

Private Sector *Trade Note*

CARICOM-USA Trade¹

► CARICOM-USA TRADE OVERVIEW

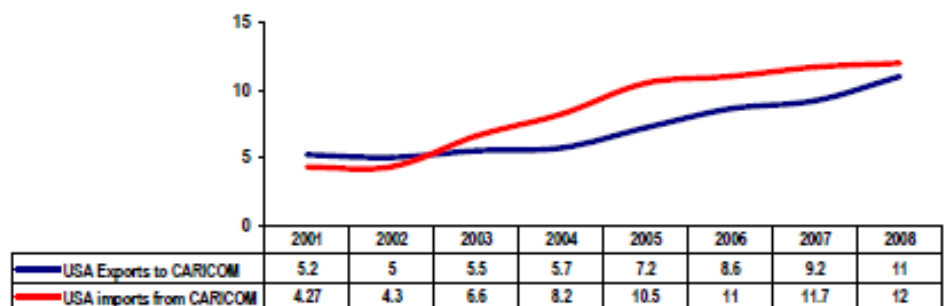
The USA is CARICOM's top trading partner and was a source of US\$12bn in export sales and US\$11bn in import expenditure in 2008. CARICOM's merchandise export sales to the USA has grown by 16% annually, and merchandise import spending from the USA grew at 11.3% annually between 2001 and 2008. Since 2002, the region reversed the merchandise trade deficit with the USA and expanded the trade surplus up to 2005 (see figure 1). Since 2005, the trade surplus has contracted. The region's trade surplus shows a strong correlation with changes in the price of energy products and raw materials specifically Liquefied Natural Gas(LNG), Aluminium and crude petroleum. This reflects the continued dependence on a few extractive industry clusters for export revenue regionally, and has implications for continued uneven benefits from trade expansion particularly for smaller

CARICOM firms in the Organisation of Eastern Caribbean States (OECS) who do not have similar endowments of natural resources.

Services opportunities exist for the region in the USA, which may be more inclusive than the current heavy reliance on the extractive industries. Greater international exploitation of services opportunities can provide more equalizing benefits for the entire CARICOM region from trade. In this regard, the USA is a large and dynamic

services importing economy, and the region's services operators should expand their market footprint. In 2007, the USA spent US\$378bn on imported services. The main services imported by the USA in 2007 included transportation (25% of imported services spending), travel (21%), other business services (14%) and insurance (11%). Between 2000 and 2007, USA importers of services grew spending by 7.8% annually. During this period the fastest growing services sectors included personal/cultural/recreational

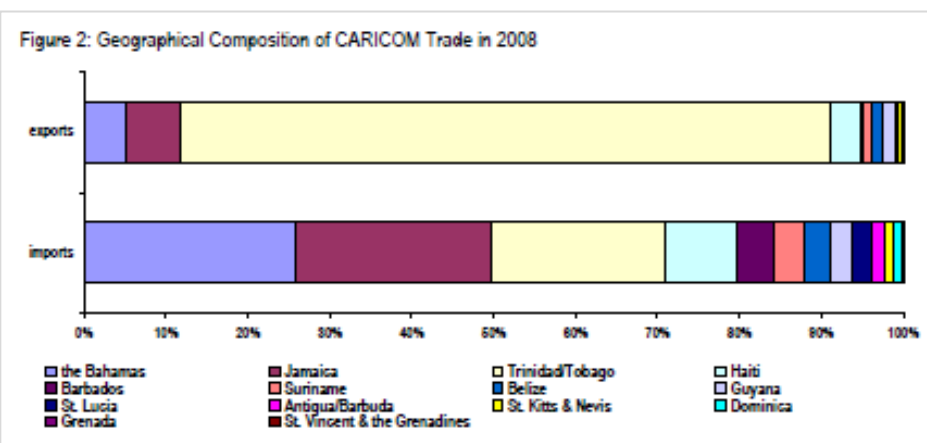
Figure 1: CARICOM Trade with the USA (US\$bn)



services (41% growth annually), computer/information services (38%), insurance (22%) and construction (21%). These are sectors where CARICOM service providers have export capacity, and as such, may be covered in future CRNM private sector trade notes.

CARICOM's goods (merchandise) exporters are feeling the impact of the global economic contraction specifically

source of 32% of the region's import spending. By 2008, this had increased to 39%, showing the increased dependence of the region on the USA as an import source. In 2004, regional exporters depended on the USA for a little over half (53%) of export earnings. By 2008, the share of export earnings generated in the USA declined to 48%.



manifested in reduced export sales to the USA. The region's exporters earned US\$1.8bn in sales in the first quarter (Q1) of 2009, compared to US\$3bn Q1 of 2008. Therefore, in the first quarter of 2009, export revenue declined by 40% from the Q1 outturn in 2008. Additionally, Q1 2009 export revenue declined by 25% compared to Q4 earnings of 2008. During 2008, CARICOM's export sales to the USA consistently increased up to US\$3.3bn in the third quarter of the year, after which there has been a massive decline by 45% from Q3 of 2008 to Q1 of 2009. Similarly, USA export activity to CARICOM has slowed. In Q1 2008, the region spent US\$2.6bn on imports from the USA, and this declined to US\$2.1bn in Q1 2009. Therefore, based on Q1 results for 2009, the USA has re-attained a trade surplus with CARICOM.

