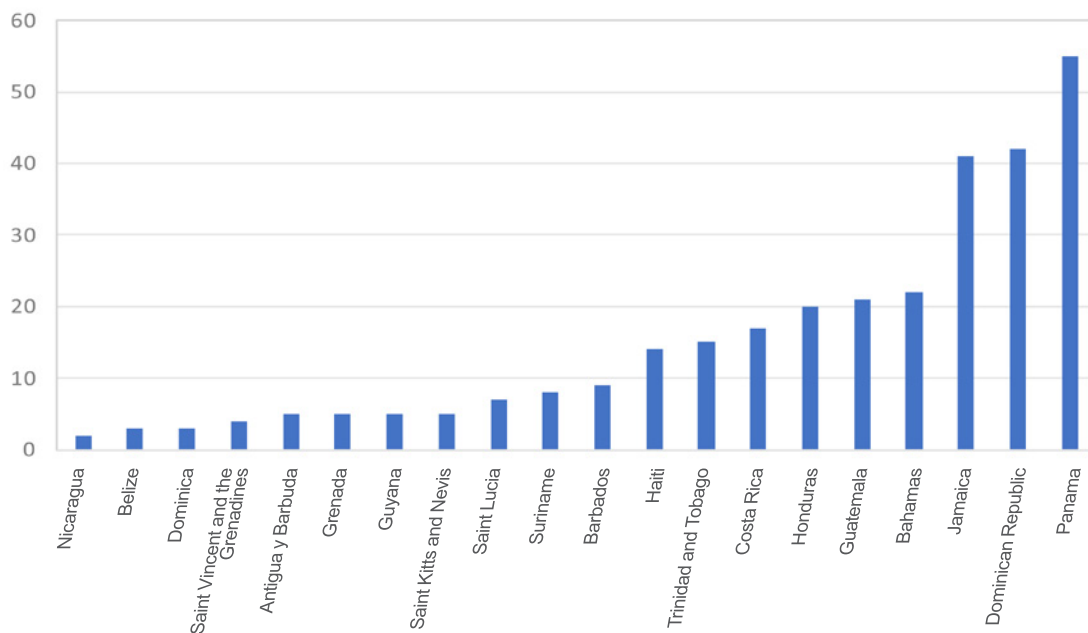
It is possible to find clearly defined route options with a weekly frequency, such as: Puerto Limón, CRI – Puerto Lisas, Trinidad and Tobago; Puerto Cortés, Honduras – Puerto Lisas, Trinidad and Tobago; or Puerto Barrios, Guatemala – Kingston, Jamaica. However, there are no routes available between certain countries, as is the case even in the same subregion (Guyana – Grenada), which means it is only possible to connect through a third country, which is usually the United States of America. A similar situation is experienced with both cargo and passenger air routes.

¹⁸ Measured in their ad valorem equivalent.

According to the World Bank Shipping Connectivity Index, which shows the degree of connectivity of countries with global maritime transport networks,¹⁹ the countries with the highest levels of connectivity in both subregions are: Panama (52), the Dominican Republic (42), Guatemala (37) and Costa Rica (24) in SICA; and Jamaica (34), the Bahamas (29) and Trinidad and Tobago (15) in the Caribbean. For the other countries, the values of this indicator are below 12 points. This index coincides with that reported by the Map of Maritime Routes of the Greater Caribbean, which reflects a greater availability of maritime routes in these countries (Figure 11).

In the consultations carried out, although the cost of transportation is recognized as a limitation for agrifood trade, the first need is that the route exists, with the desired frequency and that the conditions required for the export of the product are met. For example, the possibility of consolidating cargo and the availability of refrigerated or temperature-controlled containers.

Figure 11. Number of shipping routes by country (updated as of May 2023)



Source: Own elaboration with data from the Map of Maritime Routes of the Greater Caribbean from COCATRAM.

