Logistics and trade facilitation between CARICOM and Central America

Martha Cordero

UNITED NATIONS

ECLAC

Project Document

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Economic Commission for Latin America and the Caribbean (ECLAC)

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Abstract

The purpose of this article is to analyze the progress and challenges in the trade relationships between CARICOM[1] and Central America.[2] First, it highlights the increase in the trade dynamic between both regions, its progress in investment as well as its economic complementarities, establishment of lines of communication between their institutions, and trade negotiations. Secondly, it emphasizes upon the elements that inhibit a greater trade dynamic and investment between CARICOM and Central America. Among these elements are high tariff protections between the members of CARICOM, low availability of transport routes and their high costs, the heterogeneity in their visa policies as well as the costs related to cross-border trade. Moreover, it does a perfunctory approach to the aid these countries receive for trade and development, within an emphasis on projects related to trade facilitation. Both regions have the potential to mutually benefit through an economic complementarity. Notwithstanding, joint progress is needed to mitigate the elements that inhibit their trade and commerce.

[1] The members of CARICOM are Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Lucia, St. Kitts and Nevis, St. Vincent and the Grenadines, Suriname and Trinidad and Tobago.

[2] Central America is comprised by Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

I. Steps forward

A. Features and trade dynamics

CARICOM and Central American countries share some similarities and complementarities that favor their trade relationship. First, these countries are located around the Caribbean Sea which, in terms of distance, facilitates trade relations. Secondly, the Central American countries, except for Panama, are mainly specialized in the production of consumer goods while CARICOM is specialized in tourism services. In the case of Panama, its specialization centers on logistics and financial services. The combination of these specialties may result in a trade complementarity in that each region and country could benefit from the specialty of its partners. Third, most countries in both regions are considered small countries which implies the existence of small markets that require finding other markets both for the procurement of goods as well as the expansion of sales.

The economies of CARICOM such as St. Lucia, Bahamas, Barbados, Antigua and Barbuda, Granada, St. Vincent and the Grenadines, Saint Kitts and Nevis, Jamaica and the Dominica —located in the middle of the Caribbean Sea— are engaged in these types of activities. Services account for more than 70% of GDP in these CARICOM countries. This feature renders these economies dependent upon imports of supplies —mainly from the United States and Europe— to satisfy the demand from their tourism activities.

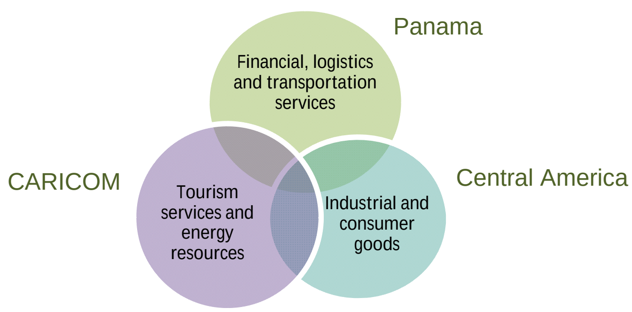
Within CARICOM there are some exceptions in the productive pattern. In Trinidad and Tobago, for example, the main economic activities are mining and oil and gas processing. In 2012, industrial activities accounted for 49% of its GDP while agriculture accounted for 0.6% of GDP. Suriname, a continental country, also focuses on industrial activities (32.9% of GDP in 2012), especially mining and processing of bauxite, the latter mostly in the case of exports. In the case of Guyana, also a continental country, even when industrial activities such as beverages and food processing are very important, agricultural activities are also relevant for the economy particularly with respect to rice and bananas. Agricultural activities in Guyana accounted for 16.4% of GDP in 2012. Haiti also focuses more on agricultural and industrial activities. The main export markets for these countries are CARICOM, the United States and the European Union.

In the case of the Central American economies which have a greater land area, agricultural activities have been losing weight in overall GDP and giving way to service-related activities; however, agriculture has continued to be an important sector of production, exports and employment. For example, in Nicaragua, agriculture accounted for 18.2% of GDP in 2012. Industrial activities represent more than one-third of the Central American GDP and include food and beverages processing, assembly of electronic equipment and clothing, manufacture of medical devices and medication, among others.

Panama's main economic activity is services which accounted for 84.9% of GDP in 2012. The difference between Panama and other CARICOM economies lies in the fact that the latter focus essentially on tourism services while Panama —due to its geographical location in the narrowest part of the Central American isthmus— specializes in financial services, transportation and logistics.

The specialization of production observed in CARICOM, Central America and Panama can facilitate greater trade integration among these economies. Based on David Ricardo's theory of comparative advantage and international trade, as well as on Lipsey's theory on economic integration (Andic and Teitel, 1977), Panama's specialization in logistics, financial and transportation services could contribute to reduce the costs of the commercial transactions carried out between these countries. Central America exports mostly food and manufacturing goods to Panama due to its specialization in consumer goods in the same way it could export to some CARICOM countries the goods required to meet the demand of their tourism sector. Finally, CARICOM could increase its tourism offer to attract more nationals from Central America and at the same time supply its industries and services of energy resources (see diagram 1).

DIAGRAM 1
CARICOM, CENTRAL AMERICA AND PANAMA: COMPLEMENTARITIES FROM PRODUCTION SPECIALTIES



Source: Author.

However, in this economic complementarity, two aspects must be taken into account: on the one hand, characteristics, progress and objectives of its own economic integration systems of CARICOM and Central America; on the other hand, competition that could exist in some sectors, such as medical tourism services or consumption supplies.

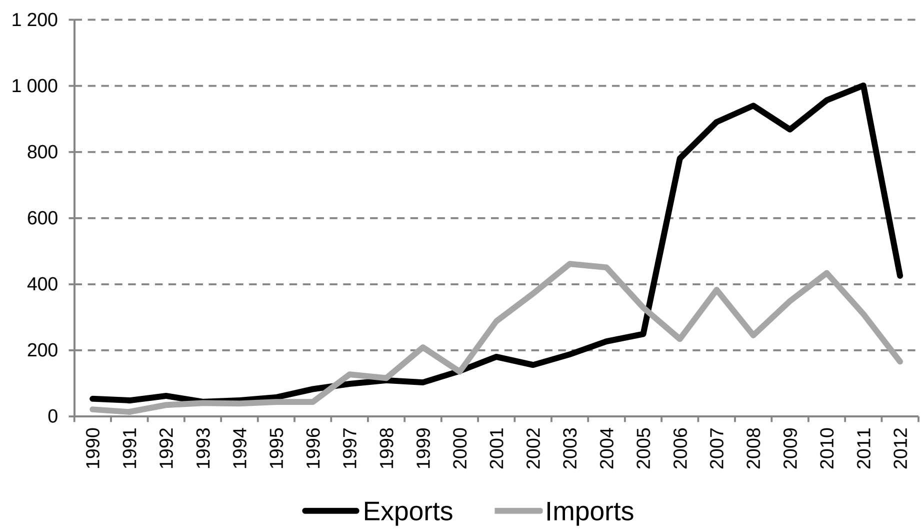
As shown in Figure 1, the trade dynamics between CARICOM and Central America countries has grown positively in recent years, Central American exports to CARICOM have grown at an average annual rate of 9.9% while imports have grown at a rate of 9.7% during the period 1990-2012. However, in percentage terms, the trade between the two regions is still low. Exports from Central America to CARICOM amounted to only 1.2% of the total exports in 2011. Moreover, imports of Central America from CARICOM represented 0.2% of its total imports in the same year. In the case of CARICOM, exports to Central America accounted for 0.7% of its total exports in 2011.[3] Meanwhile, imports from Central America accounted for 2.4% of its total purchases in the same year.