The USA is becoming a more important import source, but a less important export destination for CARICOM's private sector. In 2004, the USA was the

Trinidad/Tobago dominates CARICOM based export activity to the USA, whilst the Bahamas is the top import market for US goods into CARICOM market (see figure 2). Jamaica, Trinidad/Tobago and Haiti are the other top import markets for USA products into CARICOM, and these markets are also the top CARICOM exporters to the USA. The Bahamas is the most dynamic importer of USA goods between 2001 and 2008 overtaking Jamaica and Trinidad/Tobago. Between 2001 and 2008 the Bahamas' appetite for USA goods grew by 16% annually, while Jamaica and Trinidad/Tobago's import spending grew annually by 9% and 11% respectively. Trinidad/Tobago was the most dynamic CARICOM member state exporting to the USA between 2001 and 2008 with export sales growing by 20% annually.



United States Trade Representative, Ambassador Ron Kirk. PHOTO: www.ustr.org



▶ USA TRADE PREFERENCES FOR CARICOM

The region receives duty preferences into the USA under the Caribbean Basin Economic Recovery Act (CBERA) and the Caribbean Basin Trade Partnership Act (CBTPA). Additionally, Haiti receives preferences for a select number of items, mainly apparel, through the Haitian Hemispheric Opportunity through Partnership Encouragement Act (HOPE). On March 24, 2009, the World Trade Organization (WTO) Council for Trade in Goods approved the long standing waiver request from the US on the Caribbean Basin Economic Recovery Act (CBERA). The approval of the waiver which will remain valid until 2014, provides the legal authorization for CARICOM to export goods covered under CBERA to the US duty-free.

Initially launched in 1983, through the Caribbean Basin Economic Recovery Act (CBERA), and substantially expanded in

2000 through the U.S.-Caribbean Basin Trade Partnership Act (CBTPA), these agreements² currently provide beneficiary countries with duty-free access to the U.S. market for most goods which satisfy prescribed rules of origin. The CBTPA entered into force on October 1, 2000, and continues in effect until September 30, 2010, or the date, if sooner, on which a free trade agreement as described in legislation enters into force between the United States and a CBTPA beneficiary country. The CBTPA temporarily expands the CBERA duty benefits to some of the region's economies and covers products excluded from the CBERA namely footwear, canned tuna, petroleum products, watches, watch parts, apparel³ and hand-loomed/handmade/folklore articles.

US President Barack Obama met with CARICOM Heads of Government at the V Summit of the Americas in Port-of-Spain, Trinidad. PHOTO: Stabroek News www.stabroeknews.com



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FACTIOD

**More on the
CBERA and CBTPA**

There are currently 19 CBERA beneficiary countries: Antigua and Barbuda, Aruba, The Bahamas, Barbados, Belize, British Virgin Islands, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Netherlands Antilles, Panama, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines and Trinidad and Tobago. Eight of these 19 are also beneficiaries under CBTPA namely Barbados, Belize, Guyana, Haiti, Jamaica, Panama, St. Lucia and Trinidad and Tobago.

For most goods to receive the duty preferences, the value of regional raw material inputs has to be at least 60% of the ex factory price of the final product. The CBERA and CBTPA do not provide any predictable market access for service providers as it is a goods only arrangement. Currently, some seasonal work programs are operating which provide market access for farm workers and tourism professionals. Recruitment programs also target medical and education professionals from the region.

► MAJOR CARICOM EXPORTS TO USA⁴

In 2008, CARICOM-based firms exported 83 significant tariff lines to the USA⁵. Exports are concentrated in a few product lines as the top 20 exports accounted for over 90% of total export earnings in 2008. Of these top exports,

only 6 are dependent on the CBI preferences for their duty free status (See table 1)⁶.