The lack of transport options between the two subregions is a recurring theme that has been addressed in various meetings at the ministerial level. This is demonstrated by the Joint Communiqué issued at the end of the Fourth CARICOM–Central America Ministerial Meeting on 22 March 1999, held in Georgetown, Guyana, indicating that the ministers agreed on the need to combine public and private efforts to “*facilitate coordination between shipping companies, provide better information on trade flows, identify hubs and improve port infrastructure*”. This was the response of the ministers to the need to reduce transport costs and

¹⁹ Base year 2004=100 (maximum level).

promote the frequency of shipping services, which had been affected by the lack of coordination between the inter-island shipping services and those that served the main routes. As has been the case for more than two decades, inadequate transport and logistics between the two subregions continues to limit trade expansion.

Limited cargo volume is unattractive for transportation companies. A third limitation for bi-regional agrifood trade is related to the small volume that is handled. Normally, an international freight service for partial loads or LCL (less than container load or non-complete containers) is more expensive than an FCL (full container load or complete container) shipment, when measured per unit load. In bi-regional trade there is not always enough volume for the second option. Even for fresh food, it is common that different types of products cannot be consolidated in the same shipment, for sanitary and food safety reasons.

For its part, the FCL option is usually ideal for perishable products, with very tight timelines or that must arrive on a certain date, since LCL freight usually works with longer closing dates while waiting to complete the load and make the most of the space available. In addition, with an LCL shipment if there are trans-shipment ports, which is usual in SICA-CARICOM trade, there is a greater risk of suffering delays due to the time it takes to load, unload or handle the containers in secondary ports.

According to the logistics experts consulted, in both subregions there is greater availability and frequency of transportation for FCL than for LCL, which contrasts with the available supply of agrifood products. With some exceptions, such as certain commodities, trade volumes are still relatively small and, therefore, not compatible with the functionality of the transport infrastructure.

The identification of some regional or subregional value chains, both among the SICA and CARICOM countries, especially for processed food products, could contribute to overcoming this volume limitation, particularly if these are linked to the tariff advantages that some countries have through trade agreements or PSTA in force, as long as this is permitted under the rules of origin of each instrument. The trade opportunities between Costa Rica or the Dominican Republic and the CARICOM countries, Panama and Trinidad and Tobago, or between Guatemala and Belize, should be taken as starting points in the search for suppliers of regional raw materials or intermediate goods that can be incorporated into the final product. Greater coordination and the generation of regional value chains would be a way to overcome this transport limitation and generate greater economies of scale.

The response capacity of the institutions linked to trade-related procedures needs improvement. Some of the interviewees pointed out the need to strengthen the capacities of the institutions linked to foreign trade, especially considering the impact that their decisions and response time have on the costs of companies.

Although it is an implicit cost that is difficult to quantify, some estimates such as those made by Tombe (2015), cited by FAO (2022), conclude that the costs related to delays in the importation of agricultural products, in low-income countries, can be up to 400 percent of the ad valorem equivalent compared to 30 percent for high-income countries. For perishable goods, these border delays can be especially burdensome. If poor infrastructure is coupled with low capacity to manage trade and information asymmetries, the costs associated with border delays can be very high.

According to revised figures from the World Bank's Doing Business 2019²⁰ report, the inspection times of the different entities at border entry points are similar between both subregions. However, the costs are, on average, 1.7 times higher in CARICOM than in SICA countries, with some cases well above the average, as observed in Barbados, Dominica, Grenada and Jamaica (Table 8).