The lion's share of the trade of Central American countries with CARICOM is with Trinidad and Tobago, around 90% of the total. In Central America, the largest trading partners of CARICOM

[3] The most recent year available from most of the members of CARICOM and Central America.

are Panama and Costa Rica, respectively. The main exports of CARICOM are natural resources such as petroleum oils, mineral fertilizers, iron or steel bullion, and ethyl alcohol, among others. Central America's main exported goods are also low-tech products and natural resources. Some of these products are sugar cane, preparations for animal feed, textiles and carboys, and bottles and jars. In Panama's case, 52% of its sales to CARICOM constitute the re-exports of the Free Trade Zone of Colon. In fact, the export increase from Central America to CARICOM observed in 2005 (figure 1) is due to the statistical effect of the incorporation of the FTZ re-exports of Colon in trade statistics.

FIGURE 1
CENTRAL AMERICA: MERCHANDISE TRADE WITH CARICOM, 1990-2012
(Millions of dollars)



Source: Author, based on COMTRADE data.

B. Business and investment rapprochements

Some investment data shows interest by countries in both regions to strengthen their trade relations. Some examples of CARICOM companies include the Almo International Corporation group —based in the Bahamas— which has strategic alliances with the Honduran company Sistemas de Logística Avanzada to offer transportation services. The Royal Bank of Trinidad and Tobago (RBTT), with Canadian and London capital, has begun a process of expansion outside of the English- and Dutch-speaking market to establish its first office in Costa Rica in 2005. Another example is the company Goddard Enterprises of Barbados which has expanded its activities into Guatemala, El Salvador, and Honduras to provide food catering services to airlines.

Another investment success case of the CARICOM countries is the Grupo Bermudez —a Trinidad and Tobago food company which has been investing in Costa Rica since 2010. The company built a plant to produce and export banana chips to the CARICOM market. Finally, the Barbadian company, Sagicor Life Jamaica Company, began expanding its life and health insurance services to Panama in 2003. In 2013, the company expanded to Costa Rica through an alliance with Banco Promerica and expects to invest in the rest of Central America in the future.

On the side of Central American countries, there are also examples of several companies that have expanded their business relationships to the Caribbean. One of these is the Panamanian company

Lux Products, S.A. (Proluxsa) founded in 1964 and which specializes in the sale of sauces, condiments, juices, vinegar, vanilla and canned beans (Rafael Berrocal, LaPrensa.com, October 2005).

Another example is Conservas Panameñas Selectas, S. A. through its brand Del Prado, which ventured to the Caribbean in 2006 with its juices and nectars. It started in Curacao, Aruba and San Andrés, Colombia and, due to its good performance, expanded its sales to other Caribbean countries such as Granada, Cuba, Bonaire, Trinidad and Tobago and St. Martin. In these countries, its sales have grown about 40% since 2009 even when it had to compete with other foreign brands in this market. Eighty percent of Del Prado's sales are oriented to the domestic market and the remaining 20% to the export market (Minerva Bethancourth, La Prensa, December 2010).

Del Monte Panamerican, with headquarters in Panama, has expanded its exports from Central America to the Caribbean to markets such as Aruba and Curacao. Previously, it exported to Trinidad and Tobago but due to the high import tariffs, high cost and time of transportation, and the difference of consumer tastes, the company decided to exit the market. Del Monte Panamerican is mainly engaged in the production and distribution of food products and covers Central America and the Caribbean (interview with Mr. Juan Diego Obaldía, Commercial Director of "Del Monte Panamerican" October 5, 2012).

Other companies that have exported to Trinidad and Tobago and that, despite the high import rates of tariffs, have been able to expand their sales are Carnes de Coclé and Conservas Panameñas Selectas, S. A.; the first exported 40 tons of beef to Trinidad and Tobago in 2011. In 2010 exports were negligible but, in 2009, 130 tons were exported according to the Asociación Nacional de Ganaderos (Zea Triny Mary, Prensa.com, April 2011), Such products have great potential of growing in that market. Conservas Panameñas Selectas is part of the Coca Cola bottler Femsa which, since 2007, has been exporting to several Caribbean islands such as Granada, Trinidad and Tobago, St. Martin, Anguilla and the Dominican Republic (Minerva Bethancourth, ElSiglo.com, September 2011).

Finally, the Guatemalan company Tecnifibras, producer of polypropylene bags, supplies the markets of Jamaica and Trinidad and Tobago from the Dominican Republic where it set up a production plant since 2009 (Centralamerica Data, August 2012).

Proinvex —the export promotion agency of Panama— has held trade fairs in the Caribbean and Central America. In June 2011, Proinvex participated in a fair in Trinidad and Tobago which was attended by companies such as H. Tzanetatos (a cheese, mayonnaise, butter and fruit juice company); Productos Kiener (sausage company); Raw-Mat (fruit juices); Rocmar, Samuray Mar and TWT (fish companies); Agroexportadores de Azuero (fruit); and Coclé meats, among others (MICI Portal, June 2011). The Asociación Salvadoreña de Industriales (ASI) and the "Organización de Apoyo al Sector Productivo para las Negociaciones Comerciales (ODASP) also conducted a trade mission in Trinidad and Tobago as part of trade negotiations in order to promote trade and investment between the two countries. (ElSalvador.com, January 29, 2014).

The majority of the mergers and acquisitions in the region are observed between the countries in the subregion, i.e, between Central American countries and between countries of the Caribbean. However, even in small steps, entrepreneurs are starting to encourage more integration between subregions. Between October 2012 and April 2013, for example, the Barbados enterprise Sur Electrica Holding acquired the Guatemalan companies TPS Guatemala One and TPS San José International, both from the energy sector. (Summa Magazine, June 11, 2013).

C. Diplomatic rapprochements and trade agreements

The diplomatic agenda between CARICOM and the Central American Integration System[4] (SICA by its abbreviation in Spanish) has been very active since 1992 when the two regions held their first Ministerial Conference in Honduras. Since then, advances, rapprochements and cooperation between CARICOM and SICA have been remarkable and the political level of these encounters has upgraded from Ministerial meetings (1992 to 1999) to Summits of Heads of State and Government (since 1999-present) (see diagram 2). The main issues in which both institutions have been working on are: trade and investment, climate change and integrated risk management, security, cooperation in air and ground transportation, poverty reduction, foreign policy coordination, and tourism, among others.

Since 1996 the countries of SICA and CARICOM have shown interest in reaching a Free Trade Agreement (FTA) between both parties. During the Second Summit of Heads of State and Government, the governments gave instructions to start negotiations for an FTA between both regions based on the one that Costa Rica had already signed with CARICOM in 2004. Since 1996, several bilateral meetings have taken place including the Bilateral Investment Treaty between Belize and El Salvador (2001), the Free Trade Agreement CARICOM-Costa Rica, the Partial Scope Agreement between Belize and Guatemala (2006), the Partial Scope Agreement between Panama and Trinidad and Tobago (2012, not yet ratified by CARICOM), and recently, the negotiation of a Partial Scope Agreement between Guatemala and Trinidad and Tobago, and another between El Salvador and Trinidad and Tobago.