Table 1: Top 20 CARICOM exports to the USA in 2008

Product	2008 Exports (US\$'000)	AGR	MFN tariff	CBI tariff
271111- Liquefied Natural Gas	2,787,524	28%	0%	0%
281410- anhydrous ammonia	2,136,543	24%	0%	0%
290511- methanol	1,284,189	23%	0%	n/a
271019- light petroleum distillates	1,106,903	203%	0.14%	0%
270900- crude petroleum oils	825,254	7%	0.17%	0%
720310- ferrous products obtained by direct reduction of iron ore, nes	524,296	57%	0%	n/a
220710- undenatured ethyl alcohol of an alcohol strength by vol of 80% or higher	421,999	40%	2.5%	0%
999999- commodities not elsewhere specified	392,039	n/a	n/a	n/a
271011- aviation spirit	345,903	n/a	1.08%	0%
281820- aluminium oxide nes	262,980	5%	0%	n/a
310210- urea	214,105	23%	0%	n/a
260600- aluminium ores/concentrates	206,102	6%	0%	n/a
610910- t-shirts, singlets and other vests of cotton, knitted	166,722	1%	16.5%	0%
611020- pullovers, cardigans and similar articles of cotton	156,841	23%	5%	0%
390311- polystyrene, expansible	139,058	11%	6.5%	0%
030611- rock lobster & other sea crawfish, frozen in shell	59,113	1%	0%	n/a
030613- shrimps and prawns, frozen	48,831	-8%	0%	n/a
220300- beer made from malt	46,827	21%	0%	n/a
251710- pebbles, gravel, broken or crushed stone, used for aggregates	36,685	23%	0%	n/a
220840- rum and tafia	36,684	11%	0%	n/a
620342- mens/boys trousers and shorts of cotton, not knitted	36,490	15%	0%	0%

Between 2001 and 2008, the most dynamic exports to the USA included Liquefied Natural Gas (LNG), Anhydrous ammonia, methanol, light petroleum distillates, ferrous products or iron, undenatured ethyl alcohol, pullovers/cardigans, beer made from malt, pebbles/gravel/ used for aggregate, rum/tafia, mens/boys trousers of knitted cotton, gold, liquefied propane, urea, fresh papaws, variable resistors, guavas/mangoes, cocoa beans, aluminium hydroxide, fish, electric lamps and non-alcoholic beverages. Products exhibiting growth in Q1 2009 compared to the 2008 Q1 include cotton pullovers/cardigans, cotton t-shirts, aluminium oxide, rum/tafia, beer made from malt, liquefied propane, mens/boys cotton trousers, gold, salt, papayas, mens/boys shirts of man-made fibres and mollusks.

Dynamic imports include light petroleum distillates, rice, fowls (*gallus domesticus*), styrene, motor vehicle parts, maize, aviation spirit, sodium hydroxide, perfumes/toilet waters and portable digital computers. Some of these dynamic imports from the USA into CARICOM are competing, (e.g. fowls, perfumes, rice) and are penetrating the region even with tariff peaks in the meat industry. In essence, tariffs are not a major deterrent to import activity in some sensitive area. So in detailing a future trade approach between the USA and CARICOM, adequate focus has to be placed on competitiveness, trade development, and innovation, and not over-reliance on tariff protection.

Readers are invited to suggest topics of interest for future trade notes.

NOTES

¹ All data provided by the International Trade Centre (ITC) tradeMAP database. www.trademap.org [retrieved July 7, 2009]

² Commonly termed: "The Caribbean Basin Initiative (CBI)"

³ Made from USA or CBI fabrics.

⁴ Any assessment of duty free treatment is premised on compliance with prescribed rules to determine origin of goods (rules of origin).

⁵ This refers to tariff lines with export revenue of at least US \$2 mn for the entire region.

⁶ AGR refers to the average growth rate for 2001 to 2008. MFN tariff refers to the rate of duty applied on imports into the USA, which do not benefit from any duty preferences. CBI tariff is loosely used to refer to the CBERA and CBTPA duty preferences applied to Caribbean Rum economies.

Table 2: Top 20 CARICOM imports from the USA in 2008

Product	2008 imports (US\$'000)	AGR
271019- Light petroleum distillates nes	2,004,777	188%
999999- commodities nes	1,344,178	n/a
281512- sodium hydroxide (caustic soda)	237,645	15%
100190- wheat nes and meslin	225,161	16%
843143- parts of boring or sinking machinery	222,959	4%
271011- aviation spirit	218,583	n/a
100630- rice, semi milled or wholly milled	206,999	21%
851712- telephone for cellular networks mobile telephones	107,591	n/a
100590- maize	104,378	15%
020714- fowls (<i>gallus domesticus</i>), cuts and offal, frozen	91,599	10%
290250- styrene	81,601	21%
440710- lumber, coniferous (softwood) 6 mm and thicker	80,763	6%
880240- aircraft nes of an unladen weight exceeding 15,000kg	79,001	9%
230400- soya-bean oil	77,145	18%
711319- articles of jewellery	68,489	9.5%
210690- food preparations	59,356	2%
230990- animal feed preparations	52,492	9.8%
870323- automobiles with reciprocating piston engines displacing > 1500 cc to 3000 cc	51,166	4%
851762- machines for the reception, conversion and transmission or regeneration of...	50,086	n/a
730890- structures and parts of structures of iron and steel	46,925	7%
870899- motor vehicle parts	43,304	23%

► MAJOR CARICOM IMPORTS TO USA

Imports from the USA are more diversified than the region's exports to the USA. The top 20 products (see table 2) accounted for over 50% of total import pending in 2008.



Produced by the CRNM Information Unit, 2009

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