Table 8. Estimation of time and costs for compliance with border requirements, 2019^{a/}

	Border compliance			
	Time to export (hours)	Cost to export (USD) ^{b/}	Time to import (hrs)	Cost to import (USD) ^{b/}
Barbados	41	486	104	1 776
Belize	96	710	48	688
Dominica	36	625	39	906
Grenada	101	1 034	37	1 256
Guyana	72	378	84	265
Haiti	28	368	83	563
Jamaica	58	876	80	906
Saint Kitts and Nevis	27	335	37	311
Saint Lucia	27	718	27	842
Saint Vincent and the Grenadines	28	340	48	540
Suriname	84	468	48	658
Trinidad and Tobago	60	499	78	635
CARICOM average	55	570	59	779
Costa Rica	20	375	80	420
Dominican Republic	16	488	24	579
El Salvador	24	128	36	128
Guatemala	36	310	72	405
Honduras	108	601	96	483
Nicaragua	72	240	72	400
Panama	24	270	24	490
SICA average	43	345	58	415

^{a/} Border compliance time to import/export refers to the time associated with customs compliance and other inspections that are required for cargo to cross the border, as well as the time and cost of handling that takes place at the port or border. This includes time for customs clearance and inspection procedures performed by other agencies. The indicator is calculated based on the new World Bank methodology (DB16-20) and refers to preliminary figures.

^{b/} Estimated nominal cost per container.

Source: Own elaboration based on the revised data of Doing Business 2019, World Bank.

²⁰ Although the most recent year available is 2020, this data was not used as it included the critical period of border closures and changes due to the COVID-19 pandemic.

FAO and the IDB (2023), who developed an index of agricultural trade costs in LAC, show how the lower import costs in Central American countries correspond mainly to their purchases from the Caribbean, the Central American subregion itself, and North America (not including Mexico). While, for the Caribbean countries, it is less expensive to import from their intraregional counterparts, the United States of America and, in third place, Central America. This situation was also confirmed by the foreign trade operators interviewed.

Although the countries have been advancing in the implementation of the WTO TFA, there are still procedures and requirements that must be met by companies that make the export or import process an obstacle course; especially, because NTM compliance and border controls are higher in food and agriculture than in any other productive sector.

Tariffs remain high for agricultural products. Both in CARICOM and in the SICA countries, tariffs on agricultural products remain high. As can be seen in Table 9, all the countries maintain tariff peaks²¹ of 4.5 percent, on average, in the tariff subheadings of the agricultural sector. Barbados and Panama are the countries with the highest “peaks”. On average, 43 percent of agrifood products are subject to tariffs higher than 15 percent in CARICOM, which is practically three times the number of subheadings than in the SICA countries, with the exception of the Dominican Republic.

In negotiations with third parties, the products with the highest tariff protection have not benefitted from tariff reductions either, as explained in section 2.3. With the exception of the agreement negotiated by the SICA countries within the framework of CAFTA–DR, under which practically all goods will reach free trade status by 2026 at the latest, in the other RTAs the scope is more limited and agricultural products with high tariffs have been left out of tariff reduction commitments.

In the consultations carried out, those who considered tariff reduction as a key variable in trade promotion, due to its impact on transaction costs, also recognized that the existence of structural limitations would prevent importers/exporters from making effective use of any trade liberalization process.

²¹ Tariffs that exceed the average tariff of the sector by three times or more.

Table 9. MFN tariffs by country in the agricultural sector

	MFN tariffs				
	Ad valorem simple average (%)	Zero tariff	Tariffs > 15%	Tariffs > 3 times the simple average	Maximum tariff
	Subheading percentages (6D)				
CARICOM					
Barbados	27.5	18.8	45.7	8.0	216
Belize	22.6	17.3	45.8	6.1	110 ^{a/}
Dominica	22.2	24.7	47.9	5.7	150
Guyana	22.2	8.3	49.3	3.2	100
Haiti	9.7	29.9	19.5	6.6	50
Jamaica	19.3	31.0	49.2	1.5	100
Saint Kitts and Nevis	13.2	38.6	33.8	17.0	97 ^{a/}
Saint Vincent and the Grenadines	17.4	11.2	42.7	0.8	100
Saint Lucia	17.2	28.5	43.7	0.7	100
Suriname	18.5	10.0	48.1	0.0	50
Trinidad and Tobago	19.1	41.9	47.2	2.9	100 ^{a/}
SICA					
Costa Rica	11.6	29.9	8.4	8.2	150
El Salvador	11.8	28.2	11.7	6.9	164
Guatemala	9.5	28.3	4.0	1.3	40
Honduras	10.3	27.3	5.0	3.5	164
Nicaragua	10.6	27.2	5.6	4.4	164
Panama	12.1	29.3	8.4	3.8	260
Dominican Republic	14.6	32.6	53.0	2.8	99