The Agreement between Costa Rica and CARICOM has been ratified and entered into force in Trinidad and Tobago (2005), Guyana and Barbados (2006) and Belize (2011). Ratification of the Agreement by the other CARICOM countries is pending, excluding the Bahamas which is a member of the Community but not of the Common Market

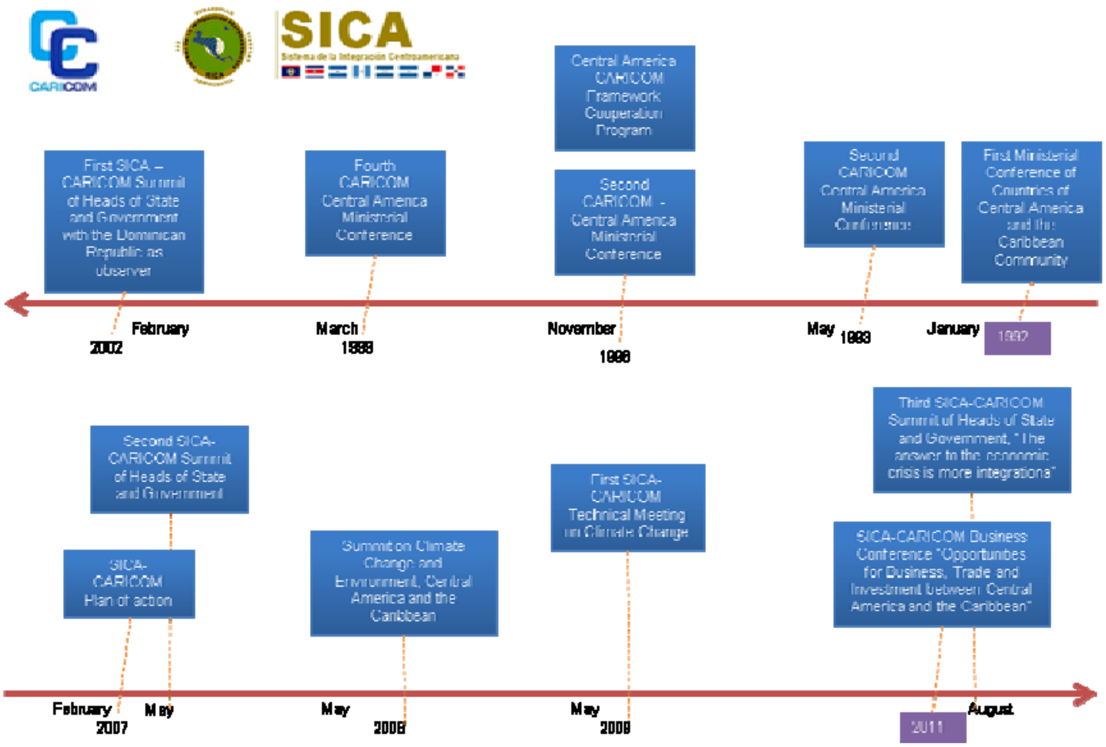
The Partial Scope Agreement signed between Panama and Trinidad and Tobago in March 2012 also includes an Energy Agreement. This agreement would allow Panama to buy butane gas to Trinidad and Tobago without intermediaries and distribute it to other Central American countries in benefit of the region (Ministry of Commerce and Industry, 2011). El Salvador and Trinidad and Tobago have already signed a tourism agreement and are currently negotiating a Partial Scope Agreement that will include market access and investments. Finally, negotiations between Guatemala and Trinidad and Tobago concluded in August 2012 and an agreement was reached on mutual protection of investments, cultural cooperation and tourism cooperation. (Guatemalan News Agency, August 2013). To date, none of the agreements with Trinidad and Tobago, El Salvador, Guatemala and Panama have been ratified and therefore have not yet entered into force.

Aside from the SICA-CARICOM forum and the bilateral approaches, the Association of Caribbean States[5] (ACS) has contributed to the strong relationship between CARICOM and Central America. During the XXII meeting of the Committee on Transport, on October 25th, 2013, the Petion Ville Plan of Action was signed. Through this plan, members of the ACS agreed to take action during the 2013-2014 period in areas such as sustainable tourism, trade, transportation, natural disaster reduction and culture. These actions include the promotion of the Greater Caribbean as a multi-destination tourism which goes hand-in-hand with a program to boost the air and maritime transportation in the region. This Plan also considers a project to eliminate and reduce the barriers on goods and services trade. (AEC, 2013).

[4] In which Central American countries and Panama are included, as well as the Dominican Republic and Belize.

[5] Besides CARICOM and Central American countries, this also includes Colombia, Cuba, Mexico, the Dominican Republic and Venezuela.

DIAGRAM 2
CARICOM AND SICA: RAPPROCHEMENTS



Source: Author based on information from CARICOM and SICA.

II. Elements that inhibit trade and commerce

Even though there have been advances in trade, and in the investment and institutional and diplomatic relationship, there are also elements that inhibit the commercial and investment dynamism between the two regions.

A. Customs barriers

Most Central American and CARICOM countries joined the World Trade Organization (WTO) in 1995 with the exception of the Bahamas, which is not yet a member but currently undergoing review for accession to the WTO. . With the entry into the WTO, several countries unilaterally reduced their tariff rates, particularly the Central American countries. Even though the CARICOM countries reduced their tariff rates, they are still higher than those of the Central American countries due to the greater protection of their markets and the focus on the development of the CARICOM market.

Table 1 displays the Most Favored Nation[6] tariff rate applied by the Central American and CARICOM countries. Barbados shows the highest tariffs of all CARICOM member states. The simple average tariff rate applied by this country on all products is 29.1% over the product value (ad valorem); on agricultural goods it is of 52.5% while on industrial goods it is of 24.9%. Haiti is the CARICOM country that shows the lowest tariffs among Community, with an agricultural tariff rate of 7.4% and an industrial tariff rate of 5.1%. Along with Haiti, Central American countries apply lower tariffs than those of CARICOM countries. Costa Rica shows the lowest tariffs among the CARICOM and the Central America countries, with a total average of 3.7% for all the products, 13.1% applied to agricultural goods, and 2.9% to industrial goods.

[6] MFN is a World Trade Organization (WTO) clause which states that countries cannot discriminate between their trading partners; therefore, if a country offers a reduced fee for a trade partner based on an agreement, it should also offer the same reduction to the rest of the member countries of the WTO.

TABLE 1
CENTRAL AND CARICOM: MOST FAVORED NATION TARIFF RATES APPLIED TO IMPORTS, CIRCA 2013
(Simple average)

	All products	Agricultural	Industrial
Costa Rica (2009)	3.7	13.1	2.9
Guatemala (2013)	4.1	11.4	3.6
Nicaragua (2013)	4.1	14.5	3.3
El Salvador (2013)	4.6	15.2	3.8
Panama (2013)	5.0	19.1	3.8
Haiti (2013)	5.5	7.4	5.1
Honduras (2009)	5.6	10.5	4.8
Saint Lucia (2007)	6.5	16.0	5.2
Jamaica (2011)	8.7	20.1	6.6
Saint. Kitts and Nevis (2011)	9.4	15.8	8.3
Saint Vincent and the Grenadines (2007)	9.4	16.2	8.3
Dominica (2013)	10.0	23.3	7.6
Grenada (2013)	10.6	18.2	9.3
Suriname (2007)	11.4	23.5	8.9
Guyana (2012)	11.8	30.6	8.4
Antigua and Barbuda (2013)	12.1	17.2	10.7
Trinidad and Tobago (2008)	13.4	61.8	6.6
Belize (2013)	14.0	49.0	8.0
Bahamas (2013)	23.9	11.9	26.7
Barbados (2013)	29.1	52.5	24.9

Source: Author, based on information from the International Trade Center, 2012 Market Access Map.

Given that Central America and CARICOM countries enjoy free trade access to their major export markets —the United States, the European Union and its regional markets—[7]in almost all their major products, their trade with these partners is greater than the trade with others partners in which the Most Favored Nation rate applied. Therefore, the cost of goods exported from Panama to Trinidad and Tobago could be less competitive than the goods exported to the latter country by Jamaica when taking into account duties and the cost of transport.

A Free Trade Agreement between CARICOM and Central America could help encourage trade flows between those countries as long as it takes into account sensitive sectors. The Partial Agreement between Costa Rica and CARICOM, for example, decreased tariffs applied by Costa Rica to Barbados, Guyana and Trinidad and Tobago (CARICOM countries in which the Treaty entered into force). Tariffs applied by Costa Rica to Trinidad and Tobago, for example, decreased from 8.8% (MFN) to 2.4% (preferential rate). At the same time, it increased for Costa Rican imports from Trinidad and Tobago by 86% between 2006 (the year of the Treaty's entry into force) and 2011. In the case of the tariff rates applied from Guyana to Costa Rica, they decreased from 14% (MFN) to 0% (preferential rate), and increased Guyana's imports from Costa Rica by 88% from 2006 to 2011.

7 Under the Central American Common Market, the Central American countries have established a tariff rate of 0% for all the Central American products, except for some sensitive products like coffee, alcohol, sugar, among others. The CARICOM also have a Country Common Tariff of 0% on most of its products.

B. Transport and logistics

Even when the distance between CARICOM and Central America is relatively small, the availability of transport routes between them is scarce. Several international shipping companies offer maritime connections between both regions by pre-established routes known as regular shipping services. Among these routes there are those that connect the European countries to North America and South America, the route between Asia and America, the Caribbean route with the United States, and routes connecting North and South America, among others. International shipping companies include the French group CMA CGM, the Maersk company based in Denmark, Safmarine of South African and Belgian origin, Caribbean Feeder Services Ltd. based in Jamaica, ZIM Integrated Shipping Ltd. based in Israel, APL (a subsidiary of Neptune Orient Lines) based in Singapore, Evergreen located in Taiwan, and Mitsui OSK Lines (MOL) based in Japan, among others. In passing through these routes, shipping companies usually pass through some of the ports of Central American countries, CARICOM members and Panama.

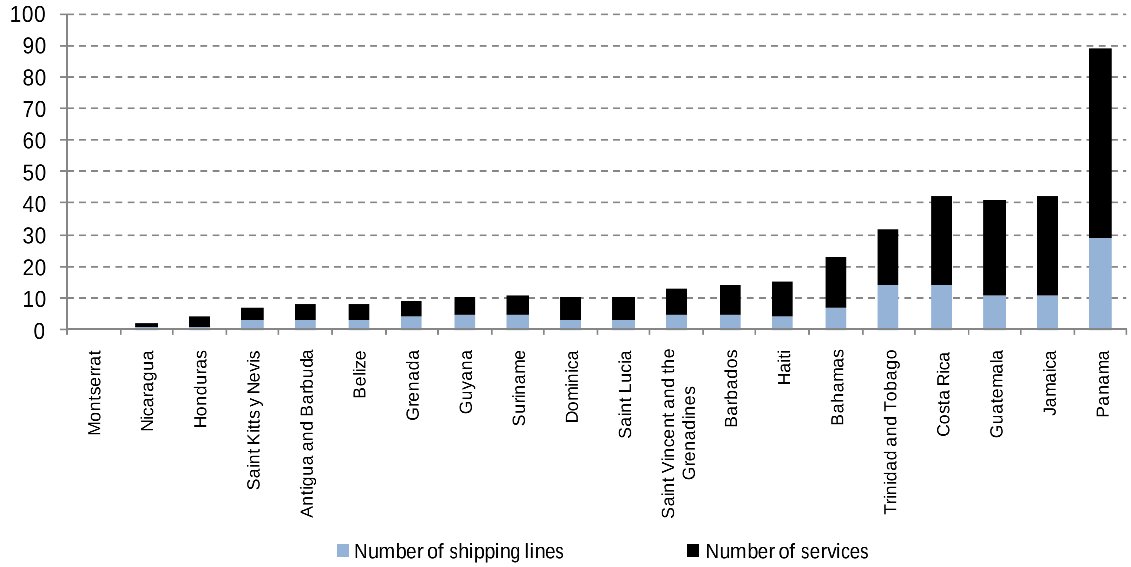
According to the project "Map of Maritime Routes in the Greater Caribbean" elaborated by the Association of Caribbean States, Panama is the one that receives the most maritime services compared to Central America and CARICOM. Panama takes part in 60 maritime shipping services offered by 29 companies in the region which makes it the most frequented by these companies in the region (as shown in Graph 2). Jamaica, second in importance of shipping routes in the region, receives half of those observed in Panama —31 as offered by 11 shipping companies. A similar figure is observed in Guatemala and Costa Rica, 30 and 28 services, respectively. The least connected countries to the maritime trade routes are Montserrat and Nicaragua. The first one does not receive any international shipping services so it has to make use of local feeders[8] to connect with other markets. In Nicaragua's case, only one route connects it to Miami in the United States. This situation thus favors its trade and concentration with that market.

The amount of shipping services between Central America and CARICOM is low as a result of its low market share and, at the same time, of the lack of regular shipping routes. Of the 28 regular shipping services that Costa Rica can count on, only two of them make contact with Jamaica, thus excluding the rest of the 14 CARICOM countries (see table 2). Guatemala —with 30 registered services— has seven regular services with Jamaica and Belize (which isn't an insular state and has no regular trade lines with the members of CARICOM). Similarly, in the case of Honduras, the shipping connections with CARICOM are only through Belize and Jamaica. Nicaragua, as noted, only has a regular shipping line to Miami. In the case of El Salvador, there is no data available to verify maritime routes with CARICOM.

Panama appears as the largest gateway between Central America and CARICOM. Of the 60 registered services, Panama has 12 of them with the CARICOM countries, with notable links to Jamaica and Trinidad and Tobago, as well as shipping services that also connect it with Grenada, Guyana, Haiti, St. Lucia, St. Vincent and the Grenadines, and Suriname. Panama has regular contact with 8 of the 15 member countries of CARICOM. Additionally, Panama has 18 services with Costa Rica, 8 with Guatemala and 4 with Honduras

8 The feeder type vessels derive their name from the English word as they are small boats (carrying from 500 to 2500 containers) used to supply both large and small ports where ocean vessels cannot or should not dock. It is a short distance shipping service that can feed small ports such as Montserrat and other islands with similar kinds of ports in the Caribbean. This service is also called supply service.

FIGURE 2
CENTRAL AND CARICOM: NUMBER OF MARITIME SERVICES AND SHIPPING LINES, 2012



Source: Author, based on information from the Association of Caribbean States, report listing maritime services by country, 15/06/2012.