^{a/} Corresponds to the ad valorem equivalent tariff calculated by the WTO.

Note: The Bahamas and Grenada not available.

Source: Tariff profiles, WTO. 2023. Trade Policy Review: OECS–WTO Members. Geneva.

https://www.wto.org/english/tratop_e/tpr_e/tp537_e.htm

Cultural barriers also inhibit bi-regional agricultural trade. One of these barriers is language. For this reason, companies with little experience in internationalization processes, particularly smaller ones, tend to choose “natural” markets where the “adaptation” processes of their products are not extremely cumbersome or complex.

When a company arrives in a new market, even one with a common language, cultural differences force it to adapt to the vernacular language and slang. However, when this adaptation or effort to “fit in” is highly complex, added to another set of obstacles such as those mentioned above, it is easy for the interest initially shown in venturing into the new market to disappear. McLean and Khadan (2015) observed that, despite the degree of trade complementarity that exists in CARICOM and Central America, differences in business culture, as well as language, are clear limitations to expanding bilateral trade.

Bi-regional chambers of commerce, export promotion agencies, consulates and regional organizations play a crucial role in providing relevant information, identifying opportunities, communicating about new processes and requirements, consumer preferences and customs, as well as the identification of reliable suppliers in the export markets.

7. Conclusions and recommendations



In recent years, **the convergence of various external shocks has threatened the progress made in terms of food security in most Central American and Caribbean countries.** However, at the same time, these shocks have highlighted the importance of agriculture as the basis of the regional productive structure, in order to guarantee the availability of food and ensure the access of the population to sufficient food in times of crisis, particularly in the most vulnerable countries.

Despite the SICA and CARICOM countries being geographically close markets, which a high degree of complementarity, and the existence of some preferential tariffs for certain agrifood products, **trade in agrifood products between the two subregions is relatively low and, therefore, has growth potential.**

The most important intraregional supplier/buyer countries are those that are geographically closest and have, due to the existence of an RTA, tariff advantages over third parties. This is the case of the Dominican Republic with the CARICOM countries or Guatemala with Belize. A third key supplier for the Caribbean countries is Costa Rica, which has a free trade agreement in force with the subregion.

Based on the applied methodology, **80 subheadings (671 combinations) were identified with the greatest potential for expanding trade between both subregions, which represent a total potential market of USD 2.77 billion.** Of this amount, 79 percent corresponds to trade opportunities for the CARICOM countries and 21 percent for the SICA economies.

Of these subheadings, 64 percent correspond to products of the food industry or processed food products (Chapters 15–24), while the remaining 36 percent corresponds to agricultural goods in primary forms. Within this last group, the following stand out: beef, some dairy products (powdered milk and cheese), tomato, cauliflower and broccoli, beans and other vegetables, bananas and coffee. In terms of processed food products, these include preparations based on mixtures of vegetable oils, sausages, canned tuna, raw sugar, pasta, cereal-based products, pineapple juice, sauces and seasonings, bottled water, malt beer, ethyl alcohol, rum and animal feed.

In the SICA region, Guatemala, Costa Rica and Honduras are the countries that have the greatest number of products with potential for trade expansion; while, in CARICOM, Jamaica, Barbados and Trinidad and Tobago have the most potential to expand their external sales. Although there are possibilities to increase and diversify bi-regional agrifood imports in practically all countries, the Dominican Republic and Trinidad and Tobago show the greatest potential, followed in relative importance by Suriname and Nicaragua.