TABLE 2
CENTRAL AMERICA, CARICOM AND PANAMA: NUMBER OF MARITIME SERVICES LINKING CARICOM AND CENTRAL AMERICAN COUNTRIES, 2012

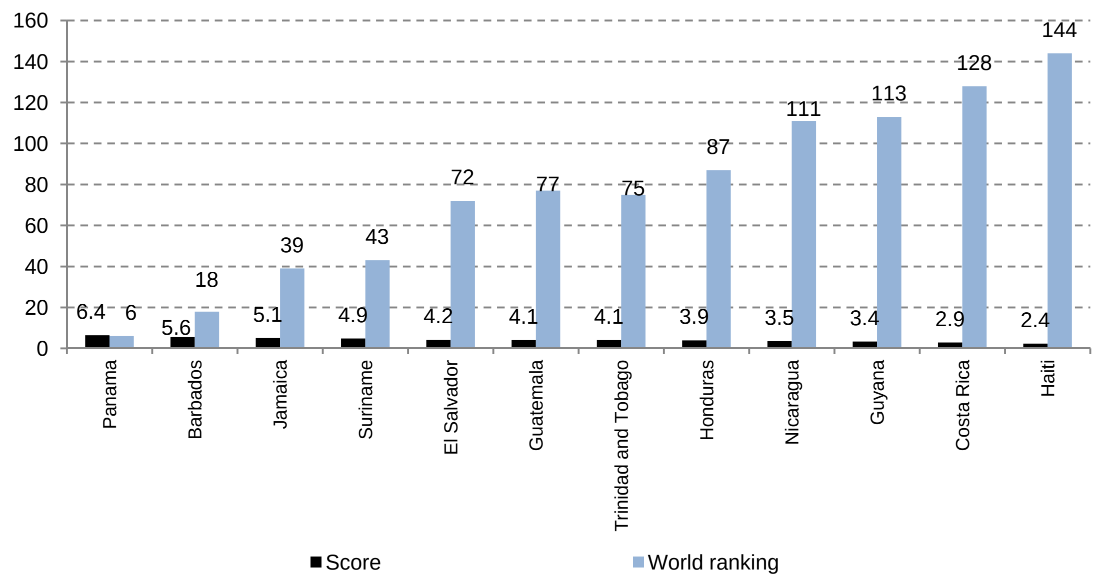
	Central America	Panama	The Caribbean
Antigua and Barbuda	0	0	...
Bahamas	0	1	...
Barbados	0	0	...
Belize	6		...
Costa Rica	...	18	2
Dominica	0	0	...
Grenada	0	1	...
Guatemala	...	8	7
Guyana	0	1	...
Haiti	0	2	...
Honduras	...	4	6
Jamaica	5	9	...
Montserrat	0	0	...
Nicaragua	...	0	0
Panama	19	...	12
Saint Lucia	0	1	...
Saint Vincent and the Grenadines	0	1	...
Suriname	0	1	...
Trinidad and Tobago	0	6	...

Source: Author, based on information from the Association of Caribbean States, report listing maritime services by country, 15/06/2012.

The sub-region has, in general terms, a good maritime port and air infrastructure that could be harnessed to improve the link between the two parties. The Central American countries, not including Panama, have 13 highly significant ports plus a few others of local or regional importance, all located on the Caribbean Sea or Pacific Ocean. In the case of CARICOM countries, the number of major ports amounted to 17, plus a few others mostly used in the regional Caribbean market. Panama has six ports of international significance: the most important are Balboa, Colón, Cristobal and the Manzanillo Ports. The first one is located in the Pacific Ocean and the other three in the Caribbean Sea in Columbus.

In terms of port infrastructure quality, Panama occupies sixth place worldwide according to the Global Competitiveness Report 2013-2014 published by the World Economic Forum (see figure 3). The investments made for the Panama Canal's expansion, along with investments in ports, have enabled to Panama maintain its good global score and it stands out as one of the countries with the best port infrastructure after The Netherlands (with the largest port and logistics of the classified countries), Singapore, Hong Kong, Finland and the United Arab Emirates. The ports of Manzanillo and Balboa, for example, have undertaken projects to expand and upgrade its services in order to receive large cargo vessels such as Post Panamax. The Manzanillo port received the first ship of this kind in 2005 while Balboa did in 2007.

FIGURE 3
CARICOM AND CENTRAL AMERICA: QUALITY OF ITS PORT INFRASTRUCTURE ACCORDING TO THE GLOBAL COMPETITIVENESS REPORT, 2013-2014
(Score and ranking within the 144 countries assessed)



Source: Elaborated by the Author, based on data from The Global Competitiveness Report 2013-2014.

The port infrastructure of Barbados is considered as the second best among the 12 Central American and CARICOM countries included in the latest competitiveness report of the WEF. Bridgetown, Barbados's main port, represented about 5% of cargo movement of the port of Colon in 2007. The score of the port infrastructure of Barbados has remained at the same level in the last year although its world ranking dropped one place in comparison to the previous year, putting it in 18th place, despite the improvements of recent years. Barbados' port infrastructure rating is ahead of countries like the United States, Norway, and New Zealand, among others. Fuel loads, petroleum products, manufacturing, food, sugar, among other goods are moved in the port of Bridgetown.

Jamaica is the best qualified third country in port infrastructure, within the studied countries, in 39th place of the 144 countries included in the report. Jamaica is in a similar position to that of

Surinam, which ranks 43rd. The rest of the countries have the following ranks: El Salvador 72nd, Guatemala 77th, Trinidad and Tobago 75th, Honduras 87th, Nicaragua 111th, Guyana 113th, Costa Rica 128th and Haiti 144th. Due to the investments that many of these countries have made in infrastructure in recent years, due to the Panama Canal expansion, their global positions have strongly moved compared with the previous report —most of them positively, except for Panama, Barbados, Suriname and Honduras.

Jamaica and Bahamas, along with Cuba and the Dominican Republic, compete to become the maritime transshipment hub in the Caribbean. But, their objective in investing in their port infrastructure is also to be able to receive larger vessels and not lose competitiveness. These countries have invested large sums of capital in their container terminal expansion, cranes acquisitions, dredging and other works related to the maritime industry. (Summa Magazine, January 14, 2014). Jamaica, for example, is planning to expand its container terminal, airports and roads. A Chinese-funded company is also developing a transit port between a pair of islands across from its port Old Harbor. (La Nación de Costa Rica, February 17th, 2014)

In Central America, Guatemala will begin the modernization of its Puerto Quetzal on the Pacific Ocean in April 2014. The aim of Guatemala is to convert this port into one of the main ports of the region for the consolidation and distribution of cargos from Asia and the West Coast of North America. The works are intended to reduce the waiting time for the ships to unload. (*Agencia Guatemalteca de Noticias*, February 26th, 2014). Honduras is building a new container terminal in Puerto Cortés to increase its capacity. Nicaragua is also making improvements in its Puerto Corinto, located in the Pacific Ocean Through the Dutch company APM Terminals, Costa Rica is undertaking a project for the construction of the Moín Container Terminal to be able to receive post-Panamax ships. This port is located on the Caribbean Sea and will be dedicated to domestic container traffic. Panama has also carried out projects for the modernization and expansion of its state-owned ports. (Summa Magazine, June 18th, 2013).

Some shipping companies such as Maersk Line have also begun to make changes in their services. In January 2015, the shipping company will install a new regional company for shipping containers for the Latin America market. It will be similar to the one that it has in Asia (MCC Transport) and in Europe (Seago Line) (Strategy Business Magazine, January 14th, 2014).

Air transportation between Central America and CARICOM has several similarities with maritime transportation. First, both groups of countries are more connected to the major world markets than they are between each other. Among the major regional airlines —TACA, COPA, Bahamas Airlines and Caribbean Airlines— only COPA offers five direct flights from Panama to CARICOM countries, those being Nassau in the Bahamas, Port of Spain in Trinidad and Tobago, Montego Bay and Kingston in Jamaica, and Port-au-Prince in Haiti. COPA has an agreement with Bahamas Airlines but it essentially covers cities in Bahamas and not other CARICOM countries.

Avianca, a Colombian-Salvadorian company, has offered special air connection services between Central American countries and CARICOM. In September 2013, for example, Avianca offered 11 charter flights between Costa Rica and Jamaica to assist the soccer match between both national teams. All the seats were sold. This event was relevant to promote tourism in Jamaica and it could also help encourage regional airlines to find and keep new air routes between the two subregions. (Reportur, September 9th, 2013)

Secondly, in the same manner as observed in the shipping lanes, countries such as Dominica, St. Lucia, Grenada, Saint Kitts and Nevis, Guyana and Suriname have less or no connections to the Central American countries. This situation inhibits a growth in trade, investment and tourism between the two regions and fosters a greater concentration of Central American trade with those who have direct connections: Bahamas, Jamaica, Haiti and Trinidad and Tobago.

Thirdly, the international airlines that serve both regions —like Air Canada, American Airlines, British Airways, U.S. Airways, and United Airlines— provide connections between Central America and CARICOM but with layovers in the United States. Even when the costs are similar to a direct flight —time costs, immigration procedures and US visa requirements— can discourage tourism and business travel between the two blocs.

Finally, the cost of a flight between a Central American country and a CARICOM country is higher than the cost of these countries to a US city. For example, a COPA roundtrip flight from Panama to Port of Spain (the cheapest one to the CARICOM) costs about 590 dollars, while one from Panama to Miami costs about 420 dollars. This factor encourages tourism and business travel to the major international markets, like the United States, instead of those between Central America and CARICOM.

According to the Global Competitiveness Report 2013-2014, Panama is the best qualified country in terms of air transport infrastructure. The position of this country is 5th in ranking behind countries like Singapore, Hong Kong, United Arab Emirates and the Netherlands. The main airport in Panama is the Tocumén International Airport located at 24 kilometers from Panama City. The country has other airports for domestic services, smaller airports and airstrips. The Tocumén Airport transported 5,844,000 passengers in 2011 and 110,000 tons of cargo.[9] Most of the passengers and cargo are from South America (mainly Colombia) and are destined to North America (mainly the U.S.). In 2011, flights to the Caribbean accounted for 11.5% of total passengers Central America 13.9%. Cargo flights from the Caribbean accounted 2.2%, while those from Central America accounted 18.4%. The airport offers services to more than 19 airlines and it is the hub of COPA Airlines.

Panama advanced one position in the world ranking in the 2011-2012 Global Competitiveness Report. Panama is the best-rated country in the region in air infrastructure. Barbados is the second best qualified country. However, contrary to Panama, it decreased seven places in the last ranking —placing 15th as shown in Graph 4. The main airport in Barbados is the Bridgetown International Airport located 12.9 miles from its capital Bridgetown. This airport serves 12 airlines, among them are: Air Canada, American Airlines, American Eagle, British Airways, Caribbean Airlines, Condor, Jet West, among others. Their main destinations are cities in the United States, London, cities in Canada, Caribbean countries (especially from Caribbean Airlines) and other European cities. There are no direct connections between this airport and Central American countries.

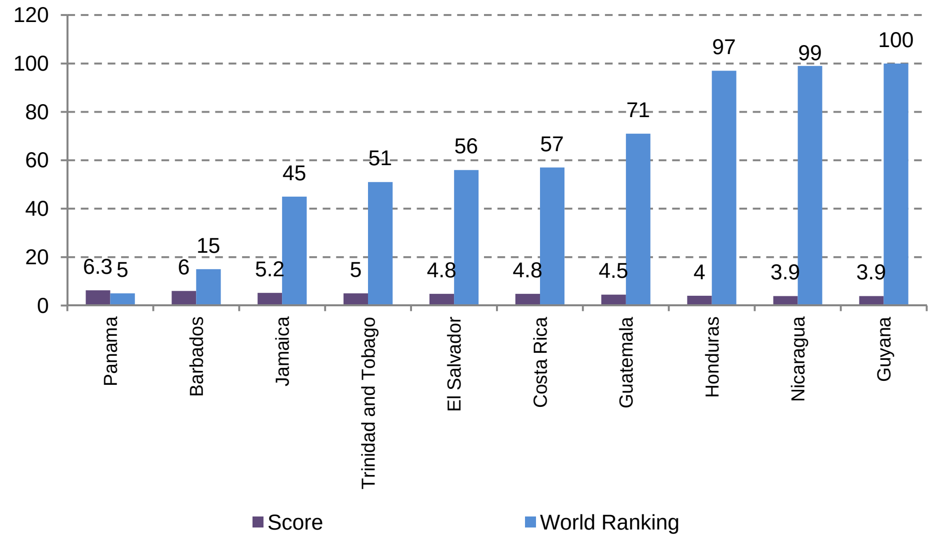
Jamaica is the third country among Central America and CARICOM best qualified in terms of infrastructure. It ranks in the 45th position, followed by Trinidad and Tobago (51th), El Salvador (56th), Costa Rica (57th) Guatemala (71st) Honduras (97th), Nicaragua (99th) and Guyana (100th). In the last competitiveness report, a decrease in the global ranking was observed in almost all the countries, with the exception of Panama and Costa Rica.

The airport with the most flights registered in CARICOM was Nassau, in Bahamas, with 29,222 international and domestic flights reported in 2010. The second in importance in this classification was Port of Spain, in Trinidad and Tobago (with 20,979 flights reported), followed by Antigua, Barbuda (12,784 flights), Barbados (12,553), Montego Bay, Jamaica (12,052) and Tobago, in Trinidad and Tobago (7,922) (ALTA, 2011).

Several countries are implementing airport infrastructure projects in order to improve their competitiveness and meet the growing demands in the number of passengers. Panama, for example, is conducting a project to expand the Tocumén International Airport and adapting others like the Enrique Malek Airport, in David, province of Chiriquí, in order to be able to receive international flights. Costa Rica has also carried out a project in the Santamaria Airport, in Liberia (Estrategia y Negocios, April 2012). In Guatemala, there are plans to build a new airport and to raise the category of the San José Port and the Puerto Barrios airports to an international level (El Periódico, Guatemala, October 2012).

9 According to data from Georgia Tech, Logistics Innovation & Research Center. http://logistics.gatech.pa/es/assets /airports/tocumen#statistics.

FIGURE 4
CENTRAL AMERICA AND CARICOM: QUALITY OF ITS INFRASTRUCTURE IN AIR TRANSPORT ACCORDING TO THE GLOBAL COMPETITIVENESS REPORT, 2013-2014
(Score and ranking within the 144 countries assessed)



Source: Author, based on data from The Global Competitiveness Report 2013-2014.

In Panama, according to the Logistic Media Group, the implementation of the Muelle Norte project in the Tocumén Airport, will help to solve the current problem of saturation and provide a 40% increase in short-term operations. The annexation of 12 boarding gates, to the 22 already available at the airport, will enable the airport to increase its capacity to receive international flights in Central America as well as larger planes like the Boeing 747-400 or the Airbus A380 as well as expand coverage to world destinations (Logistic Media Corp, 2011).

The development of better air service between Central America and CARICOM is required to strengthen the integration of both regions. The export of fragile products, for example, requires the use of air services that allows them to maintain their competitiveness in terms of cost and quality.[10] To strengthen tourism and investment between both regions, adequate air services are also required with less costs, time and paperwork.

In this regard, greater cooperation between CARICOM and Central American countries with airlines is important to increase the connectivity between them. As in the case of maritime services, the region can take advantage of Panama's advances in infrastructure and airport connections as well as those in Central America, Barbados and Trinidad and Tobago in order to establish more air routes and increase the chance of connectivity between both regions. The regions could also make an advance in their negotiations to approve a business visa and simplify or eliminate tourist visas between the two blocs.

Finally, in terms of logistics, it is necessary that the countries carry out reforms in customs, infrastructure and quality of services. According to the World Bank Report "Connecting to Compete: Trade Logistics in the Global Economy", the CARICOM and Central America countries included in the report still require improvements and investments in logistics services such as transportation, storage, consolidation cargo, border clearance, payment systems, among others. As seen in table 3,

[10] As the agri-food products exported by Central America.