Both subregions maintain high tariffs in the agrifood sector, although in CARICOM the number of products with import tariffs above 15 percent is greater. The greatest tariff advantage comes from the countries of the subregion itself, which enjoy more favourable access conditions than those granted to third parties. In most of the current RTAs, the liberalization of the agricultural sector has been partial and in the case of CARICOM asymmetrical, which has allowed the countries to maintain their tariff protection. The exception for the SICA countries was the negotiation of CAFTA–DR, an agreement whereby practically all goods will enjoy a margin of preference of 100 percent no later than 2026.

An eventual RTA between SICA and CARICOM could benefit Caribbean exports by allowing them to match the margins of preference enjoyed today by products from the United States

of America, the European Union or Mexico in the Central American market, but would also give SICA countries better access conditions than their main competitors in CARICOM. Only through the negotiation of a comprehensive agreement will it be possible to overcome the historical tariff protection in both subregions and deepen their trade complementarity.

The existence of structural limitations inhibits realizing the full potential of any trade liberalization process. Improving infrastructure, capacities and confidence in quality control systems, overcoming lags in logistics connectivity and transport limitations, as well as achieving an efficient response capacity of entities involved in trade-related procedures and even overcoming cultural barriers are some of the main challenges that both subregions face to promote trade. These are in addition to historical lags typical of the agricultural sector of both subregions, such as the need to increase productivity, which is a necessary condition to achieve a greater scale and quality of production.

The coordination between the sanitary and phytosanitary authorities of both subregions, through the creation of forums that allow the exchange of best practices, requirements and quality control mechanisms for agricultural products, **creates a space for the negotiation of regulatory convergence schemes, equivalence or mutual recognition agreements, and the signing of phyto- and zoonitary protocols for specific products where trade potential has been identified.**

In terms of logistics and transport, it is necessary to have a comprehensive and accurate diagnosis of the current state of the port infrastructure in the Central American and Caribbean countries, which includes the availability and frequency of routes, transit times, the modality of cargo and type of transport, as well as the costs associated with logistics and intra- and extraregional transport. Although some efforts have been made to identify existing routes, such as the Map of Maritime Routes of the Greater Caribbean, coordinated by entities in the Central American and Caribbean transport sectors, there is no information on frequencies, transportation modalities, and costs. An analysis of the current status and growth prospects of interregional transport should serve as the basis for the development of policies that allow for greater investment in infrastructure and connectivity.

The development of a coordinated logistics and transport policy would promote greater trade flows towards the most efficient hubs or trans-shipment centres in each of the subregions. Among the elements that should be considered in this coordination effort are: the convergence and modernization of maritime and port legislation, the use and improvement of existing infrastructure, encouraging the development of a cabotage network or alternative transport for short distances (for example, ferries), and the design of policies and procedures that allow a more efficient port operation, among others. The design of any strategy to improve the mobility of goods between the two subregions should take advantage of the transport, logistics and associated services network already developed in Panama.

Promoting public-private partnerships, as long as they are implemented in balanced regulatory environments, is an alternative to improve the infrastructure of developing countries. These types of partnerships also improve the distribution of risks between public and private actors and can complement public investment. Some countries in the subregion have relevant experiences in the implementation of these types of projects.

To overcome volume limitations and generate greater economies of scale, it is important to identify whether there are value chains in products with growth potential that can be developed at the subregional level. In this regard, an integrated efficiency analysis of each of these chains must include the tariff advantages agreed upon in the trade agreements or PSTA in force, the use of the rules of origin of these preferential agreements, the availability of intra- and inter-regional transportation, the NTMs to be overcome, as well as the proximity to the main logistics hubs and the costs associated with the transfer of raw materials and final goods. This analysis will make it possible to design the necessary actions to overcome the main “bottlenecks” in the development of each value chain. In Central America, some regional organizations have been making progress in identifying these chains, and their experience could be replicated in the Caribbean.