Panama was the country best qualified in terms of logistics of both regions. According to the 2012 report, Panama was ranked in the 61st position of the 155 countries included with a score of 2.93 points out of a maximum of 5. Guatemala was the second best qualified country with a score of 2.80 in the 74th position. This country was followed by Bahamas (2.75 points, 80th position), Costa Rica (2.75, 82nd), El Salvador (2.60, 93rd), Honduras (105th), Jamaica (124th), Guyana (2.33, 133rd) and Haiti (2.03, 153rd).

TABLE 3
CENTRAL AMERICA AND CARICOM: LOGISTICS, 2012

	Position	LPI	Customs	Infrastructure	International Shipping	Quality and logistics competence	Tracing	Time
Panama	61	2.93	2.56	2.94	2.76	2.84	3.01	3.47
Guatemala	74	2.80	2.62	2.59	2.82	2.78	2.80	3.19
Bahamas	80	2.75	2.69	2.77	2.72	2.69	2.65	2.99
Costa Rica	82	2.75	2.47	2.60	2.85	2.53	2.81	3.19
El Salvador	93	2.60	2.28	2.46	2.57	2.60	2.60	3.08
Honduras	105	2.53	2.39	2.35	2.70	2.00	2.83	3.83
Jamaica	124	2.42	2.22	2.27	2.43	2.21	2.43	2.91
Guyana	133	2.33	2.29	2.15	2.35	2.33	2.14	2.67
Haiti	153	2.03	1.78	1.78	1.94	1.74	2.15	2.74

Source: Author, based on World Bank (2012) Connecting to Compete: Trade Logistics in the Global Economy.

C. Tourist and business visas policy

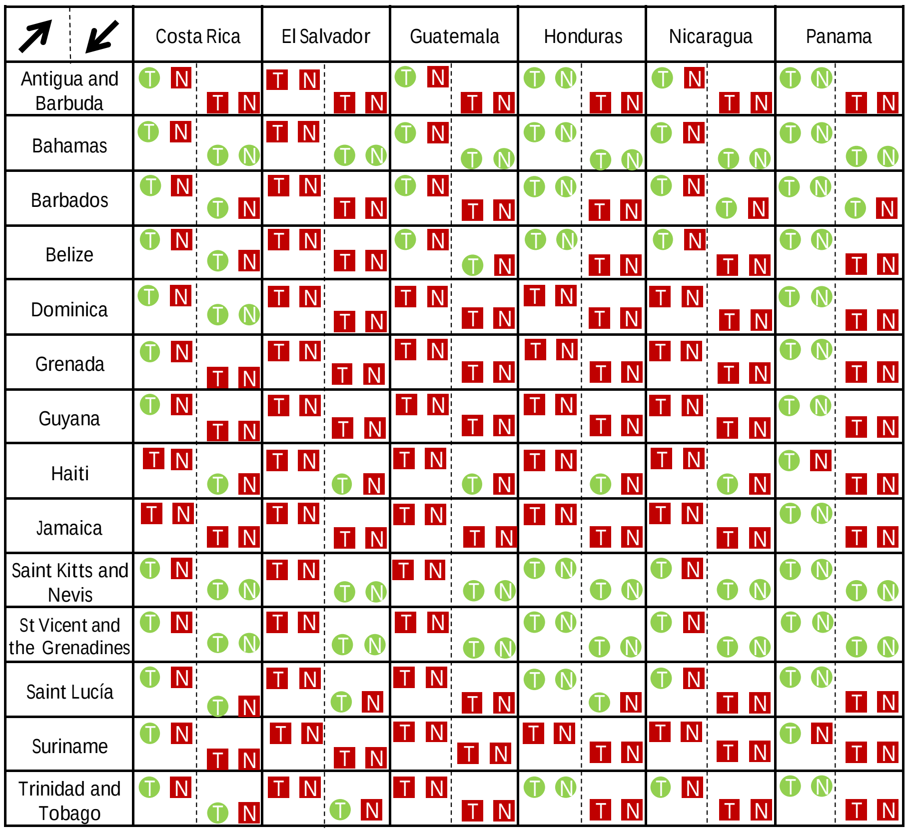
Another factor that inhibits the commercial, tourist and investment flows is the countries visa policies The heterogeneity in visa policies, among the countries of CARICOM and Central America, can be observed in Diagram 3 as well as the prevalence to request visas for tourism and business travels in most of these countries. In CARICOM, the most open countries for tourists and business people from Central America are: the Bahamas, Saint Kitts and Nevis and St. Vincent and the Grenadines. In contrast, Antigua and Barbuda, Grenada, Guyana, Jamaica and Suriname require tourist and business visas from all Central American citizens. The rest of the CARICOM countries require either a tourist or business visa from some Central American citizens. Trinidad and Tobago, the country with the largest trade relations with Central America, requires business visa for almost all Central American citizens, with the exception of nationals from Costa Rica and El Salvador.

On the Central American side, Panama is the most open country for tourists and business persons from CARICOM as it only requires a business visa from Haitian and Surinamese citizens. In contrast, El Salvador requires a tourist or business visa from all CARICOM citizens. Guatemala also requires visa from all CARICOM business people and only grants free entry to tourists from Antigua and Barbuda, Bahamas, Barbados and Belize. Costa Rica, allows free entry to all CARICOM tourists, except Haitian and Jamaican citizens. In fact, all Central American countries, with the exception of Panama, restrict the entry of citizens of these two latter nationalities.

It is important to promote a greater openness to the inflow of tourists and business persons between the two regions in order to promote and facilitate trade links, mostly when not all the countries have diplomatic representations. This restriction and the lack of direct transport lines slow the possibilities of further economic approach.

The existence of direct flights and visas has an impact on tourism flows and investment attraction. The United States, Europe and Canada are the major sources of tourism to the CARICOM market. In contrast, the Central American tourists are a minor source and prefer other destinations in the Caribbean such as Mexico, Cuba or the Dominican Republic due to a shared language, travel costs and direct routes. However, there is a flow of tourists from Central America to the Caribbean islands that can be increased, mostly from Panama and Costa Rica to Jamaica and Trinidad and Tobago.

DIAGRAM 3
CARICOM AND SICA: VISA POLICY FOR TOURISM AND BUSINESS TRAVELS



Source: Author, based on information from VisaHQ.mx, eliminating borders www.visahq.mx.

T No tourist visa is required; T No business visa is required; T Tourist visa is required;

N Business visa is required; ↗ Destination: Central America; Destination: ↙ CARICOM.

D. Trade facilitation

Cross-border trade is still expensive and slow in many CARICOM and Central America countries. As shown in Table 4, there are countries like Panama that require three documents to export, similar to Singapore, Hong Kong and Korea (countries with best ranking rate by the World Bank in cross-border trade). However, there are still other countries like Guatemala that require five additional documents. The same case is observed during the import process in which Panama requires fewer documents —only three— in contrast to Trinidad and Tobago which requires seven additional documents.