The creation of single windows for foreign trade to streamline import and export procedures would improve the response capacity of trade-related institutions. The results of their implementation in various countries of the LAC region have demonstrated they are a good practice to facilitate trade. The unification in a single digital platform of all trade-related operations not only contributes to reducing the number of documents and procedures that operators must carry out, but also facilitates inter-institutional coordination and reduces the discretion of the officials in charge of controlling the exit and entry of goods, with the consequent positive impact on customs clearance times and costs associated with agricultural trade. Also, the full implementation of the WTO TFA, including policies to promote the application of simplified requirements, establish control mechanisms based on better risk analysis and implement practices that promote greater transparency, should be strengthened in both subregions. International cooperation plays a key role in strengthening capacities and implementing these instruments that would facilitate agricultural trade between both subregions.

Finally, **progress in any of these areas will help boost trade flows for agricultural products and improve food security in both subregions.** The harmonized implementation of international standards based on science and risk, the expediting and proper handling of cargo, and the implementation of measures that facilitate trade and institutional response capacity, will promote food availability, access and utilization.

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9. Annexes



Annex I

Entities, organizations and companies interviewed

Entity/Organization	Country/Region
Agricultural & Agro-Industrial Development, CARICOM Secretariat	Guyana / CARICOM
Caribbean Agricultural Health and Food Safety Agency (CAHFSA)	Suriname
Caricom Private Sector Organization (CPSO)	Trinidad and Tobago/ CARICOM
Centre for Economic Integration Studies, Central American Economic Integration Secretariat (SIECA)	Guatemala
Export and Investment Centre of the Dominican Republic (CEI-RD)	Dominican Republic
Exporters association, COEXPORT	El Salvador
Pegasus Logistics Group, S.A.	Logistics operator
Foreign Trade Promoter	Representative in Costa Rica / Office in CARICOM
Technical Secretariat of the Central American Agricultural Council – SICA	Costa Rica
Tripp Cargo Logistics S.A.	Logistics operator
Unit for SICA-CARICOM-AEC relations at SICA	Belize

Annex II

Countries with export potential in SICA and CARICOM, by HS subheading

Subheading	Country with export potential																		
010229													BLZ						
020130				HND	NIC														
020220	CRI			HND	NIC	PAN													
020230	CRI			HND	NIC	PAN													
020622					NIC														
020629	CRI				NIC														
030289	CRI	SLV	GTM		NIC	PAN							GUY					TTO	
030617			GTM	HND	NIC	PAN						BLZ	GUY						
040120	CRI			HND	NIC														
040221	CRI				NIC														
040630		SLV		HND	NIC	PAN								JAM					
040690					NIC									JAM					
060290	CRI	SLV		HND			DOM												
070200			GTM	HND			DOM												
070410			GTM																
070960		SLV	GTM	HND			DOM							JAM					
070999	CRI	SLV	GTM	HND	NIC		DOM												
071080		SLV	GTM																
071333		SLV	GTM	HND	NIC								BLZ						
071410	CRI				NIC														
080390	CRI												BLZ	JAM					
081020			GTM																
081190	CRI	SLV	GTM																
090111	CRI	SLV	GTM	HND	NIC									JAM					
090122						PAN													
090831			GTM	HND															
091099								BHS						JAM	SUR	SVG	TTO		
100630													GUY		SUR				
120740			GTM	HND	NIC														
151620		SLV	GTM	HND		PAN								JAM					
151790	CRI	SLV	GTM	HND					BRS					JAM					
160100	CRI																		
160232	CRI																		
160239		SLV																	
160414	CRI																		
170114	CRI																		
170490	CRI																		
180631																			TTO
190219	CRI																		
190230			GTM																
190410	CRI																		
190420			GTM																