The time that the container is stopped at customs involves additional costs to the cost of the container itself. In countries such as Haiti, the container may be stopped 33 days waiting for export procedures to be carried out and 31 days to import. Additionally, the cost associated[11] to the container can be very high in some countries such as Jamaica, which amounts to 1,530 dollars in export, or St. Lucia, which amounts to 2,615 dollars in import. Meanwhile, in the most competitive countries such as Singapore and Hong Kong, the cost of cross-border trade is 570 US dollars on average —only higher than St. Vincent and the Grenadines in the export process. This cost, alongside transportation and logistical costs, reduces the competitiveness of exported goods

TABLE 4
CARICOM AND CENTRAL AMERICA: TRADE FACILITATION, 2013

	Export				Import		
	Documents	Time	Cost per container		Documents	Time	Cost per container
Saint Vincent and the Grenadines	5	12	385	Trinidad and Tobago	10	14	1 260
Panama	3	10	625	Guyana	7	22	720
Guyana	6	19	730	Panama	3	9	965
Saint Kitts and Nevis	4	13	805	El Salvador	7	10	970
Barbados	5	9	810	Costa Rica	5	14	1 070
Trinidad and Tobago	5	11	843	Suriname	6	19	1 165
Saint Lucia	7	14	935	Grenada	6	9	2 235
El Salvador	7	13	980	Dominica	8	14	1 600
Dominica	6	13	990	Guatemala	7	17	1 500
Suriname	8	22	1 000	Bahamas	5	13	1 770
Bahamas	5	19	1 005	Nicaragua	5	20	1 245
Costa Rica	5	13	1 015	Honduras	7	16	1 500
Antigua and Barbuda	5	16	1 090	Saint Kitts and Nevis	7	12	2 615
Nicaragua	5	21	1 140	Haiti	10	31	1 555
Haiti	8	33	1 200	Jamaica	7	17	2 130
Grenada	4	9	1 300	Belize	7	19	1 580
Honduras	5	12	1 345	Barbados	5		1 615
Belize	5	17	1 355	Antigua and Barbuda	7	23	1 520
Guatemala	8	17	1 435	Saint Vincent and the Grenadines	7	13	1 425
Jamaica	6	20	1 530	Saint Lucia	8	13	2 260

Source: Author, based on World Bank's "Doing Business".

CARICOM and Central American countries have continued to make progress in this area. In the last year, Belize, Costa Rica, Dominica, El Salvador, Grenada, Guatemala, Guyana, Honduras and

[11] The associated cost of the container includes all documents and procedures required to export goods, including costs for documents, administrative fees for customs clearance and technical control, the fees of the managers of customs, expenses for terminal handling and transport within the country.

St. Kitts and Nevis have reduced one document from the total list of requested documents to export goods. St. Lucia has eliminated two documents and now instead of requesting seven documents, only requests five. Similarly, the number of documents requested to import goods has also been reduced in Antigua and Barbuda, Bahamas, Barbados, El Salvador, Costa Rica, Grenada, Guatemala, Guyana, Honduras, Nicaragua, Saint Vincent and the Grenadines and St. Lucia.

In the last year, the time necessary to comply with all procedures to export goods has declined by one day in El Salvador and Suriname and by two days in Belize. By contrast, in Panama has increased one day, so instead of waiting 9 days, the exporter should wait 10 days. The amount of time reduced in the import process has been lesser than in the export. Belize reduced one day, Guatemala two, Saint Vincent and the Grenadines six, St. Lucia four and Suriname two.

The cost per container also decreased in some countries, however, this reduction is not necessarily related to the decrease in the number of documents and time required to export goods. The cost to export per container decreased in the case of Antigua and Barbuda, Costa Rica, Dominica, Saint Vincent and the Grenadines and St. Lucia. Meanwhile, this cost increased in the case of Bahamas, Guatemala, Haiti, Honduras, Jamaica and Panama.

This same phenomenon was also observed in the cost to import per container. This price decreased in the case of Antigua and Barbuda, Belize, El Salvador, Guyana, Honduras, San Kitts and Nevis, Saint Vincent and the Grenadines. In Guatemala and St. Lucia this reduction was remarkable. In contrast, the Bahamas, Dominica, Haiti and Jamaica increased the cost to import per container. In Jamaica, the percentage of this raise was of 36%: the cost went from US $1,560 in 2012 to US $2,130in 2013.

E. Aid for Trade

According to the ECLAC database "Aid for Development and Trade", 6 of the 17 CARICOM and Central America countries with information available in 2012 received a higher proportion of international aid for carrying out projects related with trade facilitation. In Belize, Costa Rica, Dominica, Guyana, St. Kitts and Nevis and Suriname 56% of the total aid received was for related activities. In the rest of the countries,[12] the highest share of the international aid received was spent on other activities not related to trade.

Despite the share of aid received to facilitate trade, 10 of the 17 countries[13] focused on projects to improve economic infrastructure such as road transport and transportation policies. This data shows the importance that these countries have given to transportation to improve their trading. Also, energy and electrical transmission projects were prioritized.

In Belize, Costa Rica, Guyana and St. Lucia the most important projects related to trade facilitation were those associated with building productive capacities. Among these activities are agribusiness and crops exports and financial policy. Finally, the priority project in Grenada was in rules, trade and policies, with special focus on regional trade agreements.

[12] Antigua and Barbuda, El Salvador, Grenada, Guatemala, Haiti, Honduras, Jamaica, Nicaragua, Panama, Saint Vincent and the Grenadines and St. Lucia.

[13] Antigua and Barbuda, Dominica, El Salvador, Haiti, Honduras, Jamaica, Nicaragua, Panama, Saint Vincent and the Grenadines and Suriname.

III. Conclusions and recomendations

In summary, a trade complementarity between Central America and CARICOM is feasible due to the observed productive specialization. But, it is necessary to create transport routes with competitive costs in order to maintain the competitiveness of their products, mostly in these markets where their main competitors are American and European firms. In this regard, cooperation between countries of the region for the creation of a public-private shipping operator could be a possible option.

Furthermore, the use of Panama as a transport hub could be an option to reduce the transaction costs between both regions. Panama as a logistics hub can offer Central American and CARICOM countries a wide range of logistics services that could help increase the frequency of direct and link transport routes between these countries and, at the same time, reduce their cost.

In that regard, the development of the cabotage project in Central America is also important to reduce the costs associated with transportation in the region. This reduction in intra-regional trade could contribute to decrease the cost of extra-regional trade which would also be beneficial to increase the trade with CARICOM. Similarly, Central America’s experience in cabotage can serve the CARICOM countries to consider a similar service among its members.[14]

With regard to air transport, cooperation between the blocks and the airlines is indispensable to create new routes. The creation of these routes would increase the number of sensitive goods exports, without undermining their competitiveness in terms of cost, as well as the business and tourism travels between both regions. The countries could also explore the possibility of negotiating Open Skies agreements and move forward the negotiations for the creation of a business visa and the facilitation of a tourism visa.

In terms of trade, CARICOM could take advantage of Central America’s need to import energy products and natural resource-based products. However, more work is needed in transport routes as countries with greater trade potential —such as Jamaica, Suriname and Guyana— have few or no trade routes with the Central America countries.

More efforts are also needed in terms of facilitating cross-border trade. Special attention should be placed in reducing the cost and time to import and export goods. In this regard, greater

[14] For more information about cabotage in Central America see: Comisión Centroamericana de Transporte Marítimo (2001), “Estudio de prefactibilidad para el desarrollo del cabotaje regional en Centroamérica” Final Report, Volume I, Managua, Nicaragua.

cooperation between the countries should highlight the transportation cost, business facilities, as well as trade and regulatory policies issues in order to foster greater commercial relations.

Finally, Central American countries need to establish stronger communication and cooperation links with CARICOM. It is necessary to provide more information to entrepreneurs, government officials and associations about the members, functions, rules and features of CARICOM in order to facilitate the creation of strategies for commercial entry. In the same way, CARICOM should provide more information to their nationals about Central American countries. The realization of trade fairs and cooperation meetings, between both regions, could be useful to reach this goal.

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