Subheading	Country with export potential														
190490		SLV	GTM							BRS					TTO
190510				HND											
190531	CRI	SLV	GTM	HND			DOM		BRS			JAM			TTO
190532		SLV	GTM				DOM								TTO
190540			GTM	HND											
190590	CRI	SLV	GTM	HND			DOM		BRS			JAM			TTO
200190	CRI	SLV	GTM												
200290	CRI														
200490	CRI														
200520			GTM	HND			DOM								TTO
200559	CRI	SLV	GTM	HND			DOM								
200710	CRI						DOM								
200819			GTM				DOM		BRS						TTO
200899	CRI	SLV	GTM	HND			DOM					JAM			TTO
200941	CRI	SLV	GTM						BRS	BLZ					
200949	CRI		GTM	HND					BRS						
200990			GTM	HND			DOM			BLZ		JAM	SUR		TTO
210320	CRI	SLV	GTM	HND			DOM					JAM			TTO
210390	CRI	SLV	GTM	HND			DOM		BRS	BLZ	GUY	JAM	SUR	SVG	TTO
210410		SLV	GTM	HND			DOM					JAM			
210690	CRI	SLV	GTM				DOM		BRS			JAM		SVG	
220210	CRI	SLV	GTM	HND	NIC				BRS			JAM		SVG	TTO
220299	CRI	SLV	GTM		NIC		DOM			BLZ	GUY	JAM			
220300		SLV	GTM		NIC				BRS			JAM		SVG	
220510												JAM		SVG	
220600											GUY	JAM			TTO
220710	CRI		GTM				DOM		BRS						
220720			GTM		NIC										
220840	CRI	SLV	GTM	HND	NIC	PAN	DOM								
220870							DOM		BRS			JAM			
220890	CRI						DOM	BHS	BRS	BLZ	GUY	JAM			
230910	CRI	SLV	GTM	HND					BRS						
230990	CRI	SLV	GTM	HND		PAN				BLZ		JAM		SVG	
240110			GTM	HND	NIC	PAN	DOM								
240120			GTM		NIC		DOM								
240130			GTM				DOM								
240210	CRI			HND	NIC										
240220				HND											TTO

Source: Own elaboration.

Countries with import potential in SICA and CARICOM, by HS subheading

Subheading	Country with export potential														
010229		CRI	DOM					NIC							
020130	TTO							PAN				JAM			
020220			DOM		GTM						GUY		BHS		
020230	TTO		DOM		GTM				BRS						
020622	TTO	CRI			GTM										
020629	TTO		DOM		GTM			PAN							
030289			DOM							BLZ			BHS		
030617	TTO	CRI		SLV					BRS						
040120	TTO		DOM						BRS			JAM			
040221			DOM	SLV	GTM	HND			BRS			JAM			
040630	TTO	CRI													
040690	TTO	CRI	DOM	SLV	GTM	HND									
060290	TTO				GTM		NIC	PAN	BRS			JAM		SUR	SVG
070200	TTO	CRI					NIC		BRS					SUR	SKN
070410	TTO	CRI	DOM												
070960	TTO	CRI					NIC		BRS		GUY			SUR	
070999	TTO										GUY	JAM			
071080	TTO		DOM								GUY				
071333	TTO	CRI	DOM												
071410			DOM		GTM	HND		PAN				JAM		SUR	
080390	TTO			SLV											
081020												JAM			
081190			DOM				NIC					JAM		SUR	
090111	TTO		DOM					PAN					BHS		
090122	TTO	CRI	DOM									JAM			
090831	TTO				GTM	HND									
091099		CRI	DOM	SLV	GTM	HND			BRS		GUY				
100630	TTO	CRI	DOM	SLV	GTM	HND	NIC	PAN							
120740		CRI	DOM	SLV								JAM			
151620	TTO	CRI	DOM				NIC		BRS						
151790	TTO		DOM				NIC				GUY			SUR	
160100			DOM	SLV		HND		PAN	BRS					SUR	
160232	TTO		DOM	SLV		HND									
160239	TTO											JAM			
160414	TTO		DOM					PAN				JAM			
170114	TTO		DOM				NIC	PAN	BRS			JAM			
170490	TTO														
180631		CRI	DOM	SLV	GTM		NIC	PAN		BLZ					
190219	TTO		DOM	SLV		HND		PAN			GUY			SUR	
190230	TTO	CRI	DOM	SLV		HND	NIC				GUY	JAM		SUR	
190410			DOM				NIC				GUY			SUR	

Subheading	Country with export potential													
190420	TTO	CRI	DOM									JAM		
190490		CRI	DOM			HND	NIC				GUY	JAM		SUR
190510	TTO		DOM		GTM							JAM		SUR
190531							NIC				GUY			SUR
190532		CRI				HND					GUY	JAM		
190540	TTO	CRI	DOM	SLV										SUR
190590							NIC	PAN		BLZ	GUY			SUR
200190	TTO		DOM								GUY	JAM		SUR
200290	TTO		DOM	SLV	GTM	HND	NIC	PAN						
200490			DOM	SLV	GTM	HND								JAM
200520	TTO	CRI		SLV										
200559												JAM		
200710	TTO			SLV		HND	NIC							
200819		CRI		SLV			NIC					JAM		SVG
200899							NIC				GUY			SUR
200941	TTO						NIC							
200949	TTO		DOM					PAN				JAM		
200990		CRI						PAN	BRS		GUY			
210320							NIC	PAN			GUY			SUR
210390							NIC	PAN					BHS	
210410	TTO	CRI					NIC	PAN						SUR
210690	TTO					HND	NIC	PAN			GUY		BHS	SUR
220210			DOM								GUY		BHS	SUR
220299						HND			BRS				BHS	
220300	TTO		DOM			HND		PAN		BLZ	GUY		BHS	SUR
220510			DOM											
220600		CRI	DOM		GTM									SUR
220710	TTO			SLV			NIC							SUR
220720	TTO	CRI	DOM			HND			BRS		GUY	JAM		SUR
220840														SUR
220870	TTO	CRI		SLV	GTM	HND	NIC				GUY			
220890	TTO			SLV	GTM	HND	NIC							SUR
230910	TTO		DOM									JAM		
230990	TTO		DOM				NIC				GUY			SUR
240110	TTO													
240120	TTO	CRI				HND								
240130	TTO					HND	NIC							
240210				SLV	GTM				BRS				BHS	SUR
240220		CRI	DOM	SLV	GTM		NIC				GUY		BHS	SUR

Source: Own elaboration.

Annex III

Country codes

ARG	Argentina
ATG	Antigua and Barbuda
BHS	Bahamas
BLZ	Belize
BRA	Brazil
BRB	Barbados
CHL	Chile
CHN	China
COL	Colombia
CRI	Costa Rica
DMA	Dominica
DOM	Dominican Republic
ECU	Ecuador
ELS	El Salvador
EPA	Economic Association Agreement
EUR	European Union
GHA	Ghana
GRD	Grenada
GTM	Guatemala
GUY	Guyana
HND	Honduras
HTI	Haiti
IDN	Indonesia
IND	India
IRL	Ireland
JAM	Jamaica
MYS	Malaysia
NIC	Nicaragua
NLD	Netherlands (Kingdom of the)
NZL	New Zealand
PAN	Panama
PER	Peru
PHL	Philippines
PRY	Paraguay
SKN	Saint Kitts and Nevis
SLV	El Salvador
STL	Saint Lucia
SUR	Suriname
SVG	Saint Vincent and the Grenadines
SWZ	Switzerland
THA	Thailand
TTO	Trinidad and Tobago
TUR	Türkiye
GBR	United Kingdom of Great Britain and Northern Ireland
URY	Uruguay
USA	United States of America
VNZ	Venezuela (Bolivarian Republic of)
WTO	World Trade Organization



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